Senwes

# STILL BREAKING NEW GROUND

INTEGRATED REPORT

2017

# FOCUS
## Still breaking new ground

The theme **Still Breaking New Ground** epitomises the Senwes Group's relentless pursuit of excellence: constantly challenging the norm and results achieved to optimise performance and to find the perfect solutions. Whilst producers demand new solutions and technologies to be more profitable and sustainable, the Senwes Group is focused as ever to meet and exceed client expectations.

# NAVIGATING THIS REPORT

## Overview



## The business



## Strategic and operating context



## Corporate governance



## Financial review

# ABOUT THIS REPORT

## Scope and boundaries

This report covers Senwes' activities, which include those conducted by the company's key operating divisions (Senwes Credit, Senwes Grainlink and Senwes Equipment), Senwes' subsidiaries, joint ventures and associates. A simplified group structure can be found on p. 56 and a brief overview of the significant activities on p. 14. This report provides information relating to Senwes' operating context, material risks and opportunities, strategy, business model, corporate governance and financial performance for the period 1 May 2016 to 30 April 2017.

This integrated report (available in Afrikaans and English), as well as the separate group annual financial statements (only available in English) and separate sustainability report (only available in English) for the above-mentioned reporting period, are available on the Senwes website at www.senwes.co.za.

## Reporting principles and guidelines

The process followed by the group to report on the past financial year has been guided mainly by the principles and guidelines set out by the International Integrated Reporting Framework, the International Financial Reporting Standards (IFRS), the Companies Act of South Africa, No 71 of 2008 (as amended), the King Code of Governance Principles for South Africa, 2016 (King IV) and the Department of Trade and Industry's Codes for Broad-Based Black Economic Empowerment.

The different approaches to determine materiality, followed by the International Reporting Framework and the G4 Sustainability Guidelines, led to a separate Sustainability Report for this financial year.

## Determining materiality and target audience

The group determines materiality as those issues of substantial importance that affect the company's ability to create value over the short, medium and long term. This report is primarily aimed at providing current and potential investors with quality and accurate information on the group's objectives, risk mitigating actions and strategies. The report is also relevant for any other stakeholder who wishes to make an informed assessment regarding the company's ability to create value and deliver on its brand promise.

## Assurance

Ernst & Young Inc. conducted an independent audit of the group annual financial statements. The rest of the report, consisting of non-financial information, has not been subjected to an independent audit or review and has been compiled based on internal records and information in the public domain under supervision of CF Kruger, CA (SA), Group Chief Financial Officer.

## Board approval

The Senwes board of directors acknowledges its responsibility relating to the integrity of the information presented in this integrated report for the 2016/17 financial year. According to the board and executive committee, the information presented in this integrated report provides a fair and balanced view of the company's performance and matters considered to be material in Senwes' value creation process.

## Forward-looking statements

This report includes forward-looking statements which relate to Senwes' future performance and prospects. These statements represent the company's judgements and expectations but by their nature, involve risk and uncertainty as they relate to events and depend on circumstances that may or may not occur in the future.

The group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported on by the group's external auditors.

| Danie Minnaar<br>CHAIRMAN | Francois Strydom<br>GROUP CHIEF EXECUTIVE OFFICER |
|---|---|

Klerksdorp
29 June 2017


Senwes

# KEY FEATURES BY FORMS OF CAPITAL

## Financial

**Earnings before interest and tax from continuing operations (EBIT) (R'm)**
**2017: 433**
2016: 377
**14,9%** ▲

**Net profit after tax (R'm)**
**2017: 167**
2016: 156
**7,1%** ▲

**Normalised HEPS (cents/share)**
**2017: 108,4**
2016: 79,3
**36,6%** ▲

**Return on opening equity (%)**
**2017: 8,9**
2016: 8,6
**0,3%** ▲

**Total shareholders' return (%)**
**2017: 3,3**
2016: (4,8)
**8,1%** ▲

**Price-book ratio (%)**
**2017: 89,2**
2016: 95,2
**6,0%** ▼

**Price-earnings ratio (on normalised HEPS) (times)**
**2017: 9,6**
2016: 13,2
**27,3%** ▼

**Dividend yield (%)**
**2017: 4,3**
2016: 3,9
**0,4%** ▲

**Own capital ratio (%)**
**2017: 38**
2016: 40
**2,0%** ▼

## Human

**Senwes group employee headcount**
**2017: 3 157**
2016: 2 997
**5,3%** ▲

**Total employee cost (R'm) (incl. directors' remuneration)**
**2017: 374**
2016: 362
**3,3%** ▲

**Employee turnover (%)**
**2017: 16,2**
2016: 15,2
**1,0%** ▲

**Operating profit per employee (R'000)**
**2017: 268,8**
2016: 264,2
**1,8%** ▲

**Man-days lost due to injuries**
**2017: 281**
2016: 211
**33,2%** ▲

**Disabling injury frequency rate**
**2017: 1,8**
2016: 1,8
**0,0%**

## Natural

**Capex spent on energy initiatives (R'm)**
**2017: 30,3**
NEW INITIATIVE ▲

**Head Office electricity consumption (GWh)**
**2017: 1,64**
2016: 2,98
**44,9%** ▼

**Head Office water consumption (kl)**
**2017: 5 480**
2016: 5 522
**0,8%** ▼

## Manufacturing

**Maintenance expenditure (R'm)**
**2017: 41**
2016: 39
**5,1%** ▲

**New investment in property, plant and equipment (R'm)**
**2017: 116**
2016: 122
**4,9%** ▼

## Intellectual

Total training costs (R'm)

**2017: 9,6**
2016: 9,3
**3,2%**

Loyalty scheme awarded (R/ton)

**2017: 54**
NEW INITIATIVE

## Social & relationship

Total spending in respect of authorities (R'm)

**2017: 153**
2016: 244
**37,3%**

Paid to suppliers for goods and services (R'm)

**2017: 9 066**
2016: 8 438
**7,4%**

Total CSI (Corporate Social Investment) spend (R'm)

**2017: 0,9**
2016: 0,7
**28,6%**

# 365 REVIEW

## QUARTER 1

- Successful installation of a solar power system at Senwes head office, which has already contributed to a decrease of 1 338 897 kWh and electricity saving of R2 million for the year.
- Development and rolling-out of the Senwes loyalty scheme (AgriRewards) and concomitant website (www.agrirewards.co.za) for the registration of participants in AgriRewards. R52 million was allocated to registered AgriRewards participants this year in terms of the loyalty scheme.
- Nation in Conversation hosted 770 guests in studio during the 11 panel discussions at Nampo 2016. Panel discussions could be followed live via the newly developed Nation in Conversation application and viewers could actively participate in discussions.
- Tradevantage, the soft commodity trading house, was successful in the tender for the Meadows delivering contract as of 1 May 2016.
- A research and impact study unit was established.
- Senwes Equipment and JDI conclude an agency agreement with JCB.
- JDI concludes contract to take over the mechanisation division of Agrico in Western and part of Eastern Cape.
- Senwes Equipment concludes contract to take over the mechanisation division of Agrico in Eastern and Northen Cape.
- Prodist, the bulk retail wholesaler, was nominated as Distributor of the Year by Afrox.
- Implementation of the Prodist warehouse outsourcing project to InSync, with an expected 40% increase in efficiency.
- The Graintech project, an initiative of the Senwes Grainlink division, to accept grain earlier was launched. 40% of the crop was received under the new advanced conditions.
- The accelerated grain handling project, which increased the handling rate by 87%, was implemented at six silos this year and will contribute to improved service delivery levels to the producer for the coming year.
- Participation in various drought aid actions by the Senwes group, which includes a cash donation of R1 million and Hinterland's subsidy of R7 million. Grainovation was also involved with the transporting of fodder donations.
- Group volume instrument was taken out to hedge Senwes against drought. Should there have been a drought in 2017, the instrument would have paid R150 million to R200 million.

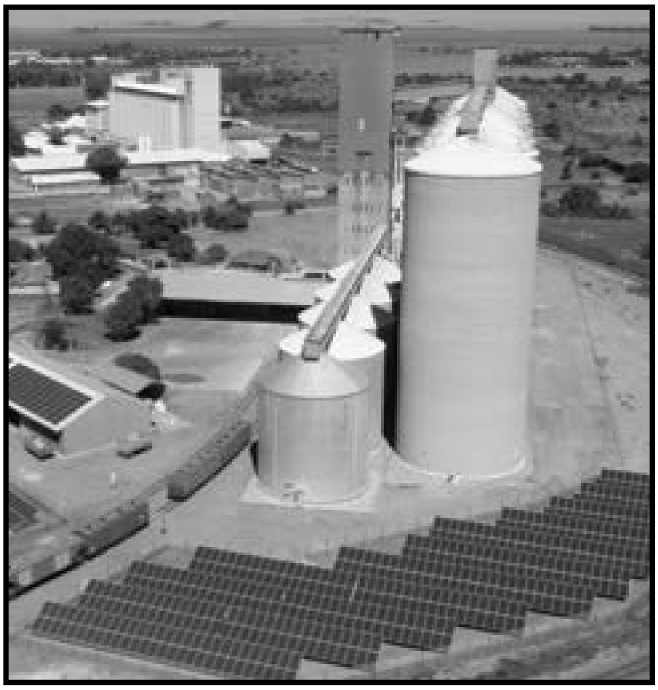
http://senwes.co/NiCNampo2016

## QUARTER 2

- The establishment of a business development unit which analyses the every-day business activities of Senwes with the objective to redesign and develop creative solutions and business plans, thereby maximising and unlocking opportunities and creating value.
- Senwes placed its hedge fund, in co-operation with Absa Asset Management, in the market. The platform for this fund was designed after having achieved success internally with this type of trading for five years.
- Grasland launched a deferred payment scheme and customers could purchase lime, which they could deferred payment to a later date.
- Hinterland, the agricultural retail JV, negotiated a long-term strategic agreement with a major supplier to support their fuel strategy, which will contribute to a 23% increase in margins.
- Senwes real-time weather network and database were implemented with 107 new weather stations in our area of operations.

## QUARTER 3

- Grasland's plant at Britten agricultural lime mine was upgraded to enable them to produce and deliver an additional product, processed gypsum, which represents 2% of the current year's turnover.
- Development of new grain procurement process and application. The objective of the project is to train, develop and empower procurers and it is expected that it will result in a 10% increase in the market share of Grain Procurement.
- Employee benefits were moved to Old Mutual and Nedbank, which contributed to a R20 million benefit for the Senwes group in terms of employee cost savings.
- The implementation of integration and innovation actions in the group in order to promote market share, is already rendering positive results.
- Tradevantage, the soft commodity trading house, obtained a level 5-status on its B-BBEE-scorecard.
- Record attendance of approximately 300 producers at the Senwes Young Farmer Congress, with the theme Family Farming.
- Tradevantage was significantly exposed to price-based risk on the pricing portfolio and the strategy of agency grain. Risk mitigating measures were implemented and focused attention was afforded to these measures. Control measures were implemented to mitigate current as well as future risks.



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http://senwes.co/zarx

## QUARTER 4

- Senwes and Senwesbel listed its shares on the ZAR X platform. 2
- Nation in Conversation introduced a new format for a 13-episode television series and reached a total of 24 million duplicated viewers across kykNET, Business Day TV and Soweto TV. 3
- Despite a shortage of grain and negative carrying costs in the market, Tradevantage managed to meet its contractual obligations.
- Senwes' proactive drought-mitigating actions in order to get risk and return on an acceptable level, contributed to an increase in profit before tax of R142 million.
- Residual risk decreased by 27,7% for the financial year and is now within acceptable levels.
- Senwes launched its farm-loading project in order to receive grain more economically from non-traditional areas. On average approximately 12% of the expected grain receipts for the 2016/17 harvest are received on this basis.
- A record attendance of 1 100 farmers were recorded at the Senwes Equipment Expo. 4
- Improved control measures implemented and an efficiency investigation launched, with the possibility of increasing productivity by 10%.
- Announcement of share repurchase scheme to the value of R45 million, which will commence on 30 June 2017.
- Loan facilities of R4,5 billion successfully negotiated without any re-pricing.
- Interim dividend of 20 cents per share was paid, while a final dividend of 25 cents per share was proposed.
- Implementation of King IV.
- New human resources strategy was implemented.
- The first solar power energy system was installed at Hennenman silo and expected energy savings amount to 450 000 kWh per annum.

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http://senwes.co/NiCTV2017

4

http://senwes.co/EquipExpo17

# CHAIRMAN'S REPORT

"It is satisfying to see that, despite a number of challenges over the past year, management is still focusing on the deployment of the strategy. I am particularly satisfied with the customer-centred approach being followed and a number of projects are focused thereupon."

## Dear Stakeholder

The year under review was characterised by excessive volatility in all world economies, with developing markets being influenced by a weak demand for hard and soft commodities. Add to this the catastrophic drought cycle in Southern Africa, and South Africa in particular, since 2015, and the resultant uncorrelated increase in local soft commodity prices against international price decreases and it becomes clear that the South African producer is poorly positioned to compete with the world market.

Although Senwes has launched a number of drought mitigating action plans and projects, we did not manage to escape this catastrophe as a whole and the results still reflect the realities of a suppressed market. Headline earnings increased by 36,6%. However, this followed on a low base in 2016.

The decline of the macro-economic environment will have a negative impact on the role players in the agricultural industry. The impact will be experienced by the producer first, after which it will move to the total value chain and into the pocket of the end consumer.

The decision of grading agencies to downgrade South Africa's credit rating to junk status, is a huge setback for an already struggling South African economy. The downgrading had a negative effect on the business confidence of foreign investors and focused attention by the government is necessary to ensure that business confidence will return to normalised levels again. A sound monetary policy, which can manage risk effectively, is of the utmost importance.

## Relevant and significant aspects focused on by the board

It remains our responsibility to scrupulously fulfil our fiduciary and statutory duties and we take responsibility for the strategy and business plan, business model, risk aspects and the monitoring of matters which are of importance to the company.

Our focus this year was mainly to position and maintain the organisation in such a manner to ensure focus on the customer and the challenges faced by the customer, which have increased significantly due to the drought. In order to do this, the company had to be in top condition, have its own risks under control and have plans in place before being able to attend to the challenges of its customer and the environment.

## The main priorities of the board for the year under review were as follow:

- Integration of the customer offer across all business units in order to protect and optimise existing markets;
- Upgrading of the marketing initiatives and processes in order to increase the relevance and profitability of the business;
- Addressing the increased risk profile and the establishment of management actions and mitigating steps in order to return the residual risk to acceptable levels;
- Execution of capital expenditure programmes in order to improve sustainability;
- The rescheduling and adjustment of credit arrangements and contracts with a number of producers and corporate clients in order to address the realities of low volumes and exceptionally high commodity prices.

## A live and focused strategy

Senwes finalised its 2020 strategy in 2015 and rolled it over to the 2025 plan. It is satisfying to see that, despite a number of challenges over the past year, management is still focusing on the deployment of the strategy. I am particularly satisfied with the customer-centred approach being followed and a number of projects are focused thereupon. The loyalty scheme awarded customers R54/ton during this difficult year to reward them for their loyalty. Our strategy will continue to focus on the mitigation of Senwes' risk by channelling its capital allocation to markets which are averse to the risk profile of the current portfolio.

## Recover value for the shareholder

In a suppressed soft commodity cycle, the board decided to be prudent in respect of the distribution of capital and the interim dividend was postponed from December 2016 to March 2017 in order to first confirm the potential of the new summer crop season. The capital maintenance guidelines of the group were maintained and the most important caveats, such as the gearing ratio, interest cover and dividend cover, were revised and some were renegotiated with financiers.

Dividend cover of 2,2 times was applicable on 30 April 2017 and a dividend yield of 4,3% was achieved on the opening market price on 1 May 2016. The board of directors declared a final dividend of 25c/share, which has to be confirmed at the annual general meeting to be held on 24 August 2017. Senwes also migrated to the alternative share trading platform, ZAR X, on 20 February 2017 and share trading is done within this regulated environment.

## Prospects

An exceptionally large crop is expected and indications are that agriculture will return to its normal contribution to the economy. A good cycle is predicted for 2018.

## Corporate control and follow-up

An evaluation of the efficiency of the board of directors was conducted during the second half of the year and the balance and diversification of the board were confirmed once again. A good combination of independence, experience and skills exists and we are privileged to have directors with a good corporate memory and international exposure on the board.

We welcome Mr Simon Mohapi as independent non-executive director. He was appointed at the annual general meeting in August 2016. We also bid Mr Joe Maswanganyi farewell, who will be concluding his career as executive director on 30 June 2017. It was a privilege to have Joe as part of the team. Fortunately he will continue to remain involved with Senwes in a different capacity.

## Closing remarks

I would like to thank our employees on behalf of the board of directors for their loyalty and hard work during one of the most difficult cycles in the history of the company. Thank you to Francois Strydom and his management team for the bold manner in which they lead the group. My fellow board members - thank you for your support, devotion and robust participation throughout the year.

Thank you to the shareholders of Senwes, in particular Senwesbel and Grindrod, for your continued support.

We once again confess our total dependence upon and gratitude to our Creator.

....................................

**Danie Minnaar**
CHAIRMAN

Klerksdorp
29 June 2017

# GRAIN VALUE CHAIN AND SENWES BUSINESS MODEL

### Senwes Agricultural Services

- Agronomic services as well as technical and agri-economic advice
- Monitoring of applied advice and composition of crop development reports
- Evaluation of past season results
  Financial performance assessment and planning

### Senwes Credit

- Offers a variety of financing solutions (e.g. season credit, monthly accounts and tailor-made products to meet the client's needs
- Activate facilities for continuous purchases
- Provide structured bridging finance to clients as needed throughout the season
- Finalisation of production loans and refinance at the end of the season
- Financing solutions to off-takers

### Senwes Asset Finance

- Financing solutions for agri-machinery and implements and bonds over fixed property
- Evaluation of asset financing solutions

### Senwes Equipment & JD Implemente

- Supplies new and used whole goods and implements, as well as precision farming equipment and maintenance solutions for existing equipment
- Precision farming and maintenance solutions (spares and workshops) for equipment used during the planting season
- Precision farming and maintenance solutions (spares and workshops)
- Precision farming and maintenance solutions (spares and workshops) for equipment used during the harvesting process

### Senwes Grainlink

- Marketing of pre-season contracts to producers
- Grain procurement contracts in order to market crop in advance
- Receiving, handling and storing of grain as well as quality and moisture management for producers
- Provides grain marketing solutions and product strategies
- Receiving, handling and storing of grain as well as quality and moisture management for millers

### Hinterland

- Bulk orders and purchases from wholesalers and input suppliers pre-season
- Supplies input products for grain cultivation during the season through their store network
- Supplies agri-chemicals and fertiliser in order to optimise crop development
- Provide other rural supplies to the producers and other retail clients throughout the year

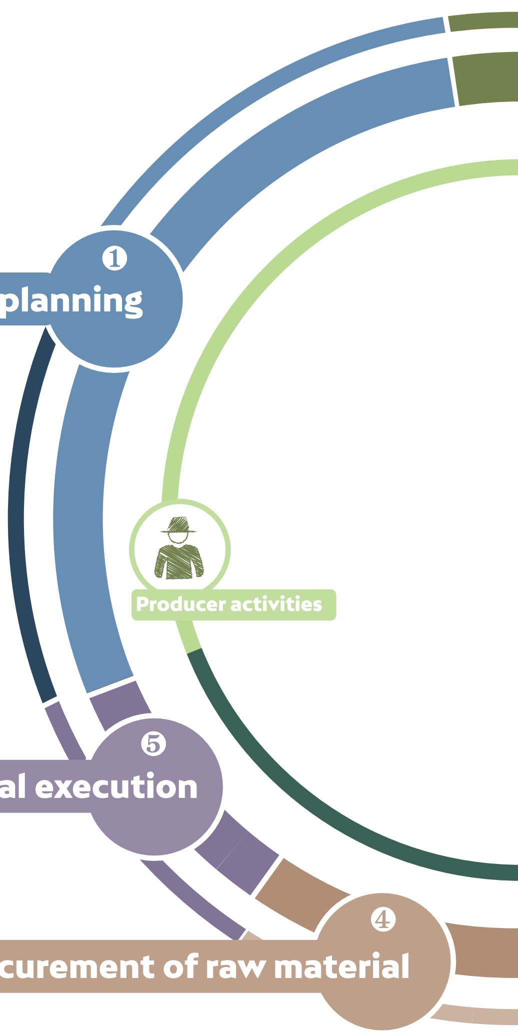
❖ Evaluation and recommendations regarding farming practices.

*Soil surveying, Crop production planning, Tillage planning*

- ❖ Negotiate credit
- ❖ Finance land and equipment
- ❖ Insure inputs and crops

**Pre-season planning**

- ❖ Negotiate inputs
- ❖ Buy capital goods
- ❖ Receive and upgrade agricultural equipment
- ❖ Insure assets
- ❖ Maintenance of capital goods. Repair and replacement of spares and whole goods




**Operational execution**

- ❖ Logistical solutions and settlement of accounts

**Procurement of raw material**

- ❖ Procurement of raw material
- ❖ Contracting
- ❖ Handling and storage of product

- ❖ Financing of operating capital of raw materials

**Producer activities:** Pre-season planning | Operational execution | Marketing

**Off-taker activities:** Procurement of raw material | Operational execution


## ❷ Operational execution

- Maintenance of capital goods: Repair and replacement of spares and whole goods

- Preparation, tillage and planting of product
- Pre-season marketing

- Growth of product
- Fertilise, weed control, pest control and cleaning of fields
- Crop insurance
- Pre-season marketing

- Harversting of product
- Handling, weighing, clea-ning and drying of grain
- Taking the product to the market

## ❸ Marketing

- Marketing of goods from registered acknowledged facility
- Finalise obligations with financiers
- Evaluation of results of past season
- Financial planning for the next season

### Tradevantage
- Conclusion of contracts for delivery of raw material to millers

### Grasland Ondernemings
- Negotiates agricultural lime prices and volumes with off-takers of lime independent of a third party
- Supplies agricultural lime and gypsum products to producers as an input product for the production of the season

### Certisure & Univision
- Credit life insurance, asset insurance, wealth, retirement and succession planning
- Asset insurance for clients wishing to insure their assets
- Crop insurance broker (hail and multi-peril insurance)
- Evaluation of insurance portfolio

### Molemi Sele
- Value addition to credit life insurance (underwriting and re-insurance)

### Grainovation
- Logistical solutions and farm-loading
- Logistical solutions

### ESC
- A platform for the management and trading of silo certificates for producer
- A platform for the management and trading of silo certificates for off-taker

### Hedge Fund
- Provides hedging and potential market opportunities for the group

# SENWES BRAND – THE STORY

## The beginning

In the year 1909, the founders of the company identified an opportunity to assist farmers in central South Africa by providing them with grain storage facilities. For the past 108 years Senwes has been building on this foundation - to assist farmers and to ensure food security.

## The foundation

The brand is built on six sound corporate values that employees embrace and live by. These include integrity, business orientation, self-motivation, innovation, loyalty and accountability.

## The company

Senwes strategically uses joint ventures to expand its geographic presence and mitigate its concentration risk, whilst effectively realising its purpose of providing innovative and integrated solutions to its customers. The company operates as a group of companies from eight of the nine provinces in South Africa, with a personnel complement of 3 157 employees.

## The responsibility

Senwes has a responsibility towards making a meaningful contribution and creating sustainable value for all stakeholders, thereby contributing towards food security in South Africa. As a corporate brand, Senwes strives to be the preferred investment partner, employer, supplier and distribution channel and a good corporate citizen.

## Statement of commitment

Senwes is committed to making a meaningful contribution to sustainable livelihoods through sustainable agriculture, by providing innovative and integrated solutions to food producers and other role players in the applicable stages of the food value chain. Senwes is also committed to creating value for all our stakeholders by conducting sustainable business through ethical dealings, protecting the environment and contributing to the socio-economic development of our employees and societies in which we conduct business.

## The promise

Senwes is known for its integrity, loyalty and professionalism, which are reflected in all its business activities. Throughout each and every segment of the company's involvement in the food value chain, Senwes adopts a strategic approach to rather deliver fewer products/services of exceptional quality than trying to service various markets with numerous activities which do not add sufficient value for our key stakeholders. This approach is aimed at growth and diversification by bringing about innovative and integrated solutions and sustainable practices within the agricultural environment and food value chain.

# INVESTMENT CASE

## Senwes strives to be...

The preferred investment partner, employer, supplier and distribution channel, as well as a good corporate citizen. Senwes has a responsibility towards making a meaningful contribution to, and creating sustainable value for all stakeholders, thereby contributing towards food security in South Africa.

### This will be achieved by delivering on the following seven core strategic priorities... (p. 45)

1. Diversification
2. Horizontal integration and consolidation
3. Reorganisation of business models
4. Internal customer integration
5. Vertical integration
6. Externalisation
7. Unlocking value synergies

### Which are underpinned by the following material risks that affect the business... (p. 92)

1. Credit, liquidity and market risk
2. Commodity price risk
3. Political instability and economic climate risk
4. Transition and customer risk
5. Weather and climate risk
6. Diversification and agricultural industry risk
7. Market share risk
8. Regulation and compliance risk
9. Unique competitor risk
10. Urbanisation, scarcity and retention of skills risk
11. Systems risk
12. Theft and fraud risk
13. Environment and health and safety risk

### Measured via the following key financial features... (p. 4)

**Earnings before interest and tax from continuing operations (EBIT) (R'm)**

| | | |
|---|---|---|
| **2017:** | **433** | **14,9%** ▲ |
| 2016: | 377 | |

**Normalised HEPS (cents/share)**

| | | |
|---|---|---|
| **2017:** | **108,4** | **36,6%** ▲ |
| 2016: | 79,3 | |

**Net profit after tax (R'm)**

| | | |
|---|---|---|
| **2017:** | **167** | **7,1%** ▲ |
| 2016: | 156 | |

**Total shareholders' return (%)**

| | | |
|---|---|---|
| **2017:** | **3,3** | **8,1%** ▲ |
| 2016: | (4,8) | |

### And supported by our six capitals... (p. 19)

1. Financial capital
2. Human capital
3. Intellectual capital
4. Manufacturing capital
5. Natural capital
6. Social and relationship capital

# BUSINESS PROFILE

## Financial Services

### Senwes Credit

**Your benchmarking partner**

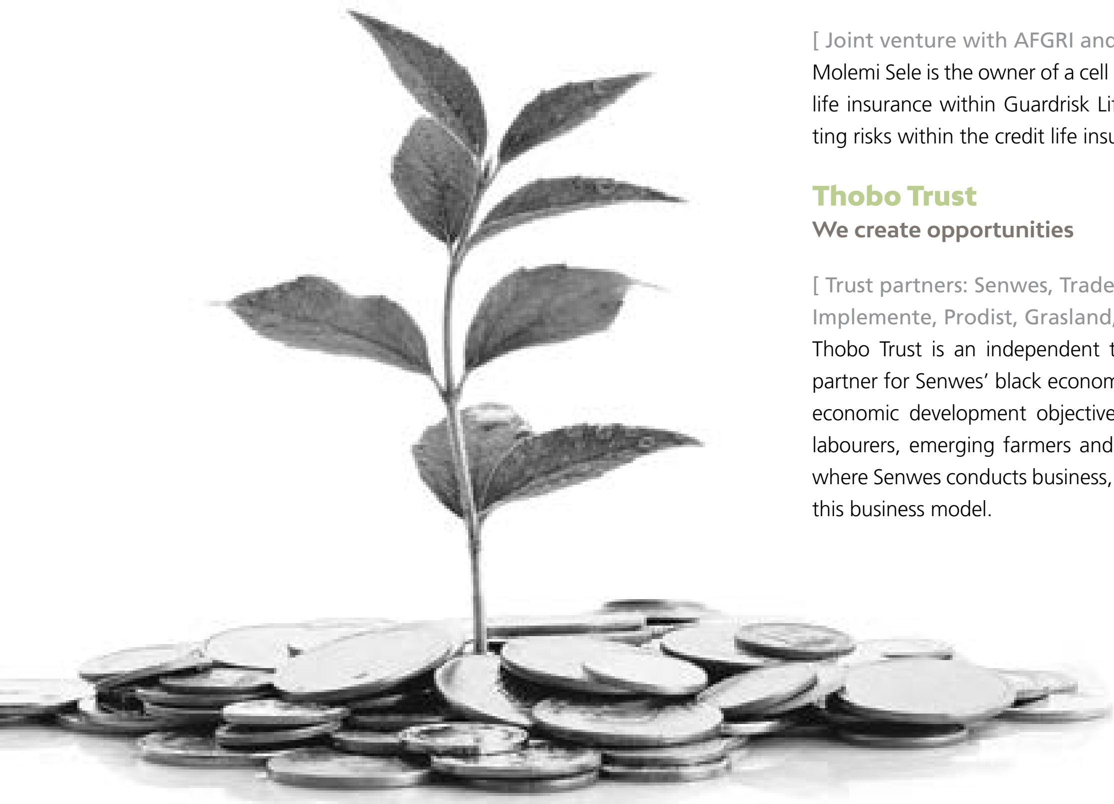
[ Division of Senwes ]

Senwes Credit offers a range of unique and effective financial products to producers such as, inter alia, production loans, monthly accounts, credit arrangements of a long-term nature and hire purchase transactions.

Senwes Credit understands the challenges which producers face in an uncertain economic climate and, for this reason, makes financial arrangements with off-takers of grain in order to extend bridging finance for the operating costs of their businesses.

Senwes Agricultural Services, a division of Senwes Credit, renders specialised services focused on adding value to agronomy, animal science, farm management, agricultural-economics, soil analysis, information services and the establishment of emerging farmers.

Good relationships with clients are critical in our business, where the quality of recommendations, practical feasibility and results dominate competitive prices. Specialists in every facet ensure sustainable solutions and optimal turnaround times in order to be as adaptable as possible.



### Senwes Asset Finance

**Integrity, proactive and superior service**

[ With Wesbank as partner ]

Senwes Asset Finance offers comprehensive financial services focused on your movable assets and bonds - a service which offers the best in terms of business development and sustainable growth.

### Certisure

**Reliable insurance for all**

[ Joint venture with NWK ]

The Certisure group is an insurance company with numerous specialist areas that agricultural, commercial and individual clients can benefit from. Asset insurance, crop insurance, financial planning, credit life insurance, corporate insurance, game insurance and medical aid schemes form the cornerstones of this company.

The convenience of tailor-made insurance products for every producer, client and member of the public ensures a competitive edge without equal. Certisure renders broker and administrative services where the risk requirements of clients are addressed and catered for.

### Molemi Sele

**Balancing risk**

[ Joint venture with AFGRI and NWK ]

Molemi Sele is the owner of a cell insurance company for credit life insurance within Guardrisk Life and focuses on underwriting risks within the credit life insurance domain.

### Thobo Trust

**We create opportunities**

[ Trust partners: Senwes, Tradevantage, Hinterland, JD Implemente, Prodist, Grasland, Grainovation, Certisure ]

Thobo Trust is an independent trust and serves as strategic partner for Senwes' black economic empowerment and socio-economic development objectives. Senwes employees, farm labourers, emerging farmers and communities in rural areas, where Senwes conducts business, derive the most benefit from this business model.

# Input Supply

## Senwes Equipment

**Solution-driven**

[ Division of Senwes ]

Senwes Equipment is an agricultural equipment and services partner of distinction and offers mechanisation and maintenance solutions. Senwes Equipment supplies whole goods, spares and workshop services to producers from 27 retail outlets and 18 mechanisation workshops country-wide.

