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The funding we received from the Kaap Agri Trust really made a difference and gave us the boost we needed. It was always my daughter's dream to study after school and thanks to Kaap Agri's financial assistance, her dream was realised."

Portia Fortuin, administrative clerk, TFC, Paarl.



Salient features

Management committed to doing business in more places, with more clients and more products, making more margin.

+6,0%

RHEPS

positive returns

3,2%

ROS

diversity impact

14,6%

ROE

+7,7% (Group)

+10,4% (TFC)

FUEL LITRE GROWTH

aggressive volume growth

9,0%

RONA

continued capex investment for growth

+10,6%

TRANSACTIONS

16,7 million transactions

+29,1%

REVENUE

gaining market share

R347,9m

CAPEX SPEND

sustained growth strategy

+15,1%

EBITDA

strong operational growth

R354,0m

CASH FLOW FROM OPERATING ACTIVITIES

strong cash generation

+5,8%

DPS

consistently growing shareholders' value

3 244

NUMBER OF EMPLOYEES

well positioned for growth

About this report

This integrated report ("report" or "IR") covers the integrated performance of the Kaap Agri Group ("Kaap Agri", "the Group" or "the company") for the year ended 30 September 2019.

SCOPE AND BOUNDARY

With this report, we aim to give our stakeholders a comprehensive view of our performance during the financial year. It provides material information relating to our strategy and business model; financial and operational performance; significant risks and opportunities; stakeholder interests; and governance. Additional reports are available on our website: www.kaapagri.co.za.

The report focuses on the main operational income channels contributing to our performance: trade, The Fuel Company ("TFC"), Wesgraan and irrigation manufacturing. These are supported by the corporate shared service environment. The business's organisational structure is unchanged since 2018, with the following exceptions:

- > TFC ownership: during the year, further asset-for-share transactions were completed to improve the empowerment ownership status of both TFC businesses. Empowerment and Transformation Investments (Pty) Ltd and C-Max Investments 71 (Pty) Ltd respectively hold 6% and 23,5% of both TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd. Kaap Agri holds the remaining 70,5%.
- > The Group established a 100% held subsidiary, Tego Plastics (Pty) Ltd ("Tego"), effective 1 October 2019. Tego will initially produce high-quality, food grade plastic bulk bins for the agricultural market with the opportunity to manufacture additional solid form products at a later stage. This will be done through the injection moulding manufacturing process. Tego started production in early November 2019.

REPORTING FRAMEWORKS

Kaap Agri applied the principles of International Financial Reporting Standards ("IFRS"), the King Report on Corporate Governance™ for South Africa, 2016 ("King IV"),*, the JSE Limited Listings Requirements ("JSE Listings Requirements") and the Companies Act, 71 of 2008, as amended ("the Companies Act"). The report considers the requirements of the International Integrated Reporting Council's ("IIRC") Integrated Reporting <IR> Framework.

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TARGET AUDIENCE AND MATERIALITY

This report was primarily prepared for current and prospective shareholders and is relevant for any other stakeholder with an interest in our performance and prospects. It focuses on matters we deem material in our ability to create value and deliver against our strategic objectives.

EXTERNAL AUDIT AND ASSURANCE

An independent audit of the Group's annual financial statements was performed by PricewaterhouseCoopers Inc. ("PwC"). Broad-based black economic empowerment ("B-BBEE") scorecard information was independently verified by The Legal Verification Team (Pty) Ltd. The rest of this IR is not subject to independent audit or review.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements about Kaap Agri's financial position, performance and operations. These statements and forecasts involve risk and uncertainty as they may relate to events and depend on circumstances occurring in the future and, as such, are not guarantees or predictions of future performance. There are various factors that could cause actual results to materially differ from those expressed or implied by these forward-looking statements. Readers are advised not to place undue reliance on such statements.

STATEMENT OF THE BOARD OF DIRECTORS OF KAAP AGRI

The Board acknowledges its responsibility to ensure the integrity of the IR. In the Board's opinion, this report provides a fair and balanced account of the Group's performance on material matters we assessed as having a bearing on the Group's capacity to create value. The 2019 IR was prepared in line with recognised best practice and complies with King IV recommendations. Accordingly, the IR was approved for publication by the Board.



GM Steyn
Chairman



S Walsh
Chief Executive Officer

Value proposition

We are a people company dedicated to delivering a unique offering to our customers.

Business philosophy

The business believes in a GROWTH philosophy. Fundamentally this means that the business strives to create and add value so that all its stakeholders are better off because the company exists, better off than they would be if the company did not exist.

The company is a retailer and trader in markets of Southern Africa, and strives to realise an operating profit growth which significantly outperforms inflation. Our CUSTOMERS are the driving force of our business and we aim to delight our customers with an overall improved customer experience ranging from digitising purchases to improved product ranging and store formats.

Although we believe our strategic footprint, infrastructure, facilities, geographical spread and differentiated market approach are competitive advantages, we support a culture of “Mens-Mense” (we are a place where PEOPLE still count), which means we Communicate, seek continuous Alignment and build authentic Relationships within an Empowering environment (CARE). This PEOPLE-driven culture of CARE is fundamental to securing employee commitment to our growth philosophy.

Group strategy

With its roots set in a strong agricultural foundation, the Group has successfully diversified to include manufacturing as well as retail offerings in both the fuel and convenience sectors. We have furthermore been able to strengthen our customer value proposition through diverse store formats reflecting a differentiated shopping experience capturing the charm of a rural way of life with shared lifestyles, attitudes and interests for both city dwellers and farmers alike.

The following strategic key focus areas are business imperatives:

1. Growth



A strong focus on Upgrades and Footprint expansions, Strategic Alliances, and Mergers and Acquisitions continues to fuel our growth ambitions.

2. Optimisation



Implementation of systems to support Supply Chain optimisation as well as the optimisation of retail store formats and ranges will ensure relevance with a diverse range of customers and enhance the customer experience in store.

3. Leveraging culture and diversity



Talent development and entrenching the culture of CARE remains high on the agenda to support our unique value proposition. Transformation is not only a responsibility but a business imperative and catalyst for social and economic transformation.

4. Digital transformation



Enhancing our customer experience and ease of doing business is the business driver for all online e-commerce, account and payment solutions initiatives.

How we create value

Kaap Agri strives to create and add value so that all its stakeholders are better off because the company exists.

Investments in socio-economic development programmes mostly supported peri-urban and rural communities, and are aligned to education as an enabler to economic transformation and poverty alleviation.

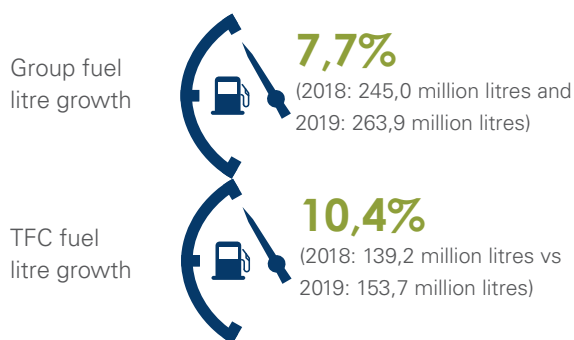


Read more about these initiatives in the social and ethics report on page 55.

OUR CUSTOMERS

Our commitment to serving our customers is the driving force of our business and therefore guides decision making and shapes strategy. It is about the relationships built over time, the values shared and honoured, and the commitment to partner and create value for our customers through both good and challenging times.

Our brands have always been about community. Our consumers are driven by a desire for community. Footprint grown to 200 operating points where mens-mense can meet.



- > **Nine** new retail fuel sites opened in 2019, including managed sites awaiting regulatory approval.
- > **153,7 million** litres fuel pumped at TFC including managed sites awaiting regulatory approval.

OUR EMPLOYEES

R588,1m total labour cost



The total **payable skills levy** for the Kaap Agri Group (+9%)



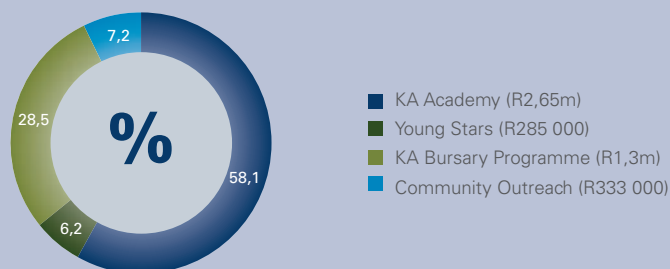
131 learnerships
completed in 2019

9 learners
absorbed into the
business from 2018

Kaap Agri established an ethics line in August 2018, to be used by any person irrespective of position or seniority (employee, client or supplier) to report issues of concern that might be perceived to be difficult to deal with through normal channels.

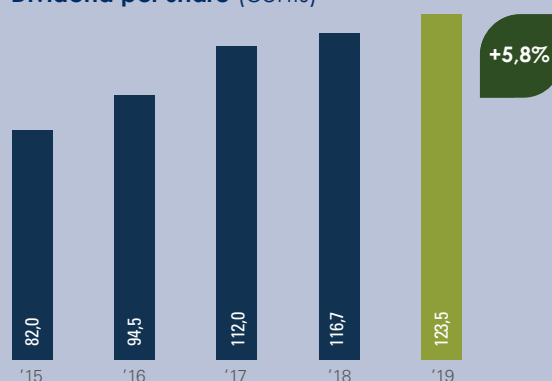
OUR COMMUNITIES

R4,56m spent on the following community initiatives:



INVESTORS AND SHAREHOLDERS

Dividend per share (cents)

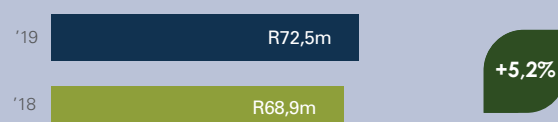


GOVERNMENT AND REGULATORS

In 2019 Kaap Agri paid R101,6m to the South African Revenue Services in direct taxes



The total amount of PAYE paid for the Kaap Agri Group



Business profile

Services	Purpose	Operations
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Trade

<ul style="list-style-type: none"> > Production inputs > Packing material > Hardware and building materials > Fuel > Garden and pool > Clothing and outdoor life > FMCG and liquor > Tractors and combine harvesters > Tillage > Parts > Workshops 	<p>Providing a complete range of production inputs, mechanisation equipment and services, and other retail products to agricultural producers as well as the general public.</p>	<ul style="list-style-type: none"> > 73 Agrimark shops > 11 Pakmark shops > 8 Liquormark shops > 17 Service stations > 4 Agrimark depots > 6 Forge shops > 15 Workshops > 16 Parts outlets > 4 Fuel depots 	<ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > Free State > Limpopo > North West > Mpumalanga > KwaZulu-Natal > Namibia
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The Fuel Company ("TFC")

<ul style="list-style-type: none"> > Retail fuel > Convenience stores > Quick service restaurants 	<p>Providing a full retail fuel offering to a diverse range of customers, including convenience store and quick service restaurant outlets.</p>	<ul style="list-style-type: none"> > 39 Service stations > 1 OK Value shop > 1 Liquormark shop 	<ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > North West > Gauteng > Limpopo > Mpumalanga
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Wesgraan

<ul style="list-style-type: none"> > Grain receiving and grading > Grain marketing > Grain storage > Seed processing > Seed potatoes 	<p>Providing a complete range of marketing and hedging options as well as handling grain products between producer and buyer.</p>	<ul style="list-style-type: none"> > 14 Silo complexes (320 000 ton capacity) > 1 Bunker complex (40 000 ton capacity) > 3 Seed-processing plants 	<ul style="list-style-type: none"> > Western Cape
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Manufacturing

<ul style="list-style-type: none"> > Dripper pipe > Pumps > Irrigation equipment > Filters > Automation 	<p>Manufacturing of dripper pipe and other irrigation equipment, as well as distribution of franchise and other irrigation parts.</p>	<ul style="list-style-type: none"> > 1 Factory > 3 Distribution points 	<ul style="list-style-type: none"> > Western Cape > Gauteng > Mpumalanga
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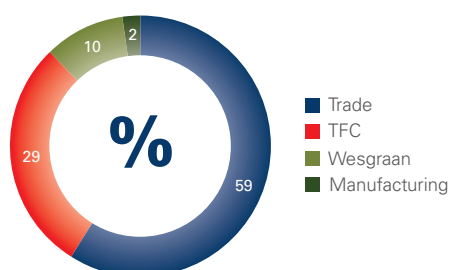


Corporate

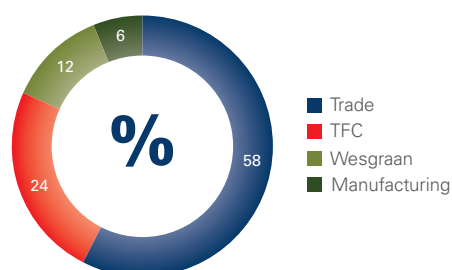
<ul style="list-style-type: none"> > Financing > Finances > Human resources > Corporate affairs > Internal audit > Risk management > Information management 	<p>Providing support services for the Group's activities.</p> <p>Providing tailor-made financing for clients.</p>	<ul style="list-style-type: none"> > Administrative head office Malmesbury > Corporate office Paarl > 13 Regional credit offices 	<ul style="list-style-type: none"> > Western Cape > Northern Cape > Eastern Cape > Mpumalanga > Namibia
---	---	--	---

	 TRADE		 TFC		 WESGRAAN		 MANUFACTURING	
Financial	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Revenue	4 969 211	4 120 868	2 457 152	1 802 049	840 830	439 121	184 327	186 755
Profit before tax	240 903	238 531	101 275	85 809	50 479	23 611	26 118	25 952
Gross assets	1 622 061	1 468 641	900 710	546 449	105 100	97 440	218 551	82 851
Net assets	563 285	485 855	747 951	519 616	57 440	84 802	183 899	56 926

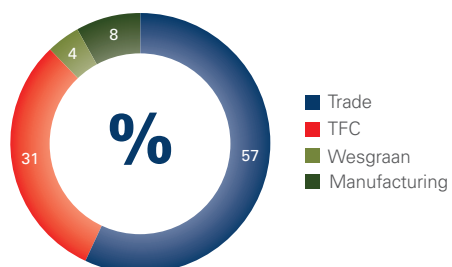
Revenue



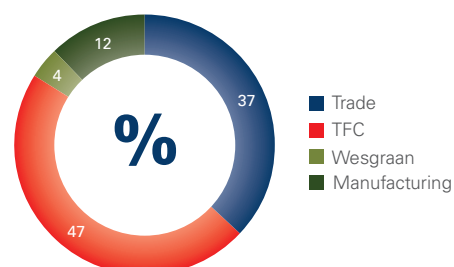
Profit before tax



Gross assets



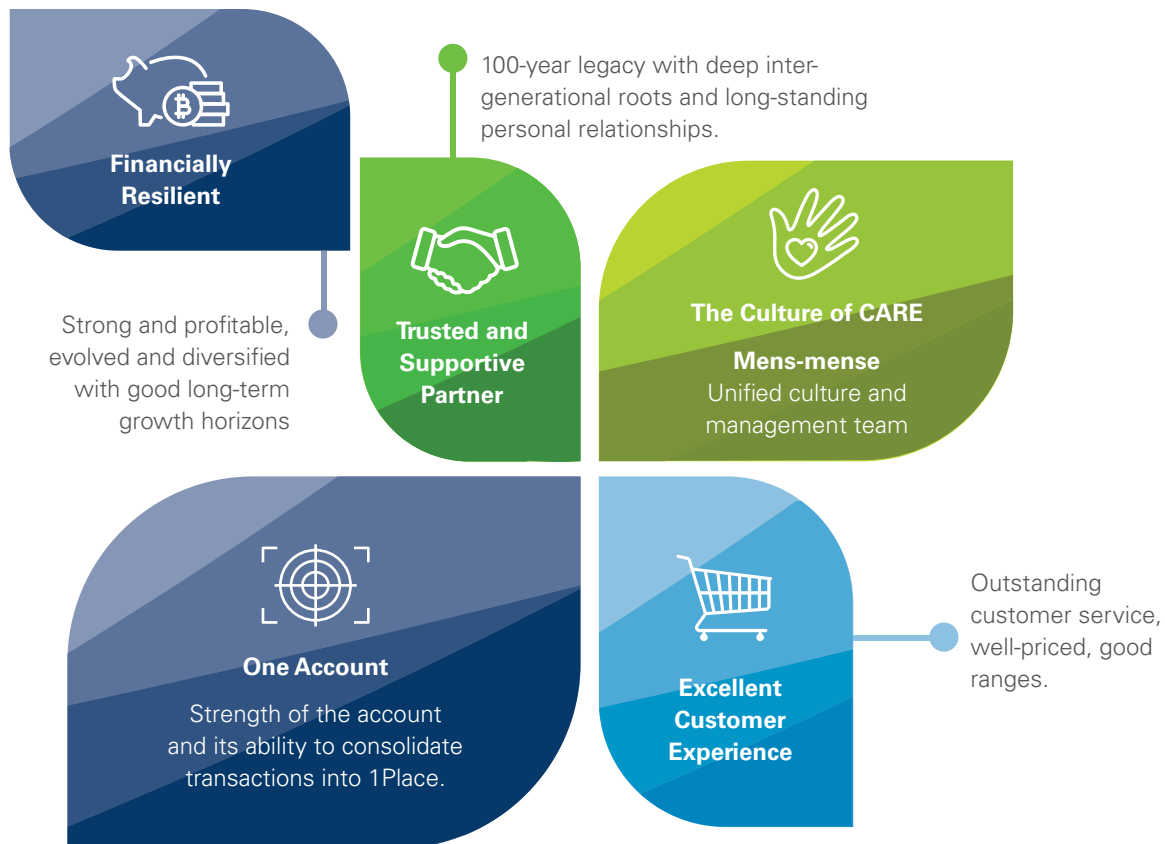
Net assets



Our brands

The Group trades under multiple brands reflective of the nature of the business conducted. The core businesses are Trade, Wesgraan and The Fuel Company, which generate approximately 98% of the Group's income.

Targeted customer engagements along with a review of the core brands conducted over the past year, re-emphasised the value of our Mens-Mense culture of CARE, with stakeholders viewing our brands as being:



Agrimark

Pakmark

Liquormark

Agrilog

New Holland Agency

Forge

[illegible]

Wesgraan represents Kaap Agri's silo storage, grain handling and grain trading services. It consists of 14 silo complexes with a 320 000 ton silo capacity and an additional bunker complex with a 40 000 ton capacity. These services are focused in the Swartland area of the Western Cape. Wesgraan also offers seed processing and related services to farmers in the Western Cape area.

TFC INCLUDING EXPRESSMARK AND FEGO CAFFÉ

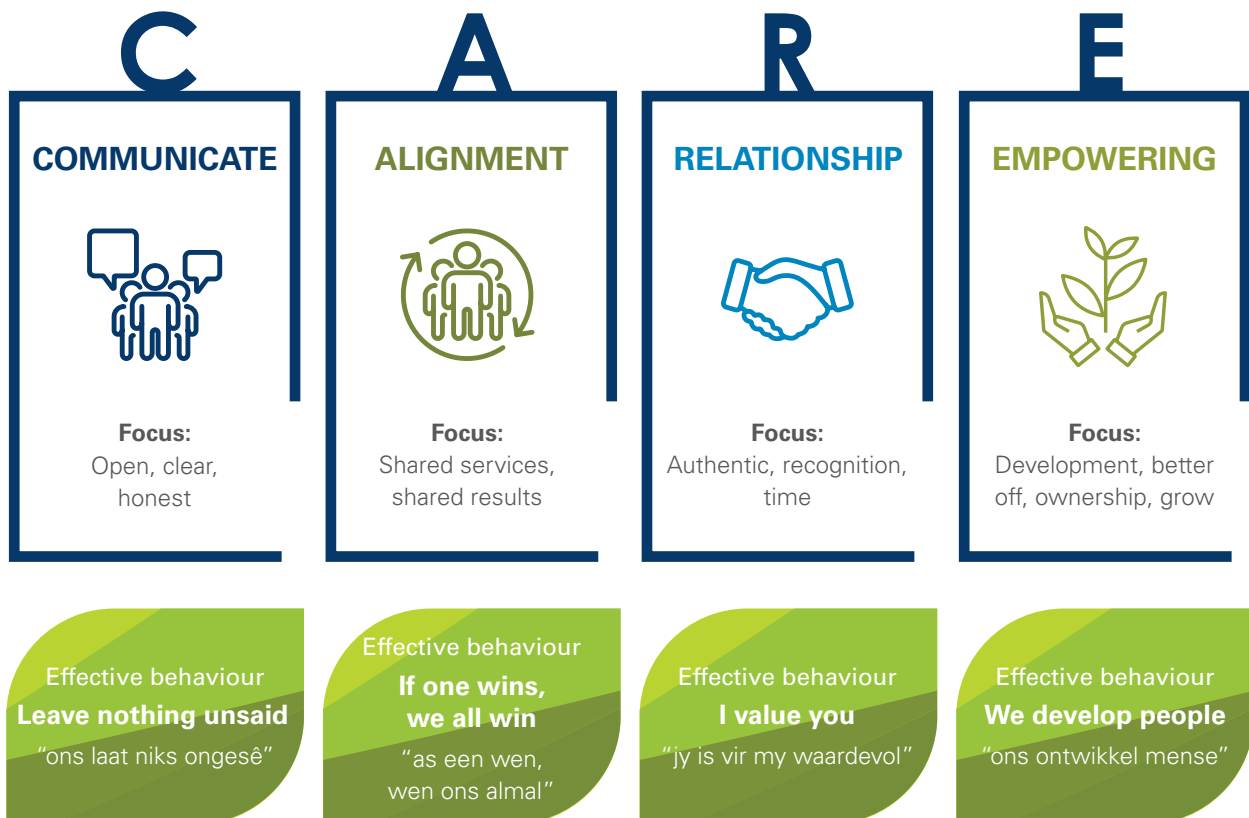
The TFC brand represents Kaap Agri's retail fuel interests and comprises two Group subsidiaries through which retail fuel expansions and growth is driven. Expressmark represents Kaap Agri's convenience store offering at service stations owned and operated by Kaap Agri (i.e. Kaap Agri can choose the brand of fuel). It is a home-grown convenience store brand offering TFC an alternative to outlets such as Caltex Fresh Stop, Engen One Plus or TOTAL La Boutique. The Fego Caffé "To Go" brand is an exclusive coffee shop brand. It operates under licence from Famous Brands. There are 35 retail fuel and convenience service stations operating in TFC. TFC is not limited to operating under Expressmark and/or Fego Caffé. It operates across a broad spectrum of convenience store and quick service restaurant offerings ranging from Mugg & Bean, Debonairs Pizza, Steers, Wimpy and Cafe Bonjour. This includes a tailor-made quick service restaurant, offering quality meals under the Homestead True Food brand.

MANUFACTURING SEGMENT – AGRIPLAS

Agriplas is the Group's irrigation subsidiary, which manufactures dripline (under license) and sprinkler (own patents) irrigation products, and offers agency services for imported irrigation products in water-intensive agricultural areas of Southern Africa.

We aim to expand our network further by establishing new operating points to grow our client base and optimise the product range we offer to our bedrock agricultural customer as well as expand our range to cater for the Building Contractor and retail homemaker customer segments.

Our Mens-mense culture is underpinned by our core values. These values are entrenched in how we do business and is integral to the essence of our brands.



“

The training I received at the Kaap Agri Academy has been life-changing. I learnt so many things I didn't know before, although I've been a farmer for years already. I am grateful for this opportunity because it has made me a better, more equipped and knowledgeable farmer. The training also gave me the opportunity to network and engage with other farmers and exposed us to many different aspects of farming.”

Sydney Claasen,
vegetable farmer in
Stellenbosch and
Kaap Agri Academy
student (Plant Production
Certificate).

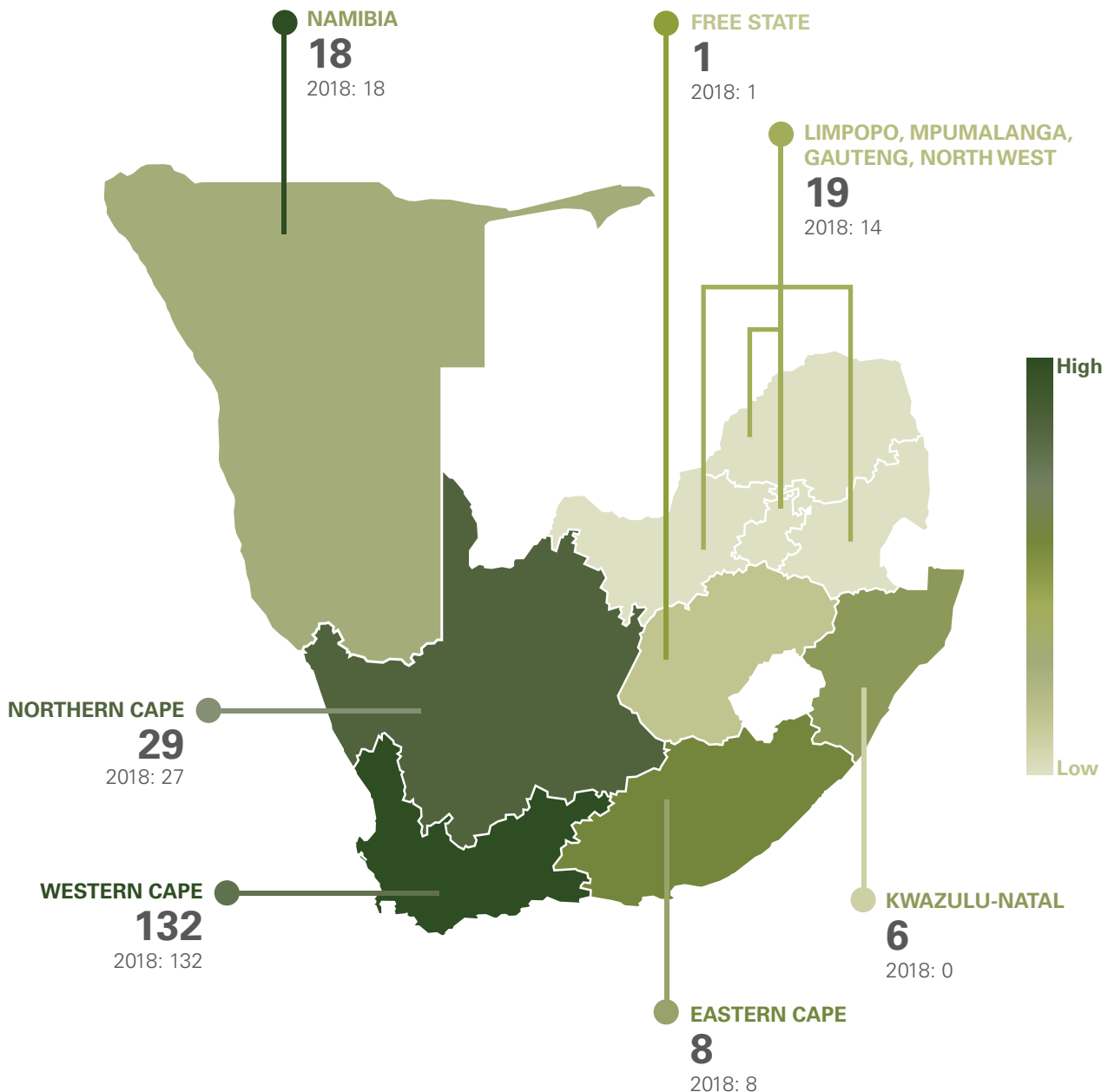


Geographic footprint

The company is based in the Western Cape with the administrative head office and corporate functions housed in Malmesbury and Paarl. The Kaap Agri Group specialises in retailing and trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities and client network, the Group follows a differentiated market approach, bolstering the core retail business with financial, grain handling and agency services.

OPERATING POINTS PER GEOGRAPHY

The colour indicator is a representation of the number of operating points per geographic area. Dark green indicates the highest concentration of operating points, whereas light green indicates a low concentration of operating points.



The Kaap Agri Group specialises in retailing and trading in agricultural, fuel and related retail markets in Southern Africa.

“

Yorique Agullhas, a grade 12 learner at Boland Agricultural High School, was awarded a bursary from Kaap Agri when he started his high school career. Kaap Agri extended the bursary to cover his tertiary studies because of his many achievements in high school.

Yorique was provisionally accepted to the BCom Marketing Management programme at the North West University for 2020. “I am here because of the opportunities Kaap Agri gave me. I am even more motivated to always give my best, work hard and make my parents and Kaap Agri proud. Thank you for making an impact in my life.”



Business review

Kaap Agri continues growing profitability in an increasingly challenging environment impacted by environmental and economic factors.

Leadership report (Chairman and Chief Executive Officer)

KEY RESULTS

Continued investment in future growth

+29,1%

REVENUE

healthy top-line growth, although impacted by fuel price inflation

+15,1%

EBITDA

healthy pre-interest earnings growth

+20,0%

TOTAL EXPENSES

challenging cost management

Kaap Agri delivered growth in profitability in a year characterised by lower than expected drought recovery and a mid-year economic slump post-election. Although Wesgraan delivered an expected recovery off larger wheat harvests, trade income channels were under pressure, with relatively stagnant retail growth in the April to June period.

Although revenue growth of 29,1% was above industry trends, it was impacted by fuel price inflation and growth from investment activities. This resulted in growth of 6,6% in recurring headline earnings. Annualisation of earnings from investment activities will continue going forward.

STRATEGY

Strategy execution is key to achieving medium-term growth targets. Recurring headline earnings per share grew at a compound annual growth rate ("CAGR") of 10,9% for the past five years. Shareholder value measured according to the share price increased by a CAGR of 7,3% over the past five years.

Strategic outcomes are annually evaluated with the executive team. These outcomes remain focused on delivering our strategic intent: growing profitability that significantly outperforms inflation. Some key successes for the year were:

- > additional retail format rollouts;
- > continued optimisation of space, inventory and labour;
- > finalisation of supply chain management system implementations;
- > continued footprint expansions in the retail fuel sector; and
- > growth in building materials sector.

The year has not been without challenges, the recovery in agri infrastructure spend was not as expected and a retail sales slump was experienced mid-year around election time.

The executive team continued investing in systems, skills and infrastructure during the year. This placed the company in a healthy position for future growth. As a result of this investment, the 29,4% increase in interest paid was high compared to the increase in revenue of 29,1%.

The Group is organised into four divisions for operational and management purposes, i.e. trade, TFC, Wesgraan and manufacturing. Kaap Agri reports its operating segment information on this basis.

The trade segment contributes 58,8% of revenue and TFC contributes a further 29,1%. This illustrates the high contribution of retail activities in the Group. The trade, TFC and manufacturing segments showed lower than expected profit growth during the financial year and Wesgraan delivered the expected recovery. The trade segment's operating profit remained flat. This was mainly due to lower agri infrastructure spend on farms, marginal improvements in fruit harvests and the mid-year slump in retail-related category sales. TFC grew operating profit by 18,0%; regulatory issues diminished and footprint growth gained momentum at year-end.

Wesgraan's operating profit grew by 113,8%; a direct result of a recovery in the wheat intake after the prior year drought. Manufacturing had a flat year impacted by lower than expected agri infrastructure spend on farms. On a statutory basis, the combined segment operating profit return on net assets employed by the segments was 27,0% in 2019 and 34,4% in the 2018 financial year. This is on the back of combined statutory segment operating profit growth of 11,0%. The trade, TFC and manufacturing segments are well positioned for continued future growth and the Wesgraan segment remains reliant on wheat harvests and climatic conditions. Trading margin contribution by retail categories is higher than agri-input supply categories. This speaks to our strategy of diversifying the company's retail activities to reduce our exposure to the cyclical nature of agri-input supply sales.

The company is intent on rewarding all our shareholders and the total dividend per share grew by a CAGR of 13,7% over the past five years.

GOVERNANCE

At year end, our broad-based black shareholders held equity in the company worth R583,0 million.

To ensure the Board has the relevant skills to lead a growing and diverse company, a three-year revolving plan is in place. Race and gender diversity challenges are systematically being addressed. The Board is cognisant of the regulatory environment governing the business, including King IV, the JSE Listings Requirements, the Companies Act and other applicable legislation.

COMMUNITY AND SOCIAL INITIATIVES

As "mens-mense", we place as much value on our responsibility to the environment and society as we do on our shareholders and employees. Our investments in socio-economic development programmes mostly support peri-urban and rural communities, and are aligned to education as an enabler to economic transformation and poverty alleviation.

This year, we continued to plough significant resources in support of the farmer development courses hosted at the Kaap Agri Academy, the job shadowing Young Stars programme and the Kaap Agri Bursary Programme.

More than 360 developing farmers have now passed through the Kaap Agri Academy doors and have gone on to implement what they have learnt in the classroom. We hosted an international delegation

from the United Nations Children's Fund to share our learnings and outcomes from the Young Stars programme, and have increased the number of learners benefiting from our bursary programme, while continuing our efforts to further rebalance the gender split for more female inclusivity.

In addition, we also supported various outreach programmes based in the communities in which we operate, and are particularly grateful for the generous support of our suppliers for our annual Golf Day. Proceeds from the Golf Day are invested in educational support for underprivileged schools in rural communities, including schools for learners with disabilities.

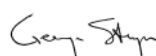
We have also committed to partner with the Nelson Mandela Children's Fund for a period of three years, and will implement programmes which are aligned to our focus of supporting rural schools in communities in which we operate.

OUTLOOK

The Board believes the Group is well positioned for growth. The business development division is focusing on projects across all channels with expansions, acquisitions, mergers and strategic alliances. In line with our strategic focus areas, efforts will continue optimising the offerings at existing branches and expanding the TFC footprint.

