2020

SENWESBEL

ANNUAL FINANCIAL STATEMENTS

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5 -YEAR REVIEW OF THE INVESTMENT
IN SENWES LIMITED

Senwesbel Limited had a 53,2% interest in Senwes Limited at 30 April 2020. The core statistics in respect of the investment are as follows:

	2020	2019	2018	2017	2016
Senwesbel share in Senwes (%)	**53,2**	52,9	52,6	52,9	52,0
Turnover from continuing operations (R'm)	**4 803**	2 687	2 792	2 497	2 253
Profit after tax (R'm)	**337**	283	311	167	156
Earnings per share (cents)	**178,3**	169,1	185,3	98,3	90,6
Normalised headline earnings per share (cents)	**144,2**	177,5	195,5	108,4	79,3
Net asset value per share (cents)	**1 506,1**	1 404,7	1 303,9	1 166,5	1 103,1
Closing market price (cents)	**1 100,0**	1 100,0	1 100,0	1 040,0	1 050,0
Increase/(decrease) in market price (%)	**-**	-	5,8	(1,0)	(8,7)
Total dividend (cents)	**60,0**	60,0	54,0	45,0	45,0
Final dividend proposed (cents)	**30,0**	30,0	27,0	25,0	20,0
Interim dividend paid (cents)	**30,0**	30,0	27,0	20,0	25,0
Return on opening equity (%)	**13,0**	13,0	15,7	8,9	8,6
Return on average equity (%)	**12,4**	12,5	15,0	8,7	8,4
Dividend yield on opening market price (%)	**5,5**	5,5	5,2	4,3	3,9
Dividend yield on average market price (%)	**5,5**	5,5	5,0	4,3	4,1
Total shareholder return on opening market price (%) (capital growth plus dividends)	**5,5**	5,5	11,0	3,3	(4,8)

A FEW HIGHLIGHTS IN RESPECT OF THE INVESTMENT ARE THE FOLLOWING:

- Profit after tax of R 337 million, that presents a 13,0% return on opening equity.
- Dividend yield on opening market price of 5,5% (2019: 5,5%).
- Earnings per share increased to 178,3 cents per share (2019: 169,1 cents per share).
- Normalised headline earnings per share decreased to 144,2 cents per share (2019: 177,5 cents per share).
- Net asset value per share increased by 7,2% to 1 506,1 cents per share (2019: 1 404,7 cents per share).

RELEVANT INVESTOR STATISTICS IN RESPECT OF THE INVESTMENT:

	2020	**5-year average**
Price-earnings ratio using normalised headline earnings per share (times)	**7,6**	8,5
Total shareholder return on opening market price (%)	**5,5**	4,1
Dividend cover (times)	**3,0**	2,7

SENWESBEL NET ASSET VALUE PER SHARE:

	2020	**2019**	**2018**	**2017**	**2016**
Net asset value per share (R) (company)	**8,00**	7,96	7,96	7,47	7,44
Net asset value per share (R) (group)	**14,64**	13,97	13,23	11,92	11,20

The company held 96 106 723 shares in Senwes as at 30 April 2020 (2019: 95 661 046). During the year the company acquired 1 111 908 shares in Senwes (2019: 638 414 shares) and sold 666 231 shares (2019: Nil).

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, associate and joint ventures. The annual financial statements set out on page 3 to 103 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, Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act of South Africa ("the Act").

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 finance 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 2020, set out on pages 3 to 103, have been approved by the board.

AJ Kruger
Chairman
Klerksdorp
14 July 2020

NDP Liebenberg
Vice-Chairman

NOTICE IN TERMS OF SECTION 29 OF THE COMPANIES ACT,
ACT 71 OF 2008 (AS AMENDED) (THE ACT)

These annual financial statements have been audited in accordance with the Act. These annual financial statements have been prepared by EX Walker, CA (SA).

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 2020 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.

AE Scholtz
Company Secretary
Klerksdorp
14 July 2020

INDEPENDENT
AUDITOR'S REPORT

To the Shareholders of Senwesbel Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Senwesbel Limited and its subsidiaries, joint ventures and associates ('the group' or 'Senwesbel') set out on pages 11 to 103, which comprise of the consolidated and separate statements of financial position as at 30 April 2020, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity, 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 Senwesbel as at 30 April 2020, 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 and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 consolidated and separate 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 consolidated financial statements.

Allowance for expected losses against mortgage loans and other receivables
(Consolidated financial statements)

As disclosed in Note 9 and 11 to the consolidated and separate financial statements, the gross mortgage bonds and other receivables amounted to R3,6bn for the group. The group have recorded a R111m provision for expected credit losses against mortgage loans and other receivables.

The determination of the expected credit loss (ECL) allowance on mortgage loans and production and month debt, for customers that have not been handed over to legal, requires estimation of the probability of default (PD) and the loss given default (LGD). Both factors are key inputs into the allowance and have a significant impact on the calculation of the allowance for expected credit losses.

When estimating the PD, management uses various inputs which require judgement and estimation, of which the most significant are;

- Crop estimates and yields specific to the customers' region and commodity;
- An estimate of the number of hectares planted;
- The expected commodity future prices, which is the SAFEX price adjusted by grade differences and transport differentials which is determined by customer region and commodity; and
- The input costs specific to the customers' region and commodity

When estimating the LGD, management considers the quality and expected realisation value of securities held for customers.

The inputs into the expected credit loss allowance are linked to growing, harvesting and market conditions, which are seasonal and constantly changing.

The 2020 financial year started on the back of the highest average rainfall for April 2019 in the Senwes area of operation in the last 105 years. This meant that temperatures remained high, which kept frost at bay until early June. Planted crops therefore had more time to grow to full maturity but late plantings suffered frost damage and grade quality issues were evident. The pre-season data from 1 May to 31 October 2019 shattered the old drought records with materially lower rainfall than the long-term average.

Moving into summer, above normal rainfall was received from 1 November 2019 until 30 April 2020. The total maize crop was estimated at 15,2 million tonnes, which would make the 2019/2020 harvest the second biggest ever produced in South Africa.

As such, the calculation of the ECL allowance was again considered to be a key audit matter in the current year and obtaining evidence for the key inputs required a significant amount of audit effort.

Our audit procedures involved, amongst others, the following:

- We obtained an understanding, evaluated the design, and tested the operating effectiveness of the controls related to the credit application process including securities offered against the finance applied for;
- We independently calculated an allowance for expected credit losses by recalculating the probability of default (PD) and the loss given default (LGD) factors using inputs and assumptions tested during the audit, and compared the result to management's allowance
- The procedures relating to our estimation of the probability of default (PD) factor include:
  - We compared the crop estimates and yields for the specific regions and commodities used by management to the information released by the National Crop Estimation Committee.
  - We compared the hectares planted against the hectares for which finance was approved.
  - We assessed the expected commodity future prices, per customer region and commodity, by independently obtaining the SAFEX prices and adjusting them for the average grade differentials and average transport differentials realised during the year.
  - We assessed the competence of the management expert, Senwes Agricultural Services, and the process followed by the expert in determining the input costs specific to the customers' region and commodity through recalculations.
- The procedures relating to our estimation of the loss given default (LGD) factor include:
  - We assessed the methodology used by management to determine the expected realisation value of the securities held by comparing securities realised at default against the recorded security value.
  - We selected a sample of customers and tested the existence of the securities held by inspecting that the security is formally registered in favour of the group.
- Our procedures relating to customers handed over to legal included the selection of a sample of customers and we performed the following:
  - Inspected the security to test that it is formally registered in favour of the group.
  - Tested the value of the securities against the outstanding debt by considering the expected realisation value from external inputs where available.
- We assessed the adequacy of the disclosures made in notes 9 and 11 to the consolidated and separate financial statements on judgements and estimates made in the allowance for expected credit losses:

Accounting for business acquisitions
(Consolidated financial statements)

The group acquired 57,4% shareholding in KLK Landbou Limited group of companies for R187m and recognised a gain on bargain purchase of R56m.

This acquisition was accounted for using the acquisition method as prescribed in IFRS 3: Business Combinations. The group performed a purchase price allocation (PPA) determination as disclosed in Note 6 to the consolidated financial statements.

The offer made to KLK shareholders allowed the shareholder the choice in determining the purchase consideration, a cash settlement for a portion or full purchase consideration, as well as shares in Senwes Limited and/or Senwesbel Limited.

The KLK Group has been operating in various forms in the agricultural industry since 1941, and has a significant influence on the region where it operates. This influence needed to be assessed to consider if any intangible assets existed which needed to be recognised as part of the business combination. The identification and measurement of intangible assets is a highly subjective and judgemental process, we therefore required the use of valuation specialists and many robust discussions with management to support the fact that there were no identifiable intangible assets.

The determination of the fair value of assets acquired, historically held at cost in the separate financial statements of the KLK group, is a complex process subject to significant judgements being applied as a result of the absence of extensive, recent market transactions for similar properties, and therefore we used valuation specialists.

We have determined this to be a key audit matter due to the complexity of calculating the consideration paid and the significant management judgment and estimates applied in the PPA in identifying the acquired assets and their fair values, particularly property, plant and equipment.

Our audit procedures involved, amongst others, the following:

- We read the purchase agreements to obtain an understanding of the transactions and the key terms.
- We evaluated the accounting treatment of the business combination by performing the following key procedures:
  - We tested the purchase consideration, which was paid through a combination of the issue of Senwes shares and cash, by testing the cash payments to the bank statements and the consideration paid in shares to the share register and ZARX.
  - We held robust discussions with management regarding the potential intangible assets considered in the PPA, as well as the value determined for these;
  - We tested management's identification of identifiable assets by comparing the assets identified to the at-acquisition financial information of KLK and testing the fair value adjustments processed as part of the PPA;
  - We involved our valuation specialists in assisting us in reviewing management's valuation methodologies on property, plant and equipment;
  - With the assistance of our valuation specialists, we assessed the key assumptions and inputs in the fair value calculation of property, plant and equipment.
  - Net annual income per property was agreed to available external sources and actual results achieved.
  - The capitalisation rate applied was evaluated against property valuation best practice.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 104-page document titled "Senwesbel 2020 Annual Financial Statements", which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the 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, 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.

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 and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company 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 and company'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 and company'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 and/or the company 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, actions taken to eliminate threats or safeguards applied.

  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 Senwesbel Limited for 17 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Derek Engelbrecht
Registered Auditor
Chartered Accountant (SA)

EY
102 Rivonia Road
Sandton
2146
14 July 2020

STATUTORY
DIRECTORS' REPORT

1. MAIN OBJECTIVE

The public company acts as an investment holding company.

2. SHARE CAPITAL

2.1. Issue of shares

During the year the company issued 1 482 546 shares as part of the group's acquisition of its investment in KLK Landbou Limited. (2019: 916 992 shares have been issued during the current financial period under review as a results of the script dividend offered to the shareholders during the prior financial period ending 30 April 2018.)

2.2. Buy-back of shares

The company did not repurchase any of its shares during the year under review (2019: Nil).

2.3. Unissued shares

The company's unissued shares are 44 451 021 shares (2019: 45 933 567 shares).

3. DIVIDENDS

The board proposed that a final dividend of 23 cents per share (2019: 21 cents per share) be declared. The interim dividend of 21 cents per share was paid in December 2019 (2018: 21 cents per share). Refer to note 25.2 for dividends paid and proposed.

4. DIRECTORS

4.1. The directors are Messrs. AJ Kruger (Chairman), NDP Liebenberg, JDM Minnaar, JJ Minnaar, TF van Rooyen and WH van Zyl.

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

Name	Retirement by rotation
JJ Minnaar	2020
WH van Zyl	2020

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

Name	Retirement by rotation
AJ Kruger	2021
JDM Minnaar	2021
NDP Liebenberg	2022
TF van Rooyen	2022

4.2. Directors' interests

The interests of directors in the shares of the company as at 30 April 2020 are indicated below:

	NUMBER OF SHARES 2020	NUMBER OF SHARES 2019
Non-executive directors:		
Direct	**5 443 534**	10 158 072
Indirect	**24 719 291**	19 684 334
Total	**30 162 825**	29 842 406

5. STATUTORY APPOINTMENTS AND REGISTERED ADDRESS

5.1. Company Secretary

AE Scholtz

5.2. Public Officer

D Labuschagne CA (SA)

5.3. Registered address

1 Charl de Klerk Street, Klerksdorp, 2571

6. PROPERTY, PLANT AND EQUIPMENT

The carrying value of property, plant and equipment increased by R575 million. A significant portion of the increase can be attributed to business combinations during the year (refer to note 6.2). New capital amounting to R268 million was spent, R113 million of which was spent to increase operating capacity and R155 million to maintain operating capacity.

Silos with a carrying value of R770 million and a security support value of R2,1 billion serve as security for the non-current interest-bearing loans disclosed in note 7.2.3.

7. SPECIAL RESOLUTIONS

The following special resolutions were adopted at the previous annual general meeting held on 22 August 2019:

7.1. Special resolution no. 1: General authority to allot and issue shares;
As standing and general authority in terms of Section 41 of the Act, and as contemplated in clauses 6.3 and 6.4 of the Memorandum of Incorporation, the company's authorised but unissued share capital, as at the date of this resolution, be and are hereby placed under the control of the directors of the company, until the next annual general meeting, to allot and issue such ordinary shares to such person/s and on such terms and conditions as the directors may, at their sole discretion, determine; provided that this authority includes the issue of ordinary shares, securities, options or rights attached thereto, to any directors, prescribed officers or person related or inter-related to the company, or to a director, or prescribed officer of the company as contemplated in Section 41(1) of the Act.

7.2. Special resolution no. 2: Authorisation to the company or a subsidiary of the company to acquire the shares of the company;
The shareholders of the company hereby authorise, by means of a general authority and by means of a single or a series of transactions, the following:

a) The acquisition of any of its shares by the company or any subsidiary of the company, whether by means of a single transaction or a series of transactions; and

b) The acquisition of and/or transfer to the company of any of its shares purchased by any of its subsidiaries in accordance with (a) above, at such consideration and on such terms and conditions and in such quantities as may be determined by the directors of the company or its subsidiaries from time to time, but subject to the provisions of the Act, an exchange's listing requirements (if applicable), and subject to such other conditions as may be required by any other authority, provided that:

1. Authorisation will only be valid until and up to the date of the company's next annual general meeting;
2. The general authorisation to purchase shares in the company in accordance with (a) above in any 1 (one) financial year, will be limited to a maximum of 10% (ten percent) of the company's issued share capital of that class on the date upon which the authorisation was granted;
3. The board of the company resolved (i) to authorise the acquisition of shares in the company, (ii) that the company passed the solvency and liquidity test as contemplated in the Act, and (iii) that no material change has taken place in the financial position of the company and its subsidiaries ("the group") since the application of the solvency and liquidity test;
4. The company or its subsidiaries may not buy back shares during a closed period for trading in shares, unless a repurchase programme has been put in place in which the dates and number of shares which may be traded during the relevant period are indicated and in respect of which comprehensive particulars of the programme have been published to the general public and shareholders by means of an announcement.

7.3. Special resolution no. 3: Financial assistance for subscription for securities;
As a general approval in terms of and subject to Section 44 of the Act, as amended, directors may authorise the company to grant financial assistance (as defined in the Act) by a loan, guarantee, security or otherwise to any related company of the company for purposes of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, which specifically includes the board of directors making such arrangements on behalf of the company as they may deem necessary for such financing, assistance or subsidisation of any of the company's subsidiaries and/or associates and/or entities in which the company has an interest and for guaranteeing its contracts, obligations or liabilities, in whatsoever manner, for a period of 24 months as from the date of this resolution being taken.

7.4. Special resolution no. 4: Approval of non-executive directors' remuneration;
In accordance with Section 66(9) of the Act payment of remuneration for services as non-executive directors of the company be approved for the period 1 September 2019 to 31 August 2020 as outlined.

8. INTEGRATED REPORTING
Senwesbel Limited acts as an investment holding company. The interest in Senwes Limited is the only investment held by Senwesbel. Corporate governance, operational review, integrated and sustainability reports are not disclosed in the Senwesbel financial report. These reports are disclosed in detail by Senwes. Refer to the Senwes website, www.senwes.co.za, for these reports.

9. CONTINGENT LIABILITIES
Senwes guarantees an amount of R100 million (2019: R200 million) relating to the overdraft facility of Hinterland Holdings (Pty) Ltd.

(2019: On 24 August 2017 the Competition Commission (CC) served an application on Senwes and Tradevantage to refer the alleged contravention of the order to the Tribunal with a request of an administrative penalty. The matter has subsequently been settled between the CC and Senwes. The settlement agreement consent hearing took place on 6 November 2019. Confirmation of the settlement agreement was granted. No penalties were levied, and there were no financial implications for the group.)

10. COVID-19 IMPACT

Refer to the integrated report of Senwes for information relating to the impact of Covid-19 on the group and mitigating steps taken.

11. EVENTS AFTER THE REPORTING PERIOD

Senwes was involved in negotiations regarding the acquisition of a controlling interest in Suidwes Landbou. Approval has been obtained from the Competition Commission and the shareholders of Suidwes Landbou. Senwes is awaiting approval from the Competition Tribunal.

Except for the above, management is not aware of any other event that have occurred from the statement of financial position date and up to the date of this report.

12. DATE FOR AUTHORISATION AND ISSUE OF FINANCIAL STATEMENTS

A mandate was given to the chairman of the audit committee only, to approve any adjustments to the financial statements after the date of approval by the directors on 14 July 2020.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 APRIL 2020

		GROUP		COMPANY	
	NOTES	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
ASSETS					
Non-current assets					
Property, plant and equipment	2	**2 013**	1 438	**-**	-
Investment properties	3	**1**	-	**-**	-
Right-of-use assets	4	**37**	-	**-**	-
Goodwill and intangible assets	5	**41**	9	**-**	-
Investment in subsidiary	6.1	**-**	-	**1 057**	1 052
Investment in joint ventures	8.1	**185**	227	**-**	-
Investment in associate	8.2	**31**	28	**-**	-
Other financial assets	7.1.1	**2**	5	**-**	-
Long-term portion of other loans receivable	7.1.2	**510**	6	**-**	-
Loans and other receivables	9	**1 226**	1 204	**-**	-
Deferred tax asset	18.2	**30**	24	**2**	-
Total non-current assets		**4 076**	2 941	**1 059**	1 052
Current assets					
Inventory	10	**882**	609	**-**	-
Trade and other receivables	11	**3 735**	2 881	**-**	-
Other loans receivable	7.1.2	**7**	28	**-**	-
Inventory held to satisfy firm sales	12	**105**	234	**-**	-
Derivative financial instruments	20.1	**86**	52	**-**	-
Tax receivable	29	**-**	7	**-**	-
Cash and short-term deposits	7.1.3	**174**	31	**-**	-
Total current assets		**4 989**	3 842	**-**	-
TOTAL ASSETS		**9 065**	6 783	**1 059**	1 052
EQUITY AND LIABILITIES					
Equity					
Issued capital	14	**13**	5	**13**	5
Share premium	15.1	**498**	498	**498**	498
Non-distributable reserve		**78**	78	**78**	78
Reserves	15.2	**40**	45	**384**	386
Retained earnings		**1 070**	981	**(45)**	(55)
Own equity		**1 699**	1 607	**928**	912
Non-controlling interest	6.2, 6.3	**1 702**	1 243	**-**	-
Total equity		**3 401**	2 850	**928**	912
Non-current liabilities					
Interest-bearing loans	7.2.3	**670**	1 002	**-**	1
Other financial liabilities	7.2.5	**35**	59	**-**	-
Lease liabilities	4	**29**	-	**-**	-
Deferred government grants	7.4	**10**	-	**-**	-
Deferred tax liability	18.2	**319**	310	**111**	108
Total non-current liabilities		**1 063**	1 371	**111**	108
Current liabilities					
Trade and other payables	17	**793**	538	**-**	1
Contract liabilities	7.3	**9**	39	**-**	-
Interest-bearing loans	7.2.2	**3 467**	1 837	**-**	-
Other loans payable	7.2.1	**64**	46	**-**	-
Derivative financial instruments	20.2	**72**	30	**-**	-
Tax payable	29	**15**	-	**-**	-
Short-term incentive bonuses	16.1	**24**	26	**-**	-
Bank overdraft	7.2.4	**129**	31	**20**	31
Short-term portion of lease liabilities	4	**10**	-	**-**	-
Short-term portion of deferred government grants	7.4	**1**	-	**-**	-
Provisions	19	**17**	15	**-**	-
Total current liabilities		**4 601**	2 562	**20**	32
Total liabilities		**5 664**	3 933	**131**	140
TOTAL EQUITY AND LIABILITIES		**9 065**	6 783	**1 059**	1 052

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2020

		GROUP		COMPANY	
	NOTES	**2020 R'm**	2019 * R'm	**2020 R'm**	2019 R'm
Services rendered		**634**	813	**-**	-
Income from sale of goods		**3 764**	1 500	**-**	-
Revenue from contracts with customers		**4 398**	2 313	**-**	-
Finance income	22.3	**405**	374	**-**	-
Revenue		**4 803**	2 687	**-**	-
Cost of sales and finance income	22.1	**(3 027)**	(1 357)	**-**	-
Gross profit		**1 776**	1 330	**-**	-
Dividend income	23	**-**	-	**58**	54
Gain on bargain purchase of subsidiary	6.2.1	**56**	-	**-**	-
Distribution, sales and administrative expenses	22.1	**(1 278)**	(848)	**(5)**	(4)
Credit loss expense on financial assets	22.1	**(8)**	(15)	**-**	-
Operating profit		**546**	467	**53**	50
Finance income	22.3	**4**	-	**-**	-
Finance costs	22.2	**(92)**	(82)	**(2)**	(2)
Share of (loss)/profit from joint ventures and associate	8.1	**(19)**	6	**-**	-
Profit before tax from operations		**439**	391	**51**	48
Tax	18.1	**(110)**	(115)	**(1)**	-
Profit for the year after tax		**329**	276	**50**	48
Other comprehensive income to be reclassified to profit or loss in subsequent periods, net of tax		**(1)**	1	**-**	-
Fair value adjustment on other financial assets	7.1.1	**(2)**	-	**-**	-
Share of other comprehensive income of joint venture	8.1	**1**	-	**-**	-
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax		**-**	-	**7**	-
Fair value adjustment on other financial assets	6.1	**-**	-	**7**	48
Total comprehensive income for the year, net of tax		**328**	277	**57**	48
Profit attributable to:					
Equity holders of the parent		**164**	154		
Non-controlling interest		**165**	122		
Total comprehensive income attributable to:					
Equity holders of the parent		**163**	155		
Non-controlling interest		**165**	122		

* Change in presentation of finance costs and cost of sales. Refer to note 35.