Senwes Equipment is also the exclusive John Deere agent in central South Africa, where the quality of the equipment runs parallel with the supply channel. Excellent after-sales service in respect of tractors, harvesters and other agri-implements is supported by a century's experience and industry knowledge.

Through the implementation of precision farming practices, Senwes Equipment assists producers with solution-driven services in order to increase their profits and keep their input costs as low as possible.

## JD Implemente

**Always ready to serve**

[ Subsidiary with the Tomlinson family as partner ]

JD Implemente enables Senwes Equipment to expand its market share in the Western and Eastern Cape. JD Implemente renders services to producers through six business units by providing excellent agri-mechanisation and maintenance solutions. The company's unequalled after-sales service exceeds producers' expectations time and again.

## Hinterland

**Rediscover what matters**

[ Joint venture with AFGRI ]

Hinterland specialises in the empowerment of producers by supplying input products for a wide variety of farming practices. The successful retail business, which trades as Senwes Village, AFGRI Town & Country and Farm City, also offers a wide variety of hardware and convenience products to the general public, such as irrigation equipment, DIY-products, hardware, animal health, animal feed and fuel.

Hinterland has 63 retail outlets, seven fuel stations with seven convenience stores at the fuel stations and one supermarket.

## Prodist

**Demand, supply, trust**

[ Subsidiary of Hinterland with LRB as partner ]

Prodist, as wholesale distributor of a variety of agricultural products and general commodities, plays an active role in the optimisation of every aspect of the supply chain between the producer and the end consumer.

Strategic partnerships with suppliers ensure that Prodist is one of the most prominent wholesalers and suppliers of spares for agricultural implements, agricultural and irrigation equipment, hardware and tools. Mass products are imported via two distribution centres in Johannesburg and Bethlehem, where such products are repacked and distributed to more than 1 887 destinations throughout Southern Africa. Prodist is focused on servicing the agri-business and retail hardware markets in South Africa and its neighbouring countries as an effective supply channel.

## Grasland Ondernemings

**Superior quality and pioneering strategy**
**Your lime supplier of choice**

[ Joint venture with NWK ]

Grasland specialises in the production of high quality lime at its four mines in the Northwest province. It supplies dolomitic and high quality lime and gypsum products for agricultural and industrial purposes.

# BUSINESS PROFILE | continued

## Market Access

### Senwes Grainlink

**Investment in technology and infrastructure**

[ Division of Senwes ]
Senwes Grainlink specialises in the handling and storage of grain and oilseeds and is positioned between the producer and the off-taker. This link, which represents Senwes Grainlink in the producer value chain, is capable of handling approximately 20% of South Africa's grain and oilseeds in an average production year. The 68 silo complexes and three throughput structures have a total storage capacity of 4,8 million tons, which represents more than 25% of the total South African commercial storage capacity.

Senwes Grainlink has 2 223 bins, where grain and oilseeds are received, dried, cleaned and stored. A more streamlined process has been put in place for the procurement and marketing of grain in order to optimise the turnaround times of producers and off-takers.

Although the procurement action is decentralised with 17 procurement offices, the trading of grain is done on a central basis. Producer-specific contracts and trading solutions allow the producer to optimise his crop due to the availability of extensive pricing products and strategies. Senwes Grainlink also renders services to the grain off-taker and attempts to ensure the availability of raw materials at the correct place and time throughout the year.

### Senwes Seed

**Sowing the seed of success**

[ Division of Senwes Grainlink ]
Senwes Seed plays a key role in the agri-value chain in Orkney and Hartswater. Senwes Seed established itself over decades as an excellent seed processor with an excellent reputation amongst producers and in the market. This business recently expanded its activities by adding a small packaging plant to the current service offering.

### Tradevantage

**Partners in prosperity**

[ Subsidiary of Senwes ]
Tradevantage provides an extensive grain marketing and trading service to both national and international clients relating to maize, oilseeds, wheat and sundry soft commodities. Tradevantage is known for accurate execution, effective administration, professionalism and the provision of innovative solutions. The business is uniquely developed to meet the needs of each client and supplies the product to off-takers at their production plants.

### Senwes Graanmakelaars

**Committed to deliver**

[ Subsidiary of Senwes ]
Senwes Graanmakelaars is a company which acts as a broking agent for clients wishing to obtain access to the JSE (SAFEX) agricultural commodities division. Senwes Graanmakelaars is a wholly owned subsidiary of the larger Senwes group and resides within Senwes Grainlink in the market access division.

This places Senwes Graanmakelaars in an ideal position to increase synergy within market access by providing an opportunity to producers, consumers and speculators to hedge or take part in potential market opportunities. Senwes Graanmakelaars also plays a supporting role, together with market access analytical services, to compile market information reports on a daily basis.

### Grainovation

**Your potential delivered**

[ Joint venture with Imperial Logistics ]
Grainovation is a leading logistics operator in the agricultural sector and offers specialised logistical solutions to both the producer and off-taker of grain and oilseeds.

### Electronic Silo Certificates (ESC)

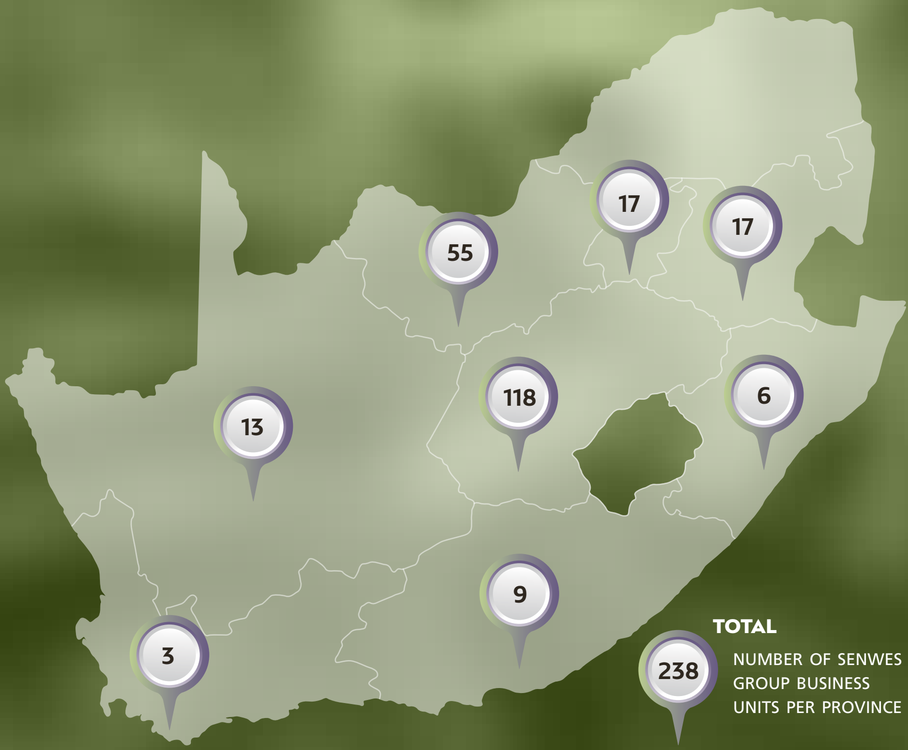
**National, instant, secure**

[ Joint venture with AFGRI ]
Electronic Silo Certificates provides a safe and effective way of managing electronic silo certificates via the internet or a cellphone. Certificates are traded and administered seamlessly online.

# OUR PRESENCE IN SOUTH AFRICA

## Provinces

Northwest, Free State, Gauteng, Mpumalanga, KwaZulu-Natal, Eastern Cape, Northern Cape and Western Cape with our head office in Klerksdorp




## Financial Services

**19** Insurance branches
**1** Credit extension office

## Input Supply

**56** Retail outlets with fuel stations
**27** Whole goods and spares outlets
**18** Mechanisation workshops
**7** Retail outlets
**6** John Deere agencies
**5** Convenience stores at fuel stations
**4** Lime mines
**2** Wholesale distribution centres
**1** Supermarket

## Market Access

**68** Silo complexes
**17** Procurement offices
**3** Throughput structures
**1** Marketing office
**1** Trading office
**1** Logistics office
**1** Silo certificate dealer

### Northwest

**11** Silo complexes
**10** Insurance branches
**7** Whole goods and spares outlets
**6** Retail outlets with fuel stations
**6** Mechanisation workshops
**4** Lime mines
**3** Procurement offices
**2** Throughput structures
**2** Retail outlets
**1** Logistics office
**1** Trading office
**1** Marketing office
**1** Credit extension office

### Free State

**50** Silo complexes
**21** Retail outlets with fuel stations
**13** Whole goods and spares outlets
**11** Procurement offices
**8** Insurance branches
**8** Mechanisation workshops
**5** Convenience stores at fuel stations
**1** Throughput structure
**1** Wholesale distribution centre

### Gauteng

**6** Retail outlets with fuel stations
**3** Retail outlets
**3** Silo complexes
**2** Whole goods and spares outlets
**1** Procurement office
**1** Wholesale distribution centre
**1** Silo certificate dealer

### Mpumalanga

**16** Retail outlets with fuel stations
**1** Retail outlet

### Northern Cape

**4** Silo complexes
**2** Retail outlets with fuel stations
**2** Whole goods and spares outlets
**2** Procurement offices
**1** Mechanisation workshop
**1** Insurance branch
**1** Supermarket

### KwaZulu-Natal

**5** Retail outlets with fuel stations
**1** Retail outlet

### Eastern Cape

**3** John Deere agencies
**3** Whole goods and spares outlets
**3** Mechanisation workshops

### Western Cape

**3** John Deere agencies

# VALUE CREATION WITH SIX CAPITALS

Senwes relies on various forms of capital to achieve set targets and goals. These capitals as identified by the International Integrated Reporting Council (IIRC), can be seen as inputs to the company's business model and increase, decrease or transform according to the activities of the company.

These capitals form the basis of Senwes' value creation and are not independent to one another even though certain dependencies are relatively small or indirect.

**Financial capital**

**Human capital**

**Intellectual capital**

**Manufacturing capital**

**Natural capital**

**Social and relationship capital**

Key-inputs

Outcomes

Future challenges

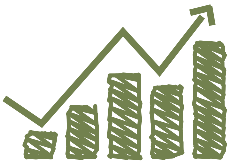
Actions to improve outcomes

Reassurance in respect of capital

Compromises in respect of the utilisation of capital

TO BE SUCCESSFUL, YOU HAVE TO HAVE YOUR HEART IN YOUR BUSINESS, AND YOUR BUSINESS IN YOUR HEART.

> Thomas John Watson, Sr. <



# FINANCIAL CAPITAL

## What does financial capital allocation mean to Senwes?

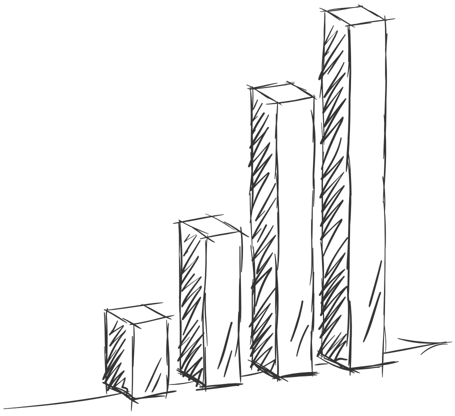
It is the pool of available funds which can be utilised in the achievement of the strategy of Senwes, thereby creating value for all stakeholders, and to unlock such value at a suitable time. It includes debt, equity and cash generated by business units as well as investments.

It is important for Senwes to invest funds allocated by shareholders and financiers at the most optimal investment rates, in order to ensure share growth and dividend yield for shareholders, as well as interest and the required capital redemption for financiers.

Capital is allocated to each focus area in a balanced manner in order to ensure the most optimal outcome.

### Key inputs

- Capital expenditure of R116 million to advance strategic projects;
- Additional funding from financiers of R437 million;
- Opening shareholders' equity of R1,9 billion;
- Loan facilities of R3,5 billion, of which R1,4 billion is unutilised;
- Market capitalisation of R1,9 billion.



## Outcomes

- ❖ Earnings before interest and tax of R432,9 million;
- ❖ Cash generated by business units of R164,5 million;
- ❖ Normalised headline earnings per share of 108,4 cents;
- ❖ Dividend paid of 40 cents per share, total dividend paid of R71 million;
- ❖ Interest paid of R204 million, with an interest cover of 2,3 which is within the caveats of financiers;
- ❖ Net asset growth of 63,4 cents per share;
- ❖ Capital maintenance of 38%, which is within the capital maintenance guidelines of 35% to 45%;
- ❖ Natural hedging against interest rate fluctuations - interest-bearing assets of R3,7 billion vs interest-bearing liabilities of R2,6 billion.

## Future challenges

[ Material risks and opportunities p. 92]

1. Credit, liquidity and market risk
2. Commodity price risk
3. Political instability and economic climate risk
4. Transition and customer risk
5. Weather and climate risk
6. Diversification and agricultural industry risk
7. Market share risk
8. Regulation and compliance requirement risk
9. Unique competitor risk
10. Urbanisation, scarcity and retention of skills risk
11. Systems risk
12. Theft and fraud risk
13. Environmental, health and safety requirements risk

## Actions to improve outcomes

- ❖ Strategic objectives (p. 45 for the Senwes strategy);
- ❖ Mitigation of risks (p. 92 for Senwes' risk mitigation);
- ❖ Refer to 365-review for action plans already implemented (p. 6);
- ❖ Cost savings programmes;
- ❖ Focused cash flow management;
- ❖ Sensitivity analysis in respect of solvability and liquidity levels in order to determine debt tolerance;
- ❖ Focused balance sheet management.

## Reassurance in respect of financial capital

- ❖ Unqualified external audit opinion;
- ❖ An independent Audit Committee ensures integrity of controls and financial disclosure;
- ❖ The Risk Committee’s analysis of strategic and operational risks;
- ❖ An Investment Committee supervises the investment philosophy and management;
- ❖ Internal Audit provides an opinion on the combined control environment.

## Compromises in respect of the utilisation of financial capital

Financial capital enables Senwes to grow the business in a sustainable manner, with a positive impact on manufacturing, human, intellectual, social, relationship as well as natural capital.

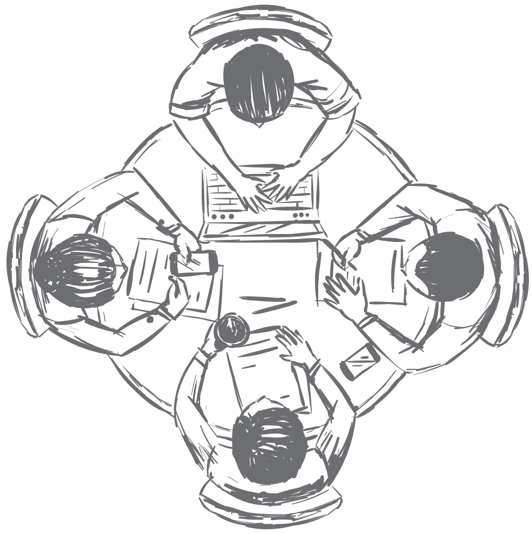
# HUMAN CAPITAL

## What does human capital mean to Senwes?

Our employees are key stakeholders of Senwes. Our workforce has been, and still is, our primary competitive advantage in the long and successful 108-year history of the company. We have a hardworking team which has always ensured our long-term sustainability and which will continue to ensure our success.

### Key inputs

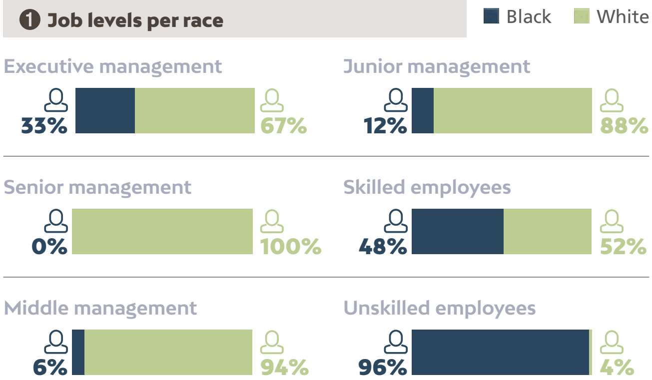
- A leader in the industry and an excellent company to work for;
- Company with opportunities;
- Safe and healthy work environment;
- Employee recognition and market-related remuneration;
- Strong leadership team;
- Inclusive environment and workforce diversity;
- Employees are empowered and ownership is allocated.



## Outcomes

- Total personnel of 3 157 in the Senwes group (including JVs)
- Total remuneration cost of R373,6 million
- Job levels per race (❶)
- Age distribution (❷)
- Disabling injuries (❸)

❶ **Job levels per race**




❷ **Age distribution over various levels of the company**


| ❸ Disabling injuries | 2016/ 2017 | 2015/ 2016 | Variance |
|---|---|---|---|
| Section 24 disabling injuries | 5 | 3 | 66,7% |
| Disabling injuries | 30 | 31 | (3,2%) |
| Man-days lost due to injuries | 281 | 211 | 33,2% |
| Disabling injury frequency rate | 1,8 | 1,8 | - |

## Future challenges

- Productivity;
- Labour legislation;
- Personnel turnover;
- Employment equity;
- Black economic empowerment;
- Retention of key individuals;
- Follow up management for critical vacancies;
- Cultural diversity and sensitivity;
- Teams and teamwork as the future of the work environment.

## Actions to improve outcomes

- Restructuring of Human Resources division;
- Re-evaluation of existing philosophies, processes and decisions;
- Implementation of Human Resources management system;
- Remuneration research;
- Incentive or compensation for group work/ co-operation;
- Monitoring of personnel health;
- Market research in respect of comprehensive job profiling and job grading.

## Reassurance in respect of human capital

- Compliance Committee;
- Remuneration Committee.

## Compromises in respect of the utilisation of human capital

The Senwes group workforce increased by 5,2%, which had a positive impact on human capital. The increase in salary costs had a positive impact on human capital, but a negative impact on financial capital.

# INTELLECTUAL CAPITAL

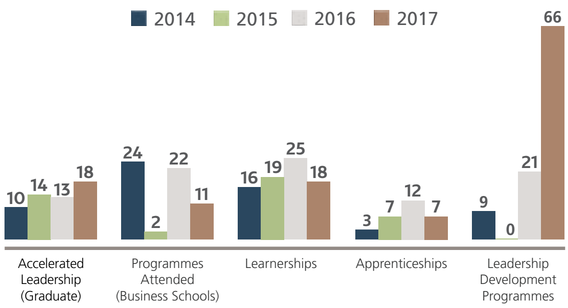
## What does intellectual capital mean to Senwes?

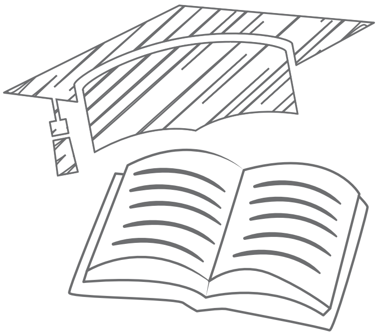
The appointment of the correct person in the correct position, supported by effective management systems and company culture, contributes to the success of Senwes' business model and the achievement of its strategy. Senwes is a customer-focused company which strives to find innovative and integrated solutions for the challenges of our customers.

### Key inputs

- Innovation division focused on innovative products and service delivery;
- Internal IT-division with 60 experienced technical personnel;
- Unique business processes;
- Graduate programme;
- NWU-project;
- External specialists;
- Apprenticeship programmes;
- Leadership and management development programmes;
- Bursary schemes;
- Nation in Conversation;
- Product development programme and teams;
- Operational and specialist business units with a mandate to explore new opportunities.

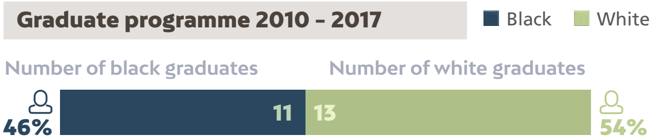
### Senwes Academy





## Outcomes

- Total training costs of R9,6 million;
- Total skills development costs of R3,5 million;
- Development of mobile applications, including:
  - Senwes Grain applications
  - Senwes Equipment mobile sales application
  - Senwes Weather application
- Space observation project - SANSA;
- AgriRewards loyalty scheme;
- OneAgri application;
- Internally developed systems;
- Combined executive management experience of 110 years;
- Grain storage and handling market share increased by 9% due to acceleration and aeration initiatives.




| Talent development indicator | 2016/ 2017 | 2015/ 2016 | Movement |
|---|---|---|---|
| Number of training man-days | 3 102 | 6 959 | (55,4%) |
| Total training costs (R'm) | 9,6 | 9,3 | 3,2% |
| % of training invested in black individuals | 44,1 | 39,9 | 4,2% |
| Average number of training days per employee | 3,3 | 5,5 | (40,0%) |
| Captured training costs as a % of payroll cost | 2,4 | 2,6 | (0,2%) |

## Future challenges

- Fast-changing technology and significant related inputs required;
- Investment in training in order to keep up with the latest technology;
- Increasing stakeholder expectations in respect of technological innovation;
- Increasing pressure on data, capacity and analytical ability;
- Competitiveness;
- Productivity and effectiveness;
- Recruitment and retention of suitable employees;
- System security and protection of information.

## Actions to improve outcomes

- Align capacity utilisation with investment philosophy of Senwes;
- Research in respect of latest technology and prototypes;
- Focus on optimisation of existing investments by means of problem analysis and internal improvements;
- Outcome-driven objectives for all personnel, aligned with measurable divisional objectives for effective management.

## Reassurance in respect of intellectual capital

- Reassurance from external auditors regarding the implementation of projects;
- IT-Committee;
- Social and Ethics Committee;
- Investment and Audit Committees undertake post-implementation evaluations of the sustainability of the projects.

## Compromises in respect of the utilisation of intellectual capital

Investment in the right skills and systems requires a lot of capital, which has a positive impact on human capital, natural capital, financial capital and social and relationship capital over the longer term. The improvement of certain processes and technology could result in a decrease in human capital.

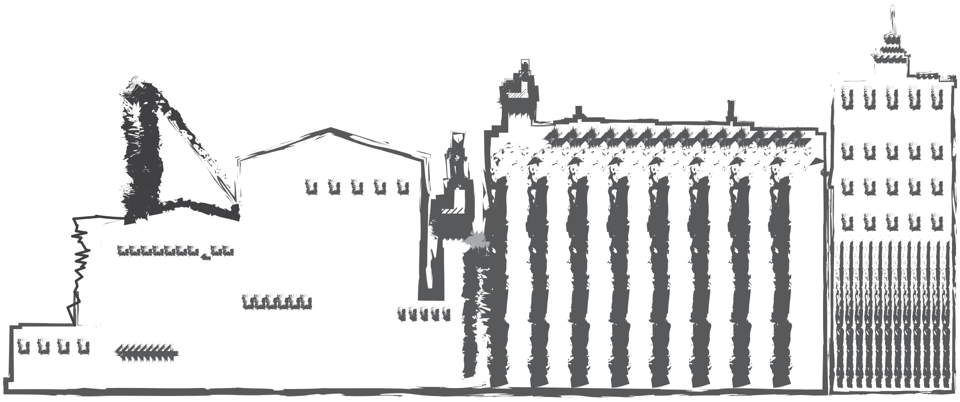
# MANUFACTURING CAPITAL


## What does manufacturing capital mean to Senwes?

Senwes believes that investment in property, plant and equipment and the maintaining of its upgrading programme, retail networks and silo infrastructure efficiency will improve customer service and the buying experience. Senwes uses its manufacturing capital to generate cash from the storage and handling of grain, to supply input products and mechanisation equipment to customers and for the maintenance of mechanisation equipment.

### Key inputs

- Upgrading of the following retail branches is being planned: Bultfontein, Delmas, Klerksdorp and Kroonstad;
- Acquisition of three new mechanisation branches: Ugie, Aliwal-North and George. A development project is in process in East-London;
- Alternative energy project at head office - LED-lights and solar panels of R24 million;
- Aeration project and the acceleration of the intake process at silo complexes of R34 million;
- Property, plant and equipment with a carrying amount of R471 million.



## Outcomes

- Net silo income (handling and storage) of R153,4 million for the year;
- Increased market share in respect of handling and storage of grain of 9%;
- Saving of 40% in electricity consumption at head office of 1 338 897 kWh, total saving in electricity costs of R2 million;
- Improved buying experience at Bergville, Bothaville, Harrismith, Middelburg, Potchefstroom and Winterton branches, which increased sales by 25% in the departments where the improved buying experience was implemented;
- Depreciation of R40,7 million;
- Maintenance costs of R41,5 million.

## Future challenges

- Erection of alternative storage structures;
- Skills of industrial engineers;
- Application of capital at the right silo complexes in order to ensure optimal return and to mitigate risks;
- SHEQ-regulations.

## Actions to improve outcomes

- Improved customer service by means of accelerated intake rate and aeration at silos;
- Structural changes and succession planning of industrial engineers;
- Improved control environment and structural changes in the SHEQ-division.

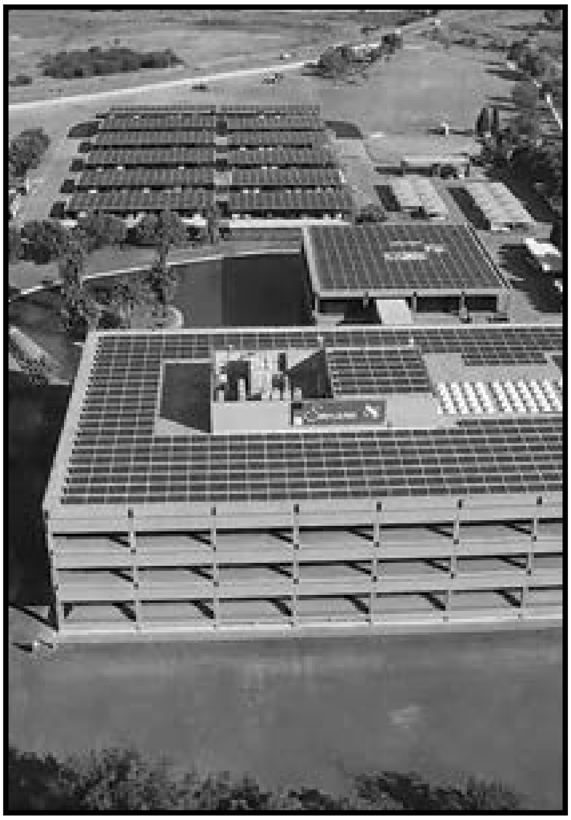
## Reassurance in respect of manufacturing capital

- Asset survey by external auditors;
- Approval of projects by the Senwes board. The overview and reporting are done afterwards by the Audit Committee;
- SHEQ-safety audits;
- Joint compliance model;
- JSE-compliance audit on Silo Operations;
- Code of conduct audits;
- SAGIS (South African Grain Information Services) audits;
- Internal audit investigations;
- HACCP-accreditation;
- Compliance Committee.

## Compromises in respect of the utilisation of manufacturing capital

The continued growth of Senwes by means of capital projects decreases financial capital over the short term, but the focus is to unlock value to the benefit of human, social, relationship, natural and financial capital.

# NATURAL CAPITAL



## What does natural capital mean to Senwes?

Senwes uses natural capital such as land, water and energy to generate income. Senwes invests significantly in decreasing the impact of its activities on the natural environment and to promote a culture of efficiency. However, Senwes' manufacturing capital has a low impact on natural capital.

### Key inputs

- Energy savings project at head office to the value of R24 million;
- First solar panel energy system installed at Hennenman silo to the value of R6,3 million;
- Water consumption efficiency program;
- Electricity consumption efficiency program;
- Waste reduction programme.

## Outcomes

- Decrease of 1 338 897 kWh (44,9%) in energy consumption at head office;
- Decrease of 0,8% in water consumption at head office;
- Saving of 39 297 kg $CO_2$ in respect of paper consumption.

## Future challenges

- Increasing scarcity and quality of natural resources remain a challenge;
- Inability of municipalities to manage their water and electricity accounts has a negative effect on business activities;
- Climate change: Drought has a negative impact on food production;
- The effect that global warming may have on the agricultural industry;
- The demand for water exceeds the natural availability;
- The inability of Eskom to meet the demand for electricity risk due to poor infrastructure and maintenance networks.

## Actions to improve outcomes

- Solar power projects are planned for five Hinterland branches;
- First solar panel energy system successfully implemented at Hennenman silo. As soon as the viability of the project can be proved, it will be rolled out to other silos;
- Focus on finding solutions for producers relating to more efficient water usage;
- A waste reduction programme focused on lower paper utilisation by using technology;
- Installation of electronic electricity metres at silos to record municipal readings.

## Reassurance in respect of natural capital

- Independent consultation on the rehabilitation of the mining sites of Grasland Ondernemings

## Compromises in respect of the utilisation of natural capital

The investment in energy and water saving projects has a negative impact on financial capital over the short term. However, it had a positive impact on natural and financial capital over the long term.

# SOCIAL AND RELATIONSHIP CAPITAL

## What does social and relationship capital mean to Senwes?

We are committed to the transformation and development goals of the country and align our initiatives with the development priorities of the government. We are passionate about making a contribution to the sustainable development of the rural areas, particularly those areas where the Senwes group conducts its business. We are a responsible and accountable corporate citizen, committed to the management of a sustainable business, taking into account our stakeholders, the environment and the community.

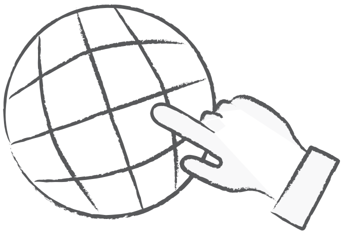
### Key-inputs

- Thobo Trust projects;
- Annual Christmas party project;
- Water shortage project;
- Nelson Mandela Day project;
- Drought relief assistance;
- Agricultural conference sponsorships;
- External bursary schemes;
- Learnerships;
- Programme for emerging farmers.

## Outcomes

- Number of active customers: 4 952;
- Number of active suppliers: 1 089;
- Total spending in respect of authorities – R153 million;
- Paid to suppliers for goods and services – R9,1 billion;
- Total CSI-spending – R0,9 million;
- Total enterprise development spending – R1,3 million.

| Focus area | Initiatives | Achievements |
|---|---|---|
| Food safety | Food safety programme safety certification | All accredited silos received food safety certifications |
| Economic and organisational | Financial and technical assistance | Assistance to the value of R7,8 million was provided |
| | Agricultural sponsorships | Eight national conferences, nine provincial congresses and 160 district and local unions were sponsored |
| | Nation in Conversation | A total of 53,6 million interactions with the Nation in Conversation brand were recorded during the Nampo live broadcasts and 13 episode TV-series |
| Education | Early childhood development | 107 students completed early childhood development courses since 2014 |
| Learnerships | Learnerships and apprenticeships | 18 learners derived benefit from Senwes learnerships in retail and grain handling<br>33 apprentices were trained |
| | Ottosdal Computer Centre | A computer centre was established in Ottosdal for four primary schools to jointly utilise the computer centre<br>Another 18 computers have been donated to the centre |
| | Brandfort Computer Centre | A computer centre was established in Brandfort which four primary schools' learners will benefit from |
| Welfare | Annual Christmas party | 550 underprivileged children, from eight different institutions, were involved |
| Sports | Senwes Spinners | Ten farm schools, five from the Northwest and five from the Free State province, which involved 130 learners, were introduced to and developed in the game of cricket and 20 educators received cricket administration training |



## Future challenges

- High levels of infrastructure decline;
- Lack of funding for initiatives;
- Quality customer service and relationships;
- Changes in B-BBEE-legislation;
- Food security;
- Increased demand for food;
- Local and rural safety;
- Water shortages;
- Land Expropriation Act;
- Currency exchange rate;
- Suppressed soft commodity prices;
- Smaller producers forming co-operative hubs.

