

KAAP AGRI

Sedert 1912

Since 1912

Integrated report 2017



Salient features

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

RHEPS

+17,9%

consistent recurring growth

ROS

3,9%

up from 3,7%

ROE

16,6%

and climbing

RONA

10,4%

intensive capex investment for growth

Fuel litres

+10,9%

aggressive growth strategy

Transactions

+15,9%

diversified customer base

Revenue

+13,5%

above industry trends

Capex spend

R290m+

investing for j-curve growth

EBITDA

+18,6%

operating performance growth

DPS

+18,5%

increased shareholder returns

Cash flow from operating activities

R482,8m

strong cash generation

Employees

2 674

16,8% increase, the place where people count

B-BBEE status Level 2 Empowerment



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About this report

Scope and boundary

This report covers the integrated performance of Kaap Agri Group for the year ended 30 September 2017 and 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 that contribute to Kaap Agri's performance: Trade, Fuel and convenience (TFC), Wesgraan and Irrigation manufacturing, all supported by the Corporate shared service environment. The organisational structure of the business remains unchanged since last year, with the following exceptions:

- **The Fuel Company (TFC):** Empowerment and Transformation Investments (Pty) Ltd has acquired 12% of TFC Operations (Pty) Ltd and TFC Properties (Pty) Ltd.
- **Kaap Agri Namibia:** 50% of the share capital in Kaap Agri Namibia has been sold to a joint venture partner. This business has been equity accounted from 1 August 2017.

Reporting frameworks

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

Target audience and materiality

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

External audit and assurance

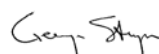
An independent audit of the Group's annual financial statements was performed by PricewaterhouseCoopers Inc. The B-BBEE scorecard information was verified independently by Grant Thornton Verification Services (Pty) Ltd. The rest of this integrated report has not been subjected to independent audit or review.

Forward-looking statements

This report contains certain forward-looking statements with respect to 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 that occur in the future and as such are not guarantees or predictions of future performance. There are various factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements and readers are advised not to place undue reliance on such statements.

Statement of the Board of directors of the Kaap Agri Group

The Board acknowledges its responsibility to ensure the integrity of the integrated report. In the Board's opinion, this report provides a fair and balanced account of the Group's performance on those material matters that we have assessed as having a bearing on the Group's capacity to create value. The 2017 integrated report has been prepared in line with recognised best practice and complies with the recommendations of the King IV™ Code and has accordingly been approved for publication by the Board.



GM Steyn
Chairman



S Walsh
Chief Executive Officer

Value proposition

Since 1912

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.

All stakeholders must be better off because the company exists.

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, guiding decision-making.

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.



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

Group strategy

With an agricultural foundation, the company has mainly retail characteristics, which account for 80% of the revenue, augmented by a dedicated retail fuel strategy that is gaining momentum.

The nine core strategic themes below contain the key focus areas guiding our strategic journey.

1. Leveraging B-BBEE

Transformation is not just a responsibility, it is a business imperative



2. Developing our supply chain

Implementation of systems, optimisation of distribution centres and improved logistics efficiencies will support growth



3. Optimising our retail formats

Rolling out urban and country formats and optimising the utilisation of retail space, inventory and labour will drive margin growth



4. Growing our outlet footprint

Through strategic acquisitions and expansions we will accelerate growth



5. Improving customer relations

We will grow market share through loyalty programmes and dedicated client interactions



6. E-commerce solutions

Searching for solutions in non-traditional e-commerce spaces will open new markets



7. Strategic alliances

Forming strategic alliances in specific sectors of industry will support our unique and distinctive customer proposition



8. Acquisitions

Selected and calculated steps will support growth



9. Mergers






Strategic mergers in our areas of competence will support growth



A strategic nine-point plan to stimulate growth.

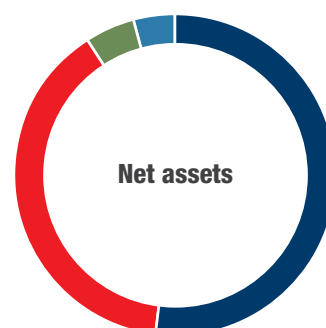
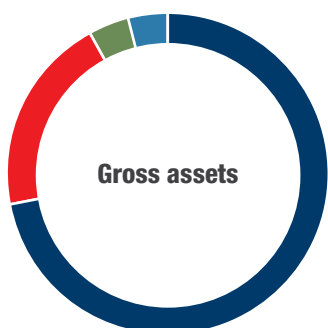
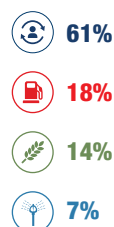
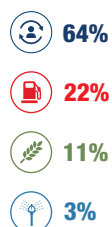
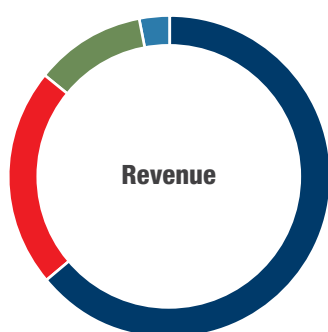
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Business profile

Services	Purpose	Operations	
<div> Trade</div>			
<ul style="list-style-type: none">• Production inputs• Packing material• Hardware and building materials• Fuel• Outdoor life• Tractors and combine harvesters• Tillage• Parts• Workshops	Providing a complete range of production inputs, mechanisation equipment and services, and other goods to agricultural producers as well as the general public.	72 Agrimark shops 11 Pakmark shops 2 OK Value shops 8 Liquormark shops 14 Service stations 2 Agrimark depots 16 Workshops 16 Parts outlets 4 Fuel depots	<ul style="list-style-type: none">• Western Cape• Northern Cape• Eastern Cape• Limpopo• Mpumalanga• Namibia• North West
<div> Fuel and convenience (TFC)</div>			
<ul style="list-style-type: none">• Retail fuel• Convenience stores• Quick-service restaurants	Providing a full retail fuel offering to a diverse range of customers, including convenience store and quick-service restaurant outlets.	29 Service stations 1 OK Value shop 1 Liquormark shop	<ul style="list-style-type: none">• Western Cape• Northern Cape• Eastern Cape• North West
<div> Wesgraan</div>			
<ul style="list-style-type: none">• Grain receiving and grading• Grain marketing• Grain storage• Seed processing• Seed potatoes	Providing a complete range of marketing and hedging options as well as handling grain products between producer and buyer.	14 Silo complexes 350 000 ton capacity 1 bunker complex 30 000 ton capacity 3 Seed-processing plants	<ul style="list-style-type: none">• Western Cape
<div> Irrigation manufacturing</div>			
<ul style="list-style-type: none">• Dripper pipe• Pumps• Irrigation equipment• Filters• Automation	Manufacturing of dripper pipe and other irrigation equipment, as well as distribution of franchise and other irrigation parts.	1 Factory 3 Distribution points	<ul style="list-style-type: none">• Western Cape• Gauteng• Mpumalanga
<div> Corporate</div>			
<ul style="list-style-type: none">• Financing• Finances• Human resources• Communication• Internal audit and risk management• Information management services	Providing support services for the Group's activities. Providing tailor-made financing for clients.	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		Irrigation manufacturing	
Financial	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Revenue	4 134 625	3 887 991	1 385 271	1 031 865	710 239	558 610	180 976	169 405
Profit before tax	221 863	194 189	63 782	46 426	51 922	30 785	25 248	18 163
Gross assets	1 231 029	1 180 500	340 921	215 713	68 980	63 312	64 016	71 000
Net assets	414 808	504 561	316 501	199 744	43 276	61 232	34 194	43 347

● Trade ● TFC ● Wesgraan ● Irrigation manufacturing



Our brands

The Group trades under different brands. The core businesses are Agrimark, Pakmark and The Fuel Company, which generate approximately 80% of the Group's income.



Trade segment – Agrimark

Agrimark branches represent the core business of the Group. There are over 70 outlets countrywide. Agrimarks are general retail offerings that include retail shop areas, bulk stores areas and yards for bulk items. There are also fuel filling stations at most of the Agrimarks. The retail product offerings in these branches are targeted at farmers, professionals, building contractors, DIY enthusiasts and the public, with a garden centre theme where appropriate. Outlets are tailored for urban, semi-urban and rural demographics.

Trade segment – Pakmark

Pakmark branches service the fruit and vegetable farming sector with packaging materials. There are 11 stand-alone centres with eight additional facilities managed in conjunction with Agrimark's stores. These branches support the Group's drive into the water-intensive areas of the country, where fruit and vegetable production is the core farming operation. Pakmarks are redistribution centres for products such as cartons, carton inner packaging, plastic bags, labels, pallet strapping and pallets – anything a farmer needs to market products in South Africa or in export markets.

The Fuel Company, including Expressmark and Fego Caffé

The Fuel Company ("TFC") brand represents Kaap Agri's retail fuel interests and comprises two Group subsidiaries created to house the retail fuel expansions and drive growth. Expressmark represents

Kaap Agri's convenience store offering at service stations that are not oil company owned but owned and operated by Kaap Agri (i.e. Kaap Agri can choose the brand of fuel). Expressmark is a home-grown convenience store brand that offers The Fuel Company 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 operated under licence from Famous Brands. There are 29 retail fuel and convenience service stations in The Fuel Company. The Fuel Company is not limited to using Expressmark and/or Fego Caffé brands, nor is it restricted to a single oil company brand. The Group has a further 14 service stations. During the reporting period, Kaap Agri introduced Empowerment and Transformation Investments (Pty) Ltd (ETI) as a 12% shareholder in TFC. ETI's ownership structure and credentials comply with the strict licensing requirements demanded by the Department of Energy, thus facilitating the future growth of this division.

As announced on SENS on 10 November 2017, subsidiaries of Kaap Agri acquired certain retail fuel operations and accompanying retail fuel-related properties in Gauteng and Limpopo in line with the Group's growth strategy for its TFC brand. Subject to fulfilment of the conditions precedent detailed in the announcement, it is anticipated that the acquisition will be implemented on or before 28 February 2018.



Trade segment – Liquormark

The Liquormarks are small stand-alone liquor retail offerings supplementary to Agrimark offerings and are found mainly in semi-urban and rural areas. There are currently nine stores in the Group.

Trade segment – Agrilog

The Agrilog brand represents the company's distribution centres and logistics function, which services the whole Group and is internally focused on optimising these elements of the Group supply chain.

Wesgraan segment

Wesgraan represents Kaap Agri's silo storage, grain handling and grain trading services. It consists of 14 silo complexes with a 350 000 ton silo capacity and an additional bunker complex with a 30 000 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.

Manufacturing segment – Agriplas

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

Trade segment – New Holland Agency

The Group hosts the New Holland agency and is one the largest agents for New Holland in Southern Africa. This service entails marketing mechanical equipment into the farming and related sectors, parts branch network and workshops.



Geographic footprint

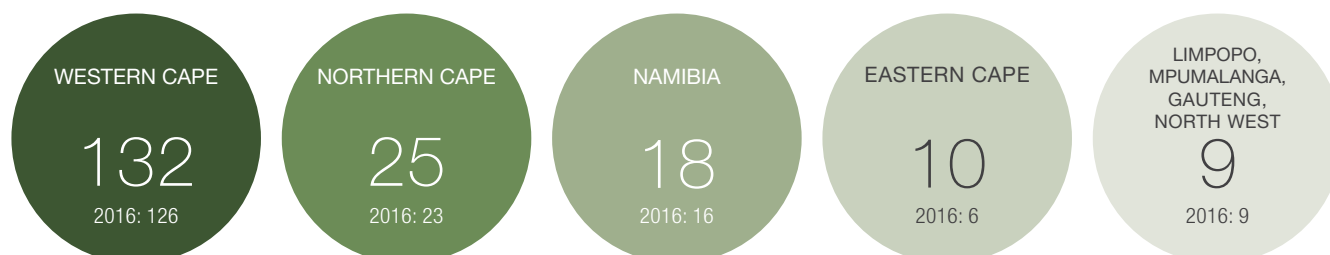
We aim to expand our network further by establishing new operating points to grow our client base, as well as the product range we offer inside and outside of agriculture – countrywide.

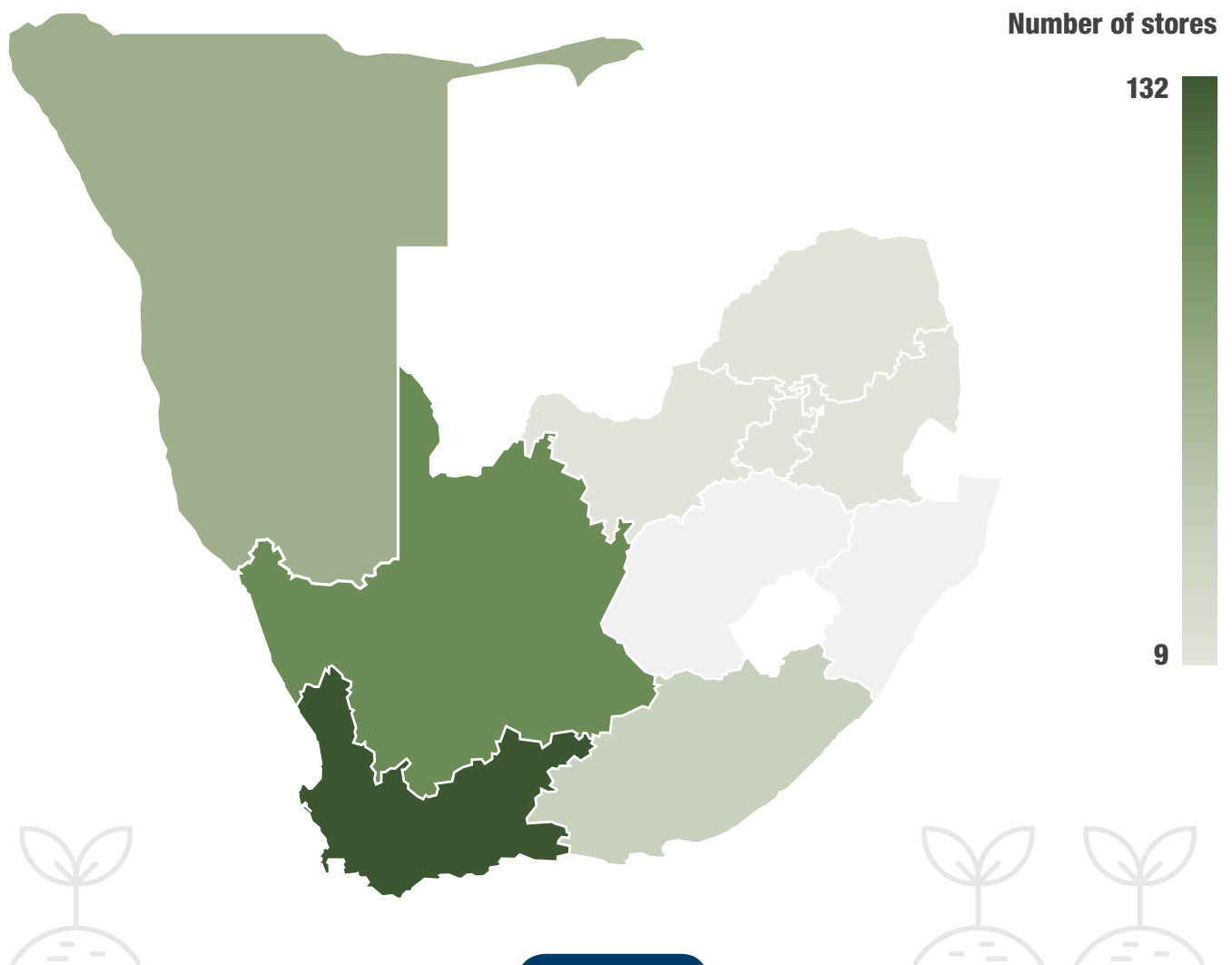


The company is based in the Western Cape with the head office and corporate functions housed in Malmesbury and Paarl. The Kaap Agri Group specialises in retailing and trading in agricultural, fuel and related retail markets in Southern Africa. With its strategic footprint, infrastructure, facilities 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 on page 9 is a representation of the amount 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.





Business review

Kaap Agri continues to deliver consistent growth in profitability within an increasingly challenging regulatory environment.



Leadership report (Chairman and CEO)

Kaap Agri continues to deliver consistent growth in profitability within an increasingly challenging regulatory environment. Revenue growth of 13,5% in the last year was above industry trends, resulting in growth of 17,9% in recurring headline earnings.