We are relatively positive about the medium-term outlook for agriculture in southern Africa. The sector is high on the political agenda to stimulate economic growth in the country, which should lead to infrastructure investments. We also believe that expropriation without compensation will be focused on constructively addressing social inequalities and supporting commercial production to maintain our food security status. Drought conditions are continually experienced in various areas of southern Africa. Also, the company's diversified exposure to other retail markets bodes well for sustainable growth. Although the past two years were challenging, the company is on track to achieve growth above inflation in the medium term.

We are optimistic about the company's future. We thank the Board, the executive team and the PEOPLE of the Kaap Agri Group for their continued and valued contribution.



GM Steyn
Chairman



S Walsh
Chief Executive Officer

Financial performance

Our financial strategy underpins the Group strategy.

Group Financial Director's report

STRATEGIC PRIORITIES

Kaap Agri strives to create sustainable value for all stakeholders through consistent growth in earnings. This objective is pursued through our strategic medium-term plan which focuses on growth, optimisation, leveraging B-BBEE and digital transformation and aims to deliver targeted recurring headline earnings growth at a desired level of return on equity. To achieve superior earnings, we continue to focus on the key financial value drivers of revenue growth, gross profit growth, effective cost management, balance sheet and cash flow optimisation as well as enhanced return on invested capital.

Performance management at a Group level takes into account the diverse nature of our combined business segments and aims to identify key financial performance indicators that will contribute to increased shareholder value. The top five financial indicators used by the business to measure performance are:

- > **Recurring headline earnings per share ("RHEPS") growth**
We consider RHEPS growth to be a strong indicator of sustained wealth creation as it eliminates the impact of events that do not recur frequently. Successful execution of the four strategic focus areas should ultimately reflected in superior RHEPS growth.
- > **Return on invested capital ("ROIC")**
ROIC has replaced return on net assets ("RONA") as a key indicator. While RONA measures how efficient we are at using our assets to generate earnings, we have prioritised ROIC as we consider this to be an appropriate measure of our efficiency of allocating capital to investments. This is particularly important given our acquisitive strategy, specifically in the retail fuel environment.
- > **Return on equity ("ROE")**
We believe ROE is a true bottom line profitability measurement relevant to shareholders, comparing the earnings available to shareholders to the capital provided by the shareholders.

> Return on sales ("ROS")

Our ability to translate revenue into earnings is measured by ROS. This indicator takes into account our ability to procure optimally, to effectively operate our business on a low-cost model and the funding impact of investment activities and balance sheet optimisation.

> Fuel volume growth

Due to the volatility and regulated nature of fuel prices, we believe the true measure of success in the retail fuel environment is volume growth. By optimising existing operations and expanding our footprint through acquisitions, as well as the addition of complementary convenience shopping and quick-service restaurant offerings, we aim to significantly grow fuel volumes over the medium term.

INCOME STATEMENT

Kaap Agri increased revenue by 29,1% to R8,5 billion, up from R6,5 billion in the previous financial year, with like-for-like comparable growth of 7,6%. This growth in revenue was mainly driven by a 10,6% increase in the number of transactions coming from strong organic growth. The inclusion of Partridge Building Supplies (Pty) Ltd ("Forge") from 1 October 2018 contributed 5,1% of total revenue growth. Product inflation is estimated at 3,0% but excluding the large inflationary impact of fuel in the revenue basket, inflation was 0,2%. Our ongoing diversification strategy and resilience continue to yield strong revenue growth despite exceptionally tough trading conditions. Retail sales growth, albeit from a lower base, again outperformed agricultural sales growth, with fuel contributions growing steadily.

In line with the Group's growth strategy, we continued to expand our footprint and improve our existing offerings during the period. Five new and managed retail fuel sites were added, with total Group fuel volumes increasing by 7,7% in the year. The Fuel Company ("TFC") grew annual fuel volumes by 10,4% at owned and managed sites awaiting regulatory approval. Additional quick-service restaurant offerings were added to further complement existing retail fuel site offerings. Further TFC site acquisitions are at various stages of conclusion, with a strong pipeline of new sites for the coming year. One new Agrimark store was opened, our improved retail format was rolled out to four Agrimark stores and a number of smaller upgrades and expansions were completed within the Agrimark and Pakmark

environments. An additional 10 000 tons were added to our grain storage capacity. The Forge acquisition has added six business units in KwaZulu-Natal, further diversifying our geographic and product exposure. We will continue investing responsibly into the business with various new agri and retail footprint expansion opportunities being investigated.

Subsequent to year-end, Tego Plastics (Pty) Ltd ("Tego") commenced operations as a wholly owned subsidiary of Kaap Agri. Tego will initially produce high-quality, food grade plastic bulk bins for the agricultural market through an injection moulding manufacturing process with the opportunity to manufacture additional solid form products at a later stage. This is in line with our strategy to diversify our manufactured product range into non-irrigation agri-related products. R94,8 million of the above mentioned expansion capital expenditure was allocated for this strategy to date. The Group also obtained control of one retail fuel station purchased from Kaapweg Motors CC. The acquisition date for this business was November 2019.

Gross profit has increased by 18,8%, but at a rate lower than revenue growth due to the impact of a changed sales mix, as well as margin pressures resulting from constrained economic conditions and aggressive competitor activity in both the agri and retail channels. Fuel prices have fluctuated considerably during the period, but ended 0,3% lower (petrol) and 1,3% higher (diesel) compared to last year. Lower fuel regulated margin growth has further contributed to reducing the overall Group gross profit margin percentage.

In support of increased revenue and market share gains, expenditure grew 20,0%, a direct result of new acquisitions and the annualisation of non like-for-like stores. Expenditure growth was also impacted by certain non-recurring costs associated with acquisitions of new businesses. Cost control remains a core focus area within the business, with various initiatives in place aimed at improved expense management. Our cost focus is especially relevant given the impact of suppressed margins and waning consumer and business confidence. However, the business continues to invest in human capital and its supply chain, as well as in various growth acceleration initiatives in line with our strategic medium-term plan.

The performance of Kaap Agri (Namibia) has improved during the year, largely due to the positive impact of procurement initiatives, in-store upgrades and footprint expansion. The combined strength and offering of the two joint venture parties has yielded positive results during the period.

Forge's performance has been disappointing, with the region's producers experiencing early season drought

and low milk prices. Forge also saw a significant slowdown in infrastructural expansion related building material spend. The new Nottingham Road store is performing in line with expectation, but low opening margins have impacted the business's earnings. Forge remains strategic in terms of footprint expansion and agri diversification and further revenue-enhancing opportunities are being explored.

Interest received grew by 8,5% due to increased credit sales and a higher average debtors' book. Interest paid increased by 29,4% due to additional gearing of R317,6 million to finance the acquisition of operations and capital expansion.

EBITDA grew by 15,1%, outperforming the increase in recurring headline earnings, due to growth-related interest paid and depreciation as well as adjustments related to the revaluation of put options exercisable by non-controlling subsidiary shareholders.

The Group's effective tax rate of 26,0% (2018: 27,8%) is lower than last year due to non-taxable learnership incentive income and supplier development deductions.

Headline earnings increased by 14,1% while recurring headline earnings grew by 6,6%. Non-recurring items, predominantly adjustments for the interest and re-measurement of liabilities relating to put options exercisable by non-controlling subsidiary shareholders, as well as costs associated with new business development, are excluded from headline earnings to calculate recurring headline earnings.

Headline earnings per share of 397,85 cents increased by 14,0% while RHEPS of 375,19 cents grew by 6,0% on last year, resulting in a five-year compound annual growth rate in RHEPS of 10,9% until 30 September 2019. Return on revenue has reduced to 3,2% from 3,8% last year, largely impacted by the increased mix contribution of lower margin fuel and fuel price increases.

A gross final dividend of 90,00 cents per share (2018: 84,70 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2019, representing a 6,3% increase on the previous year. The final dividend amount, net of South African dividends tax of 20%, is 72,00 cents per share for those shareholders not exempt from dividend tax. Including the interim dividend, the total gross dividend for the year ended 30 September 2019 of 123,50 cents per share (2018: 116,70 cents) increased by 5,8% over the prior year and has grown at a compound annual growth rate of 13,7% over five years. The total dividend per share represents a dividend cover of 2,9 times (2018: 2,9 times).

STATEMENT OF FINANCIAL POSITION

Capital expenditure of R347,9 million was incurred during the year, with R196,1 million allocated to expansion, R45,4 million on replacement assets and R106,4 million on TFC new site acquisition deposits. Additionally, R50,8 million was incurred in the acquisition of businesses, mainly Forge. Spend by division remains heavily weighted to our strategic growth areas. The Forge acquisition contributed significantly to trade spend and TFC continued to receive considerable capital allocation. Storage capacity was increased in Wesgraan and various software and system implementations are nearing conclusion, including a manufacturing execution system in our manufacturing division aimed at improving efficiencies in the manufacturing process, as well as a number of modules of supply chain optimisation software.

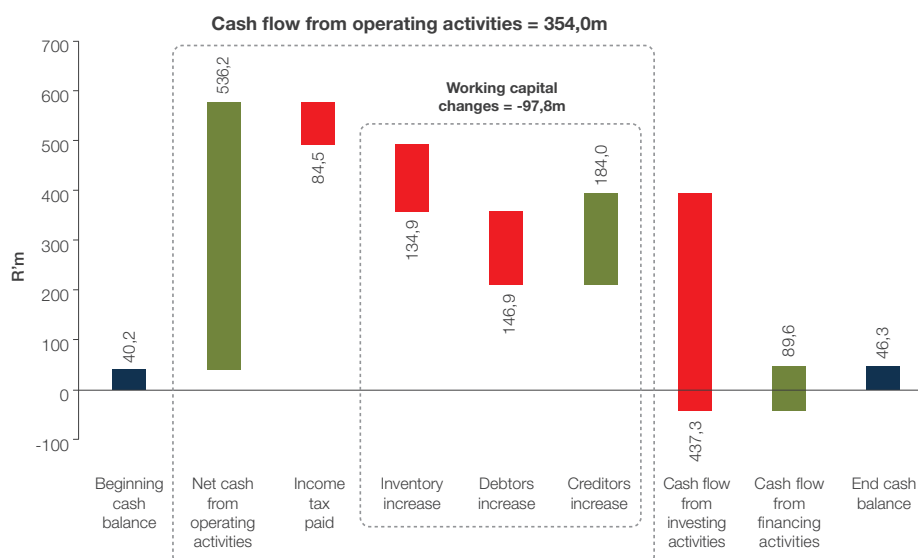
Working capital has been well controlled. Although debtors have grown slightly above the increase in credit sales, we have reduced out of terms debt by 16,7% year on year. Prior year payment extensions to producers affected by the drought have been collected with no default. Securities are held where appropriate and we believe we are suitably provided for when considering the health of the debtors' book.

Stock days have remained relatively constant year on year, courtesy of higher retail and fuel sales

contributions and the continued increased participation of our centralised distribution centre. Creditors' days have reduced slightly due to the increased contribution of fuel payments. Return on net assets has decreased to 9,0% from 9,6% last year, the result of subdued current year earnings growth and ongoing investment in the business. ROIC has decreased by 0,1% year on year due to subdued and partial period returns and continued investment. This is expected to improve going forward as earnings improve to grow in line with our strategic plans and newly acquired operations annualise.

Net interest-bearing borrowings increased by 32,1% to R1,3 billion, largely the result of strategic capital expenditure to support growth and the increased debtors book. The Group's debt-to-equity ratio, calculated on average balances, increased to 62,5% (2018: 52,4%) with net debt to EBITDA of 2,4 times (2018: 2,1 times) and interest cover of 5,0 times (2018: 5,5 times). Gearing remains at levels within our internal thresholds with sufficient headroom available to meet the coming year's requirements. Return on equity decreased to 14,6% (2018: 15,2%), slightly below the targeted minimum level of 15%.

The following chart illustrates the Group cash flow waterfall over the period, with emphasis on the main areas of cash generation and utilisation.



The Group continues to generate strong cash flows from operations and significant investment has been made back into the business to support growth, in terms of increased capital expenditure and acquisitions.

SHAREHOLDER VALUE CREATED

Kaap Agri aims to create sustainable shareholder value. The two main objectives with our JSE listing in 2017 were to unlock shareholder value and to create liquidity for the share. Although traded volumes have increased significantly subsequent to listing, the lack of liquidity and price volatility off low volumes remain a challenge. The past year has seen a significant weakening of share prices across the retail sector as the tough economic conditions hampered consumer spending, with the market capitalisation of Kaap Agri decreasing by 19,8% since September 2018.

We measure sustainable performance in terms of investor return over time, with a focus on per share wealth creation. When evaluating Kaap Agri's performance over the long term, we use the total return index ("TRI") as a measurement tool. The TRI is the compound annual growth rate of an investment and is calculated by taking into

Five-year financial review

GROUP

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Income statement					
Revenue	8 451 520	6 548 793	6 055 721	5 173 559	4 808 877
Direct business	2 347 209	2 237 658	2 146 981	1 972 705	1 718 293
Value of transactions	10 798 729	8 786 451	8 202 702	7 146 264	6 527 170
Profit before tax	379 841	344 904	332 622	290 798	256 766
Income tax	(98 562)	(95 947)	(91 497)	(80 376)	(67 572)
Profit after tax	281 279	248 957	241 125	210 422	189 194
Headline earnings adjustment	1 995	(578)	2 074	(118)	(6 472)
Headline earnings	283 274	248 379	243 199	210 304	182 722
Non-recurring expenses	(14 721)	3 604	4 470	–	–
Recurring headline earnings	268 553	251 983	247 669	210 304	182 722
Attributable to shareholders of the holding company	263 428	249 273	247 669	210 304	182 722
Non-controlling interest	5 125	2 710	–	–	–
EBITDA	550 016	477 816	446 796	370 349	310 843
Interim	23 338	22 548	20 716	18 672	16 911
Final	63 416	59 681	58 201	47 914	40 868
Dividend paid	86 754	82 229	78 917	66 586	57 779
Gross dividend	91 600	86 557	83 071	70 091	60 820
Dividend on treasury shares	(4 846)	(4 328)	(4 154)	(3 505)	(3 041)

Statement of financial position

Non-current assets	1 785 701	1 304 896	1 076 812	802 807	663 072
Current assets	3 002 041	2 622 335	2 333 025	2 222 387	1 956 191
	4 787 742	3 927 231	3 409 837	3 025 194	2 619 263
Liabilities and loans	(2 861 494)	(2 184 485)	(1 827 856)	(1 619 517)	(1 364 041)
Total shareholders' equity	1 926 248	1 742 746	1 581 981	1 405 677	1 255 222
Net interest-bearing debt	1 304 259	987 538	755 300	797 115	630 508

Statement of cash flows

Cash flow from operating activities	353 979	237 025	489 704	100 462	106 708
Cash profit after tax from operations	451 747	364 175	386 542	304 966	241 138
Working capital changes	(97 768)	(127 150)	103 162	(204 504)	(134 430)
Cash flow from investment activities	(437 379)	(283 503)	(272 985)	(213 746)	(158 423)
Cash flow from financing activities	89 554	51 604	(198 614)	106 765	53 206
Net cash flows	6 155	5 126	18 105	(6 519)	1 491

Ratios

Total shareholders' equity: Total assets employed	42,1%	45,3%	46,4%	47,1%	48,2%
Net interest-bearing debt: Total assets employed	26,3%	23,8%	24,1%	25,3%	23,0%
Net interest-bearing debt: Total shareholders' equity	62,5%	52,4%	52,0%	53,7%	47,8%
Recurring headline earnings: Shareholders' interest	14,6%	15,2%	16,6%	15,8%	15,4%
EBITDA: Net assets	26,1%	25,2%	26,4%	24,7%	23,3%
RONA	9,0%	9,6%	10,5%	9,9%	10,0%
Interest cover (times)	5,0	5,5	6,9	8,1	8,7

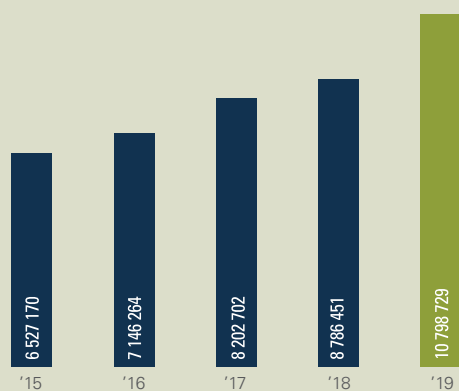
Per share

Shares issued (number – '000)	70 237	70 162	70 462	70 462	70 462
Weighted average shares issued (number – '000)	70 211	70 396	70 462	70 462	70 462
Recurring headline earnings per share (cents)	375,19	354,10	351,49	298,46	259,32
Dividend per share (cents)	123,50	116,70	112,00	94,50	82,00
Net asset value per share	R27,42	R24,84	R22,45	R19,95	R17,81

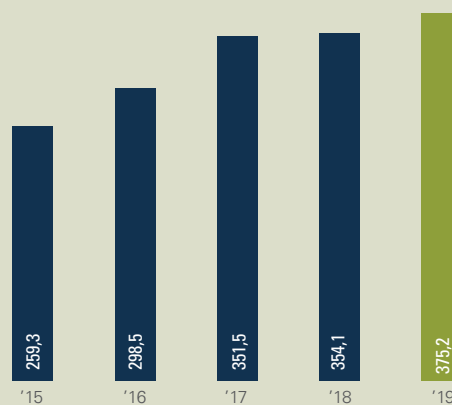
Ratios calculated on average balances.

Non-recurring items consists of non-recurring expenses associated with acquisitions of new businesses as well as the revaluation of put options.

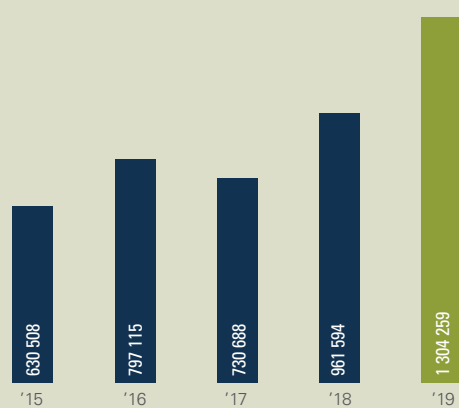
Turnover (Value of transactions) R'000



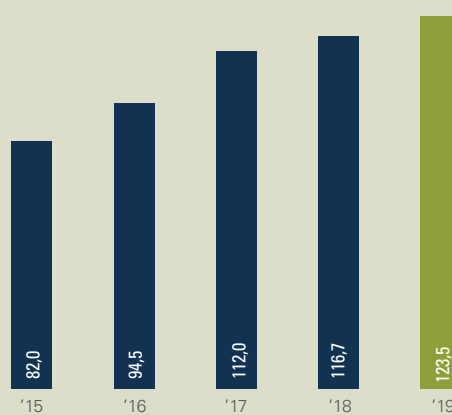
Recurring headline earnings per share (Cents)



Interest-bearing debt (R'000)



Dividend per share (Cents)



Governance and sustainability

Board of directors

Chairman

GM Steyn^{2,6,4}

Non-Executive

I Chalumbira

WC Michaels^{3,4}

BS du Toit^{1,4}

CA Otto^{1,2,6,4}

D du Toit^{1,@,4}

HM Smit^{3,5,4}

JH le Roux⁵

JH van Niekerk^{2,5,6,@,4}

EA Messina^{3,4,@}

Executive

S Walsh – Chief Executive Officer

GW Sim – Financial Director⁵

¹ Audit and Risk committee

² Remuneration committee

³ Social and Ethics committee

⁴ Independent

[@] On 20 December 2019, Kaap Agri advised shareholders, via SENS, that Mr JH van Niekerk, who retires by rotation at the upcoming AGM of the company, has advised the Board that he will not be making himself available for re-election to the Board of Kaap Agri. As a result of Mr JH van Niekerk's retirement, Mrs D du Toit has, subject to her re-election as a director at the upcoming AGM, been appointed as a member of the Remuneration committee, and Dr EA Messina has been appointed as a member of the Nomination committee, both with effect from 13 February 2020.

⁵ Finance committee

⁶ Nomination committee

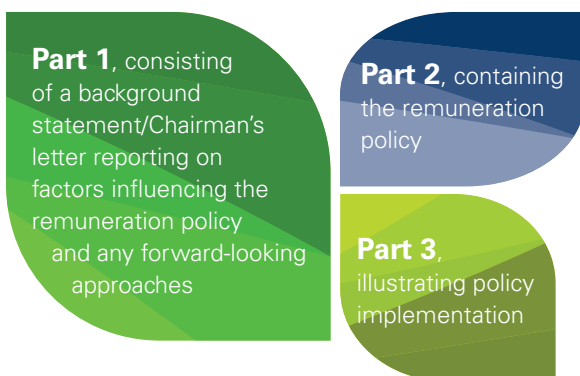
Executive management

JL Abrams	The Fuel Company
DW Beukes	Financing Services
J de Lange	Wesgraan
DC Gempies	Human Resources
C Graham	Information Management
AJ Griesel	Operations
PR Joubert	Agriplas
RH Köstens	Company Secretary
I Robertson	Forge
GW Sim	Finance Director
HJ Smit	Procurement and Logistics
T Sulaiman-Bray ³	Corporate Affairs
WA van Zyl	Properties
GC Victor	Finance
S Walsh	Chief Executive Officer

³ *Social and Ethics committee*

PART 1: BACKGROUND STATEMENT

We present the remuneration report for the year ended 30 September 2019 with great pleasure. As a listed group, we took several proactive steps to review the remuneration requirements of King IV. Where applicable, we applied these or implemented a transition plan to comply by the prescribed dates. We adopted the three-part remuneration report approach:



The remuneration policy and implementation report will be put to shareholders for non-binding advisory votes. This aligns with the JSE Listings Requirements. The notice of annual general meeting ("AGM") will be available on our website from December 2019.

It was a challenging year for the company. Challenges included the impact of climatic conditions in the

Group's various operating areas, compounded by foreign exchange volatility and subdued consumer confidence and spending. Despite negative external factors, Kaap Agri performed strongly and continues delivering against its strategic medium-term targets. The Board believes the Group is well positioned for growth. Further earnings growth is expected for the next year.

During the 2019 financial year, the activities of RemCom included the following:

- > Reviewed and approved the recognition and praise system.
- > Reviewed and approved the performance bonus scheme.
- > Reviewed and approved the profit share and short-term incentive ("STI") scheme.
- > Reviewed and approved the long-term incentive ("LTI") scheme.
- > Approved the recommendations from the salary benchmark exercise.
- > Approved the overall annual salary increase percentage for the Group.
- > Approved executive director and senior management's annual salary increase.

My fellow members and I consider the Kaap Agri remuneration policy aligned with and supportive of the Group's long-term business strategy. We look forward to receiving your support for both the remuneration policy and implementation report at the AGM.

Components of remuneration for employees

The remuneration framework for employees is as follows:

Remuneration framework			
Guaranteed pay		Variable pay	
Basic pay	Benefits	Incentives	Allowances
Cash salary including 13th cheque (annual bonus)	Benefits include vehicle benefit, medical aid and retirement scheme	Recognition and praise, performance bonus, marketer's commission, and short term incentive scheme (STI) and long- term incentive scheme (LTI) based on individual and company performance	Monthly allowances not limited to those prescribed by the bargaining council and sectoral determination agreements

Basic pay and condition of service

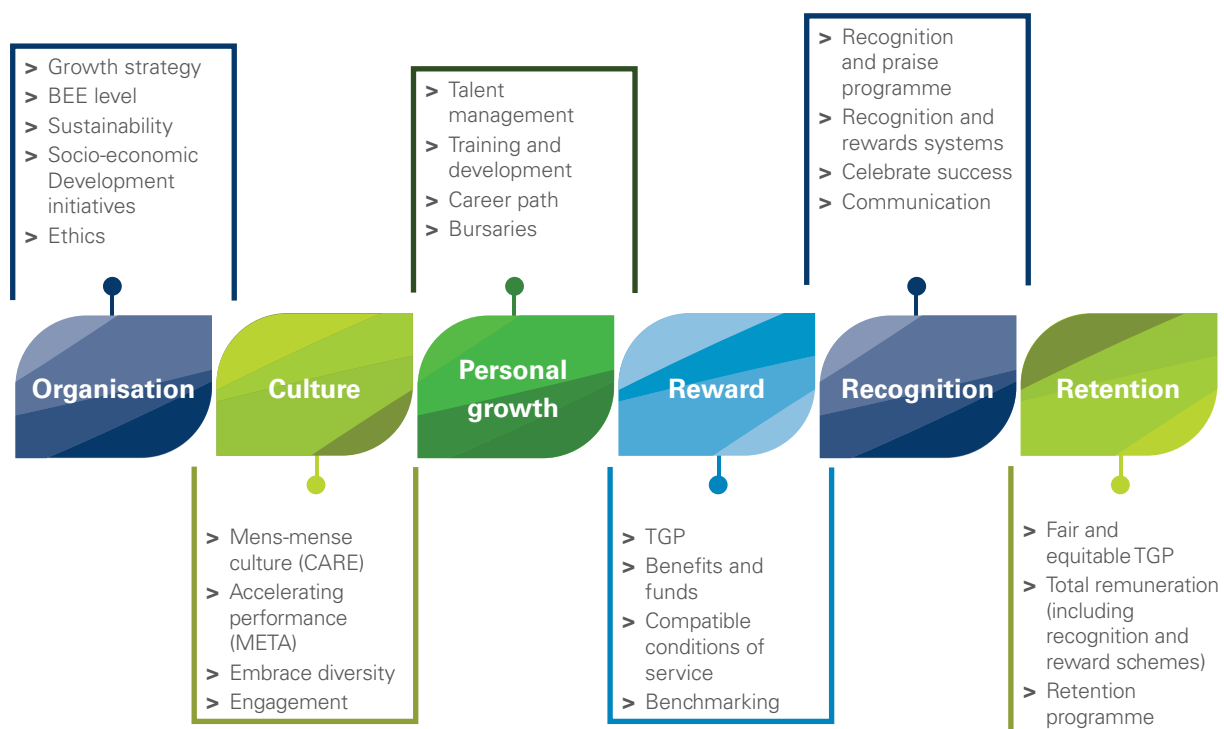
The company will annually compare the annual increases proposed by bargaining councils and/or sectoral determination agreements to those proposed by the Board. The higher of these increases will be awarded to eligible employees.

The company ensures employees receive the most favourable conditions of service. The conditions of service are more favourable than prescribed conditions as per the applicable sectoral determination and/or bargaining council agreements.

Employee Value Proposition ("EVP")

The EVP was designed to attract, engage, retain and motivate the Group's employees. It enables us to become an employer of choice for the diverse talent required to deliver sustainable profit growth. The EVP balances financial and non-financial rewards to drive the accelerating performance culture.

The EVP framework is described in the diagram below:



The EVP's cornerstone is the mens-mense culture. During the period, two surveys were conducted throughout the Group:

- > The employee engagement survey focused on the mens-mense culture (CARE) with a 72% participation rate
- > The organisational accelerator questionnaire focused on accelerating performance (META) with a 97% participation rate

The Group developed a leadership DNA framework with supporting development and coaching programmes. These are being rolled out to all management levels.

Recognition and reward schemes for the 2020 financial year

The Group has historically operated the STI profit share scheme and LTI scheme. During the year, the schemes will be enhanced to include other forms of recognition and reward, illustrated in the table below:

Framework of recognition and reward schemes			
Element	Participants	Performance period and measures	Operation and delivery
Recognition and praise	Skilled, semi-skilled and unskilled; skilled (P10 to P18) and employees within specialised supporting roles (P8 and P9) not responsible for a profit centre	Based on monthly and/or quarterly performance by employees	Paid monthly and quarterly to winning employees per category based on performance criteria set by the business
Performance bonus	Shared service managers within P6 to P7; branch managers within P6 to P9; management accountants and/or operations controllers	The performance period is annually reviewed with quarterly targets	Paid quarterly based on specific performance targets
STI	CEOs, directors, managing directors ("MDs") of subsidiaries; Group, executive, regional and senior managers within P1 to P5	Performance is annually evaluated against growth in profit before tax	Paid in December based on specific performance targets All bonuses are self-funded based on financial targets
LTI	CEOs, directors, MDs of subsidiaries; and Group managers within P1 to P3	The performance conditions are inherent in the award as there must be an increase in the Group's share price before a participant receives any value	Annual award of rights entitling an individual to shares calculated regarding the increase in share price between the grant date and vesting date Vesting occurs in equal tranches in the second, third, fourth and fifth years

Recognition and praise

Employees are nominated by management according to the following categories:

This category recognises employees who excel in their jobs and go beyond the call of duty to get the job done.

This category embodies the CARE values; evident in employees' interactions with others. It recognises employees who positively influence others and are examples of our culture.

This category recognises employees for adding value affecting or contributing to the business's overall bottom line. Note: The best shared service department will be nominated via a survey conducted by the business.

This category recognises employees for adding value in the business (most improved).



Performance bonus

This motivates business unit managers to achieve performance targets contributing to the Group's performance targets.

The performance bonus rewards performance on a short-term basis (based on predetermined targets per operating unit). An operating unit's performance bonus pay out will be based on two things: a fixed cash amount paid quarterly or bi-annually (based on achieving predetermined sales performance targets); and a percentage of monthly TGP paid bi-annually (based on achieving predetermined performance bonus targets ("PBTs")).

Shared service managers between P6 and P7 will qualify for a performance bonus if the Group achieved predetermined PBT growth.

Commission earners

Commission earners (e.g. marketers) within various divisions may earn a commission based on the applicable commission structure. Commission is an incentive for reaching performance targets. Commission earners do not qualify for STIs, performance bonuses or the recognition and praise programme.

STI scheme

The STI scheme is designed to motivate employees to deliver Group performance improvements over the financial year. Employees have historically participated in this scheme. Potential earnings were determined by the peromnes broadband and the operating unit. Going forward, this scheme will only be applicable to executive directors, directors and Group executive and regional managers (P1 to P5).

The Group target is based on the average 12-month June consumer price index ("CPI") percentage plus a growth percentage target with an increment interval of 1,25%. An example of the growth target for year-on-year performance is illustrated in the table below:

Year-on-year performance growth target calculation								
CPI (example)	5,0%	Average 12-month annual inflation at June						Cap for STI
CPI+ % growth	0,0%	5,0%	6,25%	7,5%	8,75%	10,0%	11,25%	12,5%
Target	5,0%	10,00%	11,25%	12,50%	13,75%	15,00%	16,25%	17,50%

The maximum STI is capped at CPI + 12,5%. RemCom has discretion to award any further STI when appropriate.

LTI scheme

The LTI scheme is an equity-settled management share incentive scheme implemented from 1 October 2016. Executive directors and Group managers participate in the LTI scheme. RemCom annually reviews the TGP multiple factor used for the calculation of grants awarded. This is to ensure it remains appropriate.

The scheme is designed to:

- > align the interests of Group management with shareholders;
- > promote and enable the retention and attraction of exceptional talent;
- > motivate and recognise the contribution of senior managers at top management level; and
- > subject to certain performance criteria, give participants an opportunity to acquire shares in the Group through granting options to future shares.

Components of remuneration for executive directors and Group managers

The table below sets out an overview of remuneration components applicable to executive directors and Group managers:

Total remuneration for CEO, directors and Group managers (P1 to P3)			
Element	TGP <i>Includes fixed salary and benefits (e.g. vehicle benefit, medical aid and retirement scheme)</i>	STI	LTI

STIs

STIs are payable when the Group achieves predetermined growth targets. These are based on average 12-month CPI figures plus an incremental percentage growth.

The maximum amounts earned under STIs are as follows:

- > CEO maximum cap is 120% of annual TGP
- > Director finance maximum cap is 100% of annual TGP
- > Other directors and subsidiary MD maximum cap is 100% of annual TGP
- > Group, executive and regional manager maximum cap is between 25% and 50% of annual TGP

STIs are paid in cash after concluding the audited annual financial statements.

LTIs

Participants are awarded several options in the scheme annually. The options awarded are based on the following factors:

- > Six (6) times annual TGP for the CEO
- > Four (4) times annual TGP for the Financial Director
- > Three (3) times annual TGP for directors

The options vest in equal tranches on the first day of the second, third, fourth and fifth financial year following the grant date.

On the vesting date, shares will be awarded to a participant. These are calculated referencing the growth value in the share price between the grant date and vesting date. Participants only benefit from the scheme if the share price has increased. Should the share price not increase, the vested options will be worth nil and will lapse.

Cessation of employment and effect on unvested LTIs

In the case of cessation of employment, the treatment of unvested options depends on the reason for cessation as set out below:

Reason for cessation	Treatment of unvested options
Just cause dismissal or resignation Death, ill health, permanent disability, retirement, early retirement and retrenchment	Unvested options will lapse Following cessation, participants are entitled to vest the options due on the next vesting date. Any remaining options following this vesting event will lapse.

Executive director and key management contracts

Executive directors and other Group key management do not have fixed-term or bespoke key management contracts. They are employed in terms of the Group's standard contract of employment. The notice period for termination of service is three (3) calendar months.

No additional payments are made to key management on termination of employment (apart from those required in terms of labour legislation). They do not receive sign-on bonuses.

On cessation of employment, STIs are forfeited. Unvested LTIs are treated under the LTI policy (refer to "Cessation of employment and effect on unvested LTIs" above).

Non-executive director ("NED") fees

NED fees consist of a fixed annual fee for services as a director and fixed fee for duties on committees. NEDs are reimbursed for travelling and other costs relating to their duties. The Group also carries these costs directly.

NEDs do not qualify for any STIs or LTIs.

The Group reviews market best practice and leadership publications by reputable remuneration consulting firms. This is to assess the reasonability and level of NED fees. Comparison analyses are done regarding other similar companies and committees with similar responsibilities.