## Actions to improve outcomes

- Ethics helpline;
- Fraud helpline;
- Social investments and projects;
- Improved and quality products and services;
- Competitive pricing of products and services;
- Involvement in initiatives to transform unproductive farms into productive farms;
- Recruitment of candidates from underrepresented groups;
- The initiation and support of innovative programmes to find practical solutions for community problems and requirements;
- The support of sustainable community interventions, which have a wider, broader and more sustainable impact over the long term;
- Improved communication in terms of content and frequency with all stakeholders.

## Reassurance in respect of social and relationship capital

- Social and Ethics Committee;
- All Grainlink silos are audited and certified by the Perishable Product Export Control Board according to a three-year cycle;
- Reduced conventional electricity consumption through various initiated projects;
- Reduced water consumption through initiated projects;
- Waste management through recycling efforts.

## Compromise in respect of the utilisation of social and relationship capital

Senwes invests in social and relationship capital in order to promote financial capital growth over the long term. Financial capital is, however, decreased over the short term.

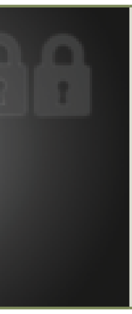
# UNDERSTANDING OUR STAKEHOLDERS

Key relationships that drive the Senwes businesses

Senwes' stakeholders are the critical individuals or groups that Senwes needs to nurture and focus on sound relationships as they are the core of the business which creates value over the short, medium and long term. The table below identifies these groups and provides a brief overview of the nature of the company's relationship with these stakeholders, the stakeholders' interests and Senwes' inclusive and interrelated approach in dealing with these:

| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Clients and Customers** | **The reason for the company's existence because they buy our products and services**<br><br>**Main source of revenue** | ❖ Advice on business decisions<br>❖ Quality of goods and services<br>❖ Price<br>❖ Volatility<br>❖ Critical market information<br>❖ Effective solutions for industry-related problems<br>❖ Customer experience |
| | **Key Initiatives** | During the past financial year Senwes implemented a new client-centric log-on process called OneAgri to assist clients by using only one username and password for all the platforms across the Senwes group. The AgriRewards loyalty scheme was also launched successfully. |


| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Integrated client service approach and a clear understanding of the needs of clients<br>❖ Proactive marketing strategy<br>❖ Infinite client knowledge<br>❖ Knowledgeable staff<br>❖ Business-driven and appropriate solutions<br>❖ Strong advice business model<br>❖ Effective communications<br>❖ Relevant infrastructure and retail networks<br>❖ Personal contact at business units<br>❖ Independent third party consulting project on customer interaction | **Lower pricing from competitors**<br>**Suitable alternative products and services**<br>**Lower cost business models which will serve the client at the same level** | ❖ AgriRewards: Rewards customers for their business and loyalty<br>❖ Appropriate client integrated products and services<br>❖ Integration project to improve our service levels<br>❖ Technology improvements to add value to the client |



New contracts are being concluded in various segments of the business which will provide certainty and sustainability.

Agri rewards
RETURN ON LOYALTY

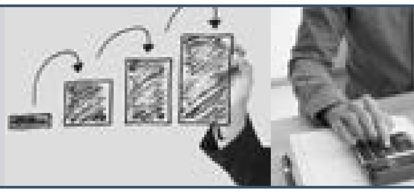
The board approved the second year of the AgriRewards scheme and added further business units, besides Grainlink, that will participate in the scheme.


# STAKEHOLDERS | continued

| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Shareholders and Investors** | Owners of the company: Principal providers of financial capital | ❖ Strategy to ensure sustainable financial performance<br>❖ Externalisation and diversification<br>❖ Achieve required return on equity<br>❖ Sound total shareholder return (dividend and capital growth)<br>❖ Responsible investments<br>❖ Transparent reporting and disclosure<br>❖ Stable dividend policy<br>❖ Good corporate governance<br>❖ Ethical behaviour and responsible citizenship |

**Key initiatives**

For the period under review, Senwes has been in communication with shareholders and investors through various mediums, which will culminate in an annual general meeting where presentations on the financial results and the strategy of the company will be made.



| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Suppliers** | Affects the Senwes group's ability to cost-effectively provide products and services<br><br>Direct impact on competitiveness | ❖ Reliable preferred partner<br>❖ Honouring terms and conditions<br>❖ Timely payments<br>❖ B-BBEE compliance<br>❖ Effective communication channel<br>❖ Fair discount and rebate system<br>❖ Balanced client promise<br>❖ High quality products |

**Key initiatives**

During the year under review various interactions and networking between Senwes and its suppliers took place. Expo's and other marketing days were held, where Senwes and its suppliers shared a platform.

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Performance of the board in terms of:<br>• Adopting long-term strategies and goals; and<br>• Ensuring successful execution<br>❖ Average 5-year return on opening equity of 14,1%<br>❖ 5-year average total shareholders' return (on opening market price) of 8,1%<br>❖ Constant dividend flow<br>❖ Sound corporate governance practices<br>❖ Transparency in disclosure of results, major risks, opportunities and directors' remuneration<br>❖ Value chain integration<br>❖ Mergers and acquisitions (local and international)<br>❖ Interim and annual results reporting and presentations at annual general meeting<br>❖ Active pursuit of value creation and unlocking | **Current shareholder structures**<br>**Unable to raise enough capital to execute strategies**<br>**Solvency and liquidity risks** | ❖ Redesign shareholder structure<br>❖ Consider unbundling<br>❖ Skilled and expert board composition<br>❖ Board performance evaluation<br>❖ Regular dividend distributions<br>❖ Longer term rolling strategy to grow and ensure sustainability |

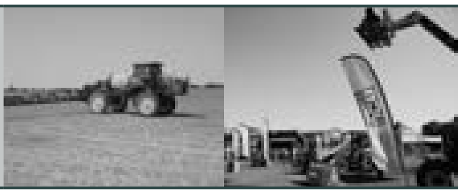
Senwes listed on ZAR X, a licensed exchange, and declared interim and final dividends which were paid in September 2016 and March 2017.

ZARX
Your share of tomorrow

The integrated reporting to shareholders is being enhanced with the adoption of the King IV Report on Corporate Governance.

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Choose and list preferred suppliers of products<br>❖ Long-term relationships with financiers<br>❖ Systemise and monitor terms and conditions and supplier agreements<br>❖ Exclusive supplier relationships<br>❖ Automated payments and invoice reconciliations with focus on EDI as well as continuous improvement of processes<br>❖ Formal supplier committee and negotiations regarding prices and discounts/rebate structures<br>❖ Upfront communication of supplier expectations<br>❖ Regular direct communication with major suppliers<br>❖ Good, sound and strong supplier agreements and execution capability<br>❖ Prompt follow-up of enquiries and complaints<br>❖ Quality checks on products and customer feedback | **Concentration risk**<br>**Solvency and liquidity**<br>**Termination of relationships**<br>**Economic volatility**<br>**Cash flow impact** | ❖ Open and transparent communication at the highest level<br>❖ Networking<br>❖ Knowledge of supplier<br>❖ Credit verification<br>❖ Annual revision of supplier agreements |

Continuous and regular interaction and proactive engagement with suppliers ensure sound relationships.



During the year under review, Senwes and a key supplier, John Deere, agreed to expand the dealerships in the Eastern Cape. A new dealership agreement was concluded with JCB, a British company that supplies industrial and agricultural equipment.

# STAKEHOLDERS | continued

| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Business Partners** | Senwes established various joint venture relationships with third parties to expand the company's footprint and grow the various business segment | ❖ Strategic intent to grow the business<br>❖ Understand the business partners' investment objectives<br>❖ Exclusive partner for specific business model<br>❖ Effective communication channel<br>❖ Integrated and professional corporate service delivery by means of service level agreements |

**Key initiatives**

Continuous review and expansion strategies are being explored in order to grow the joint venture business and to design new ways of involving partners in an attempt to expand the product and service delivery ranges, such as John Deere in the Eastern Cape, wealth management and investment in the financial sector and logistical integration into the wholesale and retail business.

| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Employees** | Skills development and engagement of employees determine the company's ability to deliver on commitments, brand promise and overall strategy | ❖ Education and training<br>❖ Market-related terms of employment, salaries and incentives<br>❖ Safe and healthy work environment<br>❖ Challenging job with opportunities for career and personal development<br>❖ Strong alignment with shareholders in respect of performance<br>❖ Job security, satisfaction and recognition<br>❖ Increased communication by management |

**Key initiatives**

During the year under review the company adopted a revised human resource management programme and appointed a team of HR professionals to ensure implementation of the programme. A review of the HR policy as well as the HR practices, job profiling and the wellness of employees is currently underway.

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Joint boards<br>❖ Delegation to duly appointed board committees<br>❖ Strategic progress and alignment discussions<br>❖ Consensus decision-making<br>❖ Aligned governance frameworks<br>❖ Regular annual review of investments<br>❖ Formal service level agreement contract models and monitoring<br>❖ Client satisfaction surveys | **Incorrect execution or inability to execute approved strategies**<br>**Management being unable to deliver**<br>**Poor financial performance**<br>**Poor service delivery**<br>**Disputes**<br>**Solvency and liquidity risk** | ❖ Consider global/national/regional trends which can have a significant influence on performance and sustainability<br>❖ Consider the life-cycle of the business in order to avoid disappointing performance in future<br>❖ Open and transparent communication<br>❖ Board representation and meetings<br>❖ Shareholder agreements<br>❖ Annual review of investment performance by the Investment Committee<br>❖ Diligent and monthly performance monitoring by EXCO |

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Performance objective setting, formal evaluation and feedback sessions<br>❖ Incentive bonus scheme<br>❖ Market related remuneration and benchmarking<br>❖ Frequent SHEQ-audits of work environment<br>❖ Annual performance award function<br>❖ Employee bursary scheme<br>❖ Graduation ceremony<br>❖ Senwes Academy skills and development training<br>❖ Internal and informal recognition | **Retention with high levels of staff turnover**<br>**Lack of specialised and scarce skills**<br>**Lack of or slow transformation**<br>**Discrimination in terms of race, gender or religion**<br>**Culture of disengagement**<br>**Disparity between highest and lowest paid**<br>**Inequality and subjectiveness in respect of bonus payments**<br>**Strike action** | ❖ Fair remuneration philosophy with equal treatment of employees<br>❖ Communication<br>❖ Formal professional development plans<br>❖ Regular and fair performance reviews<br>❖ Ethical culture<br>❖ STI bonus and long-term share incentive schemes and performance awards |

A new online career portal, called Group Careers (www.groupcareers.co.za), was launched, which allows job seekers to upload their CV's, constantly build and expand on their online profile and get more detail about current vacancies at Senwes, Hinterland, Certisure and Tradevantage.

# STAKEHOLDERS | continued

| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Community** | Add to the longer term sustainability of our operating environment and strengthening the socio-economic context in areas in which we operate | ❖ Empowerment through technical advice<br>❖ Involvement of communities<br>❖ Proposed enterprise development<br>❖ Invest in upliftment programmes and infrastructure<br>❖ Participate in much needed projects |

**Key initiatives**

The Thobo Trust launched Early Childhood Development (ECD) training of teachers and established two computer centres for the primary school communities in Brandfort and Ottosdal. The Senwes Spinners farm schools cricket development programme celebrated its tenth anniversary.


| Stakeholder grouping | Material relationship | Stakeholder material interests |
|---|---|---|
| **Government and Regulators** | Provide the legislative and regulatory framework to conduct business as a responsible corporate citizen | ❖ Comply with legislative requirements<br>❖ Contribute significantly to the fiscus<br>❖ Submit regulatory returns accurately and timeously<br>❖ Advise on industry matters and guidance on government's policies regarding the sector |

**Key initiatives**

During the year under review the combined assurance model was fully implemented and was integrated with risk management, legal compliance and internal audit reporting and disclosure.

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Sustainable CSI-initiatives<br>❖ Sponsorship of national and provincial agricultural conferences.<br>❖ Financial and technical support to emerging farmers<br>❖ Community engagement projects<br>❖ Sustainable enterprise development | **Non-delivery**<br>**Failure of projects**<br>**Low impact** | ❖ Integrated CSI-projects<br>❖ Scale of projects as well as combined and intergrated strategic view for 2018 and onwards to achieve scale |


With the current infrastructure and further investment in local communities where Senwes operates from, material employment opportunities are provided in the rural areas, which contribute to the sustainability of local rural authorities.

| Senwes' material response | Related risks | Related strategies |
|---|---|---|
| ❖ Ensuring and monitoring ongoing legislative compliance<br>❖ Audited annual reporting<br>❖ Timely submission of returns and payments<br>❖ Positive response to information requested | **Fines**<br>**Penalties**<br>**Imprisonment**<br>**Personal liability for directors and officers**<br>**Loss or damage that may lead to the closure of the business**<br>**Damage to reputation**<br>**Going concern**<br>**Suspension of listing** | ❖ Combined assurance models<br>❖ Sound relationships<br>❖ Compliance programmes<br>❖ Specialist business units for tax and legal/statutory compliance<br>❖ Levels of assurance with internal and external audits as three levels of defence<br>❖ Adopted best practices<br>❖ Ethical culture<br>❖ Fraud prevention strategy and whistleblower hotline |

No material issues of non-compliance were reported and, where appropriate, returns were duly and timeously filed.

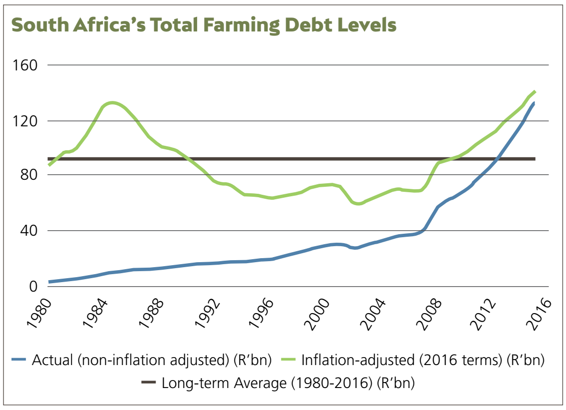

The JSE audited some of the Senwes business units and issued satisfactory findings.

# REPORT BY THE GROUP CHIEF EXECUTIVE OFFICER

"It is becoming increasingly clear that business South Africa is in the process of successfully externalising to lower risk jurisdictions. Our objectives remain externa-lisation and simultaneous diversification."

## Economic overview

The GDP of agriculture drastically narrowed during the 2016/17 season, with activities having been 7,8% lower due to the 2015/16 drought, which showed its full impact in the April 2017 financial year. Agricultural debt levels are the highest ever and the previous drastic increase in debt levels, which was experienced in the mid-eighties, took seven years to recover - it only normalised to acceptable levels by 1992. It is possible that the past may repeat itself in this regard.




It is a fact that radical political statements regarding the land issue and the lack of a stable long-term solution are hampering investments in the primary industry. Business confidence will probably be tested as soon as more cash comes into circulation, when producers will have to make investment decisions.

## Financial overview[1]

Although the group results are still under pressure due to the drought, the company managed to outperform the macro-economic conditions. Normalised headline earnings increased by 36,6%, albeit from a low base. Return on opening equity for the period under review equates to 8,9%, where the 5-year average is 14,1% compared to 12,4% for other reported agri-companies.

## Strategic priorities[2]

The 2020 plan has been concluded and we managed to build an adequate basis and to add scale to business units where it was required. We managed to achieve a large measure of success in respect of co-operation and, with the exception of one initiative, all co-operation agreements survived and even withstood the test of three drought-events over the past four years.

[1]See the Group Chief Financial Officer's report for more detail on p. 86 to 89.
[2]See the Chairman's report for more detail on p. 8 to 9.

### The following strategic actions relating to the 2025 plan have been implemented in the meantime:

- An Innovation and Integration division was established in order to ensure better co-ordination between business units, better customer service with increased control over marketing actions, better research and product development and the design of technological solutions, thereby improving customer intimacy and the retention of customers. Our objective for the future is to attract new customers and to ensure an increase in the spending ability of the customer and planning in this regard is underway.
- Senwes also increased its appetite for high probability grain trading and concentrated and centralised this ability. Additional channels were established and Senwes placed its hedge fund, in co-operation with Absa, in the market on 1 August 2016. This platform was designed after five years of successful internal performance in this type of trading.
- Senwes subjected some of its business units to an external process of analysis and investigation and the business models of these units are undergoing a process of total redesign and transformation. Higher efficiency and market share growth are foreseen as a result.
- The board of Senwes approved the Senwes loyalty scheme and will focus on accomplishing proven benefit for all clients, whilst still creating sufficient value for the shareholder. The scheme was approved by the relevant regulatory body and is applicable to the full 2016/17 financial year. The scheme allocated a deferred bonus of R54/ton to all registered customers who delivered grain to Senwes during the 2016/17 season. The first allocation will be paid in 2033.

## 2025 Future projects

- It is becoming increasingly clear that business South Africa is in the process of successfully externalising to lower risk jurisdictions. Our objectives remain externalisation and simultaneous diversification. Expansion into new markets may address both these aspects at the same time.
- Joint ventures were one of the success stories of the 2020 strategy and the 2025 strategy will continue to build on this basis. Further consolidation by means of co-operation agreements will add critical mass due to strategic positioning and synergies which will improve the sustainability and ability of the business to survive. As soon as platforms with sufficient critical mass have been established effectively, reorganisation and specialisation will follow, which will reposition the business for growth.
- Senwes provides increased participation in the logistics network, particularly in view of inward and outward transportation. The South African producer is currently competing with prices in world markets and the current inefficiencies, which relate to transport, require a new, applicable solution. Various role players in the value chain are already focusing on this aspect.
- Certain parts of the grain value chain have been yielding good returns over time. Senwes is attempting to expand its involvement in these areas.

## Responsible citizen[3]

Senwes believes that the political solution for the agri-industry can be obtained through good communication and discussion. Senwes expanded the Nation in Conversation initiative and attempts to tell the story of the South African farmer and his challenges to the larger South Africa, thereby creating better understanding with the broad public, government and prospective new entrants to the industry.

Thobo Trust is Senwes' vehicle through which training initiatives are provided to the children of black farm labourers and black staff members. This vehicle will hold an interest in our lime and fuel business in the future. It already has a 26,5% indirect interest in our grain trading business, which is a level 5 contributor to the B-BBEE-ownership scorecard.

## Looking ahead

The agricultural industry is rapidly changing. In addition, the new season will probably have its own particular challenges. A late season, pressure at silos to finalise grain deliveries, large quantities of grain with a high moisture content and low prices are some of the challenges which will be faced by the largest part of the summer grain area in South Africa. Primary agriculture will probably outperform the larger economy as far as growth is concerned, but expectations are that the surplus cash will more than likely be used to normalise debt levels.

Despite the good crop, it is uncertain as to whether the estimated risk level[4] will return to normal levels. It is a known fact that the season following a drought cycle, is usually characterised by extensive adjustment of customer issues and excussions of those who did not survive the cycle. Stakeholders, however, can be assured that Senwes will continue with its investment in innovation and integration and that it will increase its relevance in the future even more.

[3] Refer to the Sustainability report as well as p. 30 to 32.

[4] See the Risk Methodology report for more detail on p. 90 to 95.

# REPORT BY THE CHIEF EXECUTIVE OFFICER | continued

## Acknowledgements[5]

Joe Maswanganyi resigned as executive director during the year under review and generously agreed to assist us until June 2017. Joe was instrumental in the establishment and expansion of our strategic philosophy and plan, our human capital division, our property portfolio, as well as the establishment of a sustainable B-BBEE-strategy. Joe will continue to serve as a non-executive director on the boards of some of our subsidiaries and joint ventures, which means we will not bid him farewell as yet.

To my co-executive committee members and the rest of the team, it was a privilege once again to have you next to me during one of the most challenging cycles in the 108-year existence of the company.

To the board of directors of the Senwes group, thank you for the calm and well-considered approach followed by you in order to provide guidance during this time.

The customers of Senwes are at the core of the company. No organisation has a right of existence if it cannot prove that the core of its existence is a customer-driven, integrated solution for its customer base. Thank you for the loyal support of every customer over the past year.

We gratefully acknowledge the grace of our Heavenly Father.

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**Francois Strydom**
GROUP CHIEF EXECUTIVE OFFICER

Klerksdorp
29 June 2017

[5] See the Corporate Governance report for more detail regarding the management and control of the group on p. 58 to 76.

# GROUP STRATEGY

## Purpose

Our purpose is to provide innovative and integrated solutions to our customers to enable them to do their business.

## Mission

Senwes is one of the leading agricultural companies in Southern Africa that provides financing, input supplies, insurance, storage, handling, logistics and trading to grain producers as well as financing to off-takers.

## Where we are going?

### Strategic goal

To be an integrated agri-business and a significant role player in the food value chain.

### Strategic focus

The strategy is focused on growth and diversification through consolidation and integration within the agricultural and food value chain.

### Strategic objective

To create sustainable value for all our stakeholders and to become a preferred investment partner, employer, supplier and distribution channel and a good corporate citizen.

### Strategic evolution

Senwes' strategy has evolved to the extent where the company focuses on its current markets, new initiatives within these markets and also in the broader spectrum, on new initiatives in new markets.

provide innovative and **integrated solutions**

one of the **leading** agricultural companies

**integrated** agri-business

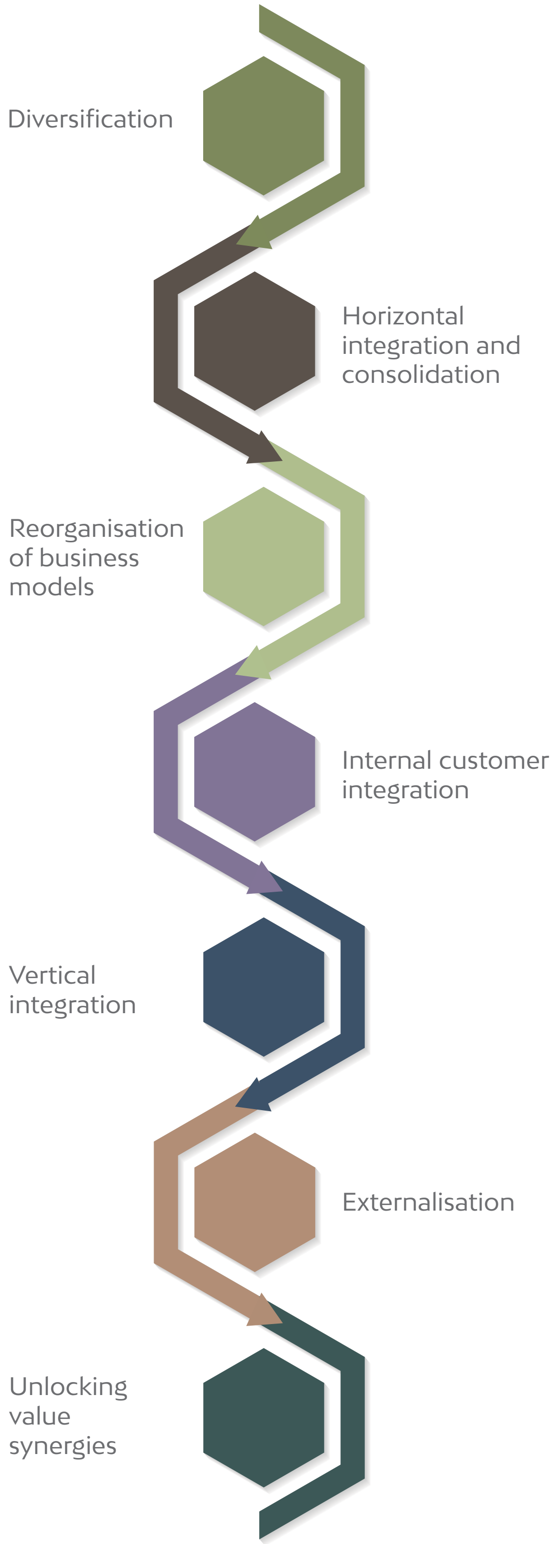
growth and **diversification**

create **sustainable value** for our stakeholders

## How are we getting there?

### Strategic priorities

[Discussed in more detail on p. 47]



# GROUP STRATEGY | continued

Senwes' strategy evolution highlights how the different aspects of the business can be seen at this point in time but also indicates how each of these aspects are projected to transform in future. This illustration also underlines the new initiatives in the company's current markets as well as new initiative in new markets.

## SENWES STRATEGIC EVOLUTION

### Where we are

- Agricultural Retail Business
- Credit: Integrated solution in Agri market
- Local agrifocus insurance solution
- Grain trading business mostly deploy in traditional area
- Storage solution deploy mostly to service the producer/customer
- Equipment solution to our customer base

### Where we are going

- ❖ Integrated input solution and rural services linked to Agri services
- ❖ Expanded products with a national footprint for customers and business to business solutions
- ❖ Integrated but also stand alone credit
- ❖ Fully integrated national financial service company
- ❖ National soft commodity trading business
- ❖ Storage solution integrated logistics, finance, to deliver an end-to-end service on both sides
- ❖ Equipment solution to a bigger share nationally as well as new markets

### New initiatives in current markets

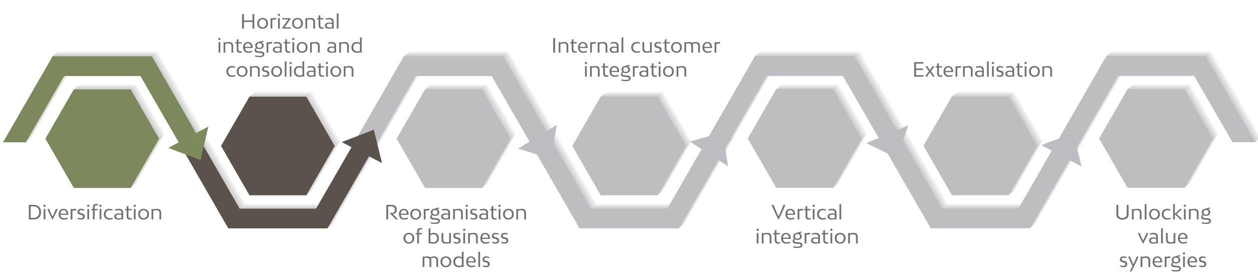
- ❖ Agri advice for future producers
- ❖ Re-engineering of business model and advanced operations
- ❖ Consolidation
- ❖ Expanded CAPEX programs to enhance service delivery

### New initiatives in new markets

- ❖ Counter cyclical soft commodities and agri related products
- ❖ Water solution
- ❖ Farming property solutions

## Strategic priorities

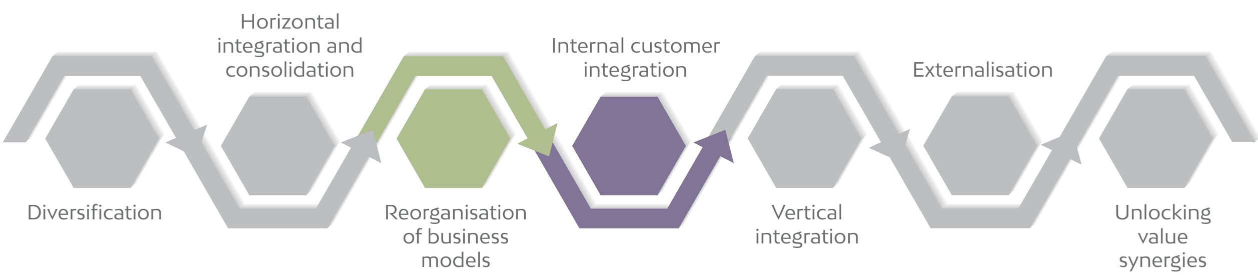
| Strategic Priority Focus area | Description | Strategic Progress | Top of Mind Risks | Future Prospects |
|---|---|---|---|---|
| **Diversification** | Diversification of the business to mitigate concentration risk. The group's diversification efforts focus on the following:<br>❖ Diversification of product and/or service offering.<br>❖ Geographic expansion.<br>❖ Local agricultural consolidation.<br>❖ Diversification into different market segments.<br>❖ Diversification of client base. | ❖ Consolidation of the financial services group in order to create a more sustainable platform for consolidation and expansion into other markets – Certisure with NWK as partner.<br>❖ Expansion of the John Deere mechanisation agency to the Eastern and Western Cape – JDI with the Tomlinson family as partner.<br>❖ Establishment of a retail leader – Hinterland SA with AFGRI as partner.<br>❖ Expansion of capacity in the lime industry and the acquisition of a larger share in the business – Grasland Ondernemings with NWK as partner.<br>❖ Expansion into new areas by Senwes Credit.<br>❖ Agrico acquisition – as part of Agrico effectively dissolving its John Deere agency, Senwes Equipment acquired two of their branches (Aliwal-North and Agrico Ugie). JDI acquired Agrico George at the same time.<br>❖ JCB – Senwes Equipment is now the official distributor of the JCB product range. | 4, 5, 6, 7, 9, 10 | ❖ Joint ventures have, up to now, been one of the success stories of the Senwes strategy and the group will continue to build thereupon.<br>❖ Further upscaling, through consolidation and new market expansion, will bring about critical mass as well as synergies which will position the business for growth and long-term survival.<br>❖ De-risking into other commodities.<br>❖ Sustained/continued market share drive.<br>❖ Continued capital investment in the optimisation of our current infrastructure. |
| **Horizontal integration and consolidation** | Effective horizontal integration and consolidation of the agri-business sector to facilitate expansion into a national footprint. The group's efforts in this regard focus on:<br>❖ Mergers/consolidations and acquisitions.<br>❖ Market share drive.<br>❖ Capital investment in the optimisation of current infrastructure and expansion of networks for products and services.<br>❖ Expanding the group's presence in current operational activities and/or diversification of current product and service offering.<br>❖ Client base growth.<br>❖ Geographic expansion (South Africa). | | 4, 5, 6, 7, 9 | |



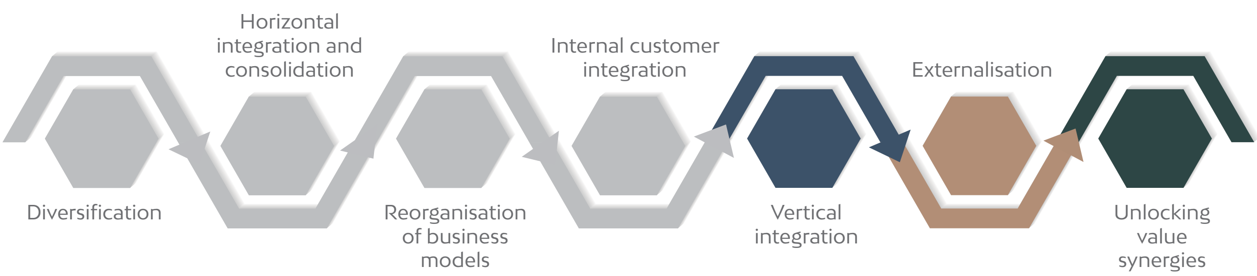
# GROUP STRATEGY | continued

## Strategic priorities | continued

| Strategic Priority Focus area | Description | Strategic Progress | Top of Mind Risks | Future Prospects |
|---|---|---|---|---|
| **Reorganisation of business models** | Reorganisation of business models focuses on the following:<br>❖ Optimisation of current product and/or service offering.<br>❖ Operational restructuring – addition of new business units to the existing business model.<br>❖ Focus on improving operational efficiencies.<br>❖ Optimisation of corporate and other support functions and/or services.<br>❖ Improved reporting. | ❖ Senwes subjected some of its business units to an external process of analysis and investigation. The business models of the said units underwent total redesign and enhancement.<br>❖ Senwes increased its appetite in the high probability trading book and concentrated and centralised this ability. Additional channels were established and Senwes launched its hedge fund in the market in co-operation with Absa during September 2016.<br>❖ The group's loyalty scheme (Agri-Rewards) obtained regulatory approval and already applies for the 30 April 2017 reporting period.<br>❖ Margin enhancement projects. | 1, 2, 4, 8, 9, 10, 11, 12, 13 | ❖ Creating value lies in constantly attempting to improve the basics and therefore the group will continue to subject its business units to analyses and investigations in order to establish whether or not any enhancements or redesigns are necessary.<br>❖ Improved and/or revamped products and/or service solutions. |
| **Internal customer integration** | The objective of internal customer integration is to achieve increased client intimacy and consequent retention of clients to obtain new clients and an increased share of wallet by offering a fully integrated business solution rather than a once-off product. | ❖ The innovation and integration division was established to gain new clients, retain current clients and increase the share of clients' wallets.<br>❖ Establishment of Hinterland Fuels (Pty) Ltd. | 4, 6, 7, 9 | ❖ Given continuous technological advancements and the rate at which clients' needs are evolving, there will be a constant drive to increase clients' share of wallet "owned" by Senwes through innovative, integrated, top-of-the-range products and service solutions. |

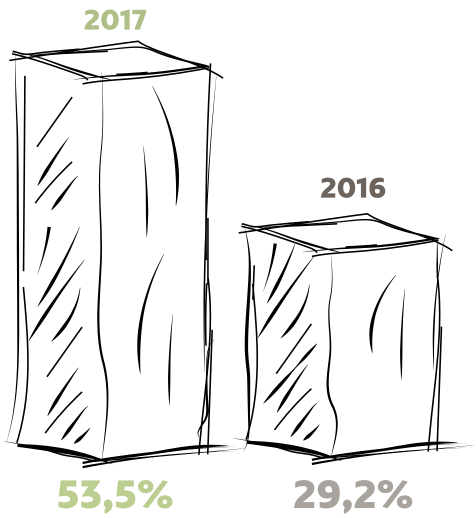


| Strategic Priority Focus area | Description | Strategic Progress | Top of Mind Risks | Future Prospects |
|---|---|---|---|---|
| **Vertical integration** | Vertical integration of the business by means of a specialised focus in the value chain in order to identify areas of opportunity. | ❖ Establishment of a specialised and focused logistics partnership with the objective of empowering imports, exports and local transport requirements – Grainovation with Imperial Logistics as partner.<br>❖ Alignment with and integration into the logistics value chain – 20,4% shareholding by Grindrod/Remgro in Senwes Limited.<br>❖ Access gained to the wholesale market (distribution centre) – Prodist with AFGRI and LRB (Mica, DIY and House of Paints) as partners.<br>❖ Astral contract – the largest single maize contract in South Africa for the supply of 800 000 tonnes of maize concluded between Astral, Senwes and Tradevantage. | 4, 5, 6, 9, 10 | ❖ Some areas of the grain value chain have been yielding good long-term returns and Senwes will continue its attempts to increase involvement and/or expansion into these areas.<br>❖ More extensive participation in the logistics network is foreseen.<br>❖ Import/export programmes. |
| **Externalisation** | Externalisation focuses on the investigation of beneficial opportunities globally (outside the borders of South Africa) and expansion into these new, lower risk jurisdictions. | ❖ Various areas/new markets which could have possible benefits/opportunities for Senwes outside the borders of South Africa have been identified and are being evaluated. | 3, 4, 5, 6, 7, 9 | ❖ It remains part of Senwes' 10-year rolling strategy to 2025 to continue to simultaneously externalise and diversify through expansion into new, lower risk, markets (outside of South Africa). |
| **Unlocking value synergies** | The primary focus of unlocking value synergies is on reaping the benefits of shared corporate functions and operational efficiencies across the group. | ❖ Establishment of an innovation and integration division to create improved co-ordination between business units, ensure better client service, increase control over marketing actions, better product development and the design of technological solutions. | 4, 6, 9, 10, 11 | ❖ There is significant benefit in unlocking value synergies and therefore it makes sense to maintain a constant drive to unlock the synergies. This focus is to ensure that the synergies of the shared corporate functions and operational efficiencies are tapped into and fully utilised across the entire Senwes group. |



# OPERATIONAL REVIEW

## Financial Services




SHARE OF TOTAL PROFIT
FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 309 | 230 |
| Total costs (R'm) | 162 | 156 |
| Operating profit before tax (R'm) | 147 | 74 |

### Senwes Credit

#### Objective

To create value for our clients by providing innovative financial solutions and rendering high quality agricultural services.