Strategy

Strategy execution remains key to this continued growth performance with some critical milestones achieved during the year, the most notable of which was the successful listing of the company on the JSE. Not only have recurring headline earnings per share grown at a compound annual growth rate (CAGR) of 18,9% for the last five years, but shareholder value measured according to the share price has also increased by a CAGR of 40,8% over the last five years.

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

- the successful roll-out of a new retail format;
- improved our B-BBEE status to a level 2 accreditation;
- productivity improvements in space, inventory and labour utilisation;

- footprint expansions in the retail fuel sector;
- continued margin improvement;
- significant year-on-year growth within the building materials sector in the Western Cape; and
- strategic alliances developed over the year.

The team is also in the process of implementing a new supply chain management system to enhance our distribution, logistics and stock replenishment abilities.

The year has not been without challenges, with the delay of our footprint expansion in the retail fuel industry due to regulatory requirements now resolved. We also experienced a downturn in sales of selected farm input supplies due to drought conditions, particularly in the southwestern areas of our operations.

The executive team has continued to invest in systems, skills and infrastructure during the year, placing the company in a healthy position for future growth. As a result of this investment, the increase in total expenses of 17,7% was on the high side compared to the increase in revenue of 13,5%.

The Group is organised into four divisions for operational and management purposes: Trade, Fuel and convenience (TFC), Wesgraan and Irrigation manufacturing. Kaap Agri reports its

Key results

Investing in future growth

Revenue

+13,5%

healthy top-line growth

EBITDA

+18,6%

healthy pre-interest
earnings growth

Total expenses

+17,9%

like for like only a
10% increase

operating segment information on this basis. The Trade segment contributes 64,5% of income with Fuel and convenience (TFC) contributing a further 21,6%, illustrating the high contribution from retail activities in the Group. All four segments showed profit growth during the financial year. The Trade segment grew operating profit by 14,1% in spite of the slowdown created by the drought conditions. Fuel and convenience (TFC) grew operating profit by 37,4%, hampered by regulatory issues and subsequent delays in expansions. Wesgraan grew operating profit by 68,7%, which was a better than expected recovery after the reduced wheat harvest in 2015. Irrigation manufacturing grew operating profit by 39,0%, building on the previous year's growth that stemmed from increased market share in the low-volume irrigation industry. The combined segment operating profit return on net assets employed by the segments improved from 35,8% to 44,8% in the financial year on the back of combined segment operating profit growth of 25,2%. The Trade, Fuel and convenience (TFC) and Irrigation segments are well positioned for continued growth in the future while the Wesgraan segment is more reliant on wheat harvests and climatic conditions. Sales of traditional farm input supplies have dropped to below a 50% contribution to total sales in 2017. This speaks to our strategy of diversifying the company's retail activities, making the company less exposed to the cyclical nature of agricultural input supply sales.

The company is intent on rewarding all our shareholders and the total dividend per share has grown by a CAGR of 26,2% over the last five years.

Retail fuel

The company has evolved over the last ten years from a good company with a firm agricultural foundation into a great company with firm retail characteristics. During the year a subsidiary, The Fuel Company, was created to house the retail fuel interests of the Group. We expect The Fuel Company to contribute significantly to growth with its dedicated retail fuel strategy and team of industry experts. Acquisitions in this space have continued during the year at a modest pace and the full impact of this growth is only expected in 2018.

Governance

Our broad-based black shareholders now hold equity in the company worth over R928 million.

To ensure the Board has the relevant skills to lead a growing and diverse company, certain changes were made during the year. Race and gender diversity challenges are being systematically 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 initiatives

Since 2009, the Kaap Agri Academy has trained over 235 emerging farmers, and a further 4 700 farmworkers have completed training, improving skills in the agricultural sector.

In 2009, Kaap Agri initiated a secondary school bursary programme for designated learners, with 38 scholars benefiting in the last year. In the future, 50% of beneficiaries of this programme will be females.

Although many business units participate in local community projects, the company is also actively involved at Group level in social and humanitarian initiatives, such as the Pebbles Hemel and Aarde education project in the Hermanus district; the Southern Farm flood disaster project in the Northern Cape; the Knysna fire disaster project; the Ceres Business Initiative project in Ceres district; a long-standing Porterville community project; and our annual supplier golf day, the proceeds of which are donated to four needy farm schools in Kaap Agri's areas of operations.

Outlook

The Board believes the Group is well positioned for growth, with the business development division focusing on new projects across all channels and acquisitions, mergers and strategic alliances. Efforts will continue to optimise the offering at existing branches and increase direct business contributions. Focus has also been placed on expanding the fuel and convenience offering, with new sites being investigated.

We remain relatively positive about the medium-term outlook for agriculture in Southern Africa. However, while significant pockets of growth exist, it remains to be seen what impact political influences could have on the sector's prospects. Ongoing drought conditions in the Western Cape region of South Africa are also a serious concern. Fortunately, the company's diversified exposure to other retail markets bodes well for healthy growth despite the challenges. Further earnings growth is expected for the next year and the business remains on track to achieve its strategic medium-term targets.

We are optimistic about the future of the company and 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

Our ultimate governing objective is to create value for shareholders, with strategic priorities aimed at growing Kaap Agri profit before taxation to R500 million in the medium term. We believe the relentless focus on the key financial value drivers of revenue growth, gross profit growth, cost management and balance sheet optimisation will result in superior earnings.

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

- **Recurring headline earnings per share (RHEPS) growth**

We believe this is the true indicator of sustained wealth creation as it eliminates the impact of events that do not recur frequently. Successful execution of the nine core strategic themes will ultimately be reflected in superior RHEPS growth.

- **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 mergers and acquisitions, we aim to significantly grow fuel volumes over the medium term.

- **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 operate our business on a low-cost model, and reflects the funding impact of asset investment and working capital optimisation.

- **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 net assets (RONA)**

RONA measures how efficient we are at using our assets to generate earnings. Increased RONA indicates the company is using its assets and working capital more effectively.

Income statement

Kaap Agri increased the value of business transacted by 12,3% to approximately R8,6 billion, up from R7,6 billion in the previous financial year, with comparable stores growing turnover by 9,4%. The growth in the value of business transacted was driven mainly by a 15,9% increase in the number of transactions. Product inflation is estimated at 3,9%. The strong revenue growth is testament to Kaap Agri's ongoing diversification and resilience. Retail sales growth continues to outperform agricultural sales growth, albeit from a lower base; and the retail income channel now accounts for trading profits similar to the agriculture income channel. During the period nine new fuel sites were opened with total fuel volumes increasing by 10,9% in the year. The Paarl Agrimark was successfully extended and upgraded to reflect our new urban format retail offering. A number of other Agrimark and Pakmark offerings were upgraded or expanded. This continuing investment in the business bodes well for sustained revenue growth going forward.

Gross profit has increased by 18,5%, ahead of revenue growth, and is a firm indicator of the change in sales mix. Improved retail margins are expected to be partially offset by the higher growth in lower-margin fuel sales.

Expenditure increased by 17,7%, below gross profit growth, with significant investment in improving the human capital pillar and the supply chain capabilities of our business. Although the increase in operating expenses was higher than in past years, costs were well controlled and certain costs have been invested ahead of the curve to support the growth initiatives underpinning our strategic medium-term plan.

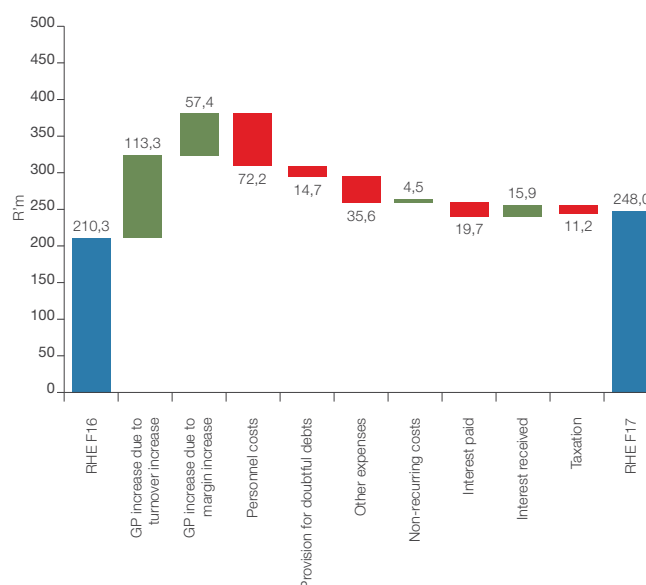
Effective 1 August 2017, 50% of the shareholding in Kaap Agri Namibia was sold to a Namibian retail group with its head office in Windhoek. The combined strength and offering of these two businesses is expected to deliver an improved performance from the Namibian operation, which until now has struggled due to economic and operational challenges.

Interest received grew by 16,4%, a result of increased credit sales and a higher average debtors book. Interest paid increased by 41,6% due to higher average borrowings during the year in support of growth.

The Group's effective tax rate of 27,5% is in line with expectations (2016: 27,6%).

Recurring headline earnings per share of 351,91 cents have grown by 17,9% on last year, resulting in a compound annual growth rate of 18,9% over the five years ended 30 September 2017. Once-off items, predominantly costs associated with the JSE listing, are excluded from headline earnings to calculate recurring headline earnings. Return on revenue has grown to 3,9% from 3,7% last year.

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



A gross final dividend of 82,60 cents per share (2016: 68,00 cents) has been approved and declared by the Board from income reserves, representing a 21,5% increase on the previous year. The final dividend amount, net of South African dividends tax of 20%, is 66,08 cents per share for those shareholders not exempt from dividend tax. Including the interim dividend, the total dividend for the year of 112,00 cents per share (2016: 94,50 cents) increased by 18,5% over the prior year and has grown at a compound annual growth rate of 26,2% over five years. The total dividend per share represents a dividend cover of 3,0 times (2016: 3,0 times)

Statement of financial position

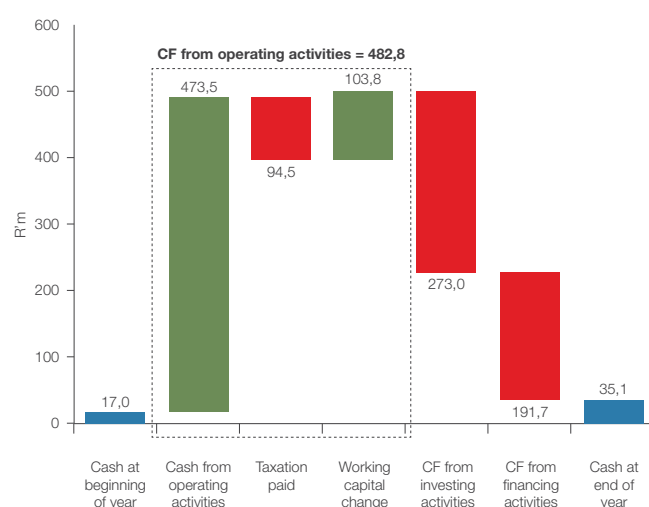
Capital expenditure of R292,3 million was incurred during the year. Of this, R158,6 million was directed to capacity expansion while a further R43,0 million was spent on replacement assets. An additional R90,7 million was spent on the acquisition of business operations.

Working capital has been well controlled. Debtors have grown in relation to the increase in credit sales and stock levels have been more effectively managed, assisted by a higher retail sales contribution and the increased participation of our centralised distribution centre. Creditors' payment terms have remained relatively constant during the year. Return on net assets has increased to 10,4% from 9,8% last year.

Net interest-bearing borrowings reduced by 14,5% to R730,7 million, largely due to the impact of timing of cash flows at year-end.

Average borrowings increased by R41,7 million year-on-year off the back of investments into expansions, upgrades and acquisitions as well as working capital. The Group's debt-to-equity ratio decreased to 46,1% (2016: 60,8%) with net debt to EBITDA of 1,7 times (2016: 2,3 times) and interest cover of 7,1 times (2016: 8,1 times). Gearing is within appropriate levels, with sufficient facilities available to enable medium-term growth and access to adequate additional financing facilities, if required. Return on equity improved to 16,6% (2016: 15,8%).

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 Limited listed successfully on the JSE on 26 June 2017 under the specialty retail sector. Two key reasons for listing were to unlock shareholder value and to create liquidity for the share. To a large degree this has been achieved, although trade continues to be subdued from a volume perspective. The market capitalisation of the business has increased by 74,7% since September 2016 and by 24,5% since we announced our intention to list on 16 February 2017.

We believe performance should be measured 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 CAGR of an investment and is calculated by taking into consideration share

price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

Kaap Agri's TRI as at 30 September 2017 was 43,9% per annum over the past five years. Had you purchased R1 million of Kaap Agri shares on 30 September 2012 and reinvested all your dividends, your investment would be worth around R6,2 million today.

At year-end, the Kaap Agri share traded at a 90-day volume-weighted average share price of R52,97 per share. The closing share price of R49,80 per share represents a price earnings ratio of 14,2.

GW Sim
Financial Director

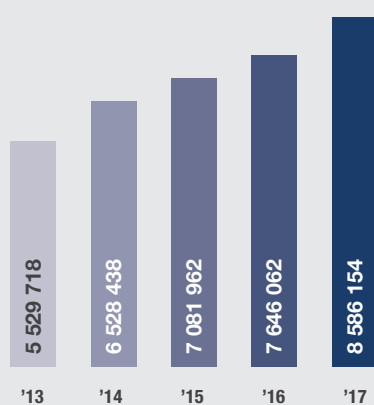
Five-year financial review

	GROUP				
	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Income statement					
Revenue	6 415 697	5 652 843	5 341 402	4 874 579	4 007 807
Direct business	2 170 457	1 993 219	1 740 560	1 653 859	1 521 911
Value of transactions	8 586 154	7 646 062	7 081 962	6 528 438	5 529 718
Profit before tax	333 027	290 798	256 766	214 563	174 930
Income tax	(91 610)	(80 376)	(67 572)	(56 350)	(45 876)
Profit after tax	241 417	210 422	189 194	158 213	129 054
Headline earnings adjustment	2 074	(118)	(6 472)	(355)	(288)
Headline earnings	243 491	210 304	182 722	157 858	128 766
Non-recurring expenses	4 470	–	–	–	–
Recurring headline earnings	247 961	210 304	182 722	157 858	128 766
EBITDA	439 232	370 349	310 843	263 199	219 095
Dividends paid	78 917	66 586	57 779	45 800	35 231
Interim	20 716	18 672	16 911	13 388	9 865
Final	58 201	47 914	40 868	32 412	25 366
Statement of financial position					
Non-current assets	1 056 193	807 695	653 954	529 658	454 567
Current assets	2 329 938	2 325 180	2 031 724	1 840 595	1 664 015
	3 386 131	3 132 875	2 685 678	2 370 253	2 118 582
Liabilities and loans	(1 803 497)	(1 727 198)	(1 430 456)	(1 254 885)	(1 122 694)
Total shareholders' equity	1 582 634	1 405 677	1 255 222	1 115 368	995 888
Net interest-bearing debt	730 688	854 986	647 331	520 928	497 360
Statement of cash flows					
Cash flow from operating activities	482 766	100 462	106 708	139 034	69 190
Cash profit after tax from operations	378 978	304 966	241 138	210 000	178 319
Working capital changes	103 788	(204 504)	(134 430)	(70 966)	(109 129)
Cash flow from investment activities	(272 985)	(213 746)	(158 423)	(102 516)	(90 443)
Cash flow from financing activities	(191 676)	106 765	53 206	(32 537)	25 226
Net cash flows	18 105	(6 519)	1 491	3 981	3 973
Ratios					
Total shareholders' equity : Total assets employed	45,8%	45,7%	46,9%	47,0%	47,4%
Net interest-bearing debt : Total assets employed	24,3%	25,8%	23,1%	22,7%	23,1%
Recurring headline earnings : Shareholders' interest	16,6%	15,8%	15,4%	14,9%	13,6%
EBITDA : Net assets	25,9%	24,6%	23,2%	22,1%	20,6%
RONA	10,4%	9,8%	9,9%	9,7%	8,8%
Interest cover (times)	7,1	8,1	8,7	9,0	8,1
Per share					
Shares issued (number – '000)	70 462	70 462	70 462	70 462	70 462
Weighted average shares issued (number – '000)	70 462	70 462	70 462	70 462	70 462
Recurring headline earnings per share (cents)	351,91	298,46	259,32	224,03	182,75
Dividend per share (cents)	112,00	94,50	82,00	65,00	50,00
Net asset value per share (rand)	22,46	19,95	17,81	15,83	14,13

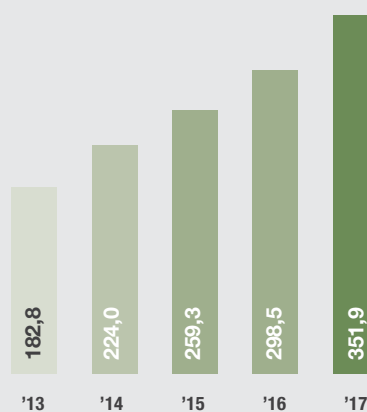
Ratios calculated on average balances.