Proposed 2020 financial year NED fees

Fees for the 2020 financial year will be submitted for approval by shareholders at the Group's AGM to be held on 13 February 2020. This is to comply with the Companies Act. Refer to special resolution number 1 on page 6 in the notice of AGM.

The proposed fees are as follows:

Directors' fees		2020
Director – base fee		R178 500
Board Chairman		+ R389 500
Committee	Member	Chairman
Audit and Risk	+ R133 500	+ R266 500
Remuneration	+ R111 500	+ R222 500
Finance	+ R55 500	+ R133 500
Social and Ethics	+ R28 500	+ R84 000

These proposed fees are VAT exclusive.

Remuneration governance

RemCom is a Board committee primarily responsible for overseeing the remuneration and incentives of executive directors and key management (collectively “executives”). Committee members are annually appointed by the Board. Members consist of at least three NEDs, the majority of whom are independent. The Chairman is annually appointed by the Board and is an independent NED.

There are three members of RemCom, all of whom are independent NEDs:

- > CA Otto (Chairman);
- > GM Steyn; and
- > JH van Niekerk.

The level of accountability for governing the remuneration policy and implementation thereof is illustrated in the table below:

Governance framework	
Board of directors	The Kaap Agri Board of directors has ultimate responsibility to ensure compliance with remuneration principles and limiting risk.
RemCom	In line with the committee’s role and responsibilities, it monitors performance and determines appropriate remuneration policies and guidelines for different groups (subject to Board approval).
Operational level functions	
Executive team	The executive team is responsible for compliance with its areas of responsibility and for evaluating recommendations to change policies and practices.
Director: HR (subsidiary – Kaap Agri Bedryf Limited)	The Director: HR is responsible for managing the day-to-day application of the remuneration policy. He also recommends changes to policies and practices to the Executive committee.

RemCom has the following functions and responsibilities:

- > To determine the CEO’s remuneration
- > To determine executive directors’ remuneration as recommended by the CEO
- > To determine NEDs’ remuneration
- > To consider senior managers’ remuneration
- > To ensure the remuneration philosophy and principles are aligned with the Group’s business strategy
- > To ensure performance-based incentive schemes and performance criteria are developed and implemented
- > To determine the annual average increase for staff remuneration

PART 3: IMPLEMENTATION REPORT REGARDING THE REMUNERATION POLICY IN THE 2019 FINANCIAL YEAR

RemCom is satisfied that Kaap Agri complied with the remuneration policy in the 2019 financial year.

TGP

The following table sets out TGP increases for executive directors:

Executive directors	2019 R'000	2018 R'000	Change %
S Walsh	5 071	4 830	5
GW Sim	3 318	3 160	5

The annual salary increase mandate is based on various factors, ranging from but not limited to the company's profit, average CPI and market salary increase indicators. The annual percentage increase is determined by bargaining councils and/or sectoral determination for employees within peromnes broadband P10 to P18, where applicable. In addition, the respective bargaining councils and or sectoral determination annual increase agreements must be adhered to for employees within broadbanding P10 to P18. Performance-based pay is the cornerstone of remuneration practices. There is a clear differentiation between performers and non-performers.

The annual salary increase percentage implemented during this year is illustrated in the table below:

Peromnes broadband	Employee group	Percentage increase 2019
P1 to P4	Senior and top management	5,12%
P5 to P9	Middle and junior management	4,93%
P10 to P14	Admin and senior store staff	5,85%
P15 to P18	General workers	6,29%
Overall		5,61%

STI performance outcomes

The Group operates an STI scheme under which the STI is calculated based on a fixed percentage of a participant's TGP. This includes achieving specific performance conditions as defined below:

Performance condition	Weighting	Threshold performance level	Stretch performance level	Actual performance level	Achievement (% maximum)
Growth in recurring profitability	100%	+5%	+40%	+6%	+15%

LTI performance outcomes

The Group operates an LTI scheme based on an equity-settled management share incentive scheme.

Single figure remuneration

The following table sets out the remuneration paid to executive directors in the 2019 financial year:

30 September 2019 Executive directors	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI[*] R'000	Total R'000
S Walsh	4 467	80	342	0	2 088	6 977
GW Sim	2 790	96	313	0	955	4 154

* These values are based on the cash value of the LTI awards vested during the 2019 financial year.

Voting at 2019 AGM

At the AGM held on 14 February 2019, the Kaap Agri shareholders endorsed the remuneration policy and the implementation report of the company by way of separate non-binding advisory votes of 100%, respectively. As the non-binding advisory votes were passed by the requisite majorities, no further engagement with shareholders was required.

Voting at upcoming AGM

Both Kaap Agri's remuneration policy and its implementation report will be presented to shareholders for separate non-binding advisory votes thereon at the company's upcoming AGM to be held on Thursday, 13 February 2020.

Should 25% or more of the votes exercised in respect of either resolution be against such resolution, the company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the company.

For comparison, the following table sets out the remuneration paid to executive directors in the 2018 financial year:

Executive directors 30 September 2018	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI[*] R'000	Total R'000
S Walsh	4 115	131	325	0	0	4 571
GW Sim	2 526	132	298	0	0	2 956

* These values are based on the cash value of the LTI awards vested during the 2018 financial year.

LTIs awarded in the 2019 financial year

The following section sets out the options granted to executive directors under the equity-settled management share incentive scheme during the 2019 financial year:

AFS					
Executive director	Date awarded	Number of options awarded	Face value of options at grant* R'000	Fair value of options at grant** R'000	Final vesting date
S Walsh	15/1/2019	22 593	829 622	234 289	1/10/2020
	15/1/2019	22 593	829 622	284 220	1/10/2021
	15/1/2019	22 593	829 622	319 465	1/10/2022
	15/1/2019	22 593	829 622	345 447	1/10/2023
GW Sim	15/1/2019	10 602	389 304	109 943	1/10/2020
	15/1/2019	10 602	389 304	133 373	1/10/2021
	15/1/2019	10 602	389 304	149 912	1/10/2022
	15/1/2019	10 602	389 304	162 105	1/10/2023

* Number of options multiplied by the share price on the date of grant.

** Number of options multiplied by the fair value on the date of grant.

There are no prospective financial performance conditions attached to the options for vesting. However, the options only have value if the vesting price exceeds the grant price.

Termination/hiring

NEDs

The table below sets out NED fees paid to each NED in the 2019 financial year. NEDs receive no other remuneration or benefits besides directors' fees. The table also indicates directors who resigned or were appointed within this period.

Name of NED	Appointed to the Board	Resigned from the Board	Directors' fees
GM Steyn	May 2012	–	R679 500
CA Otto	November 2011	–	R667 500
HM Smit	November 2011	–	R262 500
BS du Toit	November 2011	–	R312 000
JH van Niekerk	November 2011	–	R423 500
JH le Roux	April 2014	–	R234 000
D du Toit	March 2017	–	R312 000
EA Messina	March 2017	–	R262 500
WC Michaels	August 2017	–	R207 000
I Chalumbira	September 2018	–	R178 500



CA Otto

Chairman: RemCom

Corporate governance report

APPROACH TO ETHICAL AND EFFECTIVE GOVERNANCE

Kaap Agri is committed to responsible and effective corporate governance. There is a range of mechanisms, policies, procedures, committee structures and core values enabling this. The most material of these are described in this summary governance report.

Our full governance report is available on our website, www.kaapagri.co.za, with information supplementary to this summarised governance report clearly referenced.

KING IV PRINCIPLES DISCLOSURE

The Group endeavours to explain its application of appropriate principles and is transparent in areas of non-compliance. High-level disclosure against the 16 King IV principles is included in a reference table. Kaap Agri's King IV compliance report is available online at www.kaapagri.co.za. The full online governance report details how the Kaap Agri Board creates an ethical culture, tracks good performance, ensures effective control and promotes legitimacy. A separate remuneration policy and implementation report were developed. These will be subject to non-binding advisory votes by shareholders at the AGM. If 25% or more of shareholders' votes exercised are against either or both the remuneration policy and implementation report, Kaap Agri will engage with dissenting shareholders. The precise method of shareholder engagement and its timing will be communicated to shareholders on the stock exchange news service of the JSE ("SENS").

GOVERNANCE STRUCTURE

The Board determines the strategies and strategic objectives of the Kaap Agri Group. It monitors the Board's implementation of approved strategies, decisions, values and policies. The Board is satisfied that it fulfilled the responsibilities required by its mandate during the year.

The Kaap Agri Board is chaired by an independent non-executive director. It has 12 members and is supported by five Board committees as well as the Executive committee. These committees have clear terms of reference to help execute their duties and the due governance required in each area of the business.

The roles of the Chairman and the Chief Executive Officer ("CEO") are clear and separate in terms of duties and responsibilities. The CEO is tasked with the day-to-day operations of the business in line with the Group's decision-making framework. The CEO is supported by the Executive committee. Two Executive committee members are Board members. The Board is satisfied that the decision-making framework provides a clear basis for exercising duties. This framework contributes to clarity and accountability. In addition, the Board charter ensures there is appropriate balance of power in the deliberations of the Board. There is a clear balance of power and authority at Board level. This ensures no single director has unlimited or unfettered powers of decision-making.

The Board is satisfied that the current composition enables ethical and effective leadership. It will strive to further improve diversity.

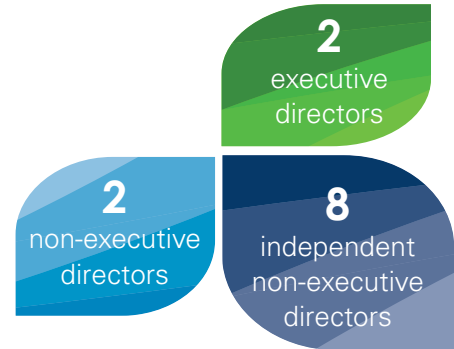
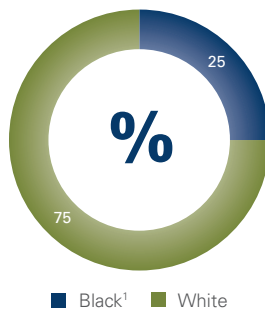
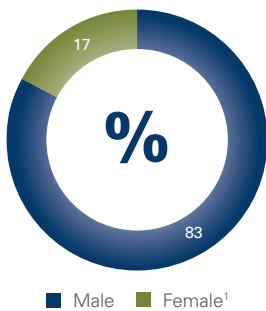


KAAP AGRI GROUP BOARD



BOARD STRUCTURE

Composition and expertise



¹ The Kaap Agri Board continuously strives to improve the Board composition to reflect the demographics of South Africa, focusing on black and female representation.



Board meeting attendance

Member	Meetings attended
I Chalumbira	4/4
BS du Toit	4/4
D du Toit	4/4
JH le Roux	4/4
EA Messina	4/4
WC Michaels	4/4
CA Otto	4/4
GW Sim*	4/4
HM Smit	3/4
GM Steyn	4/4
JH van Niekerk	4/4
S Walsh*	4/4

* Executive

Board profiles as at 30 September 2019

I Chalumbira (48)	Non-executive director	
Appointment date	> September 2018	
Qualifications	> BSc (Industrial Psychology), MBA (Strategy)	
Other board memberships	> AIH Properties (Pty) Ltd > Amber Cascades Trading 202 (Pty) Ltd > Arlozone (Pty) Ltd > Border Auto Centre (Pty) Ltd > C-Max Investments 71 (Pty) Ltd > Kaap Agri Limited > Kebraware (Pty) Ltd > Lionsecurity (Pty) Ltd > Lionshare Developments (Pty) Ltd > Lionshare Financial Services (Pty) Ltd > Lionshare Holdings (Pty) Ltd > Lionshare Logistics (Pty) Ltd > Lionshare Management Services (Pty) Ltd > Lionshare New Properties 2 (Pty) Ltd > Lionshare Properties (Pty) Ltd > Lionshare Property Management (Pty) Ltd > Lionshare Trading (Pty) Ltd > Lionshare Venture Holdings (Pty) Ltd > Matoppi Investments (Pty) Ltd > Mezibase (Pty) Ltd > Musina Intermodal Terminal (Pty) Ltd > Nabuphase (Pty) Ltd > Proc Corp 27 (Pty) Ltd > Thovela Welkom Hospitality (Pty) Ltd > Tungsten Bay (Pty) Ltd > TFC Operations (Pty) Ltd > TFC Properties (Pty) Ltd	

BS du Toit (62)	Independent non-executive director
Appointment dates	> Board in November 2011 > Audit and Risk committee in February 2012
Qualification	> BAgric (Management)
Committee membership	> Audit and Risk
Other board memberships	> Freshgold SA Exports (Pty) Ltd > 32 Degrees South Fruit (Pty) Ltd > Wydekloof (Pty) Ltd > Langrivier Boerdery (Pty) Ltd > Langrivier Beleggings (Pty) Ltd > Aartappels SA

D du Toit (43)	Independent non-executive director
Appointment dates	<ul style="list-style-type: none"> > Board in March 2017 > Audit and Risk committee in May 2017
Qualification	<ul style="list-style-type: none"> > BCom (Hons)
Committee memberships	<ul style="list-style-type: none"> > Audit and Risk > Remuneration (with effect from 13 February 2020)
Other board memberships	<ul style="list-style-type: none"> > De Keur Beherend (Pty) Ltd > De Keur Berries (Pty) Ltd > De Keur Agri (Pty) Ltd > Tipmar (Pty) Ltd > De Keur Landgoed (Pty) Ltd > Witzenberg Pals (Partners in Agri Land Solutions) PBO > De Keur Marketing (Pty) Ltd > Breyton Paulse Foundation NPC > De Keur Verpakking (Pty) Ltd

JH le Roux (44)	Non-executive director
Appointment date	<ul style="list-style-type: none"> > Board in April 2014
Qualifications	<ul style="list-style-type: none"> > BAcc (CTA), CA(SA) and HDip (Tax)
Committee membership	<ul style="list-style-type: none"> > Finance (Chairman with effect from 13 February 2020)
Other board memberships	<ul style="list-style-type: none"> > Zeder Financial Services (Pty) Ltd > Zeder Corporate Services (Pty) Ltd > Zeder Investments Limited > Clean Air Nurseries Agri Global (Pty) Ltd > Zeder Africa Limited > Zaad Holdings Limited > Zeder Management Services (Pty) Ltd > The Logistics Group (Pty) Ltd > Bakenskraal Investments (Pty) Ltd > Capespan Group Limited

EA Messina (61)	Independent non-executive director
Appointment date	<ul style="list-style-type: none"> > Board in March 2017
Qualifications	<ul style="list-style-type: none"> > BA (Hons), MA Southern African Studies, MA (History) (cum laude) and DPhil (History)
Committee memberships	<ul style="list-style-type: none"> > Social and Ethics (Chairman) > Nomination (with effect from 13 February 2020)
Other board memberships	<ul style="list-style-type: none"> > Du Toit Group (Pty) Ltd > Groot Constantia Trust > TFC Operations (Pty) Ltd > Cape Town Radio > TFC Properties (Pty) Ltd

WC Michaels (46)	Independent non-executive director
Appointment date	> Board in August 2017
Qualifications	> BSc (Hons), MSc and PhD (Polymer Chemistry)
Committee membership	> Social and Ethics

CA Otto (70)	Independent non-executive director
Appointment dates	> Board in November 2011 > Audit and Risk committee in May 2017 (Chairman)
Qualifications	> BCom, LLB
Committee memberships	> Audit and Risk (Chairman) > Remuneration (Chairman) > Nomination
Other board memberships	> PSG Financial Services Limited > Zeder Financial Services (Pty) Ltd > PSG Group Limited > Capitec Bank Limited > Capitec Bank Holdings Limited > Zeder Investments Limited > Distell Group Limited > Peter D Wimsey and Associates (Pty) Ltd > Kalander Kapitaal (Pty) Ltd

GW Sim (49)	Financial director (executive)
Appointment date	> Board in August 2015
Qualifications	> BComm (Acc), BComm (Acc) (Hons) and CA(SA)
Committee membership	> Finance
Other board memberships	> Kaap Agri Bedryf Limited > Kaap Agri (Namibia) (Pty) Ltd > Kaap Agri (Aussenkehr) (Pty) Ltd > Tego Plastics (Pty) Ltd > Empowerment and Transformation Investments (Pty) Ltd > TFC Operations (Pty) Ltd > TFC Properties (Pty) Ltd > Agriplas (Pty) Ltd

HM Smit (56)	Independent non-executive director
Appointment date	> Board in November 2011
Qualifications	> BEcon, MA (Town and Regional Planning)
Committee memberships	> Finance > Social and Ethics
Other board memberships	> HH Smit Boerdery (Pty) Ltd > FG Farms (Pty) Ltd > B&B Farms (Pty) Ltd

GM Steyn (60)	Independent non-executive director (Chairman)
Appointment date	> Board in May 2012
Qualifications	> BA (Law), LLB
Committee memberships	> Remuneration > Nomination (Chairman)
Other board memberships	> Du Toit Group (Pty) Ltd (Chairman) > GMS Beleggings (Pty) Ltd > RCL Foods Limited > NS Beleggings (Pty) Ltd > Leopard Creek 21 (Beleggings) (Pty) Ltd > Neusberg Boerdery (Pty) Ltd > George & Miets Beleggings (Pty) Ltd > Stellenkaroo (Pty) Ltd

JH van Niekerk (63)	Independent non-executive director
Appointment date	> Board in November 2011
Retirement date	> Board on 13 February 2020
Qualification	> Served as a pilot in the SADF
Committee memberships	> Finance (Chairman) ¹ > Remuneration ² > Nomination ³
Other board membership	> Kosie van Niekerk Boerdery (Pty) Ltd

¹ Mr JH van Niekerk retired as the chairman and as a member of the Finance committee with effect from 13 February 2020.

² Mr JH van Niekerk retired as a member of the Remuneration committee with effect from 13 February 2020.

³ Mr JH van Niekerk retired as a member of the Nomination committee with effect from 13 February 2020.

S Walsh (53)		CEO (executive)	
Appointment date	>	Board in November 2011	
Qualification	>	BEcon (Hons)	
Other board memberships	>	Newco Water (Pty) Ltd KaaP Agri Bedryf Limited Agriplas (Pty) Ltd Tego Plastics (Pty) Ltd KaaP Agri (Namibia) (Pty) Ltd	

RH Köstens (62)		Company Secretary	
Appointment date	>	November 2011	
Qualifications	>	BA (Law), LLB, LLM, PGDip (Taxation) and MBA	

APPROACH TO COMPLIANCE

The Group recognises its responsibility to comply with all applicable laws, and adheres to industry charters, codes and standards.

There were no contraventions of agricultural law, penalties or fines reported during the year. To the Group's knowledge, there are no material legal, arbitration or pending proceedings. For more information on our compliance approach (including the roles of the Compliance Officer, Audit and Risk committee and internal audit), refer to the risk report on page 50, and our full online governance report.

CONFLICTS OF INTEREST

All Board members are required to state any possible conflicts of interest, financial or otherwise, at the start of each Board meeting. This includes members with interests in periphery businesses interacting with the Group. Refer to pages 65 and 94.

All Board members are prohibited from gaining any undue benefit from their position as outlined in the Board mandate subscribed to by each member.

The Kaap Agri dealings in securities policy has an annexure stating directors must obtain permission to deal in securities. Details of any dealings must be disseminated on SENS. Employees are further directed by policies on private interests, extramural activities and external remuneration to avoid conflicts of interest. The Group has a gift register for registering tangible and intangible gifts.

More information is available in our full governance report at www.kaapagri.co.za.

COMMITTEES AND THEIR ROLES IN THE GOVERNANCE STRUCTURE

The Group's various committees facilitate discharging certain Board responsibilities with oversight, guidance and governance application in specific mandated areas. Each committee Chairman reports to the Board to ensure comprehensive insight and appropriate decision-making at Board level. See pages 38 to 42 for a profile on each Board member.

Committee summary

Committee	Members ¹	Meetings attended	Mandate
Audit and Risk committee	CA Otto ² – Chairman	2/2	The committee assists the Board by providing an objective and independent view of the Group's finance, accounting and control mechanisms.
Total meetings: 2	BS du Toit ³	2/2	
	D du Toit ⁴	2/2	During the year, the following was actioned:
	Invitees:		
	GM Steyn – independent non-executive director		<ul style="list-style-type: none"> > The Group's accounting policies were reviewed and the committee is satisfied that the policy is in line with generally accepted accounting principles. > The external auditor was appointed and its effectiveness monitored. This included ensuring the use of the external auditor for non-audit services was kept to a minimum.
	S Walsh – executive director (CEO)		
	GW Sim – executive director (Financial Director)		<ul style="list-style-type: none"> > The IR and the annual financial statements included therein were reviewed and approved. > The committee considered the following as significant regarding the annual financial statements: credit risk (in particular debtors), management of stock and business combinations. The committee also focuses on ethics and governance, controls, provisioning, impairment, tax compliance, correctness and accuracy. The Group addressed these considerations through proper provisioning in terms of existing policies.
	GC Victor – Group Manager: Finance		
	P Steyl – Executive Manager: Internal Audit		<ul style="list-style-type: none"> > The Group's internal audit plan was approved. > The committee considered presentations by internal audit. These presentations were on ethics, governance and controls, and management reports on operational and financial matters. The committee deems the Group's internal financial controls adequate.
	K Arendse – external auditor, PwC		
	H Zeelie – external auditor, PwC		<ul style="list-style-type: none"> > The committee reviewed the Group's risk, controlled environment and governance assessments. This was done to ensure risks are properly addressed and the level of compliance, with proper governance, is aligned with expectations. The committee is satisfied with the outcome of these evaluations. > The external auditor's reports were reviewed and appropriate actions were taken. > The committee considered and responded to the JSE letter, dated 20 February 2019, regarding the JSE Proactive Monitoring Process (2018 report).

¹ Audit and Risk committee members are independent non-executive directors.

² Reappointed to the committee at the AGM held on 14 February 2019, and Chairman from 4 May 2017.

³ Reappointed to the committee at the AGM held on 14 February 2019.

⁴ Reappointed to the committee at the AGM held on 14 February 2019.

Committee	Members ¹	Meetings attended	Mandate
Audit and Risk committee (continued)			<ul style="list-style-type: none"> <li data-bbox="794 255 1378 344">> The Group confirmed its going concern status, compliance with applicable legislation and requirements of regulatory authorities. <li data-bbox="794 360 1378 517">> The committee ensures management's processes and procedures are adequate to identify, assess, manage and monitor Group-wide risks. This is in terms of risk management through consultation with the external auditor. <li data-bbox="794 533 1378 904">> The committee recommended the external auditor's reappointment and determined its compensation. The external auditor, PricewaterhouseCoopers Inc. ("PwC"), has provided audit services to the Group for 82 years. The committee is satisfied that the external auditor is independent of Kaap Agri, as set out in section 94(8) of the Companies Act, and suitable for reappointment by requesting and considering, among other things, the information stated in paragraph 22.15(h) of the JSE Listings Requirements. <li data-bbox="794 920 1378 1357">> The audit partner used by PwC is regularly rotated. The committee is satisfied with the arrangements for the external audit, and the effectiveness of Hugo Zeelie, the designated auditor. The committee deemed the quality of the audit performed this year satisfactory. The independent auditor's report indicates the Group's financial statements fairly reflect the company's financial state according to IFRS and Companies Act requirements. The Group rotates to a new audit partner every five years. This complies with legislative and JSE requirements. The last rotation of the audit partner was in 2015 and the audit partner will rotate in 2020. <li data-bbox="794 1373 1378 1585">> The committee appraised and satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the Financial Director as well as the Group finance function has the appropriate expertise and experience. The Financial Director drives the overall effectiveness of the Group's finance function. <li data-bbox="794 1601 1378 1691">> The committee is satisfied that appropriate financial reporting procedures are implemented and operating. <li data-bbox="794 1706 1378 1823">> The Group's combined assurance model provides assurance that actions are aligned with good governance management. The committee believes the model is effective.

“

I went from petrol attendant to Expressmark store manager in just six years. Kaap Agri is a company that truly lives out its mens-mense philosophy and invests in its employees. If it wasn't for the training and development I received, I wouldn't have been here today. I feel honoured and valued receiving this exciting opportunity and I'm excited about what the future holds for me.”

Raynaldo Pietersen, who completed his NOF 4 and NOF 5 through the company.



Committee	Members ¹	Meetings attended	Mandate
Remuneration committee	CA Otto – Chairman	2/2	The committee is primarily responsible for reviewing and approving executive director and senior management's remuneration. The committee is also responsible for succession planning.
Total meetings: 2	GM Steyn	2/2	
	JH van Niekerk ²	2/2	
	D du Toit ³		The committee assisted the Board in reviewing non-executive directors' remuneration recommendations in line with local and international best practices. This was done to ensure such remuneration is fair and reasonable to the directors and the Group.
	Invitees:		
	S Walsh – executive director (CEO)		More information about the committee and remuneration is available in the remuneration report from page 24.
	GW Sim – executive director (Financial Director)		
	DC Gempies – Director: HR (subsidiary – Kaap Agri Bedryf Limited)		

¹ Committee members are independent non-executive directors.

² Retired as a member of the committee with effect from 13 February 2020.

³ Subject to Mrs D du Toit being re-elected as a director at the upcoming AGM, is appointed as a member of the committee with effect from 13 February 2020.

Committee	Members ¹	Meetings attended	Mandate
Nomination committee	GM Steyn – Chairman	1/1	The committee's role is to assist the Board in ensuring it has the appropriate composition in terms of structure, size, diversity, skills and independence for it to effectively execute its duties.
Total meetings: 1	CA Otto	1/1	
	JH van Niekerk ²	1/1	
	EA Messina ³		The committee considers certain merits when identifying suitable candidates for appointment to the Board. These merits are against objective criteria and with due regard for the potential benefits of gender and race diversity at Board level. The board regards race and gender diversity as extremely important and has adopted a race and gender diversity policy. The committee will continue to discuss and annually agree on measurable targets for achieving gender and race diversity on the Board and will continue to work towards a more representative board and committee composition. No new appointments were made during the year. One director has indicated that he will retire at the upcoming AGM, and the committee has decided not to fill his position at this stage. Mrs D du Toit will be appointed to the remuneration committee with effect from 13 February 2020, subject to being re-elected as a director at the upcoming AGM, and Dr EA Messina will be appointed to the nomination committee, which will result in a more representative and balanced composition of the committees with regard to race and gender.
	Invitee:		
	S Walsh – executive director (CEO)		

¹ Committee members are independent non-executive directors.

² Retired as a member of the committee with effect from 13 February 2020.

³ Appointed as a member of the committee with effect from 13 February 2020.

Committee	Members ¹	Meetings attended	Mandate
Social and Ethics committee	EA Messina – Chairman	3/3	<p>The committee's purpose is to monitor the Group's activities. These activities concern its social and economic standing and development; good corporate citizenship; environmental, health and public safety; consumer relationships; labour and employment; and compliance with applicable laws set out in the Companies Act and other regulations.</p> <p>The committee reported on matters within its mandate and brought matters of relevance to the Board's attention.</p> <p>Read more about social and community investments in the social and ethics report on page 55.</p> <p>The committee's work plan focus areas included:</p> <ul style="list-style-type: none"> > B-BBEE and employment equity; > consumer relations, including the company's advertising policy, protection of its brands and relations with stakeholders; > labour and employment matters regarding decent work and working conditions, and the company's contribution towards the educational development of its employees; and > environment, health and safety, including monitoring existing policies within its mandate, the 10 principles set out in the United Nations ("UN") Global Compact, corruption and ethics. <p>The following matters received particular attention:</p> <ul style="list-style-type: none"> > The company's whistleblowing process was discussed and evaluated. > The new Agri BEE codes and steps to improve the Group's B-BBEE score were considered. > BEE recognition levels and appointments regarding employment equity received attention. > A comprehensive advertising and brand strategy was developed. > A more comprehensive compliance framework was developed, given the highly regulated environment in which Kaap Agri operates. > Working conditions applying to Kaap Agri employees and regarding applicable laws and regulations were received. > A socio-economic development policy was developed and approved. > The committee reviewed legislation, regulations, compliance with policies and training relevant to the environment, health and safety. > Transformation and ethics will remain core focus areas in future.
Total meetings: 3	WC Michaels	3/3	
	T Sulaiman-Bray	3/3	
	HM Smit	3/3	
	Invitees: S Walsh – executive director (CEO) P Steyl – Executive Manager: Internal Audit DC Gempies – Director: HR (subsidiary – Kaap Agri Bedryf Limited)		

¹ Majority of members of the specified committee are independent non-executive directors.

Committee	Members ¹	Meetings attended	Mandate
Finance committee	JH van Niekerk – Chairman ²	2/2	The committee's mandate is to ensure the Group's financing activities are efficiently managed.
Total meetings: 2	GW Sim	2/2	The committee is responsible for approving and refining the credit policy. It also approves certain high-value applications where the amount exceeds the authority of the officials.
	HM Smit ⁴	2/2	
	JH le Roux ³	1/2	
	Invitees: DW Beukes – Group Manager: Financing Services S Walsh – executive director (CEO) Other members of the financing services department as and when needed		
			Another key committee responsibility is establishing a decision-making framework for the financing services department and exercising final authority on financing where certain amounts are exceeded. In terms of the credit policy, the financing services department has the authority to obtain underlying securities from individuals who apply for credit. Accordingly, it is the committee's task to conduct credit screenings, evaluate credit risks and register underlying securities aligned with its approved credit policy.

¹ Three members of the specified committee are non-executive directors, two of whom are independent.

² Retired as the chairman and as member of the committee with effect from 13 February 2020.

³ Subject to Mr JH le Roux being re-elected as a director at the upcoming AGM, is appointed as the chairman of the committee with effect from 13 February 2020.

⁴ Subject to Mr HM Smit being re-elected as a director at the upcoming AGM.

The Group's committees are satisfied that they have fulfilled their responsibilities according to the respective mandates defined for each.

Board efficiency

Ethical and effective leadership rests on the appropriate recruitment, evaluation, training and rotation of the Group's Board members. Although the Group only listed on the JSE during 2017, governance structures have been embedded for many years. The most significant challenge for the business is formalising and documenting practices effective in governing Kaap Agri. This includes our approach to recruitment, evaluation, training and rotation.

Recruitment	The Nomination committee provides clear policies on recruitment and criteria for selecting appropriate candidates in line with the provisions of the Memorandum of Incorporation ("MOI"). Directors are nominated by the Board and elected at the AGM for three years. One-third of the directors must retire by rotation at the Kaap Agri annual general meeting (or other general meeting held on an annual basis).
Rotation	The Nomination committee is responsible for reviewing the Board's composition in terms of race and gender diversity, tenure, expertise, skills and independence.
Induction	The Nomination committee approved an induction policy detailing the principles applicable to the formal induction of new directors.

More information about our approach to training and evaluation is available in our full governance report at www.kaapagri.co.za.

Company Secretary

The Company Secretary is responsible for co-ordinating the functioning of the Board and its committees. This includes advising the Board on matters of legal and regulatory compliance. The Group is satisfied that these arrangements are effective. The Board is further satisfied that RH Köstens is suitably qualified and experienced to continue as the Group's Company Secretary. The Company Secretary has unencumbered access to the Board. Kaap Agri believes an appropriate arm's length relationship exists between the Company Secretary and the Board. Refer to page 42 for a profile on the Company Secretary.

The Board's mandate allows professional corporate governance training to be independently accessed or through the Company Secretary.

Executive committee

Kaap Agri's Executive committee meets bi-monthly. The committee is responsible for assisting the CEO in implementing the Group's strategy. The CEO is further responsible for operational planning, control and implementation. The CEO is appointed by the Board on the recommendation of the Nomination committee.

“

Our visit to the Agrimark Distribution Centre was very interesting. We learnt a lot about the work environment and different challenges within the workplace, like working with different types of personalities.”

Mpheleleng Motsiuu, a learner in the Kaap Agri Young Stars job shadowing programme.



Risk report

The Board of directors, supported by the Audit and Risk committee, is accountable and responsible for assessing and managing risk.

The Board considers business risks when setting strategies, approving budgets and monitoring progress against budgets. The governance of risk management lies with the Audit and Risk committee, which meets twice a year. The committee monitors and reports on the effectiveness of the risk identification, assessment and management process.

The Group considers governance of top business risks a high priority. It focuses on risks with a high impact or probability of occurrence in the context of the Group's risk appetite. Our risk appetite refers to the nature and extent of risks we are willing to take to achieve our strategic objectives. Among others, the risk appetite considers revenue growth, earnings sustainability, environmental impact, employee well-being, and health and safety. Risk appetite and tolerance are regularly

reviewed by considering the potential impact of key risks and mitigating actions and controls.

Implementing risk management lies with management and staff. The business has a Group-wide risk assessment process escalating material risks to a Group risk register.

Kaap Agri uses a balanced scorecard approach to evaluate risk. The balanced scorecard perspectives are financial, customers, people and processes.

Top business risks were identified, assessed and prioritised by the executive team. This was according to risk ratings, considering the inherent (with no controls) and residual (with mitigating actions) nature of the risk.



The Group risk register includes a detailed list of risks that could impact the business. These are ranked according to a combination of impact and probability. The risks potentially having the most significant impact on Kaap Agri's ability to achieve its strategic objectives over time are described in more detail below.