#### Strategic focus areas for the future:

- Selective market share expansion;
- Contribution to integration model by forming partnerships with our clients;
- Management of credit book at acceptable risk levels for our client base;
- Proactive value adding solutions;
- Value adding agricultural services.

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Average credit book (R'm) | 2 817 | 2 327 |
| Accounts in arrears as % of total book | 3,1 | 1,4 |
| Provisions as % of total book | 2,7 | 3,5 |
| Return on capital employed (%) | 8,6 | 6,3 |

Despite the drought, Credit delivered its best results ever. This was done without attracting any additional risk.

#### Challenges during the past financial year

- The impact of the abnormal drought conditions of the previous crop season had to be dealt with during the year, since the increased debt levels had to be normalised first.
- In addition Senwes Credit had to support producers under the current circumstances to enable them to get through the current season, without exposing Senwes to extraordinary additional credit risks.

#### Prospects

The market and the cash flow of clients will recover gradually during the next financial year, due to the current crop expectations. The integration project, improved efficiency, client service and client solutions remain our focus for the new financial year. The expansion of the Senwes Asset Finance alliance with our partner, Wesbank, is also one of our priorities.

### Certisure

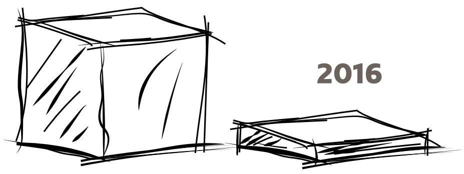
| Summary of performance | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 62,1 | 56,1 |
| Expenditure to income (%) | 70,2 | 62,2 |
| Return on capital employed (%) | 35,7 | 43,3 |

Despite the pressure experienced by producers during the past year, the income from the total asset insurance portfolio increased by 9% and Certisure once again exceeded all expectations.

Regulatory changes will result in certain income ceilings in respect of go-between functions. It will have a negative impact on certain aspects of the existing business model in future, but Certisure is already in the process of mitigating this impact by means of business plans for the business and its shareholders.

# Input Supply

2017



2016

15,6% 2,0%

SHARE OF TOTAL PROFIT FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 1 350 | 1 429 |
| Total costs (R'm) | 1 307 | 1 424 |
| Operating profit before tax (R'm) | 43 | 5 |

## Senwes Equipment

### Objective

To be the supplier of choice of agricultural equipment in the North West, Free State, Northern Cape and Southern Gauteng. It includes an improved ability to supply and a solution which will ensure the growth of our customers and their businesses.

### Strategic focus areas for the future:

- Yield the necessary return on investment in the mechanisation business to shareholders by continuous improvement and optimisation of the mechanisation offer throughout the area and by appointing talented employees in order to ensure exceptional innovative and sustainable technical service delivery;
- Strive for the consolidation of the John Deere agencies in Southern Africa;
- Integrated business model approach - cross-sales to the customer bases of other business units;
- Rolling out of JCB agricultural equipment to the Senwes area of operation and the Eastern Cape;
- Expansion into the Eastern Cape market; and
- Increased exports of used whole goods to Sub-Saharan Africa.

| Summary of performance | 2017 | 2016 |
|---|---|---|
| kW sold | 24 375 | 34 160 |
| Expenditure to income (%) | 14,6 | 14,3 |
| Market share (%) | 27,0 | 27,8 |

Senwes Equipment delivered good net results, despite a shrinking market and customers experiencing cash flow problems.

Used whole goods had an exceptional year due to an abnormal increase in prices of new goods and the cash flow pressure experienced by producers. Focused attention was afforded to the expansion of the existing customer base during the year, which supported the results in a shrinking market. Facilities at the Hartswater and Ventersdorp workshops, Aliwal-North and Ugie were upgraded in an attempt to improve service delivery even further.

### Prospects

The market should recover gradually during the new financial year, given the current crop expectations. Although crop yields have increased, it is foreseen that the customer will normalise his debt levels first before spending capital on new capital goods. A good turnover should be maintained in respect of used whole goods during the new financial year and the expansion of our customer base, as part of the larger Senwes integration project, remains a focus area for the new financial year. Improved efficiency and service delivery are of the utmost importance in rolling out a solution approach for the customer.

# OPERATIONAL REVIEW | continued

## Input Supply | continued

### JD Implemente

The results of JD Implemente, which services the Southern and Eastern Cape, were mainly affected by the cost of new capital projects. It is expected that these projects will be profitable over the long term.

| Summary of performance | 2017 | 2016 |
|---|---|---|
| kW sold | 9 413 | 10 258 |
| Expenditure to income (%) | 11,6 | 10,7 |
| Return on capital employed (%) | 3,5 | 31,1 |


### Hinterland

#### Objective

A partner in agriculture which offers innovative solutions to the farmer and the general public. Our objective is simple - to understand the requirements of every customer and to be relevant for his purposes. Our producers and every consumer with a garden, a house and a passion for the outdoors - welcome to our world!

#### Strategic focus areas for the future:

- Development and implementation of Hinterland's strategic pillars to ensure that it becomes a relevant role player;
- Increased focus on customer relationships and service delivery;
- Integrated business model approach aimed at establishing a larger customer base;
- Establishment of partnerships and business acquisitions of strategic value.

#### Challenges during the past financial year

- Input products carried over by producers due to downscaling the previous year, had a negative impact on sales.
- Late rainfall resulted in hesitance amongst producers to purchase input products in advance which, together with input products having been carried over, resulted in pressure on the optimal management of stock levels.
- Increased credit risk as a result of deferred payments due to late rainfall.
- Slow economic growth had a negative impact on sales.

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 4 493 | 4 345 |
| Gross profit (%) | 9,3 | 8,4 |
| Return on capital employed (%) | 7,5 | 5,9 |

The company experienced a challenging planting season during the financial year due to late rainfall and the fact that producers used input products which they purchased during the previous year.

Despite the challenges, turnover increased by 3,4% and gross profit by 11,6%. Hinterland's new fuel strategy partially contributed to the increase in gross profit.

Good cost management, together with increased turnover and margins, contributed to a 46,4% increase in the profit before tax.

#### Prospects

The high-ending stock estimate for April 2018, uncertainty regarding the forthcoming production season, together with low commodity prices will have a direct impact on input product sales. The current political instability is, however, a source of concern, since it has an impact on foreign exchange rates and increasing interest rates which, in turn, impact negatively on the customer.

The integration project, market share expansion, improved efficiency, customer service and trademark awareness remain important focus areas for the new year. The improvement of the customer experience and convenience stores at fuel stations are important and focus will also be placed on these aspects during the coming year.

## Prodist

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 394,0 | 383,5 |
| Gross profit (%) | 22,4 | 18,7 |
| Points of delivery | 1 887 | 1 625 |

Prodist maintained good growth in a challenging environment. This was achieved by focused marketing, product availability, quality products at competitive prices and the expansion of product ranges in order to meet the requirements of customers. Service delivery improved during the second half of the year and Prodist is geared for sustainable growth in both the retail and mechanisation segments.

## Grasland

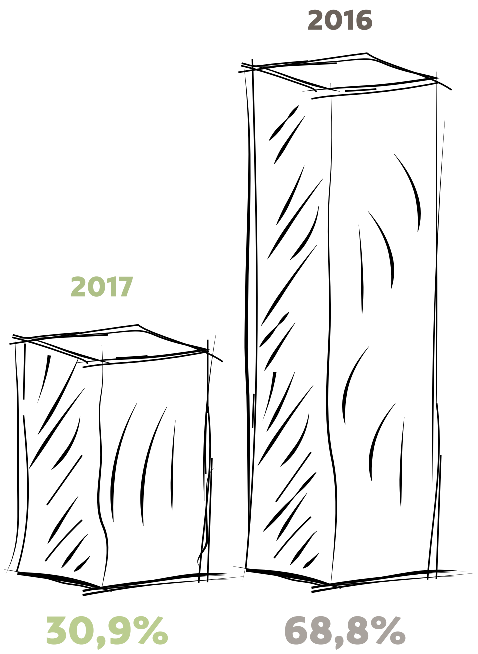
| Summary of performance | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 30 | 41 |
| Production costs as % of turnover | 35 | 32 |
| Variable costs as % of total costs | 21 | 38 |

Sales volumes were lower due to the drought - producers postponed liming to a next season. Grasland successfully rolled out its deferred payment financing product at a minimal cost.

Grasland is following a diversification strategy in order to equalise the deeper agri-sectors.

# OPERATIONAL REVIEW | continued

## Market Access




SHARE OF TOTAL PROFIT
FROM OPERATING ACTIVITIES

| | 2017 | 2016 |
|---|---|---|
| Income (R'm) | 8 171 | 7 468 |
| Total costs (R'm) | 8 086 | 7 294 |
| Operating profit before tax (R'm) | 85 | 174 |

### Strategic focus areas for the future:

- Extensive focus was placed on the rolling out of project Graintech During the year, which enabled producers to deliver grain with a higher moisture content without having to pay for the drying thereof;
- Focus was also placed on the training of personnel in respect of customer service, grain management and risk management;
- The first solar panel energy system was implemented successfully at the Hennenman silo and, as soon as it can be determined that the project is sustainable, it will be rolled out to other business units.

## Senwes Grainlink

### Objective

The objective of Senwes Grainlink is to unlock value for both the Senwes group and its customers in a sustainable manner, with an increased income base.

This is achieved by

- Customer focus
- Internal integrated solutions
- Diversification
- Local consolidation.

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Market share (%) | 74,6 | 66,2 |
| Silo utilisation (%) | 33,0 | 42,3 |
| Return on capital employed (%) | 50,8 | 24,6 |

The results of Senwes Grainlink were influenced by exceptionally low volumes due to the drought of the previous season. Despite the poor crops, the aggressive capital expenditure programme followed over the past three years and the loyalty scheme, made it possible to protect and even expand market share. The results speak of excellent grain and cost management and the successful mitigation of non-delivery risks.

### Challenges during the past financial year

- Drought for a second successive year;
- Senwes had to operate in a smaller market with more competitors;
- The establishment of sustainable price strategies due to abnormal volatility in the soft commodity price cycle in South Africa;
- Quality management of grain (domestic and imports);
- It was a huge challenge to meet contractual obligations, which resulted in counter-party risk.

### Prospects

The prospects for Senwes Grainlink for the coming year include a huge crop, but it is expected that large quantities of grain with a higher moisture content will be received. The larger and wetter crop poses challenges for Senwes Grainlink and increased focus will be placed on stock management, which includes moisture and quality management, capacity management and relationship management.

Further rolling out of the accelerated grain handling project to other silos and accepting grain with a higher moisture content, will continue during the coming year.


## Tradevantage

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Average white maize price (R/ton) | 3 682 | 3 701 |
| Market share (%) (white and yellow maize and sunflower) | 16,6 | 22,2 |

The 2016 year will be remembered as a year during which one of the worst droughts was experienced, which had a negative impact on white maize producing areas in particular. It resulted in Tradevantage having been unable to achieve its targets in respect of volumes. Financial objectives were under pressure and could not be realised due to specific market conditions. Exceptional risk exposure and negative cash flows were experienced, which were dealt with prudently.

## Grainovation

| Summary of performance | 2017 | 2016 |
|---|---|---|
| Gross profit (%) | 14,3 | 8,0 |
| Fleet kilometres | 4 012 470 | 3 445 595 |
| Return on capital employed (%) | 15,2 | 18,0 |

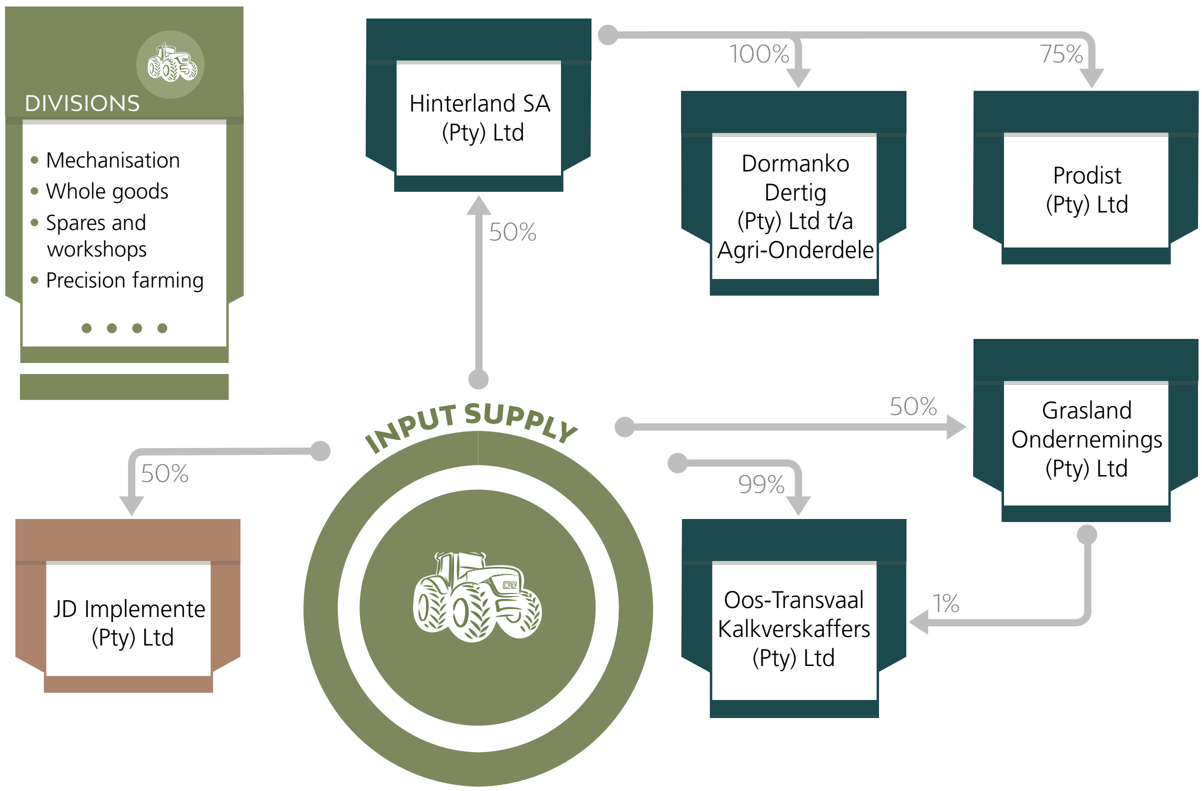
In addition to the drought, which contributed to volumes being under pressure, as well as other economic factors which impacted negatively on the market, Grainovation still managed to maintain service delivery levels and to deliver good results.

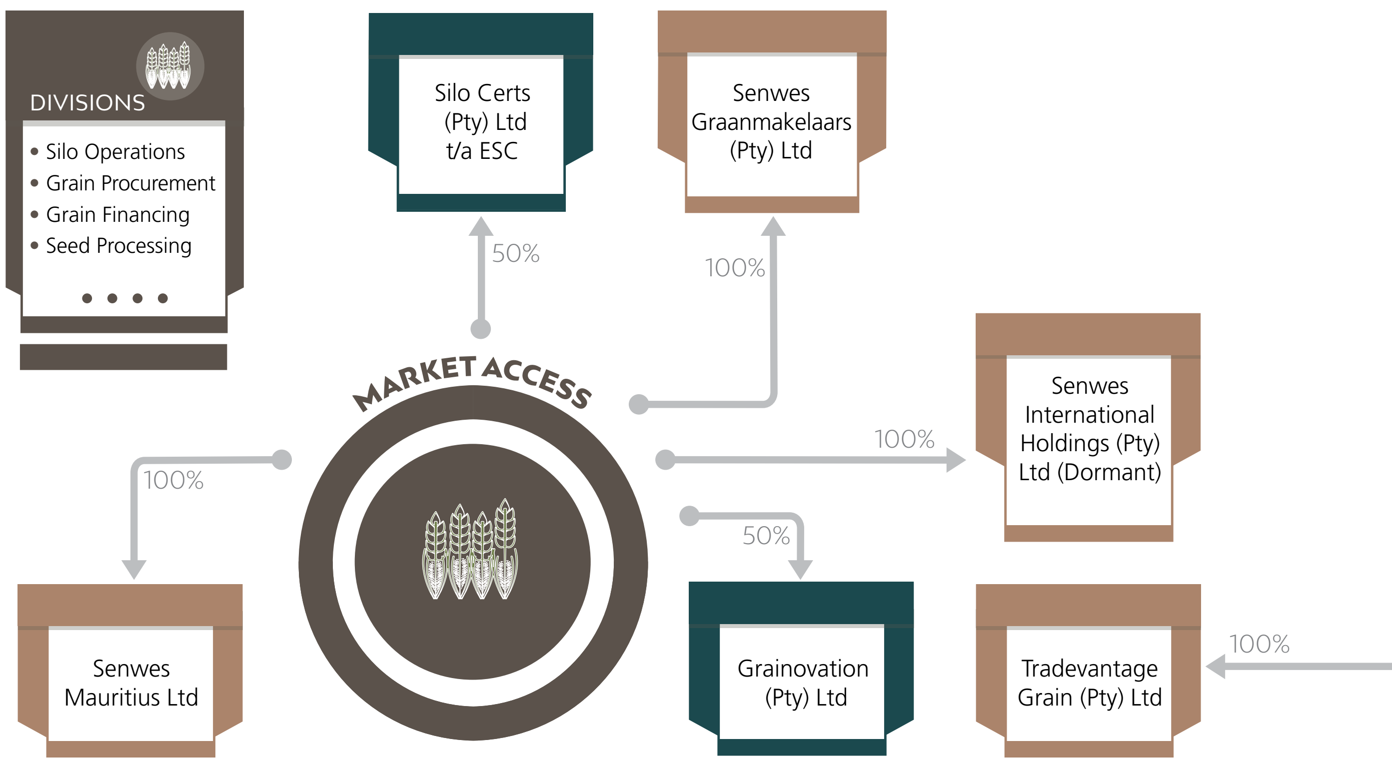
## ESC

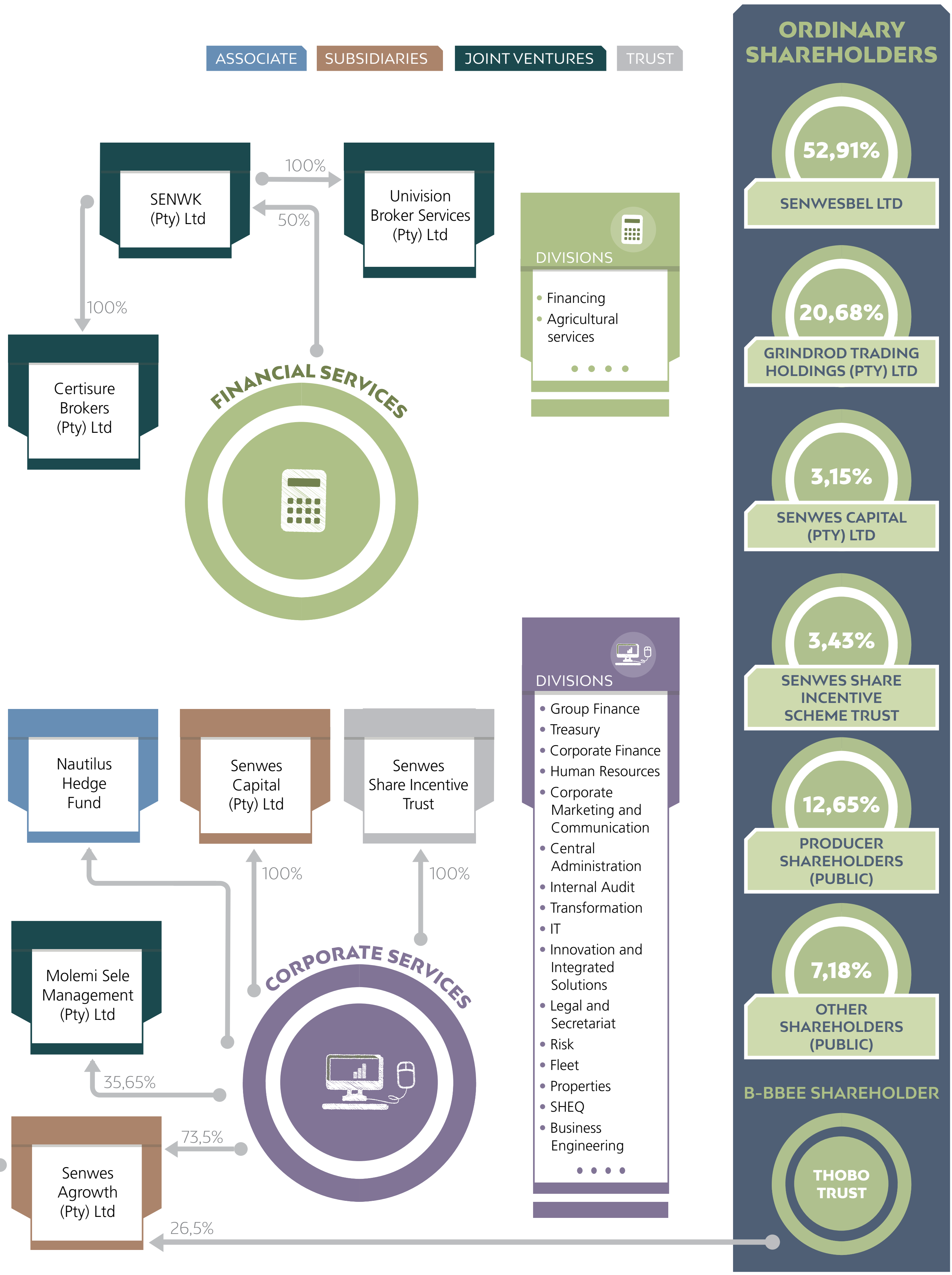
| Summary of performance | 2017 | 2016 |
|---|---|---|
| Certificates traded | 14 626 | 12 679 |
| Tons traded | 2 987 820 | 2 759 008 |
| Return on capital employed (%) | 19,1 | 10,9 |

ESC achieved its budget for the past year. The performance of ESC exceeded expectations in a volatile market and is being managed with the necessary prudence. ESC also issued silo certificates beyond the borders of South Africa in co-operation with the JSE.

# SENWES SHAREHOLDING AND OPERATING STRUCTURE




ASSOCIATE
SUBSIDIARIES
JOINT VENTURES
TRUST
SENWK (Pty) Ltd
100%
Univision Broker Services (Pty) Ltd
50%
100%
Certisure Brokers (Pty) Ltd
FINANCIAL SERVICES
DIVISIONS
Financing
Agricultural services
ORDINARY SHAREHOLDERS
52,91%
SENWESBEL LTD
20,68%
GRINDROD TRADING HOLDINGS (PTY) LTD
3,15%
SENWES CAPITAL (PTY) LTD
3,43%
SENWES SHARE INCENTIVE SCHEME TRUST
12,65%
PRODUCER SHAREHOLDERS (PUBLIC)
7,18%
OTHER SHAREHOLDERS (PUBLIC)
B-BBEE SHAREHOLDER
THOBO TRUST
Nautilus Hedge Fund
Senwes Capital (Pty) Ltd
Senwes Share Incentive Trust
100%
100%
Molemi Sele Management (Pty) Ltd
35,65%
CORPORATE SERVICES
73,5%
Senwes Agrowth (Pty) Ltd
26,5%
DIVISIONS
Group Finance
Treasury
Corporate Finance
Human Resources
Corporate Marketing and Communication
Central Administration
Internal Audit
Transformation
IT
Innovation and Integrated Solutions
Legal and Secretariat
Risk
Fleet
Properties
SHEQ
Business Engineering

# CORPORATE GOVERNANCE REPORT

## Compliance with the King Code on Corporate Governance (King IV)

The Senwes group ("the group") and the board of directors ("the board") of Senwes and its related parties conduct business according to the highest standards of corporate governance and in the interest of all stakeholders. The group's corporate best practices as contained in charters, policies and operating procedures, and the application of these, are regularly tested against the practical realities and execution. During the year under review, King IV was launched and subsequently adopted by the company.

The group supports and is committed to the best practices of increased transparency, integration in terms of reporting and sustainable development of the rural communities where we conduct business. The sustainability report, which is available separately on Senwes' website, explains these aspects more comprehensively.

The principles and practical application of the King IV practices and recommendations were verified and a comprehensive gap analysis was done. The board is satisfied that the group substantially complies with the provisions and recommendations of King IV and the concomitant governance frameworks. The company does not apply certain recommendations of King IV, given the current shareholder structure:

- The non-executive chair of the board is not an independent director but is supported by a duly elected and experienced independent non-executive vice-chair, who was also elected as the lead independent director;
- The board does not comprise of a majority of independent directors;
- The chair of the board is also the chair of the Nomination Committee;
- The chair of the Remuneration Committee is not independent, but is a non-executive director.

Given the aforesaid, the board identified the need to recruit another independent non-executive director and the necessary processes are underway.

### Shareholder structure

As indicated above, the shareholder structure dictates the composition of the board and is as follows:

**NUMBER OF SHARES**

| Senwesbel Ltd | Grindrod Trading Holdings (Pty) Ltd ("Grindrod") | Senwes Capital (Pty) Ltd ("Treasury shares") | Senwes LTI Share Incentive Scheme Trust | Producers | Public |
|---|---|---|---|---|---|
| 95 654 583 | 37 395 213 | 5 702 809 | 6 201 937 | 22 861 632 | 12 973 134 |

**180 789 308**

The two major shareholders, Senwesbel and Grindrod, have a long-term strategic view of the group, hence their major representation on the board.

The Senwes group comprises of divisions, companies and relationships, including subsidiaries, joint ventures and associates as shown on p. 56 of the report.

# The Board

## The board of directors

The pursuit of managing the group and the company in accordance with good corporate governance principles still applies and the board comprises of 13 members as indicated below:

| Board members | |
|---|---|
| **Executive directors** | 3 |
| **Independent non-executive directors** | 3 |
| **Non-executive directors** | |
| Senwesbel Ltd | 6 |
| Grindrod | 1 (1 alternate) |

The fact that three independent non-executive directors have been appointed to the board, together with the balance of an experienced executive team, ensure that no single individual can exercise undue influence on the decision-making processes of the board.

During the year under review Ms Zarina Bassa resigned at the annual general meeting in August 2016 and Mr Simon Mohapi was appointed in her stead.

Mr Joe Maswanganyi also announced his resignation as executive director of the company in February 2017, effective from 30 June 2017, in order to pursue a consultancy career.

Directors are nominated and elected by shareholders and provision has been made for rotation in the form of a staggered rotation programme in terms of which no board member's term of office may exceed three years. Directors are appointed, subject to re-election, by the shareholders in accordance with the Companies Act and the Memorandum of Incorporation ("MOI").

The composition and the performance of the board, individual directors and committees are carefully scrutinised by the Nomination Committee. Shareholders receive information about directors to enable them to make informed decisions regarding the election of such directors. The reappointment of non-executive directors is not an automatic process and through the Nomination Committee the board conducts a screening process to ensure that proposed board candidates are "fit and proper" to serve as board members.