EARNINGS PER SHARE

	NOTES	**2020 CENTS/ SHARE**	**2019 CENTS/ SHARE**
Basic and diluted earnings per share	25.1.3	**141,6**	135,0
Normalised headline earnings per share	25.1.3	**112,2**	142,0

DIVIDENDS FOR THE YEAR

Dividend per share paid during the year	25.2	**42**	40
Final dividend previous year		**21**	19
Interim dividend		**21**	21
Final dividend per share proposed	25.2	**23**	21

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

	NOTES	ISSUED SHARE CAPITAL R'm	SHARE PREMIUM R'm	NON-DISTRIBUTABLE RESERVES R'm	CHANGE IN OWNERSHIP AND OTHER RESERVES R'm	FAIR VALUE ADJUSTMENTS R'm	SHARE-BASED PAYMENT RESERVE R'm	RETAINED EARNINGS R'm	NON-CONTROLLING INTEREST R'm	TOTAL EQUITY R'm
		14	15.1		15.2.2	15.2.1	15.2.3			
GROUP										
Balance as at 30 April 2018		1	498	78	55	(29)	30	871	1 163	2 667
Total comprehensive income		-	-	-	1	-	-	154	122	277
Profit for the year		-	-	-	-	-	-	154	122	276
Other comprehensive income		-	-	-	1	-	-	-	-	1
Dividends	25.2	4	-	-	-	-	-	(45)	(43)	(84)
Equity-settled share-based payment scheme - Vesting		-	-	-	-	-	(7)	-	7	-
Shares purchased from non-controlling shareholders		-	-	-	-	-	-	-	(6)	(6)
Change in ownership		-	-	-	(5)	-	-	-	(5)	(10)
Change in investment in subsidiary		-	-	-	-	-	-	-	5	5
Prior period adjustment in subsidiary		-	-	-	-	-	-	1	-	1
Balance as at 30 April 2019		**5**	**498**	**78**	**51**	**(29)**	**23**	**981**	**1 243**	**2 850**
Total comprehensive income		**-**	**-**	**-**	**(1)**	**-**	**-**	**164**	**165**	**328**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**164**	**165**	**329**
Other comprehensive income		**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**
Dividends	25.2	**-**	**-**	**-**	**-**	**-**	**-**	**(48)**	**(54)**	**(102)**
Issue of shares		**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**
Equity-settled share-based payment scheme - Vesting		**-**	**-**	**-**	**-**	**-**	**(5)**	**-**	**(3)**	**(8)**
Change in ownership		**-**	**-**	**-**	**6**	**-**	**-**	**-**	**(6)**	**-**
Movement in treasury shares		**-**	**-**	**-**	**(54)**	**-**	**21**	**-**	**69**	**36**
Acquisition of subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**288**	**288**
Recycling of fair value adjustments **		**-**	**-**	**-**	**-**	**29**	**-**	**(29)**	**-**	**-**
Reclassification of reserves		**-**	**-**	**-**	**(1)**	**-**	**-**	**1**	**-**	**-**
Prior period adjustment in subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**
Balance as at 30 April 2020		**13**	**498**	**78**	**1**	**-**	**39**	**1 070**	**1 702**	**3 401**
COMPANY										
Balance as at 30 April 2018		1	498	78	-	386	-	(59)	-	904
Total comprehensive income		-	-	-	-	-	-	48	-	48
Profit for the year		-	-	-	-	-	-	48	-	48
Other comprehensive income		-	-	-	-	-	-	-	-	-
Dividends	25.2	4	-	-	-	-	-	(45)	-	(41)
Balance as at 30 April 2019		**5**	**498**	**78**	**-**	**386**	**-**	**(55)**	**-**	**912**
Total comprehensive income		**-**	**-**	**-**	**-**	**7**	**-**	**50**	**-**	**57**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**50**	**-**	**50**
Other comprehensive income *		**-**	**-**	**-**	**-**	**7**	**-**	**-**	**-**	**7**
Dividends	25.2		**-**	**-**	**-**	**-**	**-**	**(48)**	**-**	**(48)**
Issue of shares		**8**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**8**
Recycling of fair value reserves *		**-**	**-**	**-**	**-**	**(8)**	**-**	**8**	**-**	**-**
Balance as at 30 April 2020		**13**	**498**	**78**	**-**	**384**	**-**	**(45)**	**-**	**928**

* Included is R4 million fair value adjsutment from its share in KLK Landbou sold, which was subsequently also recycled to retained earnings.

** The reserves being recycled relate to the fair value adjustment from the conversion of the investment in Senwes Ltd from an investment in an associate to an investment in a subsidiary.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2020

		GROUP		COMPANY	
	NOTES	2020 R'm	2019 * R'm	2020 R'm	2019 R'm
Net cash flows from operating activities		**996**	148	**2**	7
Cash from operating activities	27	**539**	571	**(5)**	(4)
Finance income	22.3	**4**	-	**-**	-
Dividends received	23	**-**	-	**58**	54
Finance costs paid	22.2	**(90)**	(82)	**(2)**	(2)
Tax paid	29	**(117)**	(64)	**-**	-
Dividends paid	25.2	**(102)**	(84)	**(49)**	(41)
Changes in working capital	28	**762**	(193)	**-**	-
Net cash flows used in investment activities		**(927)**	(112)	**9**	(6)
Purchase of property, plant and equipment	30	**(268)**	(188)	**-**	-
Purchase of intangible assets	5	**(6)**	-	**-**	-
Proceeds from the disposal of property, plant and equipment	31	**18**	3	**-**	-
Proceeds from sale/(purchase) of financial asset	6.1	**-**	(6)	**9**	(6)
Proceeds from the disposal of investment property	3	**2**	-	**-**	-
Acquisition of subsidiaries	6.2	**(228)**	(25)	**-**	-
Dividends received from investments in joint ventures	8.1.1	**5**	2	**-**	-
Additional loans received from related parties	32	**29**	14	**-**	-
Repayment of loans from related parties	32	**-**	(11)	**-**	-
Additional loans advanced to related and third parties	32	**(510)**	(49)	**-**	-
Repayment of loans to related and third parties	32	**31**	148	**-**	-
Net cash flows before financing activities		**69**	36	**11**	1
Net cash used in financing activities		**(24)**	(1)	**-**	-
Treasury shares purchased	15.2	**(13)**	(1)	**-**	-
Repayment of interest-bearing loans	7.2.3	**(6)**	-	**-**	-
Repayment of lease liabilities	4	**(7)**	-	**-**	-
Deferred government grants received	7.4	**2**	-	**-**	-
Net increase in cash and cash equivalents		**45**	35	**11**	1
Cash and cash equivalents - beginning of the year	7.1.3, 7.2.4	**-**	(35)	**(31)**	(32)
Cash and cash equivalents - end of the year	7.1.3, 7.2.4	**45**	-	**(20)**	(31)

* Change in presentation of finance costs and cost of sales. Refer to note 35.

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:

INVESTMENT ACTIVITIES ***(Senwesbel)***	It is Senwesbel's strategy to consider interests in other agricultural and agricultural related businesses. At present Senwesbel owns only an interest in Senwes Limited.
FINANCIAL SERVICES ***(Senwes Credit, Senwes Asset Finance, Certisure Group and Molemi Sele Management)***	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. Molemi Sele holds investments in agricultural companies, an index tracker fund and a cell captive.
INPUT SUPPLY ***(Senwes Equipment, JD Implemente, Staalmeester, Senwes Equip Holdings, Hinterland Group, Bastion Lime Group, Falcon and KLK Landbou Group)***	Sales at retail outlets (including fuel stations), direct sales of farming input requirements, car dealership sales, the importation, manufacturing and sale of mechanisation goods and spare parts, as well as the servicing of such farming and other mechanisation equipment. Wholesale of agricultural, fuel and industrial retail products to agricultural retail outlets. Production and processing of raisin products, cattle hides, dorper skins, beef- and lamb carcasses (abattoirs).
MARKET ACCESS ***(Senwes Grainlink, Tradevantage, Graanmakelaars, Grainovation and ESC)***	Income received from the handling and storage of agricultural produce, the transportation of grain commodities as well as the processing of seed. Commission earned on marketing of grain and revenue from the sale of grain. Electronic issuing and trading of silo certificates.
CORPORATE ***(Senwes Share Incentive Scheme Trust, Thobo Trust, Senwes Capital, Senwes Agrowth and RealFin Collective Investment Scheme)***	Head office services, information technology, human resources, planning and property development, central administration, fleet management, secretarial services, legal services, corporate marketing, risk management, internal audit, strategic development, group finance, corporate finance, business engineering and treasury and governance.

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. The group Executive Committee 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

	GROUP			
	SEGMENTAL REVENUE		SEGMENTAL PROFIT/ (LOSS)	
	2020 R'm	2019 R'm	2020 R'm	2019 ** R'm
Investment activities (Senwesbel)	**-**	-	**(6)**	(6)
Financial services (Senwes Credit, Senwes Asset Finance, Certisure Group and Molemi Sele Management)	**385**	348	**201**	168
Income from financing clients and service level agreement income	**387**	349	**192**	159
AgriRewards	**(2)**	(1)	**(2)**	(1)
Profit from joint ventures	**-**	-	**11**	10
Input Supply (Senwes Equipment, JD Implemente, Staalmeester, Falcon, KLK Landbou Group, Hinterland Group and Bastion Lime Group)	**3 533**	1 485	**148**	30
Income from sale of goods and services rendered	**3 535**	1 598	**220**	82
Intragroup sales	**(1)**	(113)	**-**	-
AgriRewards	**(1)**	-	**(1)**	-
Finance costs	**-**	-	**(36)**	(40)
Loss from joint ventures	**-**	-	**(35)**	(12)
Market access (Senwes Grainlink, Tradevantage, Graanmakelaars, Grainovation and ESC)	**765**	758	**186**	300
Income from commodity trading, sale of goods and services rendered *	**3 872**	3 003	**253**	340
AgriRewards	**(14)**	(16)	**(14)**	(16)
Intragroup sales	**(3 093)**	(2 229)	**-**	-
Finance costs	**-**	-	**(57)**	(32)
Profit from joint ventures	**-**	-	**4**	8
Normal operational activities	**4 683**	2 591	**529**	492
Corporate	**120**	96	**(91)**	(100)
Income from service level agreement and corporate fees	**90**	66	**3**	15
Interest income from joint ventures	**30**	30	**30**	32
Finance costs	**-**	-	**1**	(8)
Corporate costs	**-**	-	**(125)**	(139)
Total revenue	**4 803**	2 687	**-**	-
Profit before tax			**438**	392
Taxation			**(110)**	(115)
Profit after tax			**328**	277

* More than 10% of revenue from services rendered was not derived from any specific business partner(s) (2019: R302 million, from two business partners).

** Change in presentation of finance costs and cost of sales. Refer to note 35.

1.3 NET SEGMENTAL ASSETS

	GROUP					
	ASSETS		LIABILITIES		NET	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Financial services	**4 107**	3 800	**(2 529)**	(2 044)	**1 578**	1 756
Input supply *	**1 949**	865	**(1 240)**	(548)	**709**	317
Market access	**2 222**	1 882	**(1 048)**	(786)	**1 174**	1 096
Total operations	**8 278**	6 547	**(4 817)**	(3 378)	**3 461**	3 169
Corporate	**757**	212	**(508)**	(214)	**249**	(2)
Investment activities	**-**	-	**(20)**	(31)	**(20)**	(31)
Total segmental assets/(liabilities)	**9 035**	6 759	**(5 345)**	(3 623)	**3 690**	3 136
Deferred tax	**30**	24	**(319)**	(310)	**(289)**	(286)
Total	**9 065**	6 783	**(5 664)**	(3 933)	**3 401**	2 850

* Assets include the investment in the Hinterland joint venture of R72 million (2019: R98 million).

1.4 SEGMENTAL DISCLOSABLE ITEMS

	GROUP					
	CAPITAL EXPENDITURE		DEPRECIATION		NON-CASH TRANSACTIONS*	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Financial Services	-	-	-	-	(4)	(15)
Input Supply	(53)	(30)	(19)	(7)	(15)	5
Market Access	(170)	(144)	(48)	(30)	(1)	(11)
Corporate	(45)	(36)	(20)	(18)	(2)	-
Total	(268)	(210)	(87)	(55)	(22)	(21)

* Non-cash transactions consist of provisions made.

2. PROPERTY, PLANT AND EQUIPMENT

	GROUP	
	2020 R'm	2019 R'm
Cost price	2 743	2 020
Land	37	35
Silos	838	838
Buildings and improvements	539	308
Plant and equipment	1 097	731
Vehicles	143	108
Heavy vehicles	89	-
Accumulated depreciation and impairments	(730)	(582)
Land	-	-
Silos	(68)	(68)
Buildings and improvements	(90)	(80)
Plant and equipment	(469)	(366)
Vehicles	(79)	(68)
Heavy vehicles	(24)	-
Total carrying value	2 013	1 438

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 7.2.3.

2.3. The capital commitments of the group are set out in note 21.

2020 - RECONCILIATION OF THE MOVEMENTS ON PROPERTY, PLANT AND EQUIPMENT

	BALANCE AT THE BEGINNING OF THE YEAR	BUSINESS COMBINATIONS [1]	PURCHASES	DISPOSALS AND IMPAIRMENT PROVISIONS [2]	TRANSFERS	DEPRECIATION	BALANCE AT THE END OF THE YEAR
	R'm	R'm	R'm	R'm	R'm	R'm	R'm
GROUP – 2020							
Land	35	-	2	-	-	-	37
Silos	770	-	-	-	-	-	770
Buildings and improvements	228	173	59	(3)	1	(9)	449
Plant and equipment	365	138	187	(4)	-	(58)	628
Vehicles	40	24	20	(10)	-	(10)	64
Heavy vehicles	-	76	-	(1)	-	(10)	65
Total	1 438	411	268	(18)	1	(87)	2 013

[1] Relates to the acquisitions of Falcon Agricultural Equipment (Pty) Ltd, KLK Landbou Ltd and Grainovation (Pty) Ltd. Refer to note 6.2 for more details regarding the acquisitions.

2019 - RECONCILIATION OF THE MOVEMENTS ON PROPERTY, PLANT AND EQUIPMENT

	BALANCE AT THE BEGINNING OF THE YEAR	PURCHASES [1]	DISPOSALS	TRANSFERS [2]	DEPRECIATION	BALANCE AT THE END OF THE YEAR
	R'm	R'm	R'm	R'm	R'm	R'm
GROUP – 2019						
Land	33	4	-	(2)	-	35
Silos	773	8	-	(11)	-	770
Buildings and improvements	173	51	-	12	(8)	228
Plant and equipment	279	129	(2)	(3)	(38)	365
Vehicles	33	18	-	(2)	(9)	40
Total	1 291	210	(2)	(6)	(55)	1 438

[1] Included in purchases are property, plant and equipment of R21 million which originated from the acquisition of Staalmeester. Refer to note 6.2 for more details regarding the acquisition.

[2] Included in transfers is the transfer of goodwill, R6 million, refer to note 5.1.

3. INVESTMENT PROPERTIES

	GROUP	
	2020 R'm	2019 R'm
Cost	**1**	-
Accumulated depreciation and impairments	**-**	-
Total carrying value	**1**	-

2020 - RECONCILIATION OF MOVEMENTS ON INVESTMENT PROPERTY

	BALANCE AT THE BEGINNING OF THE YEAR	PURCHASES/ BUSINESS COMBINATION [1]	DISPOSALS [2]	BALANCE AT THE END OF THE YEAR
	R'm	R'm	R'm	R'm
GROUP – 2020				
Land and buildings	**-**	**3**	**(2)**	**1**
Total	**-**	**3**	**(2)**	**1**

[1] Consists of investment property of R3 million which originated from the acquisition through business combination of KLK Landbou Ltd. Refer to note 6.2 for more details regarding the acquisition.

[2] Land and buildings with a carrying value of R2 million were sold during the current financial year for R2 million.

3.1. A register of investment properties is available for inspection at the registered office of the relevant company.

3.2. The fair value of land and buildings is estimated at R5,6 million (2019: R7,6 million). The capitalisation method was used as the valuation method. Higher rates of return, occupation levels and lower expected market-related rental value will reduce fair value.

4. LEASE ASSETS AND LIABILITIES

The group has lease contracts mostly for buildings and plant and equipment used in its operations.

There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The group also has certain leases of buildings with lease terms of 12 months or less and leases of low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

4. LEASE ASSETS AND LIABILITIES (CONTINUED)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

2020 - RECONCILIATION OF MOVEMENTS IN RIGHT-OF-USE ASSETS

	BALANCE AT THE BEGINNING OF THE YEAR	ADOPTION OF STANDARD *	ADDITIONS [1]	DEPRECIATION	BALANCE AT THE END OF THE YEAR
	R'm	R'm	R'm	R'm	R'm
GROUP – 2020					
Buildings and improvements	-	10	28	(7)	31
Plant and equipment	-	1	6	(1)	6
Total	-	11	34	(8)	37

[1] Additions relate to the business combinations of Falcon Agricultural Equipment (Pty) Ltd and KLK Landbou Ltd during the current financial year. Refer to note 6.2 for more details regarding the acquisitions.

Set out below are the carrying amounts of lease liabilities and the movements during the year:

2020 - RECONCILIATION OF MOVEMENTS IN LEASE LIABILITIES

	BALANCE AT THE BEGINNING OF THE YEAR	ADOPTION OF STANDARD *	ADDITIONS [1]	ACCRETION OF INTEREST	PAYMENTS	BALANCE AT THE END OF THE YEAR
	R'm	R'm	R'm	R'm	R'm	R'm
GROUP – 2020						
Buildings and improvements	-	10	29	2	(7)	34
Plant and equipment	-	1	6	-	(2)	5
Total	-	11	35	2	(9)	39

[1] Additions relate to the business combinations of Falcon Agricultural Equipment (Pty) Ltd and KLK Landbou Ltd during the current financial year. Refer to note 6.2 for more details regarding the acquisitions.

	2020
	R'm
Current	10
Non-current	29
Total	39

* The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 May 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, and therefore IFRS 16 has no impact on the prior year.

The maturity analysis of lease liabilities is disclosed in note 24.1.3.

Refer to note 22.1 for the lease expenses relating to short-term leases and leases of low value assets recognised in profit or loss. The group has no expense relating to variable lease payments not included in the measurement of lease liabilities.