The various strategic focus areas impacted by the top risks are reflected as:








The risk movement from the prior year is reflected as:

↑ Increased risk ↔ No change ● New risk

No	Risk	Context	Mitigation	Strategic focus area
1 ↔	Adverse political conditions and regulatory pressure	<p>Political uncertainty and the influence on the macroeconomy</p> <p>Onerous B-BBEE accreditation requirements could have negative impacts, especially within the fuel environment</p> <p>Land expropriation without compensation could have a significant and devastating impact on our agricultural customer base</p>	<p>Proactive stakeholder engagement to understand new and proposed regulatory amendments</p> <p>Continuous monitoring and implementation of dedicated plans to improve empowerment status</p> <p>Monitoring of compliance with laws and regulations</p> <p>Member of Agbiz</p>	 

No	Risk	Context	Mitigation	Strategic focus area
2 ●	Constrained financial performance	<p>Inability to meet strategic financial growth targets due to economic pressures, constrained consumer confidence and higher fuel prices</p> <p>Climatic conditions negatively impacting performance and financial position of agricultural customers</p>	<p>Monitoring of key economic indicators in the markets we operate in</p> <p>Expansion and upgrade of existing stores to maximise market share</p> <p>Retail range optimisation</p> <p>Geographic and product diversification</p> <p>Investment into central procurement and logistics to support and optimise our retail offering</p> <p>Diversification into non-agricultural income streams</p> <p>Manufacturing product range expansion</p> <p>Mergers and acquisitions</p> <p>Focus on operational efficiencies and cost management</p>	
3 ↑	Attracting and retaining customers	<p>Increased competitor activity (presence and price)</p> <p>Manufacturers bypassing retailers with a direct route to market</p>	<p>Relentless customer engagement and relationship management through a dedicated team</p> <p>Expansion, upgrade and improvement of existing offerings and footprint, including investment into centralised procurement and logistics</p> <p>Brand awareness and marketing</p> <p>Individually tailored credit offerings aligned to customer requirements</p> <p>Digital engagement platforms to improve ease of doing business</p> <p>Ongoing supplier engagement</p>	  

No	Risk	Context	Mitigation	Strategic focus area
4 ↑	IT-related risk	<p>As a retailer and trader, we heavily depend on our computer systems to facilitate trade and maintain security of personal information</p> <p>Disruption of our IT environment would have a major influence on servicing our customers</p>	<p>Detailed IT governance framework</p> <p>Technical and physical controls</p> <p>Disaster recovery programmes</p> <p>Key systems are monitored for uptime, performance and capacity</p> <p>Third-party data centre used, compliant with industry good practices</p> <p>Offline servers at retail sites to enhance service</p> <p>Redundant network communication channels exist for certain branches</p> <p>Automated data backups</p>	  
5 ↑	Talent recruitment and retention	<p>Attraction of competent talent may be impacted by the location of certain business operations</p> <p>Scarcity of specialised skills in fields like information management and supply chain</p> <p>Competition for a limited talent pool with other larger retailers</p>	<p>People-centric CARE culture</p> <p>Competitive employee value proposition</p> <p>Internally identified talent pool and development</p> <p>Succession planning</p> <p>Remuneration policy aligned with individual and Group performance</p> <p>Retention mechanisms for key talent</p>	 

After considering the impact of mitigating measures, we believe none of the top risks fall within a high-risk category. This is reflected in the graphic below.

Average risk ratings showed a slight increase and reflected the challenging economic and political environment we operate in. Our biggest risk is associated with adverse political conditions and regulatory pressure. This is expected given regulatory challenges experienced with TFC, the political changes and policy uncertainty within South Africa, and the ongoing debate around land rights and usage.

The Company Secretary and legal counsel are responsible for guiding the Board in discharging its regulatory responsibilities. The Audit and Risk committee monitors the process to ensure legal compliance.

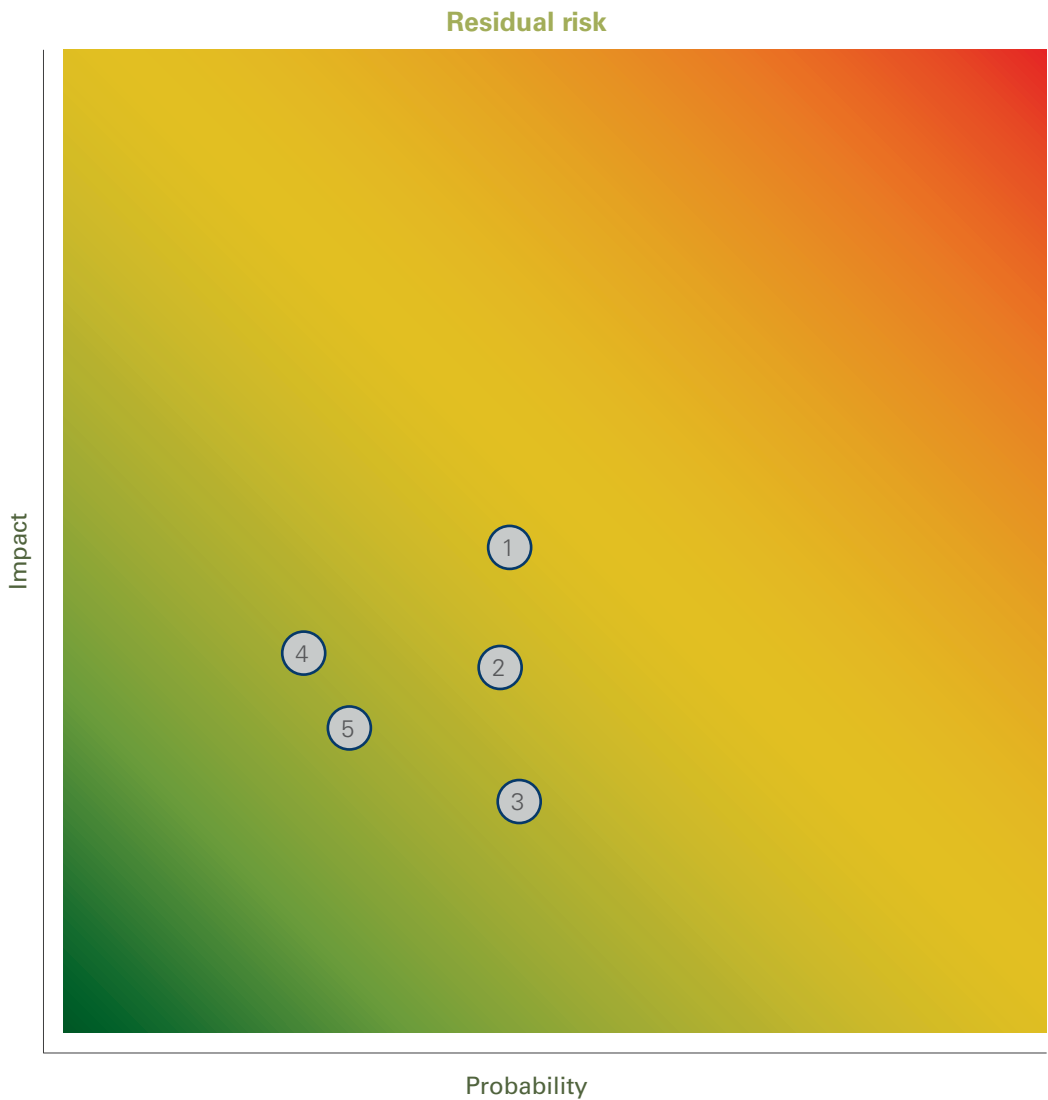
Kaap Agri had no instances of significant non-compliance to legislation during the year. No material fines were incurred.

The Board, via the Audit and Risk committee, considered the effectiveness of the risk assessment and management process, policies and procedures. The Board is satisfied with the effectiveness thereof.



CA Otto

Chairman: Audit and Risk committee



COMPOSITION AND ATTENDANCE OF MEETINGS

The composition of the committee and attendance of meetings are set out on page 47.

The committee's role, function and responsibilities are prescribed by the Companies Act 71 of 2008 and further detailed in a formal charter regularly reviewed by the Board. The committee has free access to the Chairman of the Board and is empowered to consult independent expertise at company cost. In the execution of its duties according to its mandate the committee is responsible for monitoring:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Consumer relations; and
- Labour and employment.

The committee considered the Group's performance as responsible corporate and social role player regarding the Group's operations, specific legislation, legal requirements and best practice, as determined by its mandate, and refer the shareholders to the Social and Ethics report on page 55.

The committee is of the opinion that the Group's compliance with social and ethical requirements conform to all legislation, as well as to society's expectations of a good corporate citizen.

W. S. S. S.

EA Messina

Chairman: Social and Ethics committee



Social and Ethics report

INTRODUCTION

We exist because our stakeholders should benefit from our existence. This is the premise of our approach to corporate social investment ("CSI").

We are attuned to the economic, social and environmental needs of the communities we operate in.

As "mens-mense," we place equal value on our responsibility to the environment, society, shareholders and employees.

At Kaap Agri, we firmly believe education is the most powerful weapon to change the world. Therefore, we primarily focus on education as a key pillar of our CSI strategy. This is evidenced by three of our major community interventions, being the Kaap Agri Academy, the Young Stars programme and the Kaap Agri bursary programme.

We support various community outreach programmes in our areas of operations. We also endeavour to fulfil other *ad hoc* requests as they arise. Our employees are encouraged to do the same.

During the period under review, the CSI policy and guidelines were reviewed with the key focus areas being education and community development.

Employees are continuously encouraged to participate and become involved in local community initiatives. During the past year, we embarked on numerous projects at branch level. Employees also participated in causes they identified with.

For the 2019 financial year, the Group invested approximately R4,56 million in social upliftment programmes.

Kaap Agri Academy

The Kaap Agri Academy is our flagship CSI programme celebrating its 11th year of empowering emerging farmers and farmworkers. We are a key player in the agricultural sector and our key focus for community upliftment is education. Therefore, the Kaap Agri Academy's strategic approach is aligned to our core business.

During 2019, the academy presented three learnership programmes:

- > A programme in mixed farming at NQF level 2
- > A programme in animal production at NQF level 3
- > A programme in plant production at NQF level 3

The programme in mixed farming is a farming development programme and includes theoretical and practical training. Annually, the programme runs over several months and is attended by a maximum of 20

students per class. The programme aims to fully equip existing and prospective farmers with practical and management skills to develop into commercial farmers.

The programmes in animal and plant production are advanced courses. A select group of learners must successfully complete the programme in mixed farming before attending these programmes.

The academy also trains farmworkers in a range of regulatory short courses, such as welding, chemical handling, first aid, maintenance of tractors and implements, pruning, forklift training, identification of diseases and productivity management.

Our investment in the Kaap Agri Academy for 2019 increased to R2 658 738.

Young Stars programme

The Young Stars programme is run in partnership with the TechnoGirl Trust. The programme is an initiative of the national Department of Women, Youth and Persons with Disabilities and is supported by the United Nations Children's Fund.

The Young Stars programme is aimed at young adult women. It runs over three years during school holidays. Learners enrol at the beginning of grade 9 and complete the programme at the end of grade 11. The learners gain valuable experience in the working world, with exposure to different career options. They are also assisted with personal development and financial management.

Kaap Agri is a diversified business and a place where people matter. Therefore, we offer valuable mentorship to these learners with the Kaap Agri branch managers acting as mentors.

Learners participated in workplace exposure over the course of the year. They were trained on themes focusing on stock management, cash flow management, customer experience, information management, marketing and advertising, and spatial planning.

Content was developed relating to each topic for every workplace exposure module. The content also indicated job opportunities pursued under these areas of business management.

The programme was well received by learners and employees alike. Our employees are committed to making a meaningful difference in the lives of these young stars.

In addition to the time spent on mentoring the learners, Kaap Agri invested financial capital amounting to R285 000. More than 50% of this was paid as a stipend to the learners.

Kaap Agri bursary programme

We believe education breaks the cycle of poverty for both learners and their families. Our commitment to supporting our youth through funding bursaries was a key focus during 2019. In total, 44 secondary school learners benefited from this programme. We also extended financial support to two promising students who are furthering their studies. One student is pursuing a degree in BCom Marketing and the other a BSc Agricultural Economics degree.

The learners gain valuable experience in the working world, with exposure to different career options. They are also assisted with personal development and financial management.

The gender split for existing bursaries is 35% female and 65% male. However, Kaap Agri aims to have at least 50% female bursary beneficiaries. The transition towards 50% will be gradual and will follow a process over time. Due to our commitment to existing beneficiaries, new female learners will only be awarded bursaries once existing beneficiaries have matriculated or have left the school. Should additional funds be allocated towards bursaries, these will be allocated to female learners as a first priority.

The 2019 investment in educational bursaries for secondary schooling amounted to R1 308 342.

Pebbles Project

Kaap Agri has built on its existing relationship with the Pebbles Project. In 2017, Kaap Agri contributed to the purchase of a 22-seater bus to transport learners to school every day. In 2018, TFC contributed over R75 000 as a fuel donation to support ongoing programmes which would have been negatively impacted due to increasing fuel costs.

The TFC donation enabled the Pebbles Project to:

- > transport facilitators and teachers to training venues and various centres to continue supporting the facilitators in their classroom environment;
- > pay for a portion of the fuel costs for transporting patients to the Owethu Clinic. A total of 2 762 patients were transported to the clinic during September 2018 and January 2019; and
- > transport social workers to various farms for their monthly parenting workshops. The donation covered travelling for 24 parenting workshops.

Youth and Madiba month campaign

We embarked on several heart-warming initiatives during July. These initiatives commemorate youth month, Nelson Mandela's birthday and his legacy of equality, leadership, youth development and caring for others. These initiatives also create awareness around the challenges our youth face.

Those involved in these initiatives were our employees, the youth we support via secondary and tertiary school bursaries, as well as learners who participate in our Young Stars programme. Recipients were the night shelters in Paarl and Malmesbury, the Rusthof Home for the Aged and the Jo Dolphin Association for People with Disabilities. These recipients were chosen because we believe charity begins at home and we want to further serve the communities we operate in. Employees got involved by agreeing on a worthy cause in the communities they work and live in. One of our core businesses, Agrimark, collected various items including toiletries, blankets, towels, face cloths, clothes and canned goods. Agrimark branches also completed creative handwork like knitting small blankets and beanies. These items were donated to community recipients.

The total spend on this programme amounted to R187 200. Kaap Agri also committed to donating R100 000 for the next three years to the Nelson Mandela children's fund. The fund focuses on childhood development, youth leadership and education. These areas are aligned with Kaap Agri's CSI ideals.

Socks and shoes school project

The Kaap Agri Corporate Office embarked on several community projects.

There are many rural schools around Kaap Agri's branches with underprivileged schoolchildren. Many of these children walk up to 5 km from their farm residence to school and back. Some even walk barefoot or with broken shoes on busy, arterial roads. These children's parents work on the farms in our operating areas and struggle financially. Some cannot afford a pair of school shoes, much less reliable transport for their children.

With the cold and wet Cape winter, we set our sights on donating 105 pairs of shoes to underprivileged schoolchildren. Two schools were selected and the relevant school management chose the underprivileged schoolchildren in need of shoes. In total, 68 children at Soetendal Primary School near Wellington and 37 children at NuHoop Primary School near Porterville benefited from this project.

The total spend on this project amounted to R24 600.

Porterville community project

The Porterville community association has been supporting people in dire need for 16 years. Kaap Agri was a founding member of the association and we play a major role in ensuring the sustainability of the project. The association's wheat cultivation project has been making a difference to the local community since its inception in 2003. The local municipality supports this initiative through availing 25 hectares of land to plant wheat.

Kaap Agri's representatives serve on the association's committee. To ensure the project runs smoothly, they provide support for detailed co-ordination and administrative duties. Several local suppliers are also involved in the project. The suppliers contribute seeds, chemicals, fertilizer, services and implements, among other things.

The 2019 beneficiaries were the Porterville primary and high schools, a local old age home, the Western Cape Department of Social Services and Poverty Alleviation, ACVV Huis Nerina, and Badisa, a social services organisation. The total spend on this project amounted R200 000.

For the past 16 years, funds amounting to R1 134 370 were distributed among these four worthy beneficiaries.

Kaap Agri supplier's golf day

Kaap Agri hosts an annual golf day and our suppliers are keen participants. This is aligned with our approach of viewing our suppliers as business partners. The proceeds of these golf days are donated to

underprivileged schools selected within Kaap Agri's areas of operation. These contributions are valued and go towards much needed projects initiated at the schools.

For the 2019 financial year, R90 000 was raised and distributed to three beneficiaries. These included a rural school in Robertson, an early childhood development centre in Philippi and a community development organisation in Vredenburg.

Community projects

In addition to the programmes run by the Corporate Office, the Agrimark retail branches regularly reached out to their respective communities. They focused on the grassroots needs of the communities within which they operate. Various community projects were completed in Citrusdal, Franschhoek, Paarl, Kanoneiland, Upington, Bredasdorp and Louis Trichardt.

A few of these community projects are highlighted in the table below:

Subsidiary	Beneficiary	Region	Value	Initiative
TFC	HEART NPO	Drakenstein	R46 300	Blanket drive supporting homeless and vulnerable elderly people
	Dorothea Special Needs School	Stellenbosch	R48 000	Fuel for transporting learners with disabilities
	Pebbles Project	Overberg, Cape Winelands and Cederberg	R46 300	Fuel for transporting farmworkers' children to school and back
	Northern Paarl High School	Paarl	R48 000	Fuel for transporting learners
	Kurland Education Centre	Craggs	R30 000	Upgraded educational facilities
	Best for Kids Crèche	Motherwell	R10 000	Upgraded crèche facilities
	Kodumela Moepa Thutse Organisation	Gauteng	R40 000	Providing items and products to distribute to beneficiaries
Kaap Agri	CANSA Foundation	National	R10 500	Breast cancer awareness campaign
	Movember Foundation	National	R7 000	Testicular cancer awareness campaign
	Reach for a Dream Foundation	National	R15 000	Supported slipper day by providing children with life-threatening illnesses an opportunity to reach their dreams
	Hope@Swartland	Malmesbury	R30 000	Supported five grade 11 learners to get extra maths and science education during school holidays. This was facilitated by the University of Stellenbosch
	Ceres business initiative	Ceres	R10 000	Entrepreneurial development programme
	Heuvelrus	Citrusdal	R18 161	Two rooms of the old age home were upgraded
	Koranrug Primary	Darling	R18 000	58 children were provided with winter jackets
	Klipheuwel business forum	Klipheuwel	R12 000	Capacity building session with 12 members of the forum
	Kipper project	Rawsonville	R13 000	60 grade 1 and 2 learners were given the opportunity to experience a theatre production on one of their literature books at the Artscape Theatre in Cape Town

The total spend for 2019 on community projects at branch level amounted to R402 261.

Kaap Agri Bedryf employee and farm worker BEE trust

During the 2019 financial year, the Kaap Agri Bedryf employee and farm worker BEE trust distributed R697 046 to various underprivileged beneficiaries. This amount included loans to employees for home and security-related improvements, and bursaries for employee dependants. The highlights for the year include upgrading school infrastructure, financial support for appointing teachers and support through funding for books and teacher training.

B-BBEE TRANSFORMATION REPORT

Leveraging transformation remains a key strategic imperative and differentiator for the Group.

Kaap Agri measures its B-BBEE status against the Agri BEE sector codes determined by the Department of Trade and Industry.

The impact of the amended Agri BEE sector codes was fully understood. These codes were promulgated in December 2017. The focus for the year was prioritising a turnaround strategy to improve on the previous level 7 recognition status.

More accurate monitoring and reporting was achieved by developing a forecasting tool to render both a consolidated and scorecard element view. This resulted in improved planning and more effective decision-making regarding proposed financial investments.

Kaap Agri's B-BBEE goals

Kaap Agri has achieved a level 3 contributor status in terms of the sector codes. An overview of the Group's progress is outlined below:

Ownership

Kaap Agri has achieved 27,4% for black ownership and 16,9% for black women ownership.

The Kaap Agri Bedryf employee and farm worker BEE trust

Five percent of Kaap Agri's shares have been issued to The Kaap Agri Bedryf Employee and Farm Worker BEE Trust ("Trust"). The income beneficiaries are Kaap Agri employees, farmworkers, their families and local communities. Five trustees are appointed to manage the Trust, three of whom are independent. Of the income received from dividends, 90% is used to repay trust debt. The 10% balance of the dividend amount is distributed among beneficiaries.

The Trust makes funds available to qualifying employees of the designated group through a revolving home loan fund. During 2019, 61 employees benefited from this fund. Of these employees, 51% were women. The trust also supported seven children of qualifying employees with funding for

tertiary education. Of these children, 86% were girls. Additionally, due to an increase in employee applications for the revolving home loan facility, the trustees resolved to implement an increase of R100 000. The revolving home loan facility was therefore increased to R350 000.

Management control (including employment equity)

The Board's composition is structured to ensure the collective skills and experience of directors are suitable to carry out their responsibilities and to achieve the company's objectives. At Board level, three of the 12 members are black, one of whom is a black female member.

Employment equity continues being a significant focus area for transformation. Therefore, several employment equity plans are implemented. The Group submits annual progress reports to the South African Department of Labour.

Some of these plans include recruitment strategies which attract previously disadvantaged individuals. Career and skills development is aligned with the Group's employment equity plans.

Recruiting and developing previously disadvantaged individuals has improved at senior management level, however, the low rate of employee turnover prevents an even greater accelerated achievement of targets in the short term.

Skills development

The Group is an active participant in the AgriSETA. We also comply with the Skills Development Act, 97 of 1998. In terms of payroll, training levies are paid over to the South African Revenue Service. Several learnerships are conducted on an ongoing basis under this SETA. In 2019, 131 learnerships were completed. Nine of the 14 unemployed learners of 2018 were absorbed into the business.

We also focused on skills development for persons with disabilities and supported seven learnerships. The focus on the accreditation with the AgriSETA is a priority for service providers providing skills development training across the Group.

Approximately 74,3% of the total training budget was spent on employees from the designated group for the 2019 financial year.

Preferential procurement

Kaap Agri is a retail services group which supplies a variety of products and services to not only our bedrock agricultural customer, but also to the homeowner, pet lover, building contractor and DIY enthusiast. In 2019, the Group increased its products purchased from B-BBEE accredited suppliers to more than 85%. The future aim is to expand this percentage by increasing procurement from exempt micro and qualifying small enterprises.

Supplier development

Our supply chain is the backbone of our operations. We dedicated considerable time and resources to ensure the identified supplier development programme is value adding and aligned to our business needs. The initiative centres around developing a supplier portal and database to ensure the integrity of master data.

This supplier development initiative was approved and implemented during the 2019 financial year.

Enterprise development

Enterprise development entails monetary and non-monetary contributions to the development and sustainability of the financial and operational independence of black-owned enterprises.

Every effort is made to ensure communication with stakeholders is unambiguous, balanced, trustworthy and transparent.

The Fruit Worker Development Trust, along with Empowerment and Transformation Investments, are Kaap Agri's enterprise development beneficiaries. In support of the work the Fruit Workers Development Trust is doing, the initial repayment date for the loan afforded by Kaap Agri to the fruit workers development trust was extended for five years. The value of this loan is R2m.

We also focus on developing small and micro enterprises. Therefore, we supported a business incubation programme providing emerging entrepreneurs with support in accessing office space, administration, accounting and business development.

Socioeconomic development

Kaap Agri's main focus areas for socio-economic development programmes centre around education and community development.

Kaap Agri's employees are well known as "mens-mense" who CARE and want to make a significant contribution in their communities. The purpose of Kaap Agri's CARE initiative is to make a difference in local communities in which our stores are located. The reason for Kaap Agri's existence is that all its stakeholders should be better off because of its existence. Employees are encouraged to participate and become involved in local community initiatives. Our CARE initiative is a top priority. During 2019, numerous projects were embarked on at corporate and branch level. Donations, sponsorships and contributions of R4,56 million were invested in education, educational support programmes and various community upliftment programmes in Kaap Agri's areas of operation.

STAKEHOLDER RELATIONS

Our core values of communication, alignment, relationship and empowering direct our engagement with stakeholders.

We believe our reputation rests on our responsiveness and contribution to our neighbouring communities and society at large. This belief allows us to deliver value to our stakeholders.

Kaap Agri's relationship with its stakeholders is entrenched and underpinned by its code of ethics.

Kaap Agri strives to have a positive economic impact on its stakeholders. This is achieved through creating wealth, employment, competitive remuneration and socio-economic development.

Stakeholder engagement is entrenched in the business. This is through, among other things, regular direct engagements with customers, hosting and attending industry events and seminars, media relations and investor relations.

Every effort is made to ensure communication with stakeholders is unambiguous, balanced, trustworthy and transparent.

Key stakeholders are government departments and regulatory authorities, customers, employees, investors/shareholders, suppliers, communities and the media.

Stakeholder groups who have a definite impact on Kaap Agri's ability to create value are listed in the table below. The table provides a synopsis of how stakeholders impact value. It also outlines some of their interests pertaining to Kaap Agri's business activities.

Relationships	Means of engagement	Interests
Government and regulators		
<p>Provide access to markets through operating and other licences – the basis of creating value</p> <p>Regulatory measures are imposed and have potential cost implications</p> <p>Provides business opportunities through tenders, networking and stakeholder engagement</p>	<p>Consultation and participation in public forums</p> <p>Active engagement and submissions on draft regulations, white papers and bills</p> <p>Engagement with industry consultative bodies</p> <p>Publication of policy engagement and discussion papers</p>	<p>Supporting valuable opportunities for job creation and socioeconomic development, including transformation</p> <p>Protecting consumer interests on cost-effectiveness, quality, privacy of information and world-class service</p> <p>Regulatory compliance on issues such as price, security, health, safety and environmental quality</p> <p>Diligent contribution to the tax fiscus</p>
Customers		
<p>Purchase our products and services – the basis for growth in revenue</p>	<p>Online – Kaap Agri website</p> <p>Social media – Facebook and Instagram</p> <p>Retail outlets</p> <p>Print media and advertising on various platforms</p>	<p>Improved value proposition in offerings to the customer</p> <p>Living the “mens-mense” culture and allowing the customer to experience it</p> <p>Streamlining business processes for greater customer efficiency</p>
Investors and shareholders		
<p>Provide the capital necessary for sustainability and growth</p>	<p>Annual and interim results publications</p> <p>Information regarding investor relations on the Kaap Agri website</p> <p>SENS announcements</p> <p>AGM</p>	<p>Strategy to ensure a sustained financial performance and growth</p> <p>Responsible investment to ensure growth, manage risks and explore opportunities in various markets</p> <p>Transparent remuneration policy</p> <p>Responsible allocation of capital for investment and future growth</p> <p>Sound corporate governance practices</p> <p>Responsible dividend policy</p>
Employees		
<p>Their skills, involvement, loyalty and “mens-mense” culture makes realising the reason for our existence possible – we exist because our stakeholders should benefit from our existence so that we can become a leading role player in the retail sector</p>	<p>Internal website</p> <p>Internal publications and electronic communication</p> <p>Visual communication boards</p> <p>CEO roundtable</p>	<p>Clear career paths and opportunities for career development</p> <p>CARE programme</p> <p>Mobilise, execute and transform with agility</p> <p>Competitive remuneration and the recognition of talent</p> <p>Profit-sharing scheme</p>

Relationships	Means of engagement	Interests
Suppliers		
Impact our ability to provide quality products available at market-related prices at the right places, at all times.	Technology solutions for vendor management Regular visits to suppliers Audits Supplier information days and networking opportunities Supplier awards	Timely payment and fair repayment terms B-BBEE compliance in line with the latest codes and measurements Improving health, safety and environmental quality standards
Media		
Regulatory: as per investor and shareholder relations Voluntary: crucial role in keeping stakeholders informed of our business, including our products and services	Face-to-face, telephonic and electronic engagement Interviews with CEO and key executives Media releases and product-related publicity	Transparency Keeping stakeholders informed of key activities and offerings
Communities		
By nurturing and strengthening the socio-economic context within which we operate, we will ensure the long-term viability of our business and that others are better off because of our existence	"Mens-mense" approach to socio economic development programme Bursary programme KaaP Agri Academy Young Stars programme	Employee participation in socio-economic development programmes Access to education and training Investment in infrastructure and community upliftment

ENVIRONMENTAL IMPACT REPORT

At Kaap Agri, we strongly believe corporate sustainability starts with our value system and a principles-based approach to doing business. We incorporate the 10 principles of the UN Global Compact into our strategies, policies and procedures and a culture of integrity. This upholds our basic responsibilities to people and the planet, and sets the stage for long-term success.

Kaap Agri firmly embraces, supports and enacts the UN Global Compact's set of core principles of human rights, labour, the environment, and anti-corruption. Kaap Agri is also committed to an ethical code of conduct. We have a health, safety and environmental policy and other codes and guidelines. These may be issued from time to time, as required by applicable law.

Co-operation and dialogue with stakeholders are essential for Kaap Agri. We seek to be good neighbours and valuable community members wherever we operate. Many of Kaap Agri's Agrimark branches are cornerstone employers and of great importance

to the local community. They contribute to the fiscus through tax income, jobs, infrastructure and community development. Kaap Agri values open dialogue with neighbours, local governments and other partners including research institutions, customers and suppliers. This is because we consider ourselves a long-term partner.

The following sustainability initiatives were embarked on during the 2019 financial year:

Plastic to paper straws

There is a global shift to changing behaviour to dramatically reduce single-use plastic products ending up in our oceans. These plastics cause immense harm to the planet. Kaap Agri decided to no longer stock plastic straws. As a retailer, Kaap Agri is also trying to make a small contribution to this cause. Therefore, we decided to stock paper straws. Kaap Agri committed to donating a portion of the proceeds received for every straw sold to an organisation called Sea the Bigger Picture. The organisation runs ocean and beach clean-up initiatives.

Energy conservation initiatives

Over the course of the past year, in an effort to further reduce electricity consumption and become less reliant on electricity produced from fossil fuels, Kaap Agri has identified solar photovoltaic panels for the purposes of small-scale embedded power generation as possible opportunities to utilise renewable energy sources. These panels will be installed at selected Agrimark branches during the course of the new financial year as a pilot to establish its viability.

Water, electricity, paper and fuel usage

Our focus areas for the forthcoming years are water, electricity and paper usage; and fuel consumption. This forms part of Kaap Agri's contribution to reducing its environmental impact. Kaap Agri intends to consider various sustainable measures to help reduce usage. We have forecasted a three to five-year horizon on the percentage of reduction we aspire to achieve. This is our vision going forward and forms part of energy conservation initiatives already embarked on.

Kaap Agri is committed to developing its business to support the ambitions of the 10 UN Global Compact principles. We will endeavour to continue our work in implementing these principles.

Safety, health, environment, and quality ("SHEQ")

Kaap Agri is committed to complying with industry-specific standards for SHEQ. The Group is proactively developing an integrated management system to easily implement these standards and for better assurance.

Our main focus for the past year was to build a safety culture where every employee and customer feels included and cared for. We embarked on SHEQ

training – empowering our employees to know how to prevent incidents and how to respond when incidents occur. Training includes e-learning modules, mandatory training and on-the-job training. Managers completed the Occupational Health and Safety Act e-learning training. This training will serve to mitigate incidents within our direct control.

Certain policies and procedures were implemented to reduce incidents. These included, among others, first aid, fitness to work, emergency preparedness and incident reporting.

SHEQ audits are conducted every six months to determine the legal compliance of each operating unit. During this year, 100% of our operating branches were audited. SHEQ due diligence audits were conducted for newly acquired operating units.

At each operating unit, hazards and risks are identified and control measures are implemented to either eliminate or mitigate risks. Reporting near misses and minor incidents, combined with tool box talks and learnings from previous incidents, assist in proactively mitigating and reducing repeat incidents.

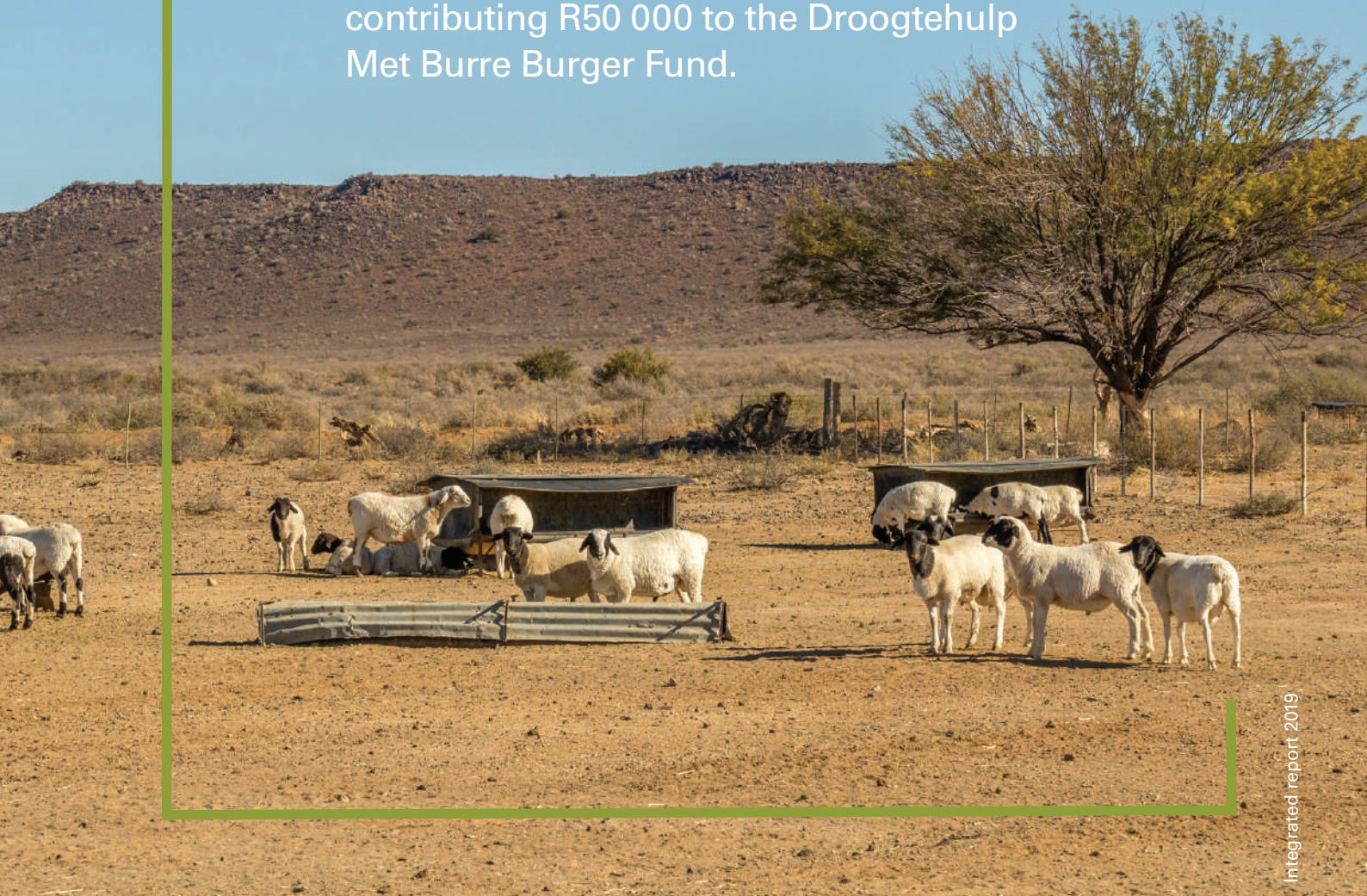
Occupational hygiene surveys are conducted to ensure employees are not exposed to harmful levels of hazardous substances, noise or other health stresses. Where there might be exposure to, for example, grain dust at our silos, measures were implemented to reduce the dust. These measures include installing a dust removal system and dust bags.