The board committees contribute significantly to the effectiveness of the board by ensuring that detailed oversight and reporting take place. The chairmen of the board committees report comprehensively to the board to ensure that the functions of the committees are executed in accordance with the written mandates.

Written mandates and authorities have been put in place by the board for itself in the board charter in terms of which certain powers have been reserved for the board only as the highest decision-making authority, ensuring thereby that the board addresses all its responsibilities.

During the year under review and as the custodian of governance and the governance frameworks, the board approved a revised board charter as to align with King IV.

## The board of directors | continued

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1 **JDM (Danie) Minnaar** (52)

CHAIRMAN
*Director since September 1999*
B.Com

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

Other important directorships: Senwesbel Ltd

2 **F (Francois) Strydom** (57)

GROUP CHIEF EXECUTIVE OFFICER
*Director since June 2002*
B.Sc Agric (Hons) (Animal Science)

Francois acted as CEO from 1 June 2010 and was appointed as CEO on 6 August 2010. Prior to this appointment he was the director of operations, which position he held from 2002. He joined Senwes in 2001 and was seconded to the former Kolosus Beherend as managing director. He started his career as animal scientist at AFGRI and was promoted to the position of director: grain at AFGRI over a period of 13 years.

Other important directorships: Director of various companies in the Senwes group. He is also a council member of the North-West University and has been appointed as a member of the Executive Committee of the Council and as member of the Finance and Investment Committees. He also serves on the Executive Committee of Agbiz

3 **SF (Steve) Booysen** (55)

VICE-CHAIRMAN
*Independent director since October 2010*
B.Compt (Hons) (Acc), D.Com, CA (SA)

Steve has been the vice-chairman of the board of directors since 2010. His career stretches from the academic environment, through the ranks of Trust Bank to being the chief executive officer of Absa Limited. He is also a director of various listed companies and business entities and a council member of the University of Pretoria.

Other important directorships: Efficient Group Ltd, Steinhoff Ltd, Clover Ltd, Vukile Properties Ltd

4 **JBH (James) Botha** (48)

NON-EXECUTIVE DIRECTOR
*Independent director since October 2009*
B.LC.LLB and HDip (Tax)

James practiced as commercial and corporate attorney for 15 years before he entered the corporate world. He is a senior legal advisor at the Institutional Office of the North-West University at present.

5 **AJ (Dries) Kruger** (66)

NON-EXECUTIVE DIRECTOR
*Director since October 2007*
B.Compt (Hons) (Acc), CA (SA)

Dries is a registered auditor and accountant who practised in Kroonstad for the major part of his career. He is a director of companies, financial consultant and practiced as public accountant and auditor until 2015. He is also a management committee member of the Reformed Churches of SA Administration Bureau and a trustee of Churches' Ministerial Pension Fund.

Other important directorships: Chairman of Senwesbel Ltd

6 **CF (Corné) Kruger** (44)

GROUP CHIEF FINANCIAL OFFICER
*Director since August 2010*
B.Com ( Hons) (Acc), CA (SA)

Corné was appointed as CFO on 26 August 2010. He joined Senwes in 1999 and held various positions before he was appointed as CFO. He started his career at PWC as auditor. He has experience in IT, Audit, Corporate Finance, Treasury and Group Finance.

Other important directorships: Director of various companies in the Senwes group.

7 **NDP (Nico) Liebenberg** (49)

NON-EXECUTIVE DIRECTOR
*Director since August 2008*
BCom (Hons), M. Sustainable Agriculture

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

Other important directorships: Senwesbel Ltd

## The board of directors | continued

8 **J (Joe) Maswanganyi** (52)

GROUP EXECUTIVE DIRECTOR
*Director since 2014*
Resigned 30 June 2017

Joe was appointed as group executive director in October 2014. He joined Senwes in 2004 as general manager Corporate Services before he was appointed as executive director.

Other important directorships: Director of various companies in the Senwes group

9 **JJ (Jaco) Minnaar** (41)

NON-EXECUTIVE DIRECTOR
*Director since August 2011*
B.Eng. (Agriculture)

Jaco has been involved with various organised agricultural management structures since 2000. He was a member of the Executive Committee of Free State Agriculture from 2004 to 2011 and has been part of Grain SA's management team since 2011. He was recently selected for a second term as the chairman of Grain South Africa. He is also part of the general council of Agri SA and serves on various policy committees.

Other important directorships: Senwesbel Ltd

10 **SM (Simon) Mohapi** (61)

NON-EXECUTIVE DIRECTOR
*Director since August 2016*
Stock Market College (SA), Financial Planning

Simon is a Graduate of the Stock Market College (SA) and holds a Diploma in Investment Management (UJ). He has a Graduate Diploma in Company Direction (NQF7) from GIMT and IOD and qualified from the Financial Services Board (FSB) where he passed the Regulatory Exams (Key Individuals (RE1), Discretionary (RE3) and Representatives (RE5)).

Simon has more than 28 years' experience in the financial services industry. He is the founder of SM Mohapi Financial Services (Pty) Limited, trading as the Mohapi Group, which provides financial advice and investment services. He served on various boards, was a council member of the North-West University (NWU) (2008-2014) and currently serves on the Investment and the Asset and Finance Committee of the NWU. He has a passion for training and education of consumers within financial services.

11 **TF (Tom) van Rooyen** (52)

NON-EXECUTIVE DIRECTOR
*Director since November 2013*
B.Sc Agric (Hons) (Agricultural Economics)

Tom has been running extensive farming operations on various farms in the Potchefstroom/Ventersdorp area for the more than 20 years. He has expanded his interests to commercial and residential property. Tom was a finalist in the Grain Producer of the Year-competition in 2010.

Other important directorships: Member of Grain SA, Agri Potchefstroom and Northwest, director of two of his own companies and Senwesbel Ltd

12 **WH (Thabo) van Zyl** (43)

NON-EXECUTIVE DIRECTOR
*Director since August 2012*
B.Sc Agric (Agricultural Economics)

Thabo obtained a B.Sc Agric degree in Agricultural Economics at the University of Pretoria in 1997. He has been serving on the board of Bothaville Milling, t/a Thuso Milling since 2001. Thabo has extensive farming and business operations in the Wesselsbron and Bothaville areas and, besides being a successful producer, is part of Thuso Grain, Feeds and Milling. He was instrumental in the establishment of Telwiedre Feeds in Bothaville and is a director on the board of the aforesaid.

Other important directorships: Senwesbel Ltd

13 **AG (Andrew) Waller** (55)

NON-EXECUTIVE DIRECTOR
*Director since December 2014*
B.Com (Hons) (Acc), CA (SA)

Andrew has been the financial director of Grindrod since March 2011. He was formerly a partner at Deloitte for 15 years, during which time he was responsible for a number of South African listed companies.

Other important directorship: Grindrod Ltd

14 **EM (Elmarie) Joynt** (47)

GROUP COMPANY SECRETARY AND
CHIEF LEGAL COUNSEL
*Appointed in February 2002*
B.Com (Law), LLB, FCIS, FCIBM, Attorney and Notary of the High Court

Elmarie started her career as economist at the Registrar of Companies, after which she practiced as commercial attorney. She also held the position of group company secretary and legal advisor at various organisations in the agricultural and financial services sector. She joined Senwes in 2002. She has been involved in the commercial, agricultural and legal sectors for 26 years and attended the Executive Development Programme (EDP) (Wits Business School), as well as various executive courses at Harvard, Oxford and Insead.

Other important directorships: Trustee of Thobo Trust (Senwes B-BBEE-Trust)

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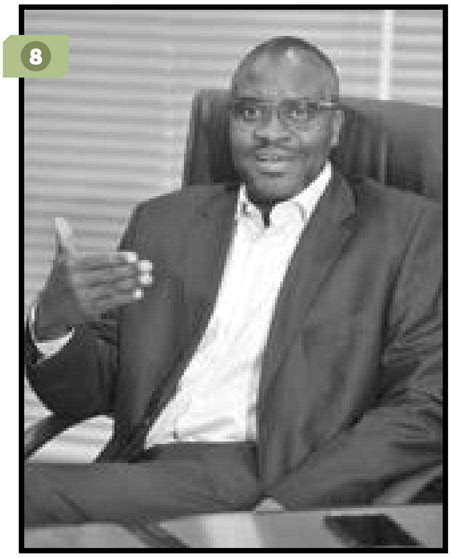
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## Board committee attendance and skills matrix

The board meets quarterly and, during the year under review, held two additional meetings with specific focus on strategy and the strategic financial plans of the group.

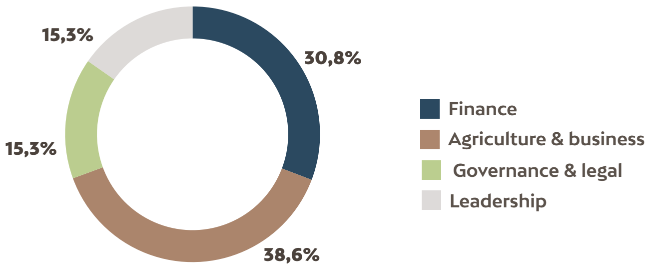
The board is serious about the matters of the company and meetings are well attended, as can be seen from the following table:

| Director | Board Meeting Attendance | Audit | | Social and Ethics | | Remuneration | | Risk | | Nomination | | Investment | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ZBM Bassa (retired on 26/08/2016) | 0/1 | F | 1/1 | | | F | 1/1 | | | | | | |
| SF Booysen** | 5/6 | C & F | 3/3 | | | F | 2/2 | | | A | 2/2 | C & F | 2/2 |
| JBH Botha | 6/6 | G | 3/3 | C & G | 1/1 | | | | | | | | |
| AJ Kruger | 5/6 | F | 3/3 | | | | | | | F | 2/2 | F | 1/2 |
| NDP Liebenberg | 5/6 | A | 3/3 | | | C & A | 2/2 | A | 2/2 | | | | |
| JJ Minnaar | 6/6 | | | | | A | 2/2 | A | 2/2 | | | | |
| JDM Minnaar* | 6/6 | E | 2/3 | E | 1/1 | E | 2/2 | E | 2/2 | C & A | 2/2 | A | 2/2 |
| SM Mohapi (appointed 26/08/2016) | 5/5 | G | 2/2 | G | – | | | | | | | | |
| TF van Rooyen | 5/6 | | | A | 0/1 | | | A | 2/2 | | | | |
| WH van Zyl | 5/6 | | | A | 1/1 | | | C & A | 2/2 | | | | |
| AG Waller | 5/6 | | | | | | | | | | | F | 2/2 |
| F Strydom | 6/6 | | | | | | | A | 1/2 | | | | |
| CF Kruger | 6/6 | | | | | | | F | 2/2 | | | | |
| J Maswanganyi (resigned 30 June 2017) | 6/6 | | | A | 1/1 | | | | | | | | |

| Senwes board | |
|---|---|
| * | Board chair and ex officio-member of all committees |
| ** | Board vice-chair / lead independent |
| (light green) | Independent non-executive directors |
| (dark blue) | Senwesbel representatives |
| (brown) | Grindrod representative |
| (dark green) | Executive directors |

| Senwes board committee | |
|---|---|
| C | Committee chair |
| F | Financial expertise |
| A | Agricutural and business sector expertise |
| G | Governance & legal expertise |
| E | Ex officio-member |

## Board member purpose and skills

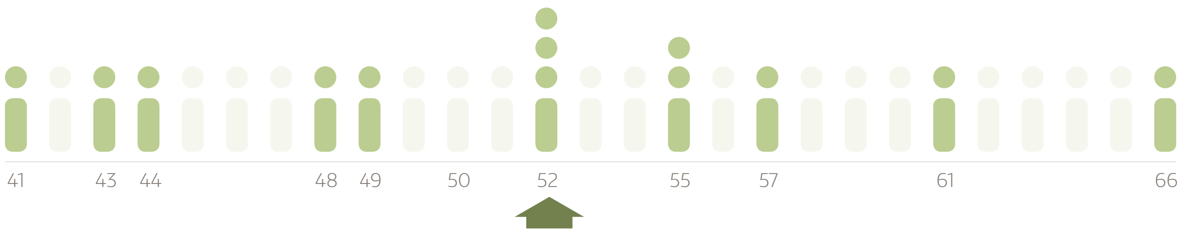



## Age diversity

(As of 30 June - 13 members)

**38%** of the board is younger than **50**

**15%** of the board is older than **60**




**Youngest**

Average age of board: **52** years

**Oldest**

## Board rotation and refreshment

- Rotation programme
- 3-year terms of office
- Bi-annual performance reviews
- Board training and awareness

=

**Skilled board members with sound performance and adequate continuity. Eligible board members may retire and are available for re-election.**

| 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|
| JJ Minnaar | SF Booysen | JDM Minnaar | JBH Botha |
| AJ Kruger | SM Mohapi | TF van Rooyen | WH van Zyl |
| | | | NDP Liebenberg |

It was agreed that the numbers allotted to board members will be carried through to new appointees in the event of a vacancy.

**Mr AG Waller (Alternate: AK Olivier) does not rotate and is excluded from the rotation programme. (Notwithstanding the provisions of clauses 26.1 and 29 of the MOI, the directors shall be entitled to appoint non-executive directors in terms of contractual arrangements binding the company and providing for board representation of certain members, who shall hold and relinquish office on the basis set out in the relevant agreement and otherwise in terms of this Memorandum of Incorporation, read together with clause 8.1.3. of the Shareholders Agreement concluded in September 2013 between Senwes, Senwesbel and Grindrod).*

*Note: The aforesaid is, however, always subject to the provision relating to directors' fiduciary obligations and qualifying criteria in the Companies Act, 2008, where legislative provisions always prevail over agreements.*

**YOUR VOTE IS NEEDED AT THE ANNUAL GENERAL MEETING FOR DIRECTORS TO RETIRE IN 2017**
**2 VACANCIES – BOTH ARE AVAILABLE FOR RE-ELECTION:**

**Dries Kruger**
66 years old, director since October 2007 with a B.Compt (Hons), CA (SA) qualification.
*Financial expertise and member of the Audit, Investment and Nomination Committees.*

**Jaco Minnaar**
41 years old, director since August 2011 with a B.Eng (Agriculture) qualification
*Agricultural business acumen and member of the Remco and Risk Committees. Chairman of Grain SA.*

## The role and function of the chair

The chair is a non-executive director who is appointed by the board on an annual basis. The positions of the chair and the chief executive officer are separate with segregated duties.

Although not an independent chair as defined in King IV, the board is collectively of the view that, given the shareholder structure and the chair's vast experience in the commercial agricultural sector, it is appropriate for him to chair the board.

The chair is supported by an independent vice-chair and a lead independent director, who is also the chair of the Audit and Investment Committees.

## The role and function of the chief executive officer and Executive Committee

The company's daily corporate and management functions are dealt with by the group chief executive officer.

The duties of the group chief executive officer are to execute the strategies and policies, as approved by the board, to manage the business and to execute all instructions of the board. The group chief executive officer is supported by a management team comprising the following:

## Group executive leadership

**GROUP CHIEF EXECUTIVE OFFICER**
Francois Strydom

**Group Chief Financial Officer**
Corné Kruger

- **Group Executive Business Engineering & Treasury** – Wikus Grobler
- **Head: Group Finance** – Renthia Wolmarans
- **Group Executive Corporate Finance & Strategy** – Johan le Grange
- **Group Executive Information Technology** – Alf White
- **Divisional Executive Central Administration** – Gerhard van Deventer
- **Divisional Executive Properties** – Johan le Roux
- **Divisional Executive Fleet** – Charl Venter

**SENWES BUSINESS DIVISIONS**

- **Managing Executive - Grainlink** – Pieter Malan
  - **Divisional Financial Executive Grainlink** - Jenny Harmzen
- **Managing Executive - Credit** – Pieter Swart
  - **Divisional Financial Executive Credit** - Herman Harmzen
- **Managing Executive - Equipment** – Ferdie Pieterse
  - **Divisional Financial Executive Equipment** - Almero Butler

**Group Company Secretary & General Legal Counsel & CSI**
Elmarie Joynt

**Group Executive Internal Audit & Assurance & SHEQ**
Dirk Opperman

**Group Executive Innovation and Integrated Solutions & Group Corporate Marketing**
Martin van Zyl

**Head: Group Human Resources**
Yolandie Jansen van Vuuren

**EXECUTIVE TEAMS: JOINT VENTURE BUSINESS**

| | |
|---|---|
| **Managing Director - Hinterland** Daan Bronkhorst | **Financial Director - Hinterland** Monja van Zyl |
| **Managing Director - Tradevantage** Christo Booyens | **Financial Director - Tradevantage** Chris Jonker |
| **Managing Director - Certisure** Daan Hugo | **Financial Director - Certisure** Hugo Calitz |
| **Managing Director - Grasland** Etienne Schoeman | **Financial Director - Grasland** Vacant |
| **Managing Director - Prodist** Brand Theunissen | **Financial Director - Prodist** Kobus Meintjes |
| **Managing Director - Grainovation** Pieter Olivier | **Financial Director - Grainovation** Jan van Coller |

## Senwes Exco

**From left to right:** Francois Strydom, Corné Kruger, Joe Maswanganyi and Elmarie Joynt.

## Senwes Exco | continued

**From left to right:** Pieter Swart, Pieter Malan, Ferdie Pieterse and Christo Booyens.

**From left to right:** Johan le Grange, Martin van Zyl, Wikus Grobler, Alf White and Dirk Opperman.

## Declaration of and dealing with personal interests

The personal interests of directors are monitored and reported in terms of the governance practices as explained below. Formal declaration of interest is a standing item on the board's agenda, as well as those of the boards of the joint venture companies. Board members and senior management are required to disclose their personal interests and other directorships.

Governance practices to ensure transparency and avoidance of and dealing with conflicts of interest:

- Annual declaration of other interests by board members and employees (in each division) in the register of interests kept at the registered office of the company.
- Annual declaration of other directorships (including trusts, professional capacity such as trustee and professional capacity as auditor).
- Disclosing and tabling of an extract of the above register at the first board meeting of Senwes for a calendar year.
- Declaration of potential conflicts of interest in the register during the course of the year.
- At each board meeting board members are required to, before the commencement of the scheduled board meeting, declare potential conflicts or other interests which could flow from agenda items, as a standing item on the agenda.
- Bi-annual evaluation of board and board member performance by the Nomination Committee, which includes review of conduct.
- Individual guidance and declaration as well as procuring of advice in the event of a potential conflict.
- Public declaration, disclosure and reporting of all directors' dealings (ZAPS/Senwes website and annual report).
- Verification and monthly scrutiny of directors' accounts to ensure that such accounts are conducted properly and at arm's length within the ordinary course of business.
- Detailed operational information and resolutions relating thereto are not tabled or presented at board level and have been delegated to management.
- Therefore: All board members and officers are required to declare and disclose their shareholding in Senwes, other directorships and any potential conflicts of interest and do not participate in any discussions and decisions on matters in which they have a conflicting interest.
- Annual approval for employees to trade in soft commodities for their own account.
- Formal written policy to declare and mitigate conflicts of interest.

Directors have unrestricted access to the company secretary, who provides guidance and advice in relevant circumstances and they may also seek independent advice in terms of the protocol for the procurement of independent external advice regarding the business of the group at the cost of the company.

Share trading by directors and management takes place in terms of a formal Code of Conduct for the Trading of Shares in the group. During the year under review share trading was conducted during the following open periods, whilst trading during closed periods, or after cautionary announcements was prohibited:

| Date 2016/2017 | Status of trading | Reason |
|---|---|---|
| 1 April 2016 | Closed | Preparation of the annual financial statements |
| 1 July | Open | Publication of annual financial results |
| 1 – 30 September | Closed | Migration preparation to listed environment |
| 1 October | Open | Migration postponed and in terms of revised Code of Conduct, open period commenced |
| 31 October | Closed | Preparation of the interim financial statements |
| 7 December | Open | Announcement of interim financial results |
| 10 March | Closed | Consideration of interim dividend |
| 28 March | Open | Announcement of Senwes share repurchase programme |
| 30 April | Closed | Preparation of annual financial statements |
| 30 June | Open | Announcement of annual financial results |

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect* | | Direct | | Indirect* | |
| Name | Shares | % | Shares | % | Shares | % | Shares | % |
| **Non-executive:** | | | | | | | | |
| 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% |
| **Executive:** | | | | | | | | |
| 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% | | |
| **TOTAL** | **180 789 308** | **100,00%** | | | 180 789 308 | 100,00% | | |

*Indirect interest is based on the percentage of the shareholding of the entity in Senwes, multiplied by the percentage interest held by the individual.
** Other shareholders include indirect shareholding of directors.

# Board Committees

## Audit Committee (AGM appointed)

**Chair:** SF Booysen

**Members:** JBH Botha, AJ Kruger, NDP Liebenberg, SM Mohapi

**Number of meetings during the year:** 3

**Responsibilities:** The Audit Committee ensures appropriate reporting of the going concern recommendations and supports the board actively in ensuring that appropriate corporate governance and information technology frameworks are in place and are being maintained as such. In terms of the provisions of the Companies Act and its mandate, the committee attends to the following:

- Annual internal and external audit planning and budgets;
- Internal and external audit reporting;
- Integrated reporting;
- Integrity of controls and financial disclosure;
- Appointment of external auditors and verification of independence;
- Approval and recommendation of the annual financial reports, distribution to shareholders, liquidity and solvency tests and compliance assurance in terms of the Companies Act, IFRS and accounting policies;
- Governance frameworks;
- Tax strategy and risk; and
- Combined assurance in terms of risk, audit and compliance.

**Recent focus areas:** Through the Tax Risk Committee, the Audit Committee annually considers the major tax strategies and risks in terms of legislation, structuring of proposed transactions and prevailing tax issues affecting the group. During the year under review, the committee focused extensively on cybersecurity and ensured the testing and appropriateness of controls.

**Requirements:** Companies Act and the King IV requirements

**Composition** This committee comprises of five members, the majority of which (at least three), need to be independent, non-executive directors. The group chief executive officer, group chief financial officer and major financial and corporate disciplines throughout the Senwes group also attend committee meetings.

## Investment Committee

**Chair:** SF Booysen

**Members:** AJ Kruger, JDM Minnaar, AG Waller

**Number of meetings during the year:** 2

**Responsibility:** This committee is responsible for various matters and its mandate has been expanded to also include the management of liabilities. The committee attends to:

- Investment philosophy and investment management;
- Growth transactions and joint venture partnerships;
- Investment performance;
- Funding requirements and equity structuring;
- Liability management; and
- Review or post-implementation audit reports of investments made.

**Recent focus areas:** The investment philosophy and potential growth opportunities.

**Requirements:** Company-specific requirements

**Composition** Non-executive directors only. Meetings are also attended by the group chief executive officer and group chief financial officer.

Legislative requirements (Companies Act) | KING IV Report on Corporate Governance | Company-specific requirements


# Board Committees | continued

## Nomination Committee ("Nomco")

**Chair:** JDM Minnaar

**Members:** SF Booysen, AJ Kruger

**Number of meetings during the year:** 2

**Responsibilities:** Nomco is the caretaker of governance and compliance with King IV and the Board Charter and is mandated to:

- Consider the composition of the board of directors, taking the business and size of the company and the commercial and sector imperatives in which the company operates, into account;
- Determines and recommends targets for race and gender representation;
- Determines the independence requirements and the appointment of a lead independent director;
- Identifies the required fields of knowledge, skills, experience, culture, age, gender and race in order to service such requirements;
- Ensures a transparent and formal nomination, election and ultimately an appointment process;
- Invites nominations for candidates for appointment, subject to the provisions of the Companies Act, 2008 and the Codes on Corporate Governance;
- Recruits and appoints candidates that meet the "fit and proper" criteria as directors; and
- Evaluates the performance, efficiency, balance and diversity of the board of directors.

**Recent focus areas:** Composition of committees in terms of King IV and board performance.

**Requirements:** King IV requirements

**Composition** The committee comprises of three members of which at least three must be non-executive directors. The chair and vice-chair of the Senwes board must also be members and meetings are attended by the group chief executive officer and the company secretary.

Legislative requirements (Companies Act) | KING IV Report on Corporate Governance | Company-specific requirements

## Remuneration Committee ("Remco")

**Chair:** NDP Liebenberg

**Members:** SF Booysen, JJ Minnaar, WH van Zyl **Number of meetings during the year:** 2

**Responsibility:**

Remco attends to the following:

- Recommendations regarding non-executive and executive directors' remuneration to the board and shareholders;
- Reviews and ensures application of the remuneration philosophy;
- Ensures sound incentive scheme management and reasonable and appropriate salaries/wages;
- Ensures appropriate succession planning for the executive directors and management; and
- Employment equity.

**Senwes Share Incentive Scheme Trust**

The participants of the LTI-share incentive scheme are executive and senior managers who are able to influence the performance of the group and are able to align the interests of the group with those of the shareholders. It is based on the dual principles of retention, namely to ensure continuity, as well as pre-determined performance targets. Should these targets not be achieved, the allocated shares are forfeited. The grants in terms of the share scheme will vest every three years, with the first potential vesting in 2017.

The scheme is overseen by the Remuneration Committee and complies with section 97 of the Companies Act.

For the year under review, only 30% of the shares granted in 2014 vested on 30 June 2017. The details thereof are reported in the Remuneration Report.

**Recent focus areas:**

The remuneration philosophy and policy are dealt with in detail in the remuneration report (refer to p. 78).The report explains the practical application and implementation of remuneration governance in support of the recommendations for the remuneration of directors for the new year as contained in the notice of the annual general meeting and the special resolution in this regard. The recommended remuneration for the new year is considered as a binding vote and is submitted as such to shareholders.

**Requirements:**

King IV requirements

**Composition**

The committee comprises of non-executive directors only (at least three), with the executive directors also attending meetings. The chief executive officer, chief financial officer and corporate divisions (mainly Corporate Services and Human Resources) also attend meetings on invitation.

Legislative requirements (Companies Act) | KING IV Report on Corporate Governance | Company-specific requirements

## Risk Committee

**Chair:** WH van Zyl

**Members:** TF van Rooyen, NDP Liebenberg, JJ Minnaar, F Strydom, CF Kruger

**Number of meetings during the year:** 2

**Responsibilities:** This committee plays a strategic role in guiding the board in its strategic plans. It analyses strategic and operational risks at all levels.

Risk management is applied throughout the Senwes group. It is understood that risk management will assist with ensuring the long-term sustainability of Senwes. The current risk culture within the company contributes to the creation of shareholder value on a sustainable basis, that is consistent with shareholder expectations. The reporting structure is as follows:

- Chief risk manager and risk officers;
- Executive Committee;
- Compliance Committee; and
- Risk Committee.

The risk management functions report continuously on material risks and opportunities of the group as well as those of each operational business unit or joint venture.

**Recent focus areas:** During the year under review the committee reviewed its risk management plan as well as its risk appetite and presented these for approval to the board.

**Requirements:** King IV requirements

**Composition** This committee comprises of non-executive and executive directors. Risk management and all other divisions are exposed to the committee by means of a structured work plan.

## Social and Ethics Committee ("SOC")

**Chair:** JBH Botha

**Members:** J Maswanganyi*, SM Mohapi, TF van Rooyen

**Number of meetings during the year:** 1

**Responsibilities:** The committee is responsible for the oversight of some of the other board committees as provided for in the Companies Act, 2008. The committee is also responsible for, inter alia:

- Labour matters;
- Transformation and BEE-matters;
- Consumer protection and sound business practices;
- Code of Ethics and Code of Conduct;
- Sustainable culture and values;
- Stakeholder 2016 management; and
- Sustainability and concomitant integrated sustainability reporting.

**Recent focus areas:** A formalised ethics programme was adopted and implemented and continuous monitoring of ethics is being done throughout the group. This programme includes the declaration of personal and conflicting interests, training and awareness of values and it demonstrates commitment to the Senwes Code of Ethics and Code of Conduct at all levels.

The Social and Ethics Committee has carried out its statutory obligations in terms of its mandate and the committee confirms that the group conducts its affairs diligently and responsibly as required in terms of good corporate citizenship. The committee reviewed and was satisfied with the integrated report as presented to the shareholders.

**Requirements:** Companies Act requirements

**Composition** The Committee comprises of non-executive directors only, with Mr Maswanganyi as the co-ordinator.

*Resigned on 30 June 2017

## Company Secretary

The board collectively and the individual board members are guided by the company secretary in the execution of their continued responsibilities and duties. Newly appointed directors undergo an appropriate induction process, presented by the company secretary, which contains various elements.

Following a board evaluation during the year under review, the board concluded that, based on the group company secretary's qualifications, experience and performance, she can be regarded as a fit and proper individual who is competent to continue in this critical role and who has maintained an arm's length relationship with the board and its directors.

As required in terms of the Companies Act 2008, the company secretary supervises compliance with legislation throughout the group. The appropriate structures in this regard have been established, as explained under the heading "compliance with legislation".

## Access to information

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

Shareholders also have access to the shares register, minutes of members' meetings and information regarding a number of company matters. Any enquiries may be addressed to the company secretary as chief information officer.

In terms of the ZAR X listing requirements, the company has to announce all material information, corporate actions, distributions and directors' dealings on the exchange news service, "ZAPS". The announcements made during the year under review are accessible on ZAPS.

## Sustainability aspects at board level

The sustainability of the company over the long term remains the most important aspect and the board therefore has a long-term view in respect thereof. The strategy rests on seven pillars and is challenged continuously. The board has also commenced the process of extending the strategy to beyond 2025.

As a responsible and accountable corporate citizen, the company plays a material role in rural communities in terms of its contribution to employment, infrastructure investment and development and training. Comprehensive reporting thereon is reflected in the Sustainability Report.

Whilst pursuing these objectives, the board and management co-operate within the parameters of a disciplined and specific internal control environment, IT-control framework and combined assurance framework, which will ensure the continued existence of the company as a going concern.

## Compliance with legislation

The board accepts total responsibility for compliance with all applicable legislation and regulatory requirements. This is reported to the internal Compliance Committee, chaired by the company secretary, and then to the Risk Committee as well as the Audit Committee. Focused attention is afforded to compliance aspects throughout the company.

The board has officially adopted the group compliance coverage plan, which relates to a group-wide approach to compliance. The coverage plan is being implemented with focus on:

- Identification of applicable and material legislation per business unit;
- Assessment of compliance by means of self-audit questionnaires, which are being designed;
- Continuous follow-up and reporting against the provisions of the particular legislative sections; and
- Collated dashboard reporting to the relevant board and management committees.

Compliance aspects are systematically being captured in a combined assurance framework and reporting via this framework commenced during the second half of the 2016 calendar year. Each business and corporate unit have identified the critical legislative provisions applicable to them and these are monitored and reported on individually per dashboard.

The improvement of compliance processes and reporting is a continuous journey and during the year under review the health and safety function was reallocated to Internal Audit, as it requires continuous monitoring and implementation of appropriate controls.

No major incidents of non-compliance with legislation have been reported during the year under review.

## IT-control

The board ensures the active management of the IT-control framework by a team of IT-members of management as an integral part of the risk management framework reporting to, inter alia, the joint Financial and IT-Steering Committee. The strategy and performance of Senwes are aligned with, and dependent upon these fully incorporated and integrated structures and systems. Extensive business and IT-disaster recovery processes have already been established.

The external auditors focus on the IT-environment annually as part of their year-end audit.

## Going concern

After recommendation by the Audit Committee, the board records the facts and assumptions used to determine whether the business will continue as a going concern for the new financial year and approves the going concern principle.

## Investor relations

Until 17 February 2017, Senwes provided an OTC-platform for the trading of shares. Senwes and Senwesbel subsequently listed successfully on the ZAR X exchange on 20 February 2017, as required by the Financial Markets Act, 2012. Senwes acts as the market participant (broker) on this exchange and still attends to the transfer secretary functions for both companies.