4. LEASE ASSETS AND LIABILITIES (CONTINUED)

The group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs. Management exercises judgement in determining whether these extension and termination options are reasonably certain to be exercised. Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	GROUP		
	WITHIN FIVE YEARS	MORE THAN FIVE YEARS	TOTAL
	2020 R'm		
Extension options expected not to be exercised	17	48	65
Termination options expected to be exercised	5	-	5
Total potential future payments	**22**	**48**	**70**

5. GOODWILL AND INTANGIBLE ASSETS

	NOTES	GROUP	
		2020 R'm	2019 R'm
Goodwill	5.1	35	9
Intangible asset	5.2	6	-
Total carrying value		**41**	**9**

5.1 GOODWILL

	GROUP	
	2020 R'm	2019 R'm
Carrying value at the beginning of year	9	-
Fair value at initial recognition	15	-
Accumulated impairment provision	(6)	-
Movements during the year:		
Goodwill acquired [1]	26	9
Transfer from property, plant and equipment [2]	-	6
Decrease due to impairments recognised [3]	-	(6)
Carrying value at the end of year	**35**	**9**
Fair value at initial recognition	41	15
Accumulated impairment provision	(6)	(6)

[1] The goodwill acquired during the year relates to the Falcon Agricultural Equipment (Pty) Ltd and Grainovation (Pty) Ltd acquisitions. Refer to note 6.2 for further details.

[2] Goodwill to the value of R6 million was previously included in property, plant and equipment. This reallocation was done in 2019.

[3] Senwes Equipment and JDI Agrico branches: The depressed state of the agricultural sector, causing producers to incur less capital expenditure, meant that the acquired branches from Agrico were unable to achieve its revenue growth targets as originally expected. As a result thereof, Senwes and JDI impaired the goodwill recognised at acquisition date (Senwes: R4 million and JDI: R2 million).

Goodwill is tested for impairment on an annual basis during the last quarter of each financial year. The investments in Falcon Agricultural Equipment (Pty) Ltd and Staalmeester Agricultural Equipment (Pty) Ltd delivered results beyond the required rate of return as determined at the inception of the investment. (2019: The investment in Staalmeester Agricultural Equipment (Pty) Ltd delivered results beyond the required rate of return as determined at the inception of the investment.)

5. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

5.2 INTANGIBLE ASSETS

	GROUP	
	2020 R'm	2019 R'm
Intellectual property		
Carrying value at the beginning of year	**-**	-
Cost price at initial recognition	**-**	-
Accumulated amortisation and impairments	**-**	-
Movements during the year:		
Additions [1]	**6**	-
Amortisation	**-**	-
Carrying value at the end of year	**6**	-
Cost price at initial recognition	**6**	-
Accumulated amortisation and impairments	**-**	-

[1] During the current financial year the company acquired intellectual property (IP) relating to an invention of laser-based volume measuring devices which the seller developed on behalf of, and with the assistance of Senwes.

6. INVESTMENT IN COMPANIES

6.1 INVESTMENT IN SUBSIDIARY

The company's investment in Senwes Limited is accounted for at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The fair value of the investment is the market value as traded in the considered market.

The market value amounted to R11,00 (2019: R11,00) per share as at 30 April 2020.

	COMPANY							
	% INTEREST		TOTAL SHARES		COST PRICE		TOTAL NET INVESTMENT	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Senwes Ltd	**53,16%**	52,91%	**96 106 723**	95 661 046	**562**	554	**1 057**	1 052

The directors' valuation is based on the market price of the Senwes share. The difference between the directors' valuation (fair value) and the cost price is accounted for as a fair value adjustment of the investment and accounted for in the statement of other comprehensive income in the company.

6. INVESTMENT IN COMPANIES (CONTINUED)

The following is the summarised financial information:

	2020 R'm	2019 R'm
Financial position		
Non-current assets	**3 352**	2 218
Current assets excl. bank and cash	**4 815**	3 811
Cash and cash equivalents	**65**	31
Trade payables	**(791)**	(536)
Current liabilities excluding trade payables	**(3 679)**	(1 993)
Non-current liabilities	**(859)**	(1 168)
Equity	**2 903**	2 363
Financial results		
Revenue	**4 803**	2 687
Cost of sales	**(3 027)**	(1 357)
Gain on bargain purchase of subsidiary	**56**	-
Distribution, sales and administrative expenses	**(1 273)**	(843)
Credit loss expense on financial assets	**(8)**	(15)
Finance income	**4**	-
Finance costs	**(90)**	(80)
Share of (loss)/profit from joint ventures	**(19)**	6
Profit before tax	**446**	398
Taxation	**(109)**	(115)
Profit for the year after tax	**337**	283
Profit attributable to:		
Equity holders of the parent	**303**	281
Non-controlling interest	**34**	2
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net of tax	**(1)**	-
Fair value adjustments of other financial assets	**(2)**	-
Share of other comprehensive income of joint venture	**1**	-
Total comprehensive income for the year, net of tax	**336**	283
Summarised cash flows are as follows:		
Generated from operating activities	**994**	139
Used in investing activities	**(927)**	(104)
Used in financing activities	**(33)**	(1)
Net increase in cash flows	**34**	34

6.2 GROUP INTERESTS

6.2.1 Corporate transactions

KLK Landbou Ltd

During the period Senwes acquired a 57,44% interest in KLK Landbou Ltd ("KLK"), which operates as a group of companies in the agricultural sector, with the effective date being 1 July 2019.

Refer to note 6.3.3 for a description of KLK's operations.

		GROUP
		R'm
Fair value of assets acquired and liabilities assumed: [1]	A..........................	**424**
Non-current assets, excluding property, plant and equipment and deferred tax		29
Property, plant and equipment		324
Deffered tax asset		13
Inventory		425
Trade and other receivables		166
Cash and cash equivalents		54
Trade payables		(322)
Bank overdraft		(52)
Current financial liabilities, excluding trade payables and bank overdraft		(4)
Non-current liabilities		(101)
Non-controlling interest		(108)
Percentage share interest obtained	B..........................	**57,44%**
Fair value of net assets (equity) obtained	C=(AxB)..........	**243**
Consideration paid [2]	D..........................	**187**
Bargain purchase [3]	E=(C-D)..........	**56**
Non-controlling interest recognised [4]		**180**

[1] The amounts recognised at acquisition date for each major class of assets acquired and liabilities assumed.
[2] The acquisition was funded from normal operating cash flows (R153 million) and the issue of 3 066 207 normal shares (R34 million) which amount to a total investment of R187 million.
[3] The bargain purchase is included in the "Gain on bargain purchase of subsidiary" line item in the statement of comprehensive income. The transaction resulted in a gain mainly due to significant fair value adjustments on properties recognised at acquisition date.
[4] The non-controlling interest was determined using the proportionate method.

Since acquisition date, revenue of R2 135 million and a profit after tax of R33 million were contributed to the consolidated statement of comprehensive income by KLK, whereas the revenue and profit contributed by the company for the 12-month accounting period, as though the acquisition had been as of the beginning of the annual reporting period, are R2 651 million and R43 million, respectively.

Other transactions:
During the year, and subsequent to the acquisition of KLK, the board of directors of Carpe Diem Raisins (Pty) Ltd (a subsidiary of KLK) decided to purchase the remaining 37,5% of the non-controlling interest of Cool Raisins (Pty) Ltd for R17 million. KLK exercised the option to purchase a further 30,0% shareholding in Carpe Diem Raisins (Pty) Ltd from Van der Colff Beleggings (Pty) Ltd. The transaction price was agreed between the parties on 28 May 2020 and the transaction is subject to Competition Commission approval.

Falcon Agricultural Equipment (Pty) Ltd

During the year Senwes acquired a 100% interest, by obtaining the assets and liabilities, in Falcon Agricultural Equipment (Pty) Ltd ("Falcon"). Falcon operates as an agri-implement manufacturer, importer and retailer. The acquisition amounted to R28 million plus fair value of operating capital on the effective date (R21 million). The acquisition was funded from normal operating cash flows. The effective date of acquisition was 1 November 2019. Senwes holds this investment through one of its wholly-owned subsidiaries, Senwes Equip Holdings (Pty) Ltd ("Senwes Equip Holdings" previously known as Pricepro (Pty) Ltd). Senwes Equip Holdings serves as a holding company in mechanisation investments in the group.

		GROUP
		R'm
Fair value of assets acquired and liabilities assumed: [1]	A...........................	**24**
Property, plant and equipment		3
Inventory		22
Trade and other receivables		10
Trade and other payables		(9)
Other liabilities		(2)
Consideration paid	B...........................	**49**
Goodwill [2]	C = (B - A)......	**25**

[1] The amounts recognised at the acquisition date for each major class of assets acquired and liabilities assumed.
[2] Goodwill arose in respect of, inter alia, the high profitability of the acquired business and synergies expected to arise after the group's acquisition of the business.

Since acquisition date, revenue of R50 million and a profit after tax of R4 million were contributed to the consolidated statement of comprehensive income by Falcon.

Grainovation (Pty) Ltd

Senwes acquired an additional 50% equity interest in Grainovation (Pty) Ltd ("Grainovation"), which brought the investment to 100%. Grainovation is a soft commodity logistics company. The acquisition amounted to R28 million, and was funded from normal operating cash flows. The effective date of acquisition was 1 November 2019. This transaction constituted a business combination achieved in stages.

		GROUP
		R'm
Fair value of assets acquired and liabilities assumed: [1]	A...........................	**53**
Property, plant and equipment		84
Inventory		1
Trade and other receivables		25
Cash and cash equivalents		11
Trade and other payables		(23)
Deferred tax liability		(9)
Borrowings		(36)
Consideration paid [2]	B...........................	**54**
Goodwill [3]	C = (B - A)......	**1**

[1] The amounts recognised at the acquisition date for each major class of assets acquired and liabilities assumed.
[2] The consideration paid consists of the acquisition date fair value of the equity interest in Grainovation held immediately before the acquisition date (R26 million), and the fair value of consideration paid relating to the additional 50% equity interest obtained. A gain of R2 million was recognised as a result of remeasuring the equity interest in Grainovation held before the business combination to fair value, and is included in the "share of (loss)/profit from joint ventures and associate" line in the statement of comprehensive income.
[3] Goodwill arose in respect of, inter alia, the high profitability of the acquired business and synergies expected to arise after the group's acquisition of the business.

Since acquisition date, revenue of R28 million and a profit after tax of R5 million were contributed to the consolidated statement of comprehensive income by Grainovation, whereas the revenue and profit contributed by the company for the 12-month accounting period, as though the acquisition had been as of the beginning of the annual reporting period, are R66 million and R16 million, respectively.

Senwes Equipment (Pty) Ltd (Senwes Equipment)

Senwes as the legal and beneficial owner of its equipment division within Senwes Ltd, offering mechanisation and maintenance solutions and supply of whole goods, spares and workshop services to producers from 28 retail outlets and 17 mechanisation workshops, disposed of its business to a separate legal entity (Senwes Equipment (Pty) Ltd) during the current financial year. Senwes Equipment is wholly-owned by Senwes Equip Holdings (Pty) Ltd (a wholly-owned subsidiary of Senwes Ltd). This is therefore a common control transaction, and excluded from the scope of IFRS 3. The effective date of this transaction was 2 December 2019.

2019

Staalmeester Agricultural Equipment (Pty) Ltd

During the year Senwes Equipment acquired a 75% interest, by obtaining the assets and liabilities in Staalmeester Agricultural Equipment (Pty) Ltd ("Staalmeester"), which operates as an agri-implement manufacturer, importer and retailer, with the effective date being 1 October 2018. Senwes holds this investment through one of its wholly-owned subsidiaries, Senwes Equip Holdings (Pty) Ltd ("Senwes Equip Holdings" previously known as Pricepro (Pty) Ltd). Senwes Equip Holdings serves as a holding company for mechanisation investments in the group.

		SENWES GROUP	STAALMEESTER
		R'm	R'm
Fair value of property, plant and equipment	A	21	21
Control obtained	B	75%	100%
Value of property, plant and equipment obtained	C = (A x B)	16	21
Consideration paid	D	25	35
Goodwill	E = (D - C)	9	14
Non-controlling interest recognised [1]		5	-

[1] The non-controlling interest was determined using the proportionate method.

The net assets recognised in these financial statements are based on a provisional assessment while the group assesses whether there are further separately identifiable assets and/or liabilities.

Restructuring: Hinterland SA/Prodist

During the period, LRB sold its 25% shareholding in Prodist (Pty) Ltd to Hinterland SA (Pty) Ltd. This resulted in Hinterland SA (Pty) Ltd holding a 100% interest in Prodist (Pty) Ltd.

Subsequent to the sale, Hinterland SA changed its name to Hinterland Holdings and Prodist changed its name to Hinterland SA. Refer to note 8.1.4 for more details.

Hinterland Holdings (Pty) Ltd merged its retail operations into Hinterland SA (Pty) Ltd. The effective date of the merger was 1 December 2018. The merger constituted a common control transaction and the net value of the assets were transferred into Hinterland SA (Pty) Ltd.

6.2.2 Group interest in subsidiaries

		GROUP			
		2020		2019	
	Notes	NUMBER OF SHARES IN ISSUE	INTEREST %	NUMBER OF SHARES IN ISSUE	INTEREST %
JD Implemente (Pty) Ltd	6.3.1	**1 000**	**50**	1 000	50
KLK Landbou Ltd [6]	6.3.3	**17 175 331**	**57,7**	-	-
Grainovation (Pty) Ltd [7]		**1 000**	**100**	-	-
Senwes Equip Holdings (Pty) Ltd [4]		**100**	**100**	100	100
Senwes Agrowth (Pty) Ltd [1]		**1 000**	**73,5**	1 000	73,5
Senwes Capital (Pty) Ltd		**11 054**	**100**	11 054	100
Senwes Graanmakelaars (Pty) Ltd		**100**	**100**	100	100
Senwes Mauritius Ltd [3]		**240**	**100**	240	100
Senwes Share Incentive Scheme Trust [2]	16.2	**-**	**100**	-	100
Tradevantage Grain (Pty) Ltd [5]		**-**	**100**	-	100

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

[2] Senwes Share Incentive Scheme Trust was established as a vehicle for the equity-settled share-based payment scheme. During the year 2 336 868 shares (2019: 887 702 shares) vested under the LTI scheme and 376 371 shares (2019: 170 727 shares) were repurchased from the participants of the scheme.

[3] Senwes is in the process of deregistering the business of Senwes Mauritius.

[4] Senwes Equip Holdings' share capital amounts to R100 only.

[5] Senwes indirectly holds a 100% share in Tradevantage through Senwes Agrowth (which holds 100% in Tradevantage), of which Senwes holds 73,5%, and Thobo Trust (which holds 26,5% in Senwes Agrowth), which is a special purpose vehicle of Senwes and also fully consolidated.

[6] During the period Senwes acquired a 57,44% interest in KLK Landbou Ltd ("KLK"), which operates as a group of companies in the agricultural sector, with the effective date being 1 July 2019. Refer to note 6.2 for further details. Subsequent to this (July 2019) Senwes acquired an additional 0,21% share interest, followed by a marginal repurchase of shares by KLK.

[7] During the period Senwes acquired an additional 50% share interest in Grainovation, which brings the investment to 100%, with the effective date being 1 November 2019. Refer to note 6.2 for further details.

6.3 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.

6.3.1 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 the 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:

	2020	2019
	R'm	R'm
Financial position		
Non-current assets	**35**	33
Current assets excl bank and cash	**68**	103
Cash and cash equivalents	**1**	14
Trade payables	**(43)**	(82)
Current financial liabilities, excluding trade payables	**(4)**	(5)
Non-current liabilities	**(21)**	(24)
Equity	**36**	39
Attributable to:		
Equity holders of the parent	**18**	19
Non-controlling interest	**18**	20
Financial results		
Revenue	**207**	328
Cost of sales	**(169)**	(278)
Other income	**2**	1
Depreciation and amortisation	**(2)**	(2)
Expenses	**(38)**	(39)
Finance costs	**(4)**	(7)
(Loss)/profit before tax	**(4)**	3
Tax	**1**	(1)
(Loss)/profit after tax	**(3)**	2
Non-controlling interest share in profit or loss	**(2)**	1
Dividends paid to non-controlling shareholders	**-**	-
Summarised cash flows are as follows:		
(Used in)/generated from operating activities	**(8)**	16
Used in investing activities	**(2)**	(2)
Used in financing activities	**(3)**	(3)
Net (decrease)/increase in cash flows	**(13)**	11

6.3.2 Staalmeester Agricultural Equipment (Pty) Ltd

Senwes holds 100% in Senwes Equip Holdings (Pty) Ltd ("Senwes Equip Holdings"). Senwes Equip Holdings has a 75% interest in Staalmeester Agricultural Equipment (Pty) Ltd ("Staalmeester"). Staalmeester's core business is the manufacturing, importing and retailing of agri-implements. The financial year-end is the same as Senwes' financial year-end. The registered office of the company is the same as Senwes' registered office.

The following is the summarised financial information:

	2020	2019
	R'm	R'm
Financial position		
Non-current assets	**34**	34
Current assets excl. bank and cash	**33**	31
Cash and cash equivalents	**-**	-
Trade payables	**(4)**	(5)
Current financial liabilities, excluding trade payables	**(10)**	(2)
Non-current liabilities	**(3)**	(18)
Equity	**50**	40
Attributable to:		
Equity holders of the parent	**37**	30
Non-controlling interest	**13**	10
Financial results		
Revenue	**69**	39
Cost of sales	**(41)**	(22)
Other income	**2**	-
Depreciation and amortisation	**(1)**	(1)
Expenses	**(13)**	(8)
Finance costs	**(2)**	(1)
Profit before tax	**14**	7
Tax	**(4)**	(2)
Profit after tax	**10**	5
Non-controlling interest share in profit or loss	**3**	1
Dividends paid to non-controlling shareholders	**-**	-
Summarised cash flows are as follows:		
Generated from/(used in) operating activities	**7**	(20)
Used in investing activities	**-**	(35)
(Used in)/generated from financing activities	**(7)**	55
Net increase in cash flows	**-**	-

6.3.3 KLK Landbou Ltd

Senwes holds a 57,67% interest in KLK Landbou Ltd ("KLK"), and it is therefore accounted for as a subsidiary. KLK is a group of companies in the agricultural sector. The group's focus areas are on agricultural retail, fuels and associated products, meat trading through abattoirs, various car dealerships, livestock, the processing and exporting of sheep skins and cattle hides and the trading, processing and packaging of raisins and raisin products in the Orange River area, mainly for the export market. The company has a February financial year-end. KLK is therefore consolidated two months in arrears in comparison with the financial result and financial position of the Senwes Group. However, financial adjustments deemed significant are made to the financial statements of the group relating to the months of March and April 2020. The registered office of the company is in Upington, South Africa. Refer to note 6.2 for more details regarding the acquisition during the current year.

The following is the summarised financial information:

	2020	2019
	R'm	R'm
Financial position		
Non-current assets	**340**	-
Current assets, excluding bank and cash	**584**	-
Cash and cash equivalents	**93**	-
Trade payables	**(269)**	-
Current financial liabilities, excluding trade payables	**(121)**	-
Non-current liabilities	**(71)**	-
Non-controlling interest	**(140)**	-
Equity attributable to subsidiary	**416**	-
Attributable to:		
Equity holders of the parent	**240**	-
Non-controlling interest	**176**	-
Financial results		-
Revenue	**2 135**	-
Cost of sales	**(1 737)**	-
Other income	**9**	-
Depreciation	**(16)**	-
Expenses	**(310)**	-
Finance costs	**(8)**	-
Profit before tax	**73**	-
Tax	**(21)**	-
Non-controlling interest	**(19)**	-
Profit after tax	**33**	-
Non-controlling interest share in profit or loss	**14**	-
Dividends paid to non-controlling shareholders	**5**	-
Change in ownership	**1**	-
Summarised cash flows are as follows:		
Generated from operating activities	**93**	-
Used in investing activities	**(19)**	-
Used in financing activities	**(18)**	-
Net increase in cash flows	**56**	-

7. OTHER FINANCIAL ASSETS AND LIABILITIES

7.1 FINANCIAL ASSETS

7.1.1 Other financial assets

	GROUP	
	2020 R'm	2019 R'm
Financial assets at fair value through other comprehensive income	**2**	5

Financial assets at fair value through other comprehensive income, at Senwes' level, comprise an investment in Suidwes Holdings Ltd of Rnil (2019: 564 599 shares at R5,71 per share). During the current financial year the investment was fully impaired due to recoverability concerns relating to the investment.

Senwes did not dispose of any shares in Suidwes Holdings Ltd during the year (2019: 21 057 shares).