Proper personal protective equipment and training are also provided. In addition, annual medical tests are conducted to improve our employees' health (applicable to silos, Malmesbury engineering workshop and manufacturing).

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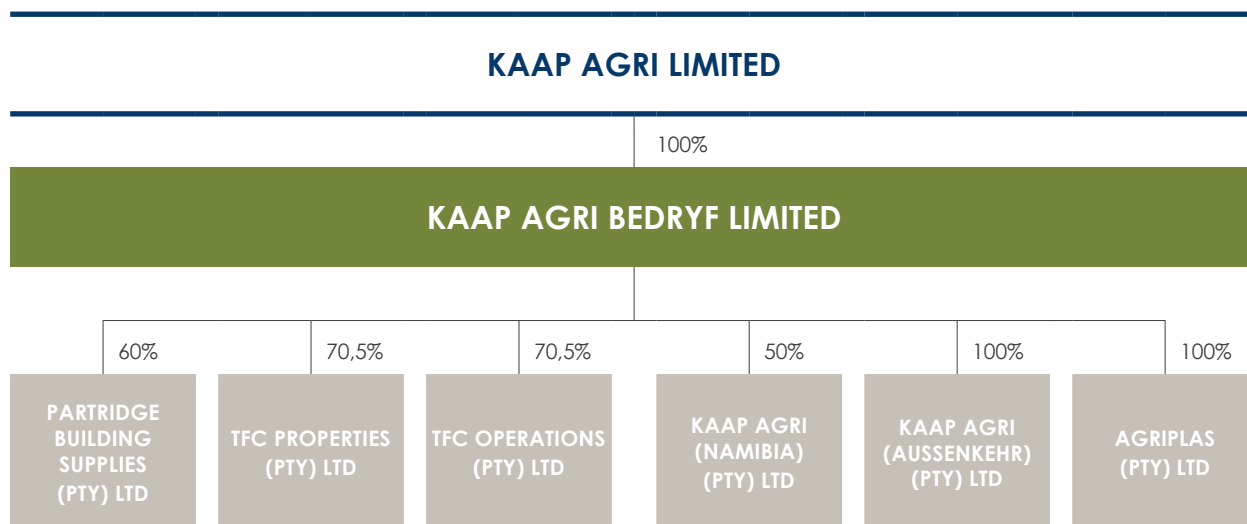
As part of its drought relief efforts, Kaap Agri co-ordinated and facilitated donations of animal feed. In August 2019, with the help of producers in Hexvalley, Agrimark Orchard assisted 70 Laingsburg farmers by donating 589 bags of animal feed. PF Theron, Chairperson of the Laingsburg Agricultural Society, said: “The excellent quality animal feed we received will help our livestock. Thank you to all role players for this donation. It’s heart-warming to know other farmers and South Africans care.”

In May 2019, Kaap Agri was the headline sponsor of the Montagu Droogtehelp Gholf en Musiekfees, contributing R50 000 to the Droogtehelp Met Burre Burger Fund.



Additional material information

Group structure



Shareholder information

SHAREHOLDERS' PROFILE

	Number of shareholders	Number of shares	Percentage held
Spread			
1 to 1 000 shares	1 630	643 686	0,9%
1 001 to 10 000 shares	1 472	5 177 527	6,9%
10 001 to 100 000 shares	367	10 307 326	13,9%
100 001 to 1 000 000 shares	26	6 280 115	8,5%
More than 1 000 000 shares	4	51 761 623	69,8%
Total	3 499	74 170 277	100,0%
Type of shareholder			
Public	3 488	24 627 076	33,2%
Non-public	11	49 543 201	66,8%
Directors and associates of the company	7	576 680	0,8%
Zeder Financial Services Limited	1	30 322 333	40,9%
Plurispac (Pty) Ltd	1	14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd	1	3 708 514	5,0%
The Fruit Workers Development Trust	1	101 618	0,1%
	3 499	74 170 277	100,0%

Major beneficial shareholders

The following shareholders have a holding equal to or greater than 5% of the issued shares of the company:

Zeder Financial Services Limited	30 322 333	40,9%
Plurispac (Pty) Ltd	14 834 056	20,0%
Empowerment and Transformation Investments (Pty) Ltd	3 708 514	5,0%
	48 864 903	65,9%

	Number	
	2019	2018
Shareholding of directors (direct and indirect)		
BS du Toit	29 729	29 729
WC Michaels	2 750	1 250
CA Otto	163 546	154 546
GW Sim	24 020	7 500
HM Smit	3 461	3 461
JH van Niekerk	249 674	249 674
S Walsh	103 500	69 550
Total	576 680	515 710
Percentage of issued shares	0,8%	0,7%

There has been no change in the directors' interest from the financial year-end of the company on 30 September 2019 up until the approval of the financial statements.

Annual financial statements

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Declaration of directors' responsibility and approval

The directors are responsible for the reasonable presentation of the annual Company financial statements and annual Group financial statements of Kaap Agri Limited. In conducting this responsibility they rely on the information, assessments and estimates of management. The fair presentation and integrity of the Company and Group financial statements are also evaluated on the basis of accounting systems and internal financial control measures which are monitored on an ongoing basis during the financial period.

The Company and Group annual Financial Statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These financial statements incorporate accounting policies that have been consistently applied to all periods presented and are consistent with those applied in the previous financial year, with the exception of the adoption of the IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The impact of the implementation of these standards is disclosed in note 45.

Based on the Group and Company financial statements, the present position of the Company and the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Company and Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the financial statements.

The independent auditing firm, PricewaterhouseCoopers Inc., audited the Group and Company financial statements to comply with the relevant requirements of the Companies Act. The auditors had unrestricted access to all financial records and related information, minutes of shareholders, directors and Board of Directors ("Board") committee meetings. The directors are of the opinion that all submissions and management declarations presented to the auditors were correct, valid and relevant.

The unqualified report of the auditors appears on page 70.

The Company and Group annual financial statements on pages 77 to 139 were compiled by GC Victor CA(SA) under supervision of GW Sim CA(SA) and approved by the Board on 12 December 2019 and signed on its behalf by:



GM Steyn
Chairman



S Walsh
Chief Executive Officer

Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, 71 of 2008, the Company Secretary hereby certifies that all returns of the company and its subsidiaries, as prescribed by the said Act, have been submitted to the Companies and Intellectual Property Commission ("CIPC") and that the said returns are true, correct and up to date.



RH Köstens
Company Secretary

12 December 2019

Report of the Audit and Risk committee

to the shareholders of Kaap Agri Limited

COMPOSITION AND ATTENDANCE OF MEETINGS

The composition of the Audit and Risk committee ("the committee") and attendance of meetings are set out in the integrated report.

KEY FUNCTIONS AND RESPONSIBILITIES

The responsibilities of the committee are set out in a formal charter which is annually revised by the Board. The committee has free access to the Chairman of the Board and is empowered to consult independent experts unlimited at company cost. In the execution of its duties according to its mandate and requirements of the Companies Act, the committee is responsible for the discussion and assessment of:

- > the effectiveness of internal control systems and risk management as well as of management information;
- > the internal auditors' audit plan, reports and recommendations;
- > the independence, conditions of appointment, audit plan and remuneration of the external auditors;
- > the effectiveness and reports of the external auditors;
- > the Group's conformance to corporate management rules, risk management and statutory requirements;
- > the appropriateness of accounting policy and any matters related to financial reporting;
- > the separate and consolidated annual financial statements, before these annual financial statements are approved by the Board for release;
- > ensuring that the appropriate financial reporting procedures exist and are operating;
- > ensuring that the external auditor is independent of Kaap Agri Limited, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- > ensuring that the Group Chief Financial Officer, as well as the Group finance function, have the appropriate expertise and experience in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements; and
- > any other prescribed functions the committee is required to perform.

INTERNAL AUDIT

The internal audit function fulfils an important role to give assurance to the committee that sufficient control measures are in place and are functioning correctly so that the committee can form an opinion on key functions and key responsibilities. Therefore, the internal auditors have direct access to the Chairman of the committee, and the committee is also responsible to ensure that the internal audit function is independent and that it has the necessary resources, status and authority to perform its duties. The internal and external auditors attend committee meetings. The committee also regularly meets together and separately with the internal and external auditors to create the opportunity to exchange confidential information. The committee also oversees the co-operation between internal and external auditors and serves as a link between the Board and these functions.

EXTERNAL AUDIT

The Board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the committee for all non-audit services. In determining the independence of the external auditors, the committee considers the level and types of non-audit services provided as well as other enquiries and representations. The prospect of mandatory audit firm rotation was also considered by the committee during the current financial year. As required by the Companies Act, the committee has satisfied itself that Kaap Agri Limited's external auditor, PricewaterhouseCoopers Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company.

The committee has considered the relevant audit quality indicators. The committee was satisfied with the quality of the audit concluded and has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of Kaap Agri Limited for the financial year ending 30 September 2020 and Mr A Hugo as the designated individual registered auditor who will undertake the audit of Kaap Agri Limited on behalf of PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc., being the audit firm, as well as Mr H Zeelie, being Kaap Agri's individual auditor for the 2019 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that PricewaterhouseCoopers Inc. and Mr A Hugo are suitable for reappointment as audit firm and appointment as individual auditor for the 2020 financial year, respectively, by considering, *inter alia*, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

ANNUAL REPORT

The committee has evaluated the annual report of the Company and Group for the year ended 30 September 2019, with specific consideration of the following significant financial reporting matters during the year:

- > The provision for doubtful debts recognised on trade receivables
- > The business combinations in the current year
- > The provision for damaged, old and slow-moving stock
- > The measurement of financial liabilities related to put options
- > Consideration of control in management agreements

The committee reviews the estimates used and judgements made by management and determines whether they are reasonable in terms of the current macroeconomic climate and in line with assumptions utilised by comparable third parties.

Based on the information provided to the committee, the committee considers that the Group complies, in all material respects, with the requirements of the Companies Act, as amended, and IFRS.

OPINION

Given the functions and responsibilities of the committee, as well as the procedures referred to above, the committee is of the opinion that:

- > the Group's internal control measures and risk management are sufficient;
- > the experience and expertise of the Financial Director and the finance function was appropriate;
- > appropriate financial reporting procedures are in place and are operating;
- > the audit was performed with the necessary independence and competence;
- > the Company and Group annual financial statements were prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; and
- > there are no other matters which are to be revealed to shareholders which have not been covered in the annual financial statements.



CA Otto

Chairman: Audit and Risk committee

12 December 2019

Independent auditor's report

To the Shareholders of Kaap Agri Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Kaap Agri Limited (the Company) and its subsidiaries (together the Group) as at 30 September 2019, and its consolidated and separate financial performance and its 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.

What we have audited

Kaap Agri Limited's consolidated and separate financial statements set out on pages 77 to 139 comprise:

- > the consolidated statement of financial position and the separate statement of financial position as at 30 September 2019;
- > the consolidated income statement for the year then ended;
- > the consolidated statement of comprehensive income and the separate statement of comprehensive income for the year then ended;
- > the consolidated statement of changes in equity and the separate statement of changes in equity for the year then ended;
- > the consolidated statement of cash flows and the separate statement of cash flows for the year then ended;
- > the notes to the consolidated annual financial statements and the notes to the separate financial statements; and
- > the accounting policies.

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

Independence

We are independent of the Group 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 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 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* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Our audit approach

Overview



Overall group materiality

- > Overall group materiality: R19 million, which represents 5% of consolidated profit before tax.

Group audit scope

- > Full scope audits were performed for all individually significant components; and
- > Analytical procedures were performed over the remaining non-significant components.

Key audit matters

- > Acquisition of fuel sites;
- > Accounting for the acquisition of Partridge Building Supplies (Pty) Ltd; and
- > Goodwill impairment assessment.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R 19 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit orientated companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included four components, which were either financially significant components, based on contribution to profit before tax, or components of which an identified financial statement line item or items were considered to be significant. Full scope audits were performed on these components. The remainder of the components were considered to be non-significant, individually and in aggregate. We performed analytical procedures on these remaining non-significant components.

Other than one component, all the work was performed by the group team. Group instructions were communicated to the component auditor. The instructions covered those areas that we required the component auditor to focus on, as well as information that we require them to report to us. We examined the reporting received from the component auditor and assessed the impact thereof on the consolidated financial statements. We examined the working papers of the component auditor relating to areas of significant risks in the consolidated financial statements.

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.

We have determined that there are no key audit matters in respect of the separate financial statements to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Acquisition of fuel sites</p> <p><i>(Refer to notes 40 (Business combinations) and 12 (Financial liability at fair value through profit or loss) of the consolidated financial statements and note 4 of the accounting policies)</i></p> <p>During the current financial year, the Group acquired three separate fuel sites for a total consideration of R140 million. The acquisition resulted in the recognition at fair value of total net assets amounting to R46 million and goodwill of R94 million. Total assets assumed at fair value consisted mainly of land and buildings, including the site licence, of R60 million. Management performed the purchase price allocation as required by IFRS 3 <i>Business Combinations</i>.</p> <p>The acquisition of two of the fuel sites coincided with the Group entering into a written put option agreement in terms of which the Group may be required to repurchase the respective 23.5% minority interests in the relevant subsidiaries, i.e. TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd after three years. A liability of R70 million for the full redemption amount was initially recognised with a related charge directly to equity. The liability was remeasured to R79 million at 30 September 2019, with the remeasurement of R9 million being recorded in profit or loss.</p> <p>We considered the accounting for the acquisition of fuel sites to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> > the judgement and estimates involved in allocating the purchase price to the net assets identified in the business combination; > the valuation of the assets requiring specialist skills and knowledge; and > the redemption liability for the put option is based on estimates of future business performance, which are inherently judgemental. 	<p>We obtained the purchase price allocation prepared by management. Based on discussions with management, reading the purchase agreements and applying our understanding of the business and industry, we critically assessed the process followed for the identification of the assets and liabilities acquired, including assessment of the completeness thereof.</p> <p>Based on our understanding of the industry, the properties related to the fuel sites cannot operate without the required site licenses. We inspected the relevant site licenses to confirm that these have been obtained as required. We assessed the useful lives of site licenses based on our understanding of the industry and the relevant contractual agreements, and concurred with management that these licenses have indefinite useful lives. As these licenses have similar useful lives as the land that it relates to (being indefinite) we concurred with management's view that it is appropriate for the site licenses to be recognised together with the land that it relates to.</p> <p>Utilising our valuation specialists, we assessed the valuation performed by management in determining the fair value of the properties, including the site license.</p> <p>We concur that the methodology followed is consistent with industry norms and that the inputs and assumptions used by management are reasonable given the historical performance of the individual fuel sites.</p> <p>We obtained the valuations of the put option liability prepared by management upon initial recognition, as well as at 30 September 2019. Utilising our valuation specialists, we critically assessed the process for calculating the value of the liability by recalculating the expected redemption amount with reference to the contract terms, approved forecasts and assessing the reasonableness of the market related inputs. We found no material exceptions.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Accounting for the acquisition of Partridge Building Supplies (Pty) Ltd</p> <p><i>(Refer to notes 40 (Business combinations) and 13 (Financial liability at amortised cost) of the consolidated financial statements and note 4 of the accounting policies)</i></p> <p>On 1 October 2018 Kaap Agri Ltd, through its 100% owned subsidiary Kaap Agri Bedryf Ltd (the “Group”) acquired a 60% majority equity stake in Partridge Building Supplies (Pty) Ltd (“Forge”) for a purchase consideration of R48 million.</p> <p>In accordance with IFRS 3 Business Combinations, the fair value of the underlying assets acquired and liabilities assumed at the acquisition date included intangible assets (excluding goodwill) of R18 million. Goodwill, being the difference between the purchase price and the identifiable net assets acquired, amounted to R22 million.</p> <p>The Group also entered into a written put option agreement to acquire the remaining 40% minority interest after three years. On initial recognition, a financial liability of R44 million for the full redemption amount was recognised with a related charge directly to equity. The redemption amount was remeasured at 30 September 2019 with a gain of R33 million recognised in profit or loss.</p> <p>We considered the accounting for the acquisition to be a matter of most significance to our current year audit due to the following:</p> <ul style="list-style-type: none"> ➤ the magnitude of the transaction and the judgement involved in the identification and determination of the net assets acquired; ➤ the determination of the fair value of the intangible assets required specialist skills and knowledge; and ➤ the redemption liability for the put option is based on estimates of future business performance, which are inherently subject to estimation uncertainty. 	<p>We obtained the analysis prepared by management that identifies and values the assets and liabilities acquired. We utilised our valuation experts to assess the methodology adopted and the underlying assumptions applied by management in valuing the identified intangible assets, which included the discount rate, terminal growth rate and royalty relief rates. We found the methodology adopted and the assumptions applied by management to be reasonable. We tested the mathematical accuracy of the valuation models for the intangible assets acquired. No material differences were noted.</p> <p>We challenged management on the forecasts adopted in the determination of the values attributed to the acquired intangible assets. Given the history of the business and our independently determined expectations, we considered management’s forecasts to be reasonable.</p> <p>We obtained an understanding of the business to enable us to assess the completeness of the identified assets and liabilities acquired. We noted no additional assets or liabilities that should have been recognised as at the acquisition date.</p> <p>We obtained the valuations of the redemption liability prepared by management at the acquisition date as well as at 30 September 2019. We critically assessed the process for calculating the value of the liability by recalculating the expected redemption amount with reference to the contract terms, approved forecasts and the discount rate. We found no material exceptions.</p>

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment</p> <p><i>(Refer to note 4 (Intangible assets) of the consolidated financial statements and note 4 of the accounting policies)</i></p> <p>The Group's net assets include goodwill amounting to R281 million as at 30 September 2019.</p> <p>Management performs annual impairment tests to assess the recoverability of the carrying value of goodwill. The assessment in the current year was performed using value in use calculations for the relevant cash-generating units (CGUs).</p> <p>Based on the impairment assessment performed, management recognised an impairment loss of R2 million in the current year.</p> <p>Management performed a sensitivity analysis on the non-impaired goodwill balance by varying the key assumptions used (i.e. discount rates and growth rates) to assess the impact on the valuation and available headroom.</p> <p>We considered the impairment assessment of goodwill to be a matter of most significance to our audit due to the following:</p> <ul style="list-style-type: none"> > The magnitude of the goodwill balance in the current year; and > The estimates and assumptions applied by management in their impairment assessment. 	<p>Our audit procedures included, amongst others, testing of the principles applied in the Group's value in use calculations. We assessed the reasonability of the key inputs used by management in the calculations, which included the discount rates and terminal growth rates and tested the accuracy of management's calculation through reperformance of the calculation for each model.</p> <p>We utilised our valuation experts to test the appropriateness and reasonableness of the discount rates by comparing it to industry norms and we found the discount rates used by management to be within an acceptable range.</p> <p>In assessing management's forecasts and growth rates for reasonableness, we considered the historical accuracy of forecasts by comparing the actual results for the current year to the original forecasts. Where variances were noted, we corroborated management's explanations for the variances. We found management's forecasts to be reasonable.</p> <p>We performed independent sensitivity calculations on the impairment assessments in order to ascertain the impact of changes to the key assumptions on the available headroom and the level of impairment recognised in the current year. We found no material exceptions.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "2019 Integrated Report Kaap Agri", which includes the Directors' Report, the Report of the Audit and Risk Committee and the Declaration by the Company Secretary 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 and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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 the 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/or the 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's and the 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's and the 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 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 financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Kaap Agri Ltd for 83 years.



PricewaterhouseCoopers Inc.

Director: H Zeelie

Registered Auditor

Stellenbosch

12 December 2019

Directors' report

for the year ended 30 September 2019

NATURE OF ACTIVITIES

The Group specialises in trading in agricultural, fuel and related retail markets in southern Africa. With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach. In support of the core retail business, the Group also offers grain handling and agency services.

FINANCIAL RESULTS

The profit after tax of the Group amounted to R281,3 million (2018: R249,0 million) while the gross assets increased to R4,788 billion (2018: R3,927 billion). The results of the Group are presented in detail in the financial statements.

SHARE CAPITAL

The authorised share capital consists of 1 000 000 000 ordinary shares with no par value of which 74 170 277 shares are currently issued, of which 3,708,514 shares are issued to Empowerment and Transformation Investments (Pty) Ltd and 225 540 issued to Kaap Agri Bedryf Limited. These shares are accounted for as treasury shares.

DIVIDENDS

A gross final dividend of R66,7 million (2018: R62,8 million) has been approved and declared by the board from income reserves, which represents 90,0 cents (2018: 84,7 cents) per share. The dividend is payable on 17 February 2020 to shareholders registered on 14 February 2020 (the record date) as shareholders of the company. The last date of trade cum dividend will be 11 February 2020.

The total dividend for the year amounts to R91,6 million (2018: R86,6 million), representing 123,5 cents (2018: 116,7 cents) per share.

SUBSIDIARIES AND JOINT VENTURE

The interests in subsidiaries and Joint Venture are presented on page 83 of the financial statements.

DIRECTORS

Full details of the directors appear on page 38.

DIRECTORS' INTERESTS

The directors' interest in shares of the Company appear on page 65.

EVENTS AFTER REPORTING DATE

The directors are not aware of matters or circumstances that occurred between the end of the financial year and the date on which the financial statements were approved that have not been dealt with in the Group and Company financial statements and which may have a significant influence on the activities of the Group and Company or results of those activities. For further information, refer to note 44.

Consolidated statement of financial position

at 30 September

		GROUP	
	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	1 375 392	1 097 159
Intangible assets	4	298 169	168 165
Investment in joint venture	5	8 901	11 941
Financial assets at fair value through other comprehensive income	6	5 580	–
Trade and other receivables	10	38 700	–
Loans	7	58 959	26 397
Deferred taxation	8	–	1 234
		1 785 701	1 304 896
Current assets			
Inventory	9	1 083 930	911 151
Trade and other receivables	10	1 869 860	1 664 483
Derivative financial instruments	11	1 882	6 487
Cash and cash equivalents	14	46 369	40 214
		3 002 041	2 622 335
Total assets		4 787 742	3 927 231
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	15	444 901	443 921
Other reserves	16	9 797	9 172
Retained profit		1 371 364	1 286 943
Equity attributable to shareholders of the holding company		1 826 062	1 740 036
Non-controlling interest		100 186	2 710
Total equity		1 926 248	1 742 746
Non-current liabilities			
Deferred taxation	8	72 778	41 905
Financial liability at fair value through profit or loss	12	79 100	–
Financial liability at amortised cost	13	14 800	–
Finance lease liabilities	18	23 694	17 402
Employee benefit obligations	19	15 924	16 367
		206 296	75 674
Current liabilities			
Trade and other payables	20	1 319 209	1 095 812
Short-term portion of finance lease liabilities	18	16 120	8 542
Short-term portion of employee benefit obligations	19	2 028	1 914
Short-term borrowings	21	1 309 447	1 000 907
Income tax		8 394	1 636
		2 655 198	2 108 811
Total liabilities		2 861 494	2 184 485
Total equity and liabilities		4 787 742	3 927 231

Consolidated income statement

for the year ended 30 September

		GROUP	
	Notes	2019 R'000	2018 R'000
Revenue	26	8 451 520	6 548 793
Cost of sales		(7 142 281)	(5 446 480)
Gross profit		1 309 239	1 102 313
Other operating income	27	202 373	177 334
Selling and distribution costs	28	(119 582)	(92 646)
Administrative expenses	28	(641 415)	(543 945)
Movement on expected credit loss allowance	10	(2 805)	–
Other operating expenses	28	(254 628)	(211 997)
Operating profit		493 182	431 059
Finance costs	31	(111 014)	(82 739)
Share in profit of joint venture	5	(2 327)	(3 416)
Profit before tax		379 841	344 904
Income tax	32	(98 562)	(95 947)
Profit for the period		281 279	248 957
Profit attributable to shareholders of the holding company		277 320	246 247
Non-controlling interest		3 959	2 710
Earnings per share – basic (cents)	33	394,98	349,80
Earnings per share – diluted (cents)	33	393,48	346,90

Consolidated statement of comprehensive income

for the year ended 30 September

		GROUP	
		2019 R'000	2018 R'000
Profit for the year		281 279	248 957
Other comprehensive income/(loss)			
Cash flow hedges (can be classified to profit and loss)		1 462	(394)
Gross		2 031	(547)
Tax		(569)	153
		282 741	248 563
Total comprehensive income attributable to shareholders of the holding company		278 782	245 853
Non-controlling interest		3 959	2 710

Consolidated statement of changes in equity

for the year ended 30 September

		GROUP						
		Share capital R'000	Share-based payment reserve R'000	Hedge reserve R'000	Retained profit R'000	Total R'000	Non- controlling interest R'000	Total equity R'000
Balance								
1 October 2017		456 643	3 786	107	1 121 445	1 581 981	–	1 581 981
Gross shares issued		480 347						
Treasury shares		(23 704)						
Total comprehensive income		–	–	(394)	246 247	245 853	2 710	248 563
Shares bought back		(12 722)	–	–	–	(12 722)	–	(12 722)
Share-based payments		–	5 673	–	–	5 673	–	5 673
Dividends paid		–	–	–	(80 749)	(80 749)	–	(80 749)
Balance								
30 September 2018		443 921	9 459	(287)	1 286 943	1 740 036	2 710	1 742 746
Gross shares issued		480 347						
Treasury shares		(36 426)						
Effect of adopting IFRS 9 – Financial Instruments	10	–	–	–	(815)	(815)	–	(815)
Effect of adopting IFRS 9 – Financial Instruments – Joint Venture		–	–	–	(713)	(713)	–	(713)
Partial disposal of subsidiaries		–	–	–	5 471	5 471	–	5 471
Non-controlling interest on asset-for-share transaction	40	–	–	–	–	–	78 578	78 578
Non-controlling interest on acquisition of subsidiary	40	–	–	–	–	–	17 198	17 198
Redemption liability – part of business combination	12,13	–	–	–	(113 823)	(113 823)	–	(113 823)
Total comprehensive income		–	–	1 462	277 320	278 782	3 959	282 741
Share-based payments		980	(837)	–	–	143	–	143
Dividends paid		–	–	–	(83 019)	(83 019)	(2 259)	(85 278)
Balance								
30 September 2019		444 901	8 622	1 175	1 371 364	1 826 062	100 186	1 926 248
Gross shares issued		480 347						
Treasury shares		(35 446)						

Consolidated statement of cash flows

for the year ended 30 September

		GROUP	
	Notes	2019 R'000	Restated 2018 R'000
Cash flow from operating activities		353 979	237 025
Net cash profit from operating activities	35	417 257	335 591
Interest received*		118 991	115 840
Working capital changes	36	(97 768)	(127 150)
Income tax paid	37	(84 501)	(87 256)
Cash flow from investment activities		(437 378)	(283 503)
Purchase of property, plant and equipment		(241 473)	(130 615)
Proceeds on disposal of property, plant and equipment		1 666	2 736
Deposits made during the year	10	(106 419)	(52 900)
Acquisition of financial asset at fair value through other comprehensive income		(5 580)	–
Gross decrease/(increase) in loans	7	(34 821)	11 776
Acquisition of operations	38	(50 751)	(114 500)
Cash flow from financing activities		89 554	51 604
Increase in short-term loans	39	293 938	236 015
Repayment of finance lease liabilities		(14 277)	(8 201)
Interest paid		(107 088)	(82 739)
Treasury shares acquired		–	(12 722)
Dividends paid		(83 019)	(80 749)
Net increase in cash and cash equivalents		6 155	5 126
Cash and cash equivalents at the beginning of the year		40 214	35 088
Cash and cash equivalents at the end of the year		46 369	40 214
Comprising:			
– Bank and cash on hand	14	46 369	40 214

* Interest received was previously included in net cash profit from operating activities, and was reclassified during the year to be disclosed separately as interest received under cash flows from operating activities. The reclassification had no impact on total cashflow from operating activities, the statement of financial position, income statement, statement of comprehensive income or statement of changes in equity.

Notes to the consolidated annual financial statements

for the year ended 30 September

1 ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 125 to 139. These policies have been consistently applied to all the years presented, unless stated otherwise.

2 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom precisely equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates

Property, plant and equipment

Property, plant and equipment are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are based on industry knowledge and past experience with similar assets. Refer to note 6 of the Group's accounting policy.

Loss allowance on trade receivables

In estimating the loss allowance on trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors. This includes an assessment of current and expected future payment profiles and customer specific risk factors such as economic circumstances, geographical location and the value of security held. Refer to notes 10 and 23 for more information.

Financial liabilities related to put options

The measurement of these financial instruments is based on various valuation calculations requiring estimated inputs and assumptions as disclosed in notes 12 and 13.

Judgements

Inventory provisions for slow-moving and obsolete stock

The Group makes certain judgements relating to the recoverability of inventory, based on the frequency of movement in different inventory types. These judgements are used to determine the extent of inventory provisions.

Management agreements

TFC site acquisitions are at various stages of conclusion. On these sites the Group enters into management agreements while waiting for regulatory approval for the retail site licenses. The group manages these sites under management agreements, but does not have the right to control the relevant activities. Therefore these sites are not consolidated in the Group.

	GROUP	
	2019 R'000	2018 R'000
3 PROPERTY, PLANT AND EQUIPMENT		
Cost		
Land and buildings	966 878	825 857
Grain silos	64 664	56 855
Machinery and equipment	192 171	167 792
Vehicles	94 235	57 393
Office furniture and equipment	198 862	162 316
Leasehold properties	36 574	32 106
Assets under construction	118 650	33 452
	1 672 034	1 335 771
Accumulated depreciation		
Land and buildings	(19 791)	(18 262)
Grain silos	(37 642)	(35 219)
Machinery and equipment	(89 943)	(71 915)
Vehicles	(48 063)	(28 478)
Office furniture and equipment	(95 579)	(75 200)
Leasehold properties	(5 624)	(9 538)
	(296 642)	(238 612)
Total carrying value	1 375 392	1 097 159
Depreciation has been allocated in the income statement as follows:		
Cost of sales	(5 727)	(5 497)
Other operating expenses	(53 727)	(44 193)
	(59 454)	(49 690)
Refer to note 46 for reconciliation of movements in carrying value.		
Vehicles include the following amounts where the Group is a lessee under a finance lease:		
Cost	64 092	39 451
Accumulated depreciation	(25 114)	(16 826)
Total carrying value	38 978	22 625
4 INTANGIBLE ASSETS		
Goodwill	281 337	167 695
Tradename	12 740	–
Cost	13 000	–
Accumulated amortisation	(260)	–
Customer relations	4 092	470
Cost	8 619	3 619
Accumulated amortisation	(4 527)	(3 149)
	298 169	168 165
Reconciliation of movements in carrying value		
Carrying value at the beginning of the year	168 165	99 482
Additions through business combinations	133 892	69 744
Goodwill written off	(2 250)	–
Amortisation recognised in profit and loss	(1 638)	(1 061)
	298 169	168 165

4 INTANGIBLE ASSETS continued

To assess for impairment of goodwill, a value in use calculation was done per Cash Generating Unit ("CGU"). Using the budget as base data, income was increased with 6% and expenses were increased at the expected inflation rate for five years and a pre-tax discount rate of 12% to 15% was used depending on the CGU's specific risk profile. An impairment of R2,2 million was recognised for Kempena Motors (separate cluster) as the value in use was lower than the total net assets due to underperformance. For the rest of the balance no indicators were noted that the calculation is sensitive to a reasonable change in assumptions. The most significant clusters to which goodwill has been allocated include the Eastern Cape cluster (carrying value of goodwill: R42,4 million) and the Northern Province's cluster (carrying value of goodwill: R199,5 million) calculated with pre-tax discount rates of between 12% – 15% and terminal growth rates of 6% in line with the industry. The remaining clusters were also assessed for goodwill impairment and sufficient headroom noted. The TFC acquisition strategy is cluster based, focusing on increasing scale in identified geographic locations, thus the goodwill is monitored for impairment based on these clusters.

