

# **STILL BREAKING NEW GROUND**

FINANCIAL  
REVIEW

**2017**

# STATUTORY STATEMENTS

## Statement of Responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and reasonableness of presentation of the separate and consolidated financial statements (annual financial statements) of the company and its subsidiaries, associates and joint ventures. The annual financial statements set out on p. 2 to 79 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee (IFRIC), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa.

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 regards to the reliability of the annual 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 annual 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 financial resources.

The annual financial statements were audited by the independent auditor, Ernst & Young Inc. 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 for the year ended 30 April 2017, set out on p. 2 to 79, were approved by the board.



**JDM Minnaar**  
CHAIRMAN

Klerksdorp  
29 June 2017



**F Strydom**  
GROUP CHIEF EXECUTIVE OFFICER



**CF Kruger**  
GROUP CHIEF FINANCIAL OFFICER

## Notice in terms of section 29 of the Companies Act, No. 71 of 2008 (as amended) (“the Act”)

These annual financial statements have been audited in accordance with the Companies Act. These annual financial statements have been prepared under the supervision of CF Kruger, CA (SA), Group Chief Financial Officer.



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**CF Kruger**  
GROUP CHIEF FINANCIAL OFFICER

Klerksdorp  
29 June 2017

## Certification by the Company Secretary

In accordance with section 88 of the Companies Act, where applicable, it is hereby certified that the company and its subsidiaries have lodged all such returns for the year ended 30 April 2017 as required of a public company in terms of the aforesaid Act, with the Registrar of Companies and Intellectual Property Commission (CIPC) and that such returns are true, correct and up to date.



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**EM Joynt**  
COMPANY SECRETARY

Klerksdorp  
29 June 2017

## Report of the Senwes Audit Committee

We are pleased to present our report for the financial year ended 30 April 2017 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 in respect of roles and responsibilities and mandate.

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

Name of member	Meeting attendance	Changes
SF Booysen - B.Compt (Hons) (Acc), D.Com, CA (SA)	3/3	None
ZBM Bassa - B.Com (Acc), Higher Diploma (Acc), CA (SA)	1/1	Retired on 26 August 2016
JBH Botha - BLC.LLB, HDip (Tax)	3/3	None
AJ Kruger - B.Compt (Hons), CA (SA)	3/3	None
NDP Liebenberg - B.Com (Hons), M. Sustainable Agriculture	3/3	None
SM Mohapi - Graduate Diploma in Company direction (NQF7), Diploma in Investment management (UJ)	2/2	Appointed on 26 August 2016

### External auditor

The committee is satisfied that the external auditor, Ernst & Young Inc., is independent of the group, as determined in terms of the Companies Act, which includes consideration of compliance with criteria relating to independence and conflicts of interest as prescribed by the Independent Regulatory Board of Auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2017 financial year.

A formal written policy and procedures (incorporating an authority matrix) governs the process whereby the external auditor is considered for non-audit services. The committee approved the terms of the written policy for the provision of non-audit services by the external auditor and approved the nature and extent of non-audit services that the external

auditor may provide.

The committee nominated Ernst & Young Inc. as the external auditor and Mr Mike Herbst as the designated audit director, for the 2018 financial year (for approval at the annual general meeting).

### Internal financial controls

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. This opinion is 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 2017 financial year;
- the information and explanations given by management; and
- the discussions held with the external auditor on the results of their audit.

### 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 Group Chief Financial Officer review

The committee is satisfied that the group chief financial officer 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 financial 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. The committee 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 perform its duties. Furthermore, the committee oversees co-operation between the internal and external auditor and serves as a link between the board of directors and these functions.



## Report of the Senwes Audit Committee | continued

During the year under review, the committee and the chairman met with the external auditor 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, in particular in respect of:

- ❖ Satisfying itself of the competence of the internal auditors 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 auditor.

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 annual financial statements for approval by the board

The committee recommended the annual financial statements to the board of directors for approval on 29 June 2017.

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**SF Booysen**

CHAIRMAN: AUDIT COMMITTEE

Klerksdorp  
22 June 2017



# Independent Auditor's Report

## To the shareholders of Senwes Limited Report on the audit of the consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Senwes Limited and its subsidiaries, joint ventures and associates (the group) set out on p. 17 to 79, which comprise the consolidated and separate statements of financial position as at 30 April 2017, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Senwes and the group as at 30 April 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

### Basis for opinion

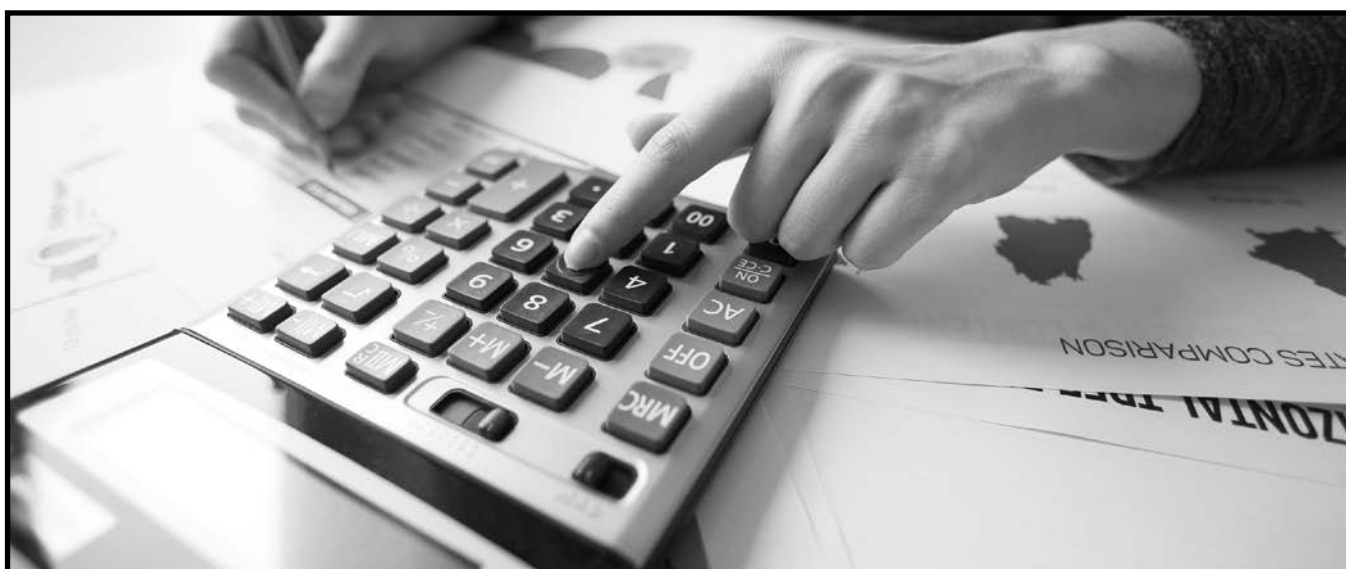
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the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

for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing the audit of Senwes Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA code, and in accordance with other ethical requirements applicable to performing the audit of Senwes Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



Key Audit Matter	How the matter was addressed in the audit
<p><b>Provision for impairment of trade receivables and mortgage loans</b></p> <p><i>(Consolidated and separate financial statements)</i></p> <p>As disclosed in note 8.5 to the financial statements, the group and company have significant specific and portfolio provisions for impairment of trade receivables and mortgage loans.</p> <p>The determination as to whether trade receivables and mortgage loans are collectable involves significant management judgement and estimates, the most significant of which include, for the portfolio provision:</p> <ul style="list-style-type: none"> <li>❖ Crop estimates and yields specific to the customers' region;</li> <li>❖ The number of hectares planted;</li> <li>❖ The expected realisation price, which is the SAFEX price adjusted by grade differences and transport differentials which is determined by customer region;</li> <li>❖ The input costs specific to the customers' region; and,</li> <li>❖ The quality and expected realisation of securities held for customers.</li> </ul> <p>Management uses this information to determine a probability of default of the portfolio (PD) and loss given default (LGD) both of which have a significant impact on the determination of the portfolio impairment recognised against the trade debtors and mortgage loan amounts.</p> <p>Customers that have been handed over to legal are specifically provided for based on the exposure and the estimation of the quality and expected realisation of securities held for the specific customers.</p>	<p>Our audit procedures involved, amongst others, the following:</p> <ul style="list-style-type: none"> <li>❖ We performed the calculation using inputs and assumptions we believed were reasonable and compared the outcome to management's provision calculation;</li> <li>❖ We compared the crop estimates and yields for the specific regions used by management to the information released by the National Crop Estimation Committee;</li> <li>❖ We evaluated the hectares planted with comparison to the hectares for which finance was applied for;</li> <li>❖ We assessed the expected realisation price by customer region taking into account the SAFEX price, average grade differences and average transport differential as realised during the year;</li> <li>❖ We assessed the reasonability of the input costs specific to the customers' region as determined by Senwes Agricultural Services;</li> <li>❖ We performed control testing over the credit application process which includes the verification of securities obtained for finance provided;</li> <li>❖ We recalculated management's factors, used to calculate the provisions, and also the total portfolio provision;</li> <li>❖ We selected a sample of customers that were handed over to legal and evaluated both the existence and sufficiency of the securities and the methodology used by management to determine the expected realisation of the securities held;</li> <li>❖ We have assessed that the significant judgements and estimates are appropriately disclosed.</li> </ul>

### Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa and the Integrated Report, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

When we read the Integrated Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

- ❖ Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ❖ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- ❖ Evaluate the overall presentation, structure and content

of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- ❖ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### **Report on other legal and regulatory requirements**

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Senwes Limited for 14 years.

### ***Ernst & Young Inc.***

#### **Ernst & Young Inc.**

Director – Mike Herbst

Registered Auditor

Chartered Accountant (SA)

30 June 2017

EY

102 Rivonia Road

Sandton

2146



## Statutory Directors' Report

### 1. Main objectives

The main objectives of the group are as follows:

- 1.1 To supply primary agricultural input products and services.
- 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, joint ventures and other financial assets are set out in notes 3 to 5 of the annual financial statements.

### 4. Results

The net profit after tax of the group for the year under review amounted to R167 million (2016 – R156 million). The summarised results are as follows:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Revenue	<b>9 927</b>	9 228	<b>7 200</b>	7 877
Operating profit*	<b>414</b>	373	<b>484</b>	360
Profit after tax*	<b>167</b>	156	<b>202</b>	157

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

\* Includes continued and discontinued operations.

The summarised statement of financial position is as follows:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Total assets	<b>5 261</b>	4 660	<b>5 297</b>	4 563
Total interest-bearing debt	<b>2 617</b>	2 200	<b>2 640</b>	2 200

Refer to the reports of the chairman, CEO, CFO and the operational review report for a comprehensive overview on the results of the operating units.

### 5. Dividends

The board proposed that a final dividend of 25 cents per share (2016 – 20 cents per share) be declared. An interim dividend of 20 cents per share was paid in March 2017 (2016 – 25 cents per share). Refer to note 22.2 for dividends paid and proposed.

## 6. Directors

The board's pursuit of managing the group and the company in accordance with good corporate governance practices still applies. The board comprises of 13 (2016:13) members:

Board members	
Executive directors	3
Independent non-executive directors	3
Non-executive directors	
Senwesbel Ltd	6
Grindrod Trading Holdings (Pty) Ltd	1 (1 alternate)

Executive directors are appointed on the basis of service contracts for a period of three years. Particulars thereof are contained in the corporate governance report and note 23.8.

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

Name	Position	First appointment	Retirement by rotation
JJ Minnaar	Non-executive director	26 August 2011	2017
AJ Kruger	Non-executive director	2 October 2007	2017

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

Name	Position	First appointment	Retirement by rotation
SF Booysen	Independent non-executive director	11 October 2011	2018
SM Mohapi	Independent non-executive director	26 August 2016	2018
JDM Minnaar	Non-executive director	22 September 2009	2019
TF van Rooyen	Non-executive director	29 November 2013	2019
JBH Botha	Independent non-executive director	15 October 2009	2020
WH van Zyl	Non-executive director	31 August 2012	2020
NDP Liebenberg	Non-executive director	21 August 2008	2020
AG Waller	Appointed in terms of the shareholders agreement with Grindrod		

A table of indirect shareholding is included in note 23.8 and indicates directors' indirect shares in Senwes Ltd. Related party information in respect of material contracts and transactions with directors is disclosed in note 23.4 to 23.7. A register of directorships and interests is disclosed annually and circulated at the board meeting.

## 7. Statutory appointments and registered address

### 7.1. Company Secretary

EM Joynt

### 7.2. Public Officer

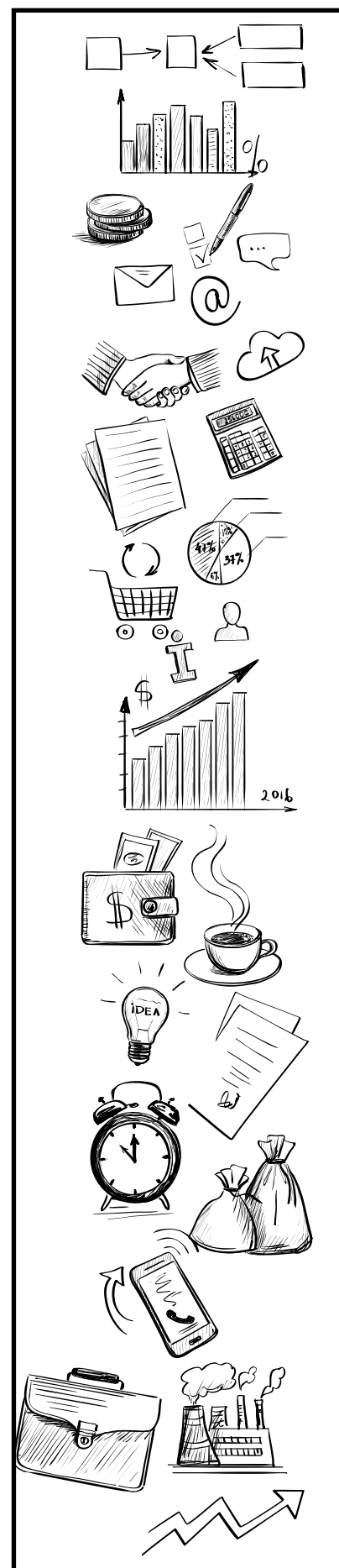
CF Kruger

### 7.3. Registered address

1 Charel de Klerk Street, Klerksdorp, 2571

### 7.4. Postal address

PO Box 31, Klerksdorp, 2570



## Statutory Directors' Report | continued

### 8. Share capital

#### 8.1. Issue of shares

No shares were issued during the year under review.

#### 8.2. Buy-back of shares

The group has not repurchased any of the company's shares during the year under review (2016: nil shares).

Refer note 31.1 for further details regarding the buy-back scheme to commence after year-end.

#### 8.3. Unissued shares

The company's unissued shares amount to 400 327 450 shares (2016: 400 327 450 shares).

### 9. Property, plant and equipment

The carrying value of property, plant and equipment increased by R70 million. New capital amounting to R116 million was spent, R46 million of which was spent to increase operating capacity and R74 million to maintain operating capacity.

Silos with a carrying value of R38 million and a market value of R1,8 billion serve as security for the non-current interest bearing loans disclosed in note 4.2.3.

### 10. Special resolutions

The following special resolutions were adopted at the previous annual general meeting held on 28 August 2016:

#### 10.1. *Special resolution no. 1: Remuneration of non-executive directors*

That the remuneration of non-executive directors, as set out in the notice of the annual general meeting, be approved in terms of article 28.1 of the memorandum and articles of association of the company, read in conjunction with Section 66(9) of the new Companies Act, as amended, with effect from 1 September 2016.

#### 10.2. *Special resolution no. 2: Authorisation of the company or a subsidiary of the company to acquire the shares of the company*

That the company be authorised to repurchase a maximum of 20% of the issued shares of the company from time to time on such terms and conditions as the board may determine from time to time subject to the Companies Act and the listing requirements.

#### 10.3. *Loans and financial assistance*

Any direct or indirect assistance granted or about to be granted by the company to any related or inter-related company of the company as autho-

risied by the board in terms of section 45(2) of the Act is hereby approved, which approval specifically includes that the board may make such arrangements on behalf of the company as they think advisable for financing, assisting or subsidising any of the company's subsidiary companies and/or associate companies and/or entities, in which the company has an interest, and for guaranteeing its contracts, obligations or liabilities, in whatsoever manner, for a period effective as from 1 November 2017 until 31 October 2019.

#### 10.4. *Approval of financial assistance to purchase own shares*

The board be authorised to grant any direct or indirect financial assistance, either by means of a loan, guarantee or the provision of any form of security to any person, and/or the company's holding company, subsidiaries, and/or associates and /or entities in which the company has an interest for the subscription, acquisition or purchase of shares in the company, which have been issued or which is to be issued and that such approval is granted as from date of that annual general meeting until 31 October 2019.

### 11. Share incentive scheme

As at 30 April 2017, the total treasury shares were 11 904 746, which represents 6,6% of the issued share capital. Of these shares, 10 390 943 shares are allocated towards the equity-settled share-based payment scheme. Details of the vesting dates and pricing are disclosed in note 13.2 of the financial statements.

### 12. Shareholders

Details of the shareholder structure are set out in the Corporate Governance report.

### 13. Events after the reporting period

#### 13.1 Share buy-back

A share buy-back to the value of R45 million was announced to commence on 30 June 2017, at an average price of R12,30 per share. Senwes Capital will repurchase Senwes' shares as treasury shares.

### 14. Date for authorisation and issue of financial statements

No authority was given to anyone to make material amendments to the financial statements after the date of approval by directors on 29 June 2017.