7.1.2 Other loans receivable

	GROUP	
	2020 R'm	2019 R'm
Non-current assets		
Non-current assets with related parties		
Bastion Lime (Pty) Ltd [1]	**1**	6
Non-current assets with third parties		
Suidwes Investments (Pty) Ltd [5]	**509**	-
Total non-current assets	**510**	6
Current assets		
Interest-bearing loans to related parties		
Bastion Lime (Pty) Ltd [1]	**6**	6
Hinterland Holdings (Pty) Ltd [2]	**-**	20
Non-interest-bearing loans to related parties		
Hinterland SA (Pty) Ltd [3]	**30**	30
Provision for impairment - Hinterland SA (Pty) Ltd	**(30)**	(30)
Silocerts (Pty) Ltd [4]	**1**	2
Total current assets	**7**	28
Balance at the end of the year	**517**	34

[1] Refer to note 7.1.2.1 below for details regarding the loans to Bastion Lime (Pty) Ltd.
[2] The loan to Hinterland Holdings (Pty) Ltd is unsecured and bears interest at a prime-linked rate, which is repayable on demand.
[3] The loan to Hinterland SA (Pty) Ltd is unsecured, interest-free and is repayable on demand.
[4] The loan to Silocerts (Pty) Ltd is unsecured, interest-free with no fixed repayment terms.
[5] The term loan to Suidwes Investments (Pty) Ltd is secured, payable on 30 June 2021 and earns interest at a prime linked rate. The loan is secured by properties, debtors, inventory and investments with an estimated realisable value of R750 million.

IMPAIRMENT OF LOANS

Loans are evaluated to identify the presence of certain triggers, e.g. future cash flows discounted at market related rates, to determine if there is a need for an impairment allowance. All financial assets are assessed for expected credit losses. Refer to note 7.1.4 for the classification of these assets. Also refer to note 11.5 and 24.1.2 for more guidance on how expected credit losses may be calculated.

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.

7.1.2.1 Bastion Lime (Pty) Ltd

	GROUP		
	2020 R'm		
	Short-term portion	Long-term portion	Total
Total capital outstanding	**6**	**1**	**7**

A detailed register of these loans are 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.

	GROUP		
	2019 R'm		
	Short-term portion	Long-term portion	Total
Total capital outstanding	6	6	12

A detailed register of these loans are 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.

7.1.3 Cash and short-term deposits

	GROUP	
	2020 R'm	2019 R'm
Cash and short-term deposits	**174**	31

7.1.4 Expected credit losses

	GROUP					
	2020			2019		
	R'm Stage 1	**R'm Stage 2**	**R'm Total**	R'm Stage 1	R'm Stage 2	R'm Total
Gross other loans receivable	**517**	**30**	**547**	34	30	64
Allowance for expected credit losses	**-**	**(30)**	**(30)**	-	(30)	(30)
Net mortgage loans	**517**	**-**	**517**	34	-	34

There were no movements between stages during the current or the prior financial years.

7.2 FINANCIAL LIABILITIES

7.2.1 Other loans payable

	GROUP	
	2020 R'm	2019 R'm
Interest-bearing loans from related parties		
Certisure Group [1]	**41**	27
Bastion Lime (Pty) Ltd [2]	**23**	10
Hinterland Holdings (Pty) Ltd [3]	**-**	9
Total	**64**	46

[1] The loan from Certisure Group is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.

[2] The loan from Bastion Lime (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.

[3] The loan from Hinterland Holdings (Pty) Ltd is unsecured, has no fixed repayment terms and bears interest at a prime-linked rate.

7.2.2 Current interest-bearing loans

	GROUP	
	2020 R'm	2019 R'm
Short-term loans	**3 426**	1 716
Commodity finance	**41**	121
Total	**3 467**	1 837

Non-cash flow movements include a R350 million increase due to a reclassification from non-current interest-bearing loans during the year and a R3 million increase from the KLK Landbou Ltd business combination, refer to 6.2. (2019: Movements in financial liabilities only consist of cash flow items.)

SHORT-TERM LOANS

Absa Bank Ltd:

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 R 3,5 billion available, and at year end R3,1 billion has been utilised (2019: R1,7 billion).

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 12. Commodity finance bears interest at a sub-prime-linked rate and is capitalised monthly.

Short-term portion of KLK Landbou Ltd's interest-bearing borrowings:

Refer to 7.2.3 for a description of the terms and conditions relating to the respective borrowings. The short-term portion amounts to R6 million.

7.2.3 Non-current interest-bearing loans

	GROUP	
	2020 R'm	2019 R'm
Interest-bearing loans	**670**	1 002

The cash flow movement is R6 million. Reconciling items include a R350 million decrease due to a reclassification to current interest-bearing loans during the year and a R24 million increase from the KLK Landbou Ltd business combination, refer to 6.2. (2019: Movements in financial liabilities only consist of cash flow items.)

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 2021 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 R2,1 billion, set as the value of security at the bank, and carrying amount of R340 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.
- A mortgage loan of R9 million and instalment sale agreements of R15 million is payable by KLK Landbou Ltd. The long-term portion of these loans amount to R18 million. The mortage loan from Standard Bank of SA Ltd carries interest at rates linked to the prime lending rate of banks and is repayable in monthly instalments, which include interest and is secured by the property mortage registration as well as a cession of the short-term insurance policy to the value of R19 million. The instalment sale agreements from Standard Bank of SA Ltd and Wesbank Ltd carries interest at rates linked to the prime lending rate of banks and prime plus one, and is repayable in monthly instalments which include interest and is secured by the underlying plant and equipment to the value of R15 million.

7.2.4 Bank overdraft

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Bank overdraft utilised	**129**	31	**20**	31

The company has an overdraft facility of R50 million.

The group's bank overdraft relates to Carpe Diem Raisins (Pty) Ltd's (subsidiary of KLK Landbou Ltd). The overdraft has a limit of R135 million, and is secured by KLK Landbou Ltd's loan account, Carpe Diem Raisins (Pty) Ltd's debtors, its short-term insurance policy and Van der Colff Beleggings (Pty) Ltd's loan account, a non-controlling shareholder.

7.2.5 Other financial liabilities

	GROUP	
	2020 R'm	2019 R'm
Non-current liabilities		
AgriRewards [1]	**35**	59
Total other financial liabilities	**35**	59

[1] AgriRewards is a deferred bonus scheme in terms of which Senwes allocates 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 re-gister to participate.

For the 2020 financial year all grain deliveries at Senwes silo's, interest-bearing transactions of Senwes Credit and new whole good sales at Senwes Equipment qualified for the scheme.

During October 2019 the members of the scheme were awarded the opportunity to convert their AgriRewards to Senwes shares. 72% of the participating members decided to convert and the liability therefore decreased during the 2020 financial year.

During April 2020 Senwes' board approved a reward of R50/tonne (2019: R45/tonne) for grain deliveries, R5/tonne (2019: Rnill/tonne) for grain procurement, 0,35% of interest-bearing transactions (2019: 0,35%) and 3% of turnover on new whole goods at Senwes Equipment (2019: 0,25%). The allocation is discounted to a present value using a prime linked rate.

The rewards are payable as follow:

Financial year awarded	Present value of award	Payment date
2017	**3**	30 April 2033
2018	**10**	30 April 2034
2019	**5**	30 April 2035
2020	**17**	30 April 2036
	35	

7.3 CONTRACT LIABILITIES

	GROUP	
	2020 R'm	2019 R'm
Storage of grain	**4**	18
Handling of grain	**5**	21
Total	**9**	39

Contract liabilities include advances received to deliver storage and handling of grain. All the contract liabilities are short-term in nature. These liabilities would subsequently realise to grain storage income and grain handling income, respectively under services rendered.

7.4 DEFERRED GOVERNMENT GRANTS

	GROUP	
	2020 R'm	2019 R'm
Balance at the beginning of the year	**-**	-
Recognition due to business combination *	**11**	-
Received during the year	**2**	-
Realised in profit or loss	**(2)**	-
Total	**11**	-

* The recognition of deferred government grants relates to the acquisition of KLK Landbou Ltd. Refer to note 6.2 for further details relating to the acquisition.

Current	**1**	-
Non-current	**10**	-
Total	**11**	-

8. GROUP INVESTMENT IN JOINT VENTURES AND ASSOCIATE

8.1 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	
	NOTES	**2020 R'm**	2019 R'm
Certisure Group	8.1.1	**80**	77
Grainovation (Pty) Ltd	8.1.2	**-**	27
Bastion Lime (Pty) Ltd (Group)	8.1.3	**17**	13
Hinterland Holdings (Pty) Ltd (Group)	8.1.4	**72**	98
Molemi Sele Management (Pty) Ltd	8.1.5	**13**	10
Silocerts (Pty) Ltd	8.1.6	**3**	2
Total carrying amount		**185**	227

The (loss)/profit share from the investment in joint ventures for the year is as follows:

		GROUP	
	NOTES	**2020 R'm**	2019 R'm
Certisure Group	8.1.1	**8**	6
Grainovation (Pty) Ltd	8.1.2	**-**	6
Bastion Lime (Pty) Ltd (Group)	8.1.3	**4**	(1)
Hinterland Holdings (Pty) Ltd (Group)	8.1.4	**(38)**	(11)
Molemi Sele Management (Pty) Ltd	8.1.5	**3**	3
Silocerts (Pty) Ltd	8.1.6	**1**	1
Total (loss)/profit from joint ventures		**(22)**	4
Other comprehensive income from joint venture - Molemi Sele Management		**1**	- *
Total (loss)/profit and other comprehensive income from joint ventures		**(21)**	4

* The share in these joint ventures' (loss)/profit is below R0,5 million.

8.1.1 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:

	2020 R'm	2019 R'm
Statement of financial position of the Certisure Group:		
Non-current assets	**5**	5
Current assets, excluding cash and cash equivalents	**12**	11
Cash and cash equivalents	**66**	58
Trade payables	**(7)**	(5)
Provisions	**(3)**	(2)
Other current financial liabilities	**(6)**	(5)
Equity	**67**	62
50% proportion of the group's ownership:		
Carrying amount of the investment *	**80**	77

* Includes a revaluation of R46 million recognised due to loss of control over a subsidiary (1 May 2012).

	2020 R'm	2019 R'm
The revenue and profit of the Certisure Group are as follows:		
Revenue	**61**	59
Operating expenses	**(44)**	(46)
Finance income	**5**	5
Profit before tax	**22**	18
Tax	**(6)**	(5)
Profit after tax	**16**	13
Group's share of profit for the year	**8**	6
Dividends received	**(5)**	(2)
Summarised cash flows of Certisure Group are as follows:		
Generated from operating activities	**21**	15
Used in financing activities	**(13)**	(4)
Net increase in cash flows	**8**	11

8.1.2 Grainovation (Pty) Ltd

The group had a 50% interest in Grainovation (Pty) Ltd ("Grainovation") during a portion of the current financial year and entire prior year (joint venture accounting). Senwes acquired an additional 50% interest in the company, which increased the investment to 100%, with the effective date being 1 November 2019. This transaction constituted a business combination achieved in stages, which resulted in Grainovation being accounted for as a wholly-owned subsidiary from the effective date. The core business activity of Grainvation is the transportation of grain commodities. The financial year-end is the same as the Senwes Group's financial year-end. The registered office of the company is the same as Senwes' registered office. Refer to note 6.2 for more details on the acquisition.

The following is the summarised financial information of Grainovation:

	2020 R'm	2019 R'm
Statement of financial position of Grainovation:		
Non-current assets	**-**	68
Current assets, excluding cash and cash equivalents	**-**	28
Cash and cash equivalents	**-**	(6)
Trade payables	**-**	(9)
Current financial liabilities, excluding trade payables and bank overdraft	**-**	(13)
Non-current financial liabilities	**-**	(7)
Non-current liabilities	**-**	(7)
Equity	**-**	54
50% proportion of the group's ownership:		
Carrying amount of the investment	**-**	27
The revenue and profit of Grainovation are as follows: *		
Revenue	**153**	357
Cost of sales	**(134)**	(322)
Other income	**7**	-
Operating expenses, excluding depreciation	**(7)**	(9)
Depreciation	**(7)**	(11)
Finance costs	**(1)**	(2)
Profit before tax	**11**	13
Tax	**-**	-
Profit after tax	**11**	13
Group's share of profit for the year	**-**	6
50% of profit for the year **	**6**	7
Prior year adjustments	**(6)**	(1)
Summarised cash flows of Grainovation are as follows:		
Generated from operating activities	**19**	10
Used in investing activities	**(21)**	(7)
Generated from/(used in) financing activities	**19**	(9)
Net increase/(decrease) in cash flows	**17**	(6)

* Financial results relates to the six-month period ended 31 October 2019.

** The profit for the year includes a gain of R2 million that was recognised as a result of remeasuring to fair value the equity interest in Grainovation held before the business combination.

8.1.3 Bastion Lime (Pty) Ltd (Group)

The group has a 50% interest in Bastion Lime (Pty) Ltd Group ("Bastion") (previously known as Grasland Ondernemings (Pty) Ltd). 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's financial year-end. The registered office of the company is the same as Senwes' registered office.

The following is the summarised financial information of Bastion:

	2020 R'm	2019 R'm
Statement of financial position of Bastion:		
Non-current assets	**42**	42
Current assets, excluding cash and cash equivalents	**9**	9
Cash and cash equivalents	**23**	10
Trade payables	**(14)**	(5)
Current financial liabilities, excluding trade payables	**(4)**	(3)
Provisions	**(4)**	(1)
Non-current financial liabilities	**(14)**	(21)
Equity	**38**	31
50% proportion of the group's ownership:		
Reconciliation of carrying amount to 50% of net asset value:		
Carrying amount of the investment	**17**	13
Increase in Senwes' shareholding during June 2010, paid to previous shareholder	**(1)**	(1)
Group adjustment - provision made in respect of research costs	**3**	3
50% of net asset value	**19**	15
The revenue and profit of Bastion are as follows:		
Revenue	**66**	44
Cost of sales	**(26)**	(23)
Other income	**4**	3
Operating expenses, excluding depreciation	**(25)**	(12)
Depreciation	**(7)**	(6)
Finance costs	**(1)**	(2)
Profit before tax	**11**	4
Tax	**(3)**	(1)
Profit after tax	**8**	3
Attributable to owners of the parent	**7**	3
Attributable to non-controlling interest	**1**	-
Reconciliation of group's share of profit/(loss) for the year:		
Group's share of profit/(loss) for the year	**4**	(1)
50% of profit for the year	**4**	1
Prior year adjustments	**-**	(2)
Summarised cash flows of Grasland are as follows:		
Generated from operating activities	**26**	7
Used in investing activities	**(5)**	(2)
Used in financing activities	**(8)**	(4)
Net increase in cash flows	**13**	1

8.1.4 Hinterland Holdings (Pty) Ltd (Group)

The group has a 50% interest in Hinterland Holdings (Pty) Ltd ("Hinterland"). The core business activity of Hinterland is the sale of farming input products and direct delivery transactions such as fuel, fertiliser, seed, etc. and wholesale business. 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 Hinterland:

	2020 R'm	2019 R'm
Statement of financial position of Hinterland:		
Non-current assets	**730**	704
Current assets, excluding cash and cash equivalents	**705**	760
Cash and cash equivalents	**34**	26
Trade payables	**(355)**	(319)
Provisions	**(3)**	(4)
Other current financial liabilities	**(537)**	(551)
Non-current liabilities	**(136)**	(102)
Non-controlling interest	**(2)**	(2)
Equity	**436**	512
50% proportion of the group's ownership:		
Total carrying amount of the investment	**72**	98
Carrying amount of Hinterland Group	**72**	98
Carrying amount of loan to Hinterland SA (Wholesale), classified as an investment *	**26**	26
Impairment of Hinterland SA (Wholesale) investment	**(26)**	(26)

* During 2016 Senwes Ltd, AFGRI Operations (Pty) Ltd and LRB extended a loan of R130,0 million to Hinterland SA. 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 are interest-free, but payable on demand. Refer to note 7.1.2.

	2020 R'm	2019 R'm
Reconciliation to carrying amount:		
50% of net asset value	**218**	256
Elimination of unrealised profit on non-monetary assets contributed to joint venture	**(112)**	(112)
Carrying amount before other adjustments at group level	**106**	144
Accumulated loss adjustment at group level:		
Day 1 adjustment made group intangibles and goodwill	**(2)**	(2)
Impairment provision Hinterland SA investment	**(26)**	(26)
Additional impairment provision	**(6)**	(18)
Carrying amount of the investment	**72**	98

The impairment provision is calculated based on the unrecoverable amount (Senwes' exposure less recoverable amount of Hinterland SA's assets).

8.1.4 Hinterland Holdings (Pty) Ltd (Group) (Continued)

	2020 R'm	2019 R'm
The revenue and loss of Hinterland Group are as follows:		
Revenue	**2 435**	3 054
Cost of sales	**(1 934)**	(2 514)
Operating expenses, excluding depreciation and amortisation	**(503)**	(516)
Depreciation and amortisation	**(37)**	(26)
Other income	**17**	18
Investment income	**3**	11
Finance costs	**(44)**	(49)
Loss before tax	**(63)**	(22)
Tax	**(15)**	3
Loss after tax	**(78)**	(19)
Loss attributable to:		
Owners of the parent	**(79)**	(17)
Non-controlling interest	**1**	(2)
Reconciliation of group's share of loss/(profit) for the year		
Group's share of loss for the year	**(38)**	(11)
50% of loss for the year	**(40)**	(9)
Deferred tax asset derecognised	**2**	(2)
Summarised cash flows of Hinterland Group are as follows:		
Generated from/(used in) operating activities	**92**	(24)
Used in investment activities	**(48)**	(38)
(Used in)/generated from financing activities	**(36)**	57
Net increase/(decrease) in cash flows	**8**	(5)

8.1.5 Molemi Sele Management (Pty) Ltd

The group has a 35,7% interest in Molemi Sele Management (Pty) Ltd, ("Molemi Sele"). Molemi Sele 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 customers 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:

	2020 R'm	2019 R'm
Statement of financial position of Molemi Sele:		
Non-current assets	**33**	25
Current assets	**5**	3
Non-current liabilities	**(3)**	(2)
Equity	**35**	26
35,7% proportion of the group's ownership:		
Total carrying amount of the investment	**13**	10
The revenue and profit of Molemi Sele are as follows:		
Dividend income	**7**	6
Interest income	**1**	1
Gains from financial assets at fair value	**3**	-
Profit before tax	**11**	7
Tax	**(1)**	-*
Profit after tax	**10**	7
Group's share of profit for the year	**3**	3

* Less than R0,5 million.

	2020 R'm	2019 R'm
Summarised cash flows of Molemi Sele are as follows:		
Generated from operating activities	**3**	3
Used in investing activities	**(3)**	(3)
Net increase/(decrease) in cash flows	**-**	-

8.1.6 Silocerts (Pty) Ltd

The group has a 50% interest in Silocerts (Pty) Ltd ("Silocerts"). Silocerts 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 Silocerts is in Johannesburg, Gauteng.

The following is the summarised information of Silocerts:

	2020 R'm	2019 R'm
Statement of financial position of Silocerts:		
Current assets, excluding cash and cash equivalents	**- ***	- *
Cash and cash equivalents	**6**	6
Non-current liabilities	**(1)**	(2)
Equity	**5**	4

* Less than R0,5 million.

	2020 R'm	2019 R'm
50% proportion of the group's ownership:		
Carrying amount of the investment	**3**	2

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%.

	2020 R'm	2019 R'm
The revenue and profit of Silocerts are as follows:		
Revenue	**4**	4
Cost of sales	**(1)**	(1)
Operating expenses, excluding depreciation	**(2)**	(2)
Profit before tax	**1**	1
Tax	**-***	-*
Profit after tax	**1**	1
Group's share of profit for the year	**1**	1

* Less than R0,5 million.

	2020 R'm	2019 R'm
Summarised cash flows of Silocerts are as follows:		
Generated from operating activities	**1**	1
Used in investing activities	**-**	(1)
Used in financing activities	**(1)**	-
Net increase/(decrease) in cash flows	**-**	-

8.2 ASSOCIATE

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

	GROUP	
	2020 R'm	2019 R'm
RealFin Collective Investment Scheme	**31**	28

A hedge fund was established on a 50%:50% basis with Absa Bank. 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 Bank is responsible for the CAT IIA licence and also provides access to potential investors. Senwes is responsible for research and trading advice as well as generating returns on the investment. Both parties are responsible for governance and risk management. The fund's principal place of business is South Africa. The fund name changed from Nautilus Hedge Fund to RealFin Collective Investment Scheme ("RealFin") during the current financial year.