The exchange is functioning well and the interim distribution declared on 16 March 2017 was paid through the new structures and processes on 31 March 2017.

Live bids and offers are available on the ZAR X website.

## Shareholder information and matters

Senwes' five largest shareholders as at 30 April 2017

| Name of shareholder | Number of shares | % of issued shares |
|---|---|---|
| Senwesbel Limited | 95 654 583 | 52,91 |
| Grindrod Trading Holdings (Pty) Ltd | 37 395 213 | 20,68 |
| Senwes Capital (Pty) Ltd | 5 702 809 | 3,15 |
| Senwes Share Incentive Scheme Trust | 6 201 937 | 3,43 |
| Gardenview Nominees (Pty) Ltd | 1 172 445 | 0,65 |

Shareholder information in terms of portfolio size:

| Size of Holding | Number of holders | % | Total number of securities | % |
|---|---|---|---|---|
| 1 - 1 000 securities | 727 | 31,34 | 258 974 | 0,14 |
| 1 001 - 5 000 securities | 508 | 21,90 | 1 285 989 | 0,71 |
| 5 001 - 30 000 securities | 805 | 34,70 | 11 297 936 | 6,25 |
| 30 001 - 100 000 securities | 230 | 9,91 | 11 296 975 | 6,25 |
| 100 001 - or more securities | 50 | 2,15 | 156 649 434 | 86,65 |
| | **2 320** | **100,00** | **180 789 308** | **100,00** |

| Shareholder diary | 2017 |
|---|---|
| Financial year-end | 30 April |
| Announcement of results in media | 30 June |
| Publication and mailing of annual general meeting notices | 24 July |
| Submission of proxies | 22 August before 9:00 am |
| Annual general meeting | 24 August at 9:00 am |

# REMUNERATION REPORT

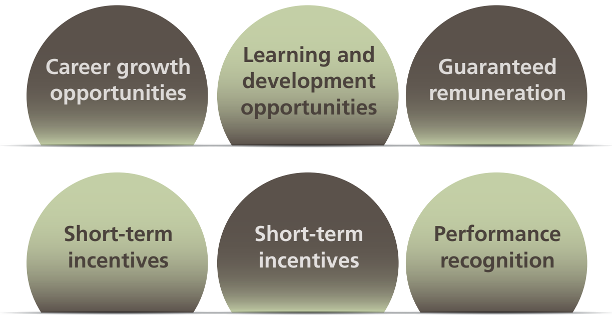
## Remuneration Philosophy

The objective of remuneration is to attract, retain, motivate and reward talented and high performing staff in order to achieve the company's strategic objectives, deliver expected shareholder returns and ensure sustainable performance and shareholder value-creation in the long term.

The company's philosophy is to encourage sustainable long-term performance that is consistently aligned with the interest of shareholders.

Senwes adopts a holistic and total reward philosophical approach to remuneration, which takes into consideration financial and non-financial, direct and indirect, as well as intrinsic and extrinsic rewards, based on and in support of the employee value proposition.

## Senwes Total Remuneration Framework




In establishing a remuneration philosophy and policy, Senwes gives careful consideration to the following:

- Remuneration that is compliant with regulations and aligned with the codes of best practice.
- Fair, reasonable and market-related remuneration.
- Policies and practices that strive for internal equity.
- Remuneration that is economically affordable and aligned with the company's Code of Ethics.
- Aligns executive long-term wealth interests with the long-term interests of the shareholders.

## Guiding Principles

- The remuneration policy is governed through the governance structures to ensure alignment with the vision, commitment, values, strategic direction and objectives of the company.
- The remuneration policy and practice must be compliant with relevant regulations, economically sensible, ethically aligned and market related.
- The group uses a total reward approach, applying an appropriate reward mix for the various employees, based on and in support of the employee value proposition.
- The group's remuneration policy must be transparent and implemented fairly and consistently, based on the factors of role, qualifications, experience, scarcity of skills, individual contribution, level of performance and talent potential.
- Remuneration of employees will be based on relevant and appropriate market benchmarks in order to strive for competitiveness of the total reward positioning, within the parameters of affordability.
- Total remuneration must be aligned with individual, business unit and corporate performance.

## Remuneration Policy

### Scope

- The policy outlines the governance framework through which remuneration is determined and managed throughout the group and across all levels of the organisation.
- The policy is approved by the board and management has the responsibility to implement it.
- The policy is aligned with the Senwes strategy and is part of Senwes' operating philosophy, policies and standards.

## Strategic objectives

The strategic objectives of the remuneration policy are:

- To ensure that the business has the right mix of skills;
- To attract and retain the right talent;
- To develop a high performance culture, which rewards individual, team and corporate performance;
- To motivate result-oriented behaviour and pursuit of excellence;
- To encourage long-term focus that ensures sustainability of performance, effective risk alignment and management;
- To encourage behaviour that is aligned with the culture and objectives of the company;
- To align employees' interests with the interests of the shareholders.

## Remuneration governance

### Board of Directors

- The board has the final authority for the approval of the remuneration philosophy and policy.
- The board delegates responsibility of this policy to Remco.
- The board provides oversight for the execution of the policy.

### Remuneration Committee

The Remuneration Committee has the following responsibilities, which are in line with the Remco Charter:

- Accountability for all remuneration matters in the company, including oversight of the implementation of the remuneration policy.
- Determines the remuneration of executive and non-executive directors and recommends the non-executive directors' remuneration to the board and subsequently to the shareholders at the AGM for approval.
- Approves the remuneration structure of the company.
- Ensures that there is an appropriate, adequate and effective remuneration system in place.
- Ensures that the remuneration strategy is economical and ethical and that the policy is applied consistently and fairly throughout the organisation.
- Benchmarks and evaluates the income differential rate between executives and employees.
- Works in consultation with other board committees and relevant internal functions in ensuring co-operative and responsible remuneration policy design, planning, decision-making and execution.
- Approves the benchmarking methodology, including the comparator group of companies used for the purpose of determining external market competitiveness of the group's remuneration.
- May engage independent external advisors and relevant stakeholders on any matters relating to remuneration as they may deem necessary in order to ensure that the remuneration policy and practices are aligned with the group's objectives.
- Reports to shareholders on behalf of the board on remuneration matters.

### Executive Committee

- The group executives under the supervision of the CEO are responsible for proposing and implementing the remuneration policy and strategies, as envisaged by the Remuneration Committee, on behalf of the board.

### Human Resources (Remuneration Management)

- Develops policy proposals, provides guidelines, tools and support to management in the implementation of the remuneration policy.
- Undertakes annual benchmarks to ensure market competitiveness.
- Formulates a wage negotiation strategy and engages in collective bargaining processes which are aligned with the mandate approved by Remco.

## Composition of Senwes Remco

| Name | Director Status | Qualifications | |
|---|---|---|---|
| Nico Liebenberg | Non-Executive Director | B.Com (Hons), M.Sustainable Agriculture | Committee chairman |
| Steve Booysen | Independent Non- Executive Director | B.Compt (Hons) (Acc), D.Com, CA (SA) | Member |
| Jaco Minnaar | Non-Executive Director | B.Eng. (Agriculture) | Member |
| Thabo van Zyl | Non-Executive Director | B.Sc. Agric (Agricultural Economics) | Member |
| Francois Strydom | Group CEO | Permanent invitees with no voting power are excluded when matters relating to their own remuneration are discussed. | |
| Corné Kruger | Group CFO | | |
| Joe Maswanganyi | Group ED | | |

The meetings are also attended by HR managers responsible for remuneration, as well as external advisors, from time to time, as deemed necessary by Remco.

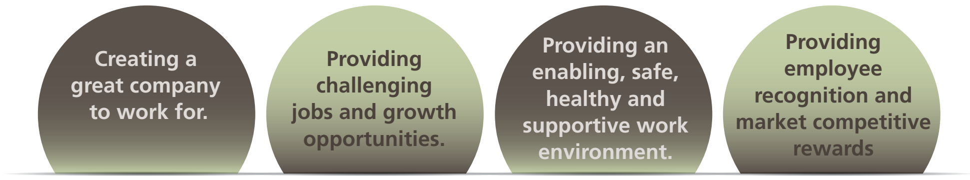
## Remuneration strategy

Senwes' remuneration strategy is based on a total reward approach, which includes financial and non-financial, direct and indirect, intrinsic and extrinsic rewards, based on and in support of the employee value proposition.

### Employee Value Proposition

Senwes strives to be an employer of choice. In this regard, Senwes has developed an employee value proposition, which steers the company's employee engagement and talent strategy towards the realisation of that vision.

The purpose of our employee value proposition is to enable the organisation to attract prospective talent, improve employee engagement and performance, inculcate behaviour consistent with our values, develop an enabling and supportive work environment and retain talent. The employee value proposition is based on the following four pillars:

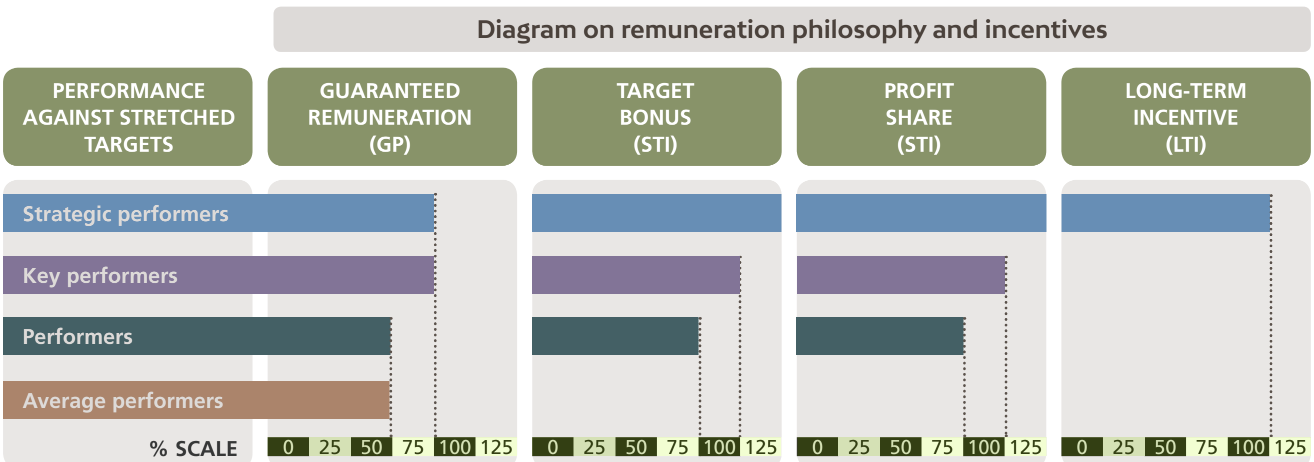



## Remuneration structure

The remuneration structure comprises of guaranteed pay (total cost to company), special purpose bonus (in exceptional circumstances, at the discretion of the executive and/or Remco), short-term incentives and long-term incentives.

An appropriate remuneration mix is maintained between fixed and variable performance-based remuneration, as well as between short-term and long-term performance-based remuneration.

The diagram below illustrates the functioning of the remuneration structure:



## Directors' remuneration

The Remuneration Committee reviews the remuneration of executive and non-executive directors annually, based on external surveys and benchmarks against a comparator group of companies and other relevant benchmarks. The committee also considers the skills levels, performance and retention of the directors. Remuneration is generally positioned at the median of the relevant benchmark.

### Non-Executive Directors' Remuneration

Non-executive directors' remuneration is reviewed on an annual basis and tabled at the annual general meeting for approval as a binding vote as required in terms of section 66(9) of the Companies Act, 2008. Non-executive directors' fees are benchmarked against various surveys and compared to a comparator group of companies, approved by Remco, in order to ensure market competitiveness. The comparator group comprises of companies with a similar profile to that of the Senwes group from an investor's perspective.

Non-executive directors' fees comprise of a fixed fee for board membership as well as additional fees for board committee participation.

The fees for the vice-chairman of the board are based on a percentage of the chairman's fees, which are set at 70%. The chairmen of board committees are paid a premium commensurate with their role and as compensation for the additional responsibilities as chairmen.

Non-executive directors do not participate in either the short-term or long-term incentive schemes. The out-of-pocket expenses of non-executive directors, including travelling and accommodation expenses, are reimbursed monthly after due submission of these claims.

### Executive Directors' Remuneration

The primary objective is to ensure that executive directors receive remuneration which is appropriate to their scale and scope of responsibility and performance and which will attract, motivate and retain individuals of exceptional calibre and behaviour, as well as incentivise them to work in the short-term and long-term interest of the group in line with shareholder interests.

The remuneration mix of executive directors comprises of guaranteed pay, short-term and long-term incentives. Total remuneration is weighted towards variable performance-based remuneration. Appropriate benchmarking is done against applicable and selected peer groups.

### Guaranteed remuneration

Remco determines executive directors' and other executives' total remuneration and reviews it at least annually, using benchmarks based on external surveys and a comparator group of companies. The benchmarks are verified by independent HR specialist suppliers at the discretion of Remco.

Guaranteed pay is positioned at the median of the relevant benchmark. Variations will occur around the median, which will be influenced by various factors such as the strategic importance of the role, level of experience of the executive, performance record and other considerations that Remco may deem appropriate. A variance around the range of between the 40th and 60th percentile is considered to be reasonably competitive and acceptable.

### Sign-on and/or retention bonus

A sign-on bonus is a once-off monetary award offered to a prospective employee as part of a larger remuneration package as an incentive to join the company. The payment may also be used to relieve the prospective employee of the financial obligations that he/she may have at his/her current employer, which will become due and payable as a result of his/her termination of employment. This obligation may serve as a disincentive for the prospective employee to leave his/her current employment.

A retention bonus is a financial incentive paid to a key employee, from time to time, to motivate him/her to remain in the employment of the company. It is a strategic tool to manage the flight risk in respect of key employees, potential successors and scarce skills.

Remco, at its discretion, determines and approves or recommends to the board a special purpose bonus, applicable conditions and the quantum thereof.

### Short-Term Incentives

Short-term incentives (STI) are paid in cash and are based on the achievement of annual targets. The STI comprises of an on-target bonus and profit share where the target has been exceeded. The criteria for qualifying for short-term incentives are based on group corporate financial performance, profit and return targets and individual financial and non-financial strategic and operational performance objectives.

### Long-Term Incentives

Executive directors and other executives, as well as selected senior managers, participate in an equity-based share incentive scheme, which is used for retention as well as long-term performance incentivisation. Subject to the approval of the board, the Remuneration Committee, at its discretion and based on the recommendation of the CEO, additional shares may be granted to participants or new shares may be granted to new participants on an annual basis. The shares are forfeitable, subject to a vesting period of three years and retention and performance conditions.

# REMUNERATION REPORT | continued

Performance criteria are based on return on equity and growth on HEPS.

The shares are allocated to a Senwes Share Incentive Trust that is governed by a board of trustees, consisting of three Remco-nominated trustees and one nominated by the participants.

The aggregate number of shares which may be granted in terms of the scheme, may not exceed 5% (five percent) of the total issued ordinary shares of the company, from time to time, over the duration of the scheme.

The maximum number of shares awarded to any individual participant in respect of all unvested grants in terms of the scheme, shall not exceed 1% of the issued ordinary shares of the company, over the duration of the scheme, which currently equates to 1 800 000.

Executive directors can be appointed on a fixed term or full time basis with extended notice periods, as determined by Remco, from time to time. Fixed term contracts have to be reviewed six months before the termination date to decide on extension or termination.

## Discretion and Judgement

The remuneration policy recognises that mechanistic and formulaic remuneration practices, whilst providing certainty and predictability, are not always appropriate in all circumstances. Remco and board discretion is important to ensure that pay practices and outcomes remain appropriate at all times, including circumstances that are not anticipated by the remuneration policy. This discretion has to be exercised legally, fairly, ethically and justly.

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

| 2017 | | | | | |
|---|---|---|---|---|---|
| **Non-executive** | **Status** | **Date** | **Total directors' remuneration** | **Remuneration** | **Travelling and accommodation expenses** |
| ZBM Bassa | Resigned | 8/26/2017 | 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 | 8/26/2017 | 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 |
| **Total** | | | **5 397 107** | **5 270 355** | **126 752** |

## 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 |
| **Total** | **13 400 509** | **164 433** | **13 564 942** |

## 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 |
| **Total** | **896 543** | **5 402 800** | **6 299 343** |

*This equity-settled share-base 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):

| 2016 | | | | | |
|---|---|---|---|---|---|
| **Non-executive** | **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 |
| Total | | | 5 042 860 | 4 887 347 | 155 513 |

## Executive directors' remuneration (company):

| 2016 | | | | |
|---|---|---|---|---|
| **Executive** | **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 |
| Total | 9 622 986 | 515 057 | 188 818 | 10 326 861 |

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

| 2016 | | |
|---|---|---|
| **Executive** | **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 |
| Total | 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.

### Policy on External Non-Executive Director Appointment

Executive directors may, at the discretion and approval of the board, accept an appointment as non-executive directors of external companies.

### Service Contracts

Executive directors are appointed on a renewable fixed term contract basis for a period of three years. The contract is renewable by agreement with effect from the date of termination on the terms and conditions agreed to by the parties.

| Position | Contract* |
|---|---|
| CEO | A new three year fixed contract expiring 31/07/2019 |
| CFO | Fixed three year contract expiring 31/01/2020 |
| Executive Director | Fixed three year contract expiring 31/09/2017 |
| Prescribed officers | Standard employment agreement |

* During the year under review Remco recommended that fixed term contracts be changed to evergreen contracts as per general business sector practice.

## Summary of remuneration committee activities

### Introduction

The subject of remuneration features high on the corporate governance agenda, amongst top issues like strategy, risk and compliance management, financial performance, operational effectiveness and talent and leadership succession. Key matters relating to remuneration are reward and performance alignment, wage gaps and income differentials. The Remuneration Committee has these issues on its radar and evaluates them on an ongoing basis.

The Remuneration Committee considered the following and approved or accordingly recommended it to the board for approval:

- The committee reviewed and approved the remuneration philosophy, policy, strategy and practices and is satisfied that the remuneration framework is appropriate for the achievement of organisational objectives of attracting and retaining the best talent and motivating performance and desired behaviour. No changes were made to the short-term and long-term incentive schemes.
- The committee reviewed the salaries of executive directors and all staff and recommended broad mandates for general salary and wage increases for approval by the board.
- The committee considered the payment of short-term incentives based on the rules of the scheme and the achievement of set objectives and was satisfied that rules are being complied with and with the accuracy of the performance measures and incentive amounts to be paid.
- Approved long-term incentive awards, as well as payment of vesting incentives in line with the retention and performance conditions as set out in the rules of the LTI-scheme.
- Approved participants in the equity-based long-term incentive scheme as well as the number of shares allocated to each participant.
- Reviewed and approved the succession plans for senior management, including emergency cover, continuity plans and development plans for current as well as potential successors and took note of the overall organisational succession plans.
- Reviewed the group's performance with regard to employment equity in line with the approved talent diversification and employment equity strategy and plan and compliance with regards to the Employment Equity Act.
- The committee reviewed the contracts of both the CEO and CFO. Both contracts were renewed by the board for a term of three years, as indicated above.

### Matters which have been considered during the year under review and changed for future purposes:

- External review of the remuneration of the executive directors, including the appropriateness of the comparator group and the basis applied for benchmarking purposes.
- External review of the remuneration of the non-executive directors, including the appropriateness of the comparator group and the basis applied for benchmarking purposes.
- Review of incentives for alignment with the integrated service model for individuals, teams and business divisions, as well as recognition of exceptional performance.

# FINANCIAL REVIEW

# REPORT OF THE CHIEF FINANCIAL OFFICER

> Lower grain volumes in the 2017 financial year were the result of the previous year's drought. Despite this, Senwes launched certain risk mitigating actions to counter the impact of the drought on the 2017 financial year.

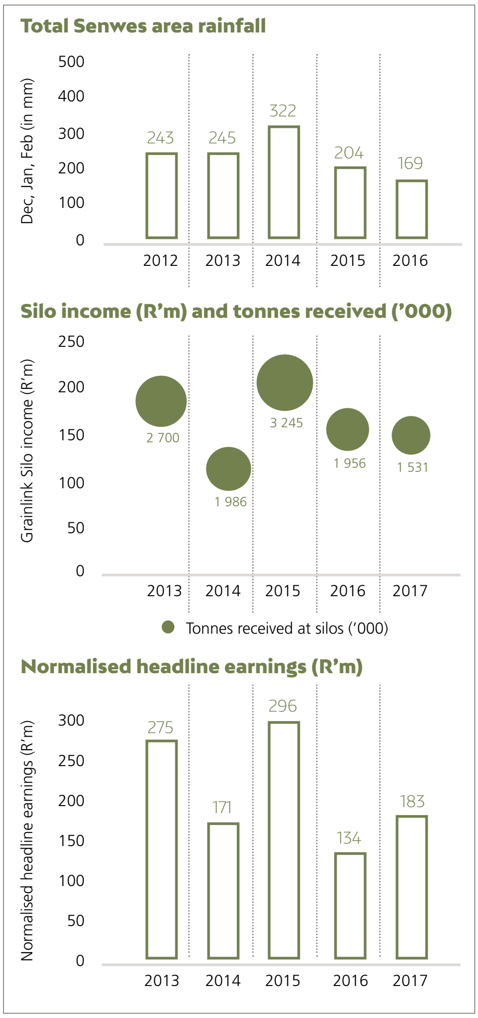
## Financial performance in context[1]

The financial performance of the group was under pressure during the past year. However the group's:

- turnover increased by 7,6% due to higher commodity prices;
- EBITDA increased by 13,8% due to increased profit from the financial services and input supply segments; and
- normalised headline earnings increased by 36,6%, to R183 million.

Grain trading positions had to be carried in the market at less than carrying cost, which had a negative impact on the results of the Market Access division. The drought increasingly resulted in a short market in the anxious search for local soft commodities, particularly white maize.

As expected, there is a direct correlation between rainfall (December - February), grain volumes and the consequent results in the next financial year.

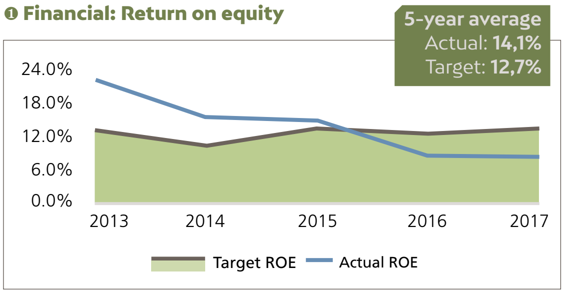



[1]See Key Features on p. 4.

## Achievement and monitoring of targets

| | Actual | Target | Target | Benchmark | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2017 | Achieved | 2016 | | 2015 | | 2014 | | 2013 | | 5-year average | |
| | | | | A | T | A | T | A | T | A | T | A | T |
| ❶ Return on equity (%) | 8,9 | 13,4 | X | 8,6 | 12,6 | 15,0 | 13,6 | 15,7 | 10,5 | 22,3 | 13,2 | 14,1 | 12,7 |
| ❷ Own capital ratio (%) | 37,8 | 35-45 | ✓ | 40,6 | 35-40 | 38,0 | 35-40 | 39,7 | 35-40 | 39,7 | 35-40 | 39,2 | 35-40 |
| ❸ Staff turnover (%) | 16,2 | 15,2 | X | 15,3 | 14,1 | 16,5 | 14,0 | 12,3 | 10,3 | 11,5 | 12,8 | 14,4 | 13,3 |
| ❹ Operational margins and volumes | | | | | | | | | | | | | |
| Volume % achieved | 90 | 100 | X | 96 | 100 | 96 | 100 | 91 | 100 | 94 | 100 | 93 | 100 |
| GP % achieved | 104 | 100 | ✓ | 106 | 100 | 111 | 100 | 93 | 100 | 106 | 100 | 104 | 100 |
| ❺ Residual risk (R'm) | 428 | 394 | X | 572 | 373 | 303 | 356 | 282 | 324 | 187 | 317 | 354 | 352 |

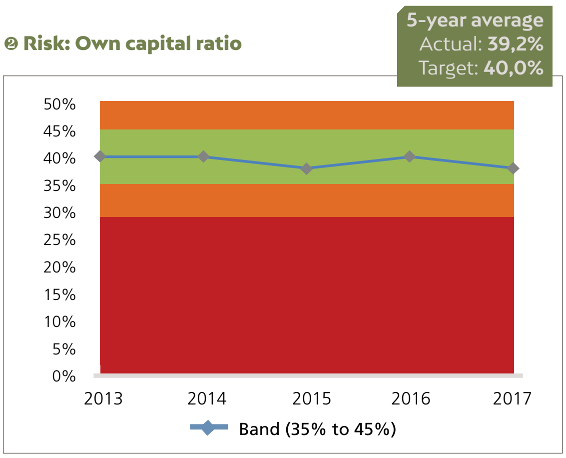
**❶ Financial: Return on equity**




The return on equity target of the group is inter-dependent upon the composition of the underlying business portfolios. The target is calculated by the application of the capital market price model and represents a 10-year risk free rate of return (R186) plus a market premium, after having been adjusted by a beta, which represents Senwes' relativity to the industry.

The actual rate of return for 2017 amounts to 8,9% against a set rate of return of 13,4%. The reason for the negative variance is indicated in the detail in the preceding paragraphs and the return for the past year is not representative of that of the years 2013 to 2015. Senwes' 5-year rate of return amounted to 14,1% on average, which exceeds the average target rate of return by 1,4%.

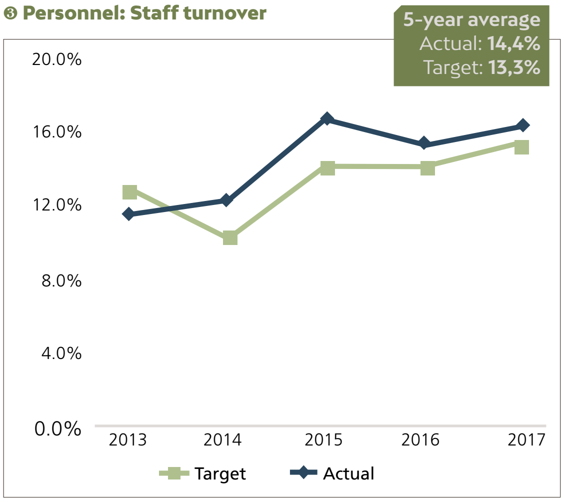
**❷ Risk: Own capital ratio**




An important part of Senwes' strategic platform is to maintain a stable financial basis, which offers more room for strategic decisions in reaction to external challenges. Senwes uses the own capital ratio to measure its financial stability, despite growth in the net asset base. The own capital ratio target is between 35% and 45% of total assets, which reflects Senwes' desired financial risk profile and the opinion of the board regarding long-term stability.

The equity ratio of 37,8% is 2,8% lower than the previous year and is mainly due to the higher term loan book at Senwes Credit.

**❸ Personnel: Staff turnover**



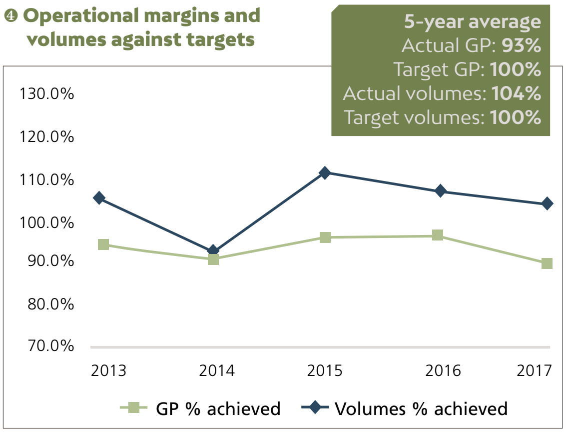

There is a direct correlation between the increased staff turnover and the following trends:

- Stronger competition in respect of the recruitment and retention of talent in the agricultural industry and even in some of the other sectors;
- New generation talent tends to readily accept new challenges and is generally less loyal;
- B-BBEE-talent in the agri-industry is scarce and moves to new opportunities quicker than it can be replaced; and
- Senwes talent is sought-after in the industry and is targeted by other role players.

The current staff turnover is higher than the market average and remuneration policies, retention programmes and career planning structures are being attended to.

# REPORT OF THE CHIEF FINANCIAL OFFICER | continued

**4 Operational margins and volumes against targets**




The 2013/2014 year was characterised by a drought, which had a negative impact on the silo industry as well as the input supply business. It was also the year during which integration of the Senwes retail outlets with the AFGRI retail outlets took place. Both the market access and input supply segments reflected a decrease in operating profit of R90 million and R92 million respectively.

2014/2015 was a year of record crops, which contributed to an increase in grain volumes of 63,4%. The operating profit of market access increased by 147% compared to the 2014 year.

The 2015/2016 financial year was characterised by the worst drought in South Africa since the recording of rainfall figures commenced in 1904. The drought had a negative impact on the input supply pillar, where volumes and margins were under pressure.

Lower grain volumes in the 2017 financial year were the result of the previous year's drought. Despite this, Senwes launched certain risk mitigating actions to counter the impact of the drought on the 2017 financial year.

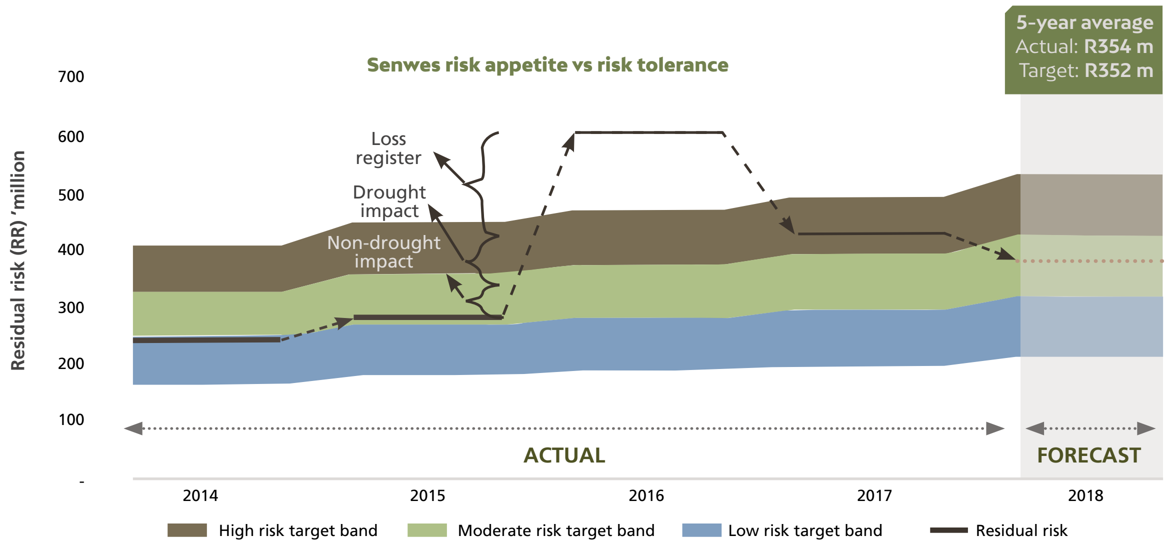
**5 Residual risk performance against targets**

The residual risk increased significantly the previous year due to the continuing drought conditions, which continue to influence various aspects of the group's business. These aspects include a smaller market, higher than normal arrear debt levels, losses due to the difference between current and future month prices (spread losses), market volatility and the lowest closing stock levels of the past 17 years. The increased risk exposure increased the group's risk awareness and contributed positively to the risk culture of the group.