## FINANCIAL RESULTS

## Senwes Group 5-year Review

	2017 R'm	2016 R'm	2015 R'm	2014 R'm	2013 R'm
<b>Statement of financial position*</b>					
<b>Assets</b>					
Non-current assets	1 777	1 545	1 214	1 077	822
Current assets	3 484	3 115	3 533	3 051	3 199
<b>Total assets</b>	<b>5 261</b>	<b>4 660</b>	<b>4 747</b>	<b>4 128</b>	<b>4 021</b>
<b>Equity and liabilities</b>					
Capital and reserves	1 970	1 863	1 781	1 622	1 583
Non-controlling interest	19	19	17	13	10
Equity	1 989	1 882	1 798	1 635	1 593
Non-current liabilities	1 002	1 002	1 007	662	1 009
Current liabilities	2 270	1 776	1 942	1 831	1 419
<b>Total equity and liabilities</b>	<b>5 261</b>	<b>4 660</b>	<b>4 747</b>	<b>4 128</b>	<b>4 021</b>
Interest-bearing liabilities included in current and non-current liabilities	2 617	2 200	2 161	1 961	1 782
<b>Income statement per segment</b>					
<b>Revenue</b>					
<b>Financial Services</b> (Senwes Credit, Senwes Asset Finance and Certisure group)	<b>309</b>	230	219	170	139
<b>Input Supply</b> (Senwes Equipment, JD Implemente, Hinterland group and Grasland Ondernemings)	<b>1 350</b>	1 429	1 463	1 552	2 871
<b>Market Access</b> (Senwes Grainlink, Tradevantage, Senwes Graanmakelaars, Grainovation and ESC)	<b>8 171</b>	7 468	6 985	9 889	12 209
<b>Normal operating activities</b>	<b>9 830</b>	9 127	8 667	11 611	15 219
Corporate income	97	101	88	15	35
<b>Total income</b>	<b>9 927</b>	9 228	8 755	11 626	15 254
Discontinued operations	-	-	-	(150)	(1 370)
<b>Income from continuing operations</b>	<b>9 927</b>	9 228	8 755	11 476	13 884
<b>Profit/(loss)*</b>					
<b>Financial Services</b> (Senwes Credit, Senwes Asset Finance and Certisure group)	<b>147</b>	74	99	95	71
<b>Input Supply</b> (Senwes Equipment, JD Implemente, Hinterland group and Grasland Ondernemings)	<b>43</b>	5	89	80	170
<b>Market Access</b> (Senwes Grainlink, Tradevantage, Senwes Graanmakelaars, Grainovation and ESC)	<b>85</b>	174	210	85	177
<b>Normal operating activities</b>	<b>275</b>	253	398	260	418
Corporate costs	(46)	(40)	(65)	(75)	(69)
Investment, business combinations and restructuring income	-	-	-	146	58
<b>Profit before tax</b>	<b>229</b>	213	333	331	407
Taxation	(62)	(57)	(86)	(80)	(100)
<b>Profit for the year</b>	<b>167</b>	156	247	251	307
<b>Profit attributable to:</b>					
Non-controlling interest	1	3	4	3	2
Finance charges included in results	(204)	(164)	(137)	(124)	(104)
<b>Cash flow statement*</b>					
<b>Cash from operating activities</b>	<b>457</b>	500	575	381	490
<b>Total finance costs, tax and dividends paid</b>	<b>(325)</b>	(319)	(314)	(276)	(295)
Finance costs paid	(204)	(164)	(137)	(124)	(104)
Tax paid	(50)	(66)	(98)	(46)	(117)
Dividends paid	(71)	(89)	(79)	(106)	(74)
<b>Change in operating capital</b>	<b>33</b>	(17)	(327)	(28)	(544)
<b>Other operating income</b>	<b>-</b>	-	1	2	-
<b>Net cash flow from/(used in) operating activities</b>	<b>165</b>	164	(65)	79	(349)
<b>Net cash (used in)/from investment activities</b>	<b>(186)</b>	(142)	53	4	(148)
<b>Net cash (used in)/from financing activities</b>	<b>-</b>	-	(5)	(102)	531
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(21)</b>	22	(17)	(19)	34

\*Including discontinued and continuing operations

## Financial and Operating Ratios

Definitions	2017	2016	2015	2014	2013	5-year compounded annual growth %
<b>Financial growth (%)</b>						
Total assets	12,9	(1,8)	15,0	2,7	19,2	9,3
Total shareholder interest	5,7	4,7	10,0	2,6	15,8	7,6
Interest-bearing liabilities	18,9	1,8	10,2	10,0	23,8	12,7
Total revenue from continuing operations	7,6	5,4	(23,7)	(17,3)	16,9	(3,5)
Profit before tax	7,5	(36,0)	0,6	(18,7)	12,4	(8,8)
Normalised headline earnings per share	36,6	(54,7)	77,0	(35,1)	14,8	(4,0)
Net asset value per share	5,7	4,6	10,1	8,3	16,9	9,0
Closing market price per share	(1,0)	(8,7)	7,0	3,4	15,6	2,9
Total dividends for the year	-	(10,0)	4,2	(21,3)	1,7	(5,6)
<b>Performance of ordinary shares</b>						
<b>Number of ordinary shares ('m)</b>						
Weighted average number in issue	168,88	168,88	169,21	172,38	180,46	
Number in issue at year-end	168,88	168,88	168,88	169,29	178,99	
<b>Cents per share</b>						
Earnings	1 98,3	90,6	143,4	143,9	168,9	(7,6)
Normalised headline earnings	2 108,4	79,3	175,2	99,0	152,4	(4,0)
Diluted normalised headline earnings	3 101,2	74,1	164,0	94,4	152,2	(5,3)
Net asset value	4 1 166,5	1 103,1	1 054,6	958,1	884,4	9,0
Closing market price	5 1 040,0	1 050,0	1 150,0	1 075,0	1 040,0	2,9
Total dividends for the year	6 45,0	45,0	50,0	48,0	61,0	
Final dividend proposed	25,0	20,0	26,0	22,0	31,0	
Interim dividend paid	20,0	25,0	24,0	26,0	26,0	
Special dividend paid	-	-	-	-	4,0	
<b>Percentage</b>						
Price-book ratio	7 89,2	95,2	109,0	112,2	117,6	
Dividend yield, including special dividends	8 4,3	3,9	4,7	4,6	6,8	
Dividend yield, excluding special dividends	9 4,3	3,9	4,7	4,6	6,3	
Dividend yield on average market price, including special dividends	10 4,3	4,1	4,5	4,5	6,3	
<b>Times</b>						
Price-earnings ratio	11 9,6	13,2	6,6	10,9	6,8	
Dividend cover, including special dividends	12 2,2	2,0	2,9	3,0	2,8	
Dividend cover, excluding special dividends	13 2,2	2,0	2,9	3,0	3,0	
<b>Shareholder return (%)</b>						
Return on opening equity	14 8,9	8,6	15,0	15,7	22,3	
Return on average equity	15 8,7	8,4	14,3	15,5	20,7	
Total shareholder return (on opening market price) (dividends and capital growth)	16 3,3	(4,8)	11,6	8,0	22,3	
Total shareholder return (on average market price) (dividends and capital growth)	17 3,3	(5,0)	11,2	7,8	20,7	
<b>Productivity</b>						
Asset velocity (times) *	18 2,0	2,0	2,0	2,8	3,8	
Revenue/equity (times) *	19 5,0	4,9	4,9	7,0	8,7	
Number of employees	20 1 540	1 412	1 482	1 443	2 124	
Operating profit per employee (R'000)	21 269	264	360	337	214	
Return on total assets - EBIT (%)	22 8,2	7,7	11,4	12,1	11,5	
Operating profit as % of income*	23 4,2	4,2	5,3	3,9	3,6	
Effective tax rate	24 28	27	26	25	25	
<b>Solvency and liquidity</b>						
Equity as % of net assets	25 43	46	45	45	47	
Equity as % of total assets (own capital ratio)	26 38	40	38	40	40	
Gearing ratio %	27 131	116	119	118	109	
Non-interest-bearing liabilities as % of equity	28 33	30	44	33	41	
Finance costs paid (R'm)	29 (204)	(164)	(137)	(124)	(104)	
Interest cover - EBITDA (times)	30 2,3	2,5	3,7	4,0	5,3	
Current ratio	31 1,5	1,8	1,8	1,7	2,3	
Quick asset ratio	32 1,2	1,3	1,2	1,3	1,6	

\*Revenue from continuing operations used



## Definitions

### 1. Earnings per share

Earnings attributable to shareholders, divided by the weighted average number of shares in issue during the year.

### 2. Normalised headline earnings per share

Normalised headline earnings (refer to note 22.1.3), divided by the weighted average diluted number of shares in issue during the year.

### 3. Diluted normalised headline earnings per share

Diluted normalised headline earnings (refer to note 22.1.4), divided by diluted number of shares during the year.

### 4. Net asset value per share

Capital and reserves, divided by the number of shares in issue at year-end.

### 5. Closing market price per share

Trading price derived from the last share trading transaction of the financial year.

### 6. Total dividends for the year

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

### 7. Price-book ratio

Closing market price per share divided by the net asset value per share, at year-end.

### 8. Dividend yield, including special dividends

Total dividend per share divided by the opening market price per share.

### 9. Dividend yield, excluding special dividends

Total dividend per share, excluding special dividends, divided by opening market price per share.

### 10. Dividend yield on average market price, including special dividends

Total dividend per share, including special dividends, divided by the average market price per share.

### 11. Price-earnings ratio

Closing market price per share divided by the earnings per share.

### 12. Dividend cover, including special dividends

Earnings per share divided by the total dividend per share.

### 13. Dividend cover, excluding special dividends

Earnings per share divided by the total dividend per share, excluding special dividends.

### 14. Return on opening equity

Profit after tax divided by the opening balance of capital and reserves.

### 15. Return on average equity

Profit after tax divided by average capital and reserves.

### 16. Total shareholder return (on opening market prices)

Total dividend yield (definition 8), plus growth in market share price.

### 17. Total shareholder return (on average market price)

Total dividend yield (definition 8), plus average growth in market price.

### 18. Asset velocity

Revenue divided by total average assets.

### 19. Revenue/equity

Revenue divided by total closing equity.

### 20. Number of employees

Number of employees in Senwes (total of permanent and temporary) at year-end.

### 21. Operating profit per employee

Profit before taxation from continuing operations, adjusted with finance costs, investment income and share of profit from associates and joint ventures (operating profit), divided by the total number of employees in Senwes at year-end.

### 22. Return on total assets

Profit before taxation and finance costs from continuing operations (EBIT), as % of total assets less assets of discontinued operations (held-for-sale).

### 23. Operating profit as % of income

Operating profit as percentage of revenue from continuing operations.

### 24. Effective tax rate

Tax expense as per the financial statements as a % of profit before tax.

### 25. Equity as % of net assets

Total equity expressed as a % of total assets, less non-interest-bearing debt.

### 26. Equity as % of total assets

Total equity expressed as a % of total assets.

### 27. Gearing ratio

Interest-bearing debt, reduced by cash, divided by total equity.

### 28. Non-interest-bearing liabilities as % of equity

Non-interest-bearing liabilities and provisions divided by total equity.

### 29. Finance costs paid

Refer to note 19.2. in the annual financial statements.

### 30. Interest cover

Profit before tax, adjusted with depreciation and finance costs (EBITDA), divided by finance costs (refer to note 21.1.4).

### 31. Current ratio

Current assets divided by current liabilities.

### 32. Quick asset ratio

Current assets less inventory, divided by current liabilities.

# Value Added Statement

for the year ended 30 April 2017

	Notes	GROUP			
		2017 R'm	%	2016 R'm	%
Revenue		9 927		9 228	
Paid to suppliers for goods and services		(9 066)		(8 438)	
<b>WEALTH CREATED</b>		<b>861</b>		<b>790</b>	
<b>Distributed as follows:</b>					
Employees and directors		374	40%	362	38%
Salaries, wages and other benefits	1	349	37%	331	34%
Incentive scheme		25	3%	31	3%
Authorities	2	75	8%	69	7%
Financiers		204	22%	164	17%
Shareholders		208	22%	195	20%
Dividends and distribution to ordinary shareholders		71	8%	89	9%
Provision for replacement of assets		41	4%	39	4%
Retained surplus	4	96	10%	67	7%
<b>Wealth created from income</b>		<b>861</b>	<b>92%</b>	<b>790</b>	<b>82%</b>
<b>Wealth created from other sources</b>					
Authorities	3	78	8%	175	18%
<b>TOTAL WEALTH CREATED</b>		<b>939</b>	<b>100%</b>	<b>965</b>	<b>100%</b>

Notes:

1. Employer contributions of R4 million (2016: R4 million) with regards to central insurance funds (UIF and workmen's compensation) are not included in this figure as it is accounted for in the amount paid to authorities (Note 2).

2. Central and Local Government:		
SA normal taxation - current year (incl. discontinued operations)	48	63
Decrease/(increase) in deferred taxation asset	14	(10)
Change in capital gains tax rate	-	6
Previous year's adjustments	-	(2)
Skills development levy net of refunds	3	3
Rates and taxes paid to local authorities	6	5
Central insurance funds	4	4
<b>Spending on authorities</b>	<b>75</b>	<b>69</b>
3. Other taxes comprise of:		
VAT	8	99
PAYE	65	73
Withholding tax on dividends	5	3
<b>Spending on authorities</b>	<b>78</b>	<b>175</b>
<b>Total spending on authorities</b>	<b>153</b>	<b>244</b>
4. Retained surplus comprises of:		
Total comprehensive income, net of tax	167	156
Dividends	(71)	(89)
<b>Retained surplus</b>	<b>96</b>	<b>67</b>

## Shareholders

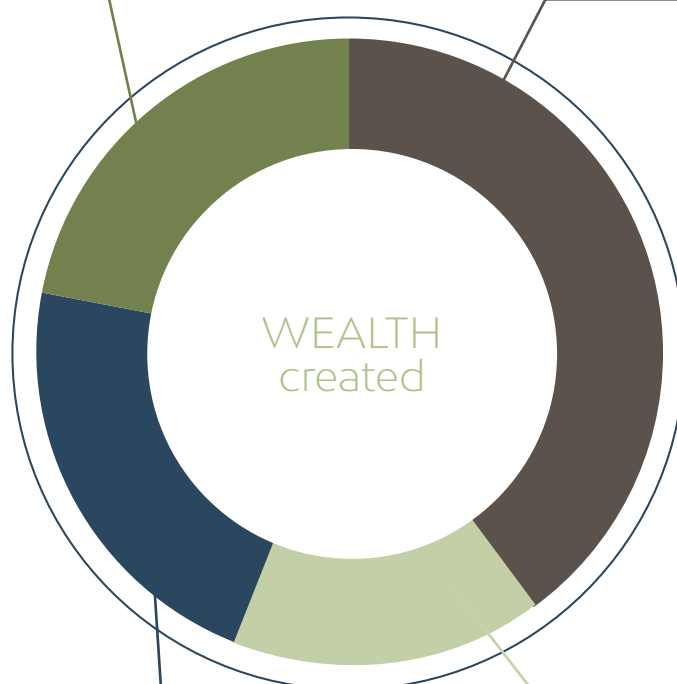
**22%** (20% in 2016)**R208 million**

(R195 million in 2016)

## Employees

**40%** (38% in 2016)**R374 million**

(R362 million in 2016)



## Providers of debt (interest)

**22%** (17% in 2016)**R204 million**

(R164 million in 2016)

## Authorities

**16%** (25% in 2016)**R153 million**

(R244 million in 2016)



# Consolidated Statement of Financial Position

as at 30 April 2017

		GROUP		COMPANY	
	Notes	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Assets					
Non-current assets					
Property, plant and equipment	2	471	403	397	341
Investment in subsidiaries	3.2	-	-	98	70
Investment in joint ventures	5.1	228	226	263	273
Investment in associate	5.2	25	-	25	-
Other financial assets	4.1.1	4	4	4	4
Long-term portion of other loans receivable	4.1.2.1; 4.1.2.2	7	-	34	-
Loans and other receivables	6	1 031	888	1 031	888
Deferred tax asset	15.2	11	24	-	16
Total non-current assets		1 777	1 545	1 852	1 592
Current assets					
Inventory	7	674	536	525	353
Trade and other receivables	8	2 557	2 175	2 411	2 047
Other loans receivable	4.1.2	36	32	415	342
Inventory held to satisfy firm sales	9	75	250	82	125
Derivative financial instruments	17.1	128	87	1	85
Cash and short-term deposits	4.1.3	14	35	-	19
Total current assets		3 484	3 115	3 434	2 971
TOTAL ASSETS		5 261	4 660	5 286	4 563
Equity and liabilities					
Equity					
Issued capital	11	1	1	1	1
Share premium	12.1	67	67	67	67
Treasury shares	12.2	(126)	(126)	-	-
Reserves	12.3; 12.4; 13.2	33	20	42	32
Retained earnings		1 995	1 901	1 950	1 831
Own equity		1 970	1 863	2 060	1 931
Non-controlling interest	3.3	19	19	-	-
Total equity		1 989	1 882	2 060	1 931
Non-current liabilities					
Interest-bearing loans	4.2.3	1 002	1 002	1 000	1 000
Deferred tax liability	15.2	-	-	17	-
Total non-current liabilities		1 002	1 002	1 017	1 000
Current liabilities					
Trade and other payables	14	459	479	375	387
Interest-bearing loans	4.2.2	1 574	1 160	1 573	1 160
Other loans payable	4.2.1	43	41	67	41
Derivative financial instruments	17.2	169	58	167	6
Tax payable	26	-	2	2	2
Incentive bonuses: short-term portion	13.1	14	19	14	19
Provisions	16	11	17	11	17
Total current liabilities		2 270	1 776	2 209	1 632
Total liabilities		3 272	2 778	3 226	2 632
TOTAL EQUITY AND LIABILITIES		5 261	4 660	5 286	4 563

# Consolidated Statement of Comprehensive Income

for the year ended 30 April 2017

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Services rendered		409	498	425	513
Finance income	19.3	328	245	364	247
Income from sale of goods		1 730	1 508	1 295	1 284
Income from commodity trading		7 460	6 977	5 116	5 833
<b>Revenue</b>		<b>9 927</b>	<b>9 228</b>	<b>7 200</b>	<b>7 877</b>
Cost of sales	19.1	(8 833)	(8 150)	(6 096)	(6 843)
<b>Gross profit</b>		<b>1 094</b>	<b>1 078</b>	<b>1 104</b>	<b>1 034</b>
Dividend income	20	-	-	5	4
Distribution, sales and administrative expenses	19.1	(680)	(705)	(636)	(678)
<b>Operating profit</b>		<b>414</b>	<b>373</b>	<b>473</b>	<b>360</b>
Finance costs	19.2	(204)	(164)	(206)	(166)
Share of profit/(loss) from joint ventures and associate	5.1	19	(12)	-	-
<b>Profit before tax from continuing operations</b>		<b>229</b>	<b>197</b>	<b>267</b>	<b>194</b>
Taxation	15.1	(62)	(60)	(76)	(55)
<b>Profit for the year after tax from continuing operations</b>		<b>167</b>	<b>137</b>	<b>191</b>	<b>139</b>
Profit after tax from discontinued operations	10	-	19	-	18
<b>Profit for the year</b>		<b>167</b>	<b>156</b>	<b>191</b>	<b>157</b>
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax</b>					
Share of other comprehensive income of joint venture	5.1	1	-	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>168</b>	<b>156</b>	<b>191</b>	<b>157</b>
<b>Profit attributable to:</b>					
Equity holders of the parent		166	153	191	157
Non-controlling interest		1	3	-	-
<b>Total comprehensive income attributable to:</b>					
Equity holders of the parent		167	153	191	157
Non-controlling interest		1	3	-	-

## Earnings per share

	Notes	2017 cents/ share	2016 cents/ share
Earnings per share	22.1.3	98,3	90,6
Earnings per share (continued operations)	22.1.3	98,3	79,3
Normalised headline earnings per share	22.1.3	108,4	79,3
Diluted earnings per share	22.1.4	91,8	84,7
Diluted normalised headline earnings per share	22.1.4	101,2	74,1

## Dividends for the year

	Notes	2017 cents/ share	2016 cents/ share
Dividend per share paid during the year	22.2	40	51
Final dividend previous year		20	26
Interim dividend		20	25
Final dividend per share proposed	22.2	25	20



# Consolidated Statement of Change in Equity

for the year ended 30 April 2017

		Issued share capital R'm	Share premium R'm	Treasury Shares R'm	Share- based payment reserve R'm	Change in ownership R'm	Fair value adjustments* R'm	Retained earnings R'm	Non- controlling interest R'm	Total equity R'm
Notes		11	12.1	12.2	13.2	12.4	12.3		3.3	
<b>Group</b>										
<b>Balance as at 30 April 2015</b>		1	67	(126)	14	(14)	5	1 834	17	1 798
Total comprehensive income		-	-	-	-	-	-	153	3	156
Profit for the year		-	-	-	-	-	-	153	3	156
Other comprehensive income		-	-	-	-	-	-	-	-	-
Dividends	22.2	-	-	-	-	-	-	(88)	(1)	(89)
Equity-settled share-based payment scheme		-	-	-	17	-	-	-	-	17
<b>Balance as at 30 April 2016</b>		1	67	(126)	31	(14)	5	1 899	19	1 882
Total comprehensive income		-	-	-	-	-	1	166	1	168
Profit for the year		-	-	-	-	-	-	166	1	167
Other comprehensive income		-	-	-	-	-	1	-	-	1
Dividends	22.2	-	-	-	-	-	-	(70)	(1)	(71)
Equity-settled share-based payment scheme		-	-	-	10	-	-	-	-	10
<b>Balance as at 30 April 2017</b>		1	67	(126)	41	(14)	6	1 995	19	1 989

\*R3 million relates to a fair value adjustment on Suidwes Holdings and R3,6 million to fair value adjustments on Molemi Sele Management.