The following is the summarised information of Realfin:

Statement of financial position of RealFin:		
Cash and cash equivalents	**61**	57
50% proportion of the group's interest		
Carrying amount of the investment	**31**	28
The revenue and profit of RealFin:		
Revenue	**5**	5
Operating expenses	**(1)**	(2)
Total profit from associate	**4**	3
Group's share of profit from associate *	**3**	2

* Includes R0,5 million relating to prior year adjustments.

Initial investment in RealFin	**25**	25
Share of accumulated profit	**6**	3
Carrying amount of the investment	**31**	28

Notwithstanding the fact that Senwes does not hold any voting rights in the AAM RCIS Commodity QI Hedge Fund portfolio of RealFin, 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.

9. LOANS AND OTHER RECEIVABLES

Represent debtors for financing of mortgage loans (note 9.1) granted over varying terms of up to 120-months. The underlying asset serves as security for the loans/agreements. Interest rates are market-related and can be variable or fixed, depending on the specific agreement.

	NOTES	GROUP 2020 R'm	 2019 R'm
Gross investment in mortgage loans		**2 167**	2 321
Less: Unearned finance income		**(530)**	(731)
Carrying amount		**1 637**	1 590
Less: Current portion	11	**(398)**	(374)
Total loans and other receivables before allowance for expected credit losses		**1 239**	1 216
Allowance for expected credit losses	9.1.4	**(13)**	(12)
Total loans and other receivables	9.1	**1 226**	1 204

9.1 MORTGAGE LOANS

	NOTES	GROUP 2020 R'm	 2019 R'm
Within one year		**398**	374
After one year but not more than five years		**882**	761
More than five years		**357**	455
Carrying amount		**1 637**	1 590
Less: Current portion		**(398)**	(374)
Total mortgage loans before allowance for expected credit losses		**1 239**	1 216
Allowance for expected credit losses	9.1.4	**(13)**	(12)
Total		**1 226**	1 204

9.1.1 Terms and conditions

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

9.1.2 Allowance for impairment

The calculation method for the allowance for impairment of the loans receivable must be read in conjunction with note 11. Refer to note 11.5 since the allowance for impairments forms part of the portfolio impairment allowance.

9.1.3 Fair value

As indicated in note 9.1.2, the method of impairment allowance is disclosed in note 11 and the long-term loans receivable need te be read in conjunction with note 11. The amortised cost of the long-term loans are reflected in note 9.1, 2020: R1,2 billion (2019: R1,2 billion), and approximates the fair value of these loans.

9.1.4 Expected credit losses

	GROUP							
	2020				2019			
	R'm Stage 1	R'm Stage 2	R'm Stage 3	R'm Total	R'm Stage 1	R'm Stage 2	R'm Stage 3	R'm Total
Gross other loans receivable	**513**	**1 074**	**50**	**1 637**	564	1 004	22	1 590
Allowance for expected credit losses	**-**	**(1)**	**(12)**	**(13)**	-	(9)	(3)	(12)
Net mortgage loans	**513**	**1 073**	**38**	**1 624**	564	995	19	1 578
Movements in stages during the year:								
Stage 1 to Stage 2	**(166)**	**166**	**-**	**-**	(157)	157	-	-
Stage 1 to Stage 3	**-**	**-**	**-**	**-**	(1)	-	1	-
Stage 2 to Stage 1	**129**	**(129)**	**-**	**-**	67	(67)	-	-
Stage 2 to Stage 3	**-**	**(28)**	**28**	**-**	-	(7)	7	-
Total Movements	**(37)**	**9**	**28**	**-**	(91)	83	8	-

Refer to note 24.1.2 Credit risk, for details regarding classification of accounts into stages and events leading to transfers between stages.

10. INVENTORY

		GROUP	
	NOTES	2020 R'm	2019 R'm
Merchandise and processed goods	10.1, 10.2	**552**	432
Consumables		**29**	22
Grain commodities	10.3, 10.4	**62**	155
Other commodities	10.6	**239**	-
Balance at the end of the year	10.5	**882**	609

10.1 Included in merchandise is floor plan inventory of R137 million (2019: R56 million), which serves as security in terms of an agreement with the relevant supplier of farming equipment.

10.2 The merchandise inventory of R552 million (2019: R432 million) includes adjustments to net realisable value and provisions for obsolete stock to the value of R65 million (2019: R73 million).

10.3 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.

10.4 Grain inventory has been pledged as security for loans granted by financiers to the value of R45 million (2019: R135 million). A portion of KLK Landbou Ltd's inventory balance has been pledged as security for bonds and finance granted by financiers, to the value of R150 million.

10.5 Inventory is valued as follows:

	GROUP		
	2020 R'm	2019 R'm	VALUATION METHOD
Merchandise and consumables	**505**	120	Weighted average cost price
Mechanisation whole goods	**315**	334	Purchase price
Grain commodities	**62**	155	Contract price and thereafter at fair value
Balance at the end of the year	**882**	609	

10.6 Other commodities consist of raisin and fuel inventory, which arose from the KLK Landbou Ltd business combination (refer to note 6.2).

11. TRADE AND OTHER RECEIVABLES

	NOTES	GROUP 2020 R'm	GROUP 2019 R'm
Trade receivables		**2 739**	2 332
Production accounts	11.1	**2 404**	2 120
Current accounts	11.2	**335**	212
Current portion of loans and other receivables	9.1	**398**	374
Grain debtors	11.3	**183**	166
Sundry receivables	11.4	**519**	106
Less: Allowance for expected credit losses	11.5	**(104)**	(97)
Balance at the end of the year		**3 735**	2 881

11.1 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 August

11.2 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 according to various transactions and products, thereafter classified as arrears.

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

11.3 Grain debtors represent agricultural produce sold to third parties, storage and handling income. An allowance for impairment of R2,8 million (2019: R1,9 million) is included in the group balances. No agency grain debtors were encumbered at year-end (2019: 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.

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

11.5 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.

The basis for impairment of a financial asset is dependent on whether the credit risk of the financial asset has increased significantly since initial recognition. Indicators of a significant increase in the credit risk since initial recognition 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.
- A debtors' credit risk is treated as having significantly increased when default in payment occurs and is reflected in arrears.

11.5 Continued

The client is automatically in default if:

- The client fails to effect any payment on the Payment Day.
- The client fails to fulfil any other obligation in terms of the Agreement properly and timeously.
- The client alienates or encumbers any assets over which a notarial bond is registered in favour of Senwes, or any other securities in favour of Senwes.
- The client passes away.
- The client applies the production credit for a purpose other than for which it was granted.
- The controlling equity in the client (where the client is a juristic person) or the majority of trustees of a trust change without the prior approval of Senwes.
- Any judgement against the client is not satisfied within 7 days or is not set aside within a reasonable time.
- The client commits any act of insolvency.
- The client is placed under provisional sequestration, liquidation or business rescue, or if any application therefor is delivered and the applicant's claim is not fully settled within seven days after issue thereof.

For trade and other receivables, other than mortgage loans, as stated in note 9, the simplified approach in accordance with IFRS 9 Financial instruments is applied.

Impairment is determined on the following basis for the below trade receivables:

Production accounts

Payment period of these accounts is 12 months. No lifetime expected credit losses are necessary.
Impairment losses recognised reflect the expected losses over the lifetime of the instrument.

Deferred payment arrangements

Payment period varies but must be settled within 12 months. No lifetime expected credit losses are necessary.
Impairment losses recognised reflect the expected losses over the lifetime of the instrument.

Term loans

Represent debtors for financing of mortgage loans granted over varying terms of up to 120 months.

An allowance for impairment is made on the total net exposure over the lifetime of the loan in respect of term loans that are assessed for impairment individually or term loans owing by legal clients.

In addition, interest income recognition reflects the impairment in respect of debts owing by legal clients whose debts are viewed as credit-impaired financial assets.

The impairment allowance in respect of term loans falling within the portfolio impairment reflect the lifetime expected credit losses.

The amount of the respective allowance for impairment losses is determined using the following formula:

Production credit and deferred payment arrangements:
Impairment = Total book x consolidation default % x Loss Given Default (LGD).

Term loans:
Impairment = Total book x probability of Default (PD = Arrears, consolidation default % + Loss default % + Future loss default %) x Loss given default (LGD).

The relevant inputs for the respective categories of instruments are:

Individual impairment assessment and specifically impaired (legal clients): The inputs determined for each debtor reflect 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 includes 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): – The group impairment % is calculated as follows: Impairment = PD (arrears default % + drought loss default % + Long-term drought/ loss default %) x LGD. The factors that influence management's estimates and judgement for losses expected in the 12-month period 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;
- The quality and expected realisation of securities held for customers;
- Number of droughts expected in the next 10 years.

LGD was adjusted by adding 13% of the pre-season contracts value to securities.

11.5 Continued

There were write-offs of R2 million for trade and other receivables during the year (2019: no material write-offs). These amounts were written off subject to enforcement activity.

The impairment allowance on trade and other receivables is R104 million (2019: R97 million), the details of which are as follows:

	GROUP	
	2020 R'm	2019 R'm
Specific impairment	**(19)**	(9)
Balance at the beginning of the year	**(9)**	(11)
Increase in allowance during the year	**(9)**	(1)
Transfer between portfolio and specific impairment	**(1)**	3
Portfolio impairment	**(85)**	(88)
Balance at the beginning of the year	**(88)**	(83)
Transfer between portfolio and specific impairment	**1**	(3)
Decrease/(increase) in allowance during the year	**2**	(2)
Total allowance for impairment	**(104)**	(97)

11.6 Trade and other receivables can be summarised as follows:

	GROUP					
	2020			**2019**		
	CURRENT R'm	**DEBT IN ARREARS R'm**	**TOTAL R'm**	**CURRENT R'm**	**DEBT IN ARREARS R'm**	**TOTAL R'm**
Trade receivables	**2 659**	**80**	**2 739**	2 269	63	2 332
Production accounts	**2 358**	**46**	**2 404**	2 080	40	2 120
Current accounts	**301**	**34**	**335**	189	23	212
Current portion of loans and other receivables	**330**	**68**	**398**	268	106	374
Grain debtors	**183**	**-**	**183**	166	-	166
Sundry receivables	**519**	**-**	**519**	106	-	106
Less: allowance for impairment	**(32)**	**(72)**	**(104)**	(44)	(53)	(97)
Total trade and other receivables	**3 659**	**76**	**3 735**	2 765	116	2 881

11.6.1 Current receivables are accounts within current credit terms.

11.6.2 Debt in arrears are accounts outside current credit terms.

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

11.7 As security for Senwes' short-term facilities with Absa Bank (including the facility towards Tradevantage), all rights and interests in producer debtors and their underlying securities have been ceded and pledged to Absa Bank. The value of security ceded amounts to R3,7 billion (2019: R2,1 billion) as at year-end.

11.8 The carrying value read with the portfolio allowance, approximates the fair value of trade and other receivables.

12. INVENTORY HELD TO SATISFY FIRM SALES

	GROUP	
	2020 R'm	2019 R'm
Inventory held to satisfy firm sales	**105**	234

Inventory held to satisfy firm sales represents inventory purchased to satisfy firm sales to the off-taker in respect of agricultural produce, which is 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 linked to the Safex price.

13. DISCONTINUED OPERATIONS

13.1 DISCONTINUED OPERATIONS: 2020

There were no discontinued operations during this year.

13.2 DISCONTINUED OPERATIONS: 2019

There were no discontinued operations during 2019.

14. ISSUED CAPITAL

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Authorised:				
160 542 874 (2020 and 2019) ordinary shares of no par value				
Issued:				
116 091 853 (2019: 114 609 307) ordinary shares of no par value *	**13**	5	**13**	5

* 1 482 546 shares were issued during the year as part of the KLK acquisition, refer to note 6.2. (2019: 916 992 shares have been issued during the current financial period under review as a result of the script dividend offered to shareholders during the prior financial period ending 30 April 2018.)

15. RESERVES

15.1 SHARE PREMIUM

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Balance at the beginning of the year	**498**	498	**498**	498
Balance at the end of the year	**498**	498	**498**	498

15.2 OTHER RESERVES

15.2.1 Fair value adjustments

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Balance at the beginning of the year	**(29)**	(29)	**386**	386
Recycling of fair value adjustments *	**29**	-	**-**	-
Fair value adjustment	**-**	-	**(2)**	-
Balance at the end of the year	**-**	(29)	**384**	386

* The reserves being recycled relate to the fair value adjustment from the conversion of the investment in Senwes Ltd from an investment in an associate to an investment in a subsidiary.

15.2.2 Change in ownership and other reserves

	GROUP	
	2020 R'm	2019 R'm
Opening balance	**51**	55
Purchase of interest from non-controlling shareholders	**6**	6
Movement in other reserves	**(55)**	(11)
Share of other comprehensive income	**(1)**	1
Balance at the end of the year	**1**	51

The reserve relates to fair value adjustments in respect of Molemi Sele Management (Pty) Ltd. During the year the investment in Suidwes Holdings Ltd were impaired to Rnil.

Change in ownership resulting from transactions at Senwesbel Group level:

During the year Senwesbel Ltd did not repurchase any of its own shares (2019: Nil).

During the year Senwesbel Ltd sold 666 231 of its shares in Senwes Ltd (2019: Nil). The cash flows relating to these transactions amounted to R9 million.

During the year Senwesbel Ltd purchased 1 111 908 shares in Senwes Ltd (2019: 638 414). This was a non-cash flow transaction.

Change in ownership resulting from transactions at Senwes Group level:

During the 2014 financial year Hinterland SA (Pty) Ltd ("Hinterland SA"), a subsidiary of Hinterland Holdings (Pty) Ltd ("Hinterland"), issued shares to LRB, which obtained a 25% shareholding in Hinterland SA. Hinterland owns 100% (2018: 75%) of Hinterland SA 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).

During the 2019 financial year, LRB sold its 25% shareholding in Hinterland SA, previously known as Prodist, to Hinterland. This resulted in Hinterland holding a 100% interest in Hinterland SA. This change occurred on 13 August 2018.

Net treasury shares sold/(purchased) includes a non-cash flow component of R34 million (3 066 207 shares) relating to disposal of shares by Senwes Capital (Pty) Ltd to Senwes Ltd. (2019: No non-cash flow component).

15.2.3 Share-based payment reserve

	GROUP	
	2020 R'm	2019 R'm
Balance at the beginning of the year	**23**	30
Increase/(decrease) in reserve for the year	**16**	(7)
Balance at the end of the year	**39**	23

16. EMPLOYEE BENEFITS

16.1 INCENTIVE BONUSES

	GROUP	
	2020 R'm	2019 R'm
Balance at the beginning of the year	**26**	47
Increase in provision during the year	**24**	26
(Over)/under-provision previous year	**(1)**	2
Utilised during the year	**(25)**	(49)
Balance at the end of the year	**24**	26

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.

16.1.1 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.

16.2 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 is a forfeitable share award scheme, where shares are 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 group expense recognised for the year amounts to R17 million (2019: R9 million). The accumulated equity-settled reserve amounts to R47 million (2019: R54 million). Refer to the tabel below for more details.

	GROUP	
	2020 R'm	2019 R'm
Opening balance	**54**	53
Vested during the year	**(24)**	(8)
Expense recognised	**17**	9
Initial shares granted	**5**	7
Increase in shares granted/new participants	**13**	7
Over-provision due to change in vesting conditions	**-**	(5)
Forfeited during the year	**(1)**	-
Equity-settled share-based payment expense	**47**	54

TRANCHE	NUMBER OF SHARES PER TRANCHE GRANTED	FAIR VALUE PRICE PER SHARE ON GRANT DATE (R)	VESTING DATE
1	-	-	30 June 2017
2	-	-	30 June 2018
3	-	-	30 June 2019
4	1 824 035	9,06	30 June 2020
5	1 796 718	8,53	30 June 2021
6	1 973 379	8,05	30 June 2022
7	1 973 379	11,05	30 June 2023
Total	**7 567 511**		

The first three tranches vested on 30 June 2017, 2018 and 2019. The performance conditions were not fully met and therefore only 30%, 51% and 90% of these shares vested for employees still in service on date of vesting.

The next vesting will take place on 30 June 2020, subject to performance and other conditions being met.

17. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Trade payables	**613**	390	**-**	1
Members' fund	**12**	13	**-**	-
Audit fees	**1**	-	**-**	-
PAYE	**8**	5	**-**	-
Other amounts payable	**126**	106	**-**	-
Leave and thirteenth cheque accrual	**33**	24	**-**	-
Total trade and other payables	**793**	538	**-**	1

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.

18. INCOME TAX

18.1 TAX EXPENSE

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
SA normal tax – current year	**(142)**	(71)	**-**	-
Increase/(decrease) in deferred tax asset	**33**	(41)	**(1)**	-
Previous year's adjustment	**(1)**	(3)	**-**	-
Total tax expense	**(110)**	(115)	**(1)**	-

18.2 DEFERRED TAX (LIABILITY)/ASSET

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
The main temporary differences:				
Property, plant and equipment	**(319)**	(252)	**-**	-
Inventory provisions	**6**	4	**-**	-
Trade and other receivables	**23**	22	**-**	-
Other provisions	**34**	18	**-**	-
AgriRewards	**(33)**	(71)	**-**	-
Share incentive	**(1)**	(2)	**-**	-
Right-of-use asset and lease liability adjustment [3]	**-**	-	**-**	-
Operational losses carried forward [1]	**17**	12	**-**	-
CGT losses carried forward	**13**	12	**2**	-
Investment in joint ventures [2]	**(29)**	(29)	**-**	-
Deferred taxation on the valuation of financial assets	**-**	-	**(111)**	(108)
Deferred tax (liability)/asset	**(289)**	(286)	**(109)**	(108)

[1] The operational losses carried forward relate mainly to Tradevantage's assessed losses. The deferred tax asset will be recognised in full due to probability of the asset being utilised through future profits. No time limit on utilisations exist for recognition. Tradevantage realised a loss during the year under review. However, the forecast and budget of Tradevantage reflect a profit for the foreseeable future. The situation will be monitored and if profits do not realise as expected in the following years, the asset will be reconsidered.

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

[3] Amounts are less than R0,5 million.

The deferred tax asset and liability are disclosed in the statement of financial position as follows:

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Deferred tax asset	**30**	24	**2**	-
at normal tax rate	**17**	12	**-**	-
at capital gains tax rate	**13**	12	**2**	-
Deferred tax liability	**(319)**	(310)	**(111)**	(108)
at normal tax rate	**(204)**	(261)	**-**	-
at capital gains tax rate	**(115)**	(49)	**(111)**	(108)
Deferred tax (liability)/asset	**(289)**	(286)	**(109)**	(108)

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Reconciliation of deferred tax balance:				
Balance at the beginning of the year	**(286)**	(221)	**(108)**	(108)
Temporary differences - movements during the year	**33**	(41)	**(1)**	-
Previous year adjustment to deferred tax	**(24)**	(24)	**-**	-
Current year subsidiary acquisitions *	**(36)**	-	**-**	-
Balance at the end of the year	**(313)**	(286)	**(109)**	(108)

* This relates to the acquisition of KLK Landbou, Grainovation and Falcon during the current year, refer to note 6.2.

18.3 RECONCILIATION OF THE TAX RATE

	GROUP		COMPANY	
	2020 %	2019 %	**2020 %**	2019 %
Standard tax rate	**28,0**	28,0	**28,0**	28,0
Adjusted for:				
Non-taxable income (dividends, accounting profits, impairment reversals)	**(4,0)**	(0,6)	**(31,4)**	(31,5)
Other incentive allowances	**(0,3)**	(0,3)	**-**	-
Non-deductible expenses (capital expenditure, donations, JV profits or losses)	**1,2**	0,8	**3,7**	3,6
Other	**(0,8)**	0,3	**(0,3)**	(0,1)
Prior year adjustment	**0,4**	0,6	**-**	-
Effective tax rate	**24,5**	28,8	**-**	-

19. PROVISIONS

		GROUP	
	NOTES	GRAIN RISK R'm	TOTAL R'm
Balance as at 30 April 2018		6	6
Increase in provision during the year		9	9
Balance as at 30 April 2019		**15**	**15**
Increase in provision during the year		**2**	**2**
Balance as at 30 April 2020	19.1	**17**	**17**

19.1 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.