The goodwill raised through the business combination with Partridge Building Supplies was tested for impairment using a value in use calculation. Using the budget as base data, income was increased between 7% – 9% and expenses were increased at the expected inflation rate for five years and a discount rate of 23% and terminal growth rates of 6% in line with the industry was used. No impairment was noted. There is sufficient headroom and an impairment only becomes applicable when the discount rate is increased to 26%.

	GROUP	
	2019 R'000	2018 R'000
5 INVESTMENT IN JOINT VENTURE		
Beginning of the year	11 941	15 357
Share in total comprehensive income	(2 327)	(3 416)
Effect of adopting IFRS 9 – Financial instruments	(713)	–
End of the year	8 901	11 941
The nature of the business is supplying of farming requisites, general retail and fuel. The company is incorporated in Namibia.		
Kaap Agri (Namibia) (Pty) Ltd		
Number of issued shares: 500 (2018: 500)		
Shareholding: 50% (2018: 50%)		
250 (2018: 250) shares at fair value at date of acquisition	15 156	15 156
Share in post-acquisition accumulated loss	(6 255)	(3 215)
	8 901	11 941
Summarised Statement of financial position as prepared under IFRS		
Non-current assets	65 242	53 019
Current assets	163 853	141 485
Cash and cash equivalents	2 389	3 931
Other current assets	161 464	137 554
Total assets	229 095	194 504
Non-current liabilities		
Loans	63 107	51 557
Current liabilities	149 169	118 753
Short-term borrowings	59 631	55 775
Other current liabilities	89 538	62 978
Total liabilities	212 276	170 310
Net assets	16 819	24 194
Group's share in percentage	50%	50%
Group's share in net assets of joint venture at fair value	8 410	12 025
Summarised income statement		
Revenue	614 842	406 264
Loss before taxation	(6 843)	(10 047)
Income tax	2 190	3 215
Loss attributable to ordinary shareholders	(4 653)	(6 832)

		GROUP	
		2019 R'000	2018 R'000
6	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
	Signafi Capital (Pty) Ltd - unlisted - obtained at 30 September	5 580	–
	Information about the group's exposure to price risk is provided in note 23. For information about the methods and assumptions used in determining the fair value also refer to note 23.		
7	LOANS		
	Kaap Agri (Namibia) (Pty) Ltd	32 066	26 397
	Lionshare Holdings (Pty) Ltd	26 893	–
		58 959	26 397

The carrying value of the loans approximates its fair value at the reporting date.

Kaap Agri (Namibia) (Pty) Ltd

The loan is unsecured and bears interest at the Namibian prime rate. There are no specific repayment terms. Repayment is determined by the shareholders as and when funds are available. Repayment of the loan will take place before any dividends are declared.

The expected credit loss allowance was assessed based on the exposure, probability of default and loss given default. The general model is followed in terms of IFRS 9. The last year has seen a significant improvement in profitability which will lead to improved cash flow. As such, no expected credit loss provision has been created as this loan is considered fully recoverable in the future. A 12-month expected credit loss was considered, and no loss allowance was identified. Refer to accounting policy note 10.

Lionshare Holdings (Pty) Ltd

The loan bears interest at prime plus 1,5%. The loan is repayable in yearly instalments after payment of a dividend by TFC Operations (Pty) Ltd, with final repayment on 28 February 2029.

The loan is secured by:

- > a first-ranking mortgage bond over the immovable property of C-Max Investments 71 (Pty) Ltd, held under Deed of Transfer T19459/2012;
- > a second-ranking mortgage bond over the immovable property of C-Max Investments 71 (Pty) Ltd, held under Deed of Transfer T51438/2014;
- > a suretyship agreement, binding itself, by C-Max Investments 71 (Pty) Ltd; and
- > a suretyship agreement, binding itself, by Mezibase (Pty) Ltd.

The expected credit loss allowance was assessed based on the exposure and probability of default and loss given default, but based on the security value the expected credit loss allowance was considered immaterial. Refer to accounting policy note 10.

		GROUP	
		2019 R'000	2018 R'000
8	DEFERRED TAXATION		
	Movement of deferred taxation		
	Balance at the beginning of the year	(40 671)	(15 738)
	Balance through business combinations	(23 092)	(17 084)
	Income statement credit/(debit)	(7 303)	(9 579)
	Credit against reserves	(1 713)	1 730
	Balance at the end of the year	(72 779)	(40 671)
	Due to the following temporary differences:		
	Property, plant and equipment	(91 757)	(65 927)
	Intangible assets	(4 713)	(131)
	Currency translation differences	(457)	111
	Tax loss	53	–
	Provisions and accrued expenses	24 096	25 276
		(72 778)	(40 671)
	Movements for the year		
	Opening balance	(40 671)	(15 739)
	Property, plant and equipment	(25 830)	(20 865)
	Intangible assets	(4 582)	298
	Currency translation differences	(568)	152
	Tax loss	53	–
	Provisions and accrued expenses	(1 180)	(4 517)
		(72 778)	(40 671)
	For the purpose of the statement of financial position, deferred taxation is presented as follows:		
	Non-current assets	–	1 234
	Non-current liabilities	(72 778)	(41 905)
		(72 778)	(40 671)
9	INVENTORY		
	Merchandise	1 074 461	904 439
	Raw materials	7 325	4 496
	Consumable goods	2 144	2 216
		1 083 930	911 151
	Inventory carried at lower of cost or net realisable value	52 800	44 763
	Provision for slow-moving and obsolete stock included in inventory	30 947	28 375
	Inventory written off during the year	5 062	4 350

The inventory is encumbered as security as set out in note 21.

GROUP

10 TRADE AND OTHER RECEIVABLES

The accounting policies were changed to comply with IFRS 9 which replaces the provisions of IAS 39. The 2019 expected credit loss allowance is presented on an IFRS 9 basis and the 2018 provision for impairment is presented on an IAS 39 basis.

	2019 R'000	2018 R'000
Trade receivables	1 756 212	1 549 498
Expected credit loss allowance (2018: IAS 39 – Provision for impairment)	(44 225)	(39 909)
	1 711 987	1 509 589
VAT	38 759	45 932
Deposits	106 419	52 900
Other debtors	51 395	56 062
	1 908 560	1 664 483
Trade and other receivables – current	1 869 860	1 664 483
Trade and other receivables – non-current	38 700	–
	1 908 560	1 664 483

Included in the non-current portion of trade and other receivables are long-term facilities granted to producers to assist in capital expansion related to the establishment and/or expansion of production. The nature of these accounts is the same as normal trade debtors. These facilities vary in duration between two and five years, are suitably secured and bear interest in line with the policies regarding interest for all trade receivables and are considered to be market related.

Deposits are early payments made on TFC site acquisitions awaiting regulatory approval.

No expected credit loss allowance recognised on the deposits as these will be deducted from the final payment, thus fully recoverable.

Trade and other receivables are categorised as debt instruments at amortised cost (2018: loans and receivables under IAS 39).

The Group applies the simplified approach for providing for expected credit losses prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables, the general model was used to identify any expected credit losses for other receivables and no loss allowance identified.

The total expected credit loss allowance for trade receivables as at 30 September 2019 reconciles to the opening balance for provision for impairment of receivables calculated in terms of IAS 39 as follows:

GROUP

	2019 R'000	2018 R'000
Movement in the expected credit loss allowance (2018: IAS 39 provision for impairment)		
Opening balance (calculated under IAS 39)	(39 909)	(45 313)
Adjustment to the expected credit loss allowance on adoption of IFRS 9	(815)	–
Bad debts written off	5 050	1 584
Movement in the expected credit loss allowance (2018: provision for impairment)	(7 855)	3 820
Balance with acquisition of subsidiary (refer to note 40)	(696)	–
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	(44 225)	(39 909)
The loss allowance (2018: IAS 39 provision for impairment) is made up of		
– specific loss allowance (2018: specific provision)	(38 001)	(34 865)
– contingency loss allowance (2018: contingency provision)	(6 224)	(5 044)
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	(44 225)	(39 909)

10 TRADE AND OTHER RECEIVABLES continued

A loss allowance is recognised for all receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. Refer to note 23 for the detail regarding the process for identifying the specific and contingency loss allowance. In addition to the loss allowance, receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Receivables which have been written off are not subject to enforcement activities.

Disclosures for comparatives under IAS 39

Included in the Group's trade receivables balance for 2018 are trade receivables with a carrying value of R203 million that were past due at 30 September 2018, but which the Group had not impaired as there was not a significant change in credit quality and the amounts were still considered to be recoverable. The ageing of these receivables was as follows:

	2018 R'000
Up to 3 months	94 724
Between 3 and 6 months	108 600
	203 324

The carrying value of trade and other receivables approximates their fair value at the reporting date.

The trade debtors are encumbered as security as set out in note 21.

11 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into back-to-back transactions whereby firm commitments on physical positions are hedged with derivative instruments. These hedges are classified as fair value hedges.

The fair values derivative financial instruments on reporting date are:

Derivative

Firm commitment – grain purchases

Assets/(liabilities)

– Forward purchase contracts

– Options

	GROUP	
	2019 R'000	2018 R'000
	(396)	6 398
	2 278	89
	1 882	6 487

The forward purchase contracts and options represent contracts with producers for the acquisition of physical commodities in the future, which will be delivered within the next twelve months after year-end.

12 FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS

Written Put Option

C-Max Investments (Pty) Ltd

Initial recognition at 1 October 2018

Remeasurement through profit or loss

	(70 200)	–
	(8 900)	–
	(79 100)	–

As part of the asset-for-share transaction, the Group entered into a once off written put agreement, which became effective during the year, whereby C-Max Investments (Pty) Ltd may put their 23,5% shareholding in both TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd ("the TFC Companies") to Kaap Agri Bedryf Limited. This option shall not apply in the event that any of the TFC Companies are listed on the JSE. The put option is not exercisable prior to the end of the financial year ending 30 September 2021.

12 FINANCIAL LIABILITY AT FAIR VALUE THROUGH PROFIT OR LOSS continued

The value of the put option is based on the lower of the market value of TFC Operations (Pty) Ltd (which has been calculated with reference to the enterprise value to EBITDA ("EV/EBITDA") multiple of comparable listed companies, adjusted for company specific risk) and a value determined based on a recurring headline earnings multiple of the Kaap Agri Group (which has been performed by applying the current price to recurring headline earnings ("price/RHEPS") multiple of Kaap Agri, to the forecasted profit after tax). In the current year valuation, a multiple of between four and six times was used and a discount rate of 10%.

The market value of the shares in TFC Properties (Pty) Ltd is determined using a market related capitalisation rate based on the underlying properties held. In the current year valuation, a capitalisation rate of 10% was used and a discount rate of 10%.

The amount that may become payable under the option on exercise date is initially recognised at the present value of the value as determined in line with the principles outlined above. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards of the shares have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated market value and increased/decreased up to the amount that is payable at the date at which the option is exercised. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

The financial liability has been designated at fair value through profit or loss because the put option obligation varies with changes in TFC's share price. Any changes in the future fair value of the liability will be accounted for in the income statement. A 1% change in the discount rate will change the liability and profit before tax by R3 million. A 0,5 change in the multiple will change the liability and profit before tax by R13,7 million.

GROUP

	2019 R'000	2018 R'000
13 FINANCIAL LIABILITY AT AMORTISED COST		
Written Put Option		
<i>Partridge Building Supplies (Pty) Ltd</i>		
Initial recognition at 1 October 2018	(43 623)	–
Interest (refer to note 31)	(3 926)	–
Remeasurement through profit or loss	32 749	–
	(14 800)	–

Through the acquisition of the 60% shareholding in Partridge Building Supplies (Pty) Ltd, the Group entered into a once-off written put agreement over the remaining 40% interest in the aforementioned company. The option is exercisable after the finalisation of the financial statements for the year ending 30 September 2021 and the consideration on exercise will be determined based on the growth ratio (determined as the actual/forecast EBITDA divided by the targeted EBITDA over the period determined), net debt value and EBITDA figures of Partridge Building Supplies (Pty) Ltd at that time. The exercise price is formula based. In the current year valuation, a growth ratio of between 60% and 65% was used and an EBITDA multiple of 6,5 times. Refer to note 40 for the disclosures of the Partridge Building Supplies (Pty) Ltd business combination.

The amount that may become payable under the option on exercise date is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the parent's equity since the risks and rewards have not been transferred to the parent until the option is exercised. The liability is subsequently adjusted for changes in the estimated performance and increased/decreased up to the redemption amount that is payable at the date at which the option is exercised. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Given that the fair value of the liability varies with non-financial variables that are specific to the parties in the contract, management has classified this put option as a financial liability at amortised cost.

A 1% change in the discount rate will change the liability and profit before tax by R0,3 million. A 10% increase in the growth ratio will change the liability and profit before tax by R4,2 million.

At year end, the value of the put option liability of Partridge Building Supplies (Pty) Ltd decreased as the revised forecast up to the date that the option becomes exercisable was lower at year end than initially anticipated. The goodwill raised through the business combination was tested for impairment and no impairment noted, refer to note 4 for more information.

		GROUP	
		2019 R'000	2018 R'000
14 CASH AND CASH EQUIVALENTS			
Cash on hand		1 367	901
Bank balances		45 002	39 313
		46 369	40 214
<p>The credit quality of cash at bank, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings:</p> <p><i>ABSA Bank Limited – counterparty risk rated Baa2 by Moody's</i></p> <p><i>FNB Limited – counterparty risk rated Baa3 by Moody's</i></p> <p><i>Standard Bank – counterparty risk rated Baa2 by Moody's</i></p> <p><i>Nedbank – counterparty risk rated Baa2 by Moody's</i></p>			
15 STATED CAPITAL			
Authorised:			
1 000 000 000 (2018: 1 000 000 000) ordinary shares with no par value			
Issued:			
74 170 277 (2018: 74 170 277) ordinary shares with no par value			
Ordinary shares		480 347	480 347
Treasury shares		(35 446)	(36 426)
		444 901	443 921
		Number	Number
Total number of ordinary shares – issued		74 170	74 170
Treasury shares – issued		(3 933)	(4 008)
		70 237	70 162
		R'000	R'000
16 OTHER RESERVES			
Hedge reserve		1 175	(287)
Derivative financial instruments that are designated and qualify as cash flow hedges are shown in the statement of financial position at fair value. The effective portion of changes in the fair value are recognised in other comprehensive income in the hedge reserve.			
Share-based payment reserve		8 622	9 459
The liability for the equity-settled management share incentive scheme is shown in the share-based payment reserve.			
		9 797	9 172

17 EQUITY-SETTLED MANAGEMENT SHARE INCENTIVE SCHEME

	2019		2018	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Granted during the year	36,72	266 189	48,27	120 378

The expense recognised in profit and loss is R3 848 343 (2018: R4 095 849)

Share options outstanding at the end of the year have the following vesting dates and exercise prices:

Grant date	Vesting date	Exercise price	Fair value at grant date	Share options 2019	Share options 2018
1 October 2016	1 October 2018	23,88	8,66	–	310 651
1 October 2016	1 October 2019	23,88	9,53	310 651	310 651
1 October 2016	1 October 2020	23,88	10,21	310 651	310 651
1 October 2016	1 October 2021	23,88	10,75	310 651	310 651
20 March 2018	1 October 2019	48,27	9,55	30 095	30 095
20 March 2018	1 October 2020	48,27	12,29	30 095	30 095
20 March 2018	1 October 2021	48,27	14,43	30 095	30 095
20 March 2018	1 October 2022	48,27	16,18	30 095	30 095
15 January 2019	1 October 2020	36,72	10,37	66 547	–
15 January 2019	1 October 2021	36,72	12,58	66 547	–
15 January 2019	1 October 2022	36,72	14,14	66 547	–
15 January 2019	1 October 2023	36,72	15,29	66 547	–

Fair value of options granted

The fair value of the grant is determined using the Black-Scholes-Merton model using six different inputs that would have an effect on the fair value of the grant. The inputs are the exercise price of the option, the share price at grant date, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate. During the year the first tranche of the 1 October 2016 grants vested. No share options were forfeited.

	GROUP	
	2019	2018
Model inputs		
Exercise price (rand)	36,72	48,27
Share price at grant date (rand)	36,72	48,27
Expected life of option (years)	2 – 5	2 – 5
Expected volatility (%)	36,3 – 55,3	36,3 – 48,3
Expected dividend yield (%)	2,55 – 3,65	2,55 – 2,79
Risk-free interest rate (%)	6,63 – 7,00	6,84 – 7,33

The purpose of the equity-settled management share incentive scheme (“the scheme”) is to provide employees with the opportunity to acquire shares in the company through the grant of rights, in order to promote and enable the retention and attraction of exceptional talent and to align the interests of the management of the company and Group companies more closely with the shareholders of the company. In terms of the scheme, grants are allocated to participants taking into account each participant’s annual cost to company (“CTC”), a factor of CTC based on the nature and level of their position and the share price. The number of shares that a participant will become eligible for at vesting date will be calculated at the time of vesting based on the growth in the share price between the date of grant and the entitlement date, less employee tax. A participant’s entitlement to settlement in terms of the rights granted shall be in equal 25% annual tranches from the first day of the second financial year commencing after date of grant onwards. During the current year 266 189 new grants were issued and 310 651 grants vested. The number of shares that may be utilised for the purpose of the scheme shall not exceed 3 700 000 shares with no single individual being entitled to more than 1 235 000 shares.

	GROUP	
	2019 R'000	2018 R'000
18 FINANCE LEASE LIABILITIES		
Finance lease liability	39 814	25 944
Short-term portion of finance lease liabilities	(16 120)	(8 542)
	23 694	17 402
Commitments in relation to finance leases payable are as follows:		
Within one year	19 357	10 682
Later than one year but not later than five years	25 890	16 533
Minimum lease payments	45 247	27 215
Future finance charges	(5 433)	(1 271)
Recognised as liability	39 814	25 944
The present value of finance lease liabilities is as follows:		
Within one year	16 120	8 542
Later than one year but not later than five years	23 694	17 402
Minimum lease payments	39 814	25 944

Finance lease liabilities include vehicles and forklifts where ownership will transfer to the group once contract expires.

	GROUP	
	2019 R'000	2018 R'000
19 EMPLOYEE BENEFIT OBLIGATIONS		
Post-retirement medical benefits	17 952	18 281
Balance at the beginning of the year	18 281	19 474
Interest costs recognised in the income statement	1 698	1 511
Actuarial gain recognised in the income statement	–	(763)
Employer contributions	(2 027)	(1 941)
Long-term incentive scheme	–	–
Balance the beginning of the year	–	11 625
Payment	–	(8 801)
Actuarial gain recognised in the income statement	–	(2 824)
	17 952	18 281
Short-term portion carried over to current liabilities	(2 028)	(1 914)
	15 924	16 367
Amounts recognised in the income statement are shown under other operating expenses.		
Existing provisions are based on the following important assumptions:		
Post-retirement medical benefits		
Cost of medical inflation (%)	7,75	7,75
Discount rate (%)	9,25	9,25
Average retirement age (years)	65	65
Expected membership continuance at retirement (%)	100	100
Post-retirement mortality	2 years +1%	2 years +1%
Weighted average duration of obligation (years)	8	8
Total expected contributions for the coming year (R'000)	2 145	1 934

19 EMPLOYEE BENEFIT OBLIGATIONS continued**Sensitivity analysis**

The method of calculation remains unchanged.

Effect of a 1% movement in the assumed cost of medical inflation and discount rate

Cost of medical inflation

Aggregate of current service cost and interest cost - increase / (decrease)

Liability – increase/(decrease)

Discount rate

Liability – increase/(decrease)

Effect of a one-year movement in the assumed average retirement age

Average retirement age

Liability

GROUP

2019
R'000

+1%

-1%

115

(103)

1 229

(1 101)

(1 184)

1 347

+1 year

-1 year

(22 000)

24 000

GROUP

2019
R'000

2018
R'000

2017
R'000

2016
R'000

2015
R'000

Trend information

Present value of liabilities

17 952

18 281

19 474

19 642

19 222

Present value of plan assets

–

–

–

–

–

Present value of obligations
above plan assets

17 952

18 281

19 474

19 642

19 222

Experience adjustments

Present value of liabilities

(174)

–

(1 387)

(896)

Present value of plan assets

–

–

–

–

Actuarial profit/(loss) before
changes in assumptions

–

(174)

–

(1 387)

(896)

		GROUP
		2019 R'000
		2018 R'000
20 TRADE AND OTHER PAYABLES		
Trade creditors	1 235 009	1 000 982
Employee accruals	37 523	42 177
Other creditors	46 677	52 653
	1 319 209	1 095 812
The carrying value of trade and other payables approximates their fair value at the reporting date.		
21 SHORT-TERM BORROWINGS		
Bank borrowings	1 309 447	1 000 907

The carrying value of short-term loans approximates their fair value at the reporting date.

The bank facilities are renewed annually and the current facility bears interest from prime less 1,75% to prime less 2,00%. The borrowings is repayable on demand.

The bank facilities overdraft facility of R1 612 million is secured by:

- > a general notarial bond over the stock of Kaap Agri Bedryf Limited to the value of R100 million for the facility of Kaap Agri Bedryf Limited;
- > a cession of trade debtors and stock of Kaap Agri Bedryf Limited for the facility of Kaap Agri Bedryf Limited;
- > a cession of trade debtors of Agriplas (Pty) Ltd as well as a limited guarantee by Kaap Agri Bedryf Limited (limited to R20 million) for the facilities of Agriplas (Pty) Ltd; and
- > a general notarial bond over the moveable assets of Partridge Building Supplies (Pty) Ltd to the value of R51 million for the facility of Partridge Building Supplies (Pty) Ltd.

	GROUP	
	2019 R'000	2018 R'000
22 RELATED PARTY TRANSACTIONS		
Transactions with related parties and outstanding balances		
Income		
Sales of goods – Capespan SA (Pty) Ltd	3 630	773
Interest received – Lionshare Holdings (Pty) Ltd	1 893	–
Expenses		
Purchases of goods – Capespan SA (Pty) Ltd	121	201
Purchases of goods – M Pupkewitz & Sons (Pty) Ltd	1 869	2 289
Services – Grayston Elliot (Pty) Ltd	–	77
Services – PSG Capital (Pty) Ltd	341	1 523
Balances		
Trade debtors – Capespan SA (Pty) Ltd	1 491	–
Loan – Lionshare Holdings (Pty) Ltd	26 893	–
Transactions with directors and outstanding balances		
Sales	66 137	51 622
Trade receivables	12 365	14 870
Transactions with joint venture and outstanding balances		
Income		
Services – Kaap Agri (Namibia) (Pty) Ltd	5 239	3 606
Sales of goods – Kaap Agri (Namibia) (Pty) Ltd	1 723	2 482
Interest received – Kaap Agri (Namibia) (Pty) Ltd	2 965	2 285
Expenses		
Purchases of goods – Kaap Agri (Namibia) (Pty) Ltd	101	26
Balances		
Trade debtors – Kaap Agri (Namibia) (Pty) Ltd	952	1 167
Trade creditors – Kaap Agri (Namibia) (Pty) Ltd	59	2
Loan – Kaap Agri (Namibia) (Pty) Ltd	32 066	26 397

Also refer to note 5 and 7.

The relationships between the various companies in the Group are disclosed in note 41.

Capespan SA (Pty) Ltd, Grayston Elliot (Pty) Ltd and PSG Capital (Pty) Ltd are all subsidiaries/fellow subsidiaries of shareholders of the Group.

M Pupkewitz & Sons (Pty) Ltd holds the other 50% shareholding in the Joint Venture. Refer to note 5.

Lionshare Holdings (Pty) Ltd is a related company to one of the non-executive directors.

Refer to executive directors' remuneration as disclosed in note 29 for key management compensation.

The companies in the Group sell products in the normal course of business to directors on terms and conditions applicable to all clients.

23 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks like market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The accounting policy for financial instruments are applied to the following line items according to the statement of financial position: trade and other receivables, financial assets at fair value through other comprehensive income, financial liabilities at amortised cost, derivative financial instruments, cash and cash equivalents, loans, trade and other payables and borrowings, finance lease liabilities and financial liabilities at fair value through profit or loss.

The carrying value according to the statement of financial position differs from the values disclosed in this note because of items included in the carrying value according to the statement of financial position which do not meet the definition of a financial instrument or which are excluded from the scope of IFRS 7: Financial Instruments: Disclosures. These items include statutory receivable (VAT) amounts of R38,8 million (2018: R45,9 million), statutory liabilities of R9,4 million (2018: R9,9 million) and liabilities in respect of employee benefits of R24,1 million (2018: R25,3 million).

Market risk

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the euro. Foreign exchange risk primarily arises from inventory and asset purchases in other countries. Forward exchange contracts are used to manage the foreign exchange risk.

Kaap Agri (Aussenkehr) (Pty) Ltd is currently the only foreign subsidiary within the Group. The functional currency of Kaap Agri (Aussenkehr) (Pty) Ltd is the Namibian dollar. The exchange rate between the Namibian dollar and South African rand is fixed at 1 Namibian dollar for 1 South African rand. Consequently no foreign exchange rate differences arises due to the translation of this foreign subsidiary.

All imports in foreign currency are hedged with corresponding foreign exchange contract asset and liability and reserves addressed. No effect on profit and loss, thus foreign currency risk is managed through hedge accounting.

Cash flow and interest rate risk

The Group finances its operations through a combination of shareholders' funds and bank borrowings. The Group's interest rate exposure and the effective interest rates is summarised as follows:

At floating rates				
	Rate 2019 %	Amount 2019 R'000	Rate 2018 %	Amount 2018 R'000
Assets				
Trade receivables	10,00 – 15,00	1 763 288	10,00 – 15,00	1 505 387
Loan Kaap Agri (Namibia) (Pty) Ltd	10,25	32 066	10,50	26 397
Lionshare Holdings (Pty) Ltd	11,50	26 893	–	–
Cash and cash equivalents	–	46 369	–	40 214
Liabilities				
Bank overdraft	8,00 – 8,25	1 309 447	8,00 – 8,15	1 000 907
Finance lease liabilities	8,00 – 11,00	39 814	8,75 – 10,25	25 944
At no rates				
	Rate 2019 %	Amount 2019 R'000	Rate 2018 %	Amount 2018 R'000
Assets				
Other receivables	–	51 301	–	56 038
Liabilities				
Trade and other payables	–	1 278 152	–	1 056 392

23 FINANCIAL RISK MANAGEMENT continued

	GROUP	
	2019 R'000	2018 R'000
To illustrate the Group's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit before taxation, are illustrated as follows:		
Interest-bearing assets	1 868 616	1 571 998
Interest-bearing liabilities	(1 349 261)	(1 026 851)
Net interest-bearing assets	519 355	545 147
Increase/(decrease) in profit before tax		
Half a percentage point increase in interest rates	1 870	1 963
Half a percentage point decrease in interest rates	(1 870)	(1 963)

Price risk

The Group is involved in the trading of grain commodities in order to optimise the utilisation of its silo infrastructure. It is the Group's intent to hedge any price risk arising from fluctuations in commodity prices during the trading of grain commodities. The Group uses commodity contracts, option contracts or other derivative financial instruments to hedge the commodity price risk. Commodities are hedged within the limits approved by the Board of directors. The hedging policy is sufficiently flexible to allow management to rapidly adjust hedges following possible changes in the commodity market.

Equity price risk

The equity price risk exposure arises from the investment made in Signafi Capital (Pty) Ltd shares. Equity price risk is the risk that the fair values of equities decrease or increase as a result of changes in the levels of equity indices and the value of individual stocks. During the current year the investment was purchased at year end, thus the value paid is treated as the fair value of the investment. Please refer to note 6 for the investment. A 10% difference in the share price could effect other comprehensive income with R558 000.

Credit risk

Potential concentrations of credit risk consist mainly within cash and cash equivalents, deposits, all other receivables, loans receivables and trade debtors.

In terms of IFRS 9: Financial Instruments, all financial assets at amortised cost need to be assessed for expected credit losses. Refer to the accounting policy note 10 for more information.

The Group limits its counter party exposures arising from cash current accounts by only dealing with well-established financial institutions of high-quality credit standing. Refer to note 14.

Expected credit loss allowances on cash and cash equivalents, deposits and all other receivables were assessed based on the general model and no expected credit loss allowance was created as this was immaterial.

23 FINANCIAL RISK MANAGEMENT continued

Trade receivables

Trade debtors consist of a large number of clients, the majority of whom are long standing reputable clients with strong trading history with the business. Clients are well diversified across geographical regions as well as product types, thus lowering the concentration risk. The cash flows are also spread throughout the year as the clients are well diversified and the different product types results in different seasons with the cash flows, not happening all at one point in time, thus lowering the concentration risk. Credit is granted to customers in the form of facilities to purchase from Kaap Agri outlets and not in the form of loan funding. The terms of credit is monthly to seasonal accounts plus limited establishment credit (longer term).

Credit terms, interest rates and other applicable terms are determined based on the calculated risk profile of the credit taker(s). A strict credit policy is followed which includes the ongoing revision of credit limits, security assessments and credit evaluations of the financial position of clients. The credit policy is approved by the finance committee, which committee meets three times per year to review the credit positions. The largest credit default risks are associated with natural causes or sequestration and are mitigated through these actions. The Group is of the opinion that these measures reduce residual credit risk to acceptable levels. Considering that the vast majority of the trade debtors are associated with the agricultural sector, the recoverability of these financial assets can be negatively influenced by natural disasters, consecutive poor production seasons and lower than expected commodity prices. These factors have been taken into consideration on an individual and collective basis when determining the recoverability of debtors. Steps for collection are immediately implemented if a debtor does not conform to his limit or repayment terms.

The Group has a specific expected credit loss allowance and a contingency expected credit loss allowance. Refer to note 10 in the accounting policy for more information.

The impairment provision for 2018 is based on an incurred loss model in terms of which impairments are only recognised when a loss event occurs. Refer to note 10 for further detail on the impairment policy that applied to the previous financial year.

	GROUP	
	2019 R'000	2018 R'000
The total expected credit loss allowance (2018: IAS 39 provision for impairment) is made up of		
– specific expected credit loss allowance (2018: specific provision)	(38 001)	(34 865)
– contingency expected credit loss allowance (2018: contingency provision)	(6 224)	(5 044)
Balance at the end of the year calculated under IFRS 9 (2018: IAS 39)	(44 225)	(39 909)

The credit risks related to trade debtors are further limited by taking up a wide range of securities as shown below. The nature of the security held is a determining factor in the size of the facility granted, as well as to the value attributed to such security in the credit risk assessment. The amount of securities are determined based on the type of security. The securities that are readily convertible into cash are, for example, bank guarantees, deed of pledge, cessions and bonds.

The spread across the different forms of security is as follows:

	Surety	Guarantee/ indemnity	Bond	Cession	General
Security type	53%	11%	15%	18%	3%

23 FINANCIAL RISK MANAGEMENT continued

General securities include bank guarantees and credit guarantees.

The default rate of bad debt written off was 0,29% in 2019 and 0,10% in 2018.

Trade debtors are presented net of the loss allowance recognised. Interest on trade debtors is calculated on a base rate plus a factor for the risk associated with each client. Overdue debtors incur a penalty interest charge.

Trade debtors are divided into the following categories: debtors within terms and not credit impaired, debtors outside terms but not credit impaired and debtors which are credit impaired. The identification of the respective risk categories is based on the agricultural commodity sectors in which the respective debtors operate. Debtors within a specific agricultural commodity sector are considered to have similar risk characteristics.

	Grain R'000	Fruit R'000	Other Agri R'000	Non- Agri R'000	Total R'000
Debtors within terms (settlement date is not exceeded)					
30 September 2019					
Balance	463 847	569 080	303 010	177 930	1 513 867
Debtors for which collateral is held	(354 698)	(314 886)	(169 352)	(11 014)	(849 950)
Exposure to credit risk	109 149	254 194	133 658	166 916	663 917
Debtors outside terms (settlement dates are exceeded) but not impaired					
Balance	27 869	85 350	64 849	6 384	184 452
Debtors for which collateral is held	(24 005)	(66 942)	(36 893)	–	(127 840)
Exposure to credit risk	3 864	18 408	27 956	6 384	56 612
Debtors which are credit impaired					
Balance	10 538	8 948	29 033	9 374	57 893
Debtors for which collateral are held	(850)	(204)	(3 000)	–	(4 054)
Exposure to credit risk	9 688	8 744	26 033	9 374	53 839

The contingency loss allowance per category (included in the total expected credit loss allowance as disclosed below) is as follows:

	Grain R'000	Fruit R'000	Other Agri R'000	Non- Agri R'000	Total R'000
Balance of debtors not specifically provided for Expected credit loss risk factor	302 493 0,37%	491 476 0,52%	284 474 0,54%	225 358 0,44%	1 303 801 0,48%
Total contingency loss allowance as at 30 September	1 134	2 565	1 542	983	6 224
Total expected credit loss allowance (2018: IAS 39 – Provision for Impairment)	(9 079)	(7 590)	(21 189)	(6 367)	(44 225)
Balance beginning of year	(4 273)	(6 927)	(23 412)	(5 297)	(39 909)
Balance with acquisition of subsidiary	–	–	(696)	–	(696)
Effect of adopting IFRS 9 – Financial Instruments	(93)	(151)	(510)	(61)	(815)
Provision written back/(created)	(4 713)	(512)	3 429	(1 009)	(2 805)
Total balance	502 254	663 378	396 894	193 686	1 756 212
Total collateral held	(379 553)	(382 032)	(209 245)	(11 014)	(981 844)
Total loss allowance	(9 079)	(7 590)	(21 189)	(6 367)	(44 225)

23 FINANCIAL RISK MANAGEMENT continued

	Grain R'000	Fruit R'000	Other Agri R'000	Non- Agri R'000	Total R'000
Debtors within terms (settlement date is not exceeded)					
30 September 2018					
Balance	319 084	537 774	253 982	180 981	1 291 821
Debtors for which collateral is held	(229 935)	(247 430)	(153 181)	(6 635)	(637 181)
Exposure to credit risk	89 149	290 344	100 801	174 346	654 640
Debtors outside terms (settlement dates are exceeded) but not impaired					
Balance	74 586	70 741	54 264	3 733	203 324
Portion within terms	43 538	28 245	20 351	1 524	93 658
60 days outside terms	71	686	297	12	1 066
90 days outside terms	193	1 010	1 965	475	3 643
120 days and more outside terms	30 784	40 800	31 651	1 722	104 957
Debtors for which collateral is held	(61 876)	(50 263)	(41 748)	(2)	(153 889)
Exposure to credit risk	12 710	20 478	12 516	3 731	49 435
Debtors which are credit impaired					
Balance	9 038	7 858	27 161	6 094	50 151
Provision for impairment	(4 273)	(6 927)	(23 412)	(5 297)	(39 909)
Balance beginning of year	(10 363)	(8 304)	(20 467)	(6 179)	(45 313)
Provision written back/(created)	6 090	1 377	(2 945)	882	5 404
Debtors for which collateral are held	(4 500)	(174)	(3 100)	–	(7 774)
Exposure to credit risk	265	757	649	797	2 468

Liquidity risk

In order to mitigate any liquidity risk that the Group may face, the Group's policy has been to maintain substantial unutilised banking facilities and reserve borrowing capacity. The Group tends to have significant fluctuations in short-term borrowings due to seasonal factors. Consequently, the Group policy requires that sufficient borrowing facilities are available to exceed projected peak borrowings.