Non-recurring expenses consist predominantly of once-off costs associated with the JSE listing.

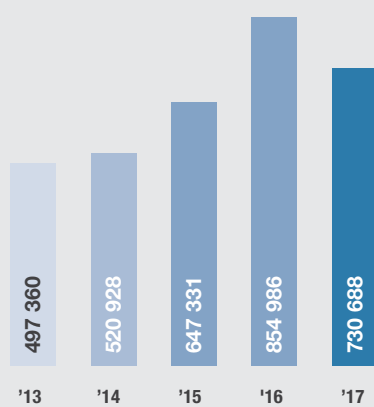
Turnover (value of transaction) R'000



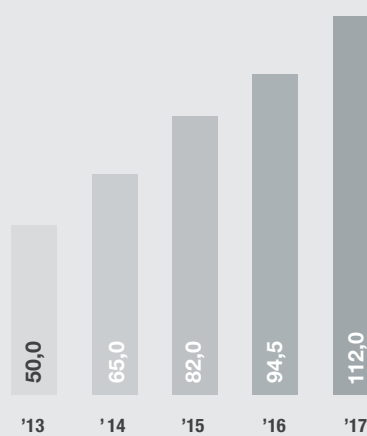
Recurring headline earnings per share Cents



Interest-bearing debt R'000



Dividend per share Cents



Governance and sustainability



Board of directors

Chairman

GM Steyn^{■*‡}

Non-executive

BS du Toit^{△‡}

D du Toit^{△‡}

JH le Roux^{*}

EA Messina^{⊙‡}

WC Michaels^{⊙‡}

CA Otto^{■*△‡}

HM Smit^{*‡}

JH van Niekerk^{■**‡}

Executive

S Walsh – Chief Executive Officer

GW Sim – Financial Director*

[△] Audit and Risk committee

[■] Remuneration committee

[⊙] Social and Ethics committee

^{*} Finance committee

^{*} Nomination committee

[‡] Independent

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Executive management

DW Beukes

J de Lange

DC Gempies[®]

C Graham

AJ Griesel

LI Human

RH Köstens

SJ Liebenberg

GW Sim

HJ Smit

WA van Zyl

GC Victor

S Walsh

Trade

Wesgraan

Human Resources

Information Management

Commercial

Financing Services

Secretary

Operations

Finance

Procurement and Logistics

Fuel and Convenience (TFC)

Finance

Chief Executive Officer

[®] Social and Ethics committee

Remuneration report

Background statement

Letter from the chairman of the Remuneration Committee ("RemCo")

It is with great pleasure that we present the remuneration report for the year ended 30 September 2017. It has been a busy year for the RemCo with the Kaap Agri Group's ("the Group") listing on the JSE and also the publication of the Institute of Directors King IV Report on Corporate Governance™ ("King IV™").

In our first remuneration report as a listed Group, we have taken a number of proactive steps to review the requirements of King IV for remuneration and where applicable have applied these or put a transition plan in place to enable compliance by the prescribed dates. In this regard we adopted the three part remuneration report approach i.e. Part 1 consisting of a background statement/chairman's letter reporting on the factors which influenced remuneration policy as well as any forward looking approaches; Part 2 containing the remuneration policy and Part 3 illustrating the implementation of the policy.

This year, in line with the requirements of the amended JSE Listings Requirements we will be putting both the remuneration policy and the implementation report to shareholders for a non-binding vote. The notice of the Annual General Meeting ("AGM") will be available on our website in December 2017.

Context

It has been a challenging year which the company has weathered given the impact of climatic conditions in the various areas that the

Group operates, compounded by foreign exchange volatility and subdued consumer confidence and spending. Despite negative external factors, the business has performed strongly and continues to deliver against its strategic medium-term targets. The Board believes the Group is well positioned for growth and further earnings growth is expected for the next year.

Activities of the RemCo

The activities of the RemCo in the 2017 financial year, included the following:

- Reviewed and approved the profit share and short-term incentive scheme (STI)
- Reviewed and approved the long-term incentive scheme (LTI)
- Approved the overall annual salary increase % for the group
- Approved the executive directors and senior management annual salary increase

As chairman of the RemCo, I and my fellow members consider the Kaap Agri remuneration policy to be aligned with and supportive of the long-term business strategy of the Group. We look forward to receiving your support for both the remuneration policy and the implementation report at the AGM.



CA Otto

Chairman: Remuneration Committee

Overview of remuneration policy

Remuneration philosophy

Our reward philosophy is focused on entrenching a high-performance culture where excellence is rewarded and mediocrity is not acceptable. At all levels of the organisation, this is evident in the design of our incentive schemes and in the management of total guaranteed pay (TGP).

We ensure that remuneration is appropriately set against a variety of factors, such as the complexity of functions, the scope of accountability, market practice and competitiveness, the alignment of risks and rewards, and the long-term objectives of the Group and its shareholders. We are committed to the principle of equitable remuneration while acknowledging there will be occasions when jobs with the same grade earn different amounts determined by market factors and justified by a reason such as a shortage of skills.

Our philosophy underpins a framework for remuneration that fulfils the following requirements:

- Enables the long-term sustainable success of Kaap Agri by linking reward to the achievement of Group strategy and the creation of shareholder value
- Attracts and retains the required skills base
- Link remuneration to performance measures
- Achieves a balance between individual, team and business performance
- Offers employees a competitive and market-aligned remuneration package with fixed salaries representing a significant remuneration component

Components of remuneration for all employees

The remuneration framework in respect of all employees is as follows:

REMUNERATION FRAMEWORK			
Guaranteed pay		Variable pay	
Basic pay	Benefits	Incentives	Allowances
Cash salary including the 13th cheque (annual bonus)	Benefits that include vehicle benefit, medical aid and retirement scheme	Profit share, STI, marketer's commission and LTI schemes based on individual and company performance	Monthly allowances not limited to only those prescribed by the bargaining council and sectoral determination agreements

Organisation-wide remuneration approach and the wage gap

Kaap Agri is committed to ensure that remuneration is responsible, fair and reasonable to both the company and the employee. During the financial year, the Remuneration Committee (RemCo) has received regular updates from the executive director: Human Resources on the remuneration arrangements for all employees, in particular the level of annual increases provided.

To ensure fair and responsible remuneration strategy, the RemCo will focus on:

- ensuring that the remuneration policy is competitive, best suited to Kaap Agri's business model, guided by best practice and compliant with regulatory requirements;
- ensuring that good governance principles are applied with regard to remuneration and there are no income disparities based on gender, race, or any other unacceptable grounds of discrimination;
- ensuring on an annual basis that employee remuneration, including that of non-permanent employees within the various bargaining councils, meets the prescribed minimum pay rate;
- ensuring that there is no unfair discrimination and that the fairness of total reward practices is continually monitored and appropriate corrective action taken where deemed necessary; and
- ensuring that remuneration practices respect the "equal work for equal pay" principle.

Basic pay and condition of service

On an annual basis the company will compare the annual increases proposed by the bargaining councils and/or sectoral determination agreements to that proposed by the Board and award the higher of these increases to eligible employees. The company ensures that employees receive the most favourable conditions of service.

Profit share

This profit share scheme applies to all permanent employees based on the level of performance in their business area, excluding the executive directors and Group managers. Also excluded is any employee earning commission, for example marketers. This amount is payable in June and December of each year in line with the scheme guidelines.

Profit share is designed to:

- motivate employees to deliver branch performance targets that contribute to the Group performance targets; and
- recognise performance on a short-term basis, based on half-year and full-year targets.

The detail of the profit share scheme is described in the profit share scheme guidelines, and reviewed annually.

Components of remuneration for executive directors and Group managers

The table below sets out an overview of the components of remuneration that apply to executive directors and Group managers.

Element	Purpose	Performance period and measures	Operation and delivery
Total guaranteed pay (TGP) <i>Includes fixed salary and benefits (e.g. vehicle benefit, medical aid and retirement scheme)</i>	To compensate the employee for time and competence at a market-related rate, taking into account individual performance and contribution	TGP is reviewed annually based on individual performance.	TGP is delivered to the employee as a cash salary and a mix of compulsory and/or discretionary benefits such as retirement fund, medical aid and vehicle allowance benefit (all benefits are funded from TGP).
STI	To create a high-performance culture through a cash bonus linked to performance against contracted deliverables with due regard to preventing excessive risk taking; and to retain and motivate key talent	Performance is evaluated annually against growth in profit before tax.	Payable in cash in December based on guidelines each year in respect of the previous financial year. All bonuses are self-funded, based on financial targets.
LTI	To increase employee motivation and thereby create alignment between employee's interests and shareholder interests; and to retain the services of valuable and highly skilled individuals who are performing exceptionally	The performance conditions are inherent in the award in that there must be an increase in the Group share price before any value is received by a participant.	Annual award of options is made entitling an individual to shares calculated with reference to the increase in share price between grant date and vesting date. Vesting occurs in equal tranches in the 2nd, 3rd, 4th and 5th year following the grant date.

Short-term incentive scheme (STI)

The STI is designed to motivate employees to deliver Group performance improvements over the financial year. Executive directors and executive managers participate in the STI with an entitlement equivalent to a proportion of TGP. The maximum amount that can be earned under the STI by the CEO/executive directors is 100% of TGP. Any amount is payable in cash following the end of the financial year.

For 2018 the following performance conditions apply:

Profit before tax	Payment as percentage of TGP
<5% growth	No payment
5% growth	8,3%
40% growth	100%

Long-term incentive scheme (LTI)

The LTI is an equity-settled management share incentive scheme (the scheme) that was implemented from 1 October 2016. Executive directors and Group managers participate in the LTI scheme.

The scheme is designed to:

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

Operation

On an annual basis, participants are awarded a number of options in the scheme. The options awarded are based on 200% of TGP for the CEO and 150% of TGP for the Financial Director. The options vest in equal tranches on the first day of the 2nd, 3rd, 4th and 5th financial year following the grant date.

On the vesting date, shares will be awarded to a participant calculated with reference to the value of the growth in the share price between the grant date and vesting date. As such participants only benefit from the Scheme if the share price has increased. Should the share price not increase, the options will be worth nil and will lapse.

Cessation of employment and effect on unvested LTI

In the case of cessation of employment, the treatment of unvested options will depend on the reason for cessation as set out below.

Reason for cessation	Treatment of unvested options
Just cause dismissal or resignation	Unvested options will lapse
Death, ill health, permanent disability, retirement, early retirement and retrenchment	Following cessation, participants will be 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 key management of the Group do not have fixed-term or bespoke key management contracts, but 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 upon termination of employment (apart from those required in terms of labour legislation), and they do not receive sign-on bonuses.

Upon cessation of employment all STI will be forfeited, and unvested LTI will be treated in accordance with the LTI policy (refer to the paragraph above titled "Cessation of employment and effect on unvested LTI").

Non-executive director (NED) fees

The fees of the NEDs consist of a fixed annual fee for services as a director and an additional fixed fee for duties on committees. NEDs are reimbursed for travelling and other costs in relation to their duties, alternatively the Group carries these costs directly.

NEDs do not qualify for any STI or LTI.

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

Proposed 2018 financial year NED fees

Fees for the 2018 financial year will be submitted for approval by the shareholders in accordance with the Companies Act, 71 of 2008 at the Group's AGM to be held on 15 February 2018. Refer to special resolution number 1, in the notice of AGM.

The proposed fees are as follows:

Directors' fees (R'000)		2018
Director – base fee		R160 000
Board Chairman		+ R250 000
Committee	Member	Chairman
Audit and Risk	+ R120 000	+ R240 000
Remuneration	+ R100 000	+ R200 000
Finance	+ R50 000	+ R120 000
Social and Ethics	+ R25 000	+ R75 000

These proposed fees are VAT exclusive.

Remuneration governance

The RemCo is a committee of the Board which is primarily responsible for overseeing the remuneration and incentives of executive directors and key management (collectively executives). The members of the committee are appointed annually by the Board and consist of at least three non-executive directors, of whom the majority is independent. The chairman is appointed annually by the Board and will be an independent, non-executive director.

There are currently three members of the RemCo, all of whom are independent non-executive directors:

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

The level of accountability for governance of 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.
RemCo	The Remuneration committee determines appropriate remuneration policies and guidelines for different groups (subject to Board approval) and monitors performance, in line with the committee's role and responsibilities.
Operational level functions	
Executive team	The executive team is responsible for compliance with their respective areas of responsibility and for the evaluation of 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 and for recommending changes to policies and practices to the Executive committee.

The RemCo has the following functions and responsibilities:

- To determine the remuneration of the Chief Executive Officer
- To determine the remuneration of the executive directors as recommended by the Chief Executive Officer
- To determine the remuneration of the non-executive directors
- To consider the remuneration of all senior managers
- To ensure that the remuneration philosophy and principles are in line with the business strategy of the Group
- To ensure a performance-based incentive scheme and performance criteria are developed and implemented
- To determine the annual average increase for staff remuneration

Implementation report in regard to the remuneration policy in the 2017 financial year

The RemCo is satisfied that Kaap Agri complied with the remuneration policy in the 2017 financial year.

TGP

The following table sets out the TGP increases for the executive directors:

	2017 R'000	2016 R'000	Change %
Executive directors			
S Walsh	4 176	4 056	2,96
GW Sim	2 437	2 272	7,26

The annual salary increase mandate is based on various factors, ranging from but not limited to the company's profit, average CPI, market salary increase indicators, etc. Performance-based pay is the cornerstone of the remuneration practices and 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.

Broadbanding	Employee group	% increase 2017
P1–4	Senior and top management	6,07
P5–9	Middle and junior management	6,18
P10–14	Admin and senior store staff	6,25
P15–18	General workers	6,67
		6,29

STI performance outcomes

Historically, the Group has operated an STI scheme based on a bonus pool arrangement with the pool divided between participants based on their TGP as a proportion of all participants TGP. During the year this scheme was phased out and has been replaced with a scheme under which the STI is calculated based on a fixed percentage of a participants TGP and the achievement against 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%	+ 20%	+ 50

As part of the transition in schemes, S Walsh received an STI under the bonus pool arrangement, however going forward he will receive an STI based on a defined percentage of his TGP and the achievement of performance conditions.

GW Sim received his STI under the new scheme with the amount earned based on the achievement of the performance conditions set out above.

LTI performance outcomes

Historically the Group has operated an incentive scheme based on phantom shares and growth. This scheme was phased out and replaced by the Equity Settled Management Share Incentive Scheme.

Single figure remuneration

The following table sets out the remuneration paid to executive directors in the 2017 financial year.

	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI [*] R'000	Total R'000
30 September 2017						
Executive directors						
S Walsh	3 595	144	437	811	2 066	7 053
GW Sim	2 096	144	197	1 500	0	3 937

* The value in the LTI column is based on the cash value of the phantom awards vesting during the 2017 financial year.

For comparison, the following table sets out the remuneration paid to executive directors in the 2016 financial year.

	Basic salary R'000	Travel allowances R'000	Retirement fund contributions R'000	Bonuses and incentives R'000	LTI [*] R'000	Total R'000
30 September 2016						
Executive directors						
S Walsh	3 427	144	485	351	2 175	6 582
GW Sim	2 082	60	130	919	0	3 191

* The value in the LTI column is based on the cash value of the phantom awards vesting during the 2016 financial year.

LTIs awarded in the 2017 financial year

The following section sets out the options which were granted to executive directors under the Equity Settled Management Share Incentive Scheme ("the scheme") during the 2017 financial year.

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	01.10.2016	113 187	2 702 906	980 199	01.10.2018
	01.10.2016	113 187	2 702 906	1 078 672	01.10.2019
	01.10.2016	113 187	2 702 906	1 155 639	01.10.2020
	01.10.2016	113 187	2 702 906	1 216 760	01.10.2021
GW Sim	01.10.2016	51 775	1 236 387	448 372	01.10.2018
	01.10.2016	51 775	1 236 387	493 416	01.10.2019
	01.10.2016	51 775	1 236 387	528 623	01.10.2020
	01.10.2016	51 775	1 236 387	556 581	01.10.2021

* 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 grant share price is outgrown. The date on which the above-mentioned existing options were granted during the year, as reflected in the scheme rules, has been corrected to 1 October 2016. This did not result in any changes to the exercise price, number of options or entitlement date.