<b>Company</b>										
<b>Balance as at 30 April 2015</b>		1	67	-	14	-	3	1 766	-	1 851
Total comprehensive income		-	-	-	-	-	-	157	-	157
Profit for the year		-	-	-	-	-	-	157	-	157
Other comprehensive income		-	-	-	-	-	-	-	-	-
Dividends	22.2	-	-	-	-	-	-	(92)	-	(92)
Equity-settled share-based payment scheme		-	-	-	15	-	-	-	-	15
<b>Balance as at 30 April 2016</b>		1	67	-	29	-	3	1 831	-	1 931
Total comprehensive income		-	-	-	-	-	-	191	-	191
Profit for the year		-	-	-	-	-	-	191	-	191
Other comprehensive income		-	-	-	-	-	-	-	-	-
Dividends	22.2	-	-	-	-	-	-	(72)	-	(72)
Equity-settled share-based payment scheme		-	-	-	10	-	-	-	-	10
<b>Balance as at 30 April 2017</b>		1	67	-	39	-	3	1 950	-	2 060

# Consolidated Statement of Cash Flows

for the year ended 30 April 2017

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Net cash flows from operating activities</b>		<b>165</b>	164	<b>253</b>	151
Cash from operating activities	24	<b>457</b>	500	<b>508</b>	480
Finance costs paid	19.2	<b>(204)</b>	(164)	<b>(206)</b>	(166)
Tax paid	26	<b>(50)</b>	(66)	<b>(43)</b>	(61)
Dividends paid	22.2	<b>(71)</b>	(89)	<b>(72)</b>	(92)
Changes in operating capital	25	<b>33</b>	(17)	<b>66</b>	(10)
<b>Net cash flows used in investment activities</b>		<b>(186)</b>	(142)	<b>(272)</b>	(138)
Purchase of property, plant and equipment	27	<b>(116)</b>	(122)	<b>(102)</b>	(120)
Proceeds from the disposal of property, plant and equipment	28	<b>2</b>	2	<b>2</b>	2
Proceeds from the sale of available-for-sale financial asset		-	1	-	1
Grant to Senwes Share Incentive Trust	3.2	-	-	<b>(27)</b>	(20)
Additional investments in joint ventures or associate	5	<b>(25)</b>	(26)	<b>(25)</b>	(26)
Dividends received from investments in joint ventures		<b>4</b>	3	<b>4</b>	3
Dividends received from subsidiaries		-	-	<b>1</b>	1
Additional loans received from related parties	29	<b>2</b>	7	<b>26</b>	7
Repayment of loans from related parties	29	<b>(44)</b>	(8)	<b>(44)</b>	(8)
Additional loans granted to related parties	29	<b>(16)</b>	(36)	<b>(130)</b>	(64)
Repayment of loans to related parties	29	<b>7</b>	37	<b>23</b>	86
<b>Net cash flows before financing activities</b>		<b>(21)</b>	22	<b>( 19)</b>	13
Net cash from financing activities		-	-	-	-
Repayment of interest-bearing loans	4.2.3	-	(650)	-	(650)
Proceeds from interest-bearing loans	4.2.3	-	650	-	650
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(21)</b>	22	<b>(19)</b>	13
<b>Cash and cash equivalents – beginning of the year</b>		<b>35</b>	13	<b>19</b>	6
<b>Cash and cash equivalents – end of the year</b>		<b>14</b>	35	<b>-</b>	19

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Segmental information

- 1.1** 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, Senwes Asset Finance and Certisure group)

Credit extension to agricultural producers and grain buyers. Senwes Credit also renders agricultural services to its growing client base. Certisure includes commission received on short-term, crop and life insurance premiums and administration fees.

### Input Supply

(Senwes Equipment, JD Implemente, Hinterland group and Grasland Ondernemings)

Sales at retail outlets, direct sales of farming input requirements and sales of mechanisation goods and spare parts, as well as the servicing of such farming and other mechanisation equipment.

### Market Access

(Senwes Grainlink, Tradevantage, Senwes Graanmakelaars, Grainovation and ESC)

Income received from the handling and storage of agricultural produce as well as the transportation of grain commodities. Commission earned on marketing of grain and revenue from the sale of grain. Electronic issuing and trading of silo certificates.

### Corporate

(Molemi Sele, Senwes Share Incentive Trust, Thobo Trust, Senwes Capital, Senwes Agrowth and Nautilus Hedge Fund)

Head office services, information technology, human resources, properties, central administration, fleet management, secretarial services, legal services, corporate marketing, risk management, internal audit, strategic development, group finance, corporate finance, innovation and integration, business engineering and 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. Segmental performance is evaluated, based on operating profit or loss, and is measured consistently against operating profit or loss in the consolidated financial statements.

## 1.2 Segmental revenue and results

The Senwes group operates in South Africa only.

### Financial services (Senwes Credit, Senwes Asset Finance and Certisure group)

Income from financing clients and service level agreement income

Finance costs

Profit from joint ventures

### Input supply (Senwes Equipment, JD Implemente, Hinterland group and Grasland Ondernemings)

Income from sale of goods and services rendered

Intragroup sales

Finance costs

Loss from joint ventures

### Market access (Senwes Grainlink, Tradevantage, Senwes Graanmakelaars, Grainovation and ESC)

Income from commodity trading, sale of goods and services rendered

Intragroup sales

Finance costs

Profit from joint ventures

### Normal operational activities

#### Corporate

Income from service level agreement

Interest income from joint ventures

Finance costs

Corporate costs\*

### Total revenue

### Profit before tax from continuing and discontinued operations

Taxation

### Profit for the year from continuing and discontinued operations

### Profit after tax from discontinuing operations

Market access

### Profit after tax from continuing operations

GROUP			
2017 R'm	2016 R'm	2017 R'm	2016 R'm
SEGMENTAL REVENUE		SEGMENTAL PROFIT/(LOSS)	
309	230	147	74
309	230	275	158
-	-	(136)	(92)
-	-	8	8
1 350	1 429	43	5
1 470	1 447	62	46
(120)	(18)	-	-
-	-	(14)	(18)
-	-	(5)	(23)
8 171	7 468	85	174
12 508	12 401	133	223
(4 337)	(4 933)	-	-
-	-	(51)	(52)
-	-	3	3
9 830	9 127	275	253
97	101	(46)	(40)
82	82	15	15
15	19	16	11
-	-	(3)	(2)
-	-	(74)	(64)
9 927	9 228		
Profit before tax from continuing and discontinued operations		229	213
Taxation		(62)	(57)
Profit for the year from continuing and discontinued operations		167	156
Profit after tax from discontinuing operations			
Market access		-	(19)
Profit after tax from continuing operations		167	137

\*Included with corporate costs are group adjustments on investments in joint ventures.

### 1.3 Net segmental assets

	GROUP					
	2017 R'm	2016 R'm	2017 R'm	2016 R'm	2017 R'm	2016 R'm
	ASSETS		LIABILITIES		NET	
Financial services	3 230	2 812	(1 956)	(1 618)	1 274	1 194
Input supply*	898	724	(571)	( 425)	327	299
Market access	955	966	(527)	(569)	428	397
Total operations	5 083	4 502	(3 054)	(2 612)	2 029	1 890
Corporate	167	134	(218)	(166)	(51)	(32)
Total segmental assets/(liabilities)	5 250	4 636	(3 272)	(2 778)	1 978	1 858
Deferred tax	11	24	-	-	11	24
<b>Total</b>	<b>5 261</b>	<b>4 660</b>	<b>(3 272)</b>	<b>(2 778)</b>	<b>1 989</b>	<b>1 882</b>

\*Assets include the net investment in Hinterland joint venture of R127 million (2016: R125 million).

### 1.4 Segmental disclosable items

	GROUP					
	2017 R'm	2016 R'm	2017 R'm	2016 R'm	2017 R'm	2016 R'm
	CAPITAL EXPENDITURE		DEPRECIATION		NON-CASH TRANSACTIONS*	
Financial services	-	-	1	-	(5)	44
Input supply	29	11	7	7	(12)	17
Market access	68	79	22	20	(15)	-
Corporate	19	32	11	12	4	-
<b>Total</b>	<b>116</b>	<b>122</b>	<b>41</b>	<b>39</b>	<b>(28)</b>	<b>61</b>

\*Non-cash transactions consist of provisions made.

## 2. Property, plant and equipment

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Cost price</b>	<b>996</b>	<b>886</b>	<b>916</b>	<b>819</b>
Land	35	17	8	2
Silos	107	107	107	107
Buildings and improvements	204	190	162	148
Plant and equipment	567	498	562	493
Vehicles	83	74	77	69
<b>Accumulated depreciation and impairments</b>	<b>(525)</b>	<b>(483)</b>	<b>(519)</b>	<b>(478)</b>
Silos	(69)	(64)	(69)	(64)
Buildings and improvements	(57)	(52)	(57)	(52)
Plant and equipment	(341)	(317)	(338)	(314)
Vehicles	(58)	(50)	(55)	(48)
<b>Total carrying value</b>	<b>471</b>	<b>403</b>	<b>397</b>	<b>341</b>

- 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 18.2.

## 2017 - Reconciliation of the movements on property, plant and equipment

	Balance at the beginning of the year R'm	Purchases R'm	Disposals and impairment provisions R'm	Transfers within asset classes R'm	Depreciation R'm	Balance at the end of the year R'm
<b>Group 2017</b>						
Land	17	18	-	-	-	35
Silos*	43	4	(6)	(3)	-	38
Buildings and improvements	138	14	-	-	(5)	147
Plant and equipment**	180	70	-	3	(27)	226
Vehicles	25	10	(1)	-	(9)	25
<b>Total</b>	<b>403</b>	<b>116</b>	<b>(7)</b>	<b>-</b>	<b>(41)</b>	<b>471</b>

**Company 2017**

Land	2	6	-	-	-	8
Silos*	43	4	(6)	(3)	-	38
Buildings and improvements	96	14	-	-	(5)	105
Plant and equipment**	179	68	-	3	(26)	224
Vehicles	21	10	(1)	-	(8)	22
<b>Total</b>	<b>341</b>	<b>102</b>	<b>(7)</b>	<b>-</b>	<b>(39)</b>	<b>397</b>

\*Included with this balance is an impairment provision of R5,7 million. Due to the five-year average result and the ROA being lower than the required WACC rate, impairment was provided for the total net asset value at the specific silo which is all attributable to the Market access segment. The impairment is included with Distribution, sales and administrative expenses on the statement of comprehensive income. The recoverable amount of the silo was the value in use.

\*\*Included with purchases is goodwill to the value of R6 million, which originated from the Agrico-transaction. Refer note 3.1.

## 2016 - Reconciliation of the movements on property, plant and equipment

	Balance at the beginning of the year R'm	Purchases R'm	Disposals R'm	Transfers within asset classes R'm	Depreciation R'm	Balance at the end of the year R'm
<b>Group 2016</b>						
Land	16	1	-	-	-	17
Silos	53	5	-	(15)	-	43
Buildings and improvements	84	43	-	15	(4)	138
Plant and equipment	140	66	-	-	(26)	180
Vehicles	27	7	-	-	(9)	25
<b>Total</b>	<b>320</b>	<b>122</b>	<b>-</b>	<b>-</b>	<b>(39)</b>	<b>403</b>

**Company 2016**

Land	1	1	-	-	-	2
Silos	53	5	-	(15)	-	43
Buildings and improvements	42	43	-	15	(4)	96
Plant and equipment	139	66	-	-	(26)	179
Vehicles	24	5	-	-	(8)	21
<b>Total</b>	<b>259</b>	<b>120</b>	<b>-</b>	<b>-</b>	<b>(38)</b>	<b>341</b>



### 3. Investment in companies

#### 3.1 Corporate transactions

##### 2017

##### Agrico (Pty) Ltd

Due to Agrico (Pty) Ltd having dissolved its John Deere agency, Senwes Equipment was afforded the opportunity to acquire two branches from Agrico (Pty) Ltd, namely Agrico Aliwal-North and Agrico Ugie on 1 August 2016. Simultaneously, JD Implemente (Pty) Ltd acquired Agrico George from Agrico (Pty) Ltd.

##### At acquisition date fair value of assets acquired and liabilities assumed:

	Senwes Ltd R'm	JD Implemente (Pty) Ltd R'm
Property, plant and equipment	6	1
Inventory	8	8
Total identifiable net assets	14	9
Goodwill arising from acquisition	4	2
Purchase consideration transferred	18	11

The net assets recognised in these financial statements are at fair value as at the acquisition date and due to the fact that no other identifiable assets were identified, Goodwill was recognised. Goodwill is included with plant and equipment under Property, plant and equipment in the statement of financial position.

The goodwill that arose was tested for impairment and the headroom was sufficient.  
100% of each of the two branches was obtained by Senwes.

##### Nautilus Hedge Fund

A hedge fund was established on a 50/50 basis with Absa during the period under review. Both parties contributed R25 million to the hedge fund upon establishment of the fund. The plan is to grow the fund with external investors. In this partnership Absa will be responsible for the CAT IIA licence and will also provide access to potential investors. Senwes will be responsible for governance and risk management.

Notwithstanding the fact that Senwes does not hold any voting rights in the Nautilus AAM Commodity QHF portfolio of the Nautilus Qualified Investor Hedge Fund Scheme, Senwes has significant influence over the portfolio as a result of the fact that it renders essential technical services to the portfolio. The investment will therefore be classified as an associate.

##### 2016

There were no corporate transactions during the year under review.

### 3.2 Investment in subsidiaries

	Note	Total shares in issue	Interest %	Shares R'm	Total net investment R'm
<b>Company 2017</b>					
JD Implemente (Pty) Ltd		1 000	50	6	6
Senwes Agrowth (Pty) Ltd*		1 000	73,5	-	-
Senwes Capital (Pty) Ltd		11 054	100	24	24
Senwes Graanmakelaars (Pty) Ltd		100	100	-	-
Senwes Mauritius Ltd		240	100	-	-
Senwes Share Incentive Trust **	13.2	-	100	65	65
Tradevantage Grain (Pty) Ltd		-	100	3	3
<b>Total carrying value</b>				<b>98</b>	<b>98</b>

\*Senwes Agrowth (Pty) Ltd is the holding company of Tradevantage and consists of equity and an investment of R100 only. Thobo Trust holds a 26,5% interest in Tradevantage (Pty) Ltd, a subsidiary of Senwes Agrowth (Pty) Ltd. No non-controlling interest is accounted for. Profits are to be used for social development activities per the trust agreement. The trust is ring-fenced as a special purpose vehicle and therefore consolidated.

\*\*Senwes Share Incentive Trust was established as a vehicle for the equity-settled share-based payment scheme. During the year Senwes granted R26,8 million to the trust to obtain 2 561 036 shares which were granted to employees.

	Note	Total shares in issue	Interest %	Shares R'm	Total net investment R'm
<b>Company 2016</b>					
JD Implemente (Pty) Ltd		1 000	50	6	6
Senwes Agrowth (Pty) Ltd*		1 000	73,5	-	-
Senwes Capital (Pty) Ltd		11 054	100	24	24
Senwes Graanmakelaars (Pty) Ltd		100	100	-	-
Senwes Mauritius Ltd		240	100	-	-
Senwes Share Incentive Trust*	13.2	-	100	38	38
Tradevantage Grain (Pty) Ltd		-	100	2	2
<b>Total carrying value</b>				<b>70</b>	<b>70</b>

\*During the year Senwes granted R20,3 million to the trust to obtain 1 955 807 shares which were granted to employees.

### 3.3 Financial information of subsidiaries

Only subsidiaries with significant non-controlling interest will be disclosed. The following is the financial information of subsidiaries with significant non-controlling interest. A full list of subsidiaries is available for inspection at the registered office of the company.

#### 3.3.1 JD Implemente (Pty) Ltd

Senwes has a 50% interest in JD Implemente (Pty) Ltd (JDI). JDI is accounted for as a subsidiary due to the fact that Senwes appoints the chairman of the board and where the shareholders disagree, the chairman has the casting vote. JDI's core business is the sale of mechanisation goods, spare parts and rendering of workshop services in the Eastern and Western Cape. The financial year-end is the same as Senwes' financial year-end. The registered office of the company is in Swellendam, South Africa.

The following is the summarised financial information:

	2017 R'm	2016 R'm
<b>Financial position</b>		
Non-current assets	31	17
Current assets, excluding bank and cash	82	97
Cash and cash equivalents	2	3
Trade payables	(45)	(71)
Current financial liabilities, excluding trade payables	(5)	(1)
Non-current liabilities	(27)	(7)
<b>Equity</b>	<b>38</b>	<b>38</b>
Attributable to:		
Equity holders of the parent	19	19
Non-controlling interest	19	19
<b>Financial results</b>		
Revenue	338	255
Cost of sales	(299)	(218)
Other income	1	1
Depreciation	(2)	(2)
Expenses	(35)	(24)
Finance costs	(2)	(1)
<b>Profit before tax</b>	<b>1</b>	<b>11</b>
Tax	-	(3)
<b>Profit after tax</b>	<b>1</b>	<b>8</b>
Non-controlling interest share in profit or loss	-	4
Dividends paid to non-controlling shareholders	1	1
<b>Summarised cash flows are as follows:</b>		
(Used in)/generated from operating activities	(12)	5
Used in investing activities	(12)	(2)
Generated from/(used in) financing activities	23	(6)
<b>Net decrease in cash flows</b>	<b>(1)</b>	<b>(3)</b>

## 4. Other financial assets and liabilities

### 4.1 Financial assets

#### 4.1.1 Other financial assets

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Financial assets available-for-sale</b>	<b>4</b>	4	<b>4</b>	4

Financial assets available-for-sale comprise of an investment in Suidwes Holdings of 634 885 shares at R5,65 per share (2016: 703 333 shares at R5,08 per share).

Shares sold in Suidwes Holdings Ltd during the year amounted to 68 448 (2016: 164 626).

## 4.1.2 Other loans receivable

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Current assets</b>				
<b>Non-interest-bearing loan to related party (foreign company)</b>				
Senwes Mauritius Ltd	-	-	12	13
<b>Interest-bearing loans to related parties (local companies)</b>				
Grasland Ondernemings (Pty) Ltd	3	2	3	2
Hinterland SA (Pty) Ltd	1	-	1	-
JD Implemente (Pty) Ltd	-	-	4	5
Senwes Graanmakelaars (Pty) Ltd	-	-	1	-
Thobo Trust	-	-	1	1
Tradevantage Grain (Pty) Ltd	-	-	361	273
<b>Non-interest-bearing loans to related parties</b>				
Prodist (Pty) Ltd	30	30	30	30
Senwes Capital (Pty) Ltd	-	-	-	18
Silo Certs (Pty) Ltd	2	3	2	3
Provision for impairment - Silo Certs (Pty) Ltd	-	(3)	-	(3)
<b>Balance at the end of the year</b>	<b>36</b>	<b>32</b>	<b>415</b>	<b>342</b>

- \* The loan to Senwes Mauritius Ltd is unsecured and interest free. This loan is in US dollars and the exchange loss recognised on this loan is R1 million (2016: profit R2 million).
- \* Refer to note 4.1.2.1 below for details regarding the loans to Grasland Ondernemings (Pty) Ltd.
- \* The loan to Hinterland SA (Pty) Ltd is unsecured, bears interest at a prime-linked rate and has no fixed repayment terms.
- \* The loan to Prodist (Pty) Ltd is unsecured, interest free and is repayable on demand.
- \* Refer to note 4.1.2.2 below for details regarding the loans to JD Implemente (Pty) Ltd.
- \* Although Thobo Trust holds a 26,5% interest in Tradevantage, no non-controlling interest is accounted for. Profits are to be used for social development activities as per the trust agreement. The trust is ring-fenced as a special purpose vehicle and therefore consolidated. The loan to Thobo Trust is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- \* The loan to Tradevantage Grain (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.
- \* The loan receivable from Senwes Capital (Pty) Ltd in 2016 is unsecured, interest free, has no fixed repayment terms and is repayable on demand.
- \* The loan to Senwes Graanmakelaars (Pty) Ltd is unsecured, bears interest at a prime-linked rate and has no fixed repayment terms, but is repayable on demand.
- \* The loan to Silo Certs (Pty) Ltd is unsecured, interest free with no fixed repayment terms.