The agri-sector faces increasing policy uncertainty, particularly with regards to land ownership and expropriation. Political uncertainty limits business confidence, with specific reference to the most recent exchange rate volatility, credit down-gradings and increased taxes and levies. Structural problems such as electricity supply, the water crisis, high unemployment levels, skills shortages, corruption and a lack of critical infrastructure are also being faced.

Holistically the group's residual risk decreased to lower than expected levels, mainly due to the following factors:

- Continuous industry optimism;
- Active management of paid mechanisation stock;
- Management of interest costs;
- Continuous management and timeous revision of bank caveats;
- Management of debtor book;
- Lower concentration risk in respect of mechanisation equipment due to diversification;
- Above-normal maize plantings and above-normal yields and rainfall.

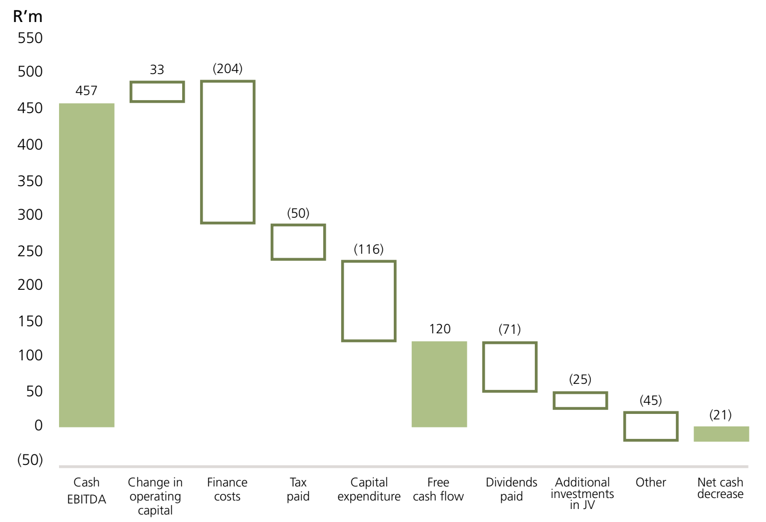


## Financial position and cash flow

The group's financial position is still strong, despite the drought. The net asset value increased by 5,7% compared to the previous year. Operating capital increased and specifically producer debtors increased by 18,8% due to increased planting levels and increased product input inflation.

The group increased interest-bearing loans by R395 million to R2,6 billion in order to fund the increased operating and fixed capital requirements.

**Group cash flow analysis**




## Dividends

With the interim dividend of 20c/share (March 2017) and the proposed final dividend of 25c/share, shareholders earned a dividend yield of 4,3% on opening equity. We are still satisfied to maintain the current dividend cover of a maximum of 2 for the time being in years during which the headline earnings is under pressure.

## Capital allocation

Capital investment of R116,4 million was mainly applied against new capacity to the value of R30,9 million, upgrading of existing infrastructure to the amount of R47,6 million and necessary spending of R37,9 million. R73,7 million of the spending was allocated to silo infrastructure, R14,8 million to retail and mechanisation assets, R7,8 million to IT infrastructure and R16,7 million was spent on the solar system at head office.

The interest bearing loans from financiers increased by R437 million, mainly due to a 20% increase in long-term mortgage bonds, while mechanisation stock and grain commodity stock decreased when compared to the previous year.

## Key risk areas[2]

Senwes' risk levels normalised to R428 million or 22% of total equity. Commodity price risk and the resultant impact on the total industry and grain value chain, in a year during which the price decreased by 57%, are the largest risks which we had to be overcome and, with scrupulous management and focus, write-offs in these areas could be limited to a minimum. However, material risks arose in the business model of Tradevantage, which could not carry grain economically in future months and which had to procure more expensive grain in markets which have not traded premiums to date. The expected credit risk due to the drought was, however, lower and as a result R7,5 million of the 2016 bad debt provision was written back.

## Cautiously into the future

We are well aware of the huge grain volumes which will probably be received during the next season and that high export levels may realise. The white maize price will more than likely be under pressure and could even trade below export parity. The producer's debt levels will have to normalise in order to relieve the pressure on his balance sheet and we do not expect excessive spending in respect of capital goods - debt redemption will enjoy priority attention.

## Acknowledgements

The Chairman and Group Chief Executive Officer have already acknowledged all stakeholders in their reports and I can merely confirm what has been said.

All honour to Him!

**Corné Kruger**
GROUP CHIEF FINANCIAL OFFICER

Klerksdorp
29 June 2017

[2]See p. 90 to 95 of the Risk Methodology report.

# RISK METHODOLOGY

## Material Risks

All entities face uncertainty, which presents both risk and opportunity, with the potential to erode or enhance value. The Senwes group utilises the Committee Organisation of the Treadway Commission (COSO) Enterprise Risk Management (ERM) methodology, which provides a framework for management to effectively deal with uncertainty and associated risk and opportunity, thereby enhancing its capacity to build value.

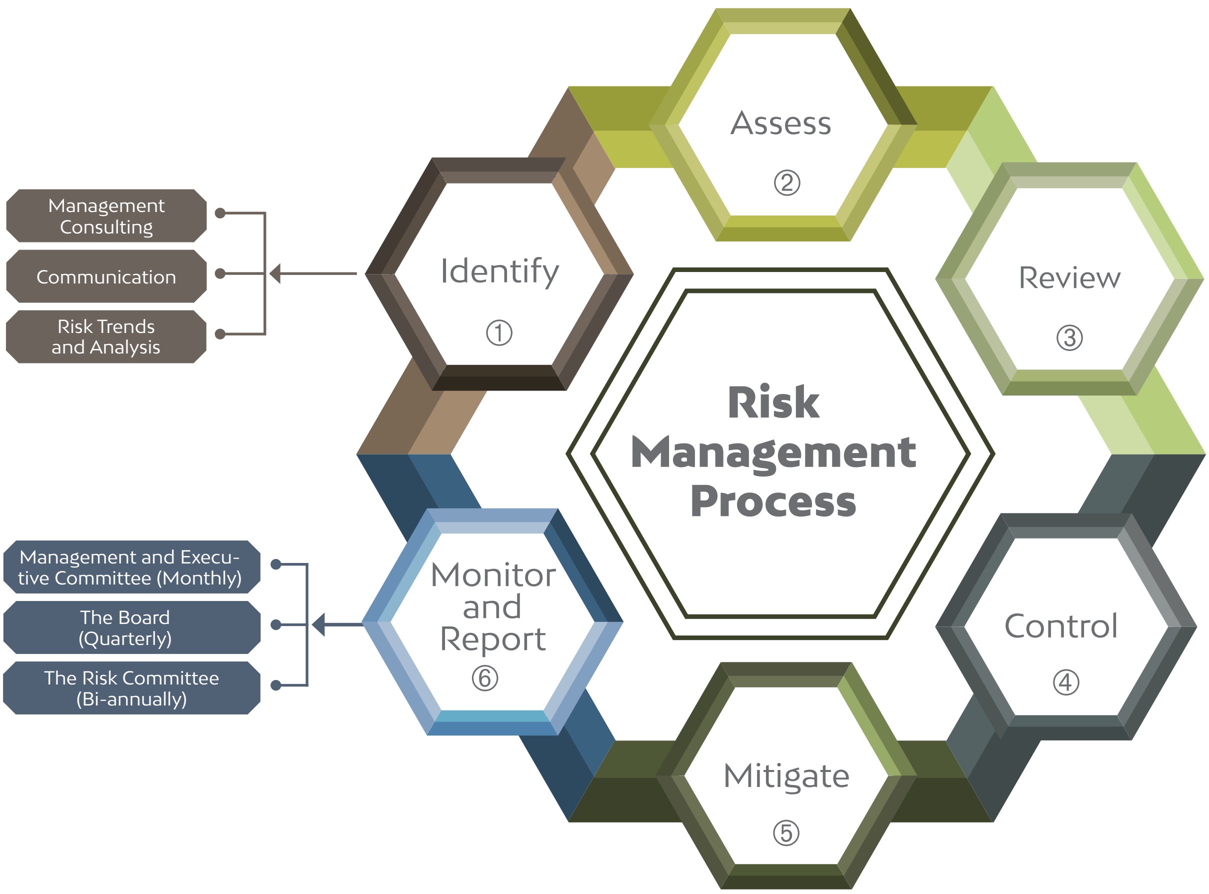
Enterprises operate in environments where factors such as globalisation, technology, regulation, restructuring, changing markets and competition create uncertainty. Uncertainty emanates from an inability to precisely determine the likelihood of potential events occurring and the associated outcomes.

No entity operates in a risk-free environment and ERM does not strive to create such an environment. ERM focuses on enabling management to operate more effectively in environments filled with risks. It cannot and does not operate in isolation within an entity, but rather as an enabler of the management process. ERM is inter-related with corporate governance by providing information to the board of directors on the most significant risks.

## Risk Appetite

COSO ERM defines risk appetite as the amount of risk, on a broad level, which an entity is willing to accept in pursuit of value. It reflects the entity's risk management philosophy and in turn influences the entity's culture and operating style. Risk appetite therefore guides resource allocation and assists the entity in aligning the organisation, people and processes in designing the infrastructure necessary to effectively respond to and monitor risks.

An organisation should consider its capacity to take on extra risk in seeking its objectives. It should also consider its existing risk profile, not as a determinant of risk appetite but as an indication of the risks it currently addresses.

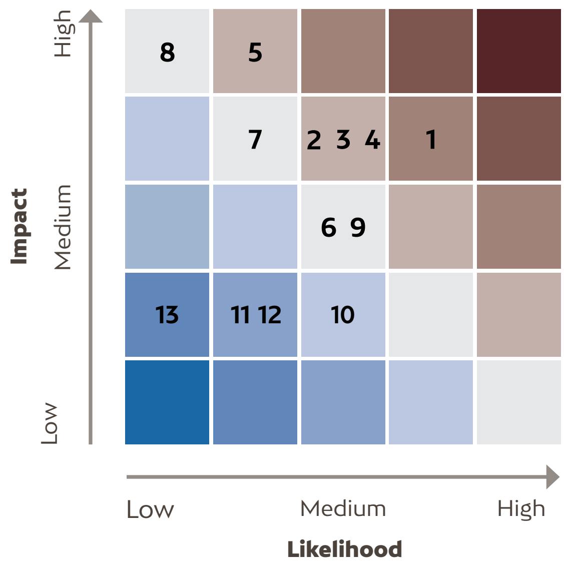



## Risk Overview

Senwes believes that effective risk management on an enterprise-wide basis is essential in achieving sustainable future returns for its shareholders and other stakeholders. Moreover, risk management is deeply rooted in the culture of Senwes and its strategic and tactical intent. The responsibility and accountability for risk management reside at all levels of the organisation, from its board down to each business manager and employee. In order to facilitate this, the group has a formal risk assessment process in place through which risks and mitigating management actions are identified, evaluated and reported on.

The principal risks are set out below and can broadly be divided into different categories. The categories are identified through the ERM-framework and include strategic, operational and financial risks. These categories are reported on through a risk landscape which incorporates the group's risks on the basis of residual risk.

All risks are rated in terms of impact and probability, taking into account the existing controls, on a scale of 0% to 100%. The probability and impact scores are then multiplied to give each residual risk a rating (impact x likelihood = risk level) which determines whether the residual risk is a low risk (shades of blue), a medium risk (grey) or a high risk (shades of brown).




1. Credit, liquidity and market risk
2. Commodity price risk
3. Political instability and economic climate risk
4. Transition and customer risk
5. Weather and climate risk
6. Diversification and agricultural industry risk
7. Market share risk
8. Regulation and compliance risk
9. Unique competitor risk
10. Urbanisation, scarcity and retention of skills risk
11. Systems risk
12. Theft and fraud risk
13. Environment and health and safety risk

EVALUATION RANGE

LOW - MEDIUM

MEDIUM

MEDIUM - HIGH

## Material Risks and Opportunities

| Risk Ranking | Description of Risk | Mitigation and Management Control | Opportunities | Capitals Impacted |
|---|---|---|---|---|
| 1<br>4 | **Credit, liquidity and market risk**<br>The profile of the credit book with regards to concentration and geographical risk remains a factor. The Senwes group is also exposed to medium-term liquidity and volatile interest rate changes. Market risk includes the repricing of the South African economy with regards to credit ratings. | The potential credit concentration risk relates mainly to trade debtors. Trade debtors consist of a large number of clients, spread over different geographical areas. Credit is extended in accordance with the credit policy of the group. Prudent credit evaluation processes are strictly adhered to. The group is also naturally hedged against fluctuating interest rates to a large extent since interest-bearing debt is mainly utilised for interest-earning assets, both at floating interest rates. Contracts, however, are all linked to the Absa prime rate. | ❖ Opportunity for diversification and/or externalisation into new markets or product and service solutions.<br>❖ Opportunity for the optimisation of current and/or development of new product or service offerings relating to the mitigation of credit, liquidity and market risk. | |
| 2<br>3 | **Commodity price risk**<br>Volatile commodity markets such as grains, oilseeds, fertiliser, steel and oil have an impact on input costs and the cost of capital goods for producers and therefore create trading risks. High commodity prices also give rise to a pre-season forward purchase 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 hedging instruments used, consist of soft commodity futures contracts as well as option contracts. | ❖ Opportunity for optimisation of current and/or development of new hedging instruments/products. New innovative and effectively managed products would add value to the pricing portfolio of the client. | |
| 3<br>2 | **Political instability and economic climate risk**<br>The group and the agricultural sector as a whole could be negatively impacted by political decisions, civil unrest, high unemployment rates, volatile exchange rate movements and unsustainable growth. Various policy changes impacting the agricultural sector could severely impact the group's strategic intent. | 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 will diminish and nullify the value of the security that Senwes holds against outstanding funds. This risk can only be accepted and cannot be mitigated. | ❖ Externalisation/internationalisation into new markets/lower risk jurisdictions. | |

CAPITALS

FINANCIAL HUMAN SOCIAL AND RELATIONSHIP INTELLECTUAL NATURAL MANUFACTURED

● CURRENT RANKING OF RISK ● PREVIOUS RANKING OF RISK

| Risk Ranking | Description of Risk | Mitigation and Management Control | Opportunities | Capitals Impacted |
|---|---|---|---|---|
| 4<br>5 | **Transition and customer risk**<br>The group is exposed to technological quantum leaps in agriculture, alternative storage solutions, customer requirements and priorities which could all lead to a paradigm shift within the agricultural sector. The group's sustainability and reputation are at risk without transition and diversification. | Senwes has embarked on a project to develop comprehensive farm management solutions which will enhance our customers' ability to take crucial business decisions based on key drivers. These solutions will integrate the various aspects of the Senwes business value chain in a seamless way, in order to enhance the overall customer experience. The group's Innovation and Integrated Solutions division is responsible for the design and development of innovative business solutions that will enhance the overall customer experience and ultimately increase revenue. Alternative storage structures are addressed by innovative market transactions and by maintaining good producer relationships. | ❖ Leveraging innovation and technological advancement in the agricultural sector to gain and retain clients and to cater to their evolving needs.<br>❖ Increased value chain participation - especially in the areas of the chain which have been yielding good long-term results.<br>❖ Optimisation of product and/or services offering.<br>❖ Reorganisation of business models. | |
| 5<br>1 | **Weather and climate risk**<br>The group is dependent on favourable weather conditions for sustainable agricultural production and farmer profitability. The seasonality of weather and climate changes is not linked to a financial or calendar year and could therefore negatively impact the group over consecutive years. | Senwes is indirectly exposed 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 instruments. | ❖ Externalisation/internationalisation into new markets/lower risk jurisdictions.<br>❖ Leveraging innovation and technological advancement in the agricultural sector.<br>❖ Increased value chain participation - especially in the areas of the value chain which have been yielding good long-term results. | |
| 6<br>6 | **Diversification and agricultural industry risk**<br>Senwes is exposed to limited growth opportunities, especially in the local agricultural sector. The business and industry could achieve a level of maturity that could increase the difficulties of volume and profit growth. | Senwes is working on a rolling 10-year strategy towards 2026. The focus of our strategy is the upscaling of our core business, value enhancing, more extensive participation in the handling of soft commodities and the derisking of the current portfolio in order to expand into new markets. The focus is also on internal integration and innovation of business services to maximise the customer's share of wallet as well as the market share, thus improving the services within the various entities. | ❖ Local expansion and diversification in order to achieve growth.<br>❖ Leveraging innovation and technological advancement in the agricultural sector.<br>❖ Increased value chain participation - especially in the areas of the value chain which have been yielding good long-term results, like developing new, more competitive and effective solutions for the handling of soft commodities, particularly in view of inbound and outbound transport by means of more extensive participation in logistics networks.<br>❖ Externalisation/internationalisation into new markets. | |

## Material Risks and Opportunities | continued

| Risk Ranking | Description of Risk | Mitigation and Management Control | Opportunities | Capitals Impacted |
|---|---|---|---|---|
| 7<br>7 | **Market share risk**<br>The agricultural industry is highly competitive with regards to inputs, commodity production, mechanisation and retail business. The limited local diversification opportunities increase exposure to strong competition. | Senwes Grainlink's investment in technology and infrastructure at its silos also resulted in an increase in market share due to a more attractive value proposition to customers. Similar investments are made throughout the group in order to grow market share. Senwes Equipment also offers very competitive financing solutions in order to grow its market share. | ❖ Local expansion and diversification in order to identify and exploit value synergies, obtain critical mass and achieve market share growth.<br>❖ Leveraging innovation and technological advancement in the agricultural sector to grow clients' share of wallet.<br>❖ Optimisation of product and/or services offering and reorganisation of business models. | |
| 8<br>8 | **Regulation and compliance risk**<br>The risk describes the wide range of legislation that the group has to comply with. The material acts are, inter alia, the Competition Act, FICA, Financial Markets Act, FAIS, NCA, CPA and OHSA. | The board accepts total responsibility for compliance with all applicable legislation and regulatory requirements. This is reported via the internal Compliance Committee and then to the Risk Committee as well as the Audit Committee. Focused attention is being afforded to compliance aspects throughout the company. The board officially adopted the Group Compliance Coverage Plan that involves a group-wide approach to compliance. | ❖ Opportunity to continuously drive improvement in the group's Compliance Coverage Plan.<br>❖ Strive for a culture of transparency and compliance, which promotes good corporate governance. | |
| 9<br>9 | **Unique competitor risk**<br>The group operates in a competitive environment. Innovation and market penetration strategies, throughout the agricultural value chain on the part of our competitors (local and international), could have an adverse effect on market share and the group's results. | Senwes is exposed to competitor entrance, like all businesses, and innovative strategies and capital investments have been made in order to retain and grow market share. | ❖ Leveraging innovation and technological advancement in the agricultural sector.<br>❖ Increased value chain participation - especially in the areas of the value chain which have been yielding good long-term results.<br>❖ Externalisation/internationalisation into new markets.<br>❖ Optimisation of product and/or services offering.<br>❖ Reorganisation of business models. | |

CAPITALS

FINANCIAL HUMAN SOCIAL AND RELATIONSHIP INTELLECTUAL NATURAL MANUFACTURED

● CURRENT RANKING OF RISK ● PREVIOUS RANKING OF RISK

| Risk Ranking | Description of Risk | Mitigation and Management Control | Opportunities | Capitals Impacted |
| --- | --- | --- | --- | --- |
| 10<br>10 | **Urbanisation, scarcity and retention of skills risk**<br>The group is exposed to rural and/or agricultural areas, not only with regards to business operations, but also with regards to the scarcity of necessary skills in these areas. | Our integrated skills development framework guides proportionate, yet balanced, investment in various skills development categories across all levels of the organisation. The framework sets clear guidelines for employees to acquire the full spectrum of training, ranging from technical to job-specific skills, without neglecting the need for personal growth, people skills and leadership development. | ❖ Opportunities to invest in integrated rural skills development programmes.<br>❖ Development of solutions for emerging farmers.<br>❖ Optimisation of development programmes relating to personal growth, people skills and leadership.<br>❖ Optimisation of skills retention strategies and succession planning. | |
| 11<br>11 | **Systems risk**<br>The company relies heavily on technology and innovative system developments. 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 are applied. Furthermore, extensive business and IT-disaster recovery processes have already been established. Continuous focus is placed on IT-governance and improving the maturity of systems. | ❖ Opportunities to leverage technological advancements and innovation to ensure system sustainability and enable more effective archiving, capacity, data integrity, relevance, integration and adaptability.<br>❖ Unlocking the value of "big data" through internal system development in order to service the client in a more effective and cost-efficient manner. | |
| 12<br>12 | **Theft and fraud risk**<br>The current economic climate gives rise to theft and fraudulent activities, especially involving highly valued commodities such as grain. 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. | ❖ Opportunities to continuously develop and optimise the group's codes of conduct and ethics, and processes and communication in this regard.<br>❖ Opportunities to leverage technological advancements to enable even more effective measures to mitigate the risk of theft and fraud.<br>❖ Adding value to the culture of the group for generations to come. | |
| 13<br>13 | **Environmental and health and safety risk**<br>The group is subjected to compliance requirements regarding employee health and safety and also environmental and quality assurance. | The safety of grain as a core product and its handling are continuously assessed by Senwes through hazard critical control point (HACCP) and quality management systems. Senwes also incorporates a fully functional SHEQ-department with reference to enabling the policy environment, effective structures, education and training, empowering employees to make judgement calls and enforcing rules and regulations. | ❖ Opportunities to continuously develop and/or optimise the group's environmental and health and safety compliance and assurance.<br>❖ Opportunities to leverage technological advancements to enable more efficiency regarding environmental and health and safety challenges.<br>❖ Continuous personal development and training on various compliance regulations add value to human capital. | |

# 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. 97 to 175 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. 97 to 175, were approved by the board.

| | | |
|---|---|---|
| **JDM Minnaar** | **F Strydom** | **CF Kruger** |
| CHAIRMAN | GROUP CHIEF EXECUTIVE OFFICER | GROUP CHIEF FINANCIAL OFFICER |

Klerksdorp
29 June 2017

# 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.

**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.

**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. 112 to 175, 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 |
|---|---|
| Provision for impairment of trade receivables and mortgage loans<br><br>*(Consolidated and separate financial statements)*<br><br>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.<br><br>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:<br><br>❖ Crop estimates and yields specific to the customers' region;<br>❖ The number of hectares planted;<br>❖ The expected realisation price, which is the SAFEX price adjusted by grade differences and transport differentials which is determined by customer region;<br>❖ The input costs specific to the customers' region; and,<br>❖ The quality and expected realisation of securities held for customers.<br><br>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.<br><br>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. | Our audit procedures involved, amongst others, the following:<br><br>❖ We performed the calculation using inputs and assumptions we believed were reasonable and compared the outcome to management's provision calculation;<br>❖ We compared the crop estimates and yields for the specific regions used by management to the information released by the National Crop Estimation Committee;<br>❖ We evaluated the hectares planted with comparison to the hectares for which finance was applied for;<br>❖ 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;<br>❖ We assessed the reasonability of the input costs specific to the customers' region as determined by Senwes Agricultural Services;<br>❖ We performed control testing over the credit application process which includes the verification of securities obtained for finance provided;<br>❖ We recalculated management's factors, used to calculate the provisions, and also the total portfolio provision;<br>❖ 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;<br>❖ We have assessed that the significant judgements and estimates are appropriately disclosed. |

## 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 | **9 927** | 9 228 | **7 200** | 7 877 |
| Operating profit* | **414** | 373 | **484** | 360 |
| Profit after tax* | **167** | 156 | **202** | 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 | **5 261** | 4 660 | **5 297** | 4 563 |
| Total interest-bearing debt | **2 617** | 2 200 | **2 640** | 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

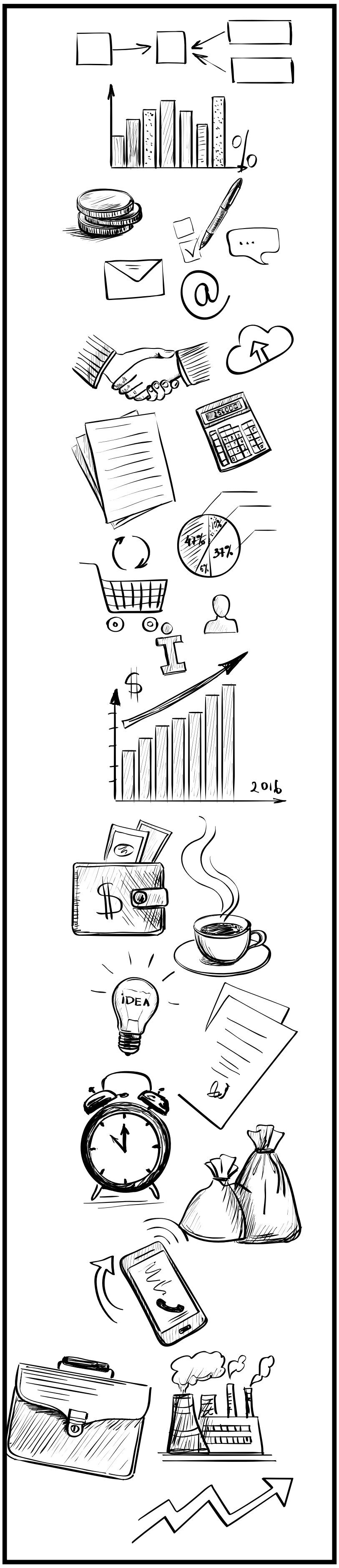
CF Kruger

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

**Including discontinued and continuing operations*

# Financial and Operating Ratios

| | Definitions | 2017 | 2016 | 2015 | 2014 | 2013 | 5-year compounded annual growth % |
|---|---|---|---|---|---|---|---|
| **Financial growth (%)** | | | | | | | |
| 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) |
| **Performance of ordinary shares** | | | | | | | |
| **Number of ordinary shares ('m)** | | | | | | | |
| 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 | |
| **Cents per share** | | | | | | | |
| 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 | |
| **Percentage** | | | | | | | |
| 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 | |
| **Times** | | | | | | | |
| 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 | |
| **Shareholder return (%)** | | | | | | | |
| 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 | |
| **Productivity** | | | | | | | |
| 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 | |
| **Solvency and liquidity** | | | | | | | |
| 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

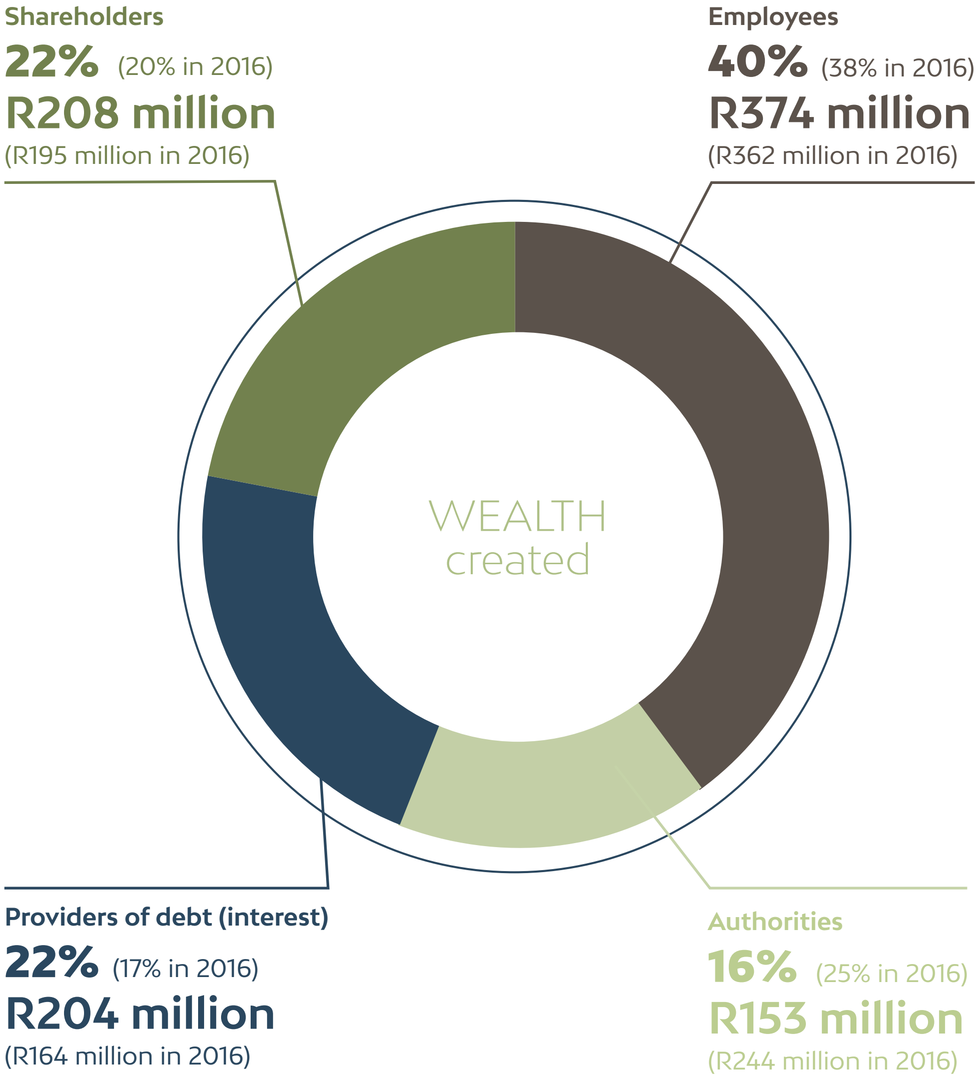
for the year ended 30 April 2017

| | Notes | GROUP 2017 R'm | % | 2016 R'm | % |
|---|---|---|---|---|---|
| Revenue | | **9 927** | | 9 228 | |
| Paid to suppliers for goods and services | | **(9 066)** | | (8 438) | |
| **WEALTH CREATED** | | **861** | | 790 | |
| **Distributed as follows:** | | | | | |
| 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% |
| **Wealth created from income** | | **861** | **92%** | 790 | 82% |
| **Wealth created from other sources** | | | | | |
| Authorities | 3 | **78** | **8%** | 175 | 18% |
| **TOTAL WEALTH CREATED** | | **939** | **100%** | 965 | 100% |

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).

| | 2017 | 2016 |
|---|---|---|
| 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 |
| **Spending on authorities** | **75** | 69 |
| 3. Other taxes comprise of: | | |
| VAT | **8** | 99 |
| PAYE | **65** | 73 |
| Withholding tax on dividends | **5** | 3 |
| **Spending on authorities** | **78** | 175 |
| **Total spending on authorities** | **153** | 244 |
| 4. Retained surplus comprises of: | | |
| Total comprehensive income, net of tax | **167** | 156 |
| Dividends | **(71)** | (89) |
| **Retained surplus** | **96** | 67 |


Shareholders
22% (20% in 2016)
R208 million
(R195 million in 2016)
Employees
40% (38% in 2016)
R374 million
(R362 million in 2016)
WEALTH
created
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

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

| | Notes | 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 | |
| **Group** | | | | | | | | | | |
| **Balance as at 30 April 2015** | | 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 |
| **Balance as at 30 April 2016** | | **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** |
| **Balance as at 30 April 2017** | | **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.

| | Notes | 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Company** | | | | | | | | | | |
| **Balance as at 30 April 2015** | | 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 |
| **Balance as at 30 April 2016** | | **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** |
| **Balance as at 30 April 2017** | | **1** | **67** | **-** | **39** | **-** | **3** | **1 950** | **-** | **2 060** |