Termination/hiring

NEDs

The table below sets out the NED fees that have been paid to each NED in the 2017 financial year. NEDs receive no other remuneration or benefits beside directors' fees. The table also indicate the directors who have resigned or was appointed within this period.

Name of NED	Appointed to the Board	Resigned from the Board	Directors' fees R'000
BS du Toit	November 2011	–	217
JH le Roux	April 2014	–	210
NC Loubser**	–	March 2017	72
HS Louw**	–	March 2017	72
CA Otto	November 2011	–	279
HM Smit	November 2011	–	181
GM Steyn	May 2012	–	360
S Totaram**	–	January 2017	46
JH van Niekerk	November 2011	–	297
D du Toit	March 2017	–	93
EA Messina*	March 2017	–	62
WC Michaels*	August 2017	–	25

* Appointed to the Board.

** Resigned from the Board.



CA Otto

Chairman: Remuneration Committee

Corporate governance report

Approach to ethical and effective governance

Kaap Agri is committed to responsible and effective corporate governance. There are a range of mechanisms, policies, procedures, committee structures and values that enable this, the most material of which 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 report clearly referenced.

King IV™ principles disclosure

As a recent adopter of King IV™, the Group endeavours to explain its application of appropriate principles and is transparent in areas of non-compliance. High-level disclosure against the 16 applicable King IV™ principles is included in a reference table. Kaap Agri's King IV™ report is available online at www.kaapagri.co.za. The full online governance report contains detail on 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 has been developed, which will be subject to non-binding advisory votes by shareholders at the AGM. In the event that 25% or more of the shareholders vote against either or both the remuneration policy and implementation report, the appropriate procedures will be initiated to engage dissenting shareholders. The precise method of shareholder engagement and timing of such engagement will be specified in the voting results announcement.

Governance structure

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

The Kaap Agri Board is chaired by a non-executive director and has 11 members. The Board is supported by five committees which each have clear terms of reference to aid the execution of their duties and the due governance required in each area of the business.

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

KAAP AGRICULTURE GROUP BOARD



Board structure

Composition and expertise

81,8% Male
18,2% Black¹

18,2% Female¹
81,8% White

8 Independent non-executive directors
1 Non-executive director
2 Executive directors

¹ The Board of Kaap Agri has taken active steps to modify the composition of the Board to better reflect the demographics of South Africa, with particular focus on black and female representation. Refer to page 28.

The Board is satisfied that the current composition enables ethical and effective leadership, but will seek to improve diversity further.

Board meeting attendance

Member	Meetings attended
BS du Toit	4/4
D du Toit (Appointed: 1 March 2017)*	2/4
JH le Roux	4/4
SJ Liebenberg (Retired: 1 March 2017)**	2/4
NC Loubser (Retired: 1 March 2017)*	2/4
HS Louw (Retired: 1 March 2017)*	2/4
EA Messina (Appointed: 1 March 2017)*	1/4
WC Michaels (Appointed: 1 August 2017)*	1/4
CA Otto	4/4
GW Sim*	4/4
HM Smit	3/4
GM Steyn	4/4
S Totaram (Resigned: 30 January 2017)*	1/4
JH van Niekerk	4/4
S Walsh*	4/4

Key

* Executive

* Did not fulfil role as a Board member for the full year

Refer to the Rotations feedback on page 35 for details of changes to the Board.

During the financial year, one Board member resigned due to work commitments and two directors retired by rotation. A further executive director retired during the year as an employee of Kaap Agri. New members were recruited and appointed during March and August 2017.

In terms of the gender diversity policy two females (of which one was black) and one black male were appointed to the Board during the financial year.

Board profiles as at 30 September 2017

BS du Toit (60)	Independent non-executive director	
Appointment dates:	Board in November 2011 Audit and Risk committee in February 2012	
Qualifications:	BAgric (Management)	
Committee membership:	Audit and Risk	
Other board memberships:	Freshgold SA Exports (Pty) Ltd Wydekloof (Pty) Ltd Langrivier Beleggings (Pty) Ltd	32 Degrees South Fruit (Pty) Ltd Langrivier Boerdery (Pty) Ltd Aartappels SA
D du Toit (41)	Independent non-executive director	
Appointment dates:	Board in March 2017 Audit and Risk committee in May 2017	
Qualifications:	BComm (Hons)	
Committee membership:	Audit and Risk	
Other board memberships:	De Keur Beherend (Pty) Ltd De Keur Agri (Pty) Ltd De Keur Landgoed (Pty) Ltd De Keur Marketing (Pty) Ltd De Keur Verpakking (Pty) Ltd	De Keur Berries (Pty) Ltd Tipmar (Pty) Ltd Witzenberg Pals (Partners in Agri Land Solutions) PBO Breyton Paulse Foundation NPC

JH le Roux (42)		Non-executive director
Appointment dates:	Board in April 2014	
Qualifications:	BAcc (CTA), HDip (Tax) and CA(SA)	
Committee membership:	Finance	
Other board memberships:	Cerula 23 (Pty) Ltd Zeder Corporate Services (Pty) Ltd French Rose 24 (Pty) Ltd Zaad Holdings Limited Paternoster Pumphouse (Pty) Ltd Capespan Group Limited	Zeder Financial Services Limited Zeder Investments Limited Zeder Africa Limited Zeder Management Services (Pty) Ltd Bakenskraal Investments (Pty) Ltd The Logistic Company (Pty) Ltd
EA Messina (59)		Independent non-executive director
Appointment date:	Board in March 2017	
Qualifications:	BA (Hons), MA Southern African Studies, MA (History) (Cum laude) and DPhil (History)	
Committee membership:	Social and Ethics (chairman)	
Other board memberships:	SBI (formerly AHI) Groot Constantia Trust Cape Town Radio	The Du Toit Group Isipani Construction
WC Michaels (44)		Independent non-executive director
Appointment date:	Board in August 2017	
Qualifications:	BSc, BSc (Hons), MSc and PhD (Polymer Chemistry)	
Committee membership:	Social and Ethics	
Other board memberships:	N/A	
CA Otto (68)		Independent non-executive director
Appointment dates:	Board in November 2011 Audit and Risk committee in May 2017 (chairman)	
Qualifications:	BComm, LLB	
Committee membership:	Audit and Risk (chairman) Remuneration (chairman) Nomination	
Other board memberships:	PSG Financial Services Limited PSG Group Limited Capitec Bank Limited Capitec Bank Holdings Limited Zeder Investments Limited	Zeder Financial Services Limited Capevin Holdings Limited Remgro-Capevin Beleggings Limited Distell Group Limited
GW Sim (47)		Financial Director (executive)
Appointment date:	Board in August 2015	
Qualifications:	BComm (Acc), BComm (Acc) (Hons) CA(SA)	
Committee membership:	Finance	
Other board memberships:	TFC Ventures (Pty) Ltd TFC Strand (Pty) Ltd TFC Properties (Pty) Ltd TFC Operations (Pty) Ltd Agriplas (Pty) Ltd	Kaap Agri Bedryf Limited Empowerment and Transformation Investments (Pty) Ltd Kaap Agri (Namibia) (Pty) Ltd Kaap Agri (Aussenkehr) (Pty) Ltd Mirage Motors (Pty) Ltd

HM Smit (54)	Independent non-executive director	
Appointment date:	Board in November 2011	
Qualifications:	BEcon, MA (Town and Regional Planning)	
Committee membership:	Finance	
Other board memberships:	N/A	
GM Steyn (58)	Independent non-executive director (chairman)	
Appointment date:	Board in June 2012	
Qualifications:	BA (Law), LLB	
Committee membership:	Remuneration Nomination	
Other board memberships:	Du Toit Group (Pty) Ltd (chairman) RCL Foods Limited Leopard Creek 21 (Beleggings) (Pty) Ltd	GMS Beleggings (Pty) Ltd NS Beleggings (Pty) Ltd Neusberg Boerdery
JH van Niekerk (61)	Independent non-executive director	
Appointment dates:	Board in November 2011 Audit and Risk committee in February 2017 (resigned September 2017)	
Qualifications:	Served as a pilot in the SADF	
Committee membership:	Finance (chairman) Remuneration Nomination	
Other board memberships:	Kosie van Niekerk Boerdery (Edms) Bpk	
S Walsh (51)	Chief Executive Officer (executive)	
Appointment dates:	Board in November 2011	
Qualifications:	BEcon (Hons)	
Committee membership:	N/A	
Other board memberships:	Newco Water (Pty) Ltd Kaap Agri Bedryf Limited Agriplas (Pty) Ltd Kaap Agri (Namibia) (Pty) Ltd	TFC Properties (Pty) Ltd TFC Strand (Pty) Ltd TFC Ventures (Pty) Ltd
RH Köstens (60)	Company Secretary	
Appointment date:	November 2011	
Qualifications:	BA (Law), LLB, LLM, Postgraduate diploma in Taxation and an MBA	

Governance report for 2017

Approach to compliance

The Group recognises its responsibility to ensure that it complies 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 or arbitration proceedings or pending proceedings. Refer to the Risk report on page 37, and to our online governance report for more information on our compliance approach (including the role of the Compliance officer, Audit and Risk committee and Internal Audit).

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 that interact with the Group. Refer to pages 48 and 73.

All of our 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 that directors need to obtain permission to deal in securities and details of any dealings must be disseminated on the JSE Stock Exchange News Service (SENS). Employees are further directed by policies on private interests, extramural activities and external remuneration to avoid conflict of interest. The Group has a gift register for registering tangible and intangible gifts.

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

Committees and their roles in the governance structure

The Group's various committees facilitate the discharging of 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. The qualification and experience of each member is disclosed on pages 28 to 30.

Committee summary

Committee	Members ¹	Meetings attended	Mandate
Audit and Risk committee	Chairman: CA Otto ²	1/2	The Audit and Risk committee assists the Board by providing an objective and independent view on the Group's finance, accounting and control mechanisms.
	S Totaram ³	1/2	
Total meetings: 2	JH van Niekerk ⁴	1/2	During the year, the following was actioned: <ul style="list-style-type: none"> The accounting policies of the Group were reviewed and the committee is satisfied that the policy is in line with generally accepted accounting principles. The effectiveness of the Group's information systems and internal controls was established. The external auditors were appointed and their effectiveness monitored. This included ensuring that the use of external auditors for non-audit services was kept to a minimum. The integrated report and specifically the annual financial statements included therein were reviewed and approved. With regard to the annual financial statements, the Audit and Risk committee considered the following as significant: credit risk (in particular debtors), management of stock, ethics and governance, controls, provisioning, impairment, tax compliance, correctness and accuracy. The Group has addressed these considerations through proper provisioning in terms of existing policies.
	BS du Toit ⁵	2/2	
	D du Toit ⁶	0/2	
	JH Le Roux ⁷	1/2	
	Invitees:		
	<ul style="list-style-type: none"> GM Steyn – independent non-executive director S Walsh – executive director (Chief Executive Officer) GW Sim – executive director (Financial Director) GC Victor – Group Manager: Finance 		

Committee	Members ¹	Mandate
Audit and Risk committee (continued)	Invitees (continued): <ul style="list-style-type: none"> • P Steyl – Executive Manager: Internal Audit • K Arendse – External auditor, PwC • H Zeelie – External auditor, PwC 	<ul style="list-style-type: none"> • The committee considered presentations by Internal Audit on ethics, governance and controls, and management reports on operational and financial matters. Recommendations were made to the Board on several matters. The committee deems the internal financial controls of the Group to be adequate. • The committee reviewed the Group's risk assessment, assessment of the controlled environment and governance. This was done to ensure that risks are properly addressed and that the level of compliance, with proper governance, is in line with expectations. The committee is satisfied with the outcome of these evaluations. • The reports of the external auditors were reviewed and appropriate action taken. • The JSE letter dated 14 February 2017 regarding the JSE Proactive Monitoring Process (2016 report) was considered and appropriate action was taken to respond to the findings in the report. • The Group's going concern status and compliance with applicable legislation and requirements of regulatory authorities was confirmed. • In terms of risk management (through consultation with the external auditors), the committee ensured that management's processes and procedures are adequate to identify, assess, manage and monitor Group-wide risks. • The committee appointed the external auditors and determined their compensation. The external auditor is PricewaterhouseCoopers (PwC), who has provided audit services to the Group for 81 years. The committee remains satisfied that the external auditor is independent. The audit partner used by PwC is rotated regularly, and the committee is satisfied with the arrangements for the external audit, and the effectiveness of the designated auditor, Hugo Zeelie. The quality of the audit performed this year was deemed satisfactory by the committee and the independent auditors report indicates that the Group's financial statements fairly reflect the financial state of the company in accordance with International Financial Reporting Standards and requirements of the Companies Act, No. 71 of 2008, as amended. The Group complies with legislative and JSE requirements, rotating to a new audit partner every five years. The last rotation of the audit partner was in 2015. • The committee appraised and is satisfied with the appropriateness, expertise and experience of the Financial Director, who is driving the overall effectiveness of the Group's finance function. • The committee is satisfied that appropriate financial reporting procedures are in place and are operating. • The Group's combined assurance model provides comfort that actions are in line with good governance management and the committee is of the view that it is effective.

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

² Chairman from 4 May 2017.

³ S Totaram resigned on 30 January 2017. Chairperson until 30 January 2017.

⁴ Appointed to the committee at the AGM held 16 February 2017. Due to work commitments, JH van Niekerk resigned as member of the committee on 20 September 2017.

⁵ Re-appointed to the committee at the AGM held 16 February 2017.

⁶ Appointed to the committee at the Board meeting on 4 May 2017.

⁷ Re-appointed to the committee, at the AGM held 16 February 2017, and resigned on 4 May 2017. Due to King IV™ alignment, JH Le Roux was subsequently replaced with CA Otto as he was not independent.

Committee	Members ¹	Meetings attended	Mandate
Remuneration committee	Chairman: CA Otto	2/2	The Remuneration committee is primarily responsible for reviewing and approving the remuneration of executive directors' and senior management, and for succession planning.
	GM Steyn	2/2	
Total meetings: 2	JH van Niekerk	2/2	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 that such total remuneration is fair and reasonable to both the directors and the Group.
	S Walsh ²	1/2	
	Invitees:		
	<ul style="list-style-type: none"> S Walsh – executive director (Chief Executive Officer) GW Sim – executive director (Financial Director) DC Gempies – director HR (subsidiary – Kaap Agri Bedryf Limited) 		More information about the committee and remuneration is available in the Remuneration report on page 20.

¹ A majority of the members of the specified committee are non-executive directors, most of whom are independent.

² Resigned from the committee on 20 September 2017 in terms of King IV™ requirements.

Committee	Members ¹	Meetings attended	Mandate
Nomination committee	Chairman: GM Steyn	1/1	The role of the Nomination committee is to assist the Board in ensuring that it has the appropriate composition in terms of structure, size, diversity, skills and independence for it to execute its duties effectively.
	CA Otto	1/1	
Total meetings: 1	JH van Niekerk	1/1	This year, the committee actioned its mandate by making recommendations for new directors and ensuring that recruited directors were appointed through a formal process.
	Invitees:		
	<ul style="list-style-type: none"> S Walsh – executive director (Chief Executive Officer) 		The Nomination Committee adopted and approved a Gender Diversification Policy. Identifying suitable candidates for appointment to the Board, the committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at Board level. The committee will continue to discuss and annually agree all measurable targets for achieving gender diversity on the Board.

¹ All the members are independent, non-executive directors.