	GROUP	
	2019 R'000	2018 R'000
The Group's unutilised borrowing facilities are as follows:		
Total borrowing facilities	1 651 619	1 220 000
Net interest-bearing debt	(1 349 261)	(961 594)
	302 358	258 406

23 FINANCIAL RISK MANAGEMENT continued

The contractual periods of the Group's liabilities on reporting date are as follows:

	Carrying amount R'000	Contractual cash flows R'000	0 to 12 months R'000	13 to 60 months R'000
30 September 2019				
Non-derivative financial liabilities				
Trade and other payables	1 285 794	1 285 794	1 285 794	–
Financial liability at fair value through profit or loss	79 100	114 100	–	114 100
Financial liability at amortised cost	14 800	18 100	–	18 100
Short-term borrowings	1 309 447	1 435 794	1 435 794	–
Finance lease liabilities	39 814	45 737	19 845	25 892
	2 728 955	2 899 035	2 740 945	158 090
Derivative financial liabilities/(assets)				
Derivative financial instruments				
Outflow	1 882	250 454	250 454	–
Inflow	(1 882)	(250 454)	(250 454)	–
Forward exchange contracts				
Outflow	2 031	58 580	58 580	–
Inflow	(2 031)	(58 580)	(58 580)	–
	–	–	–	–
30 September 2018				
Trade and other payables	1 056 392	1 056 392	1 056 392	–
Short-term borrowings	1 000 907	1 092 768	1 092 768	–
Finance lease liabilities	25 944	27 215	10 682	16 533
	2 083 243	2 176 375	2 159 842	16 533
Derivative financial liabilities/(assets)				
Derivative financial instruments				
Outflow	6 487	325 979	325 979	–
Inflow	(6 487)	(325 979)	(325 979)	–
Forward exchange contracts				
Outflow	547	24 525	24 525	–
Inflow	(547)	(24 525)	(24 525)	–
	–	–	–	–

Fair value estimation**Investments and derivative financial instruments****Level 1**

– Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2

– Inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3

– Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Please refer to the equity risk disclosure for more information regarding the investment in Signafi Capital (Pty) Ltd at fair value. The investment in Signafi Capital (Pty) Ltd is a level 3 financial instrument as the shares are not listed and unobservable. The financial liability at fair value through profit and loss comprising the redemption obligation for a written put option is recorded at fair value, refer to note 12 for the inputs used in determining the fair value.

23 FINANCIAL RISK MANAGEMENT continued

Fair value estimation

Investments and derivative financial instruments

	GROUP	
	2019 R'000	2018 R'000
Level 2 – financial instruments for hedging		
Financial instruments at fair value through profit or loss	1 882	6 487

Trade debtors and trade creditors

The nominal value of trade receivables, less expected credit losses/impairment provision, and trade payables are assumed to approximate their fair values.

Financial liabilities

The nominal value of financial liabilities for disclosure purposes are assumed to approximate their fair values.

Capital maintenance

The company considers total equity, which includes share capital, reserves and treasury shares, as capital. The ratio between capital and debt is the capital ratio. Debt includes short-term borrowings. The Group's objective with the management of the capital ratio is to ensure that the Group continues to trade as a going concern and to create wealth for its shareholders and other stakeholders. The influence on the capital ratio is considered with decisions on the declaration of dividends, repurchase of shares, issue of shares, purchase and disposal of assets and investments and the acquiring or repayment of debt. The movement in capital is presented in the statement of changes in equity.

	GROUP	
	2019	2018
Ratios		
Total shareholders' equity:Total assets employed	42,10%	45,31%
Net interest-bearing debt:Total assets employed	26,30%	23,06%
EBITDA:Net assets	26,12%	25,24%
<i>Net interest bearing debt includes bank borrowings and cash balances.</i>		
<i>EBITDA is the headline earnings before interest, tax, depreciation and amortisation.</i>		
<i>Net assets are total assets less total liabilities.</i>		
Financial covenants		
Asset cover ratio (required to be above 1.25 times)	2,9	3,5
Interest cover ratio (required to be above 2.5 times)	5,0	5,5
	R'000	R'000

24 LEASE COMMITMENTS

Operating lease payments:

Payable within one year	24 377	21 073
Payable between one and five years	64 149	31 841
Payable after five years	29 362	16 241
	117 888	69 155

Within various lease contracts, the Group has the option to renew.

		GROUP	
		2019 R'000	2018 R'000
25 CAPITAL COMMITMENTS			
Contracted		89 382	71 956
These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds.			
26 REVENUE FROM CONTRACTS WITH CUSTOMERS			
Sale of goods and services		8 244 792	6 380 258
– Trade		4 848 407	3 996 848
– The Fuel Company ("TFC")		2 457 152	1 802 049
– Wesgraan		754 906	394 606
– Manufacturing		184 327	186 755
Sale of services		101 238	67 826
– Trade		26 065	24 361
– Wesgraan		75 173	43 465
Margin on direct transactions		105 490	100 709
– Trade		94 739	99 659
– Wesgraan		10 751	1 050
		8 451 520	6 548 793
Refer to the accounting policy and note 42 for details regarding the different revenue streams.			
27 OTHER OPERATING INCOME			
Interest received		125 694	115 840
– Trade debtors that are not impaired		108 465	104 979
– Trade debtors that are impaired		4 732	5 545
– Other		12 497	5 316
Profit on sale of property, plant and equipment		354	803
Revaluation of redemption liability		23 849	–
Foreign exchange differences		3	–
Transport income		8 328	7 906
Rent received		8 951	13 433
Bad debts recovered		62	315
Manufacturing income		6 093	6 685
Information technology income		5 239	3 606
AgriSETA and ETI income		2 220	1 809
Training income		688	847
Weighbridge income		880	769
Commission received		5 582	2 533
Management fees		4 929	10 283
Decrease in provision for impairment of trade debtors		–	5 405
Other income		9 501	7 100
		202 373	177 334

	GROUP	
	2019 R'000	2018 R'000
28 EXPENSES BY NATURE		
Cost of products sold	7 108 723	5 414 496
Foreign exchange differences	–	50
Depreciation	59 454	49 690
Amortisation of intangible assets	1 638	1 061
Directors' emoluments	12 143	10 690
Staff costs	592 906	507 441
– Salaries, wages and bonuses	536 066	455 574
– Provision for long-term incentive scheme	3 848	4 096
– Employer's contribution to pension fund (defined contribution plan)	38 706	35 565
– Employer's contribution to medical benefits	2 028	1 941
– Increase/(decrease) in provision for post-retirement medical benefits	(329)	(1 193)
– Training expenses	12 587	11 458
Skills development levy	5 123	4 673
Auditor's remuneration	5 625	4 769
– For audit	4 623	4 111
– Other services	25	45
– Underprovision previous year	977	613
Rent paid	42 842	31 417
– Buildings	31 680	22 460
– Vehicles	2 893	4 213
– Machinery and equipment	8 269	4 744
Other occupancy costs	81 108	74 283
Information technology expenses	41 641	35 105
Marketing costs	56 656	43 685
Transport/distribution	77 145	63 236
Other administrative expenses	43 923	33 826
Acquisition related costs	5 202	3 604
Expected credit loss allowance raised	7 855	1 584
Goodwill written off	2 250	–
Other expenses	16 477	15 458
	8 160 711	6 295 068
Number of employees in service at year-end	3 244	2 804

29 REMUNERATION PAID TO DIRECTORS

	Salary R'000	Bonuses R'000	Share incentive scheme vested R'000	Pension contri- butions R'000	Directors' fees R'000	Expense allowance R'000	Total R'000
2019							
Executive directors							
GW Sim	2 886	138	955	314	–	14	4 307
S Walsh	4 548	212	2 088	342	–	50	7 240
	7 434	350	3 043	656	–	64	11 547
Non-executive directors							
BS du Toit					297	4	301
D du Toit					297	4	301
JH le Roux*					223	3	226
EA Messina					583	3	586
W Michaels					197	2	199
CA Otto					636	1	637
HM Smit					250	8	258
GM Steyn					647	1	648
JH van Niekerk					403	5	408
I Chalumbira					170	19	189
					3 703	50	3 753
Total							15 300
2018							
Executive directors							
GW Sim	2 658	–	–	298	–	16	2 972
S Walsh	4 246	–	–	325	–	45	4 616
	6 904	–	–	623	–	61	7 588
Non-executive directors							
BS du Toit					280	4	284
D du Toit					280	5	285
JH le Roux*					210	3	213
EA Messina					508	3	511
W Michaels					185	2	187
CA Otto					600	2	602
HM Smit					210	6	216
GM Steyn					510	1	511
JH van Niekerk					380	4	384
I Chalumbira					–	–	–
					3 163	30	3 193
Total							10 781

The terms of service of the executive directors are coupled to their terms of service as employees, while the non-executive directors rotate on a three-year basis. No director or employee has a fixed-term contract with the Group. The remuneration of the non-executive directors consists of a fixed annual remuneration for services as a director, an additional fixed remuneration for duties on committees and reimbursement for travelling and other costs. The remuneration of executive directors consists of remuneration as employees and they receive no additional remuneration as directors.

There are no further prescribed officers in the view of the Board.

* Payable to Zeder Corporate Services (Pty) Ltd

30 DIRECTORS' SHARE OPTIONS

	Grant date	Vesting date	Exercise price	Fair value at grant date	Share options 2019	Share options 2018
S Walsh	1 October 2016	1 October 2018	23,88	8,66	–	113 187
	1 October 2016	1 October 2019	23,88	9,53	113 187	113 187
	1 October 2016	1 October 2020	23,88	10,21	113 187	113 187
	1 October 2016	1 October 2021	23,88	10,75	113 187	113 187
	20 March 2018	1 October 2019	48,27	9,55	3 360	3 360
	20 March 2018	1 October 2020	48,27	12,29	3 360	3 360
	20 March 2018	1 October 2021	48,27	14,43	3 360	3 360
	20 March 2018	1 October 2022	48,27	16,18	3 360	3 360
	15 January 2019	1 October 2020	36,72	10,37	22 593	–
	15 January 2019	1 October 2021	36,72	12,58	22 593	–
	15 January 2019	1 October 2022	36,72	14,14	22 593	–
	15 January 2019	1 October 2023	36,72	15,29	22 593	–
GW Sim	1 October 2016	1 October 2018	23,88	8,66	–	51 775
	1 October 2016	1 October 2019	23,88	9,53	51 775	51 775
	1 October 2016	1 October 2020	23,88	10,21	51 775	51 775
	1 October 2016	1 October 2021	23,88	10,75	51 775	51 775
	20 March 2018	1 October 2019	48,27	9,55	5 465	5 465
	20 March 2018	1 October 2020	48,27	12,29	5 465	5 465
	20 March 2018	1 October 2021	48,27	14,43	5 465	5 465
	20 March 2018	1 October 2022	48,27	16,18	5 465	5 465
	15 January 2019	1 October 2020	36,72	10,37	10 602	–
	15 January 2019	1 October 2021	36,72	12,58	10 602	–
	15 January 2019	1 October 2022	36,72	14,14	10 602	–
	15 January 2019	1 October 2023	36,72	15,29	10 602	–

GROUP

	2019 R'000	2018 R'000
31 FINANCE COSTS		
Banks and other	107 088	82 739
Redemption liabilities (refer to note 13)	3 926	–
Banks and other	111 014	82 739
32 INCOME TAX		
Tax expenditure		
Current taxation – current year	91 259	86 368
Deferred taxation – current year	7 303	9 579
Taxation for the year	98 562	95 947

GROUP

2019	2018
%	%

32 INCOME TAX continued

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate, as follows:

Statutory tax rate	28,00	28,00
<i>Adjusted for:</i>		
Non-deductible expenses of a capital nature	0,17	(0,05)
Non-taxable Employment Tax Incentive income	(0,10)	(0,05)
Non-taxable revaluation of Put Option	(1,17)	–
Learnership allowances	(0,77)	(0,43)
Venture Capital Investment Sec 12(J)	(0,41)	–
Share in loss of joint venture	0,23	0,27
Difference in tax rate of foreign subsidiary	–	0,08
Effective rate	25,95	27,82

Non-deductible expenses of a capital nature include legal and consultation fees relating to acquisitions of new businesses and other restructuring costs.

	GROUP	
	2019 R'000	2018 R'000
33 EARNINGS PER SHARE		
Basic		
Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.		
Reconciliation between earnings and headline earnings		
Net profit	281 279	248 957
Attributable to shareholders of the holding company	277 320	246 247
Non-controlling interest	3 959	2 710
Net profit on disposal of assets	(255)	(578)
Gross	(354)	(803)
Tax effect	99	225
Goodwill written off	2 250	–
Headline earnings	283 274	248 379
– Attributable to shareholders of the holding company	279 332	245 669
– Non-controlling interest	3 942	2 710
Non-recurring items	(14 721)	3 604
Non-recurring expenses	5 202	3 604
Revaluation of put options	(19 923)	3 604
Recurring headline earnings	268 553	251 983
Attributable to shareholders of the holding company	263 428	249 273
Non-controlling interest	5 125	2 710
Weighted average number of ordinary shares ('000)	70 211	70 396
Weighted average number of diluted ordinary shares ('000)	70 479	70 984
	Cents	Cents
Earnings per share	394,98	349,80
Diluted earnings per share	393,48	346,90
Headline earnings per share	397,85	348,98
Diluted headline earnings per share	396,33	346,09
Recurring headline earnings per share	375,19	354,10

Headline earnings are calculated based on Circular 4/2018 issued by the South African Institute of Chartered Accountants.

Non-recurring expenses consist predominantly of costs associated with acquisitions of new businesses.

		GROUP	
		2019 R'000	2018 R'000
34	DIVIDEND PER SHARE		
Interim			
33,50 cents per share (2018: 32,00 cents per share)		23 338	22 548
Final			
90,00 cents per share (2018: 84,70 cents per share)		63 416	59 681
		86 754	82 229
Dividends payable are not accounted for until they have been declared by the Board of directors. The statement of changes in equity does not reflect the final dividend payable in respect of the current year. The final dividend for the year ended 30 September 2019 will be accounted for as an appropriation of retained profit in the year ended 30 September 2020.			
35	NET CASH PROFIT FROM OPERATING ACTIVITIES		
Operating profit per income statement		493 182	431 059
Adjusted for:			
– Interest received		(125 694)	(115 840)
– Depreciation		59 454	49 690
– Amortisation of intangible assets		1 638	1 061
– Profit on disposal of property, plant and equipment		(354)	(803)
– Revaluation of Put Options		(23 849)	–
– Increase in share-based payment reserve		1 286	3 943
– Goodwill written off		2 250	–
– Decrease/(increase) in provisions		9 344	(32 804)
– Interest on loan		–	(715)
		417 257	335 591

		GROUP	
		2019 R'000	2018 R'000
36 WORKING CAPITAL CHANGES			
Increase in inventory	(134 867)	(141 887)	
Increase in trade and other debtors	(146 942)	(106 756)	
Increase in trade and other creditors	184 041	121 493	
	(97 768)	(127 150)	
37 INCOME TAX PAID			
Balance owing at the beginning of the year	1 636	2 524	
Income tax expense in income statement	91 259	86 368	
Balance owing at the end of the year	(8 394)	(1 636)	
	84 501	87 256	
38 ACQUISITION OF BUSINESSES			
Non-current assets	213 253	130 760	
Current assets	85 062	824	
Non-current liabilities	(33 074)	(17 084)	
Current liabilities	(59 754)	–	
Non-controlling interest	(17 198)	–	
Purchase consideration	188 289	114 500	
– Paid in cash (current period)	50 751	114 500	
– Paid in cash (previous period)	53 489	–	
– Paid through issue of subsidiary shares	84 049	–	
Refer to note 40 for more information.			
39 INCREASE/(DECREASE) IN SHORT-TERM LOANS			
Opening balance	1 000 907	764 892	
Business combination short term loans (non-cash) opening balance	14 602	–	
	1 015 509	764 892	
Cash flow movements			
Proceeds	8 723 212	18 374 450	
Repayments	(8 519 127)	(18 217 336)	
Interest	89 853	78 901	
Closing balance	1 309 447	1 000 907	

40 BUSINESS COMBINATIONS

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations and accompanying retail fuel properties were acquired. Goodwill on acquisition was paid on these businesses which represents synergies within the Group and have future earnings potential.

The TFC acquisition strategy is cluster based, focussing on increasing scale in identified geographic locations. This geographic scale allows for enhanced synergistic benefits which include, but are not limited to, the following:

- > Alignment and improvement of supplier and service provider trading terms and service level agreements, both fuel and non-fuel related
- > Ability to convert fuel brand offering to preferred supply
- > Enhanced logistics, both fuel and non-fuel related
- > Ability to add or convert convenience store and quick service restaurant offerings
- > Alignment of franchise trading terms
- > Utilisation of Group shared services, including information management, finance, human resources, property management and internal audit
- > Shared regional operational structures
- > Improved skills transfer and succession planning

Improved synergies contribute to either a lower cost per litre to serve or a higher cents per litre income thus enhancing returns on invested capital.

A purchase price allocation as required by IFRS 3 – Business combinations was performed and no intangible assets were identified, other than fuel site operating licenses. The site licenses are considered to be identifiable due to arising from contractual/legal rights, with an indefinite useful life. The site license useful life is assessed to be indefinite as there is no foreseeable limit to the period over which the assets are expected to generate net cash flows for the Group. The site licences do not require any renewals or renewal payments and the Group expects to continue selling fuel products indefinitely from the businesses acquired. The licenses are grouped with the land that it relates to as one asset as these assets have similar useful lives, being indefinite. The Group assessed all intangible assets that can typically be expected in a business combination of this nature, the most relevant of which are tradenames and customer relations. No tradename was recognised as there was no tradename acquired as part of these transactions. In addition, any payments made in relation to the brand are considered to be market related. No customer relations were recognised as the Group did not acquire any customer list, they are commercial sites offering products to clients that could be purchased anywhere.

The Group acquired the following assets through business combinations in the fuel sector:

- > Sasol Verbaard service station on 15 October 2018
- > Sasol East Rand Mall service station on 1 November 2018
- > TOTAL Summit Road service station on 22 November 2018

	Total R'000	Sasol East Rand Mall R'000	TOTAL Summit Road R'000	Sasol Verbaard R'000
Carrying value				
Assets				
Land and buildings	78 741	–	40 900	37 841
Plant and Equipment	867	123	513	231
Inventory	2 605	799	589	1 217
	82 213	922	42 002	39 289
Fair value				
Assets				
Land and buildings	59 900	–	27 280	32 620
Plant and Equipment	867	123	513	231
Goodwill	93 858	10 649	32 745	50 464
Inventory	2 605	799	589	1 217
Liabilities				
Deferred taxation	(16 772)	–	(7 638)	(9 134)
Purchase consideration	140 458	11 571	53 489	75 398
– Paid in cash (current period)	2 920	997	–	1 923
– Paid in cash (previous period)	53 489	–	53 489	–
– Paid through issue of subsidiary shares	84 049	10 574	–	73 475

40 BUSINESS COMBINATIONS continued

The land, inclusive of the site license, and the buildings are valued using the Net Income Capitalised Approach.

Buildings have a finite useful life and the cumulative effect of depreciation since acquisition is not material.

As part of the business combination shown above (for Sasol East Rand Mall and Sasol Verbaard), the purchase consideration was paid through issuance of shares of a subsidiary. This resulted in a 23.5% non-controlling interest in TFC Properties (Pty) Ltd. Refer to the Statement of Changes in Equity for the effect in non-controlling interest of R78,6 million.

The fair value of the 15,715,919 shares issued as part of the consideration paid for Sasol Verbaard and Sasol East Rand Mall (R84,0 million) was based on fair value calculations. The valuation of the property was based on the ability of the fixed property to generate a rental income. The estimated rental is based on the volume throughput. The value of the operations is determined using an EBITDA multiple. Issue costs of R0,9 million which were directly attributable to the issue of the shares have been netted against the deemed purchase price.

The acquired businesses contributed as follows to the Group's results for the full financial year:

	Total R'000	Sasol East Rand Mall R'000	TOTAL Summit Road R'000	Sasol Verbaard R'000
Revenue				
– since acquisition date	291 956	35 978	96 507	159 471
– as if from the beginning of the year	314 967	40 089	108 780	166 098
Profit/(loss) before tax				
– since acquisition date	9 617	(338)	3 762	6 193
– as if from the beginning of the year	9 475	(299)	3 614	6 160

In line with the Group's growth strategy to grow its outlet footprint through strategic acquisitions a 60% share was acquired in a business in the retail sector. Goodwill on acquisition was paid on this business representing synergies within the Group and have further earnings potential. Enhanced synergistic benefits include, but are not limited to, the following:

- > Alignment and improvement of supplier and service provider trading terms and service level agreements
- > Utilisation of Group shared services, including information management, finance, human resources, property management and internal audit
- > Shared regional operational structures
- > Improved skills transfer and succession planning

A purchase price allocation as required by IFRS 3 – Business combinations was performed and no material intangible assets were identified, other than a tradename and customer relations.

40 BUSINESS COMBINATIONS continued

The Group acquired the following assets through business combinations in the agri retail sector:

- A 60% shareholding in Partridge Building Supplies (Pty) Ltd on 1 October 2018

	Partridge Building Supplies R'000
Carrying value	
Assets	
Plant and equipment	18 594
Inventory	37 735
Trade and other receivables	43 606
Cash and cash equivalents	1 116
Liabilities	
Finance lease liabilities	(9 982)
Trade and other payables	(44 036)
Deferred taxation	(1 280)
Short-term borrowings	(15 718)
	30 035
Fair value	
Assets	
Plant and equipment	18 594
Goodwill	22 034
Tradenname	13 000
Customer relations	5 000
Inventory	37 735
Trade and other receivables	43 606
Cash and cash equivalents	1 116
Liabilities	
Finance lease liabilities	(9 982)
Deferred taxation	(6 320)
Trade and other payables	(44 036)
Short-term borrowings	(15 718)
Equity	
Non-controlling interest measured at the proportionate value	(17 198)
Purchase consideration – paid in cash	47 831
The acquired businesses contributed as follows since acquisition to the Group's results:	
Revenue	337 732
Net profit before tax	1 477

The fair value of the acquired trade receivables is R36,4 million. The gross contractual amount for Trade receivables due is R37,1 million with a loss allowance of R0,7 million recognised on acquisition.

The tradenname was valued based on the relief from royalty method. This estimates the amount someone would be prepared to pay for the tradenname if they wished to utilise the same asset.

The multi-period excess earnings method ("MEEM") was used to determine the fair value of the customer relationships. The MEEM is a variation of the income method whereby the projected cash flows that a business expects to generate is allocated to the assets that contribute to generating this cash flow.

		Number of issued shares		Shareholding (%)	
		2019	2018	2019	2018
41	INTEREST IN RELATED ENTITIES				
Name of subsidiary					
Directly held					
Shares held by Kaap Agri Limited					
Kaap Agri Bedryf Limited		74 170 277	74 170 277	100,00	100,00
Shares held by Kaap Agri Bedryf Limited					
Kaap Agri (Aussenkehr) (Pty) Ltd		100	100	100,00	100,00
Agriplas (Pty) Ltd		7 000	7 000	100,00	100,00
TFC Properties (Pty) Ltd		51 736	455	70,50	88,00
TFC Operations (Pty) Ltd		66 824 749	234	70,50	70,50
Partridge Building Supplies (Pty) Ltd		14 400	14 400	60,00	–
Indirectly held					
Shares held by Empowerment and Transformation Investments (Pty) Ltd					
TFC Properties (Pty) Ltd		51 736	455	6,00	12,00
TFC Operations (Pty) Ltd		66 824 749	234	6,00	6,00
Name of joint venture					
Shares held by Kaap Agri Bedryf Limited					
Kaap Agri (Namibia) (Pty) Ltd		500	500	50,00	50,00

The shares indirectly held is held by an empowerment trust which, for accounting purposes, is considered to be controlled by the Group as the Group has the ability to direct the relevant activities of the Trust and, as such, it is consolidated by the company.

Refer to note 40 for an explanation on the dilution of shareholding in TFC Properties.

Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI")	2019 R'000	2018 R'000
TFC Operations (Pty) Ltd		
Ownership held by NCI (%)	23,50	23,50
Accumulated NCI interest in statement of financial position	38 847	–
Profit allocated to NCI	3 079	2 710
Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below.		
The summarised financial information below represents amounts before inter-group eliminations.		
Non-current assets	211 089	61 288
Current assets	213 149	97 147
Non-current liabilities	–	–
Current liabilities	(245 826)	(183 490)
Revenue	2 398 837	804 546
Profit for the year	13 104	10 292
Net cash inflow from operating activities	67 792	75 824
Net cash outflow from investing activities	(105 343)	(56 066)
Net cash inflow / (outflow) from financing activities	38 747	(9 066)
Net increase in cash and cash equivalents	1 196	10 692
Dividend paid	(2 258)	–
TFC Properties (Pty) Ltd		
Ownership held by NCI (%)	23,50	–
Accumulated NCI interest in statement of financial position	40 182	–
Profit allocated to NCI	784	–

Summarised financial information in respect of the Group's subsidiaries that have material NCI is set out below.

	2019 R'000	2018 R'000
41 INTEREST IN RELATED ENTITIES continued		
The summarised financial information below represents amounts before inter-group eliminations.		
Non-current assets	362 866	204 603
Current assets	6 916	40 983
Non-current liabilities	(45 180)	(31 070)
Current liabilities	(166 722)	(204 155)
Revenue	29 638	22 606
Profit/(loss) for the year	(13 106)	9 875

42 INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive committee (whom are considered to be the Chief Operating Decision Maker (CODM)) that are used to make strategic decisions. The Executive committee considers the business from a divisional perspective. The performance of the following divisions are separately considered: Trade, The Fuel Company (TFC), Wesgraan (grain division) as well as manufacturing. The performance of the operating segments is assessed based on a measure of revenue and net profit before taxation.

Trade provides a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public.

TFC provides a full retail fuel offering to a diverse range of customers, including convenience store and quick service restaurant outlets.

Wesgraan includes the sale of grain products and provides a complete range of services including storage and handling of grain products.

Manufacturing manufactures and sells dripper pipe and other irrigation equipment and distributes franchise and other irrigation parts.

GROUP				
	Segment revenue		Segment results	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Segment revenue and results				
Trade	4 969 211	4 120 868	240 903	241 947
TFC	2 457 152	1 802 049	101 275	85 809
Wesgraan	840 830	439 121	50 479	23 611
Manufacturing	184 327	186 755	26 118	25 952
Total for reportable segments	8 451 520	6 548 793	418 775	377 319
Corporate	–	–	(102 736)	(94 237)
Treasury	–	–	66 129	65 238
Share in loss/profit of joint venture	–	–	(2 327)	(3 416)
Total external revenue	8 451 520	6 548 793		
Profit before tax			379 841	344 904
Income tax			(98 562)	(95 947)
Profit after tax			281 279	248 957

42 INFORMATION ABOUT OPERATING SEGMENTS continued

GROUP

	Segment assets		Segment liabilities	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Segment assets and liabilities				
Trade	1 622 061	1 430 303	1 058 776	888 404
TFC	900 710	546 449	152 759	121 215
Wesgraan	105 100	97 440	47 660	12 638
Manufacturing	218 551	71 740	34 652	25 925
Total for reportable segments	2 846 422	2 145 932	1 293 847	1 048 182
Corporate	188 366	232 138	185 422	93 491
Trade debtors	1 711 987	1 509 589	–	–
Investment in joint venture*	40 967	38 338	–	–
Short-term borrowings	–	–	1 309 447	1 000 907
Deferred taxation	–	1 234	72 778	41 905
	4 787 742	3 927 231	2 861 494	2 184 485

* In the prior year disclosure the Loan receivable from Kaap Agri (Namibia) (Pty) Ltd was included as an asset in Corporate, which was moved in the current year disclosure to be part of the Investment in Joint Venture as this is a more reasonable presentation of the segments reported on. Comparatives have been restated accordingly.

	Capital expenses		Depreciation	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Other segment information				
Trade	94 725	62 372	27 751	22 566
TFC	77 781	93 509	4 359	5 350
Wesgraan	8 876	4 768	5 325	3 974
Manufacturing	128 405	1 765	5 953	5 653
Total for reportable segments	309 787	162 414	43 388	37 543
Corporate	29 212	38 751	16 066	12 147
	338 999	201 165	59 454	49 690

42 INFORMATION ABOUT OPERATING SEGMENTS continued

Geographical revenue for the Group is attributed to countries on the basis of the customer's location. No single customer contributes to more than 10% of the Group's revenue.

Geographical revenue for the Group is as follows:

	2019 R'000	2018 R'000
South Africa	8 420 938	6 517 396
Namibia	30 582	31 397
Total	8 451 520	6 548 793
Non-current assets (excluding deferred taxation) are located in the following countries:		
South Africa	1 784 275	1 301 961
Namibia	1 426	1 701
Total	1 785 701	1 303 662

43 GOING CONCERN

Based on the financial statements, the present financial position of the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the financial statements.

44 EVENTS AFTER REPORTING DATE

Subsequent to year-end, Tego Plastics (Pty) Ltd ("Tego") commenced operations as a wholly-owned subsidiary of Kaap Agri. Tego will initially produce high-quality, food grade plastic bulk bins for the agricultural market through an injection moulding manufacturing process, with the opportunity to manufacture additional solid form products at a later stage.

In line with the Group's growth strategy to acquire businesses in the fuel sector, certain retail fuel operations were acquired after year-end.

A service station (Kaapweg Motors) purchased from Kaapweg Motors CC. The purchase consideration of R28,5 million was paid and treated as a deposit in the current year.

In terms of IFRS 3 Business Combinations the purchase price of the transaction will be allocated to tangible assets (mainly property, plant and equipment and other net assets) and the balance will be allocated to goodwill and if applicable to other intangible assets. At the date of the publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

A gross final dividend of 90,00 cents per share (2018: 84,70 cents) has been approved and declared by the Board from income reserves, for the year ended 30 September 2019.

45 CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 15 – Revenue from Contracts with Customers and IFRS 9 – Financial Instruments on the Group's financial statements.

IFRS 15 – Revenue from Contracts with Customers

According to IFRS 15 applicable to the 2019 financial year, revenue needs to be recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer. This is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services. The Group's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple performance obligations included in each contract.

Impact of initial application

The adoption of IFRS 15 did not impact the Group's timing of revenue recognition since the point in time at which the control of goods are transferred (IFRS 15) agrees with the point in time at which the relevant risks and rewards (IAS 18) were transferred to the customer. Additional disclosure was added in the current year as a result of the implementation of IFRS 15.

Sale of goods

The Group specialises in trading in agricultural, fuel and related retail markets in Southern Africa. At the point-of-sale in the trade and manufacturing environment, the client takes ownership of the goods bought. Revenue is thus recognised at that point when control of the products has transferred, the customer has accepted inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the Group has a present right to payment. In these segments prices are determined centrally. Fuel sales follow the same principles as the client takes ownership once the product is sold and transferred to the customer. Fuel prices are regulated. Grain sales follow a similar process as over-the-counter sales as the product is delivered to the client and the revenue is recognised at that point in time when the customer takes ownership of the goods sold. Grain sales prices are based on fixed contract SAFEX prices. Invoicing occurs as soon as control of the goods has been transferred to the customer.

The adoption of IFRS 15 did not impact the Group's measurement of revenue from sale of goods.

Variable consideration

The Group assessed if the contracts entered into include variable consideration, but none were noted, other than trade discounts provided at the point-of-sale. Revenue for the sale of merchandise from ordinary Group operating activities, net of value added tax and trade discounts and after eliminating sales within the Group are recognised at a point in time.

Sale of services

Sale of services include grain handling revenue, which is revenue received for the storage and handling of the clients grains. The other services are provided within the mechanisation division where labour is invoiced as a service to repair and maintain client's machinery or vehicles. Revenue received for these services is recognised over time. Revenue is recognised at a fair value (determined based on a fixed price per tonnage/hour charged) of services rendered and are invoiced on a regular basis as the services are rendered.

The adoption of IFRS 15 did not impact the Group's measurement of revenue from sale of services.