## 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.

#### 4.1.2.1 Grasland Ondernemings (Pty) Ltd

	GROUP AND COMPANY - 2017		
	Short-term portion	Long-term portion	Total
<b>Total capital outstanding</b>	<b>3</b>	<b>7</b>	<b>10</b>

A detailed register of these loans is available for inspection at the registered office of the company.

The loans bear interest at prime-linked rates. The loans are secured by equipment and a cession over trade receivables. The loans are repayable in monthly instalments with the last payments due between February 2020 and June 2021.

#### 4.1.2.2 JD Implemente (Pty) Ltd

	COMPANY – 2017		
	Short-term portion	Long-term portion	Total
<b>Total capital outstanding</b>	<b>4</b>	<b>27</b>	<b>31</b>

A detailed register of these loans is available for inspection at the registered office of the company.

The loans bear interest at prime-linked rates. Most of the loans are sufficiently secured. This includes bonds over properties in George, Bredasdorp and Swellendam as well as a cession over trade receivables. The loans are repayable in various monthly instalments.

#### 4.1.3 Cash and short-term deposits

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Cash and short-term deposits</b>	<b>14</b>	35	-	19

### 4.2 Financial liabilities

#### 4.2.1 Other loans payable

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Current interest-bearing loans from related parties</b>				
Certisure group	18	2	18	2
Hinterland SA (Pty) Ltd	-	39	-	39
Grainovation (Pty) Ltd	25	-	25	-
Senwes Capital (Pty) Ltd	-	-	24	-
<b>Total</b>	<b>43</b>	41	<b>67</b>	41

\*The loan from Certisure group is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.

\*The loan from Hinterland SA (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, has no fixed repayment terms and bears interest at a prime-linked rate.

\*The loan from Grainovation (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.



## 4.2.2 Current interest-bearing loans

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Short-term loans	1 572	1 136	1 572	1 136
Related parties	-	23	-	23
Commodity finance	2	1	1	1
<b>Total</b>	<b>1 574</b>	<b>1 160</b>	<b>1 573</b>	<b>1 160</b>

### Short-term loans

#### Absa:

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. Senwes has an Absa facility of R3 billion available and at year-end only R1,6 billion (2016: R1,1 billion) was utilised.

#### Commodity finance:

The carrying value of the finance approximates the fair value of the underlying commodities. Commodities which are pledged as security are reflected in note 9. Commodity finance bears interest at a sub-prime-linked rate and is capitalised monthly.

## 4.2.3 Non-current interest-bearing loans

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Interest-bearing loans</b>	<b>1 002</b>	<b>1 002</b>	<b>1 000</b>	<b>1 000</b>

The group has the following non-current interest-bearing loans:

- \* A facility of R650 million with Nedbank, effective from 29 May 2015. The facility was fully utilised on 29 May 2015. This loan is repayable as a balloon payment on 1 June 2020 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.
- \* A facility of R350 million with Nedbank, effective from 30 April 2015. The facility was fully utilised on 30 April 2015. This loan is repayable as a balloon payment on 1 May 2020 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 (silos) with a market value of R1,8 billion, set as the value of security at the bank, and carrying amount of R38 million serve as security for the above-mentioned long-term loans.
- \* The loan of R2 million is payable by JD Implemente (Pty) Ltd to the Tomlinson Family Trust. This loan is interest free, has no fixed repayment terms and is unsecured.

# 5. Investments in joint ventures and associate

## 5.1 Joint ventures

All joint ventures are accounted for by applying the equity method. The carrying values of the investments in joint ventures are as follows:

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Certisure group	5.1.1	71	67	3	3
Grainovation (Pty) Ltd	5.1.2	14	12	-	-
Grasland Ondernemings (Pty) Ltd	5.1.3	14	16	2	2
Hinterland SA (Pty) Ltd (Group)	5.1.4	123	125	256	266
Molemi Sele Management (Pty) Ltd	5.1.5	5	3	2	2
Silo Certs (Pty) Ltd	5.1.6	1	3	-	-
<b>Total carrying amount</b>		<b>228</b>	<b>226</b>	<b>263</b>	<b>273</b>

The share in profit/(loss) and other comprehensive income from the investment in joint ventures for the year are as follows:

	Notes	GROUP	
		2017 R'm	2016 R'm
Certisure group	5.1.1	8	8
Grainovation (Pty) Ltd	5.1.2	3	3
Grasland Ondernemings (Pty) Ltd	5.1.3	(2)	(3)
Hinterland SA (Pty) Ltd (group)	5.1.4	10	(20)
Total profit/(loss) from joint ventures		19	(12)
Other comprehensive income from joint venture - Molemi Sele Management		1	-
<b>Total profit/(loss) and other comprehensive income from joint ventures</b>		<b>20</b>	<b>(12)</b>

### 5.1.1 Certisure group

The group has a 50% interest in the Certisure group. The core business activity is insurance broking and administrative services. The financial year-end is the same as the Senwes group financial year-end. The registered office of the company is the same as Senwes' registered office.

The following is the summarised financial information of the Certisure group:

	2017 R'm	2016 R'm
<b>Statement of financial position of the Certisure group:</b>		
Non-current assets	4	3
Current assets, excluding cash and cash equivalents	51	50
Cash and cash equivalents	6	1
Trade payables	(4)	(2)
Provisions	(4)	(5)
Other current financial liabilities	(4)	(6)
<b>Equity</b>	<b>49</b>	<b>41</b>
<b>50% proportion of the group's ownership:</b>		
Carrying amount of the investment*	71	67
<i>*Includes a revaluation of R46 million recognised due to loss of control over a subsidiary (1 May 2012)</i>		
<b>The revenue and profit of the Certisure group are as follows:</b>		
Revenue	62	56
Operating expenses	(44)	(39)
Finance income	4	4
<b>Profit before tax</b>	<b>22</b>	<b>21</b>
Tax	(7)	(6)
<b>Profit after tax</b>	<b>15</b>	<b>15</b>
Group's share of profit for the year	8	8
Dividends received	(3)	(3)
<b>Summarised cash flows of the Certisure group are as follows:</b>		
Generated from operating activities	9	17
Generated from/(used in) investing activities	4	( 10)
Used in financing activities	(8)	( 7)
<b>Net increase in cash flows</b>	<b>5</b>	<b>-</b>

### 5.1.2 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 financial year-end is the same as the Senwes group financial year-end. The registered office of the company is the same as Senwes' registered office.

The following is the summarised financial information of Grainovation:

	2017 R'm	2016 R'm
<b>Statement of financial position of Grainovation:</b>		
Non-current assets	43	50
Current assets, excluding cash and cash equivalents	9	12
Cash and cash equivalents	25	23
Trade payables	(8)	(16)
Current financial liabilities, excluding trade payables	(11)	(9)
Non-current financial liabilities	(25)	(33)
Non-current liabilities	(5)	(4)
<b>Equity</b>	<b>28</b>	<b>23</b>
<b>50% proportion of the group's ownership:</b>		
Carrying amount of the investment	14	12
<b>The revenue and profit of Grainovation are as follows:</b>		
Revenue	166	223
Cost of sales	(142)	(201)
Other income	1	1
Operating expenses, excluding depreciation	(11)	(9)
Depreciation	(6)	(6)
Finance income	2	1
Finance costs	(4)	(2)
<b>Profit before tax</b>	<b>6</b>	<b>7</b>
Tax	(1)	(2)
<b>Profit after tax</b>	<b>5</b>	<b>5</b>
Group's share of profit for the year	3	3
<b>Summarised cash flows of Grainovation are as follows:</b>		
Generated from operating activities	11	15
Used in investing activities	-	(35)
(Used in)/generated from financing activities	(9)	33
<b>Net increase in cash flows</b>	<b>2</b>	<b>13</b>

### 5.1.3 Grasland Ondernemings (Pty) Ltd

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

The following is the summarised financial information of Grasland:

	2017 R'm	2016 R'm
<b>Statement of financial position of Grasland:</b>		
Non-current assets	42	33
Current assets, excluding cash and cash equivalents	9	8
Cash and cash equivalents	-	7
Trade payables	(9)	(6)
Current financial liabilities, excluding trade payables	(5)	(3)
Provisions	(1)	(1)
Non-current financial liabilities	(6)	(3)
Non-current liabilities	(5)	(6)
<b>Equity</b>	<b>25</b>	<b>29</b>
<b>50% proportion of the group's ownership:</b>		
Reconciliation of carrying amount to 50% of net asset value:		
Carrying amount of the investment	14	16
Current year loss not accounted for	-	(1)
Increase in Senwes' shareholding during June 2010, paid to previous shareholder	(1)	(1)
50% of net asset value	13	14
<b>The revenue and loss of Grasland are as follows:</b>		
Revenue	29	41
Cost of sales	(20)	(26)
Other income	1	3
Operating expenses, excluding depreciation	(11)	(15)
Depreciation	(3)	(4)
Finance costs	(1)	(1)
<b>Loss before tax</b>	<b>(5)</b>	<b>(2)</b>
Tax	1	-
<b>Loss after tax</b>	<b>(4)</b>	<b>(2)</b>
<b>Reconciliation of group's share of loss for the year</b>		
Group's share of loss for the year	(2)	(3)
50% of loss for the year	(2)	(1)
Prior year adjustment taken into account in current year	-	(3)
Inventory loss adjustment not taken into account	-	1
<b>Summarised cash flows of Grasland are as follows:</b>		
Generated from operating activities	1	7
Used in investing activities	(13)	(4)
Generated from financing activities	5	-
<b>Net (decrease)/increase in cash flows</b>	<b>(7)</b>	<b>3</b>

#### 5.1.4 Hinterland SA (Pty) Ltd (Group)

The core business activities of Hinterland are the sale of farming input products and direct delivery transactions such as fuel, fertiliser, seed, etc. The financial year-end is the same as the Senwes group financial year-end. The registered office of the company is the same as Senwes' registered office. Hinterland is the holding company of Prodist (Pty) Ltd with a 75% shareholding and LRB a 25% shareholding in Prodist.

The following is the summarised financial information of Hinterland:

	2017 R'm	2016 R'm
<b>Statement of financial position of Hinterland group:</b>		
Non-current assets	692	727
Current assets, excluding cash and cash equivalents	839	873
Cash and cash equivalents	37	32
Trade payables	(261)	(303)
Provisions	(3)	(2)
Other current financial liabilities	(598)	(590)
Non-current liabilities	(109)	(107)
Non-controlling interest	9	(8)
<b>Equity</b>	<b>606</b>	<b>622</b>
<b>50% proportion of the group's ownership:</b>		
Carrying amount of the investment	123	125
Included in the investment value is an interest-free loan of R26,3 million with no repayment terms. During 2016 Senwes Ltd, AFGRI Operations (Pty) Ltd and LRB granted a loan of R130 million to Prodist. Senwes contributed R56,3 million, R26,3 million of which is an interest free loan with no repayment terms. This loan is therefore classified as an investment and not loans receivable. The terms relating to the other R30,0 million is interest free but payable on demand. Refer to note 4.1.2.		
<b>Reconciliation to carrying amount:</b>		
50% of net asset value	303	312
Acquisition date fair value adjustment	(60)	(60)
Elimination of unrealised profit on non-monetary assets contributed to joint venture	(112)	(112)
Carrying amount before other adjustments at group level	131	140
Accumulated (loss)/profit adjustment at group level		
Deferred tax adjustment	(5)	(14)
Adjustment on group level	(5)	(1)
Reversal of group adjustment	13	-
Additional impairment provision	(11)	-
<b>Carrying amount of the investment</b>	<b>123</b>	<b>125</b>
Additional impairment of investment:		
The results of Prodist have been incorporated in, as part of the Hinterland joint venture, as Prodist is a subsidiary of Hinterland.		
The recoverable amount, which is higher than the fair value less cost to sell and the value in use, has been determined to be the value in use.		
The impairment was calculated as follows:		
Carrying amount of investment in Prodist	54	
Value in use calculated	43	
Additional impairment provision	11	
Reversal of group adjustment	(7)	
Net impairment provision	4	
Key assumptions:		
Revenue growth of 15% for 3 years, whereafter a downward trend.		
A discount rate of 12,08% was used, which is within the reasonability ranges for the group.		
Working capital increased slightly for the first 5 years and then stayed consistent for the years thereafter.		
<b>The revenue and loss of Hinterland group are as follows:</b>		
Revenue	2 974	2 882
Cost of sales	(2 477)	(2 441)
Operating expenses, excluding depreciation and amortisation	(450)	(417)
Depreciation and amortisation	(29)	(28)
Other income	17	13
Investment income	8	9
Finance costs	(40)	(44)
<b>Profit/(loss) before taxation</b>	<b>3</b>	<b>(26)</b>
Taxation	(36)	(20)
<b>Loss after taxation</b>	<b>(33)</b>	<b>(46)</b>
Loss attributable to:		
Owners of the parent	(17)	(32)
Non-controlling interest	(16)	(14)

continue

## 5.1.4 Hinterland SA (Pty) Ltd (Group) | continued

	2017 R'm	2016 R'm
<b>Reconciliation of group's share of profit/(loss) for the year</b>		
Group's share of profit/(loss) for the year	10	(20)
50% of loss for the year	(8)	(16)
Deferred tax asset derecognised	9	-
Prior year adjustment taken into account in current year	-	(3)
Adjustment on group level	(4)	(1)
Reversal of group adjustment	13	-
<b>Summarised cash flows of Hinterland group are as follows:</b>		
Used in operating activities	(35)	(69)
Generated from/(used in) investing activities	14	(41)
Generated from financing activities	26	96
<b>Net increase/(decrease) in cash flows</b>	<b>5</b>	<b>(14)</b>

## 5.1.5 Molemi Sele Management (Pty) Ltd

The group has a 35,7% interest in Molemi Sele Management (Pty) Ltd. Molemi Sele Management (Pty) Ltd is the owner of a cell within Guardrisk Life. The arrangement enables Guardrisk, a registered licensed cell captive insurer, to provide long-term insurance and to offer third party insurance policies to clients of the shareholders. The financial year-end is the same as the Senwes group financial year-end. The registered office of the company is the same as Senwes' registered office.

The following is the summarised financial information of Molemi Sele:

	2017 R'm	2016 R'm
<b>Statement of financial position of Molemi Sele:</b>		
Non-current assets	17	11
Non-current liabilities	(3)	(2)
<b>Equity</b>	<b>14</b>	<b>9</b>
<b>35,7% proportion of the group's ownership:</b>		
Carrying amount of the investment	5	3
<b>Reconciliation to carrying amount:</b>		
35,7% of net asset value	5	3
<b>Carrying amount of the investment</b>	<b>5</b>	<b>3</b>

## 5.1.6 Silo Certs (Pty) Ltd

The group has a 50% interest in Silo Certs (Pty) Ltd (Silo Certs). Silo Certs deals with the electronic issuing and trading of silo certificates. The financial year-end is the same as the Senwes group financial year-end. The principal place of business of Silo Certs is in Johannesburg, Gauteng.

The following is the summarised information of Silo Certs:

	2017 R'm	2016 R'm
<b>Statement of financial position of Silo Certs:</b>		
Current assets, excluding cash and cash equivalents	1	1
Cash and cash equivalents	4	6
Trade payables	-	(1)
Non-current liabilities	(3)	(5)
<b>Equity</b>	<b>2</b>	<b>1</b>
<b>50% proportion of the group's ownership:</b>		
Carrying amount of the investment	1	3

Included in the carrying amount is R0,5 million paid during September 2014 to previous shareholder to increase Senwes' shareholding from 42,5% to 50%

continue

## 5.1.6 Silo Certs (Pty) Ltd | continued

The revenue and profit of Silo Certs are as follows:

	2017 R'm	2016 R'm
Revenue	4	3
Cost of sales	(1)	(1)
Operating expenses, excluding depreciation	(2)	(1)
<b>Profit for the year</b>	<b>1</b>	<b>1</b>
Group's share of profit for the year	.*	.*

\* Less than R0,5 million.

Summarised cash flows of Silo Certs are as follows:

Generated from operating activities	-	1
Used in financing activities	(2)	(1)
<b>Net decrease in cash flows</b>	<b>(2)</b>	<b>-</b>

## 5.2 Associate

All associates are accounted for by applying the equity method. The carrying values of the investment in associates are as follows:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Nautilus Hedge Fund</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>-</b>
<b>Statement of financial position of Nautilus hedge fund:</b>				
Cash and cash equivalents	51	-	51	-
<b>50% proportion of the group's interest:</b>				
Carrying amount of the investment	25	-	25	-
<b>Carrying amount of the investment</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>-</b>

The revenue and profit of Nautilus hedge fund are as follows:

Revenue	2	-	2
Operating expenses	(1)	-	(1)
<b>Total profit from associates</b>	<b>1</b>	<b>-</b>	<b>1</b>
Group's share of profit from associate	.*	-	.*

\*Less than R0,5 million

A hedge fund was established on a 50/50 basis with Absa during the period under review. Both parties contributed R25 million to the hedge fund upon the establishment of the fund. The plan is to grow the fund with external investors. In this partnership Absa will be responsible for the CAT IIA licence and will also provide access to potential investors. Senwes will be responsible for research and trading advice as well as generating returns on the investment. Both parties will be responsible for governance and risk management.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Initial investment in Nautilus Hedge Fund	25	-	25	-
<b>Carrying amount of the investment</b>	<b>25</b>	<b>-</b>	<b>25</b>	<b>-</b>

Notwithstanding the fact that Senwes does not hold any voting rights in the NAUTILUS AAM Commodity QHF portfolio of the Nautilus Qualified Investor Hedge Fund Scheme, Senwes has significant influence over the portfolio as a result of the fact that it provides essential technical services to the portfolio. The investment is therefore classified as an associate.



## 6. Loans and other receivables

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

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Gross investment in mortgage loans		1 930	1 625	1 930	1 625
Less: Unearned finance income		(625)	(537)	(625)	(537)
Carrying amount		1 305	1 088	1 305	1 088
Less: Current portion		(274)	(200)	(274)	(200)
<b>Total loans and other receivables</b>	6.1	<b>1 031</b>	<b>888</b>	<b>1 031</b>	<b>888</b>

### 6.1 Mortgage loans

		GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Within one year		274	200	274	200
After one year but not more than five years		608	520	608	520
More than five years		423	368	423	368
Carrying amount		1 305	1 088	1 305	1 088
Less: Current portion		(274)	(200)	(274)	(200)
<b>Total</b>		<b>1 031</b>	<b>888</b>	<b>1 031</b>	<b>888</b>

#### 6.1.1 Terms and conditions

Mortgage loans are repayable over 2 to 10 years, secured mainly by first bonds over property. The interest rates are 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.

## 7. Inventory

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Merchandise	7.1; 7.2	525	415	460	332
Consumables		3	10	2	10
Grain commodities	7.3; 7.4	146	111	63	11
<b>Balance at the end of the year</b>	7.5	<b>674</b>	<b>536</b>	<b>525</b>	<b>353</b>

**7.1** Included in merchandise is floor plan inventory of R160 million (2016 – R103 million), which serves as security in terms of an agreement with the relevant supplier of farming equipment.

**7.2** The merchandise inventory in company of R460 million (2016 – R332 million) and group of R525 million (2016 – R415 million) include adjustments to net realisable value and provisions for obsolete stock to the value of of R33 million (2016 – R45 million) for group and R29 million (2016 – R43 million) for company.

**7.3** Grain commodities represent grain purchased from producers. The price of such inventory 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.

**7.4** Grain inventory has been pledged as security for loans granted by financiers to the value of Rnil (2016 – Rnil).

**7.5** Inventory is valued as follows:

	GROUP		Valuation method
	2017 R'm	2016 R'm	
Merchandise and consumables	92	76	Weighted average cost price
Mechanisation whole goods	436	349	Specific identification cost
Grain commodities	146	111	Contract price and thereafter at fair value
<b>Balance at the end of the year</b>	<b>674</b>	<b>536</b>	

**8. Trade and other receivables**

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Trade receivables		2 128	1 822	2 085	1 745
Production accounts	8.1	1 861	1 566	1 861	1 566
Current accounts	8.2	267	256	224	179
Current portion of loans and other receivables	6.1	274	200	274	200
Grain debtors	8.3	136	200	87	154
Sundry receivables	8.4	116	54	61	48
Less: Provision for impairment	8.5	(97)	(101)	(96)	(100)
<b>Balance at the end of the year</b>		<b>2 557</b>	<b>2 175</b>	<b>2 411</b>	<b>2 047</b>

**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 market-related rates.

These accounts consist of the following:

Summer production credit due	31 August
Winter production credit due	31 January
Animal production credit due	31 May

**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, thereafter classified as arrears.
Silo cost account:	Interest-free period that varies from season to season (determined before every season), thereafter classified as arrears.
Deferred payment arrangement:	Interest-free period that varies from season to season (determined before every season), thereafter classified as arrears.