Committee	Members ¹	Meetings attended	Mandate
Social and Ethics committee	Chairman: EA Messina ²	0/1	The purpose of the Social and Ethics committee is to monitor the Group's activities regarding its social and economic standing and development, good corporate citizenship, the environment, health and public safety, consumer relationships and compliance to applicable laws.
	WC Michaels ²	0/1	
Total meetings: 1	DC Gempies	1/1	
	S Totaram ³	1/1	The committee reported to shareholders on matters within its mandate and raised matters of relevance to the attention of the Board.
	GW Sim ⁴	1/1	Read more about social and community investments in the Social and Ethics report on page 41.
	Invitees:		
	<ul style="list-style-type: none"> S Walsh – executive director (Chief Executive Officer) P Steyl – Executive Manager: Internal Audit J Engelbrecht – Executive Manager: Communication 		<p>Focus areas for the year:</p> <ul style="list-style-type: none"> B-BBEE, ethics, governance, transformation and the Group's social responsibility activities were reviewed. The necessary steps to improve the Groups B-BBEE score were considered. With regard to ethics, governance, the environment health and safety, relevant policies and actions were evaluated. When reviewing transformation, the committee paid particular attention to employment equity and reviewed the Group's contributions to social responsibility. <p>Focus areas for the future:</p> <ul style="list-style-type: none"> The number of Social and Ethics committee meetings will increase from one to at least two in 2018. The Group intends to increase the frequency of meetings to three annually to ensure adequate oversight. The agenda of the Social and Ethics committee will be formalised and structured to include measurable reporting on ethics and stakeholders. Transformation and ethics will remain core focus areas in future.

¹ A majority of the members of the specified committee are non-executive directors, most of which are independent.

² EA Messina and WC Michaels were only appointed on 20 September 2017.

³ S Totaram was the chairperson from May 2012 until resignation on 30 January 2017.

⁴ GW Sim resigned as member on 20 September 2017.

Committee	Members ¹	Meetings attended	Mandate
Finance committee	Chairman:		The mandate of the committee is to ensure that the financing activities of the
Total meetings: 3	JH van Niekerk	3/3	Group are managed efficiently.
	NC Loubser ²	3/3	The committee is responsible for approving and refining the Credit policy, and approves certain high-value applications, where the amount exceeds the authority of the officials.
	HS Louw ²	3/3	
	GW Sim	3/3	Another key committee responsibility is the establishment of 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,
	HM Smit	3/3	the financing services department has the authority to obtain underlying securities from individuals who apply for credit. Accordingly, it is the task of the committee
	JH le Roux ³	0/3	to conduct credit screenings, evaluate credit risks and to register underlying securities in line with the Credit policy approved by the committee.
	Invitees:		
	<ul style="list-style-type: none"> LI Human – Group Manager: Financing Services S Walsh – executive director (Chief Executive Officer) Other members of financing services department as and when needed 		

¹ A majority of the members of the specified committee are non-executive directors, most of whom are independent.

² NC Loubser and HS Louw are not Board directors and retired during February 2017. Both are still members of the committee.

³ Appointed on 20 September 2017.

All the Group's committees are satisfied that they have fulfilled their responsibilities according to the respective mandate 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 recently listed on the Johannesburg Stock Exchange (JSE), governance structures have been embedded for many years. The most significant challenge for the business is to formalise and document practices that have been effective in governing Kaap Agri up until now. This includes our approach to **recruitment, evaluation, training and rotation**.

Recruitment	<ul style="list-style-type: none"> The Nomination committee provides clear policies on recruitment and criteria for selection of appropriate candidates in line with the provisions of the MOI. Directors are nominated by the Board and elected at the AGM for three years. One third of the directors must rotate annually. Induction for new Board members will be formalised going forward.
Rotation	<ul style="list-style-type: none"> The Group's Nomination committee is responsible for reviewing the composition of the Board in terms of race and gender diversity, tenure, expertise, skills and independence. <ul style="list-style-type: none"> NC Loubser and HS Louw were due to rotate at the AGM on 16 February 2017, but both did not make themselves available for a new term. This provided an opportunity to diversify the Board's composition. Three new directors were appointed: D du Toit (1 March 2017), EA Messina (1 March 2017), and WC Michaels (1 August 2017). S Totaram resigned on 30 January 2017 due to work commitments. SJ Liebenberg retired from the Board on 1 March 2017. <p>With the exception SJ Liebenberg, all the directors who retired or resigned were non-executive directors.</p> <ul style="list-style-type: none"> The Board is comfortable with the progress made regarding diversity and intends to continue adjusting the composition of the Board in future. This will be achieved through clear targets for gender and race diversity to be implemented through the Race and gender policy.

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, with unencumbered access to the Board. Kaap Agri believes that an appropriate arm's length relationship exists between the Group's Company Secretary and the Board. Refer to page 30 for the Company Secretary's experience and skills.

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

Executive committee

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

Risk report

The Board of directors is accountable and responsible for the assessment and management of risk and 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 and monitors and reports on the effectiveness of the risk identification, assessment and management process. The Group considers governance of top business risks to be a high priority and focus is on risks with a high impact or likelihood of occurrence in the context of the Group's risk appetite. Our risk appetite refers to the amount of risk we are willing to take to achieve our strategic objectives and takes into account revenue growth, earnings sustainability, environmental impact, employee well-being and health and safety, among others. This risk appetite is reviewed regularly.









Implementation of risk management lies with management and staff. The business has a Group-wide risk assessment process that escalates the most 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
- Processes

Top business risks have been identified, assessed, and prioritised according to the risk ratings, which are assessed by considering the inherent (with no controls) and residual (with mitigating actions) nature of the risk.

The top ten risks identified as having the most significant impact on Kaap Agri's ability to achieve its strategic objectives in the short and long term are described in more detail below.

No	Risk	Description	Mitigating actions	Strategic plan impact
1	Adverse political conditions and regulatory pressure	<p>Onerous B-BBEE accreditation requirements could have a negative impact, especially within the fuel environment</p> <p>Land appropriation without compensation would have a significant and devastating impact on our agricultural customer base</p> <p>Political uncertainty and its influence on the macroeconomy</p>	<p>Implementation of dedicated plans to improve empowerment status</p> <p>Training and monitoring of compliance with laws and regulations</p> <p>Member of Agbiz</p>	    
2	IT-related risk	<p>As a retailer and trader we depend heavily on computer systems</p> <p>Disruption of our IT environment would have a major influence on our ability to service our customers</p>	<p>Advanced IT governance framework</p> <p>Disaster recovery programmes</p> <p>Advance technical security controls</p> <p>Physical security controls</p> <p>Insurance</p>	  

No	Risk	Description	Mitigating actions	Strategic plan impact
3	Aggressive competitor activity	Increased competitor presence as well as ongoing price aggression	<p>Ongoing customer engagement and relationship management</p> <p>Expansion of existing retail offerings and footprint</p> <p>Investment into central procurement and logistics to enable and ensure the lowest-cost offering to customers</p> <p>Ongoing supplier engagement</p>	    
4	Bad debts	Material default of one or more significant debtors due to natural causes, drought or crop failure	<p>Appropriate credit policies</p> <p>Regular review of debtors by finance committee</p> <p>Wide product range and geographical spread of debtors</p> <p>Experienced and knowledgeable credit-vetting staff</p> <p>Appropriate securities</p>	 
5	Commodity trading (as market agents)	<p>Kaap Agri is involved in the trading of grain products</p> <p>This involves various risks, including delivery risk, storage risk and price risk</p>	<p>Specific policies and mandates dealing with administrative and legal processes and price hedging</p> <p>Daily reconciliation of all commodity and commodity-hedging transactions.</p> <p>Monthly Wesgraan committee meeting including CEO and FD</p>	
6	Loss of a key asset	Material damage or destruction of key asset	<p>Health and safety policies and procedures</p> <p>Business continuity plans</p> <p>Insurance</p>	  
7	Health and safety and environment	<p>Injury or death of a customer/employee</p> <p>Environmental damage, specifically due to a fuel-related incident</p>	<p>Comprehensive health and safety policies and procedures</p> <p>Health and safety audits</p> <p>Insurance</p>	   
8	Bad debts	Material default of one or more significant debtors due to fraud or sequestration	<p>Appropriate credit policies</p> <p>Regular review of debtors by finance committee</p> <p>Experienced and knowledgeable credit-vetting staff</p> <p>Appropriate securities</p>	 

No	Risk	Description	Mitigating actions	Strategic plan impact
9	Inability to retain key personnel	Negative impact on operations due to loss of key personnel and talent	People-centric culture (“mens-mense”) Talent pool and development Succession planning Remuneration policy aligned with individual and Group performance	   
10	Capital constraints	Our aggressive growth strategy could put pressure on available capital resources	Ungeared asset base and strong earnings track record Entrenched relationships with financiers Ability to raise equity finance improved post listing	    

After considering the impact of mitigating measures, we are of the view that none of the top ten risks fall within a high-risk category, as reflected in the graph below.

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 and no material fines were incurred.

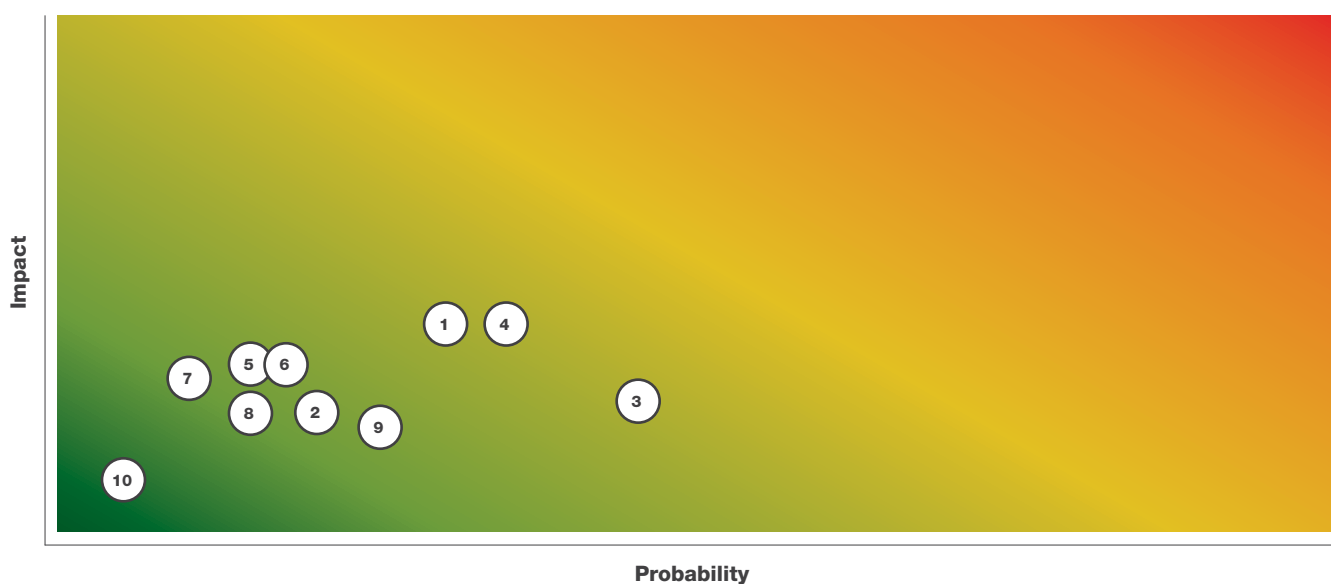
The Board, via the Audit and Risk committee, has considered the effectiveness of the risk assessment and management process, policies and procedures and is satisfied with the effectiveness thereof.



CA Otto

Chairman: Audit and Risk committee

Residual risk



Report of the Social and Ethics committee

Composition and attendance of meetings

The composition of the committee and attendance of meetings are set out on page 34.

Key functions and responsibilities

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
- Compliance to applicable laws.

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 41.

Opinion

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.



EA Messina

Chairman: Social and Ethics committee

Social and Ethics report

Introduction

Kaap Agri's employees have become well known as "mens-mense" who care and who want to contribute meaningfully to improving the lives of others by giving back to their respective communities. The purpose of Kaap Agri's care initiative is therefore to make a significant impact in the local communities in which we operate through partnerships with organisations who are aligned with our purposes.

The communities within which Kaap Agri conducts its business, are regarded as key stakeholders, and employees are therefore encouraged to become involved in local community initiatives at grass roots level. The year in review, has yet again shown that our employees take immense pride in the numerous projects we have undertaken at branch level as is evidenced by their participation therein.

Donations, sponsorships and contributions to local communities have a bias to supporting the rural communities and are aligned to education as an enabler to economic transformation and poverty alleviation.

The Kaap Agri Academy and the Bursary Programmes are flagship programmes which have exhibited sustained success since inception and which have also contributed to job creation in the rural economy.

The Kaap Agri Academy

In 2009, the vision of establishing an Academy which provides training and development to aspiring farmers and farmworkers in Porterville was realised. Since its inception, this programme has been consistently reviewed for relevance and refined to ensure maximum benefit to learners.

During the 2017 financial year, the Academy presented two distinct Learnership Programmes in the categories of Mixed Farming with a NQF Level 2 accreditation, as well as a programme in Animal Production with a NQF level 3 accreditation.

The programme in Mixed Farming, which is attended annually by approximately 25 students, is an intensive farming development program stretching over several months, and includes theoretical and practical training. The aim of this course is to fully equip existing and prospective farmers with practical and management skills so as to facilitate their development into commercial farmers.

The Animal Production Programme is an advanced programme, and follows quite a rigorous selection process providing an opportunity for the best of breed students to further their studies after having successfully completed the Mixed Farming Programme.

The results of the Kaap Agri Academy have been excellent and the impact has been tangible, such that this programme has received the focus of the Department of Agriculture: Western Cape, who have come on board as a partner and co-sponsor of the Mixed Farming Programme.

The Academy's aim is to provide holistic support and training in the Agricultural Sector and therefore also trains farmworkers on an extensive range of short courses, such as welding, chemical handling, first aid, maintenance of tractors and implements, pruning, forklift training, identification of diseases and productivity management.

Since its inception in 2009, more than 235 emerging farmers and 4 700 farmworkers completed training programs at the Kaap Agri Academy.

During the past year Kaap Agri's investment in the academy exceeded R1,2 million with 43 learners having graduated. Twenty-three of these learners completed the Mixed Farming Learnership Programme and twenty learners completed the advanced Animal Production Learnership Programme. All learners have access to land, which is either owned or leased from government or the private sector, thus empowering them to put into practice what they have learned in the classroom and thereby creating a direct positive economic impact in the lives of learners and their dependants.

Bursary programme

In 2009, Kaap Agri initiated its Bursary Programme with the sponsoring of two historically disadvantaged Grade 8 learners at the Boland Landbou Agricultural school near Paarl.

This program has since grown with leaps and bounds, and during the past year, 38 scholars at six schools have benefited from this programme.

We are proud to continue our support of a learner from the Boland Landbou School, who, having been a beneficiary since Grade 8, has now qualified for a Kaap Agri bursary to continue his studies at the

University of the Western Cape, with a view to taking up employment up with Kaap Agri at the end of his studies.

During the past year, we invested more than R1 million in the Bursary Programme, positively impacting 39 of learners.

Highlighting community projects

As referred to in the introduction, Kaap Agri has a “mens-mense” approach to Socio Economic Development and our retail outlets ensures participation in relevant community-related programmes on a regular basis.

A high-level overview of these projects are noted below:

The Pebbles – Hemel en Aarde Education Project

The Pebbles Education Project provides daily transportation for children from the rural Hemel and Aarde Valley to the nearest High School which is located in Caledon, approximately 30 km away.

Kaap Agri supported this worthy project by having contributed to the procurement of a new 22 seater bus which would provide transportation for these High School learners to Caledon, thereby opening up access to education while allowing them to have the security of living with their parents. The utilisation of the bus is optimised to ensure benefits for pre-school and primary school learners, based on their needs.

Natural disasters

As various communities are impacted by natural disasters from time to time and wreak havoc in their wake, Kaap Agri has taken the approach that because “we are, because of others”, to support where possible, those who have been affected by natural disasters.

Kaap Agri contributed by making a meaningful donation to Southern Farms, whose employees were affected by the devastating storm in the Northern Cape, leaving many of the farmworkers homes completely destroyed.

The tragic and devastating fire disaster in Knysna and adjacent areas caused tremendous damage to many of its residents, with the informal settlements in particular, being impacted the most.

In collaboration with Capespan, Kaap Agri provided disaster relief to the residents of this area, and in so doing, it was decided to donate building materials towards the rebuilding of the houses in the informal settlements with the biggest needs, namely Nekkies, Ou Pad and White Location.

Working with the Knysna Municipality’s housing department, building materials which were most urgently required, was delivered from the local Agrimark store and the project was co-ordinated from Kaap Agri’s Langkloof Agrimark.

This collaboration between Capespan and Kaap Agri demonstrates what could be achieved when two great companies unite with a common objective to make a meaningful difference.

Ceres Business Initiative (CBI) Project

The CBI established an entrepreneurs program in 2015 to equip small business owners with further entrepreneurial skills to further develop their businesses.