# Consolidated Statement of Cash Flows

for the year ended 30 April 2017

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

| | GROUP | | | |
|---|---|---|---|---|
| | 2017 R'm | 2016 R'm | 2017 R'm | 2016 R'm |
| | SEGMENTAL REVENUE | | SEGMENTAL PROFIT/(LOSS) | |
| **Financial services** *(Senwes Credit, Senwes Asset Finance and Certisure group)* | **309** | 230 | **147** | 74 |
| Income from financing clients and service level agreement income | **309** | 230 | **275** | 158 |
| Finance costs | **-** | - | **(136)** | (92) |
| Profit from joint ventures | **-** | - | **8** | 8 |
| **Input supply** *(Senwes Equipment, JD Implemente, Hinterland group and Grasland Ondernemings)* | **1 350** | 1 429 | **43** | 5 |
| Income from sale of goods and services rendered | **1 470** | 1 447 | **62** | 46 |
| Intragroup sales | **(120)** | (18) | **-** | - |
| Finance costs | **-** | - | **(14)** | (18) |
| Loss from joint ventures | **-** | - | **(5)** | (23) |
| **Market access** *(Senwes Grainlink, Tradevantage, Senwes Graanmakelaars, Grainovation and ESC)* | **8 171** | 7 468 | **85** | 174 |
| Income from commodity trading, sale of goods and services rendered | **12 508** | 12 401 | **133** | 223 |
| Intragroup sales | **(4 337)** | (4 933) | **-** | - |
| Finance costs | **-** | - | **(51)** | (52) |
| Profit from joint ventures | **-** | - | **3** | 3 |
| **Normal operational activities** | **9 830** | 9 127 | **275** | 253 |
| **Corporate** | **97** | 101 | **(46)** | (40) |
| Income from service level agreement | **82** | 82 | **15** | 15 |
| Interest income from joint ventures | **15** | 19 | **16** | 11 |
| Finance costs | **-** | - | **(3)** | (2) |
| Corporate costs* | **-** | - | **(74)** | (64) |
| **Total revenue** | **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 |
| **Total** | **5 261** | 4 660 | **(3 272)** | (2 778) | **1 989** | 1 882 |

**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** | - |
| **Total** | **116** | 122 | **41** | 39 | **(28)** | 61 |

**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 |
| **Cost price** | **996** | 886 | **916** | 819 |
| 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 |
| **Accumulated depreciation and impairments** | **(525)** | (483) | **(519)** | (478) |
| Silos | **(69)** | (64) | **(69)** | (64) |
| Buildings and improvements | **(57)** | (52) | **(57)** | (52) |
| Plant and equipment | **(341)** | (317) | **(338)** | (314) |
| Vehicles | **(58)** | (50) | **(55)** | (48) |
| **Total carrying value** | **471** | 403 | **397** | 341 |

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 |
|---|---|---|---|---|---|---|
| **Group 2017** | | | | | | |
| 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** |
| **Total** | **403** | **116** | **(7)** | **-** | **(41)** | **471** |
| **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** |
| **Total** | **341** | **102** | **(7)** | **-** | **(39)** | **397** |

*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 spesific 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 |
|---|---|---|---|---|---|---|
| **Group 2016** | | | | | | |
| 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 |
| **Total** | 320 | 122 | - | - | (39) | 403 |
| **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 |
| **Total** | 259 | 120 | - | - | (38) | 341 |

# 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 |
|---|---|---|---|---|---|
| **Company 2017** | | | | | |
| 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** |
| **Total carrying value** | | | | **98** | **98** |

**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 |
|---|---|---|---|---|---|
| **Company 2016** | | | | | |
| 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 |
| **Total carrying value** | | | | 70 | 70 |

*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 |
|---|---|---|
| **Financial position** | | |
| 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) |
| **Equity** | **38** | 38 |
| Attributable to: | | |
| Equity holders of the parent | **19** | 19 |
| Non-controlling interest | **19** | 19 |
| **Financial results** | | |
| Revenue | **338** | 255 |
| Cost of sales | **(299)** | (218) |
| Other income | **1** | 1 |
| Depreciation | **(2)** | (2) |
| Expenses | **(35)** | (24) |
| Finance costs | **(2)** | (1) |
| **Profit before tax** | **1** | 11 |
| Tax | **-** | (3) |
| **Profit after tax** | **1** | 8 |
| Non-controlling interest share in profit or loss | **-** | 4 |
| Dividends paid to non-controlling shareholders | **1** | 1 |
| **Summarised cash flows are as follows:** | | |
| (Used in)/generated from operating activities | **(12)** | 5 |
| Used in investing activities | **(12)** | (2) |
| Generated from/(used in) financing activities | **23** | (6) |
| **Net decrease in cash flows** | **(1)** | (3) |

# 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 |
| **Financial assets available-for-sale** | **4** | 4 | **4** | 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 | |
|---|---|---|---|---|
| **Current assets** | **2017 R'm** | 2016 R'm | **2017 R'm** | 2016 R'm |
| **Non-interest-bearing loan to related party (foreign company)** | | | | |
| Senwes Mauritius Ltd | **-** | - | **12** | 13 |
| **Interest-bearing loans to related parties (local companies)** | | | | |
| 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 |
| **Non-interest-bearing loans to related parties** | | | | |
| 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) |
| **Balance at the end of the year** | **36** | 32 | **415** | 342 |

* 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 |
| **Total capital outstanding** | **3** | **7** | **10** |

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 |
| **Total capital outstanding** | **4** | **27** | **31** |

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 |
| **Cash and short-term deposits** | **14** | 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 |
| **Current interest-bearing loans from related parties** | | | | |
| Certisure group | **18** | 2 | **18** | 2 |
| Hinterland SA (Pty) Ltd | **-** | 39 | **-** | 39 |
| Grainovation (Pty) Ltd | **25** | - | **25** | - |
| Senwes Capital (Pty) Ltd | **-** | - | **24** | - |
| **Total** | **43** | 41 | **67** | 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 |
| **Total** | **1 574** | 1 160 | **1 573** | 1 160 |

**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 |
| **Interest-bearing loans** | **1 002** | 1 002 | **1 000** | 1 000 |

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:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | **Notes** | 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 | **-** | - |
| **Total carrying amount** | | **228** | 226 | **263** | 273 |

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 | GROUP 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** | - |
| **Total profit/(loss) and other comprehensive income from joint ventures** | | **20** | (12) |

## 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 |
|---|---|---|
| **Statement of financial position of the Certisure group:** | | |
| 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) |
| **Equity** | **49** | 41 |
| **50% proportion of the group's ownership:** | | |
| Carrying amount of the investment* | **71** | 67 |
| **Includes a revaluation of R46 million recognised due to loss of control over a subsidiary (1 May 2012)* | | |
| **The revenue and profit of the Certisure group are as follows:** | | |
| Revenue | **62** | 56 |
| Operating expenses | **(44)** | (39) |
| Finance income | **4** | 4 |
| **Profit before tax** | **22** | 21 |
| Tax | **(7)** | (6) |
| **Profit after tax** | **15** | 15 |
| Group's share of profit for the year | **8** | 8 |
| Dividends received | **(3)** | (3) |
| **Summarised cash flows of the Certisure group are as follows:** | | |
| Generated from operating activities | **9** | 17 |
| Generated from/(used in) investing activities | **4** | ( 10) |
| Used in financing activities | **(8)** | ( 7) |
| **Net increase in cash flows** | **5** | - |

### 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 |
|---|---|---|
| **Statement of financial position of Grainovation:** | | |
| 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) |
| **Equity** | **28** | 23 |
| **50% proportion of the group's ownership:** | | |
| Carrying amount of the investment | **14** | 12 |
| **The revenue and profit of Grainovation are as follows:** | | |
| 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) |
| **Profit before tax** | **6** | 7 |
| Tax | **(1)** | (2) |
| **Profit after tax** | **5** | 5 |
| Group's share of profit for the year | **3** | 3 |
| **Summarised cash flows of Grainovation are as follows:** | | |
| Generated from operating activities | **11** | 15 |
| Used in investing activities | **-** | (35) |
| (Used in)/generated from financing activities | **(9)** | 33 |
| **Net increase in cash flows** | **2** | 13 |

### 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 |
|---|---|---|
| **Statement of financial position of Grasland:** | | |
| 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) |
| **Equity** | **25** | 29 |
| | | |
| **50% proportion of the group's ownership:** | | |
| 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 |
| | | |
| **The revenue and loss of Grasland are as follows:** | | |
| 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) |
| **Loss before tax** | **(5)** | (2) |
| Tax | **1** | - |
| **Loss after tax** | **(4)** | (2) |
| | | |
| **Reconciliation of group's share of loss for the year** | | |
| 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 |
| | | |
| **Summarised cash flows of Grasland are as follows:** | | |
| Generated from operating activities | **1** | 7 |
| Used in investing activities | **(13)** | (4) |
| Generated from financing activities | **5** | - |
| **Net (decrease)/increase in cash flows** | **(7)** | 3 |

### 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 |
|---|---|---|
| **Statement of financial position of Hinterland group:** | | |
| 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) |
| **Equity** | **606** | 622 |
| **50% proportion of the group's ownership:** | | |
| 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.

| | 2017 R'm | 2016 R'm |
|---|---|---|
| **Reconciliation to carrying amount:** | | |
| 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)** | - |
| **Carrying amount of the investment** | **123** | 125 |

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:

| | 2017 R'm |
|---|---|
| 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.

| | 2017 R'm | 2016 R'm |
|---|---|---|
| **The revenue and loss of Hinterland group are as follows:** | | |
| 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) |
| **Profit/(loss) before taxation** | **3** | (26) |
| Taxation | **(36)** | (20) |
| **Loss after taxation** | **(33)** | (46) |
| 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 |
|---|---|---|
| **Reconciliation of group's share of profit/(loss) for the year** | | |
| 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** | - |
| **Summarised cash flows of Hinterland group are as follows:** | | |
| Used in operating activities | **(35)** | (69) |
| Generated from/(used in) investing activities | **14** | (41) |
| Generated from financing activities | **26** | 96 |
| **Net increase/(decrease) in cash flows** | **5** | (14) |

### 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 |
|---|---|---|
| **Statement of financial position of Molemi Sele:** | | |
| Non-current assets | **17** | 11 |
| Non-current liabilities | **(3)** | (2) |
| **Equity** | **14** | 9 |
| **35,7% proportion of the group's ownership:** | | |
| Carrying amount of the investment | **5** | 3 |
| **Reconciliation to carrying amount:** | | |
| 35,7% of net asset value | **5** | 3 |
| **Carrying amount of the investment** | **5** | 3 |

### 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 |
|---|---|---|
| **Statement of financial position of Silo Certs:** | | |
| Current assets, excluding cash and cash equivalents | **1** | 1 |
| Cash and cash equivalents | **4** | 6 |
| Trade payables | **-** | (1) |
| Non-current liabilities | **(3)** | ( 5) |
| **Equity** | **2** | 1 |
| **50% proportion of the group's ownership:** | | |
| 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) |
| **Profit for the year** | **1** | 1 |
| Group's share of profit for the year | **-*** | -* |

* Less than R0,5 million.

| | 2017 R'm | 2016 R'm |
|---|---|---|
| **Summarised cash flows of Silo Certs are as follows:** | | |
| Generated from operating activities | **-** | 1 |
| Used in financing activities | **(2)** | ( 1) |
| **Net decrease in cash flows** | **(2)** | - |

## 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 |
| **Nautilus Hedge Fund** | **25** | - | **25** | - |
| **Statement of financial position of Nautilus hedge fund:** | | | | |
| Cash and cash equivalents | **51** | - | **51** | - |
| **50% proportion of the group's interest:** | | | | |
| Carrying amount of the investment | **25** | - | **25** | - |
| **Carrying amount of the investment** | **25** | - | **25** | - |
| The revenue and profit of Nautilus hedge fund are as follows: | | | | |
| Revenue | **2** | - | **2** | |
| Operating expenses | **(1)** | - | **(1)** | |
| **Total profit from associates** | **1** | - | **1** | |
| 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** | - |
| **Carrying amount of the investment** | **25** | - | **25** | - |

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.

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 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) |
| **Total loans and other receivables** | 6.1 | **1 031** | 888 | **1 031** | 888 |

## 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) |
| **Total** | **1 031** | 888 | **1 031** | 888 |

### 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

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 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 |
| **Balance at the end of the year** | 7.5 | **674** | 536 | **525** | 353 |

**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 2017 R'm | GROUP 2016 R'm | Valuation method |
|---|---|---|---|
| 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 |
| **Balance at the end of the year** | **674** | 536 | |

# 8. Trade and other receivables

| | Notes | GROUP 2017 R'm | GROUP 2016 R'm | COMPANY 2017 R'm | COMPANY 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) |
| **Balance at the end of the year** | | **2 557** | 2 175 | **2 411** | 2 047 |

**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 |
| ***Specific impairment*** | **(18)** | (11) | **(17)** | (10) |
| Balance at the beginning of the year | **(11)** | (12) | **(10)** | (12) |
| Provision during the year | **(9)** | (3) | **(9)** | (2) |
| Utilised during the year | **2** | 4 | **2** | 4 |
| ***Portfolio impairment*** | **(79)** | (90) | **(79)** | (90) |
| Balance at the beginning of the year | **(90)** | (49) | **(90)** | (49) |
| Provision during the year | **11** | (41) | **11** | (41) |
| **Total provision for impairment** | **(97)** | (101) | **(96)** | (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) |
| **Total trade and other receivables** | **2 483** | **74** | **2 557** | 2 149 | 26 | 2 175 |

**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 |
| **Inventory held to satisfy firm sales** | **75** | 250 | **82** | 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 |
| **Profit before taxation from discontinued operations** | 13 | 3 |
| Taxation | 3 | - |
| **Profit after taxation from discontinued operations** | 16 | 3 |
| **Other comprehensive income** | | |
| Foreign translation reserve | - | - |
| **Total comprehensive income** | 16 | 3 |

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

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 | |
|---|---|---|---|---|
| **Reconciliation of issued shares:** | 2017 R'm | 2016 R'm | 2017 R'm | 2016 R'm |
| | 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) | **-** | - |
| **Total shares in issue** | **168 884 562** | 168 884 562 | **180 789 308** | 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 |
| **Balance at the end of the year** | **67** | 67 | **67** | 67 |

## 12.2 Treasury shares

| | GROUP | |
|---|---|---|
| | 2017 R'm | 2016 R'm |
| Balance at the beginning of the year | **(126)** | (126) |
| Treasury shares purchased* | **-** | - |
| **Balance at the end of the year** | **(126)** | (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 |
| **Balance at the end of the year** | **6** | 5 | **3** | 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) |
| **Balance at the end of the year** | **(14)** | (14) |

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) |
| **Total for the year** | **14** | **-** | **14** | 13 | 6 | 19 |
| Transfer to short-term portion | **-** | **-** | **-** | 6 | (6) | - |
| **Balance at the end of the year** | **14** | **-** | **14** | 19 | - | 19 |

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) |
| **Outstanding at the end of the year** | **-** | **-** | 1 125 000 | 1 125 000 |

## 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 |
| **Equity-settled share-based payment reserve** | **41** | 31 | **39** | 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 |
| **Total** | 10 390 943 | | |

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 |
| **Total trade and other payables** | **459** | 479 | **375** | 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 2017 R'm | GROUP 2016 R'm | COMPANY 2017 R'm | COMPANY 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 |
| **Total tax expense** | | **(62)** | (57) | **(76)** | (52) |
| Discontinued operations | 10 | **-** | (3) | **-** | (3) |
| **Total tax relating to continued operations** | | **(62)** | (60) | **(76)** | (55) |

## 15.2 Deferred tax asset/(liability)

| | GROUP 2017 R'm | GROUP 2016 R'm | COMPANY 2017 R'm | COMPANY 2016 R'm |
|---|---|---|---|---|
| **The main temporary differences:** | | | | |
| 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) |
| **Deferred tax asset/(liability)** | **11** | 24 | **(17)** | 16 |

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

| | GROUP 2017 R'm | GROUP 2016 R'm | COMPANY 2017 R'm | COMPANY 2016 R'm |
|---|---|---|---|---|
| **Reconciliation of deferred tax asset/(liability) balance:** | | | | |
| 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 |
| **Balance at the end of the year** | **11** | 24 | **(17)** | 16 |

## 15.3 Reconciliation of the tax rate

| | GROUP 2017 % | GROUP 2016 % | COMPANY 2017 % | COMPANY 2016 % |
|---|---|---|---|---|
| Standard tax rate | **28,0** | 28,0 | **28,0** | 28,0 |
| **Adjusted for:** | | | | |
| 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-deductable 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) |
| **Effective tax rate** | **27,2** | 26,8 | **27,4** | 25,1 |

# 16. Provisions

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

## 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

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 2017 R'm | 2016 R'm | 2017 R'm | 2016 R'm |
| **17.1 Current assets** | | | | | |
| Forward purchase contracts | 21.1.1.2; 21.5 | **128** | 87 | **1** | 85 |
| **17.2 Current liabilities** | | **169** | 58 | **167** | 6 |
| Forward purchase contracts | 21.1.1.2; 21.5 | **165** | 57 | **163** | 5 |
| Safex futures | 21.1.1.2; 21.5 | **4** | 1 | **4** | 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 |
| **Total future capital projects** | **42** | 91 | **42** | 91 |

## 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 |
| **Operating lease obligation** | **8** | 10 | **8** | 10 |

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) |
| **Total finance costs paid** | **(204)** | (164) | **(206)** | (166) |

** 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 |
| **Total finance income** | **328** | 245 | **364** | 247 |

## 19.4 Employee costs (excluding directors' costs)

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Notes | 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 |
| **Total employee costs** | | **345** | 334 | **312** | 312 |

** 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 |
| **Employees at the end of the year*** | **1 540** | 1 412 | **1 432** | 1 325 |

*Includes employees of the company and its subsidiaries only.

## 19.5 Movement in provision for impairment

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

### 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 |
| **Dividends received** | **-** | - | **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 | | |
| **Interest rate risk** | **Notes** | Assets R'm | Non-interest-earning assets R'm | Interest-earning assets R'm |
| 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** |
| **Total** | | **5 261** | **1 553** | **3 708** |
| Interest-bearing liabilities | 4.2 | | | **(2 617)** |
| **Net exposure to interest rate risk (limited to Rnil)** | | | | **-** |

| Interest rate risk | Notes | GROUP 2016 Assets R'm | GROUP 2016 Non-interest-earning assets R'm | GROUP 2016 Interest-earning assets R'm |
|---|---|---|---|---|
| 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 |
| **Total** | | 4 660 | 1 517 | 3 143 |
| Interest-bearing liabilities | 4.2 | | | (2 200) |
| **Net exposure to interest rate risk (limited to Rnil)** | | | | - |

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) |
| **Value at risk of producer debtors (VaR)** | **680** | 514 |

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**

| | GROUP | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| **Stratification of the client base to the extent of credit extended** | 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% |
| **Total** | **100,0%** | | 100,0% | |

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**

| Distribution of debtors by category | GROUP 2017 Trade debtors | GROUP 2016 Trade debtors |
|---|---|---|
| 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% |
| **Total** | **100,0%** | 100,0% |

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 |
| **Non-current liabilities** | | | | | | | |
| 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** |
| **Total non-current liabilities** | **1 427** | **7** | **7** | **28** | **43** | **1 340** | **2** |
| **Current liabilities** | | | | | | | |
| 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** |
| **Total current liabilities** | **2 398** | **156** | **130** | **414** | **1 676** | **14** | **8** |
| **Total liabilities, including interest payable** | **3 825** | **163** | **137** | **442** | **1 719** | **1 354** | **10** |

| | 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 |
| **Non-current liabilities** | | | | | | | |
| 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 |
| **Total non-current liabilities** | 1 427 | 7 | 7 | 28 | 43 | 1 340 | 2 |
| **Current liabilities** | | | | | | | |
| 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 | - | - |
| **Total current liabilities** | 1 870 | 239 | 50 | 197 | 1 384 | - | - |
| **Total liabilities, including interest payable** | 3 297 | 246 | 57 | 225 | 1 427 | 1 340 | 2 |

* 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

| Capital maintenance | GROUP 2017 Own capital ratio | GROUP 2016 Own capital ratio |
|---|---|---|
| Total assets | **5 261** | 4 660 |
| Equity | **1 989** | 1 882 |
| Liabilities | **3 272** | 2 778 |
| **Total equity and liabilities** | **5 261** | 4 660 |
| | | |
| 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.

| Interest cover | GROUP 2017 R'm | GROUP 2016 R'm |
|---|---|---|
| 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 metropoles where there are more career opportunities. In order to mitigate this risk and as part of a comprehensive strategy in respect of the retention of talent, appropriate remuneration and incentive schemes have been implemented and ample opportunities for growth through training and practical exposure have been provided. Succession planning and identification of talent also receive the necessary attention.

**Operational risk**

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

**Theft and fraud**

The current economic conditions give rise to increased possibilities of fraudulent activity. The diversified nature of the group's activities also increases the possibilities of theft or fraud. This is further increased by the complexity of certain activities which require special control measures. A refocus of business processes, a culture programme, redesign of appointment practices and the upgrading of physical control measures are some of the management actions implemented to mitigate the risk to an acceptable level. 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 |
| *Assets* | | | | | |
| 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** | **-** | **-** |
| **Total assets** | | **378** | **349** | **25** | **4** |
| *Liabilities* | | | | | |
| Commodity finance | 4.2.2 | **2** | **2** | **-** | **-** |
| Forward purchase contracts | 17.2 | **165** | **165** | **-** | **-** |
| Safex futures | 17.2 | **4** | **4** | **-** | **-** |
| **Total liabilities** | | **171** | **171** | **-** | **-** |

*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 |
| *Assets* | | | | | |
| 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 | - | - |
| **Total assets** | | 452 | 448 | 4 | - |
| *Liabilities* | | | | | |
| Commodity finance | 4.2.2 | 1 | 1 | - | - |
| Forward purchase contracts | 17.2 | 57 | 57 | - | - |
| Safex futures | 17.2 | 1 | 1 | | |
| **Total liabilities** | | 59 | 59 | - | - |

*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 |
| **Normalised headline earnings** | **183** | 134 |
| 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 |
| **Diluted earnings** | **166** | 153 |
| Weighted average number of shares | **168 884 562** | 168 884 562 |
| Equity-settled share-based scheme | **11 904 746** | 11 904 746 |
| **Diluted shares** | **180 789 308** | 180 789 308 |
| 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 | GROUP 2016 R'm |
|---|---|---|
| **Declared and paid during the year:** | | |
| Dividends on ordinary shares: | | |
| Final dividend 2016 – 20 cents (2015 – 26 cents) | **36** | 47 |
| Interim dividend 2017 – 20 cents (2016 – 25 cents) | **36** | 45 |
| **Total dividends paid (company)** | **72** | 92 |
| Elimination of dividends paid to Senwes Capital and Senwes Share Incentive Trust | **(2)** | (4) |
| JD Implemente paid dividends to Tomlinson Trust | **1** | 1 |
| **Total dividends paid (group)** | **71** | 89 |
| Dividends paid by the group exclude the dividend paid to Senwes Capital and the Share Incentive Trust of R2 million (2016 - R4 million). | | |
| *Proposed for approval at the annual general meeting (not recognised as a liability as at 30 April)* | | |
| Dividends on ordinary shares: | | |
| **Final dividend 2017 – 25 cents (2016 – 20 cents)** | **45** | 36 |

# 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** |
| **Total** | | | **4 378** | **387** |

** 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 |
| **Total** | | | 4 992 | 401 |

** 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 |
| Prodist (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 | |
| **Joint Ventures** | | | | | | |
| 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** | - |
| Prodist (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 | |
| **Senwesbel Ltd** | **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 |
| **Related parties – trade and other accounts receivable** | **69** | 40 | **14** | 9 |

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

| | Note | GROUP AND COMPANY 2017 R'm | GROUP AND COMPANY 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 |
| **Directors' remuneration: Group** | | **28** | 28 |

* *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** |
| **Total** | | | **5 397 107** | **5 270 355** | **126 752** |

**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** |
| **Total** | **13 400 509** | **164 433** | **13 564 942** |

**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** |
| **Total** | **896 543** | **5 402 800** | **6 299 343** |

*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):**

| | 2016 | | | | |
|---|---|---|---|---|---|
| **Non-executive** | **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 |
| **Total** | | | 5 042 860 | 4 887 347 | 155 513 |

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

| | 2016 | | | |
|---|---|---|---|---|
| **Executive** | **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 |
| **Total** | 9 622 986 | 515 057 | 188 818 | 10 326 861 |

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

| | 2016 | |
|---|---|---|
| **Executive** | **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 |
| **Total** | 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.137).

## 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.138).

## 23.8 Information on directors' terms of office

For information regarding the non-executive directors, refer to the statutory directors' report (p.104).

**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 |
| ***Direct*** | | | | |
| Non-executive directors | **213 152** | **0,12** | 210 949 | 0,12 |
| Executive directors | **174 655** | **0,10** | 174 655 | 0,10 |
| ***Indirect*** | | | | |
| 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 |
| **Total direct and indirect interest** | **26 263 179** | **14,53** | 24 268 763 | 13,43 |

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

| | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Direct | | Indirect* | | Direct | | Indirect* | |
| **Name** | Shares | % | Shares | % | Shares | % | Shares | % |
| **Non-executive:** | | | | | | | | |
| 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% |
| **Executive:** | | | | | | | | |
| 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% | | |
| **TOTAL** | **180 789 308** | **100,00%** | | | 180 789 308 | 100,00% | | |

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

** 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 |
| **Cash from operating activities** | **457** | 500 | **508** | 480 |

## 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 |
| **Changes in operating capital** | **33** | (17) | **66** | (10) |

## 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 |
| **Tax paid** | **(50)** | (66) | **(43)** | (61) |

**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) |
| **Total acquisition of property, plant and equipment** | **(116)** | (122) | **(102)** | (120) |
| 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 |
| **Proceeds from disposal** | **2** | 2 | **2** | 2 |

# 29. Other loans receivable/payable

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2017 R'm | 2016 R'm | 2017 R'm | 2016 R'm |
| **Loans from related parties** | | | | |
| Additional loans received from related parties | **2** | 7 | **26** | 7 |
| Repayment of loans from related parties | **(44)** | (8) | **(44)** | (8) |
| **Movement in loans from related parties** | **(42)** | (1) | **(18)** | (1) |
| **Loans to related parties** | | | | |
| 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 |
| **Movement in loans to related parties** | **(9)** | 1 | **(107)** | 22 |

# 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 financials 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 financials 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.

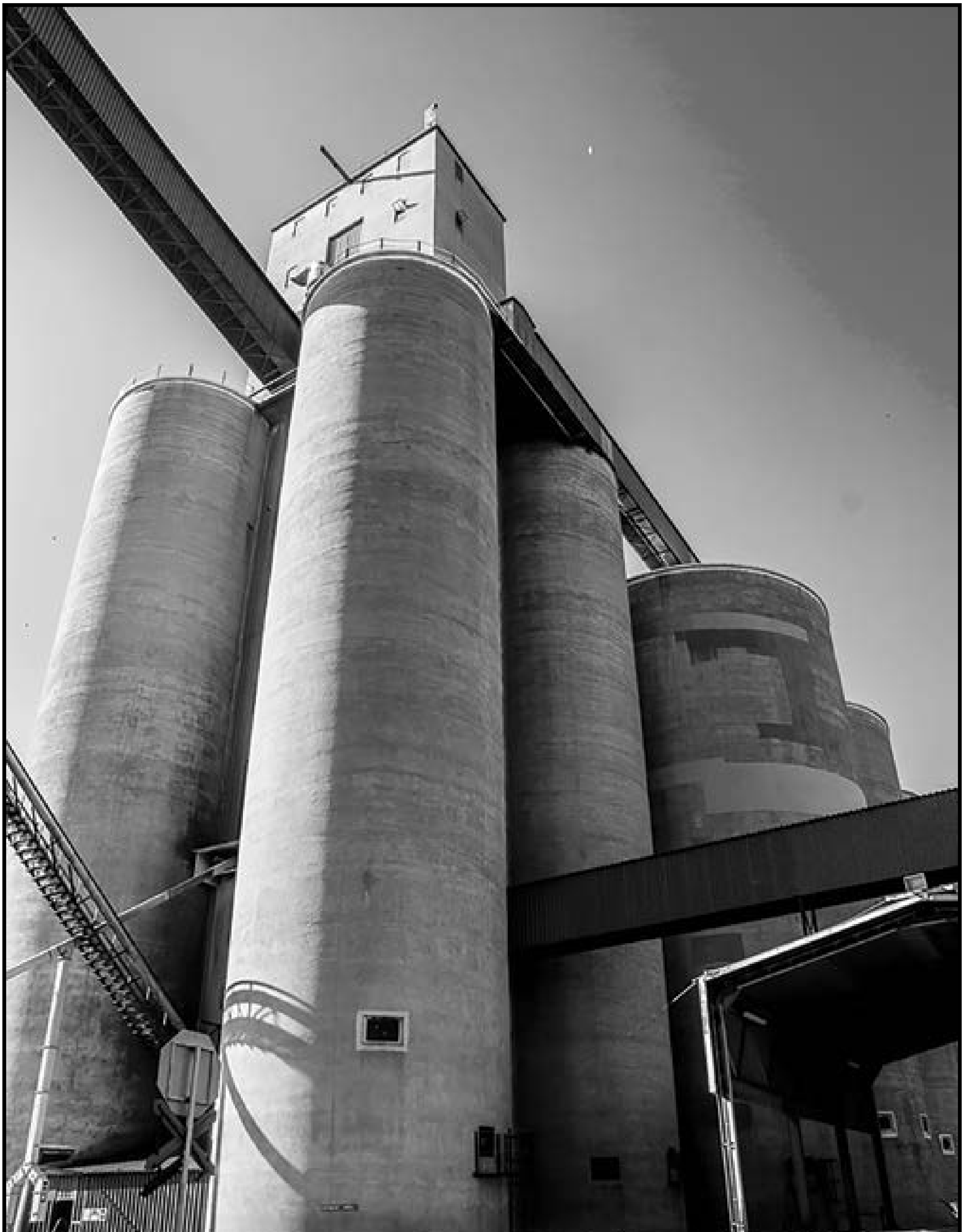
# SENWES DIGITAL REPORTS

**This Integrated Report**
is available online at:
**http://senwes.co/IR2017B**

**The Audited Full Financial Statements**
are also available online at:
**http://senwes.co/AFS2017**

**The Sustainability Report**
for the Senwes Group is available online at:
**http://senwes.co/SR2017**

**Related media coverage:**
To read the press release, listen to the interview with Group CEO Francois Strydom or view the results advertisement that appeared in the newspapers, visit:
**http://senwes.co/SenFin2017**



# CORPORATE information

## ENQUIRIES REGARDING THIS REPORT
Corné Kruger (Group Chief Financial Officer)
Telephone: 018 464 7476
Email: corne.kruger@senwes.co.za

## SENWES LTD
Registration number: 1997/005336/06

## POSTAL ADDRESS
PO Box 31
Klerksdorp
2570

## REGISTERED OFFICE
1 Charel de Klerk Street
Klerksdorp
2571
Telephone: 018 464 7800
Fax: 018 464 2228
Email: info@senwes.co.za

## ETHICS HOTLINE
080 464 7800

## INVESTOR RELATIONS
Attention: The Company Secretary
Senwes Ltd
PO Box 31
Klerksdorp
2570
Telephone: 018 464 7104
Fax: 018 464 7121

## AUDITOR
Ernst & Young Inc.
Private Bag X14
Sandton
2146

## FINANCING PARTNERS
Absa
Nedbank
Rand Merchant Bank
WesBank