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

**8.3** Grain debtors represent agricultural produce sold to third parties. A provision for impairment of R1,7 million (2016 – R0,6 million) is included in the group balance. No agency grain debtors were encumbered at year-end (2016 – Rnil).

The terms of these debtors are as follows:

Mill-doors	Receivable within 7 days after delivery, after which interest is charged at a prime-linked rate
Ex silo-financing	Interest at a prime-linked rate from date of invoice and receivable 30 days from date of statement
Ex silo-non-financing	Receivable within 48 hours, thereafter interest at a prime-linked rate

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

**8.5** The objective of the impairment requirements is to recognise expected credit losses in respect of financial assets for which there have been significant increases in credit risk since initial recognition — whether assessed on an individual or collective basis — considering all reasonable and supportive information, including that which is forward-looking.

Impairment = Total book x Probability of Default (PD) x Loss Given Default (LGD).

Impairment of a financial asset is dependent on whether the credit risk of the financial asset has increased significantly since initial recognition. Indicators of impairment of a financial asset include:

- \* Non-compliance with arrangements or agreements.
- \* Insolvencies or near-insolvencies.
- \* Apparent financial problems or poor key financial ratios.
- \* Other indicators such as drought or low commodity prices which will affect customer ability to settle outstanding debt.

**Specifically impaired (legal clients)** – The two most significant indicators of impairment identified in the current financial year were arrears (non-compliance with debtor terms) and the severe drought experienced during the current season that significantly impacted the turnover of the farmers.

**Individual impairment assessment:** This will typically be a case where the debtor is already handed over to the legal department for recovery. The impairment represents the actual risk (LGD) for possible bad debt determined by the legal department, taking into account all securities and the client's balance sheet. The factors that influence management's estimates and judgement include whether customers that have been handed over to the legal department for collection are specifically provided for based on the exposure and the estimation of the quality and expected realisation of securities held for the specific customers.

**Portfolio impairment (non-legal clients)** – A group impairment assessment: debtors are not individually assessed but debtors with similar credit risks and characteristics are grouped. The entire group is then assessed for impairment. The group impairment % is calculated as follows: Impairment = PD (arrears default% + drought default%) x LGD. The factors that influence management's estimates and judgement include:

- ❖ Crop estimates and yields specific to the customers' region;
- ❖ The number of hectares planted;
- ❖ The expected realisation price, which is the SAFEX price adjusted by grade differences and transport differentials and which is determined by customer region;
- ❖ The input costs specific to the customers' region; and,
- ❖ The quality and expected realisation of securities held for customers.

Where there is no specific indicator of impairment i.e. arrears, the debtor will be categorised as a portfolio debtor. Although no specific indicator of impairment exists, there are still general factors that will increase the credit risk i.e. drought in the current season. The portfolio impairment is therefore calculated as follows: Impairment = PD (drought default %) x LGD. The factors that influence management's estimates and judgement are the same as listed above.

As at year-end, a portfolio provision of R97 million (2016 – R101 million) was made for the impairment of trade and other receivables, the details of which are as follows:

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Specific impairment</b>	<b>(18)</b>	(11)	<b>(17)</b>	(10)
Balance at the beginning of the year	<b>(11)</b>	(12)	<b>(10)</b>	(12)
Provision during the year	<b>(9)</b>	(3)	<b>(9)</b>	(2)
Utilised during the year	<b>2</b>	4	<b>2</b>	4
<b>Portfolio impairment</b>	<b>(79)</b>	(90)	<b>(79)</b>	(90)
Balance at the beginning of the year	<b>(90)</b>	(49)	<b>(90)</b>	(49)
Provision during the year	<b>11</b>	(41)	<b>11</b>	(41)
<b>Total provision for impairment</b>	<b>(97)</b>	(101)	<b>(96)</b>	(100)

### 8.6 Trade and other receivables can be summarised as follows:

	GROUP					
	2017			2016		
	Current R'm	Debt in arrears R'm	Total R'm	Current R'm	Debt in arrears R'm	Total R'm
Trade receivables	2 071	57	2 128	1 782	40	1 822
Production accounts	1 828	33	1 861	1 540	26	1 566
Current accounts	243	24	267	242	14	256
Current portion of loans and other receivables	249	25	274	189	11	200
Grain debtors	136	-	136	200	-	200
Sundry receivables	98	18	116	54	-	54
Less: provision for impairment	(71)	(26)	(97)	(76)	(25)	(101)
<b>Total trade and other receivables</b>	<b>2 483</b>	<b>74</b>	<b>2 557</b>	<b>2 149</b>	<b>26</b>	<b>2 175</b>

**8.6.1** Current receivables are accounts within current credit terms.

**8.6.2** Debt in arrears are accounts outside current credit terms.

**8.6.3** The provision relating to debt in arrears is a specific provision based on debtors handed over to the legal department.

**8.7** As security for Senwes' short-term facilities with Absa (including the facility towards Tradevantage), 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 R2,0 billion (2016 – R1,4 billion) as at year-end.

**8.8** The carrying value approximates the fair value of trade and other receivables.

## 9. Inventory held to satisfy firm sales

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Inventory held to satisfy firm sales</b>	<b>75</b>	250	<b>82</b>	125

**9.1** Inventory held to satisfy firm sales represents inventory purchased on behalf of third parties in respect of agricultural produce, which are payable by third parties on delivery of such agricultural produce to them. The price of such inventory is hedged on the South African Futures Exchange (Safex). Variations are also set off against these items. Inventory is measured at fair value, which is the Safex price.

## 10. Discontinued operations

### 10.1 Discontinued operations: 2017

#### 10.1.1 Africa activities

Senwes and Bunge are equal shareholders in Bunge Senwes International (BSI). BSI is the holding company of entities in Malawi, Mozambique and Kenya. The deregistration of BSI will start in the coming year. The deregistration of Malawi was completed in the 2017 financial year while the deregistration of Mozambique, Zambia and Kenya was completed during 2016. This transaction still meets the definition of discontinued operations.

### 10.2 Discontinued operations: 2016

#### 10.2.1 Africa activities

Senwes and Bunge are equal shareholders in Bunge Senwes International (BSI). BSI is the holding company of entities in Malawi, Mozambique and Kenya. The deregistration of Malawi is still in process, while the deregistration of Mozambique, Zambia and Kenya has been completed. This transaction meets the definition of discontinued operations.

### 10.2.2 Bunge Senwes

Bunge Senwes (Pty) Ltd was sold for R12 million during the 2016 financial year. A reversal of impairment of R13 million was realised from the transaction.

#### Notes to discontinued operations:

The results of discontinued operations for the period are presented below:

	GROUP	
	2016	
	Bunge Senwes R'm	African companies R'm
Other income - foreign exchange	-	2
Impairment reversal	13	1
<b>Profit before taxation from discontinued operations</b>	<b>13</b>	<b>3</b>
Taxation	3	-
<b>Profit after taxation from discontinued operations</b>	<b>16</b>	<b>3</b>
<b>Other comprehensive income</b>		
Foreign translation reserve	-	-
<b>Total comprehensive income</b>	<b>16</b>	<b>3</b>

	COMPANY	
	2016	
	Bunge Senwes R'm	African companies R'm
Other income - foreign exchange	-	2
Impairment reversal	13	-
<b>Profit before taxation from discontinued operations</b>	<b>13</b>	<b>2</b>
Taxation	3	-
<b>Profit after taxation from discontinued operations</b>	<b>16</b>	<b>2</b>

Earnings per share from discontinued operations (cents):

	GROUP	
	2016	
	Bunge Senwes c/share	African companies c/share
Earnings per share	9,5	1,8

## 11. Issued capital

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Authorised: 581 116 758 (2017 and 2016) ordinary shares of 0,52 cents each	3	3	3	3
Issued: 180 789 308 (2017 and 2016) ordinary shares of 0,52 cents each	1	1	1	1

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Reconciliation of issued shares:</b>				
	Number of shares		Number of shares	
Shares issued	180 789 308	180 789 308	180 789 308	180 789 308
Treasury shares purchased*	(11 904 746)	(11 904 746)	-	-
<b>Total shares in issue</b>	<b>168 884 562</b>	168 884 562	<b>180 789 308</b>	180 789 308

\*Senwes Capital (Pty) Ltd, a subsidiary of Senwes Ltd, sold 2 561 036 shares (2016: 1 955 807) to the Senwes Share Incentive Trust during the year. Senwes Capital (Pty) Ltd held 5 702 809 (2016: 8 263 845) shares in Senwes Ltd as at 30 April 2017. The Senwes Share Incentive Trust bought 2 561 036 shares from Senwes Capital (Pty) Ltd.

The Senwes Share Incentive Trust held 6 201 937 (2016: 3 640 901) shares as at 30 April 2017. The unissued shares are under the control of the directors until the forthcoming annual general meeting.

## 12. Reserves

### 12.1 Share premium

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Balance at the end of the year</b>	<b>67</b>	67	<b>67</b>	67

### 12.2 Treasury shares

	GROUP	
	2017 R'm	2016 R'm
Balance at the beginning of the year	(126)	(126)
Treasury shares purchased*	-	-
<b>Balance at the end of the year</b>	<b>(126)</b>	(126)

\*Senwes Capital (Pty) Ltd, a subsidiary of Senwes Ltd, bought no shares (2016: Nil shares) from Senwes' shareholders during the year.

### 12.3 Fair value adjustments

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Balance at the end of the year</b>	<b>6</b>	5	<b>3</b>	3

This reserve represents fair value changes on available-for-sale financial assets as indicated in note 4.1.1, as well as a fair value movement on investment in Molemi Sele Management as indicated in note 5.1.5.

## 12.4 Change in ownership: Equity of a joint venture

	GROUP	
	2017 R'm	2016 R'm
Balance at the beginning of the year	(14)	(14)
<b>Balance at the end of the year</b>	<b>(14)</b>	<b>(14)</b>

During 2015 BSI Ltd repurchased the 25% non-controlling interest held in Mozambique. During the 2014 financial year Prodist (Pty) Ltd, a subsidiary of Hinterland SA (Pty) Ltd, issued shares to Mica, who obtained a 25% shareholding in Prodist. Hinterland owns 75% (2016: 75%) of Prodist after the issuing of shares. Where the holding company's share changes in a subsidiary, without losing control, the profit or loss will be accounted for in other comprehensive income (equity).

## 13. Employee benefits

### 13.1 Incentive bonuses

	GROUP AND COMPANY					
	2017			2016		
	Short-term R'm	Long-term R'm	Total R'm	Short-term R'm	Long-term R'm	Total R'm
Balance at the beginning of the year	13	6	19	40	14	54
Increase in provision during the year	14	-	14	13	1	14
Utilised during the year	(13)	(6)	(19)	(40)	(9)	(49)
<b>Total for the year</b>	<b>14</b>	<b>-</b>	<b>14</b>	<b>13</b>	<b>6</b>	<b>19</b>
Transfer to short-term portion	-	-	-	6	(6)	-
<b>Balance at the end of the year</b>	<b>14</b>	<b>-</b>	<b>14</b>	<b>19</b>	<b>-</b>	<b>19</b>

The group has a short-term incentive scheme for employees and an equity-settled share-based payment scheme for senior management. 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.

#### 13.1.1 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.

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

This 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 cash-settled share-based payment scheme was converted to an equity-settled share-based payment scheme during the 2015 financial year. The last allocation of cash-settled shares was done on 1 May 2013 and the final expense was accounted for in the financial year ended 30 April 2016 and paid during the 2017 financial year.

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

	GROUP AND COMPANY			
	2017		2016	
	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	1 125 000	1 125 000	2 475 000	2 475 000
Forfeited during the year	-	-	(90 000)	(90 000)
Exercised during the year	(1 125 000)	(1 125 000)	(1 260 000)	(1 260 000)
<b>Outstanding at the end of the year</b>	<b>-</b>	<b>-</b>	<b>1 125 000</b>	<b>1 125 000</b>



### 13.2 Equity-settled share-based payment scheme

Senwes grants shares to its senior management. These shares are acquired and held in a trust for the last three years of the vesting period. The scheme will be a forfeitable share award scheme, where shares will be forfeited if future service and performance conditions are not met.

The fair value of the shares granted are determined by using the market value of the shares on grant date adjusted with the present value of dividends not entitled to. The grant date is the date on which the entity and the participant agree to a share-based payment arrangement.

The total expense recognised for the year amounts to R10 million (2016: R17 million). The accumulated equity-settled reserve amounts to R41 million (2016: R31 million).

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Opening balance	31	14	29	14
Expense recognised for the period	10	17	10	15
<b>Equity-settled share-based payment reserve</b>	<b>41</b>	31	<b>39</b>	29

Tranche	Number of shares per tranche granted	Fair value price per share on grant date	Vesting date
1	1 482 507	10,40	30 June 2017
2	1 787 051	9,99	30 June 2018
3	2 374 854	9,55	30 June 2019
4	1 582 177	9,06	30 June 2020
5	1 582 177	8,53	30 June 2021
6	1 582 177	8,05	30 June 2022
<b>Total</b>	<b>10 390 943</b>		

The first tranche will vest on 30 June 2017. The performance conditions were not met and therefore only 30% of these shares will vest for employees still in the service of the company on date of vesting.

## 14. Trade and other payables

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Trade payables	305	330	255	254
Members' funds	13	12	13	12
Audit fees	4	4	4	4
PAYE	4	4	4	4
Related parties	-	29	-	24
Other amounts payable	110	78	78	68
Leave and thirteenth cheque accrual	23	22	21	21
<b>Total trade and other payables</b>	<b>459</b>	479	<b>375</b>	387

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 short-term payment dates.
- \* Leave and thirteenth cheques payable are accrued on a monthly basis.
- \* Trade and other payables at amortised cost approximate the fair value.

## 15. Income tax

### 15.1 Tax expense

	Note	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
SA normal tax – current year		(48)	(63)	(43)	(55)
(Decrease)/Increase in deferred tax asset		(14)	10	(33)	7
Change in capital gains tax rate		-	(6)	-	(6)
Previous year's adjustment		-	2	-	2
<b>Total tax expense</b>		<b>(62)</b>	<b>(57)</b>	<b>(76)</b>	<b>(52)</b>
Discontinued operations	10	-	(3)	-	(3)
<b>Total tax relating to continued operations</b>		<b>(62)</b>	<b>(60)</b>	<b>(76)</b>	<b>(55)</b>

### 15.2 Deferred tax asset/(liability)

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>The main temporary differences:</b>				
Property, plant and equipment	(28)	(18)	(28)	(18)
Inventory	9	13	9	13
Trade and other receivables	20	20	20	20
Provisions	3	20	2	19
Share incentive	-	3	-	3
Operational losses carried forward	22	2	-	-
Capital loss carried forward	13	13	13	13
Investment in joint ventures*	(28)	(29)	(33)	(34)
<b>Deferred tax asset/(liability)</b>	<b>11</b>	<b>24</b>	<b>(17)</b>	<b>16</b>

\* Consists of deferred tax on the Hinterland investment and provisions carried over to Hinterland as part of the merger transaction.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Reconciliation of deferred tax asset/(liability) balance:</b>				
Balance at the beginning of the year	24	20	16	15
Temporary differences - change in capital gains tax rate	-	(6)	-	(6)
Temporary differences - movements during the year	(13)	10	(33)	7
<b>Balance at the end of the year</b>	<b>11</b>	<b>24</b>	<b>(17)</b>	<b>16</b>

### 15.3 Reconciliation of the tax rate

	GROUP		COMPANY	
	2017 %	2016 %	2017 %	2016 %
Standard tax rate	28,0	28,0	28,0	28,0
<b>Adjusted for:</b>				
Non-taxable income (dividends, accounting profits, impairment reversals)	(1,1)	(1,0)	(1,2)	(1,0)
Other incentive allowances	(0,1)	(0,4)	(0,2)	(0,4)
Non-deductible expenses (capital expenditure, donations, pre-payment reversals, JV profits or losses)	0,5	1,8	0,9	0,3
Deferred tax at capital gains tax rate	-	(3,0)	-	(3,0)
Prior year adjustment	(0,1)	(1,1)	(0,2)	(1,1)
Capital gains inclusion rate change	-	2,6	-	2,7
Other	-	(0,1)	0,1	(0,4)
<b>Effective tax rate</b>	<b>27,2</b>	<b>26,8</b>	<b>27,4</b>	<b>25,1</b>

## 16. Provisions

	GROUP AND COMPANY		
	AgriRewards R'm	Grain risk R'm	Total R'm
<b>Balance as at 30 April 2015</b>	-	4	4
Increase in provision during the year	-	13	13
<b>Balance as at 30 April 2016</b>	-	17	17
Increase/(decrease) in provision during the year	<b>8</b>	<b>(14)</b>	<b>(6)</b>
<b>Balance as at 30 April 2017</b>	<b>8</b>	<b>3</b>	<b>11</b>

### 16.1 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.

### 16.2 AgriRewards

AgriRewards is a deferred bonus scheme in terms of which Senwes will allocate a portion of its profits on an annual basis to customers to reward them for their loyalty during the year.

The AgriRewards scheme was launched during August 2016.

The scheme is not automatic and customers have to register to participate. All grain deliveries to Senwes silos from 1 May 2016 to 30 April 2017 were used as basis for this year's scheme.

During April 2017 the board approved a credit of R54/ton for all registered customer deliveries.

## 17. Derivative financial instruments

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>17.1 Current assets</b>					
Forward purchase contracts	21.1.1.2; 21.5	<b>128</b>	87	<b>1</b>	85
<b>17.2 Current liabilities</b>					
Forward purchase contracts	21.1.1.2; 21.5	<b>169</b>	58	<b>167</b>	6
Safex futures	21.1.1.2; 21.5	<b>4</b>	1	<b>4</b>	1

## 18. Capital obligations and contingent liabilities

### 18.1 Contingent liabilities

No contingent liabilities exist as at or after year-end.

### 18.2 Commitments in respect of capital projects

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Already contracted	17	37	17	37
Authorised by the board but not yet contracted	25	54	25	54
<b>Total future capital projects</b>	<b>42</b>	<b>91</b>	<b>42</b>	<b>91</b>

### 18.3 Operating leases – minimum lease payments

The group has certain non-cancellable operating lease obligations (fixed rental contracts) in respect of equipment and properties with an average period of between three and six years.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Within one year	2	3	2	3
More than one year and within five years	6	4	6	4
More than five years	-	3	-	3
<b>Operating lease obligation</b>	<b>8</b>	<b>10</b>	<b>8</b>	<b>10</b>

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

## 19. Notes to the statement of comprehensive income

### 19.1 Distribution, sales and administrative expenses and disclosable items

		GROUP		COMPANY	
	Notes	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Profit from operations is stated after the following:					
Employee costs (including directors' costs)	19.4; 23.5	(374)	(362)	(337)	(336)
Provision for bad debt	8.5	4	(44)	4	(43)
Bad debt written off		(3)	(5)	(2)	(5)
Water and electricity		(47)	(42)	(47)	(42)
Depreciation	2	(41)	(39)	(39)	(38)
Maintenance costs		(41)	(38)	(39)	(38)
Operating lease expenses		(10)	(9)	(24)	(24)
Property		(6)	(4)	(20)	(19)
Plant and equipment		(4)	(5)	(4)	(5)
Foreign exchange loss/(profit)		(1)	2	(1)	2
Profit on disposal of property, plant and equipment		1	2	1	2
Impairment of property, plant and equipment		6	-	6	-
Decrease/(increase) in provision for grain risk	16.1	14	(13)	14	(13)
Impairment of investment	5.1.4	(11)	-	(11)	-
Reversal of impairment	19.5	-	14	-	13
Merchandise inventory provision part of cost of sales	7.2	12	(18)	14	(18)
Cost of inventories recognised as an expense		(8 833)	(8 150)	(6 096)	(6 843)

## 19.2 Finance costs

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Loans from commercial banks	(188)	(126)	(188)	(126)
Commodity finance	(7)	(28)	(7)	(28)
Other*	(9)	(10)	(11)	(12)
<b>Total finance costs paid</b>	<b>(204)</b>	<b>(164)</b>	<b>(206)</b>	<b>(166)</b>

\* Other interest mainly includes interest paid on loans payable to joint ventures.