Businesses were identified from the Cape Winelands District Municipality’s SEED program, and after a full assessment, certain businesses were selected to be managed by the CBI programme.

Assistance is given through venture capital and/or training and mentorship by existing business owners. The target of the CBI project is to eventually assist ten entrepreneurs in being more competitive within the Ceres business community. This target is well within reach as they have signed-off on 4 new business owners having the requisite skills set and funding available to effectively compete in the Ceres business environment.

Kaap Agri is a financial contributor towards this worthy cause.

Porterville Community Project

The Porterville Community Association has been supporting the poorest of the poor for the 13th year in succession.

The Association’s wheat cultivation project is making a difference to the local community since its inception in 2004. Wheat is annually planted on 25 hectares of land which was made available by the local municipality.

Kaap Agri was a founder member of the Association, and plays a significant role in ensuring the sustainability of this project.

Currently, Kaap Agri representatives serve on the Porterville Community Association’s Committee and are the main drivers of this project. Several local suppliers are also involved in the project through the contribution of seed, chemicals, fertiliser, services, implements etc.

The Porterville Primary and High schools, the local old age home, Nerina, as well as a welfare organisation called Badisa, were this year’s beneficiaries.

Supplier golf day

Since its inception six years ago, the Kaap Agri supplier charity golf day has become a very special event on the Kaap Agri calendar, and is keenly supported by Kaap Agri’s suppliers.

The proceeds of these golf days are donated towards four needy farm schools carefully selected within Kaap Agri’s area of operation.

Needless to say, these substantial contributions are very well received by these schools every year, and this partnership with our suppliers reflects the business ethos we engender in our relationships with our suppliers.

Black Economic Empowerment (B-BBEE)

The Board believes that B-BBEE is a political, social and economic imperative and it supports and encourages all initiatives in this regard.

Kaap Agri measures its B-BBEE status against the AgriBEE Sector Codes as set by the Department of Trade and Industry.

In terms of Kaap Agri's latest B-BBEE assessment performed during 2017, a score of 85,12 was obtained, thereby achieving a Level 2 contributor status. A copy of the certificate is available on the website, www.kaapagri.co.za.

Amendments to the AgriBEE sector codes are expected to be introduced shortly, and when this would become effective, it would materially affect Kaap Agri's rating and status, as the number of points required to achieve a particular level, will increase.

• Ownership

Black ownership is currently at 26,8% and the black female ownership is 9,0%, an increase of 17,6% on the previous year.

Employee and Farmworker Trust

5% of Kaap Agri's shares have been issued to the Kaap Agri Employee and Farmworker Trust. The income beneficiaries are farmworkers, their families and local communities, as well as Kaap Agri Employee members.

Currently, the Trust is managed by four Trustees, two of whom are independent.

The income received in the form of dividends is utilised to redeem the Trust debt, although 10% of the amount is available for distribution among beneficiaries.

The Trust makes funds available to qualifying employees of the designated group through a revolving housing loan fund. During 2017, 47 employees benefited from this fund of which 32% were women.

The Trust also supported another 8 projects in rural areas catering mainly for women and children of farmworkers.

The total number of beneficiaries for the year was 2 925 of which 51% were women.

• Management control

The composition of the Board is structured in such a way as to ensure that the collective skills and experience of directors are suitable to carry out their responsibilities and to achieve the company's objectives. On Management Board level, one of the six members is black.

• Employment equity

Employment equity is the most significant focus of transformation for Kaap Agri. New appointments and promotions are not only effected in accordance with the guidelines of the Employment Equity Act, 55 of 1998 ("the Employment Equity Act"). The Group's policy also determines that all appointments and promotions must first be measured against the internally set targets to accelerate representation. Representation at senior management level, although still falling short due to a low staff turnover, has improved and remains an ongoing priority.

All employees are governed by the same policies and conditions of service, and all enjoy equal access to all available benefits and schemes. Exceptions may arise only where the Bargaining Councils, which regulate certain sectors of Kaap Agri's business, determine otherwise.

• Skills development

The Group is an active participant in the AgriSETA, and complies with the Skills Development Act, 97 of 1998 ("the Skills Development Act") in terms of its payroll where training levies are paid over to South African Revenue Services. Several learnerships are conducted on an ongoing basis under the SETA and more than 700 internal learnerships have already been completed. The company is an accredited training services provider for the AgriSETA and also provides training to people not employed by Kaap Agri.

About 65% of the total training budget is spent on employees from the designated category.

• Preferential procurement

Kaap Agri is a retail services group which supplies a variety of products and services mainly to the agricultural sector, but also to the general public. Its procurement profile is characterised by the supply of a variety of products that the customer needs. The Group purchased more than 75% of their products in 2017 from B-BBEE – accredited suppliers, and the focus is to increasingly procure from Exempted Micro and Qualifying Small Enterprises.

• Enterprise development

A considerable amount of time and resources are spent on enterprise development initiatives. Interest-free loans with no security were also made available to black-owned enterprises to obtain shares within the Group and other entities.

Stakeholder relations

Kaap Agri's engagement with stakeholders is built on the philosophy that our stakeholders should be better off because of our existence.

For this reason, Kaap Agri's relationship with its stakeholders is entrenched and supported by its Code of Ethics. It is Kaap Agri's endeavour to ensure that a stakeholder-inclusive approach to corporate governance is followed at all times.

Effective communication with stakeholders using a wide variety of methods to get a better understanding and to respond to issues that are important to them, is a keen focus area in the way the business is managed.

Every effort is also made to ensure that communication with stakeholders is understandable, balanced, trustworthy and transparent.

Kaap Agri has many economic impacts on its stakeholders. This is done through the creation of wealth, employment, competitive remuneration of employees and corporate social investment.

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

Interests of our stakeholders

Stakeholder groups having a definite impact on Kaap Agri's ability to create value are listed in the table on page 45. The table gives an abbreviated indication of how the stakeholders impact on value and also outlines some of their interests pertaining to Kaap Agri's business activities.

Relationships	Means of engagement	Interests
Government and regulators		
<ul style="list-style-type: none"> Provides access to business through operating licences etc. which is the basis of creating value Regulatory measures are imposed with potential cost implications Provides business opportunities through tenders 	<ul style="list-style-type: none"> Consultation and public forum participation Submissions and engagement on draft regulations and bills Engagement through industry consultative bodies Publication of policy engagement papers One on one engagement as well through visits to key government departments 	<ul style="list-style-type: none"> Promoting opportunities for job creation and socio-economic development (including transformation) Protecting consumer interests on service, quality, costs and privacy Regulatory compliance on issues such as price, security, safety, health and environmental performance Contribution to the tax base
Customers		
<ul style="list-style-type: none"> Customers purchase our products and services, which forms the basis for growth in revenue 	<ul style="list-style-type: none"> Digital platforms – Kaap Agri website Social media platforms inter alia, Facebook Retail outlets Media 	<ul style="list-style-type: none"> Customer centricity translates into ongoing market relevance and an increasing revenue base Better value offerings “Mens-mense” treatment Opportunities for constant feedback and dialogue provides opportunities for continuous improvement and building brand equity
Shareholders		
<ul style="list-style-type: none"> Provide the financial capital necessary for sustainability and growth 	<ul style="list-style-type: none"> Annual, Interim and quarterly results announcements Investor relations section on our website SENS announcements Annual general meeting 	<ul style="list-style-type: none"> Strategy to ensure a sustained financial performance Responsible investment to ensure growth, manage risks and explore opportunities Transparent executive remuneration Responsible allocation of capital Sound corporate governance practices Stable dividend policy
Employees		
<ul style="list-style-type: none"> Employees who are fully engaged and living the “mens-mense” culture that resonates with everyone, is the basis for sustained growth and success 	<ul style="list-style-type: none"> One on one engagements with employee groups – employees/ leadership teams Internal website Internal publications and electronic communication Visual communication board 	<ul style="list-style-type: none"> Clear career paths and opportunities for career development CARE programme Mobilise, execute and transform with agility Competitively remunerated Profit sharing scheme

Relationships	Means of engagement	Interests
Suppliers		
<ul style="list-style-type: none"> Impact on our ability to provide quality products available at market related prices at the right place at the right time 	<ul style="list-style-type: none"> JDA System Site visits Audits Supplier Information Days Supplier of the year awards 	<ul style="list-style-type: none"> Timely payment and fair terms Broad-Based Black Economic Empowerment (B-BBEE) compliance Improving health and safety standards Focused efforts for consistency and improvement
Media		
<ul style="list-style-type: none"> Crucial role in keeping stakeholders informed of our business, including our products and services and the impact of our business 	<ul style="list-style-type: none"> Face-to-face, telephonic and electronic engagement Interviews with CEO and key executives Media releases and product-related publicity 	<ul style="list-style-type: none"> Transparency Keeping stakeholders informed of key activities and offerings
Communities		
<ul style="list-style-type: none"> By nurturing and strengthening the socio-economic context within which we operate, we will ensure the longer term viability of our business 	<ul style="list-style-type: none"> “Mens-mense” approach with Corporate Social Investment programme Bursary programme Kaap Agri Academy Kaap Agri Employee and Farmworker Trust 	<ul style="list-style-type: none"> Poverty alleviation through access to education and training Investment in infra-structure and upliftment of the communities within which we operate Contribution to the national development plan and skills development

Additional material information



Group structure

KAAP AGRI LIMITED

100%

KAAP AGRI BEDRYF LIMITED

88%

TFC PROPERTIES
(PTY) LTD

88%

TFC OPERATIONS
(PTY) LTD

50%

KAAP AGRI (NAMIBIA)
(PTY) LTD

100%

KAAP AGRI (AUSSENKEHR)
(PTY) LTD

100%

AGRIPLAS
(PTY) LTD

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Shareholder information

Shareholders' profile

Spread

1 to 1 000 shares
1 001 to 10 000 shares
10 001 to 100 000 shares
100 001 to 1 000 000 shares
More than 1 000 000 shares
Total

Type of shareholder

Public
Non-public
Directors and associates of the company
Zeder Financial Services (Pty) Ltd
Plurispac (Pty) Ltd
Empowerment and Transformation Investments (Pty) Ltd
The Fruit Workers Development Trust

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 (Pty) Ltd
Plurispac (Pty) Ltd
Empowerment and Transformation Investments (Pty) Ltd

Shareholding of directors (direct and indirect)

BS du Toit
SJ Liebenberg ⁺
NC Loubser ⁺
HS Louw ⁺
CA Otto
HM Smit
GM Steyn
S Totaram ⁺
JH van Niekerk
S Walsh
Total

Percentage of issued shares

⁺ Resigned as a member of the Board during the year.

There have been no changes in directors' interest from the financial year-end of the company on 30 September 2017 up until the approval of the financial statements.

Number of shareholders	Number of shares	Percentage held
1 598	660 880	0,9
1 546	5 408 008	7,3
416	11 220 214	15,1
24	5 960 847	8,0
4	50 920 328	68,7
3 588	74 170 277	100,0
3 578	22 791 870	30,7
10	51 378 407	69,3
6	3 253 181	4,4
1	29 481 038	39,8
1	14 834 056	20,0
1	3 708 514	5,0
1	101 618	0,1
3 588	74 170 277	100,0

29 481 038	39,8
14 834 056	20,0
3 708 514	5,0
48 023 608	64,8

Number	
2017	2016
29 729	29 729
–	20 000
–	4 331
–	7 678
33 597	33 597
3 461	3 461
2 896 720	2 896 720
–	9 129
249 674	249 674
40 000	40 000
3 253 181	3 294 319
4,4	4,4

Annual financial statements



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Declaration of directors' responsibility and approval

The directors are responsible for the reasonable presentation of the annual 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 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 financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, and fairly present the position of the company and Group on 30 September 2017, as well as the results of activities and cash flows over the accounting period.

Based on the financial statements, the present position of 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 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 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 52.

The annual financial statements and Group annual financial statements on pages 57 to 107 were compiled by GC Victor CA(SA) under supervision of GW Sim CA(SA) and approved by the Board of directors on 28 November 2017 and signed on their 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
28 November 2017

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 and attendance of meetings are set out on pages 31 and 32 of this annual report.

Key functions and responsibilities

The responsibilities of the Audit and Risk committee are set out in a formal charter which is revised annually by the Board. The committee has free access to the Chairman of the Board of directors 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 appropriateness of the experience and expertise of the Financial Director and finance function;
- the separate and consolidated annual financial statements, before these annual financial statements are approved by the Board for release; 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 Audit and Risk 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 Audit and Risk committee, and the Audit and Risk 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 Audit and Risk 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 Audit and Risk committee also oversees the co-operation between internal and external auditors and serves as a link between the Board and these functions.

Opinion

Given the functions and responsibilities of the committee, as well as the procedures referred to above, the Audit and Risk 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 annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) and comply with these standards; 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

28 November 2017

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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 2017, 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 58 to 107, comprise:

- the consolidated and separate statements of financial position as at 30 September 2017;
- the consolidated income statement for the year then ended;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant 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.

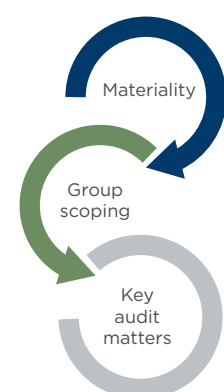
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall Group materiality

- R16 650 000, which represents 5% of profit before tax

Group audit scope

- A full-scope audit was performed on the financially significant component in the Group, namely Kaap Agri Bedryf Limited

Key audit matters – consolidated financial statements

- Recoverability of trade debtors
- Accounting for property and fuel licences in fuel site acquisitions as single assets

Key audit matters – separate financial statements

- Restatement of prior year financial statements

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 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 Group 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 consolidated financial statements as a whole.

Overall Group materiality	R 16 650 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose 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.

The Group consists of 10 legal entities. Our scoping assessment included consideration of financially significant components, based on indicators such as contribution to consolidated assets, consolidated revenue and consolidated profit before tax, as well as the sufficiency of work planned to be performed over material financial statement line items. We identified one financially significant component in the group, namely Kaap Agri Bedryf Limited, on which we performed a full-scope audit. In addition, the Group engagement team performed further audit procedures over the remaining balances and the consolidation process to gather the required audit evidence for our opinion on the consolidated financial statements as a whole.