20. DERIVATIVE FINANCIAL INSTRUMENTS

		GROUP	
	NOTES	**2020 R'm**	2019 R'm
20.1 CURRENT ASSETS		**86**	52
Forward purchase contracts	24.1.1.2; 24.5	**53**	52
Safex futures	24.1.1.2; 24.5	**33**	-
20.2 CURRENT LIABILITIES		**72**	30
Forward purchase contracts	24.1.1.2; 24.5	**69**	28
Foreign exchange contracts	24.1.1.3; 24.5	**3**	-
Safex futures	24.1.1.2; 24.5	**-**	2

Fair value gains and losses recognised in profit and loss with regards to derivative financial instruments amounted to a profit of R62 million (2019: a loss of R22 million).

21. CAPITAL OBLIGATIONS AND CONTINGENT LIABILITIES

21.1 CONTINGENT LIABILITIES

Senwes guarantees an amount of R100 million (2019: R200 million) relating to the overdraft facility of Hinterland Holdings (Pty) Ltd.

(2019: On 24 August 2018 the Competition Commission (CC) served an application on Senwes and Tradevantage to refer the alleged contravention of the order to the Tribunal with a request of an administrative penalty. The matter has subsequently been settled between the CC and Senwes. The settlement agreement consent hearing took place on 6 November 2019. Confirmation of the settlement agreement was granted. No penalties were levied and there were no financial implications for the group.)

21.2 COMMITMENTS IN RESPECT OF CAPITAL PROJECTS

	GROUP	
	2020 R'm	2019 R'm
Already contracted	**23**	49
Authorised by the board but not yet contracted	**59**	137
Total future capital projects	**82**	186

21.3 OPERATING LEASES – MINIMUM LEASE PAYMENTS

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

	GROUP	
	2020 R'm	2019 R'm
Within one year	**-**	5
More than one year and within five years	**-**	5
Operating lease obligations	**-**	10

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

All material contracts relating to buildings are renewable annually, and escalations are linked to CPI-rates.

The group does not have lease contracts that have not yet commenced as at 30 April 2020.

The disclosure above relates to IAS 17, Leases, the lease standard applied in the prior year. For the current year's IFRS 16 lease disclosure, refer to note 4.

22. NOTES TO THE STATEMENTS OF COMPREHENSIVE INCOME

22.1 DISTRIBUTION, SALES AND ADMINISTRATIVE EXPENSES AND DISCLOSABLE ITEMS

	NOTES	GROUP 2020 R'm	GROUP 2019 ** R'm
Profit from operations is stated after the following:			
Employee costs (including directors' costs)	22.4, 26.4	**(602)**	(466)
(Increase)/decrease in allowance for expected credit loss on revenue from contracts with customers	11.5	**(3)**	1
Increase in allowance for expected credit loss on other revenue	9, 11.5	**(5)**	(15)
Bad debt written off		**(2)**	(15)
Water and electricity		**(96)**	(69)
Depreciation	2, 4	**(95)**	(55)
Maintenance costs		**(78)**	(58)
Operating lease expense		**(10)**	(12)
Property		**(5)**	(7)
Plant and equipment		**(5)**	(5)
Foreign exchange profit		**4**	2
Profit on disposal of property, plant and equipment		**2**	2
Increase in provision for grain risk	19	**(2)**	(9)
Impairment of investment net of release of credit guarantee *	8.1.4; 7.1	**12**	-
Merchandise inventory provision part of cost of sales	10.2	**10**	16
Cost of sales and finance income recognised as an expense		**(3 037)**	(1 373)

* The investment in Hinterland Group and direct loans to Hinterland SA are assessed annually for impairment. A partial reversal of the impairment at Senwes' group level was required. Accordingly an impairment reversal of R12 million was recognised.
The impairment was calculated, based on the unrecoverable amount (Senwes' exposure less recoverable amount of Hinterland SA's assets).

** Change in presentation of finance costs and cost of sales. Refer to note 35.

At company level distribution, sales and administrative expenses mainly consist of management fees, listing related costs and directors' remuneration.

22.2 FINANCE COSTS

	GROUP 2020 R'm	GROUP 2019 ** R'm	COMPANY 2020 R'm	COMPANY 2019 R'm
Loans from commercial banks	**(50)**	(50)	**(2)**	(2)
Commodity finance	**(26)**	(19)	**-**	-
AgriRewards ***	**(2)**	(4)	**-**	-
Other *	**(14)**	(9)	**-**	-
Total finance costs paid	**(92)**	(82)	**(2)**	(2)

* Other interest mainly includes interest paid on loans payable to joint ventures.
** Change in presentation of finance costs and cost of sales. Refer to note 35.
*** The AgriRewards allocation is set off against the applicable revenue stream in terms of IFRS. The interest is non-cash flow in nature.

22.3 FINANCE INCOME

	GROUP	
	2020 R'm	2019 R'm
Loans and other receivables	**177**	161
Trade receivables	**206**	180
Other loans to related parties	**23**	34
AgriRewards allocation*	**(1)**	(1)
Total finance income	**405**	374
Finance income (KLK Landbou Ltd)	**4**	-
Total finance income other than revenue	**4**	-
Total finance income	**409**	374

* The AgriRewards allocation is set off against the applicable revenue stream in terms of IFRS.

22.4 EMPLOYEE COSTS (EXCLUDING DIRECTORS' COSTS)

	NOTES	GROUP	
		2020 R'm	2019 R'm
Total remuneration		**533**	408
Remuneration and benefits		**503**	378
Short-term incentive bonus		**19**	25
Equity settled share-based bonus *	16.2	**11**	5
Pension costs – defined contribution plan		**32**	30
Total employee costs		**565**	438

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

	NUMBER	NUMBER
Permanent employees	**2 777**	1 520
Temporary employees	**650**	104
Employees at the end of the year *	**3 427**	1 624

* Includes only employees of the group's subsidiaries.

23. DIVIDEND INCOME

	GROUP		COMPANY	
	2020 R'm	2019 R'm	2020 R'm	2019 R'm
Dividends received	**-**	-	**58**	54

24. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The group's overall risk management programme focuses on the unpredictability of financial markets, especially commodity derivative 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.

24.1 FINANCIAL RISKS

24.1.1 Market risks

24.1.1.1 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 2020 was not material.

The following line items on the statement of financial position are affected by commodity price risk:

		GROUP	
	NOTES	**2020 R'm**	2019 R'm
Grain commodities	10	**62**	155
Other commodities (raisins and fuel) *	10	**239**	-
Derivative financial instruments (assets)	20.1	**86**	52
Trade and other receivables/(payables)	11, 17	**- ****	5
Derivative financial instruments (liabilities)	20.2	**(72)**	(30)
Total		**315**	182

* KLK Landbou Limited ("KLK"), a subsidiary of the group, is primarily exposed to price risk of changes in other commodities (raisins), livestock and fuel prices. KLK does not anticipate a sharp drop in trade, livestock and fuel prices in the near future. No cover has been put in place for the risk. KLK reviews its trading, livestock and fuel prices on a regular basis for purpose of effective financial management.

** Amount is below R0,5 million.

The potential impact of changes in Safex prices is illustrated below:

	GROUP	
	2020 R'm	2019 R'm
Increase of R400 in Safex prices	**(5)**	4
Increase of R250 in Safex prices	**(3)**	(2)
Increase of R100 in Safex prices	**(1)**	(8)
Decrease of R100 in Safex prices	**3**	(16)
Decrease of R250 in Safex prices	**6**	(23)
Decrease of R400 in Safex prices	**9**	(30)

24.1.1.2 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 by means of 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.

24.1.1.3 Foreign exchange risk

The group has 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.

At year end the group had the following assets, liabilities and forward exchange contracts denominated in foreign currency in the following amounts:

	GROUP	
	2020 R'm	2019 R'm
Foreign currency in US dollars	**6**	-
Trade receivables denominated in US dollars	**31**	-
Forward exchange contracts denominated in US dollars	**92**	-
Trade and other payables denominated in euros	**(14)**	-
Total	**115**	-

Foreign exchange sensitivity analysis

An assessment of the group's sensitivity to the exchange rate shows that should the rand strengthen by 10%, the group's profit before tax would increase by R3 million. A 10% weakening of the rand versus the US dollar would result in a loss of the same amount.

The fair value adjustment on foreign exchange contracts is recognised through profit and loss.

24.1.1.4 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		
		2020		
Interest rate risk	NOTES	ASSETS R'm	NON-INTEREST-EARNING ASSETS R'm	INTEREST-EARNING ASSETS R'm
Property, plant and equipment	2	**2 013**	**2 013**	**-**
Investment properties	3	**1**	**1**	**-**
Right-of-use assets	4	**37**	**37**	**-**
Goodwill and intangible assets	5	**41**	**41**	**-**
Investment in joint ventures	8.1	**185**	**185**	**-**
Investment in associate	8.2	**31**	**31**	**-**
Other non-current assets	7.1.1, 7.1.2,18.2	**542**	**542**	**-**
Inventory	10	**882**	**882**	**-**
Trade and other receivables (current)	11	**3 735**	**-**	**3 735**
Loans and other receivables (non-current)	9	**1 226**	**-**	**1 226**
Inventory held to satisfy firm sales	12	**105**	**105**	**-**
Cash and short-term deposits	7.1.3	**174**	**-**	**174**
Other current assets	7.1.2, 20.1	**93**	**1**	**92**
Total		**9 065**	**3 838**	**5 227**
Interest-bearing liabilities	7.2			**(4 367)**
Net exposure to interest rate risk (limited to Rnil)				**-**

		GROUP		
		2019		
Interest rate risk	NOTES	ASSETS R'm	NON-INTEREST-EARNING ASSETS R'm	INTEREST-EARNING ASSETS R'm
Property, plant and equipment	2	1 438	1 438	-
Goodwill	5	9	9	-
Investment in joint ventures	8.1	227	227	-
Investment in associate	8.2	28	28	-
Other non-current assets	7.1.1, 7.1.2, 18.2	35	35	-
Inventory	10	609	609	-
Trade and other receivables (current)	11	2 881	-	2 881
Loans and other receivables (non-current)	9	1 204	-	1 204
Inventory held to satisfy firm sales	12	234	234	-
Cash and short-term deposits	7.1.3	31	-	31
Other current assets	7.1.2, 20.1, 29	87	2	85
Total		6 783	2 582	4 201
Interest-bearing liabilities	7.2			(2 914)
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			
	2020		2019	
	INCREASE/ (DECREASE) %	(INCREASE)/ DECREASE IN INTEREST EXPENSES BEFORE TAX R'm	INCREASE/ (DECREASE) %	(INCREASE)/ DECREASE IN INTEREST EXPENSES BEFORE TAX R'm
Commodity finance	**2%**	**(0,8)**	2%	(2,4)
	1%	**(0,4)**	1%	(1,2)
	(1)%	**0,4**	(1)%	1,2
	(2)%	**0,8**	(2)%	2,4
Short-term rate	**2%**	**(71,1)**	2%	(34,9)
	1%	**(35,6)**	1%	(17,5)
	(1)%	**35,6**	(1)%	17,5
	(2)%	**71,1**	(2)%	34,9
Long-term rate	**2%**	**(13,4)**	2%	(20,0)
	1%	**(6,7)**	1%	(10,0)
	(1)%	**6,7**	(1)%	10,0
	(2)%	**13,4**	(2)%	20,0

24.1.2 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 is calculated as follows:

Gross carry amount - Securities held = Gross exposure

Gross exposure - Securities held = Net exposure to credit risk after net asset value gross exposure - Partial net asset value = Net exposure to credit risk after net asset value.

1. "Gross carry amount" is calculated by decreasing the total producer debtor balance by the security value held or ceded to Senwes as well as the appropriate allowance for expected credit losses.

   "Gross exposure" is calculated by decreasing the total gross carry amount by the securities held.

   "Net exposure" is calculated by decreasing the total gross exposure amount by the partial allocation of net asset value.

   "Security" may, without limiting the generality thereof, amongst others, assume the form of a special hypothec, a special notarial bond, right of retention, a lessor's hypothec, pledge, cession, surety, option or any other form of security.

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.

   The 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 are discussed in detail below.

   Geography

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

Stratification and arrears

Stratification of the client base to the extent of credit extended	GROUP 2020 EXPOSURE OF BOOK	GROUP 2020 ARREARS	GROUP 2019 EXPOSURE OF BOOK	GROUP 2019 ARREARS
R1 – R500 000	**1,0%**	**32,3%**	1,3%	19,0%
R500 000 – R1 250 000	**1,7%**	**4,5%**	1,9%	6,4%
R1 250 000 – R3 000 000	**7,0%**	**4,3%**	7,1%	2,7%
R3 000 000 – R5 000 000	**13,7%**	**0,9%**	14,9%	3,1%
R5 000 000 – R12 500 000	**23,9%**	**3,2%**	23,0%	2,3%
Above R12 500 000	**52,2%**	**1,1%**	51,3%	4,2%
Legal clients	**0,5%**	**91,5%**	0,5%	88,8%
Total	**100,0%**		100,0%	

The total arrears for 2020 amounted to 2,62% (2019: 4,19%).

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.

Stages of debt

Distribution of debtors by category	GROUP 2020 TRADE DEBTORS %	GROUP 2020 GROSS CARRYING AMOUNT R'm	GROUP 2020 GROSS EXPOSURE AMOUNT R'm	GROUP 2020 NET EXPOSURE TO CREDIT RISK AFTER NET ASSET VALUE R'm
Stage 1	**38%**	**1 632**	**667**	**109**
Stage 2	**60%**	**2 565**	**616**	**46**
Stage 3	**2%**	**67**	**35**	**31**
Total	**100%**	**4 264**	**1 318**	**186**

Distribution of debtors by category	GROUP 2019 TRADE DEBTORS %	GROUP 2019 GROSS CARRYING AMOUNT R'm	GROUP 2019 GROSS EXPOSURE AMOUNT R'm	GROUP 2019 NET EXPOSURE TO CREDIT RISK AFTER NET ASSET VALUE R'm
Stage 1	42%	1 623	563	98
Stage 2	57%	2 241	616	74
Stage 3	1%	36	15	26
Total	100%	3 900	1 194	198

The different categories are defined as follows:

Although not required by IFRS 9 Financial instruments, Senwes categorises trade and other receivables as well, in order to evaluate financing provided in a holistic manner.

Trade and other receivables and Loans (collectively referred to as debtors) with significant financing components are classified into the following categories, in accordance with IFRS 9 Financial instruments, for impairment purposes, taking into account factors mentioned in note 11.5 that reflect changes in credit risk since initial recognition:

Stage 1: the loss allowance measured at an amount equal to 12-month expected credit losses

Debtors where there have not been a significant increase in credit risk since initial recognition:

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 group is then assessed for impairment.

Stage 2: the loss allowance measured at an amount equal to lifetime expected credit losses

Debtors whose credit risk have increased significantly since initial recognition:

Portfolio impairment (non-legal) clients:

A group impairment assessment, debtors are not individually considered, debtors with similar credit risks and characteristics are grouped together. The group is then assessed for impairment. These debtors have not been handed over to the legal department for collection as yet, but there is an indicator of impairment. The two most significant indicators of impairment identified in the current financial year is arrears (non-compliance with debtor terms) and lower yield due to the late planting season. During the year stage 2 trade debtors increased to 60% for 2020, from 57% in 2019 (see note 24.1.2.). Allowances for lifetime expected losses were made specifically for loans.

Stage 3: financial assets that are purchased or originated credit-impaired

Debtors whose credit risk have increased significantly since initial recognition:

Specifically impaired (legal clients): This will typically be the 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.

Counter-party risk

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

24.1.3 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			
	FINANCIAL LIABILITIES 2020			
	TOTAL R'm	DUE WITHIN 1 YEAR R'm	DUE WITHIN 1 - 5 YEARS R'm	DUE AFTER 5 YEARS R'm
Non-current liabilities				
Interest-bearing loans	650	-	650	-
Interest on interest-bearing loans	37	34	3	-
Other financial liabilities	35	-	-	35
JDI loan from Tomlinson Family Trust	2	-	-	2
KLK long-term loans	18	-	18	-
Lease liabilities	30	-	26	4
Total non-current liabilities	772	34	697	41
Current liabilities				
Interest-bearing loans	3 461	3 461	-	-
Interest on interest-bearing loans	122	122	-	-
KLK long-term loans (short-term portion)	6	6	-	-
Lease liabilities	10	10	-	-
Bank overdraft	129	129	-	-
Trade and other payables and contract liabilities	800	800	-	-
Derivative financial instruments, tax payable, incentive bonuses, provisions and other financial liabilities	192	192	-	-
Total current liabilities	4 720	4 720	-	-
Total liabilities, including interest payable	5 492	4 754	697	41

	GROUP			
	FINANCIAL LIABILITIES 2019			
	TOTAL R'm	DUE WITHIN 1 YEAR 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	413	83	330	-
Other financial liabilities	59	-	-	59
JDI loan from Tomlinson Family Trust	2	-	-	2
Total non-current liabilities	1 474	83	1 330	61
Current liabilities				
Interest-bearing loans	1 868	1 868	-	-
Interest on interest-bearing loans	570	129	441	-
Trade and other payables and contract liabilities *	575	565	10	-
Derivative financial instruments, tax payable, incentive bonuses and provisions **	117	117	-	-
Total current liabilities	3 130	2 679	451	-
Total liabilities, including interest payable	4 604	2 762	1 781	61

* R300 million relates to Tradevantage and JD Implemente.

** R4 million relates to Tradevantage, JD Implemente and Senwes Capital.

^ R10 million of trade and other payables is payable on demand. However, it is not reasonably expected to be settled within 12 months.

24.1.4 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 2020 OWN CAPITAL RATIO	GROUP 2019 OWN CAPITAL RATIO
Total assets	**9 065**	6 783
Equity	**3 401**	2 850
Liabilities	**5 664**	3 933
Total equity and liabilities	**9 065**	6 783
Calculated rate (%)	**38%**	42%
Set target band (%)	**35%-45%**	35%-45%

The own capital ratio is the percentage of equity to total assets. The own capital ratio is at a lower 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 2020 R'm	GROUP 2019 * R'm
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**618**	528
Finance costs	**92**	82
Calculated interest cover (times)	**6,7**	6,4
Set target (times)	**>2,5**	>2,5

The interest cover exceeds the minimum set target of 2,5.

* Change in presentation of finance costs and cost of sales. Refer to note 35.

24.2 BUSINESS RISKS

24.2.1 Operational risks

Access to grain

There is a risk of the group 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 the group at various levels. Models were developed and are being managed to reduce the impact of significant downscaled planting, if applicable.
- Drought – Climate change poses significant risks for the group 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 drought.
- Competitive alternative storage structures – Alternative storage structures are addressed by innovative market transactions and by maintaining good relationships with producers. 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. The group 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 cornerstones of good performance is access to, and retention of excellent personnel. South Africa is currently involved in a talent war due to various reasons. Furthermore, the group has a relatively young talent profile which brings about difficulty to retain talent because of mobility. In addition hereto is the fact that the group 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 operations 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.

Also refer to the Risk Report in Senwes' Integrated Report for a more comprehensive outlook on risks related to the group.

24.2.2 Legal risks

Non-compliance with contractual obligations

The group 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 20.

24.2.3 Strategic risks

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.

24.2.4 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 is in place and formal change, project and integration management is applied.

24.3 ENVIRONMENTAL RISKS

24.3.1 Weather and climate risks

The group 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 the group's 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.

24.3.2 Political risks

The group utilises agricultural land owned by producers to secure credit extension to these clients. In the event of agricultural land being nationalised or expropriated without compensation, the value of agricultural land will diminish and nullify the value of the security that the group holds against outstanding funds. This risk can only be accepted and cannot be mitigated.

24.4 SUBSIDIARIES, JOINT VENTURES AND ASSOCIATE

The group 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.