## 19.3 Finance income

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Loans and other receivables	136	97	136	97
Trade receivables	178	136	164	130
Other loans to related parties	14	12	64	20
<b>Total finance income</b>	<b>328</b>	<b>245</b>	<b>364</b>	<b>247</b>

## 19.4 Employee costs (excluding directors' costs)

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
Total remuneration		322	313	291	292
Remuneration and benefits		304	291	274	272
Cash-settled incentive bonuses		14	14	14	13
Equity settled share-based bonus*	13.2	4	8	3	7
Pension costs – defined contribution plan		23	21	21	20
<b>Total employee costs</b>		<b>345</b>	<b>334</b>	<b>312</b>	<b>312</b>

\* Only senior managers qualify for equity-settled share-based scheme.

	Number	Number	Number	Number
Permanent employees	1 394	1 346	1 287	1 259
Temporary employees	146	66	145	66
<b>Employees at the end of the year*</b>	<b>1 540</b>	<b>1 412</b>	<b>1 432</b>	<b>1 325</b>

\*Includes employees of the company and its subsidiaries only.

## 19.5 Movement in provision for impairment

	Notes	GROUP		COMPANY	
		2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Other loans receivable</b>					
Senwes Mauritius Ltd	19.5.1	-	1	-	-
Bunge Senwes (Pty) Ltd - Johannesburg	19.5.2	-	13	-	13
<b>Total impairment provision in profit or loss</b>		<b>-</b>	<b>14</b>	<b>-</b>	<b>13</b>

### 19.5.1 Senwes Mauritius Ltd

Senwes Mauritius Ltd is a full subsidiary of Senwes Ltd. Senwes Mauritius Ltd holds 50% in Bunge Senwes International Ltd (BSI). BSI is the holding company of the the following operating entities: Malawi, Zambia and Mozambique. These African companies were generating losses and were deregistered. BSI is in the process of deregistration.

The liquidation value of the underlying assets was determined on each reporting date. The value of the assets less liabilities indicated that BSI will not generate sufficient cash to settle its loan to Senwes Mauritius or for Senwes Mauritius to recover its investments. This is also an indication that Senwes Mauritius will not be able to repay its loan to Senwes nor will Senwes be able to recover its investment.

	Other loans receivable					
	2017			2016		
	Carrying value of loan R'm	Carrying value of impairment provision R'm	Value of loan after impairment R'm	Carrying value of loan R'm	Carrying value of impairment provision R'm	Value of loan after impairment R'm
Senwes Mauritius Ltd (company)	12	-	12	13	-	13

The value of the loan mainly consists of cash.

### 19.5.2 Bunge Senwes (Pty) Ltd - Johannesburg

The investment in Bunge Senwes (Pty) Ltd was sold during the prior year and the loan was repaid. A provision reversal of R13 million was realised in that year.

## 20. Dividend income

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Dividends received</b>	-	-	5	4

## 21. 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.

### 21.1 Financial risks

#### 21.1.1 Market risks

##### 21.1.1.1 Commodity price risk

The value of the grain commodities and the fair value of pre-season forward purchase contracts on the statement of financial position are exposed to commodity price risk.

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 hedging instruments used consist of futures contracts and option contracts. The net revaluation difference of the instruments used for hedging was taken into account against the value of the grain 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.

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 and high market volatility. 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 are monitored daily and reported to appropriate senior management. The net open position as at 30 April 2017 was not material.

#### 21.1.1.2 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.

#### 21.1.1.3 Foreign exchange risk

The group has minimal exposure to fluctuations in mainly the rand/US dollar 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.

The currency risk at group level was Rnil as at 30 April 2017 (2016 – Rnil). The fair value adjustment on foreign exchange contracts is recognised through profit and loss. A sensitivity analysis is not indicated since the amount is not material.

#### 21.1.1.4 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		
		2017		
	Notes	Assets R'm	Non- interest- earning assets R'm	Interest- earning assets R'm
<b>Interest rate risk</b>				
Property, plant and equipment		471	471	-
Investment in joint ventures		228	228	-
Investment in associate		25	25	-
Other non-current assets		22	22	-
Inventory		674	674	-
Trade and other receivables (current)		2 557	58	2 499
Loans and other receivables (non-current)		1 031	-	1 031
Inventory held to satisfy firm sales		75	75	-
Cash and short-term deposits		14	-	14
Other current assets		164	-	164
<b>Total</b>		<b>5 261</b>	<b>1 553</b>	<b>3 708</b>
Interest-bearing liabilities	4.2			(2 617)
<b>Net exposure to interest rate risk (limited to Rnil)</b>				<b>-</b>



		GROUP		
		2016		
	Notes	Assets R'm	Non- interest- earning assets R'm	Interest- earning assets R'm
<b>Interest rate risk</b>				
Property, plant and equipment		403	403	-
Investment in joint ventures		226	226	-
Other non-current assets		28	28	-
Inventory		536	536	-
Trade and other receivables (current)		2 175	74	2 101
Loans and other receivables (non-current)		888	-	888
Inventory held to satisfy firm sales		250	250	-
Cash and short-term deposits		35	-	35
Other current assets		119	-	119
<b>Total</b>		<b>4 660</b>	<b>1 517</b>	<b>3 143</b>
Interest-bearing liabilities	4.2			(2 200)
<b>Net exposure to interest rate risk (limited to Rnil)</b>				<b>-</b>

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.

#### Sensitivity of interest rates

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

GROUP				
		2017	2016	
	Increase/ (decrease) %	(Increase)/ decrease interest expenses before tax R'm	Increase/ (decrease) %	(Increase)/ decrease interest expenses before tax R'm
Commodity financing	2%	-	2%	-
	1%	-	1%	-
	(1)%	-	(1)%	-
	(2)%	-	(2)%	-
Short-term debt	2%	(31,4)	2%	(22,6)
	1%	(15,7)	1%	(11,3)
	(1)%	15,7	(1)%	11,3
	(2)%	31,4	(2)%	22,6
Long-term debt	2%	(20,0)	2%	(20,0)
	1%	(10,0)	1%	(10,0)
	(1)%	10,0	(1)%	10,0
	(2)%	20,0	(2)%	20,0

### 21.1.2 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 agricultural industry norms, market trends in large companies and own analyses. The spread will increase the value at risk should it be higher than the norm and will decrease the risk should it be lower than the norm.

	GROUP	
	2017 R'm	2016 R'm
Gross exposure	938	818
Concentration decreased due to better credit spread and distribution	(258)	(304)
<b>Value at risk of producer debtors (VaR)</b>	<b>680</b>	<b>514</b>

The value at risk of R680 million (2016: R514 million), with a maximum exposure of R1,0 billion, was calculated before taking into account the statement of financial position of clients. The book increased by R583 million and the VaR increased by R166 million from 2016 and can be attributed to more first grade securities (covering bonds) vested. All credit was approved according to the credit policy. This is an indication that the profiles of new clients are better secured than the profiles of existing clients. The provision was lowered by R6,3 million in contrast to an additional provision for bad debts of R44 million in 2016. The additional provision was made due to the drought experienced by farmers. The value of balances due, but not impaired is R74 million, but is securitised or has payment arrangements in place.

The above values at risk is 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 is discussed in detail below:

#### Geography

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

#### Stratification and arrears

Stratification of the client base to the extent of credit extended	GROUP			
	2017		2016	
	Exposure of book	Arrears	Exposure of book	Arrears
R1 – R500 000	1,5%	19,5%	2,2%	14,3%
R500 000 – R1 250 000	2,7%	2,7%	3,3%	5,1%
R1 250 000 – R3 000 000	7,7%	2,5%	10,9%	1,1%
R3 000 000 – R5 000 000	16,4%	1,4%	16,7%	1,5%
R5 000 000 – R12 500 000	26,0%	2,9%	27,0%	0,5%
Above R12 500 000	44,7%	1,9%	39,7%	0,7%
Legal clients	1,0%	72,2%	0,2%	48,5%
<b>Total</b>	<b>100,0%</b>		<b>100,0%</b>	

The total arrears for 2017 amounted to 3,14% (2016: 1,36%) of the total debtors' book.

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	
	2017 Trade debtors	2016 Trade debtors
<b>Distribution of debtors by category</b>		
Category 1	38,1%	30,9%
Category 2	47,2%	56,0%
Category 3	12,4%	10,4%
Category 4	0,3%	0,5%
Other	1,2%	1,0%
Legal clients	0,8%	1,2%
<b>Total</b>	<b>100,0%</b>	<b>100,0%</b>

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.
Legal clients:	Clients whose accounts are in arrears and handed over to legal division

**Counter-party risk**

The credit crunch raises generic questions regarding the ability and appetite of financiers for funding. Absa and Nedbank 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.

### 21.1.3 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 dates 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. These are the remaining undiscounted cash-flows. The different debt expiry dates are as follows:

GROUP AND COMPANY						
Debt - 2017						
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 within 1-5 years R'm	Due after 5 years R'm
<b>Non-current liabilities</b>						
Interest-bearing loans	1 000	-	-	-	-	1 000
Interest on interest-bearing loans	425	7	7	28	43	340
JDI loan from Tomlinson Family Trust	2	-	-	-	-	2
<b>Total non-current liabilities</b>	<b>1 427</b>	<b>7</b>	<b>7</b>	<b>28</b>	<b>43</b>	<b>1 340</b>
<b>Current liabilities</b>						
Interest-bearing loans	1 572	-	-	-	1 572	-
Interest on interest-bearing loans	128	11	11	42	64	-
Trade and other payables*	459	145	119	143	38	14
Derivative financial instruments, tax payable, incentive bonuses and provisions**	239	-	-	229	2	8
<b>Total current liabilities</b>	<b>2 398</b>	<b>156</b>	<b>130</b>	<b>414</b>	<b>1 676</b>	<b>14</b>
<b>Total liabilities, including interest payable</b>	<b>3 825</b>	<b>163</b>	<b>137</b>	<b>442</b>	<b>1 719</b>	<b>10</b>

GROUP AND COMPANY						
Debt - 2016						
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 within 1-5 years R'm	Due after 5 years R'm
<b>Non-current liabilities</b>						
Interest-bearing loans	1 000	-	-	-	-	1 000
Interest on interest-bearing loans	425	7	7	28	43	340
Long-term incentive bonuses	-	-	-	-	-	-
JDI loan from Tomlinson Family Trust	2	-	-	-	-	2
<b>Total non-current liabilities</b>	<b>1 427</b>	<b>7</b>	<b>7</b>	<b>28</b>	<b>43</b>	<b>1 340</b>
<b>Current liabilities</b>						
Interest-bearing loans	1 160	-	1	-	1 159	-
Interest on interest-bearing loans	94	8	8	31	47	-
Trade and other payables	519	231	41	71	176	-
Derivative financial instruments, tax payable, incentive bonuses and provisions**	97	-	-	95	2	-
<b>Total current liabilities</b>	<b>1 870</b>	<b>239</b>	<b>50</b>	<b>197</b>	<b>1 384</b>	<b>-</b>
<b>Total liabilities, including interest payable</b>	<b>3 297</b>	<b>246</b>	<b>57</b>	<b>225</b>	<b>1 427</b>	<b>2</b>

\* R85 million (2016: R91 million) relates to Tradevantage and JD Implemente (Group: R459 million; Company: R374 million).

\*\* R24 million (2016: R18 million) relates to Tradevantage, JD Implemente and Senwes Capital (Group: R237 million; Company: R261 million).

### 21.1.4 Capital maintenance guidelines

Capital includes equity attributable to the equity holders of the parent. The group maintains its own capital ratio within the following guidelines

	GROUP	
	2017 Own capital ratio	2016 Own capital ratio
<b>Capital maintenance</b>		
Total assets	5 261	4 660
Equity	1 989	1 882
Liabilities	3 272	2 778
<b>Total equity and liabilities</b>	<b>5 261</b>	<b>4 660</b>
Calculated rate (%)	38%	40%
Set target band (%)	35%-45%	35%-45%

The own capital ratio is on a higher level than the previous year 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.

	GROUP	
	2017 R'm	2016 R'm
<b>Interest cover</b>		
Earnings before interest, tax, depreciation and amortisation (EBITDA)	474	416
Finance costs	204	164
Calculated interest cover (times)	2,3	2,5
Set target (times)	>2.0	>2.5

The interest cover caveat was renegotiated with Absa and Nedbank and a bridging arrangement of an interest cover of 2 was made for the following 24 months.

## 21.2 Business Risks

### 21.2.1 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 as follows:

- ❖ 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, if applicable.
- ❖ 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 by maintaining good producer relationships. Differences between product offerings are also being addressed in the market. Logistics solutions and funding of grain buyers are additional risk reduction measures. Various capital expenditure programmes have also been followed during the year to increase competitiveness.
- ❖ 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 B-BBEE-policy into account.

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

One of the corner-stones 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 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 metropolises 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. The code of conduct is embedded into the risk culture of the company, which contributes to the mitigation of this risk.

**21.2.2 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 which may 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 17.

**21.2.3 Strategic risk****Sustainability and reputational risk**

The possibility exists that certain events or perceptions could lead to uncertainty among certain stakeholders. This could in turn impact negatively 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 areas for action that lead to the implementation of action plans to ensure sustained profitability.

**21.2.4 System risks**

The group relies heavily on technology. The main risks relate to archiving, capacity, data integrity, relevance, integration and adaptability. An IT-strategy and management committee are in place and formal change, project and integration management is applied.

**21.3 Environmental risks****21.3.1 Weather and climate risks**

Senwes is indirectly subjected to income volatility as a result of adverse weather and climate events. These events influence the volume of grain produced in the Senwes area of operation, subsequently reducing storage income and producer profitability. The income volatility of a catastrophic climate event is mitigated by using weather derivative products.

**21.3.2 Political risks**

Senwes utilises agricultural land owned by producers to secure credit extension to these clients. In the event of agricultural land being nationalised, the value of agricultural land would diminish and nullify the value of the security that Senwes holds against outstanding funds. This risk can only be accepted and cannot be mitigated.

**21.4 Subsidiaries, joint ventures and associates**

Senwes follows an Enterprise Wide Risk Management (ERM) framework, and as such very stringent reporting standards are placed on its subsidiaries, joint ventures and associates to comply with the ERM-methodology. The risk appetite levels of these entities differ and are governed by the group risk appetite level established for these types of investments.

## 21.5 Fair value

The following table summarises fair value measurements recognised in the statement of financial position or disclosed in the group's financial statements by class of asset or liability and categorised by level according to the significance of inputs used in making the measurements.

		Fair value as at 30 April 2017			
		Carrying amount as at 30 April 2017	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs
Recurring measurements	Notes	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm
<b>Assets</b>					
Grain commodities	7	146	146	-	-
Inventory held to satisfy firm sales	9	75	75	-	-
Investment in Suidwes Holdings	4.1.1	4	-	-	4
Investment in Nautilus Hedge Fund	5.2	25	-	25	-
Forward purchase contracts	17.1	128	128	-	-
<b>Total assets</b>		<b>378</b>	<b>349</b>	<b>25</b>	<b>4</b>
<b>Liabilities</b>					
Commodity finance	4.2.2	2	2	-	-
Forward purchase contracts	17.2	165	165	-	-
Safex futures	17.2	4	4	-	-
<b>Total liabilities</b>		<b>171</b>	<b>171</b>	<b>-</b>	<b>-</b>

Accounts receivable, loans receivable and loans payable at amortised cost approximate the fair value.

		Fair value as at 30 April 2016			
		Carrying amount as at 30 April 2016	Quoted prices in active markets for identical instruments	Significant other observable inputs	Significant unobservable inputs
Recurring measurements	Notes	Total R'm	Level 1 R'm	Level 2 R'm	Level 3 R'm
<b>Assets</b>					
Grain commodities	7	111	111	-	-
Inventory held to satisfy firm sales	9	250	250	-	-
Investment in Suidwes Holdings	4.1.1	4	-	4	-
Forward purchase contracts	17.1	87	87	-	-
<b>Total assets</b>		<b>452</b>	<b>448</b>	<b>4</b>	<b>-</b>
<b>Liabilities</b>					
Commodity finance	4.2.2	1	1	-	-
Forward purchase contracts	17.2	57	57	-	-
Safex futures	17.2	1	1	-	-
<b>Total liabilities</b>		<b>59</b>	<b>59</b>	<b>-</b>	<b>-</b>

Accounts receivable, loans receivable and loans payable at amortised cost approximate the fair value.

### Techniques used to determine fair value measurements categorised in level 1:

All items categorised in level 1 are revalued by applying the market value as determined by Safex (South African Futures Exchange).

### Techniques used to determine fair value measurements categorised in level 2:

Due to the fact that the Suidwes Holdings shares are not traded in an active market, the inputs are of such a nature that the allocation was adjusted from level 2 to 3 in 2017.

Nautilus hedge fund's inputs can indirectly be observed through the cash balances and financial position of the fund.

### Techniques used to determine fair value measurements categorised in level 3:

#### Suidwes Holdings investment

Suidwes Holdings shares are still traded on the OTC-market, but not actively. The price at which the remaining shares will be sold in the future will more than likely be at 66% of the NAV and will be the fair value of the shares.



## 22. Earnings per share and dividends

### 22.1 Earnings per share

The following calculations are based on a weighted average number of 168 884 562 (2016: 168 884 562) shares. The earnings were calculated on profit attributable to shareholders.

**22.1.1** Earnings per share is based on a profit of R166 million (2016: R153 million) attributable to ordinary shares and earnings per share from continued operations is based on a profit of R170 million (2016: R134 million).

**22.1.2** Normalised headline earnings per share is based on a profit of R183 million (2016: R134 million). Normalised headline earnings is HEPS as defined by the JSE, but adjusted with abnormal/once-off items to obtain a sustainable profit after taxation.

**22.1.3** Reconciliation between earnings and normalised headline earnings is as follows:

	GROUP	
	2017 R'm	2016 R'm
Earnings per statement of comprehensive income	166	153
Adjustments:		
Profit on foreign exchange	-	(2)
Profit from sale of property, plant and equipment	(2)	(3)
Profit from sales of available financial assets	-	(2)
(Reversal)/impairment of investments, property, plant and equipment and loans	17	(14)
Other once-off items	1	-
Tax effect of adjustments	1	2
<b>Normalised headline earnings</b>	<b>183</b>	<b>134</b>
Earnings per share (cents)	98,3	90,6
Normalised headline earnings per share (cents)	108,4	79,3
Earnings per share from continued operations (cents)	98,3	79,3

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

**22.1.4** Diluted headline earnings per share is based on the diluted number of 180 789 308 shares. The reconciliation between weighted average number of shares and diluted number of shares is:

	GROUP	
	2017 R'm	2016 R'm
Earnings per statement of comprehensive income	166	153
<b>Diluted earnings</b>	<b>166</b>	<b>153</b>
Weighted average number of shares	168 884 562	168 884 562
Equity-settled share-based scheme	11 904 746	11 904 746
<b>Diluted shares</b>	<b>180 789 308</b>	<b>180 789 308</b>
Diluted earnings per share (cents)	91,8	84,7
Diluted normalised headline earnings per share (cents)	101,2	74,1

## 22.2 Dividends paid and proposed

	GROUP	
	2017 R'm	2016 R'm
<b>Declared and paid during the year:</b>		
Dividends on ordinary shares:		
Final dividend 2016 – 20 cents (2015 – 26 cents)	36	47
Interim dividend 2017 – 20 cents (2016 – 25 cents)	36	45
<b>Total dividends paid (company)</b>	<b>72</b>	<b>92</b>
Elimination of dividends paid to Senwes Capital and Senwes Share Incentive Trust	(2)	(4)
JD Implemente paid dividends to Tomlinson Trust	1	1
<b>Total dividends paid (group)</b>	<b>71</b>	<b>89</b>
Dividends paid by the group exclude the dividend paid to Senwes Capital and the Share Incentive Trust of R2 million (2016 - R4 million).		
<i>Proposed for approval at the annual general meeting (not recognised as a liability as at 30 April)</i>		
Dividends on ordinary shares:		
<b>Final dividend 2017 – 25 cents (2016 – 20 cents)</b>	<b>45</b>	<b>36</b>

## 23. Related party transactions

### 23.1 Subsidiaries

The financial statements include the financial results of the subsidiaries listed below. The table below reflects the total of transactions per subsidiary. Transactions include interest income, interest expense, sales, purchases and other services rendered.