All work was performed by the centralised engagement team (Group engagement team) and our audit did not require the involvement of component auditors.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
<p><i>Recoverability of trade debtors</i></p> <p>Management recognised an impairment provision of R45 million against Trade Debtors of R1,4 billion as at 30 September 2017.</p> <p>We determined this to be a matter of most significance to the current year audit due to economic pressures experienced by the Group's customer base.</p> <p>There are also significant judgements made by management in assessing the recoverability of trade debtors.</p> <p>The key assumptions in determining future cash flows include:</p> <ul style="list-style-type: none">• assessing current and expected future payment profiles;• considering customer-specific economic circumstances;• the extent of collateral held. <p>Refer to note 2 Critical Accounting Estimates and Assumptions, note 9 Trade and Other Receivables and note 19 Financial Risk Management (Credit Risk) for management's disclosure relating to trade debtors.</p>	<p>We obtained an understanding of management's process for determining the impairment provision against Trade Debtors. We challenged management's key assumptions and estimates used in its provision, by forming an independent view, based on objective available evidence. This was done by:</p> <ul style="list-style-type: none">• Evaluating management's criteria for the identification of a loss event. We concluded that the identification of loss events performed by management was in accordance with the guidance of IAS 39 <i>Financial Instruments: Recognition and Measurement</i>;• Assessing the ageing profile of customers as an indicator of heightened credit risk. We inspected documentation supporting management's decision whether or not to recognise impairment, for a sample of customers, without material exception;• Evaluating customers' payment history, including evidence of payment subsequent to period-end, where relevant; and• Inspecting supporting documentation for collateral held, on a sample basis, to assess both the existence and amount of such collateral, without material exception.
<p><i>Accounting for property and fuel licences in fuel site acquisitions as single assets</i></p> <p>The Group acquired 6 fuel businesses during the year. Details of the transactions and the resulting goodwill recognised, are disclosed in note 36 to the financial statements.</p> <p>The identification of both tangible and intangible assets in a business combination is a complex area, requiring significant management judgement and business knowledge. Management identified the property, and the related site operating licence, as the primary assets obtained in the respective business combinations. The site licence is identified as separable, but only together with the related property. The fair value of the property and the fair value of the site operating licence are recognised as a single asset, with similar useful lives.</p> <p>We consider the recognition of the properties and the related site licences as single tangible assets as a matter of most significance to our current year audit because of the judgement applied by management to account for these assets as a single asset.</p>	<p>We obtained and inspected the purchase agreements entered into as part of these transactions. We applied our industry knowledge to the specifics of the business acquired and we assessed these agreements against the principles of IFRS 3 <i>Business Combinations</i> to determine the appropriateness of accounting for the properties and the site licences as single tangible assets. Based on industry knowledge the property cannot operate without the site licences, therefore we inspected these licences and confirmed that the licenses have similar useful lives as the properties that it relates to.</p> <p>Based on our independent assessment, we found that management's judgement to recognise the property and related operating licence as a single asset, with similar useful lives, is consistent with the guidance in IFRS 3 <i>Business Combinations</i>.</p>

Separate financial statements

Key audit matter	How our audit addressed the key audit matter
<p><i>Restatement of prior year financial statements</i></p> <p>During the current year management reassessed the accounting treatment, in the separate financial statements, of the following transactions executed during 2012:</p> <ul style="list-style-type: none"> • shares issued to Employment and Transformation Investments (Pty) Ltd; and • the subscription, by Kaap Agri Limited, in preference shares issued by Employment and Transformation Investments (Pty) Ltd. <p>The detail of management's assessment and the impact of restatement is disclosed in note 7 to the separate financial statements.</p> <p>This restatement is significant to the users' understanding of the separate financial statements, due to the effect on the financial information presented. It was therefore considered to be a matter of most significance to the current year audit.</p>	<p>We utilised our accounting specialists who read the share subscription agreements entered into as part of these transactions, as well as the Memorandum of Incorporation (MOI) of Employment and Transformation Investments (Pty) Ltd. We, with the assistance of our accounting specialists, assessed these agreements against the principles of applicable accounting standards and from the evidence obtained we concluded that the company should not have accounted for issuance of shares and an investment in preference share, but rather an in substance option within the scope of IFRS 2 <i>Share-based Payment</i>.</p> <p>We recalculated the restatement of the comparative amounts in the financial statements of Kaap Agri Limited based on the guidance of the applicable IFRS, without material differences.</p>

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Financial Statements – 30 September 2017 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, which we obtained prior to the date of this auditor's report, and the other sections of the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not 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's 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 or to cease operations, or has 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 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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. and its predecessor firms have been the auditor of Kaap Agri Limited and predecessor entities for 81 years.



PricewaterhouseCoopers Inc.

Director: H Zeelie
Registered Auditor
Paarl
28 November 2017

Directors' report

for the year ended 30 September 2017

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 financial, grain handling and agency services.

Financial results

The profit after tax of the Group amounted to R241,4 million (2016: R210,4 million) while the gross assets increased to R3,386 billion (2016: R3,133 billion). The results of the Group are presented in detail in the financial statements and further information is provided in the Business review on pages 10 to 12.

Share capital

The authorised share capital consists of 1 000 000 000 ordinary shares with no par value of which 74 170 277 are currently issued, of which 3 708 514 shares are issued to the Empowerment and Transformation Investments (Pty) Ltd. These shares are accounted for as treasury shares. The authorised share capital were increased from 100 001 000 to 1 000 000 000 during the financial year.

Dividends

A gross dividend of R58,2 million (2016: R47,9 million) has been approved and declared by the Board from income reserves, which represents 82,6 cents (2016: 68,0 cents) per share. The dividend is payable on 19 February 2018 to shareholders registered on 16 February 2018 (the record date) as shareholders of the company. The last date of trade cum dividend will be 13 February 2018.

The total dividend for the year amounts to R78,9 million (2016: R66,6 million), representing 112,0 cents (2016: 94,5 cents) per share.

Subsidiaries

The interests in subsidiaries are presented on page 88 of the financial statements.

Directors

Full details of the directors appear on page 18.

Directors' interests

The directors' interest in shares of the company appear on page 48.

Events after reporting date

The directors are not aware of any further 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 report or Group financial statements and which may have a significant influence on the activities of the Group or results of those activities.

Statement of financial position

at 30 September

ASSETS

Non-current assets

Property, plant and equipment	
Intangible assets	
Investment in joint venture	
Loans	
Deferred taxation	

Current assets

Inventory	
Trade and other receivables	
Derivative financial instruments	
Short-term portion of loans	
Cash and cash equivalents	

Total assets

EQUITY AND LIABILITIES

Capital and reserves

Ordinary share capital	
Other reserves	
Retained profit	

Total equity

Non-current liabilities

Deferred taxation	
Employee benefit obligations	

Current liabilities

Trade and other payables	
Derivative financial instruments	
Short-term portion of Employee benefit obligations	
Short-term borrowings	
Income tax	

Total liabilities

Total equity and liabilities

GROUP		
Notes	2017 R'000	2016 R'000
3	926 998	753 593
4	99 482	48 094
5	15 357	–
6	13 533	–
7	823	6 008
	1 056 193	807 695
8	774 244	829 210
9	1 496 333	1 441 831
10	348	10 335
6	23 925	26 821
11	35 088	16 983
	2 329 938	2 325 180
	3 386 131	3 132 875
12	456 643	456 643
13	3 893	(277)
	1 122 098	949 311
	1 582 634	1 405 677
7	16 815	5 858
15	17 621	24 003
	34 436	29 861
16	987 819	805 329
10	348	10 335
15	13 478	7 569
17	764 892	871 058
	2 524	3 046
	1 769 061	1 697 337
	1 803 497	1 727 198
	3 386 131	3 132 875

Income statement

for the year ended 30 September

		GROUP	
		2017	2016
		R'000	R'000
Revenue	22	6 415 697	5 652 843
Cost of sales		(5 323 055)	(4 730 958)
Gross profit		1 092 642	921 885
Other operating income	23	181 705	157 592
Distribution costs	24	(123 311)	(100 912)
Administrative expenses	24	(514 110)	(445 921)
Loss on disposal of share in subsidiary	24	(1 088)	–
Fair value adjustment on loss of control	5	(1 123)	–
Other operating expenses	24	(234 888)	(194 538)
Operating profit		399 827	338 106
Finance costs	27	(67 001)	(47 308)
Share in profit of joint venture	5	201	–
Profit before tax		333 027	290 798
Income tax	28	(91 610)	(80 376)
Profit attributable to shareholders of the holding company		241 417	210 422
Earnings per share – basic (cents)	29	342,62	298,63
Earnings per share – diluted (cents)	29	339,76	298,63

Statement of comprehensive income

for the year ended 30 September

		GROUP	
		2017	2016
		R'000	R'000
Profit for the year		241 417	210 422
Other comprehensive income:			
Cash flow hedges (can be classified to profit and loss)		384	(427)
Gross		533	(593)
Tax		(149)	166
Total comprehensive income attributable to shareholders of the holding company		241 801	209 995

Statement of changes in equity

for the year ended 30 September

		GROUP				
Notes		Share capital R'000	Share-based payment reserve R'000	Hedge reserve R'000	Retained profit R'000	Total R'000
Balance 1 October 2015		456 643	–	150	798 429	1 255 222
Gross shares issued		480 347				
Treasury shares		(23 704)				
Total comprehensive income		–	–	(427)	210 422	209 995
Dividends paid	30	–	–	–	(59 540)	(59 540)
Balance 30 September 2016		456 643	–	(277)	949 311	1 405 677
Gross shares issued		480 347				
Treasury shares		(23 704)				
Total comprehensive income		–	–	384	241 417	241 801
Share-based payment		–	3 786	–	–	3 786
Dividends paid	30	–	–	–	(68 630)	(68 630)
Balance 30 September 2017		456 643	3 786	107	1 122 098	1 582 634
Gross shares issued		480 347				
Treasury shares		(23 704)				

Statement of cash flows

for the year ended 30 September

Cash flow from operating activities

Net cash profit from operating activities
Working capital changes
Income tax paid

Cash flow from investment activities

Purchase of property, plant and equipment
Proceeds on disposal of property, plant and equipment
Decrease in loans
Acquisition of operations

Cash flow from financing activities

Increase/(decrease) in short-term loans
Decrease in loans
Interest paid
Dividends paid

Net increase/(decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the year
Cash and cash equivalents at the end of the year

Comprising:

Bank and cash on hand

Notes	GROUP	
	2017 R'000	2016 R'000
	482 766	100 462
31	473 489	384 616
32	103 788	(204 504)
33	(94 511)	(79 650)
	(272 985)	(213 746)
3	(201 616)	(177 260)
	775	1 193
	18 555	–
35	(90 699)	(37 679)
	(191 676)	106 765
	(56 045)	201 078
	–	12 535
	(67 001)	(47 308)
	(68 630)	(59 540)
	18 105	(6 519)
	16 983	23 502
	35 088	16 983
11	35 088	16 983

Notes to the 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 97 to 107. 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 assumptions concerning the future. The resulting accounting estimates will, by definition, seldom precisely equal the related actual results. The estimates and assumptions 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.

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.

Provision for impairment of trade receivables

In estimating the provision for impairment of trade receivables, management makes certain estimates and judgements relating to the estimated recovery rate of debtors who are deemed to be impaired. 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.

Inventory provisions

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.

3. PROPERTY, PLANT AND EQUIPMENT*Cost*

	GROUP	
	2017	2016
	R'000	R'000
Land and buildings	668 592	535 561
Grain silos	50 154	50 154
Machinery and equipment	156 429	130 547
Vehicles	18 773	18 502
Office furniture and equipment	119 967	115 210
Leasehold properties	24 096	25 682
Assets under construction	91 913	63 389
	1 129 924	939 045

Accumulated depreciation

Land and buildings	(16 750)	(15 622)
Grain silos	(33 372)	(31 746)
Machinery and equipment	(66 067)	(56 002)
Vehicles	(11 465)	(12 245)
Office furniture and equipment	(65 884)	(62 688)
Leasehold properties	(9 388)	(7 149)
	(202 926)	(185 452)

Total carrying value

	926 998	753 593
--	----------------	----------------

Depreciation has been allocated as follows in the income statement:

Cost of sales	(4 141)	(3 884)
Other operating expenses	(31 160)	(26 648)
	(35 301)	(30 532)

3. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of movements in carrying value

30 September 2017

Carrying value 1 October 2016

Additions

Additions through business combinations

Sale of share in subsidiary

Transfers

Disposals

Depreciation

Carrying value

30 September 2017

30 September 2016

Carrying value 1 October 2015

Additions

Additions through business combinations

Transfers

Disposals

Depreciation

Carrying value

30 September 2016

	Total R'000	Land and buildings R'000	Grain silos R'000	Machinery and equip- ment R'000	Vehicles R'000	Office furniture and equip- ment R'000	Lease- hold properties R'000	Assets under con- struction R'000
Carrying value 1 October 2016	753 593	519 939	18 408	74 545	6 257	52 522	18 533	63 389
Additions	201 616	32 521	–	23 015	3 651	13 000	816	128 613
Additions through business combinations	43 067	42 229	–	100	–	738	–	–
Sale of share in subsidiary	(35 393)	(23 404)	–	(4 531)	(1 024)	(5 032)	(1 263)	(139)
Transfers	–	81 931	–	11 906	–	6 113	–	(99 950)
Disposals	(584)	–	–	(543)	(33)	(8)	–	–
Depreciation	(35 301)	(1 374)	(1 626)	(14 130)	(1 543)	(13 250)	(3 378)	–
Carrying value 30 September 2017	926 998	651 842	16 782	90 362	7 308	54 083	14 708	91 913
Carrying value 1 October 2015	607 756	426 264	20 064	67 206	7 104	49 270	6 945	30 903
Additions	177 260	49 782	–	19 573	914	15 434	727	90 830
Additions through business combinations	138	–	–	–	–	138	–	–
Transfers	–	45 109	–	–	–	–	13 235	(58 344)
Disposals	(1 029)	–	–	(109)	(155)	(765)	–	–
Depreciation	(30 532)	(1 216)	(1 656)	(12 125)	(1 606)	(11 555)	(2 374)	–
Carrying value 30 September 2016	753 593	519 939	18 408	74 545	6 257	52 522	18 533	63 389

4. INTANGIBLE ASSETS

Goodwill
Customer relations
Cost
Accumulated amortisation

Reconciliation of movements in carrying value:

Carrying value at beginning of year
Additions through business combinations
Amortisation recognised in profit and loss

To assess for impairment of goodwill, a value in use calculation was done per CGU. Income and expenses were increased at the expected inflation rate and a discount rate of 11% to 15% was used depending on the CGU's specific risk profile. No impairment was recognised, with no indicators that the calculation is sensitive to reasonable change in assumptions.

5. INVESTMENT IN JOINT VENTURE

Carrying value at date of acquisition
Fair value adjustment on loss of control
Share in total comprehensive income
End of the year

Kaap Agri (Namibia) (Pty) Ltd

Number of issued shares: 500 (2016: 401)
Shareholding: 50% (2016: 100%)
250 (2016: 401) shares at fair value at date of acquisition
Share in post-acquisition retained profit

GROUP	
2017 R'000	2016 R'000
97 951	44 734
1 531	3 360
9 144	9 144
(7 613)	(5 784)
99 482	48 094
48 094	14 061
53 217	35 862
(1 829)	(1 829)
99 482	48 094
16 279	–
(1 123)	–
201	–
15 357	–
15 156	–
201	–
15 357	–

On 1 August, the Group disposed of 50% of the shares in Kaap Agri (Namibia) (Pty) Ltd. All income and expenses are consolidated up to 31 July 2017. From 1 August 2017, the equity method of accounting is applied. Also refer to note 34.

5. INVESTMENT IN JOINT VENTURE continued

Summarised Statement of financial position

Non-current assets

Current assets

Cash and cash equivalents

Other current assets

Total assets

Current liabilities

Short-term borrowings

Other current liabilities

Total liabilities

Net assets

Reconciliation to carrying amounts:

Carrying value at date of acquisition

Profit for the period

Closing net assets

Net assets at fair value

Group's share in %

Group's share in net assets of joint venture at fair value

Summarised Income statement

Revenue

Profit before taxation

Income tax

Profit attributable to ordinary shareholders

6. LOANS

Kaap Agri (Namibia) (Pty) Ltd

Preference share loan

Preference shares

Accumulated preference dividend

Short-term portion carried over to current assets

GROUP	
2017 R'000	2016 R'000
41 359	–
123 513	–
3 793	–
119 720	–
164 872	–
57 450	–
73 102	–
130 552	–
34 320	–
33 919	–
401	–
34 320	–
30 312	–
50	–
15 156	–
90 444	–
569	–
(168)	–
401	–
23 063	–
14 395	26 821
13 937	25 992
458	829
(23 925)	(26 821)
13 533	–

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

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

The preference dividend rate for the preference share loan is calculated at prime less 0,5%.

7. DEFERRED TAXATION

Movement of deferred taxation

Balance at the beginning of the year

Sale of share in subsidiary

Balance through business combinations

Income statement credit/(debit)

Credit against reserves

Balance at the end of the year

Due to the following temporary differences:

Property, plant and equipment

Intangible assets

Currency translation differences

Tax loss

Provisions and accrued expenses

For the purposes of the statement of financial position deferred taxation is presented as follows:

Non-current assets

Non-current liabilities

8. INVENTORY

Merchandise

Raw materials

Consumable goods

Inventory carried at net realisable value

Provision for slow-moving and obsolete stock included in inventory

Inventory written off during the year

The inventory is encumbered as security as set out in note 17.

9. TRADE AND OTHER RECEIVABLES

Trade debtors

Provision for impairment

VAT

Pupkewitz Holdings

Other debtors

GROUP	
2017 R'000	2016 R'000
150	1 794
(6 548)	–
(11 824)	–
2 379	(1 810)
(149)	166
(15 992)	150
(45 315)	(31 398)
(429)	(941)
(41)	108
–	4 558
29 793	27 823
(15 992)	150
823	6 008
(16 815)	(5 858)
(15 992)	150
768 633	822 652
3 612	4 247
1 999	2 311
774 244	829 210
40 057	33 738
22 572	22 646
2 958	3 006
1 438 292	1 402 204
(45 313)	(37 448)
1 392 979	1 364 756
41 755	55 475
16 550	–
45 049	21 600
1 496 333	1 441 831

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

The trade debtors are encumbered as security as set out in note 17.

10. 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 of Financial instruments at fair value through profit or loss and derivative financial instruments on reporting date are:

Financial instruments at fair value through profit or loss

Firm commitment – grain purchases

Assets/(liabilities)

- Forward purchase contracts

- Options

Forward purchase contracts and options

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 12 months after year-end.