24.5 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 2020			
		CARRYING AMOUNT	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS	OTHER SIGNIFICANT 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	10	**62**	**62**	**-**	**-**
Inventory held to satisfy firm sales	12	**105**	**-**	**105**	**-**
Investment in financial assets at fair value through other comprehensive income	7.1.1	**2**	**-**	**-**	**2**
Investment in RealFin Collective Investment Scheme	8.2	**31**	**-**	**31**	**-**
Forward purchase contracts	20.1	**53**	**53**	**-**	**-**
Safex futures	20.1	**33**	**33**	**-**	**-**
Investment in Senwes (company)	6.1	**1 057**	**1 057**	**-**	**-**
Total assets		**1 343**	**1 205**	**136**	**2**
Liabilities					
Commodity finance	7.2.2	**41**	**41**	**-**	**-**
Forward purchase contracts	20.2	**69**	**69**	**-**	**-**
Foreign exchange contract	20.2	**3**	**3**	**-**	**-**
Total liabilities		**113**	**113**	**-**	**-**

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

Recurring measurements	NOTES	FAIR VALUE AS AT 30 APRIL 2019 CARRYING AMOUNT TOTAL R'm	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL INSTRUMENTS LEVEL 1 R'm	OTHER SIGNIFICANT OBSERVABLE INPUTS LEVEL 2 R'm	SIGNIFICANT UNOBSERVABLE INPUTS LEVEL 3 R'm
Assets					
Grain commodities	10	155	155	-	-
Inventory held to satisfy firm sales	12	234	-	234	-
Investment in financial assets at fair value through other comprehensive income	7.1.1	5	-	-	5
Investment in RealFin Collective Investment Scheme	8.2	28	-	28	-
Safex futures	20.1	52	52	-	-
Investment in Senwes (company)	6.1	1 052	1 052	-	-
Total assets		1 526	1 259	262	5
Liabilities					
Commodity finance	7.2.2	121	121	-	-
Forward purchase contracts	20.2	28	28	-	-
Safex futures	20.2	2	2	-	-
Total liabilities		151	151	-	-

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). However, the investment in Senwes Limited is revalued based on the traded share prices as indicated on ZARX.

Techniques used to determine fair value measurements categorised in level 2:
RealFin Collective Investment Scheme'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
The shares of Suidwes Holdings are still traded on the OTC market, but not actively. During the current financial year the investment has been fully impaired due to recoverability concerns. The investment is therefore valued at Rnil in the financial statements. Also refer to note 7.1.1.

Investments held by Thobo Trust
Shares held by Thobo Trust in Hinterland Fuels (Pty) Ltd and Oos-Transvaal Kalkverskaffers (Pty) Ltd. These companies are both private companies and discounted cash flow calculations were used to determine the fair values.

25. EARNINGS PER SHARE AND DIVIDENDS

25.1 EARNINGS PER SHARE

The following calculations are based on a weighted average number of 115 844 762 (2019: 114 303 643) shares. The earnings were calculated on profit attributable to shareholders.

25.1.1 Earnings per share is based on a profit of R164 million (2019: R154 million) attributable to ordinary shares.

25.1.2 Normalised headline earnings per share is based on a profit of R130 million (2019: R162 million). Normalised headline earnings is HEPS as defined by the JSE, and adjusted with the following:

1. Impairments/(reversals) on investments/loans of a capital nature;
2. Restructuring costs;
3. Profit/(loss) on foreign exchange on capital loans;
4. Expenses and cost savings not related to operational activities and which in nature are abnormal to the company;
5. Legal/consulting fees relating to business transactions (i.e. M&As).

25.1.3 Reconciliation between earnings and normalised headline earnings is as follows:

	GROUP	
	2020 R'm	2019 R'm
Earnings per statement of comprehensive income	**164**	154
Adjustments:		
Profit from sale of property, plant and equipment	**(5)**	(3)
Impairment of property, plant and equipment and intangible assets	**1**	-
Gains on the disposal of investment in joint venture	**(1)**	-
Impairment of goodwill	**7**	3
Gain on bargain purchase of subsidiary	**(32)**	-
Tax effect of adjustments	**1**	- *
Headline earnings	**135**	154
Abnormal/once-off items:		
Reversal of impairment on investments and loans [1]	**(7)**	-
(Profit)/loss on foreign exchange on capital loans [2]	**(2)**	1
Legal/consultation fees [4]	**3**	9
Other once-off items [3]	**1**	-
Tax effect of adjustments	**-**	(2)
Normalised headline earnings	**130**	162
Earnings per share (cents)	**141,6**	134,7
Normalised headline earnings per share (cents)	**112,2**	141,7
Earnings per share from continued operations (cents)	**141,6**	134,7

* Total amount is less than R0,5 million.

[1] This relates to the impairment reversal of the Hinterland Holdings (Pty) Ltd investment at group level and impairments on the loans receivable from Thobo Trust and Senwes Agrowth (Pty) Ltd.

[2] The group is in the process of winding up its Mauritius activities.

[3] This relates to the cost impact of the Covid-19 pandemic, which we do not expect to reoccur annually and is therefore classified as once-off.

[4] Legal/consultation fees mainly consist of consultation fees incurred in optimising certain operating activities and for merger and acquisition transactions.

25.2 DIVIDENDS PAID AND PROPOSED

	COMPANY	
	2020 R'm	2019 R'm
Declared and paid during the year:		
Dividends on ordinary shares:		
Final dividend 2019: 21 cents (2018: 15 cents)		
Cash dividends	**24**	17
Script dividends	**-**	4
Interim dividend 2020: 21 cents (2019: 19 cents)	**25**	24
Total dividends paid	**49**	45
Proposed for approval at the annual general meeting (not recognised as a liability as at 30 April):		
Dividends on ordinary shares:		
Final dividend 2020: 23 cents (2019: 21 cents)	**27**	24

26. RELATED PARTY TRANSACTIONS

26.1 SUBSIDIARY

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			
	2020			
	TRANSACTIONS INCLUDE	% INTEREST	INCOME RECEIVED/ (EXPENSES INCURRED) R'm	AMOUNTS OWED (TO)/ BY SUBSIDIARIES R'm
Senwes Ltd	Dividends received, interest received and management fees paid	**53,16%**	**57**	**-**

	COMPANY			
	2019			
	TRANSACTIONS INCLUDE	% INTEREST	INCOME RECEIVED/ (EXPENSES INCURRED) R'm	AMOUNTS OWED (TO)/ BY SUBSIDIARIES R'm
Senwes Ltd	Dividends received, interest received and management fees paid	**52,91%**	**53**	**-**

Senwesbel Limited received dividends of R58 million (2019: R54 million) from Senwes Limited.

SUBSIDIARIES	GROUP 2020 TRANSACTIONS INCLUDE	% INTEREST	INCOME RECEIVED/ (EXPENSES INCURRED) R'm	AMOUNTS OWED (TO)/ BY SUBSIDIARIES R'm
JD Implemente (Pty) Ltd	Revenue from and purchase of mechanisation whole goods, service level agreement income and interest received	**50,0%**	**4**	**22**
Senwes Agrowth (Pty) Ltd (Group)	Income from sale of grain, interest received, interest paid and service level agreement income	**73,5%**	**2 749**	**155**
Senwes Capital (Pty) Ltd	Interest and rent paid	**100,0%**	**(24)**	**(69)**
Senwes Graanmakelaars (Pty) Ltd	Interest received and service level agreement income	**100,0%**	**1**	**5**
Senwes Mauritius Ltd	Service level agreement income	**100,0%**	**-**	**14**
Senwes Equip Holdings (Pty) Ltd	Interest received	**100,0%**	**5**	**42**
Staalmeester Agricultural Equipment (Pty) Ltd **	Interest received and interest paid	**75,0%**	**2**	**13**
KLK Landbou Ltd	Recoupment of expenses	**57,7%**	**(1)**	**-**
Falcon Agricultural Equipment (Pty) Ltd **	Interest received and service level agreement income	**100,0%**	**1**	**14**
Grainovation (Pty) Ltd	Interest received, rent received, service level agreement income and logistics services paid	**100,0%**	**-**	**(5)**
Thobo Trust	Interest received and grant paid	*****	**(1)**	**3**
Total			**2 736**	**194**

** Thobo Trust is consolidated due to the nature of the interest and its purpose as a special purpose vehicle.*
*** The shares are held via the wholly-owned subsidiary Senwes Equip Holdings (Pty) Ltd.*

SUBSIDIARIES	GROUP 2019 TRANSACTIONS INCLUDE	% INTEREST	INCOME RECEIVED/ (EXPENSES INCURRED) R'm	AMOUNTS OWED (TO)/ BY SUBSIDIARIES R'm
JD Implemente (Pty) Ltd	Revenue from and purchase of mechanisation whole goods, service level agreement income and interest received	50,0%	15	32
Senwes Agrowth (Pty) Ltd (Group)	Income from sale of grain, interest received, interest paid and service level agreement income	73,5%	2 088	83
Senwes Capital (Pty) Ltd	Interest and rent paid	100,0%	(20)	(17)
Senwes Graanmakelaars (Pty) Ltd	Interest received and service level agreement income	100,0%	2	5
Senwes Mauritius Ltd	Service level agreement income	100,0%	-	11
Senwes Equip Holdings (Pty) Ltd	Interest received	100,0%	1	17
Staalmeester Agricultural Equipment (Pty) Ltd **	Interest received and interest paid	75,0%	1	20
Thobo Trust	Interest received and grant paid	*	(1)	(2)
Total			**2 086**	**149**

** Thobo Trust is consolidated due to the nature of the interest and its purpose as a special purpose vehicle.*
*** The 75% shareholding is held via the wholly-owned subsidiary Senwes Equip Holdings (Pty) Ltd.*
For the interest rates and loan repayment terms, refer to note 7.

26.2 JOINT VENTURES AND ASSOCIATE

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

Bastion Lime (Pty) Ltd	Service level agreement income and interest received.
Certisure Group	Interest received/(paid) and service level agreement income.
Grainovation (Pty) Ltd	Transport costs, interest paid and service level agreement income.
Hinterland Holdings (Pty) Ltd	Service level agreement income, rent paid, mechanisation service level agreement expense and interest (paid)/received.
Hinterland SA (Pty) Ltd	Purchase of whole goods spares and service level agreement income.
Molemi Sele Management (Pty) Ltd	Service level agreement income and interest paid.
RealFin Collective Investment Scheme	Management fees received, brokerage fee income and interest received.
Silocerts (Pty) Ltd	Costs relating to silo certificates.

	GROUP					
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm	**2020 R'm**	2019 R'm
JOINT VENTURES	**% INTEREST**		**TRANSACTIONS WITH RELATED PARTIES**		**AMOUNTS OWED BY/(TO) ENTITIES**	
Bastion Lime (Pty) Ltd	**50,0%**	50,0%	**-**	1	**(15)**	2
Certisure Group	**50,0%**	50,0%	**-**	-	**(41)**	(29)
Grainovation (Pty) Ltd *	**0,0%**	50,0%	**-**	(356)	**-**	7
Hinterland Holdings (Pty) Ltd	**50,0%**	50,0%	**88**	69	**26**	10
Molemi Sele Management (Pty) Ltd	**35,7%**	35,7%	**-**	-	**-**	-
Silo Certs (Pty) Ltd	**50,0%**	50,0%	**-**	-	**1**	2
Total			**88**	(286)	**(29)**	(8)

* During the year Senwes acquired an additional 50% stake in Grainovation (Pty) Ltd, changing the investment from a joint venture to a subsidiary. Refer to note 6.2.

For the interest rates and loan repayment terms, refer to note 7.

26.3 TRADE WITH DIRECTORS

Balances with directors

These comprise of production credit, mortgages 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	
	2020 R'm	2019 R'm
Related parties – trade and other accounts receivable	**93**	93

Transactions with directors

Due to the nature of the business, the directors form part of the normal customer/client base of the group.

The transactions with directors comprise of revenue from the sale of mechanisation whole goods and spares, handling, storage, sales and purchases of grain as well as, interest and financing transactions.

	GROUP	
	2020 R'm	2019 R'm
Income	**283**	298
Purchases	**102**	86
Total transactions with directors	**385**	384

26.4 DIRECTORS' REMUNERATION (EXECUTIVE AND NON-EXECUTIVE)

	GROUP		COMPANY	
	2020 R'm	2019 R'm	**2020 R'm**	2019 R'm
Salaries *	**9**	8	**-**	-
Short-term incentive	**4**	4	**-**	-
Long-term incentive	**6**	5	**-**	-
Equity-settled share-based payment	**6**	5	**-**	-
Executive directors	**19**	17	**-**	-
Non-executive directors	**8**	6	**1**	1
Directors' remuneration: Senwesbel and Senwes	**27**	23	**1**	1
Directors' remuneration: Subsidiaries	**11**	6	**-**	-
Directors' remuneration: Group	**38**	29	**1**	1

* 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 (group):

Non-executive	Status	2020 DATE	TOTAL DIRECTORS' REMUNERATION	REMUNERATION FROM SENWESBEL	TOTAL DIRECTORS' REMUNERATION FROM SENWES GROUP	REMUNERATION FROM SENWES	TRAVELLING AND ACCOMMODATION EXPENSES	REMUNERATION FROM SUBSIDIARIES
SF Booysen	In Office	Full Year	1 018 818	-	1 018 818	1 001 756	17 062	-
JB Botha	Resigned	2019/08/22	221 197	-	221 197	218 994	2 203	-
VJ Klein	Appointed	2019/08/22	368 082	-	269 855	258 729	11 126	98 227
AJ Kruger	In Office	Full Year	951 535	394 857	556 678	544 256	12 422	-
NDP Liebenberg	In Office	Full Year	966 459	275 879	690 580	682 026	8 554	-
JS Marais	Appointed	2019/08/22	505 943	-	290 810	275 847	14 963	215 133
JDM Minnaar	In Office	Full Year	1 585 899	181 137	1 314 144	1 265 639	48 505	90 618
JJ Minnaar	In Office	Full Year	659 849	175 832	484 017	472 579	11 438	-
SM Mohapi	In Office	Full Year	499 696	-	499 696	484 883	14 813	-
JPN Stander	Appointed	2019/08/22	503 700	-	335 014	296 691	38 323	168 686
TF van Rooyen	In Office	Full Year	628 760	179 839	448 921	445 309	3 612	-
WH van Zyl	In Office	Full Year	742 792	175 938	566 854	555 810	11 044	-
AG Waller	In Office	Full Year	119 072	-	119 072	119 072	-	-
Total			8 771 802	1 383 482	6 815 656	6 621 591	194 065	572 664

Executive directors' remuneration (group):

Executive	2020 REMUNERATION	RETENTION REMUNERATION	SHORT-TERM INCENTIVE BONUS	LONG-TERM INCENTIVE *	TRAVELLING AND ACCOMMODATION EXPENSES
F Strydom	5 713 282	666 667	2 324 960	4 209 570	136 379
CF Kruger	3 597 662	333 333	1 565 042	2 036 246	83 048
Total	9 310 944	1 000 000	3 890 002	6 245 816	219 427

* The long-term incentive has not vested as yet and is subject to vesting conditions. The total share-based payment expense recognised for the 2020 financial year relates to four tranches which will vest, depending on vesting conditions being met, on a yearly basis from June 2020 to June 2023.

Equity-settled share-based payments (group):

Executive	NUMBER OF SHARES GRANTED *	NUMBER OF SHARES GRANTED *
	2020 Number	2019 Number
F Strydom	3 425 159	2 742 363
CF Kruger	2 047 317	1 710 231
Total	5 472 476	4 452 594

* Included with the number of shares are both the initial and additional grants.

The total share-based payment expense recognised for the 2020 financial year amounted to R6,2 million (2019: R4,7 million) and relates to four tranches (2019: four tranches) which will vest, depending on vesting conditions being met, on an annual basis from June 2020 to June 2023.

Non-executive directors' remuneration (group):

Non-executive	Status	DATE	TOTAL DIRECTORS' REMUNERATION	REMUNERATION FROM SENWESBEL	TOTAL DIRECTORS' REMUNERATION FROM SENWES GROUP	REMUNERATION FROM SENWES	TRAVELLING AND ACCOMMODATION EXPENSES
		2019					
SF Booysen	In Office	Full Year	822 148	-	822 148	804 279	17 869
JB Botha	In Office	Full Year	517 227	-	517 227	513 190	4 037
AJ Kruger	In Office	Full Year	905 182	375 192	529 990	516 359	13 631
NDP Liebenberg	In Office	Full Year	922 829	268 848	653 981	647 067	6 914
JDM Minnaar	In Office	Full Year	1 366 700	174 139	1 192 561	1 137 187	55 374
JJ Minnaar	In Office	Full Year	624 155	165 409	458 746	448 355	10 391
SM Mohapi	In Office	Full Year	473 013	-	473 013	460 029	12 984
TF van Rooyen	In Office	Full Year	600 748	171 627	429 121	422 484	6 637
WH v Zyl	In Office	Full Year	704 775	165 546	539 229	527 321	11 908
AG Waller	In Office	Full Year	396 722	-	396 722	396 722	-
Total			**7 333 499**	**1 320 761**	**6 012 738**	**5 872 993**	**139 745**

Executive directors' remuneration (group):

Executive	REMUNERATION	SHORT-TERM INCENTIVE BONUS	LONG-TERM INCENTIVE *	TRAVELLING AND ACCOMMODATION EXPENSES
	2019			
F Strydom	5 005 332	2 226 942	3 269 696	109 952
CF Kruger	3 090 751	1 346 741	1 414 150	64 059
Total	**8 096 083**	**3 573 683**	**4 683 846**	**174 011**

* The long-term incentive has not vested as yet and is subject to vesting conditions. The total share-based payment expense recognised for the 2019 financial year relates to four tranches which will vest, depending on vesting conditions being met, on a yearly basis from June 2019 to June 2022.

26.5 INFORMATION ON DIRECTORS' SHAREHOLDING

Directors' direct and indirect interests in the company:

	COMPANY			
	2020		2019	
	NUMBER OF SHARES	% OF TOTAL SHARES	NUMBER OF SHARES	% OF TOTAL SHARES
Direct				
Non-executive directors	5 443 534	4,7	10 158 072	8,9
Indirect				
Non-executive directors	24 719 291	21,3	19 684 334	17,2
Total direct and indirect interest	**30 162 825**	26,0	29 842 406	26,0

	COMPANY							
	2020				2019			
Portfolio size	NUMBER OF SHARE-HOLDERS	%	NUMBER OF SHARES	%	NUMBER OF SHARE-HOLDERS	%	NUMBER OF SHARES	%
1-1 000	**547**	**26,77**	**197 833**	**0,17**	553	27,53	200 607	0,18
1 001-5 000	**489**	**23,94**	**1 236 983**	**1,07**	447	22,25	1 121 431	0,98
5 001-30 000	**638**	**31,23**	**9 147 531**	**7,88**	634	31,56	9 208 839	8,03
30 001-100 000	**257**	**12,58**	**13 759 546**	**11,85**	259	12,89	14 050 762	12,26
100 001 and over	**112**	**5,48**	**91 749 960**	**79,03**	116	5,77	90 027 668	78,55
Total	**2 043**	**100,00**	**116 091 853**	**100,00**	2 009	100,00	114 609 307	100,00

The five largest shareholders (direct and indirect shareholding) at year-end are as follows:

	COMPANY			
	2020		2019	
	NUMBER OF SHARES	% INTEREST	NUMBER OF SHARES	% INTEREST
JDM Minnaar	**14 535 179**	**12,52**	14 376 179	12,54
JE Grobler	**11 140 145**	**9,60**	11 140 145	9,72
WH van Zyl	**8 545 435**	**7,36**	8 545 435	7,46
Langgeluk Beleggings (Pty) Ltd	**7 542 942**	**6,50**	6 420 028	5,60
JJ Minnaar	**4 337 838**	**3,74**	4 337 838	3,78

Shareholding of directors (direct and indirect shareholding):

	COMPANY	
	NUMBER OF SHARES	
	2020	2019
AJ Kruger	**1 051 071**	1 006 071
NDP Liebenberg	**1 019 000**	1 019 000
JDM Minnaar	**14 535 179**	14 376 179
JJ Minnaar	**4 337 838**	4 337 838
TF van Rooyen	**674 302**	557 883
WH van Zyl	**8 545 435**	8 545 435

The above tables include shares held by family members within defined consanguinity of the directors.

27. RECONCILIATION OF PROFIT BEFORE TAX TO CASH FROM OPERATING ACTIVITIES

	GROUP		COMPANY	
	2020 R'm	2019 * R'm	**2020 R'm**	2019 R'm
Profit before tax	**439**	391	**51**	48
Adjustments to reconcile profit before tax to net cash flows:	**100**	180	**(56)**	(52)
Foreign exchange profit	**(4)**	(2)	**-**	-
Depreciation	**95**	55	**-**	-
Non-cash movement in provisions	**(34)**	38	**-**	-
Finance costs	**92**	82	**2**	2
Finance income	**(4)**	-	**-**	-
(Reversal of impairment)/impairment on investments and loans	**(12)**	-	**-**	-
Loss/(profit) from joint ventures and associate	**19**	(6)	**-**	-
AgriRewards conversion profit	**(9)**	-	**-**	-
Profit on disposal of property, plant and equipment	**(2)**	(2)	**-**	-
Impairment of property, plant and equipment and goodwill	**2**	5	**-**	-
Gain on bargain purchase of subsidiary	**(56)**	-	**-**	-
Other operating income: dividends received	**-**	-	**(58)**	(54)
Fair value adjustment of equity interest in joint venture	**(2)**	-	**-**	-
Deferred government grant movement through profit or loss	**(2)**	-	**-**	-
Equity-settled share-based payment expense	**17**	9	**-**	-
Cash from/(used in) operating activities	**539**	571	**(5)**	(4)

* Change in presentation of finance costs and cost of sales. Refer to note 35.