	COMPANY			
	2017			
	Transactions include	% interest	Income received/ (expenses incurred) R'm	Amounts owed (to)/by subsidiaries R'm
JD Implemente (Pty) Ltd	Revenue from sale of mechanisation whole goods and interest received	50,0%	(15)	30
Senwes Agrowth (Pty) Ltd (group)	Revenue from sale of grain, interest received, interest paid and service level agreement income	73,5%	4 413	368
Senwes Capital (Pty) Ltd	Interest and rent paid	100,0%	(20)	(24)
Senwes Mauritius Ltd	Service level agreement expenses	100,0%	-	12
Thobo Trust	SLA and interest received	*	-	1
<b>Total</b>			<b>4 378</b>	<b>387</b>

\* Thobo Trust is consolidated due tot the nature of the interest and its purpose as a special purpose vehicle.

	COMPANY			
	2016			
	Transactions include	% interest	Income received/ (expenses incurred) R'm	Amounts owed by subsidiaries R'm
JD Implemente (Pty) Ltd	Revenue from sale of mechanisation whole goods and interest received	50,0%	20	5
Senwes Agrowth (Pty) Ltd (group)	Revenue from sale of grain, interest received, interest paid and service level agreement income	73,5%	4 992	364
Senwes Capital (Pty) Ltd	Interest and rent paid	100,0%	( 20)	18
Senwes Mauritius Ltd	Service level agreement expenses	100,0%	0	13
Thobo Trust	SLA and interest received	*	-	1
<b>Total</b>			<b>4 992</b>	<b>401</b>

\* Thobo Trust is consolidated due tot the nature of the interest and its purpose as a special purpose vehicle.

For the interest rates and loan repayment terms, refer to note 4.

## 23.2 Joint ventures

Details of transactions are listed in the table below. Transactions with related parties include:

Silo Certs (Pty) Ltd	Costs relating to silo certificates
Certisure group	Interest received/(paid) and service level agreement income
Grainovation (Pty) Ltd	Transport costs, interest paid and service level agreement income
Grasland Ondernemings (Pty) Ltd	Service level agreement income and interest received
Hinterland SA (Pty) Ltd	Service level agreement income, stationery income, rent paid, mechanisation service level agreement expense and interest paid or received
Prodlist (Pty) Ltd	Purchase of whole goods spares and service level agreement income

	GROUP					
	2017	2016	2017 R'm	2016 R'm	2017 R'm	2016 R'm
	% interest		Transactions with related parties		Amounts owed (to)/by entities	
<b>Joint Ventures</b>						
Certisure group	50,0%	50,0%	1	2	(18)	(23)
Grainovation (Pty) Ltd	50,0%	50,0%	(149)	(179)	(25)	(23)
Grasland Ondernemings (Pty) Ltd	50,0%	50,0%	2	1	10	2
Hinterland SA (Pty) Ltd	50,0%	50,0%	48	47	8	(38)
Silo Certs (Pty) Ltd	50,0%	50,0%	-	(1)	2	-
Prodlist (Pty) Ltd *	37,5%	37,5%	4	(5)	30	30

\* Indirect interest through Hinterland joint venture.

For the interest rates and loan repayment terms, refer to note 4.

## 23.3 Parent company

Senwesbel Ltd's shareholding in Senwes increased to 52,9% (2016: 52,0%) during the 2017 financial year.

	PARENT COMPANY					
	2017 R'm	2016 R'm	2017 R'm	2016 R'm	2017 R'm	2016 R'm
	Management fees received		Interest paid		Loan payable	
<b>Senwesbel Ltd</b>	1	1	-	-	-	-

- Dividends paid to Senwesbel Ltd amounted to R38 million (2016: R48 million).

For interest rates and loan repayment terms, refer to note 4.

## 23.4 Trade receivables – directors

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 the company's credit policy. These amounts are included in trade and other receivables according to normal credit terms and conditions.

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Related parties – trade and other accounts receivable</b>	69	40	14	9

## 23.5 Directors' remuneration (executive and non-executive)

	Note	GROUP AND COMPANY	
		2017 R'm	2016 R'm
Salaries*		13	10
Long-term incentive:		6	9
Cash-settled share-based payment		-	1
Equity-settled share-based payment	13.2	6	8
Executive directors		19	19
Non-executive directors		5	5
Directors' remuneration: Company		24	24
Directors' remuneration: Subsidiaries		4	4
<b>Directors' remuneration: Group</b>		<b>28</b>	<b>28</b>

\* Pension costs are included in salaries. These amounts will be less than R1 million when rounded and are therefore not disclosed in a separate line.

## Non-executive directors' remuneration (company):

2017					
Non-executive	Status	Date	Total directors' remuneration	Remuneration	Travelling and accommodation expenses
ZBM Bassa	Resigned	2016/08/26	178 165	178 165	-
SF Booysen	In Office	Full Year	778 225	757 260	20 965
JB Botha	In Office	Full Year	471 902	466 545	5 357
AJ Kruger	In Office	Full Year	479 983	469 455	10 528
NDP Liebenberg	In Office	Full Year	620 377	610 877	9 500
JDM Minnaar	In Office	Full Year	1 028 300	1 009 943	18 357
JJ Minnaar	In Office	Full Year	422 763	407 910	14 853
SM Mohapi	Appointed	2016/08/26	294 252	283 508	10 744
TF van Rooyen	In Office	Full Year	387 389	384 387	3 002
WH v Zyl	In Office	Full Year	459 117	448 757	10 360
AG Waller	In Office	Full Year	276 634	253 548	23 086
<b>Total</b>			<b>5 397 107</b>	<b>5 270 355</b>	<b>126 752</b>

## Executive directors' remuneration (company):

2017			
Executive	Remuneration	Statutory costs	Total directors' remuneration
F Strydom	7 206 114	90 621	7 296 735
CF Kruger	4 054 394	48 771	4 103 165
JMB Maswanganyi	2 140 001	25 041	2 165 042
<b>Total</b>	<b>13 400 509</b>	<b>164 433</b>	<b>13 564 942</b>

## Equity-settled share-based payments (company):

2017			
Executive	Equity-settled share-based payments vested*	Equity-settled share-based payments granted**	Total IFRS 2 expense
F Strydom	388 964	3 063 186	3 452 150
CF Kruger	259 309	2 339 614	2 598 923
JMB Maswanganyi	248 270	-	248 270
<b>Total</b>	<b>896 543</b>	<b>5 402 800</b>	<b>6 299 343</b>

\*This equity-settled share-based payment expense relates to the first tranche which will only vest 30 June 2017.

\*\*The equity-settled share-based payments expense relating to the five tranches which will vest from June 2018 to June 2022, depending on vesting conditions being met, is already recognised and included in the remuneration above.

**Non-executive directors' remuneration (company):**

Non-executive	2016				
	Status	Date	Total directors' remuneration	Remuneration	Travelling and accommodation expenses
ZBM Bassa	Full Year	In Office	429 311	419 076	10 235
SF Booysen	Full Year	In Office	716 306	693 501	22 805
JB Botha	Full Year	In Office	465 157	457 410	7 747
AJ Kruger	Full Year	In Office	476 016	459 377	16 639
NDP Liebenberg	Full Year	In Office	638 428	626 671	11 757
JDM Minnaar	Full Year	In Office	899 468	884 872	14 596
JJ Minnaar	Full Year	In Office	401 525	386 300	15 225
TF van Rooyen	Full Year	In Office	367 774	348 760	19 014
WH v Zyl	Full Year	In Office	383 065	371 156	11 909
AG Waller	Full Year	In Office	265 810	240 224	25 586
<b>Total</b>			5 042 860	4 887 347	155 513

**Executive directors' remuneration (company):**

Executive	2016			
	Remuneration	Performance incentives and bonuses	Statutory costs	Total directors' remuneration
F Strydom	4 768 382	261 893	96 319	5 126 594
CF Kruger	2 682 837	174 596	54 689	2 912 122
JMB Maswanganyi	2 171 767	78 568	37 810	2 288 145
<b>Total</b>	9 622 986	515 057	188 818	10 326 861

**Equity-settled share-based payments (company):**

Executive	2016	
	Equity-settled share-based payments granted*	Total IFRS 2 expense
F Strydom	3 527 035	3 527 035
CF Kruger	2 334 067	2 334 067
JMB Maswanganyi	1 964 298	1 964 298
<b>Total</b>	7 825 400	7 825 400

\* The equity-settled share-based payments expense relating to the six tranches which will vest from June 2017 to June 2022, depending on vesting conditions being met, is already recognised and included in the remuneration above.

**23.6 Cash-settled share-based transaction**

For information regarding the cash-settled share-based transactions of executive directors, refer to note 13.1.2 (p.42).

**23.7 Equity-settled share-based transaction**

For information regarding the equity-settled share-based transactions of executive directors, refer to note 13.2 (p.43).

## 23.8 Information on directors' terms of office

For information regarding the non-executive directors, refer to the statutory directors' report (p.9).

### Executive directors

Director	Service contract expiry date	Position held
F Strydom	31 July 2019	Group Chief Executive Officer
CF Kruger	31 January 2020	Group Chief Financial Officer
JMB Maswanganyi	Resigned effective 30 June 2017	Group Executive Director

Directors' direct and indirect interests in the company:

	COMPANY			
	2017		2016	
	Number of shares	% of total shares	Number of shares	% of total shares
<b>Direct</b>				
Non-executive directors	213 152	0,12	210 949	0,12
Executive directors	174 655	0,10	174 655	0,10
<b>Indirect</b>				
Non-executive directors	22 904 241	12,67	21 643 134	11,97
Executive directors	2 971 131	1,64	2 240 025	1,24
<b>Total direct and indirect interest</b>	<b>26 263 179</b>	<b>14,53</b>	<b>24 268 763</b>	<b>13,43</b>

Directors' direct and indirect interests in the company are disclosed in the table below:

Name	2017				2016			
	Direct		Indirect*		Direct		Indirect*	
	Shares	%	Shares	%	Shares	%	Shares	%
<b>Non-executive:</b>								
AJ Kruger	142 386	0,08%	790 738	0,44%	142 386	0,08%	752 555	0,42%
NDP Liebenberg	-	-	821 705	0,45%	-	-	807 192	0,45%
JDM Minnaar	-	-	10 825 338	5,99%	-	-	10 178 685	5,63%
JJ Minnaar	-	-	3 497 963	1,93%	-	-	3 339 316	1,85%
TF van Rooyen	32 382	0,02%	311 531	0,17%	30 179	0,02%	187 440	0,10%
WH van Zyl	38 384	0,02%	6 656 967	3,68%	38 384	0,02%	6 377 946	3,53%
<b>Executive:</b>								
F Strydom	-	-	2 158 005	1,19%	-	-	1 656 782	0,92%
CF Kruger	174 655	0,10%	813 126	0,45%	174 655	0,10%	583 243	0,32%
Subtotal of directors	387 807	0,22%	25 875 373	14,30%	385 604	0,22%	23 883 159	13,22%
Other shareholders**	180 401 501	99,78%			180 403 704	99,78%		
<b>TOTAL</b>	<b>180 789 308</b>	<b>100,00%</b>			<b>180 789 308</b>	<b>100,00%</b>		

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

\*\* Other shareholders include indirect shareholding of directors.

## 24. Reconciliation of profit before tax to cash from operating activities

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Profit before tax from continuing operations	229	197	267	194
Profit before tax from discontinued operations to be transferred to merger entity	-	16	-	15
Profit before tax	229	213	267	209
Non-cash adjustments to reconcile profit before tax to net cash flows:	228	287	241	271
Foreign exchange loss/(profit)	1	(2)	1	(2)
Depreciation	41	39	39	38
(Decrease)/increase in provisions	(25)	74	(24)	74
Finance costs	204	164	206	166
Impairment/(reversal of impairment) on investments and loans	11	(14)	9	(13)
(Profit)/loss from joint ventures and associate	(19)	12	-	-
Profit on disposal of property, plant and equipment	(1)	(2)	(1)	(2)
Impairment of property, plant and equipment	6	-	6	-
Profit with sale of available-for-sale financial assets	-	(1)	-	(1)
Other operating income: dividends received	-	-	(5)	(4)
Equity-settled share-based payment expense	10	17	10	15
<b>Cash from operating activities</b>	<b>457</b>	<b>500</b>	<b>508</b>	<b>480</b>

## 25. Changes in operating capital

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
(Increase)/decrease in inventory	(123)	378	(157)	333
Increase in trade and other receivables	(523)	(271)	(503)	(280)
Decrease in inventory held to satisfy firm sales	175	73	43	213
Increase/(decrease) in trade and other payables	69	(240)	249	(296)
Increase in interest-bearing current loans	435	43	434	20
<b>Changes in operating capital</b>	<b>33</b>	<b>(17)</b>	<b>66</b>	<b>(10)</b>

## 26. Tax paid

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Tax payable at the beginning of the year	(2)	(7)	(2)	(9)
Deferred tax asset at the beginning of the year	24	20	16	15
Amounts debited in profit and loss	(62)	(57)	(76)	(53)
Deferred tax asset at the end of the year	(10)	(24)	17	(16)
Tax payable at the end of the year	-	2	2	2
<b>Tax paid</b>	<b>(50)</b>	<b>(66)</b>	<b>(43)</b>	<b>(61)</b>

\*Including tax relating to assets and liabilities held-for-sale and discontinued operations.

## 27. Acquisition of property, plant and equipment

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Land	(18)	(1)	(5)	(1)
Silos	(4)	(5)	(4)	(5)
Buildings and improvements	(15)	(43)	(15)	(43)
Machinery and equipment	(69)	(66)	(69)	(66)
Vehicles	(10)	(7)	(9)	(5)
<b>Total acquisition of property, plant and equipment</b>	<b>(116)</b>	<b>(122)</b>	<b>(102)</b>	<b>(120)</b>
Represented by:	(116)	(122)	(102)	(120)
Acquisition to increase operating capacity	(70)	(97)	(66)	(97)
Acquisition to maintain operating capacity	(46)	(25)	(36)	(23)

## 28. Proceeds from disposal of property, plant and equipment

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
Carrying value of assets sold	1	-	1	-
Profit from disposal	1	2	1	2
<b>Proceeds from disposal</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>

## 29. Other loans receivable/payable

	GROUP		COMPANY	
	2017 R'm	2016 R'm	2017 R'm	2016 R'm
<b>Loans from related parties</b>				
Additional loans received from related parties	2	7	26	7
Repayment of loans from related parties	(44)	(8)	(44)	(8)
<b>Movement in loans from related parties</b>	<b>(42)</b>	<b>(1)</b>	<b>(18)</b>	<b>(1)</b>
<b>Loans to related parties</b>				
Additional loans advanced to related parties	(16)	(36)	(130)	(64)
Total repayment of additional loans to related parties	7	37	23	86
Repayment of loans to related parties	5	21	21	71
Adjustments to movements already considered in note 24				
Impairment of loans	3	14	3	13
Forex	(1)	2	(1)	2
<b>Movement in loans to related parties</b>	<b>(9)</b>	<b>1</b>	<b>(107)</b>	<b>22</b>

## 30. Unutilised funding facilities

An unutilised short-term facility of R1,4 billion (R1,9 billion including the headroom towards M&A's) ensures sufficient liquidity for growth opportunities and unexpected events. At year-end, Senwes had unutilised commodity finance and unsecured assets of R146 million (2016: R111 million) and R1,9 billion (2016: R1,3 billion) respectively.

## 31. Events after the reporting period

### 31.1 Share buy-back

A share buy-back to the value of R45 million was announced to commence on 30 June 2017, at an average price of R12,30 per share. Senwes Capital will repurchase Senwes' shares as treasury shares.



# ACCOUNTING POLICY

## 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 designated hedged assets and liabilities are adjusted to reflect changes in the fair values resulting from the hedged risks. The financial statements are presented in South African rand terms and all values are rounded to the nearest million (R'm), 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 Interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and with those requirements of the South African Companies Act, no 71 of 2008 (as amended), 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 previous financial year, except for the adoption of new standards and interpretations effective as of 1 May 2016 as set out below:

- ▮ Annual Improvements to IFRS:

  - ❖ IFRS 5 Non-current assets held for sale and discontinued operations - Accounting for change in plans to dispose of non-current assets.
  - ❖ IFRS 7 Financial Instruments – Disclosure – Added disclosure requirements for financial assets that have been transferred but that are still serviced by the entity.
  - ❖ IFRS 7 Financial Instruments – Disclosure – Applicability of the offsetting disclosures to condensed interim financial statements.
  - ❖ IAS 16 PPE and IAS 38 Intangible assets - This amendment makes it clear that depreciation based on revenue generated by the entity is not an acceptable basis for depreciation.
  - ❖ IAS 16 PPE and IAS 41 Agriculture - Accounting for bearer plants
  - ❖ IAS 19 Employee Benefits - Clarification of discount rate to be used as actuarial input.
  - ❖ IAS 34 Interim Financial Reporting - Clarification that additional information may be given in interim financial statements or by reference to information in other reports available to users at the same time as interim financial statements.
  - ❖ IAS 27 (Amendment) – Equity method in separate financial statements: Applying the cost model or equity method to account for investments in subsidiaries, joint ventures or associates in separate financial statements.
  - ❖ Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception
  - ❖ These amendments did not have any impact on the group.
- ▮ IFRS 11 Accounting for Acquisitions of Interests in Joint Operations - This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in IFRS 3.

This amendment did not have any impact on the group.
- ▮ IAS 1 Disclosure Initiative - Provide guidance on the basis of aggregation of items in the financial statements and notes (including not obscuring understandability with immaterial information), providing additional disclosure when meeting the minimum disclosure requirements of a standard is insufficient, presenting subtotals, giving more prominence to aspects more relevant for understanding the activities. The amendment furthermore requires other comprehensive income from joint ventures and associates to be presented separately from the reporting entity's other OCI.

This amendment did not have any impact on the group.
- ▮ IFRS 14 Regulatory Deferral Accounts - IFRS 14 provides first-time adopters of IFRS with relief from derecognising rate-regulated assets and liabilities until a comprehensive project on accounting for such assets and liabilities is completed by the IASB. The comprehensive rate-regulated activities project is on the IASB's active agenda.

This amendment did not have any impact on the group.

### 1.3 New standards, interpretations and amendments

Standards already issued, but not yet 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, if applicable, when they become effective.