Agent vs principal

Direct sales relates to sales made, where goods purchased by clients are directly delivered to the client by the suppliers of the Group. Only the margin earned on direct sales is recognised as revenue. The margin is recognised on delivery of products by the supplier to the customer. The Group assessed the treatment of these sales as agent or principal in terms of IFRS 15. No changes in the treatment noted, thus the Group still accounts for these margins as revenue.

IFRS 9 – Financial Instruments

Impact of initial application

The Group applies the simplified approach for providing for expected credit losses ("ECL") prescribed by IFRS 9, which permits the use of a lifetime expected credit loss provision for all trade receivables. Comparative information has not been restated. The impact of initial application was applied retrospectively as an adjustment to opening retained earnings amounting to R815 000 as shown in note 10.

Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

45 CHANGE IN ACCOUNTING POLICY continued

IFRS 9 – Financial Instruments continued

Classification and measurement continued

On the date of initial application management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate categories. Trade receivables, cash and cash equivalents and loan receivables are shown at amortised cost under the new standard whereas these were classified as loans and receivables under IAS 39. Investments acquired in the current year which would previously have been classified as available-for-sale investments are now shown at fair value through OCI. Derivative assets and liabilities and financial liabilities relating to certain written put options (2019) are shown at fair value through profit and loss and other financial liabilities comprising the redemption obligation for certain written put options, trade and other payables and short-term borrowings remain at amortised cost.

Impairment

The Group has the following financial assets that are subject to the expected credit loss impairment model in terms of IFRS 9:

- > Trade and other receivables
- > Loans receivable
- > Cash and cash equivalents

The Group determines loss allowances by taking into account available forward looking information which could adversely impact a debtor's ability to pay.

Financial assets subject to impairment are written off when there is no reasonable expectation of recovery and the amount is recognised in profit or loss within "operating expenses"

Trade receivables

The Group adopted the simplified approach for measuring impairment provisions for trade receivables. In terms of this approach, the loss allowances are calculated with reference to lifetime ECLs. The Group determines expected credit loss allowances both on a specific (credit impaired) and a contingency (not credit impaired) basis.

The Group has a specific loss allowance and a contingency loss allowance. The Group defines "outside terms" debtors as all debtors more than 90 days outside terms. The specific loss allowance is determined on all "outside terms" debtors as their risks are different than the rest of the debtors book within terms and they are assessed individually. The assessment for the specific loss allowance takes into account security held, reputation and expected payments in the future to determine the value of the specific loss allowance. Regarding the contingency loss allowance, the Group divides the rest of the debtors book (after taking into account the specific loss allowance) into different categories with risk factors applied to each category. The categories are based on different types of produce commodities mostly in the agricultural sector. The percentage expected credit loss applied to each category depends on the forward looking risk of default and expectations on macro-economic factors including market share, competitor strength, industry risk, profitability, price volatility risks and climate changes.

Other financial assets

Loss allowances relating to loans receivable and cash and cash equivalents and deposits and other receivables are determined in terms of the general expected credit loss model, taking into account a 12-month expected credit loss.

In terms of this model the Group considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date compared to the credit risk at initial recognition date. It considers available reasonable and supportive forward-looking information that could be indicative of a deterioration in the counterparty's ability to pay. The Group assesses factors such as credit ratings, actual/adverse conditions in the industry or changes in value of security held.

For these financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of counterparty and adjusts these for forward-looking information. The impact of the adoption of IFRS 9 and the impact at the end of the reporting period was not material for other financial assets.

Derivatives

The Group is applying IFRS 9 in terms of hedge accounting requirements, which has not resulted in treatment different to the prior year in terms of IAS 39.

46 RECONCILIATION OF MOVEMENTS IN CARRYING VALUE

	Total R'000	Land and build- ings R'000	Grain silos R'000	Machinery and equip- ment R'000	Vehicles R'000	Office furniture and equip- ment R'000	Lease- hold pro- perties R'000	Assets under construc- tion R'000
30 September 2019								
Carrying value								
1 October 2018	1 097 159	807 595	21 636	95 877	28 915	87 116	22 568	33 452
Additions	259 638	63 270	2 795	21 011	15 376	16 748	10 264	130 174
Additions through business combinations	79 361	59 901	–	1 101	15 121	2 716	522	–
Sale of share in subsidiary	–	–	–	–	–	–	–	–
Transfers	–	17 935	5 016	2 785	19	18 324	897	(44 976)
Disposals	(1 312)	(85)	–	(104)	(968)	(155)	–	–
Depreciation	(59 454)	(1 529)	(2 425)	(18 442)	(12 291)	(21 466)	(3 301)	–
Carrying value 30 September 2019	1 375 392	947 087	27 022	102 228	46 172	103 283	30 950	118 650
30 September 2018								
Carrying value								
1 October 2017	947 617	651 842	16 782	90 362	27 927	54 083	14 708	91 913
Additions	140 148	31 275	4 122	13 027	10 397	11 198	433	69 696
Additions through business combinations	61 017	61 017	–	–	–	–	–	–
Transfers	–	64 973	2 579	9 911	–	40 094	10 600	(128 157)
Disposals	(1 933)	–	–	(1 184)	(420)	(329)	–	–
Depreciation	(49 690)	(1 512)	(1 847)	(16 239)	(8 989)	(17 930)	(3 173)	–
Carrying value 30 September 2018	1 097 159	807 595	21 636	95 877	28 915	87 116	22 568	33 452

Kaap Agri Limited

Statement of financial position

at 30 September

		COMPANY	
	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Investment in subsidiary company	2	634 708	634 708
Current assets			
Loan to subsidiary company	4	1 820	2 751
Total assets		636 528	637 459
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	3	456 643	456 643
Retained profit		179 885	180 816
Total equity		636 528	637 459
Total equity and liabilities		636 528	637 459

Statement of comprehensive income

for the year ended 30 September

	COMPANY	
	2019 R'000	2018 R'000
Revenue	82 797	69 538
Other operating expenses	(4)	(4)
Profit before taxation	82 793	69 534
Income tax	–	–
Net profit for the year	82 793	69 534

Statement of changes in equity

for the year ended 30 September

	COMPANY	
	Stated capital R'000	Retained profit R'000
Balance 1 October 2017	456 643	192 456
Net profit for the year	–	69 534
Dividends declared	–	(81 174)
Balance 30 September 2018	456 643	180 816
Net profit for the year	–	82 793
Dividends declared	–	(83 724)
Balance 30 September 2019	456 643	179 885

The reason why the stated capital in Kaap Agri Limited differs from the Group's issued stated capital is as a result of shares repurchased by a subsidiary of Kaap Agri Limited.

Statement of cash flows

for the year ended 30 September

	COMPANY	
	2019 R'000	2018 R'000
Cash flow from operating activities		
Net cash profit from operating activities		
Operating profit per income statement	82 793	69 534
	82 793	69 534
Cash flow from financing activities		
Decrease in subsidiary loan	931	11 640
Dividend paid	(83 724)	(81 174)
	(82 793)	(69 534)
Net increase in cash and cash equivalents	–	–

During the current year the statement of cash flows has been presented (which was not disclosed in the prior year) to reflect the fact that although the Company does not have its own bank account, it is considered to be the principal in the cash flows administered by one of its subsidiaries on its behalf.

Notes to the financial statements

for the year ended 30 September

1 ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements are set out on pages 125 to 139 these are consistent with that of the Group unless otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements of the company.

		COMPANY	
		2019 R'000	2018 R'000
2 INVESTMENT IN SUBSIDIARY COMPANY			
Unlisted			
Kaap Agri Bedryf Limited			
Number of issued shares			
74 170 277 (2018: 74 170 277)			
Shareholding: 100% (2018: 100%)			
Shares at cost		634 708	634 708
3 STATED CAPITAL			
Authorised:			
100 000 000 (2018: 100 000 000) ordinary shares with no par value			
Issued:			
74 170 277 (2018: 74 170 277) ordinary shares with no par value		456 643	456 643
4 LOAN SUBSIDIARY COMPANY			
Kaap Agri Bedryf Limited		1 820	2 751

The carrying value of the loan approximates its fair value at the reporting date.

The loan is unsecured, interest-free and there are no specific repayment terms.

The expected credit loss allowance was assessed based on the exposure and probability of default. The general model is followed in terms of IFRS 9. As the counter party generates significant cash flows, there is no indication that the loan will not be recoverable in the future. A 12-month expected credit loss was considered, and no loss allowance was identified. The gross movement in the loan is reflected in the cash flow statement. Although the company does not have its own bank account, Kaap Agri Bedryf Limited is considered to act as the agent of the company in administering its cash flows.

5 RELATED PARTY TRANSACTIONS

Refer to notes 2, 4 and 7.

6 FINANCIAL RISK MANAGEMENT

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

The company's interest rate exposure and the effective interest rates are summarised as follows:

	At no rate			
	Rate 2019 %	Amount 2019 R	Rate 2018 %	Amount 2018 R
Assets				
Loan: Kaap Agri Bedryf Limited	–	1 820	–	2 751

Fair value estimation

Capital maintenance

The company considers total equity, which includes share capital and reserves, as capital. The ratio between capital and debt is the capital ratio. The company's objective with the management of the capital ratio is to ensure that the company continues to trade as a going concern and to create wealth for its shareholders and other stakeholders. The influence on the capital ratio is considered with decisions on the declaration of dividends, repurchase of shares, issue of shares, purchase and disposal of assets and investments, and the acquiring or repayment of debt. The movement in capital is presented in the statement of changes in equity.

	COMPANY	
	2019 R'000	2018 R'000
7 REVENUE		
Preference share dividends received	–	716
Dividends received	80 973	68 822
Dividends forfeited	1 824	–
	82 797	69 538

Dividends are received from Kaap Agri Bedryf Limited a subsidiary of the company.

The revenue reflected is not considered to be Revenue from Contracts with Customers in terms of IFRS 15 considering the nature of the revenue earned (dividends received).

	2019 R'000	2018 R'000
8 INCOME TAX		
Tax expenditure		
Current taxation – current year	–	–
The tax on the company's profit before tax differs from the theoretical amount that would arise using the statutory rate as follows:		
	%	%
Statutory tax rate	28,00	28,00
<i>Adjusted for:</i>		
Non-taxable dividend income	(28,00)	(28,00)
Effective rate	–	–

9 GOING CONCERN

Based on the financial statements, the present financial position of the company and budgets for the coming year, the directors have no reason to believe that the company will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the financial statements.

10 EVENTS AFTER REPORTING DATE

A gross final dividend of 90,00 cents per share (2018: 84,70 cents) has been approved and declared by the Board from income reserves, for the period ended 30 September 2019.

The directors are not aware of any matter or circumstance that occurred since the end of the financial year that has not been dealt with in the report or financial statements and which may have a significant influence on the activities of the company or the results of those activities.

Accounting policies

to the financial statements for the year ended 30 September

1 BASIS OF PREPARATION

The Annual Financial Statements are prepared on the historical cost basis, unless otherwise indicated, in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the JSE Listings Requirements, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These financial statements incorporate accounting policies that have been consistently applied to all periods presented and are consistent with those applied in the previous financial year, with the exception of the adoption of the IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The impact of the implementation of these standards is disclosed in note 45. Various other changes in IFRS became effective for the financial year under review, but did not impact the Group. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in the notes of the accounting policies.

2 NEW, AMENDED AND IMPROVED ACCOUNTING STANDARDS AND INTERPRETATIONS EFFECTIVE DURING THE CURRENT FINANCIAL YEAR

The following standards, amendments and interpretations have been adopted by the Group and became effective for the current reporting period beginning on 1 October 2018:

Amendments to standards

- > **Amendments to IFRS 2 – Share-based Payments – clarifying how to account for certain types of share-based payment transactions (effective 1 January 2018)**
This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- > **IFRS 9 – Financial Instruments (2009 and 2010) – financial liabilities; derecognition of financial instruments; Financial assets (effective 1 January 2018)**
This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- > **Amendment to IFRS 9 – Financial Instruments – on general hedge accounting (effective 1 January 2018)**
The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39.
- > **IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)**
The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.

Annual improvements to standards 2014 to 2016 (effective 1 January 2018)

- > **IFRS 1 – First-time Adoption of IFRS, regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10**
- > **IAS 28 – Investments in associates and Joint Ventures regarding measuring an associate or joint venture at fair value**

Other than for the adoption of IFRS 9 and IFRS 15, none of the new standards, amendments, improvements and interpretations of existing standards mentioned above, that have been published, had any material effect on the financial statements of the Group. For an analysis of the impact on adoption of IFRS 9 and IFRS 15, refer to note 45 of the Group financial statements.

3 NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are not yet effective and have not been early adopted by the Group (the effective dates stated below refer to financial reporting periods beginning on or after the stated dates):

New standards

> IFRS 16 – Leases (effective 1 January 2019)

IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees.

Amendments to standards

> Amendment to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors on the definition of material (effective 1 January 2020).

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRS: use a consistent definition of materiality through IFRS and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.

> Amendments to IAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement. (effective 1 January 2019)

These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus (recognised or unrecognised).

> Amendment to IFRS 3 – Business Combinations – Definition of a business (effective 1 January 2020)

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. More acquisitions are likely to be accounted for as asset acquisitions.

To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

> Amendments to IFRS 9 – Financial Instruments on prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)

The narrow-scope amendment covers two issues: The amendments allow companies to measure particular prepayable financial assets with so called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met – instead of at fair value through profit or loss. It is likely to have the biggest impact on banks and other financial services entities. How to account for the modification of a financial liability. The amendment confirms that most such modifications will result in immediate recognition of a gain or loss. This is a change from common practice under IAS 39 today and will affect all kinds of entities that have renegotiated borrowings.

> Amendments to IAS 28 – Investments in Associates and Joint Ventures – long-term interests in associates and joint ventures (effective 1 January 2019)

The amendments clarified that companies account for long-term interests in an associate or joint venture, to which the equity method is not applied, using IFRS 9. The amendments are effective from 1 January 2019, with early application permitted.

> Annual improvements to standards 2015 to 2017

These amendments impact four standards:

1. IFRS 3 – Business Combination – a company remeasures its previously held interest in a joint operation when it obtains control of the business (effective 1 January 2019)
2. IFRS 11 – Joint Arrangements, – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (effective 1 January 2019)
3. IAS 12 – Income Taxes – the amendment clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised (effective 1 January 2019)
4. IAS 23 – Borrowing Costs – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (effective 1 January 2019)

> IFRIC 23 – Uncertainty over Income Tax Treatments (effective 1 January 2019)

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The interpretation provides specific guidance in several areas where previously IAS 12 was silent. The interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

Management considered all new accounting standards, interpretations and amendments to IFRS that were issued prior to 30 September 2019 but not yet effective on that date. The most significant of these standards is IFRS 16, which will be effective for the Group's 2020 financial year.

During this financial year, the group considered the significant accounting policies, including the implementation of IFRS 9 and IFRS 15 and the corresponding transition disclosures and the impact assessment of IFRS 16. Please refer to the transition note disclosed in note 45 for the impact of IFRS 9 and IFRS 15.

IFRS 16 – Leases (1 January 2019)

IFRS 16 – Leases replaces IAS 17 – Leases and will be effective for the Group's financial year commencing 1 October 2019. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise an asset representing the right to use the leased item and a related liability to pay rentals. The only exceptions are short-term and low-value leases and the Group will elect to adopt these exemptions. A lease agreement of which the underlying asset's value is R100 000 or less will be considered a low-value lease.

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the statement of financial position for almost all lease contracts. Currently operating lease expenses are charged to the income statement on a straight-line basis over the term of the lease. The Group leases various properties, machinery, equipment and vehicles under operating lease agreements. Management evaluated the effect of IFRS 16. The new standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on the statement of financial position for lessees (recognition of a right-of-use asset to use the leased item and a financial liability to pay the rentals). The standard replaces IAS 17 – Leases and related interpretations. The income statement will also be affected because the total expense is generally higher under IFRS 16 in the earlier years of a lease and lower in later years. Additionally, the operating lease expense will be replaced with interest and depreciation, resulting in an expected change in EBITDA and the EBITDA margin. The Group plans to implement the new standard in the year ending 30 September 2020. During the 2019 financial year, the Group performed a detailed impact assessment of the implementation of IFRS 16. The Group expects to recognise right-of-use assets of approximately R146 million and lease liabilities of approximately R160 million. The deferred tax impact relating to the initial recognition of the right-of-use assets on adoption of IFRS 16 is still being considered and will be concluded before final implementation. On application of IFRS 16 to the 2020 financial year income statement, EBITDA would be higher due to the fact that the operating lease expense recognised under IAS 17 is replaced with interest and depreciation under IFRS 16 (which are excluded from EBITDA). In accordance with the transitional provisions of IFRS 16, the Group will adopt the modified retrospective application option on adoption of the new standard with the cumulative impact recognised as an adjustment to opening retained earnings at the date of initial application. The Group has re-assessed all leases under the requirements of IFRS 16.

4 BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 – Financial Instruments either in profit or loss or as a charge to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired are recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the standalone financial statements of the holding company, the investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investments.

Interest-free loans to subsidiaries, with no specific terms of repayment and with a definite intent not to demand repayment, are considered to be capital distributions to the subsidiary and are included in the carrying amount of the investment.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions that is, transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

4 BASIS OF CONSOLIDATION continued

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in equity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Treasury shares

The cost of treasury shares is presented as a deduction from equity. Shares under option already allocated to employees and unallocated shares are considered as treasury shares and are consolidated as such as part of the Group's results.

Joint ventures

Under IFRS 11, investments in joint ventures are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits and losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consolidation of special purpose entities

The special purpose entities ("SPEs") established in terms of the B-BBEE equity transaction implemented in 2011 have been consolidated in the Group's results. The substance of the relationship between the company and these entities has been assessed and the conclusion was made that they are controlled entities, mainly due to the fact that the Group retains residual or ownership risks relating to the SPEs.

Goodwill

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates/joint venture is included in investment in associated companies/joint venture. Separately recognised goodwill is reviewed annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

4 BASIS OF CONSOLIDATION continued

Customer relations

Customer relations consist of non-contractual customer relationships. Customer relations acquired in a business combination are recognised at fair value at the acquisition date. The customer relations have a finite useful life and are carried at cost less accumulated amortisation and accumulated impairment. Amortisation is calculated on the straight-line method to allocate the cost of customer relations over the estimated useful life of five years.

Tradename

A tradename has been recognised by the Group as part of a business combination. Tradename are capitalised at the fair value initially identified and amortised on a straight-line basis over their estimated useful lives of 10 to 50 years. Tradename are carried at cost less accumulated amortisation and accumulated impairment. Expenditure to maintain tradenames is accounted for against income as incurred.

5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee. The Executive Committee is responsible for allocating resources and assessing performance of the operating segments and is therefore considered to be the Chief Operating Decision Maker of the Group.

6 PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise retail outlets, offices and silos. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write off the cost to a value equal to the residual values over their estimated useful lives, as follows:

Buildings	50 years
Grain silos and buildings	10 – 50 years
Machinery and equipment	4 – 10 years
Vehicles	4 – 5 years
Office furniture and equipment	2 – 10 years
Leasehold improvements	Period of lease

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of fixed assets are determined by comparing proceeds with the carrying amounts and are included in the income statement as other operating income or other operating expenses.

7 FINANCE LEASED ASSETS

Where assets are acquired under finance lease agreements that substantially transfer all the risks and rewards of ownership to the lessee, the finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the future minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in financial lease liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

9 FINANCIAL ASSETS AND LIABILITIES (ACCOUNTING POLICIES APPLIED UNTIL 30 SEPTEMBER 2018)

Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category is divided into two subcategories: financial assets held for trading and those designated as at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables include trade and other receivables, loans receivable, as well as cash and cash equivalents in the statement of financial position.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets are impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

For financial assets carried at amortised cost, evidence of impairment may include indications that the receivables or a group of receivables are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows. The amount of the provision for impairment is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The movement in the provision is recognised in the income statement.

Financial liabilities

In both the current and prior periods, financial liabilities are classified as subsequently measured at amortised cost, using the effective interest rate method. The effective interest rate amortisation is recognised in the statement of comprehensive income as finance costs. Financial liabilities measured at amortised cost on the statement of financial position include trade and other payables, short term borrowings, finance lease liabilities, and financial liability at amortised cost relating to a redemption put option liability (refer to note 13 for more information).

There is also a financial liability at fair value through profit or loss relating to a redemption put option liability. This is measured at fair value (refer to note 12 for more information).

10 FINANCIAL ASSETS (ACCOUNTING POLICIES APPLIED FROM 1 OCTOBER 2018)

From 1 October 2018 (on adoption of IFRS 9), the Group classifies its financial assets in the following measurement categories: Financial assets measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL)); and Financial assets measured at amortised cost. The classification depends on the business model for managing the financial assets and the contractual term of the cash flows. Management determines the classification of its investment at initial recognition. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in relation to the instrument held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI. At initial recognition, the Group 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 that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Equity instruments

The Group subsequently measures all equity investments at fair value. Changes in the fair value of financial assets at fair value through other comprehensive income (OCI) are recognised in OCI in the Statement of comprehensive income. Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit and loss. Upon derecognition of these equity investments, any balance within the FVOCI reserve is reclassified to retained earnings. Dividends from such investments are recognised in profit or loss as other gains and losses when the Group's right to receive payments is established. Currently the Group has not elected to designate any equity instruments at FVOCI.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows representing solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income under other operating income using the effective interest rate method. Trade receivables, cash and cash equivalents and loans receivable are classified as debt instruments measured at amortised cost.

Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss is recognised in profit or loss and presented in the income statement as part of other gains and losses in the period in which it arises. Interest income from these financial assets is included in finance income. Debt instruments are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Impairment

The Group has the following financial assets that are subject to the expected credit loss impairment model in terms of IFRS 9:

- > Trade and other receivables
- > Loans receivable
- > Cash and cash equivalents

The Group determines loss allowances by taking into account available forward looking information which could adversely impact a debtor's ability to pay.

Financial assets subject to impairment are written off when there is no reasonable expectation of recovery and the amount is recognised in profit or loss within 'operating expenses'.

10 FINANCIAL ASSETS (ACCOUNTING POLICIES APPLIED FROM 1 OCTOBER 2018) continued

Trade receivables

The Group elected to apply the simplified approach for measuring impairment provisions for trade receivables. In terms of this approach, the loss allowances are calculated with reference to lifetime ECLs. The Group determines expected credit loss allowances both on a specific (credit impaired) and a contingency (not credit impaired) basis.

Credit terms, interest rates and other applicable terms are determined based on the calculated risk profile of the credit taker(s). A strict credit policy is followed which includes the ongoing revision of credit limits, security assessments and credit evaluations of the financial position of clients. These factors have been taken into consideration on an individual and collective basis when determining the recoverability of debtors. The Group has a specific loss allowance and a contingency loss allowance. The group defines "outside terms" debtors as all debtors more than 90 days outside terms. The specific loss allowance is determined on all "outside terms" debtors as their risks are different than the rest of the debtors book within terms and they are assessed individually. The assessment for the specific loss allowance takes into account security held, reputation and expected payments in the future to determine the value of the specific loss allowance. Regarding the contingency loss allowance, the group divides the rest of the debtors book (after taking into account the specific loss allowance) into different categories with risk factors applied to each category. The categories are based on different type of produce commodities mostly in the agricultural sector (grain, fruit, other agri and non-agri). The percentage expected credit loss applied to each category depends on the forward looking risk of default and expectations on macro-economic factors including; market share, competitor strength, industry risk, profitability, price volatility risks and climate changes.

Other financial assets

Loss allowances relating to loans receivable and cash and cash equivalents and deposits and other receivables are determined in terms of the general expected credit loss model, taking into account a 12-month expected credit loss.

In terms of this model the Group considers whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date compared to the credit risk at initial recognition date. It considers available reasonable and supportive forwarding-looking information that could be indicative of a deterioration in the counterparty's ability to pay. The Group assesses factors such as credit ratings, actual/adverse conditions in the industry or changes in value of security held.

For these financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses. In calculating the expected credit loss rates, the Group considers the exposure at default, probability of default and loss given default. The impact of the adoption of IFRS 9 and at the end of the reporting period was not material for other financial assets.

11 TRADE ACCOUNTS RECEIVABLES (BEFORE 1 OCTOBER 2018)

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Trade receivables against which a provision for impairment were made will be written off as soon as no further collections are possible. Trade receivables against which there were no previous provision for impairment, are written off directly to the income statement as soon as there are no further collections.

12 DEFERRED TAXATION

Deferred taxation is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets relating to unused tax losses are recognised to the extent that it is probable that future taxable profits will be available against which the unused losses can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates/joint venture, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

13 INVENTORY

Merchandise, raw materials and consumable goods are valued at the lower of cost, calculated on the average cost basis, or net realisable value, taking into account obsolescence and saleability. Implement stock (included in merchandise) is valued at the specific cost price or net realisable value, whichever is the lower. Finished goods (included in merchandise) are valued at the lower of cost, including cost of raw materials, direct costs and related production overheads, but excluding finance costs, determined on the average cost basis, or net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less the cost of completion and selling expenses.

14 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedge) or hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest rate method is used, is amortised to profit or loss over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are immediately recognised in the income statement.

15 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash includes cash on hand and positive bank balances. Bank borrowings are shown within borrowings in current liabilities on the statement of financial position.

16 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

17 STATED CAPITAL

Ordinary shares are classified as equity. Additional costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any company in the Group purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable additional costs (net of income taxes) is deducted from equity attributable to the Group's equity holders until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable additional transaction costs and the related income tax effects, is included in equity attributable to the Group's shareholders.

18 EMPLOYEE BENEFITS

Pension scheme arrangements

The Group operates a pension fund consisting of a defined contribution plan 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 participating subsidiaries in the Group as well as employees. The Group has no further obligations to the fund once the contributions have been paid. Contributions are recognised in the income statement when they are due.

Post-retirement medical benefits

Certain in-service members and retired employees are members of the post-retirement medical subsidy scheme of the Group. The Group pays the monthly contributions in respect of the retired members over to the medical fund. The valuation method used to value the liability is the projected unit method. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. Valuations of these obligations are carried out by independent qualified actuaries. Any actuarially determined profits or losses are recognised in the income statement.

In terms of the Group's present policy the benefits are only available to certain in-service members and retired employees and not to future employees.

Profit sharing and bonus plans

A liability for employee benefits in the form of profit sharing and bonus plans is recognised under accounts payable when there is no realistic alternative but to settle the liability, and at least one of the following conditions is met:

- > There is a formal plan or
- > Past practice has created a valid expectation by employees that they will receive a bonus or profit share

It is expected that the liability will be paid within 12 months.

Equity-settled management share incentive scheme

The Group operates an equity-settled management share incentive scheme ("the scheme"). In terms of IFRS 2, the fair value of the equity instrument is determined at grant date and the corresponding expense is recognised over the vesting period. The fair value of the grant is determined using the Black-Scholes-Merton model using six different inputs that would have an effect on the fair value of the grant. The inputs are the exercise price of the option, the current share price, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate.

19 TRADE PAYABLES

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value. Trade payables are subsequently stated at amortised cost using the effective interest rate method.

Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

20 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

21 REVENUE AND OTHER OPERATING INCOME RECOGNITION (IAS 18) – APPLIED UP TO 30 SEPTEMBER 2018

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured and reasonable assurance exists that the economic benefits of the transaction will flow to the business. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. Revenue is shown, net of value-added tax and discounts and after elimination of sales within the Group. Revenue is recognised as follows:

Sales of goods and services

Sales of goods and services comprise the fair value of sales in respect of manufacturing, trading operations and other services, excluding value-added taxation, and are recognised upon delivery of goods and on the stage of completion of services. Only the margin earned on direct sales is recognised as income. The margin is recognised on delivery of products by the supplier to the customer.

Other operating income is recognised as follows:

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method. When a receivable is written off, the Group reduces the carrying amount to its recoverable amount. Interest on written off debtors is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established and is treated as revenue for the company, but is not considered to be revenue from contracts with customers (IFRS 15).

22 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) AND OTHER OPERATING INCOME – APPLIED FROM 1 OCTOBER 2018

According to IFRS 15 applicable to the 2019 financial year, revenue is recognised at a point in time or over time depending on the performance obligations linked to separate elements of the contract with the customer.

Revenue is recognised when the Group satisfies performance obligations and transfers control of goods or services to its customers at an amount that reflects the consideration the Group expects to be entitled to in exchange for these goods or services. The Group's revenue consists mostly of sales of products delivered to customers at the point of sale and does not have multiple element arrangements included in it. Therefore the timing and measurement of the group's revenue will not change as a result of the implementation of IFRS 15.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax and trade discounts and after elimination of sales within the Group. Revenue is recognised as follows:

Sales of goods

The Group specialises in trading in agricultural-, fuel- and related retail markets in Southern Africa. At the point-of-sale in the trade and manufacturing environment, the client takes ownership of the goods bought. Revenue is thus recognised at that point when control of the products has transferred, the customer has accepted inventory risk related to the products and there is no unfulfilled obligation that could affect the customer's acceptance of the products and the Group has a present right to payment. In these segments prices are determined centrally. Fuel sales follow the same principles as the client takes ownership once the product is sold and transferred to the customer. Fuel prices are regulated. Grain sales follow a similar process as over-the-counter sales as the product is delivered to the client and the revenue is recognised at that point in time when the customer takes ownership of the goods sold. Grain sales prices are based on fixed contract SAFEX prices. Invoicing occurs as soon as control of the goods has been transferred to the customer.

Revenue for the sale of merchandise from ordinary Group-operating activities, net of value added tax and trade discounts and after eliminating sales within the Group are recognised at a point in time, upon delivery of products and customer acceptance. Customers have a choice to pay cash (via cash, debit card or credit card) or on account. Related card transaction costs are recognised in the income statement as other expenses.

Payment terms for normal over the counter credit sales are mostly 30 days. Seasonal accounts are provided to agricultural debtors on longer terms, these terms do not exceed 12 months. Limited establishment accounts are also provided on longer terms (up to five years) with the purpose to assist the customer in establishing farming operations. Interest is charged on these accounts at market related rates and accounted for accordingly.

The adoption of IFRS 15 did not impact the Group's recognition of revenue from sale of goods.

22 REVENUE FROM CONTRACTS WITH CUSTOMERS (IFRS 15) AND OTHER OPERATING INCOME – APPLIED FROM 1 OCTOBER 2018 continued

Sales of services

Sale of services include grain handling revenue which is revenue received for the storage and handling of the clients grains. The other services are provided within the mechanisation division where labour is invoiced as a service to repair and maintain client's machinery or vehicles. Revenue received for these services is recognised over time. Revenue is recognised at a fair value (determined based on a fixed price per tonnage/hour charged) of services rendered and are invoiced on a regular basis as the services are rendered.

The adoption of IFRS 15 did not impact the Group's recognition of revenue from sale of services.

Variable consideration

The Group assessed if the contracts entered into include variable consideration, but none were noted, other than trade discounts provided at the point-of-sale.

Margin on direct transactions

Direct sales relates to sales made, where goods purchased by clients are directly delivered to the client by the suppliers of the Group. Only the margin earned on direct sales is recognised as revenue. The margin is recognised on delivery of products by the supplier to the customer. The group assessed the treatment of these sales as agent or principal in terms of IFRS 15.

The supplier has the primary responsibility for providing the goods to the client.

Kaap Agri has no control before the product is delivered to the client, the Group does not recognise the inventory in their books.

The supplier takes the inventory risk up until inventory is delivered to the client.

All the indicators according to the standard indicates that the Group is acting as a agent, rather than a principal, thus the nett amount is recognised as revenue. Thus the treatment under IFRS 15 stays consistent to the prior year.

Other operating income is recognised as follows:

Interest income

Under IFRS 9, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). When a receivable is written off, the Group reduces the carrying amount to its recoverable amount. Interest is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established and is treated as revenue for the company, but is not considered to be revenue from contracts with customers (IFRS 15).

23 FOREIGN CURRENCY TRANSACTIONS

Functional and presentation currency

Items included in the financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in rand, which is the holding company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges.

24 LEASES

Leases, where a significant portion of the risks and rewards of ownership is retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

25 DIVIDEND DISTRIBUTIONS

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved.

26 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources which entail economic benefits will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

27 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- > Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings
- > Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred

The capitalisation of borrowing costs commences when:

- > expenditures for the asset have occurred;
- > borrowing costs have been incurred; and
- > activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

28 CURRENT INCOME TAX

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with regard to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Corporate information

Kaap Agri Limited ("Kaap Agri")

Incorporated in the Republic of South Africa

Registration number: 2011/113185/06

Share code: KAL

ISIN code: ZAE000244711

Directors

GM Steyn (Chairman)*#

S Walsh (Chief Executive Officer)

GW Sim (Financial Director)

BS du Toit**

D du Toit**

JH le Roux*

EA Messina*#

WC Michaels*#

CA Otto*#

HM Smit*#

JH van Niekerk*##@

I Chalumbira*

* *Non-executive*

Independent

@ *Retired as a member of the Board effective 13 February 2020.*

Company Secretary

RH Köstens

Registered address

1 Westhoven Street, Paarl, 7646

Suite 110, Private bag X3041, Paarl, 7620

Telephone number: 021 860 3750

Fax number: 021 860 3314

Website: www.kaapagri.co.za

Auditors

PricewaterhouseCoopers Inc.

Transfer secretaries

Computershare Investor Services (Pty) Ltd

Registration number: 2004/003647/07

Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196

PO Box 61051, Marshalltown, 2107

Fax number: 086 636 7200

Sponsor

PSG Capital (Pty) Ltd

Registration number: 2006/015817/07

1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600

PO Box 7403, Stellenbosch, 7599

and

2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton, 2196

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