28. CHANGES IN WORKING CAPITAL

	GROUP	
	2020 R'm	2019 R'm
Decrease in inventory	**161**	390
Increase in trade and other receivables	**(688)**	(188)
Decrease/(increase) in inventory held to satisfy firm sales	**129**	(91)
Decrease in trade and other payables	**(86)**	(116)
Decrease in contract liabilities	**(30)**	(40)
Increase/(decrease) in interest-bearing current loans	**1 276**	(148)
Changes in working capital	**762**	(193)

29. TAX PAID

	GROUP	
	2020 R'm	2019 R'm
Tax receivable/(payable) at the beginning of the period	**7**	(8)
Deferred tax liability at the beginning of the period	**(83)**	(17)
Amounts debited in profit and loss	**(109)**	(115)
Tax movement not through profit or loss due to business combinations	**(32)**	-
Deferred tax liability at the end of the period	**85**	83
Tax payable/(receivable) at the end of the period	**15**	(7)
Tax paid	**(117)**	(64)

30. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

	GROUP	
	2020 R'm	2019 R'm
Land	**(2)**	(1)
Silos	**-**	(8)
Buildings and improvements	**(59)**	(41)
Machinery and equipment	**(187)**	(124)
Vehicles	**(20)**	(14)
Total acquisition of property, plant and equipment	**(268)**	(188)
Represented by:	**(268)**	(188)
Acquisition to increase operating capacity	**(113)**	(101)
Acquisition to maintain operating capacity	**(155)**	(87)

Assets acquired through the acquisition of KLK Landbou Ltd, Falcon Agricultural Equipment (Pty) Ltd and Grainovation (Pty) Ltd (refer to note 6.2) of R411 million are not included the group figures as the acquisition of a subsidiary is disclosed in a separate line on the statements of cash flows. (2019: Assets acquired through the acquisition of Staalmeester (refer to note 6.2) of R21 million are not included the group figures as the acquisition of a subsidiary is disclosed in a separate line on the statements of cash flows.)

31. PROCEEDS FROM DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

	GROUP	
	2020 R'm	2019 R'm
Carrying value of assets sold	**16**	1
Profit from disposal	**2**	2
Proceeds from disposal	**18**	3

32. OTHER LOANS RECEIVABLE / PAYABLE

	NOTES	GROUP 2020 R'm	GROUP 2019 R'm
Loans from related parties			
Additional loans received from related parties	7.2.1	**29**	14
Total repayment of loans from related parties		**-**	(11)
Repayment of loans from related parties	7.2.1	**(11)**	(11)
Movement in loans from related parties due to Grainovation (Pty) Ltd business combination	6.2	**11**	-
Movement in loans from related parties		**29**	3
Loans to related parties			
Additional loans advanced to related and third parties	7.1.2	**(510)**	(49)
Total repayment of additional loans to related and third parties		**31**	150
Repayment of loans to related and third parties	7.1.2	**27**	148
Adjustments to movements already considered in note 27:			
Forex		**4**	2
Movement in loans to related and third parties		**(479)**	101

33. UNUTILISED FUNDING FACILITIES

An unutilised short-term facility of R1,1 billion (2019: R1,3 billion) is available for growth opportunities and unexpected events.

As at year-end, Senwes had unpledged commodities and unencumbered assets of R40 million (2019: R20 million) and R4,1 billion (2019: R3,6 billion) respectively.

34. IMPLEMENTATION OF NEW STANDARDS

As this is the first year of adopting IFRS 16, Leases, the transition to the new standard had the following effect on the financial statements of the group:

	GROUP 2020 R'm	GROUP 2019 * R'm
Statement of financial position:		
Non-current assets	**37**	-
Increase in Right-of-use assets	**37**	-
Increase/(decrease) in deferred tax asset	**-**	-
Current liabilities	**(39)**	-
Increase in Lease liability	**(39)**	-
(Increase)/decrease in deferred tax liability	**-**	-
Statement of comprehensive income:	**2**	-
Increase in distribution, sales and administrative expenses	**-**	-
Increase in finance costs	**2**	-

* The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 May 2019. In terms of this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, and therefore no adjustment is made to the prior year.

35. IMPLEMENTATION OF NEW STANDARDS

During the year, the group adjusted its presentation of finance costs and cost of sales relating to the financial services business. The change results in finance costs presented above the gross profit line on the face of the statements of comprehensive income as cost of sales, due to the finance income of the financial services business presented as revenue on the face of the statements of comprehensive income. Prior to this change in presentation, the group recognised the finance costs relating to the financial services business as finance costs in the respective line on the face of the statements of comprehensive income.

The group believes this presentation is preferable as it aligns the nature of transactions, and will aid financial analysis. This constitutes a change in accouning policy, and results in the retrospective adjustment of disclosed amounts.

The impact of this voluntary change in presentation on the consolidated financial statements is limited to the statement of comprehensive income and the statements of cash flows. The impact on each line item of the consolidated financial statements is as follows:

	GROUP	
Statement of comprehensive income	**2020 R'm**	2019 R'm
Increase in cost of sales	**(155)**	(133)
Decrease in gross profit	**(155)**	(133)
Decrease in operating profit	**(155)**	(133)
Decrease in finance costs	**155**	133
Net adjustment in profit before tax	**-**	-
Statement of cash flows		
Decrease in cash from operating activities (outflow)	**(155)**	(133)
Decrease in finance costs paid (inflow)	**155**	133
Net adjustment in net cash flows from operating activities	**-**	-

The reclassification of finance costs did not have any other material impact on the financial statements of the group and therefore no third statement of financial position is disclosed.

36. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the reporting date, there are no standards issued but not yet effective which are evaluated to have a material impact on the group in future periods.

37. EVENTS AFTER THE REPORTING PERIOD

Senwes was involved in negotiations regarding the acquisition of a controlling interest in Suidwes Landbou. Approval has been obtained from the Competition Commission and the shareholders of Suidwes Landbou. Senwes is awaiting approval from the Competition Tribunal.

Except for the above, management is not aware of any other event that has occurred from the date of statement of financial position up to the date of this report.

1. BASIS OF PRESENTATION

The financial statements are prepared on the historical cost basis, except for derivative financial instruments, financial assets and commodity inventory 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 Senwesbel Limited and all its subsidiaries, joint ventures and associate (the 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 2018 as set out below:

- New standards adopted during this financial year:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the group is the lessor.

The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 May 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 May 2019. Instead, the group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Refer to note 4 in the notes to the financial statements for a summary of the impact of the adoption on the financial statements of the group.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to accounting policy 2.6 Leases for the accounting policy being applied from 1 May 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the group.

Leases previously classified as finance leases

The group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 May 2019.

Leases previously accounted for as operating leases

The group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The group also applied the available practical expedients wherein it:

* Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
* Relied on its assessment of whether leases are onerous immediately before the date of initial application;
* Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date; of initial application;
* Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application, and
* Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The lease liabilities as at 1 May 2019 can be reconciled to the operating lease commitments as of 30 April 2019, as follows:

	GROUP
	R'm
Operating lease commitments as at 30 April 2019	-
Weighted average incremental borrowing rate as at 1 May 2019	5,72%
Discounted operating lease commitments as at 1 May 2019	-
Less:	-
Commitments relating to short-term leases	-*
Commitments relating to leases of low-value assets	-*
Add:	-
Commitments relating to leases previously classified as finance leases	-
Lease payments relating to renewal periods not included in operating lease commitments as at 30 April 2019	2
Lease liabilities as at 1 May 2019	-

* Amount is less than R0,5 million.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

* Whether an entity considers uncertain tax treatments separately;
* The assumptions an entity makes about the examination of tax treatments by taxation authorities;
* How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates; and
* How an entity considers changes in facts and circumstances.

The group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the group considered whether it has any uncertain tax positions. The group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of 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:

- **IFRS 3 (Amendment)**
  Definition of business amended to specify that a business consists of an integrated set of activities and assets that have the ability to contribute to the creation of outputs. The outputs are specified in the definition and guidance is provided to determine whether the process requirement is met. An optional concentration test to determine whether a set of activities and assets acquired constitute a business is introduced. Effective date 1 January 2020;
- **IAS 1 and IAS 8 (Amendments)**
  Revised definition of material and guidance introduced to determine whether information about an item, transaction or event is material to users of financial statements. Effective date 1 January 2020;

- **Conceptual Framework**
  The Conceptual Framework has been revised. This includes refinements to the definitions of asset or liability and related recognition criteria. It also includes guidance on measurement bases, presentation and disclosure and derecognition. The section of the framework that deals with the Reporting Entity has been inserted into this version of the framework. Effective date 1 January 2020;
- **IFRS 10 and IAS 28 (Amendments)**
  Sale/Contribution of Assets between Investor and its Associate/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. No date for implementation set yet;
- **IFRS Practice Statement 2 Making Material Judgement**
  This practice statement provides guidance and an approach to entities in exercising material judgment.

The following standards are new or were also amended during the year, but are not likely to have a material impact on the group:

- IFRS 17 Insurance Contracts;
- Amendments to IAS 1, Classification of Liabilities as current or non-current;
- Amendments to IFRS 9 and IFRS 7, Interest Rate Benchmark Reform.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF CONSOLIDATION

The consolidated financial statements comprise of the financial statements of Senwesbel Limited, its subsidiaries, joint ventures and associate as at 30 April 2020.

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 fair value.

2.1.1 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.

The company's interests in joint ventures are accounted for at cost.

2.1.2 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 associates are accounted for at cost.

2.1.3 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 remeasured 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 IFRS 9 Financial Instruments, 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 IFRS 9, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured 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 reassesses 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 reassessment 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 and not at fair value. 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.

2.1.4 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 7.1.2, 7.2.1, 7.2.2, 7.2.3 and 7.2.5.

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 reassessing 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 South African 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 group'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.

All property, plant and equipment items are initially recognised at cost. Thereafter it is measured with reference to the cost of the asset less accumulated depreciation and accumulated impairments.

- 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
Heavy vehicles	*

* Heavy vehicles are depreciated at 40%, 30%, 20% and 10% per annum over a four year period.

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 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognised upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Intellectual property

The group acquired intellectual property (IP) relating to an invention of laser-based volume measuring devices which the seller has developed on behalf of, and with the assistance of Senwes.

A summary of the policies applied to the group's intangible assets is as follows:

	Intellectual property
Useful life	Finite (10 years)
Amortisation method used	Amortised on a straightline-basis over the period of the patent
Internally generated or acquired	Acquired

2.5 INVESTMENT PROPERTY

Investment property is land and buildings held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when and only when it is probable that the future economic benefit associated with the investment property will be the business and the investment property cost can be measured reliably.

Investment properties are initially recognised at cost, including transaction costs. Depreciation is calculated using the straight-line method to reduce their cost to their residual values over their estimated useful life. Land is not depreciated. Investment properties depreciation methods, residual values and useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Statements of Comprehensive Income in the period of derecognition.

Transfers are made to/(from) investment property only when there is a change in use. If owner-occupied property becomes an investment property, the company accounts for it in accordance with property, plant and equipment up to the date of change.

Under certain circumstances, it is difficult to distinguish between investment property and property occupied by the owner. In such circumstances, the criteria are to distinguish based on the existing occupation and purpose of the property.

2.6 LEASES

IFRS 16

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings and improvements 3 to 15 years
- Plant and machinery 3 to 15 years

If ownership of the leased asset transfers to the group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to accounting policy 3.8 for the impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating the lease, if the lease term reflects the group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of land and buildings and plant and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of land and buildings and plant and equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.7 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 are 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 is determined as follows:

Merchandise and consumables	-	Weighted average cost price
Mechanisation whole goods	-	Purchase 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.

2.8 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 12 for measurement.

2.9 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.

2.10 POST–EMPLOYMENT BENEFITS

2.10.1 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.

2.11 EMPLOYEE BENEFITS

Short-term

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before 12 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 12 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 13th 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 fully 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

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 group company, 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.

2.12 REVENUE RECOGNITION

Revenue includes income earned from the sale of goods, income from commodity trading, income from services rendered, commission income, interest 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 recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, 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.

Revenue from contracts with customers

Services rendered

Storage and handling of grain

As a customer cannot benefit separately from either handling or storage on its own or together with other readily available resources, handling and storage constitutes a single performance obligation.

This performance obligation is satisfied by Senwes over a period of time as the customer receives and consumes the benefit of being able to store the product at the silo.

As the customer pays for specific activities to be performed, an output-based method to measure if the completion of the service is appropriate. This entails that revenue is recognised on the basis of the value of services transferred to date relative to the total service promised.

Revenue from handling is currently recognised on a fixed ratio-basis, which is derived from the costs and efforts of loading the product compared to withdrawing it from the silo.

Revenue from storage is recognised as the grain is stored over time.

Processing of grain

Senwes processes grain on behalf of a counter-party. This process includes various actions, i.e.:
- Quality control of grain;
- Fumigation of seed;
- Processing to predetermined condition (including cleaning);
- Packing of processed seed;
- Protection of seed; and
- Storage of seed.

The primary performance obligation (cleaning) is performed at a point in time once the cleaning process has been completed based on the following indicators:

- The client only benefits from the processing upon completion.
- Senwes only has a right to be paid once processing has been completed.
- Senwes only transfers physical possession of the product of which the value has been enhanced, back to the client, once processing is completed.

Thus, the full revenue from the transaction price is recognised upon completion of the processing activity by Senwes.

Commission received

Commission is received on the procurement and sale of grain.

Revenue is recognised at the point in time when grain is delivered.

Servicing of equipment

The customer is charged for time spent and/or parts/consumables. If it is not possible to complete the service due to further faults, the client is liable for the charges for time spent and materials used to the point when the service ceases.

If the service does not take a significant period of time to perform, the revenue will be recognised when the service is completed. However, if the service does take a significant amount of time, revenue will be recognised as the customer's asset is enhanced and Senwes obtains a right to payment.

Credit initiation fees

The client pays Senwes the initial fee to perform certain necessary work and to prepare loan documentation.

The performance obligation is fulfilled at a specific point in time, as opposed to over a period of time. This point in time is when all the procedures to put the loan agreement in place have been completed.

Management fees

Senwes will enter into instalment agreements with clients and conclude the related security in respect of such agreements. Following the conclusion of this agreement Senwes may, subject to the approval of the counter-party, sell its rights and obligations from this transaction to the counter-party by assignment.

Senwes is appointed by the counter-party to administer the accounts and collect the amounts due to the counter-party, in the capacity as an agent, in respect of the transaction assigned.

This performance obligation is satisfied by Senwes over a period of time as the counter-party receives and consumes the benefit from the service as its being performed.

The counter-party pays Senwes a monthly management fee based on a percentage of the average account balances administered for the duration of the month. This constitutes the revenue stream.

Revenue is recognised on a monthly-basis, which is derived from the agreement between the parties.

Service level agreement income ("SLA")

Senwes performs certain administrative duties to it subsidiaries, joint ventures and associate.

This performance obligation is satisfied by Senwes over a period of time as the customer receives and consumes the benefit from the service as its being performed.

As the customer pays for specific activities to be performed, an output based method to measure the completion of the service is appropriate. This entails that revenue is recognised on the basis of the value of services transferred to date relative to the total service promised.

Revenue from SLA is currently recognised on a fixed monthly-basis, which is derived from the SLA agreement between the parties.

Income from sale of goods

Sale of whole goods/parts without warranty

Senwes supplies specified equipment or parts to the customer. No warranty or guarantee is provided.

Revenue is recognised at a point in time when control of the asset is transferred to the customer.

The timing of revenue recognition depends on when the ability to direct the use and obtain the benefits from the asset transfers to the customer. This, in turn, depends on the terms of the sale (delivery terms, timing of the transfer of risk, etc).

This may be demonstrated, and will depend on, the circumstances as evidenced by a combination of the following:

- when the customer becomes liable to make payment for the equipment;
- when legal title to the equipment passes to the customer;
- when physical possession passes to the customer;
- when the significant risks and rewards of ownership pass to the customer; and
- when the customer has accepted the asset.

Sale of whole goods/parts with John Deere warranty

Revenue terms, conditions and recognition criteria are the same as above except for the warranty provided. The warranty is provided by John Deere and administered by Senwes. As the warranty obligation is on John Deere, Senwes does not recognise any provision for the costs involved with this liability.

Precision farming income

Senwes make GPS-signals available to customers for a specified period.

Revenue is recognised over the period of the agreement, which may be terminated by either party at one month's notice.

The customer simultaneously receives and consumes the benefit as the service obligation is performed by Senwes.

Trade in fuel, meat, vehicles, raisins, cattle hides and sheep skins

Revenue relating to the sale of these products is measured at the transaction price which is the amount of consideration that the group expects to be entitled to in exchange for the products provided. Revenue from the sale of these goods is recognised when the goods are delivered and have been accepted by customers.

Revenue from other sources

Interest 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.

As finance is provided continuously, the service obligation is performed over a period of time and as the client receives the benefit from the services as its being performed.

Interest is accrued daily and is recognised on a monthly basis.

Investment income

Dividends received

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

Interest income other than revenue

Refer to the "Interest income" accounting policy above. Interest income other than revenue relates to interest income earned by the group which does not arise in the course of the group's ordinary activities.

Income from commodity trading

Milldoor commodity sales

The customer has the ability to direct the use of, and obtain substantially all the remaining benefits, from the commodity from the date of delivery at the premises specified by the purchaser. At this stage the purchaser can determine whether and when to sell or store the commodities. This service condition includes the delivery of the grain and does not constitute a separate revenue stream.

Income is recognised at the time of delivery.

Ex-silo commodity sales

The purchaser has the ability to direct the use of, and obtain substantially all the remaining benefits, from the commodity from the date of withdrawal. At this stage the purchaser can determine whether and when to sell or store the commodities.

Income is recognised at the time of withdrawal.

2.13 FINANCIAL INSTRUMENTS

2.13.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

2.13.1.1 Loans and receivables

The group measures loans and receivables at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.13.1.2 Financial assets at fair value through other comprehensive income

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are recycled to profit or loss upon derecognition. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The group elected to classify irrevocably its non-listed equity investments under this category.

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.

2.13.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

2.13.2.1 Interest-bearing loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

2.13.2.2 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 contracts*

  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 through profit and loss, 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial instruments to which the group is a party are disclosed in note 24.

2.14 DERIVATIVE FINANCIAL INSTRUMENTS

Hedge accounting

Derivative instruments (assets and/or liabilities) 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 IFRS 9, 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 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, future-contracts are regarded as a financial instrument. In terms of IFRS 9, it is recorded at fair value through profit and loss, where the group has a long history of net finalisation (either with the other party or to participate in other off-setting contracts).

Refer to note 20 where these instruments are disclosed.

2.15 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.

2.16 IMPAIRMENT OF ASSETS

All categories of assets are assessed for impairment at each reporting date.

2.16.1 Financial assets

The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Refer to note 11.5 for the detailed framework regarding impairment of financial assets.

2.16.2 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.

2.17 DEFERRED GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all relevant conditions will be complied with.

Government grants have been received for the purchase of certain items of plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants. Deferred government grants are recognised according to the useful life of the assets to which it relates.

2.18 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 19.

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 21).

2.19 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.

2.20 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.

2.21 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.

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 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.

3.2 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 flow 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 21.5, Fair value measurements.

3.3 IMPAIRMENT OF FINANCIAL ASSETS

Refer to note 11.5 for the detailed framework regarding impairment of financial assets.

For decision framework on loans receivable, refer to note 7.1.2.

3.4 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 10.

Specific factors that could impact the net realisable values of inventory are also considered. These could include:

- Strengthening of the rand against the US dollar;
- Competitor prices;
- Market share; and
- Large volumes of inventory on hand.

3.5 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 18.2.

3.6 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 19.

3.7 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.

3.8 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.

3.9 HINTERLAND HOLDINGS (PTY) LTD IMPAIRMENT

The assessment of the recoverable amount and exposure of the Hinterland Holdings (Pty) Ltd ("Hinterland)" investments, loans and guarantees requires estimation and judgement around estimates and assumptions used, including:

- The manner in which a restructuring plan may be decided upon and the effective implementation thereof to realise as much value as possible of the assets in Hinterland;
- The realisation value of assets; and
- The net exposure to creditors.

3.10 LEASES

Determining the lease term of contracts with renewal and termination options – group as lessee

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Refer to note 4 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

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