- ▶ IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (Amendment) - In assessing whether taxable temporary differences will be available to utilise deductible temporary differences against, ring-fencing in tax laws need to be considered. Clarifies how to determine the extent to which taxable profits will be available against which a loss may be utilised for purposes of recognising a deferred tax asset (future taxable profit excluding the loss effect carried forward and recovery of value of assets clarified) - Effective date 1 January 2017.
- ▶ IFRS 16 Leases - A single on-balance sheet model that will require lessees to account for all leases, subject to some exemptions, as a financing lease. Lessees would recognise a liability to pay rentals with a corresponding asset for both types of leases - Effective date 1 January 2019.
- ▶ IFRS 9 Financial Instruments, including hedging – New principle-based standard that currently addresses recognition and measurement of financial assets and liabilities, hedge accounting and impairment methodology - Effective date 1 January 2018.
- ▶ IFRS 15 Revenue from contract with customers - This standard provides that revenue be recognised to depict the transfer of promised goods or services in terms of any contract with a customer. The standard provides a number of steps to be followed in the revenue recognition process, with the effect that the focus of the revenue recognition shifts from the timing of transfer of risks and rewards to the timing of transfer of the goods or services. The standard has specific provisions dealing with commodity financing to determine whether this is accounted for as a sale or a financing transaction - Effective date 1 January 2018.
- ▶ IAS 40 Transfers of investment property (Amendment) - The amendments will eliminate diversity in practice - Effective date 1 January 2018.
- ▶ IFRIC 22 Foreign currency transactions and advance consideration The amendments are intended to eliminate diversity in practice, when recognising the related asset, expense or income (or part of it) on the derecognition of a nonmonetary asset or non-monetary liability relating to advance consideration received or paid in foreign currency - Effective date 1 January 2018.
- ▶ IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendment) - Effect of market/non-market conditions. Application of IFRS 2 to cash-settled schemes other than share appreciation rights and treatment of vesting conditions. Effect of withholding obligations on the classification of instruments (net settlement by withholding shares) - Effective date 1 January 2018.
- ▶ Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendment) - Temporary exemption to certain insurers not to apply IFRS 9 but rather IAS 39 - Effective date 1 January 2018.
- ▶ IAS 7 Disclosure initiative - Additional disclosure required about liabilities arising from financing activities for cash flow purposes (could be reconciliation of financial liabilities of which cash flows are classified under financing activities for purposes of the cash flow statement that clearly show cash and non-cash movements) – Effective date 1 January 2017.
- ▶ Annual Improvements to IFRS – Effective date 1 January 2018.
  - ❖ IFRS 1 First-time adoption of international financial reporting standards - Deletion of short-term exemptions for first-time adopters.
  - ❖ IAS 28 Investments in associates and joint ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.
- ▶ Annual Improvements to IFRS – Effective date 1 January 2017.
  - ❖ IFRS 12 Disclosure of interests in other entities - Clarification of the scope of the disclosure requirements in IFRS 12.
- ▶ Annual Improvements to IFRS – Effective date postponed indefinitely.
  - ❖ IFRS 10 and IAS 28 (Amendment) – Sale or Contribution of Assets between Investor and its Associate or Joint Venture: Clarification of the accounting treatment when an investor loses control over a subsidiary as a result of a transaction with a joint venture or associate.

The group is in the process of evaluating the effects of these standards.

IFRS 9: No significant changes in the accounting policies of the company are expected as a result of the implementation of this standard.

IFRS 15: No significant changes are anticipated to the timing or amount of revenue recognised by the company as a result of the implementation of this standard. The main impact of the standard is an increase in the disclosure required in respect of the company's revenue generating transactions.

The other new or amended standards are not expected to have a significant impact on the group's financial position or performance, additional disclosures may be required.

## 2. Significant accounting policies

### 2.1 Basis of consolidation

The consolidated financial statements comprise of the financial statements of Senwes Limited and its subsidiaries, joint ventures and associates as at 30 April 2017.

Control is achieved when the group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- ❖ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- ❖ Exposure, or rights, to variable returns from its involvement with the investee, and
- ❖ The ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ❖ The contractual arrangement with the other vote holders of the investee;
- ❖ Rights arising from other contractual arrangements; and
- ❖ The group's voting rights and potential voting rights.

The group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the group gains control until the date the group ceases to control the subsidiary.

Subsidiaries are 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 intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated.

Non-controlling interest's share of total comprehensive income within a subsidiary is attributed to the non-controlling interest, even if that results in a deficit balance.

For purchases of additional interests in subsidiaries from non-controlling interests without loss of control, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is added to, or deducted from, equity. For disposals of non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recorded in equity.

Where the group loses control over a subsidiary, it:

- ❖ Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- ❖ Derecognises the cumulative translation differences recorded in equity;
- ❖ Derecognises the carrying amount of any non-controlling interest;
- ❖ Reclassifies the share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate;
- ❖ Recognises the fair value of the consideration received;
- ❖ Recognises the fair value of any investment retained;
- ❖ Recognises in profit or loss any difference between the fair value and the net carrying amount of the subsidiary on date of loss of control.

Investments in subsidiaries at company level are shown at cost less any accumulated impairment losses. Where impairments occur, these are accounted for against the relevant class of assets. Upon consolidation, the impairment provisions relating to accumulated losses made will be written back.

#### 2.1.2 Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The group's interests in joint ventures are 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 become joint ventures and up to the effective dates of disposal.

Under the equity method, the investment in joint ventures is initially recognised in the statement of financial position at cost. Subsequent to acquisition date the carrying amount of the investment is adjusted with 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. This is the profit or loss attributable to equity holders of joint ventures and is therefore profit after tax and non-controlling interests in the subsidiaries of the joint ventures. Adjustments are made where the accounting period and accounting policies of joint ventures are not in line with those of the group. Where a change in other comprehensive income of joint ventures was recognised, 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.

When downstream transactions provide evidence of a reduction in the net realisable value of the assets to be sold or contributed, or of an impairment loss of those assets, those losses shall be recognised in full by the investor. When upstream transactions provide evidence of a reduction in the net realisable value of the assets to be purchased or of an impairment loss of those assets, the investor shall recognise its share in those losses.

Where non-monetary assets are contributed to a joint venture in exchange for an equity interest in the joint venture, the profit or loss recognised shall be the portion of gain or loss attributable to the equity interests of the other venturer. The unrealised gains or losses shall be eliminated against the investment and shall not be presented as deferred gains or losses in the consolidated statement of financial position. Where such contribution lacks commercial substance, the gain or loss is regarded as unrealised and not recognised.

After application of the equity method, the group determines whether it is necessary to recognise an impairment loss on the group's investments 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.

Upon loss of joint control over the joint venture, the group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal, is recognised 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Acquisition of shares in investments is reflected as available-for-sale financial assets until significant influence is obtained in that investment, thereafter that investment is recognised as an associate.

Under the equity method, the investment in the associate is initially recognised in the statement of financial position at cost. Subsequent to acquisition date the carrying amount of the investment is adjusted with the 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. This is the profit or loss attributable to equity holders of associates and is therefore profit after tax and non-controlling interests in the subsidiaries of the associates. Adjustments are made where the accounting period and accounting policies of associates are not in line with those of the group. Where a change in other comprehensive income of associates was recognised, 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.

After application of the equity method, the group determines whether it is necessary to recognise an 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 then 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 of the retained investments and proceeds from disposal, is recognised in profit or loss.

The company's investments in its associates are accounted for at cost.

#### 2.1.4 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

#### Transactions under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Where a business is obtained through common control, the assets and liabilities will be reflected at their carrying amount on acquisition date. No 'new' goodwill is recognised as a result of the common control transaction, except for existing goodwill relating to either of the combining entities. Any difference between the consideration paid/ transferred and the equity 'acquired' is reflected within equity.

#### 2.1.5 Fair value measurements

The group measures financial instruments, such as derivatives and certain inventory, such as grain commodity at fair value at each statement of financial position date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 4.1.2, 4.2.1 and 4.2.2.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ❖ In the principal market for the asset or liability, or
- ❖ In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- ❖ Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- ❖ Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- ❖ Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

## 2.2 Foreign currencies

### 2.2.1 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the business operates (functional currency). The financial statements are presented in rand, which is the company's and group's functional and presentation currency.

### 2.2.2 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.

### 2.2.3 Foreign operations

The results and financial position of all group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different to the company's presentation currency, are translated into the presentation currency as follows:

- ❖ Assets and liabilities at the closing exchange rate at the reporting date,
- ❖ 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
- ❖ 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 reclassified out of other comprehensive income. Goodwill and fair value adjustments arising from 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 of use in the production or supply of goods or services or for administrative purposes and are not acquired for resale purposes.

Property, plant and equipment are held with a view to generate economic benefit from it for more than one period of use in the production or supply of goods or services or for administrative purposes and are not acquired for resale purposes.

- ❖ The cost of property, plant and equipment includes the following: purchase price including import duties, non-refundable purchase taxes and costs directly attributable to bringing an asset to the location and condition necessary to operate as intended by management, less trade discounts and rebates.

- ❖ Property, plant and equipment with a cost of more than R7 000 are capitalised, while assets with a cost of less than R7 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 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 use or realisation of the assets.

Depreciation is calculated on a fixed percentage basis over the expected useful life at the following rates:

	%
Land	-
Silos	2,85
Buildings and improvements	2,5
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, the asset's depreciation charge is zero, unless and until its residual value subsequently decreases to an amount below the asset's carrying amount.

## 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 rendering 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, direct costs such as direct wages and salaries, 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, nature and use of the inventory. Cost of inventory determined on a basis other than weighted average cost is as follows:

Merchandise and consumables	- Weighted average cost price
Mechanisation whole goods	- Purchases price
Grain commodities	- At fair value

Inventory is valued 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.

## 2.5 Inventory held to satisfy firm sales

Inventory held to satisfy firm sales represent inventory purchases 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. Refer to note 9.9 for measurement.

## 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 shall be recognised outside profit and loss if the tax relates to items, in the same or different period, outside profit or loss. Therefore if items are recognised in other comprehensive income the current tax should be recognised in other comprehensive income and if items are recognised directly in equity the current tax should be recognised directly in equity.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate.

Tax receivables and tax payables are offset if a legally enforceable right exists to set off the recognised amounts and if there is an intention to settle on a net basis.

#### **Deferred tax**

Provision is made for deferred tax using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying values for purposes of financial reporting, at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, applying the tax rate enacted at the reporting date. The liability for deferred tax or deferred tax assets is adjusted for any changes in the income tax rate.

Deferred tax assets arising from all deductible temporary differences are limited to the extent that probable future taxable income will be available against which the temporary differences can be charged.

The carrying amounts of deferred income tax assets are 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.

Deferred tax shall be recognised outside profit and loss if the tax relates to items, in the same or different period, outside profit or loss. Therefore if items are recognised in other comprehensive income the deferred tax should be recognised in other comprehensive income and if items are recognised directly in equity the deferred tax should be recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **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 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 Post-employment 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 in which the employees rendered the related services. As the funds are defined contribution funds, any underfunding that may occur when the value of the assets decrease below that of the contributions, is absorbed by the employees by means of decreased benefits. The group therefore has no additional exposure in respect of the retirement liability.

## **2.8 Employee benefits**

### **Short-term**

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services.

These include normal benefits such as salaries, wages, paid leave, paid sick leave, profit-sharing and other bonuses as well as fringe benefits in respect of existing employees, and are charged to profit and loss in the period in which they occurred.

A provision is raised for the expected costs of incentive bonuses where a legal or constructive obligation exists, an accurate estimate of the obligation can be made and the obligation is expected to be settled within twelve months after the end of the period in which the employees rendered the related services.



A provision is raised for the undiscounted expected cost of the obligation where the obligation is due to be settled within twelve months after the end of the period in which the employees rendered the related employee services. The provision is for 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 recognised in profit or loss.

A provision is raised for normal thirteenth cheque bonuses accrued, as a pro rata-payout is made where resignation occurs prior to the employee's normal elected date of payout.

#### **Long-term**

The distinction between short-term and other long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

These include a leave provision in respect of existing employees where leave is not expected to be settled wholly within 12 months. Long-term leave is based on historical leave taken.

#### **Termination benefits**

An entity shall recognise a liability and expense for termination benefits at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises the costs for a restructuring that involves the payment of termination benefits.

#### **Share-based payments**

##### **Cash-settled 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 13). 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.

##### **Equity-settled share-based payments**

The scheme will be a forfeitable share award scheme, where shares will be forfeited where future service and performance conditions are not met. The fair value of the shares granted are determined by using the market value of the shares on grant date adjusted with the present value of dividends not entitled to. The grant date is the date at which the entity and the participant agree to a share-based payment arrangement. The share-based payment expense will be recognised over the vesting period. The vesting period includes the service requirement attached to an award. The above expense will therefore be recognised and spread over the period from the grant date to the vesting date. The length of this period will vary from tranche to tranche.

Where the employees are employed by another Senwes group company (subsidiary of Senwes), this company would be the entity receiving the services, and would have to account for the transaction as an equity-settled share-based payment, with a corresponding increase in capital contributed by Senwes. Senwes would be the settling entity that needs to account for the transaction as equity-settled, as it settles the transaction in its own shares with an increase in its investment in the subsidiary. As the shares vest, the investment will be converted to an interest-bearing loan, interest will be charged at a market related rate.

## **2.9 Revenue recognition**

Revenue includes income earned from the sale of goods, storage and handling fees, income from services rendered, commission income, finance and dividend income. 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 measured at fair value of the consideration received or receivable, net of any discounts, rebates and related taxes. The group assesses its revenue agreements in order to determine if it is acting as a principal or agent. Intragroup sales are eliminated on consolidation.

#### **Services rendered**

Revenue from services provided is recognised by taking into account the stages of completion at reporting date and 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.

Direct delivery transactions with regard to fuel, fertiliser, seed and other farming inputs are net accounted in 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 income is recognised on receipt of evidence that the goods or services have been delivered to the buyer.

Other commission is recognised as income as and when the service is rendered or, if applicable, in terms of the contract agreement.

**Finance income**

Interest income on all financial instruments measured at amortised cost is recorded using the effective interest rate (EIR) method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

**Income from sale of goods**

Income from operating activities comprise of income received from the sale of own grain and sales of mechanisation goods and spare parts.

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.

**Income from commodity trading**

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 net accounted in profit or loss.

For sale and repurchase agreements on an asset other than a financial asset the terms of the agreement need to be analysed to determine whether the seller has transferred the risk and rewards of ownership to the buyer and hence revenue is recognised. When the seller has retained the risk and rewards of ownership, even though the legal title has been transferred, the transaction is a financing agreement and does not give rise to revenue.

**Dividends received**

Dividends received from investments are recognised when the shareholders' right to receive payment is established.

**2.10 Financial instruments****2.10.1 Financial assets:****Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as loans and receivables, available-for-sale or at fair value through profit and loss financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value, through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**2.10.1.1 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 in the statement of financial position. Loans and receivables are recognised initially at fair value plus transaction costs. The subsequent measurement is at amortised cost less impairment, using the effective interest rate method. Interest income determined by using the effective interest rate method is included in finance income in profit or loss.

**2.10.1.2 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.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs. 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.

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.

**Derecognition**

Financial assets are derecognised when:

- ❖ The right to receive cash flow from investments expires, or

The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- (a) the group has transferred substantially all the risks and rewards of the asset, or
- (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, it continues to recognise the transferred asset to the extent of the group's continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

## 2.10.2 Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The group determines the classification of its financial liabilities at initial recognition.

### 2.10.2.1 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 rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Interest expense determined by using the effective interest rate method is included in finance cost in profit or loss.

#### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

#### Offsetting

Where a legal right to set off assets and liabilities exists 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 21.

### 2.10.2.2 Commodity finance loans

Finance is obtained from banks where inventory serves as security. Senwes can enter into two types of commodity finance transactions:

#### ❖ *Non-executory contract*

A commodity finance loan is obtained on inventory where the delivery month on Safex is in the current month.

Commodity finance loans are initially recognised at the fair value of the inventory less location differential, including directly attributable transaction costs. After initial recognition, commodity finance loans are subsequently measured at amortised cost using the effective interest rate method. Interest expense is included in finance cost in profit or loss.

#### ❖ *Executory contracts*

Commodity finance loan is obtained on inventory which delivery month on Safex is in future months.

Commodity finance loans are initially recognised at the fair value of the inventory less location differential. After initial recognition, commodity finance loans are subsequently measured at fair value taking into account the movement in the commodity markets. The fair value movements are included in profit or loss. Interest expense is included in finance cost in profit or loss.

## 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 which qualify as fair value hedges, that 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 are 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, that are also highly effective, are accounted in other comprehensive income. The ineffective portion of a cash flow hedge is recognised immediately in profit and loss. If the forward transaction results in the recognition of an asset or 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 and classified as revenue or expenditure 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 do 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 to 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).

## 2.12 Cash and short-term deposits

Included in cash and short-term deposits, which form an integral part of cash management, are cash on hand and bank overdraft balances. Bank overdraft balances are stated as current liabilities. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash and short-term deposits as defined above, net of outstanding overdrafts.

## 2.13 Operating leases

Leases in respect of property, plant and equipment, where substantially 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.

### Financial assets

#### Financial assets held at amortised cost

##### *Trade 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 present 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.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. If a write-off is later recovered, the previously recognised impairment loss is increased or decreased by adjusting the allowance account with the counter entry being recognised in profit or loss.

##### *Other accounts receivable*

An assessment is made at each reporting date as to 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 these assets.

For available-for-sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or group of investments are impaired. If such an indication exists, the accounting treatment is the same as for financial assets set out above, with movements recognised through other comprehensive income.

#### Available-for-sale financial investments

For available-for-sale financial investments, the group assesses at each reporting date whether there is objective evidence that an investment or group of investments are impaired. If such an indication exists, the accounting treatment is the same as for financial assets set out above, with movements recognised through other comprehensive income.

### 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 and 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 at their present value by using a pre-tax discounting rate reflecting the current market assessments of the time value of money and specific risks associated with the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators. 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 statement of profit or loss. The write-back may not cause the carrying value to exceed the recoverable amount or 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.

## 2.15 Provisions and contingent liabilities

### Provisions

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 can be 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 16.

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 18).

### **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. Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying value and fair value less cost to sell. In the statement of comprehensive income, the after tax profit or loss is reported separately from profit or loss from continuing operations. Property, plant and equipment, once classified as held-for-sale, are not depreciated.

### **2.17 Treasury shares**

Own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in equity.

## **3. Significant accounting judgements, estimates and assumptions**

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.

### **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.

#### **3.1 Cash-settled 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. The assumptions used for estimating the fair value of share-based payment transactions are disclosed in note 13.1.

### 3.2 Equity-settled share-based payments

The expense is determined by using the market value, as traded on the OTC-market, of the shares on grant date, adjusted with the present value of dividends not entitled to. The share-based payment expense will be recognised over the vesting period. The vesting period includes the employment conditions and performance conditions (not market related) attached to an award. The expense will therefore be recognised, with corresponding increase in capital reserves in equity, and spread over the period from the grant date to the vesting date. The length of this period will vary from tranche to tranche. The accumulated expense recognised is the group's best estimate of the number of shares which will ultimately vest.

### 3.3 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 judgement is required in establishing fair values. The judgements 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. The key assumptions used for estimating the fair value of financial instruments are disclosed in note 5.1.6 (Investment in Hinterland) and note 21.5, Fair value measurements.

### 3.4 Impairment of financial assets

A decision framework was implemented to establish whether a debt is classified as doubtful or bad. 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 recognition of the asset. Bad debts are written off in the year in which they occur or are identified. For the carrying value of impairment on financial assets refer to note 8, accounts receivable.

### 3.5 Inventory impairment provision

Inventory is valued at the lower of cost and net realisable values. A provision is raised against inventory according to the nature, condition and age and net realisable value of inventory. For the carrying value of provision for slow moving inventory refer to note 7.

### 3.6 Taxes

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. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of taxable future profits together with future tax planning strategies. For the carrying value of deferred tax refer to note 15.2.

### 3.7 Provision for non-compliance with pre-season grain contracts

The calculations are based on the following key assumptions:

- ❖ Default rate on current deliveries extrapolated to the total extrapolated;
- ❖ A fixed recovery rate on defaults; and
- ❖ Compensating financial instruments.

For the carrying value of non-compliance provision refer to note 16.

### 3.8 Useful life and residual value of property, plant and equipment

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate. This review takes into account the location, condition and nature of the asset.

### 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.

## **CORPORATE** information

### **ENQUIRIES REGARDING THIS REPORT**

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