Derivative financial instruments

Hedging instruments

Assets/(liabilities)

- Forward sale contracts

- Options

Forward sale contracts

The forward sale contracts represent contracts with millers and SAFEX for the future sale of physical commodities.

Options

Options represent derivative financial instruments originating from producers which will be recouped with the physical delivery of the commodities.

11. CASH AND CASH EQUIVALENTS

Cash on hand

Bank balances

GROUP	
2017 R'000	2016 R'000
375	(10 187)
(27)	(148)
348	(10 335)
(375)	10 187
27	148
(348)	10 335
884	911
34 204	16 072
35 088	16 983

12. ORDINARY SHARE CAPITAL**Authorised:**

1 000 000 000 (2016: 100 001 000) ordinary shares with no par value

Issued:

74 170 277 (2016: 74 170 277) ordinary shares with no par value

Total value of ordinary shares

Treasury shares value

Total number of ordinary shares

Treasury shares

GROUP	
2017 R'000	2016 R'000
480 347	480 347
(23 704)	(23 704)
456 643	456 643
Number	Number
74 170	74 170
(3 708)	(3 708)
70 462	70 462

Previously the total amount of shares issued was disclosed net of treasury shares. This note now shows the split between the gross number of issued shares and the net number of issued shares, after taking into account the effect of treasury shares held by consolidated Group entities. This note now also shows the split between the gross value of issued shares and the net value of issued shares, after taking into account the effect of treasury shares. Previously the reconciliations of the total amount and number of shares issued were not included. Disclosure was enhanced to reflect more relevant information.

13. OTHER RESERVES**Hedge reserve**

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 directly in other comprehensive income on the Hedge reserve.

Share-based payment reserve

The liability for equity-settled management share incentive scheme are shown in the share-based payment reserve.

2017 R'000	2016 R'000
107	(277)
3 786	–
3 893	(277)

14. EQUITY-SETTLED MANAGEMENT SHARE INCENTIVE SCHEME

	2017		2016	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Granted during the year	23,88	1 242 605	–	–

The impact on profit and loss is R3 785 734 (2016: RNil).

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

	Vesting date	Exercise price	Fair value at grant date	Share options 2017	Share options 2016
Grant date					
1 October 2016	1 October 2018	23,88	8,66	310 651	–
1 October 2016	1 October 2019	23,88	9,53	310 651	–
1 October 2016	1 October 2020	23,88	10,21	310 651	–
1 October 2016	1 October 2021	23,88	10,75	310 651	–

Fair value of options granted

In terms of IFRS 2, the grant date for the calculation of the fair value of the new equity settled management incentive scheme is 30 November 2016. The date on which the above-mentioned existing options were granted during the year, as reflected in the scheme rules, has been corrected to 1 October 2016. This did not result in any changes to the exercise price, number of options or entitlement date.

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. Volatility is based on comparable listed entities.

	GROUP	
	2017	2016
Model inputs:		
Exercise price (rand)	23,88	–
Share price at grant date (rand)	30,00	–
Expected life of option (years)	2 to 5	–
Expected volatility (%)	29,8	–
Expected dividend yield (%)	3,62	–
Risk-free interest rate (%)	7,33 to 7,58	–

The Group has implemented a new Equity Settled Management Share Incentive Scheme (“the scheme”) during the year under review. The purpose of the scheme is to provide employees with the opportunity to acquire shares in the company through the grant of options, 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 participants 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 participants entitlement to settlement in terms of the options granted shall be in equal 25% annual tranches from the first day of the second financial year commencing after date of grant onwards. The number of shares that may be utilised for the purposes of the scheme shall not exceed 3 700 000 shares with no single individual being entitled to more than 1 235 000 shares. To date, no shares have been utilised.

15. EMPLOYEE BENEFIT OBLIGATIONS**Post-retirement medical benefits**

Balance at the beginning of the year
Interest costs recognised in the income statement
Actuarial loss recognised in the income statement
Employer contributions

Long-term incentive scheme

Balance at the beginning of the year
Payment
Interest costs recognised in the income statement
Actuarial loss recognised in the income statement
Current service cost

Short-term portion carried over to current liabilities
Post-retirement medical benefits
Long-term incentive scheme

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 (%)
Discount rate (%)
Average retirement age (years)
Expected membership continuance at retirement (%)
Post-retirement mortality
Weighted average duration of obligation (years)
Total expected contributions for the coming year (R'000)

Sensitivity analysis:

The method of calculation remains unchanged.

GROUP	
2017 R'000	2016 R'000
19 474	19 642
19 642	19 222
1 651	1 501
–	620
(1 819)	(1 701)
11 625	11 930
11 930	14 728
(5 430)	(7 234)
630	887
1 698	947
2 797	2 602
31 099	31 572
(13 478)	(7 569)
(1 852)	(1 721)
(11 626)	(5 848)
17 621	24 003
8,25	8,25
9,00	9,00
65	65
100	100
2 years + 1%	2 years + 1%
8	9
1 895	1 764

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
Liability

Discount rate

Liability

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

Average retirement age

Liability

GROUP	
R'000	R'000
+ 1%	- 1%
132	(117)
1 453	(1 290)
(1 385)	1 591
+ 1 year	- 1 year
(17)	19

15. EMPLOYEE BENEFIT OBLIGATIONS continued

Trend information:

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Present value of liabilities	19 474	19 642	19 222	18 451	18 016
Present value of plan assets	–	–	–	–	–
Present value of obligations above plan assets	19 474	19 642	19 222	18 451	18 016
Experience adjustments:					
Present value of liabilities	–	(1 387)	(896)	(568)	(1 391)
Present value of plan assets	–	–	–	–	–
Actuarial profit/(loss) before changes in assumptions	–	(1 387)	(896)	(568)	(1 391)

GROUP

Long-term incentive scheme

	2017	2016
Discount rate (%)	8,50	9,00
Forfeited phantom shares in future periods (number)	0	0

The Group operates an incentive scheme based on phantom shares and the calculated growth of the phantom share price. This scheme is in the process of being phased out, the intention being to replace this scheme with the Share-based scheme set out in note 14. In terms of the current scheme, phantom shares were allocated in previous years to senior management and executive directors at a value based on the Group's growth and a price/earnings ratio. The calculated increase in the value is paid as a bonus over three, four, five and six years, a quarter in each year, from the date on which it was allocated. Participants in this scheme must be employed by the Group at the date of payment. The accrued liabilities in terms of the scheme are provided for on a time basis against income. At year-end the remaining balance of phantom shares, as awarded in previous financial years, numbered 1 217 659 (2016: 1 217 659). Such phantom shares have been allocated at calculated values of between R8,45 and R17,51 per share.

16. TRADE AND OTHER PAYABLES

	R'000	R'000
Trade creditors	871 343	711 306
Employee accruals	50 179	39 227
Other creditors	66 297	54 796
	987 819	805 329

The carrying value of trade and other payables approximates its fair value at the reporting date.

17. SHORT-TERM BORROWINGS

Bank borrowings
RSA Agri Makelaars (Pty) Ltd

GROUP	
2017 R'000	2016 R'000
764 892	870 957
–	101
764 892	871 058

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

The bank facility is renewed annually and the current facility bears interest from prime less 1,85% to prime less 2,00%.

The bank facilities of R970 million are secured by:

- A general notarial bond over the stock of Kaap Agri Bedryf Limited to the value of R100 million.
- 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.

18. RELATED PARTY TRANSACTIONS

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

Transactions with directors and outstanding balances

Sales	59 009	47 691
Purchases	1 116	645
Trade receivables	5 826	5 329

Transactions with associated companies and outstanding balances

Also refer to notes 5 and 6.

Interest paid	924	–
Loan	23 063	–

The relationships between the various companies in the Group are disclosed in note 37.

Refer to executive directors' remuneration as disclosed in note 25 for key management compensation.

19. 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, liquidity risk and cash flow interest rate 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 debtors, financial instruments through profit or loss, derivative financial instruments, cash and cash equivalents, trade and other creditors and borrowings.

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 amounts of R41,9 million (2016: R55,2 million), statutory liabilities of R7,7 million (2016: R9,2 million) and liabilities in respect of employee benefits of R38,9 million (2016: R31,1 million).

Market risk

Foreign currency risk:

The Group operates internationally and is exposed to limited 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.

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 can be summarised as follows:

	At floating rates			
	Rate 2017 %	Amount 2017 R'000	Rate 2016 %	Amount 2016 R'000
Assets:				
Trade receivables	10,25 – 15,25	1 392 979	10,50 – 15,50	1 364 756
Other receivables	–	61 425	–	21 823
Preference share loan	9,75	14 395	10,00	26 821
Loan Kaap Agri (Namibia) (Pty) Ltd	8,25	23 063	–	–
Cash and cash equivalents	5,75	35 088	6,00	16 983
Liabilities:				
Bank overdraft	8,25 – 8,40	764 892	8,50 – 9,50	870 957
Loan RSA Agri Makelaars (Pty) Ltd	8,50	–	8,50	101
Trade and other payables	–	941 162	–	765 033

19. FINANCIAL RISK MANAGEMENT continued**Market risk** continued*Cash flow and interest rate risk (continued)*

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 after taxation, are illustrated as follows:

	GROUP	
	2017 R'000	2016 R'000
Interest-bearing assets	1 465 525	1 408 560
Interest-bearing liabilities	(764 892)	(871 058)
Net interest-bearing assets	700 633	537 502
Half a percentage point increase in interest rates	2 522	1 935
Half a percentage point decrease in interest rates	(2 522)	(1 935)

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.

To illustrate the Group's exposure to commodity price risks, the influence of fluctuations in price on the carrying values of financial assets and financial liabilities and resulting profit after taxation, are illustrated as follows:

Influence of an increase of R100 per ton in commodity prices on financial assets at fair value through profit or loss	720	2 426
Influence of an increase of R100 per ton in commodity prices on derivative financial instruments	(720)	(2 426)
	-	-
Influence of a decrease of R100 per ton in commodity prices on financial assets at fair value through profit or loss	(720)	(2 426)
Influence of a decrease of R100 per ton in commodity prices on derivative financial instruments	720	2 426
	-	-

19. FINANCIAL RISK MANAGEMENT continued

Credit risk

Potential concentrations of credit risk consist mainly within cash equivalent investments and trade debtors.

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

Trade debtors consist of a large number of clients, the majority of whom are long standing 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.

A full risk assessment is performed on every new and revised account, considering factors such as financial liquidity and solvability, payment history, approved security values and the client's technical and financial aptitude. Based on management's risk assessment, clients are categorised into one of five risk profiles. Trade debtors outstanding as at 30 September 2017 represent an average risk profile (30 September 2016: average).

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 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.

The credit risks related to trade debtors are further limited by taking up a wide range of securities, like mortgage bonds over property, notarial bonds over movable property and cessions over expected crops. 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.

Trade debtors are presented net of the provision for impairment. Interest on trade debtors is calculated on a base rate plus a factor for the risk associated with each client.

Trade debtors are divided into the following categories: debtors within terms, debtors outside terms but not impaired and debtors which are impaired.

	Agricultural sector R'000	Other sectors R'000	Total R'000
Debtors within terms (settlement date is not exceeded)			
30 September 2017			
Balance	1 131 003	148 779	1 279 782
Collateral held	(624 699)	(4 462)	(629 161)
Exposure to credit risk	506 304	144 317	650 621
30 September 2016			
Balance	1 109 019	144 685	1 253 704
Collateral held	(566 277)	(5 693)	(571 970)
Exposure to credit risk	542 742	138 992	681 734

Based on the payment history of debtors within terms at year-end, management is of the opinion that the credit quality of this category of debtors is good.

19. FINANCIAL RISK MANAGEMENT continued**Credit risk** continued**Debtors outside terms (settlement dates are exceeded) but not impaired****30 September 2017**

	Agricultural sector R'000	Other sectors R'000	Total R'000
Balance	106 030	1 361	107 391
Portion within terms	46 040	1 073	47 113
60 days outside terms	274	–	274
90 days outside terms	3 234	288	3 522
120 days and more outside terms	56 482	–	56 482
Collateral held	(67 688)	(6)	(67 694)
Exposure to credit risk	38 342	1 355	39 697

30 September 2016

Balance	94 538	1 367	95 905
Portion within terms	55 754	975	56 729
60 days outside terms	499	–	499
90 days outside terms	2 156	392	2 548
120 days and more outside terms	36 129	–	36 129
Collateral held	(59 685)	(5)	(59 690)
Exposure to credit risk	34 853	1 362	36 215

Debtors which are impaired**30 September 2017**

Balance	44 940	6 179	51 119
Provision for impairment	(39 134)	(6 179)	(45 313)
Balance at the beginning of the year	(29 199)	(8 249)	(37 448)
Balance with sale of subsidiary	5 052	4 756	9 808
Provision utilised	637	1 010	1 647
Provision written back/(created)	(15 624)	(3 696)	(19 320)
Collateral held	(2 869)	–	(2 869)
Exposure to credit risk	2 937	–	2 937

30 September 2016

Balance	42 915	9 680	52 595
Provision for impairment	(29 199)	(8 249)	(37 448)
Balance at the beginning of the year	(26 150)	(8 337)	(34 487)
Provision utilised	2 665	3 588	6 253
Provision written back/(created)	(5 714)	(3 500)	(9 214)
Collateral held	(3 480)	–	(3 480)
Exposure to credit risk	10 236	1 431	11 667

19. FINANCIAL RISK MANAGEMENT continued

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.

The Group's unutilised borrowing facilities are as follows:

Total borrowing facilities

Net interest-bearing debt

GROUP	
2017 R'000	2016 R'000
970 000	880 000
(730 688)	(854 986)
239 312	25 014

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

The Group has no liabilities with contractual periods longer than 12 months.

30 September 2017

Non-derivative financial liabilities

Trade and other payables

Short-term borrowings

	Carrying amount R'000	Contractual cash flows R'000	0 to 12 months R'000
	941 162	941 162	941 162
	764 892	843 210	843 210
	1 706 054	1 784 372	1 784 372
	348	39 937	39 937
	(348)	(39 937)	(39 937)
	533	23 068	23 068
	(533)	(23 068)	(23 068)
	—	—	—

30 September 2016

Trade and other payables

Short-term borrowings

765 033	765 033	765 033
871 058	918 144	918 144
1 636 091	1 683 177	1 683 177
Derivative financial liabilities/(assets)		
Derivative financial instruments		
Outflow	10 335	134 451
Inflow	(10 335)	(134 451)
Forward exchange contracts		
Outflow	593	25 110
Inflow	(593)	(25 110)
	–	–

19. FINANCIAL RISK MANAGEMENT continued

Fair value estimation

Investments and derivative financial instruments

The fair value of financial instruments which trade in active markets, is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

	GROUP	
	2017	2016
	R'000	R'000
Level 1 – Financial instruments for hedging:		
Financial instruments at fair value through profit or loss	348	(10 335)
Derivative financial instruments	(348)	10 335

Trade debtors and trade creditors

The nominal value of trade receivables, less 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.

Ratios

Total shareholders' equity : Total assets employed (%)	45,84	45,73
Interest-bearing debt : Total assets employed (%)	24,32	25,82
EBITDA : Net assets (%)	25,91	24,56

20. LEASE COMMITMENTS

Operating lease payments:

Payable within one year	29 305	33 711
Payable between one and five years	44 742	47 371
Payable after five years	6 882	1 460
	80 929	82 542

21. CAPITAL COMMITMENTS

Contracted	74 250	117 083
Not yet contracted	64 676	43 100
	138 926	160 183

These commitments have been approved by the Board of directors. The commitments will be financed by own and borrowed funds.

22. REVENUE

Sale of goods and services
Margin on direct transactions

23. OTHER OPERATING INCOME

Interest received
– Trade debtors that are not impaired
– Trade debtors that are impaired
– Other
Profit on sale of property, plant and equipment
Foreign exchange differences
Transport income
Rent received
Bad debts recovered
Manufacturing income
Information technology income
AgriSETA and ETI income
Training income
Weighbridge income
Commission received
Other income

GROUP	
2017 R'000	2016 R'000
6 312 286	5 565 374
103 411	87 469
6 415 697	5 652 843
112 780	96 898
101 775	86 803
5 850	4 428
5 155	5 667
191	164
15	–
37 310	27 381
8 897	11 357
100	206
6 135	4 575
–	3 455
2 406	2 317
972	881
885	762
3 369	2 598
8 645	6 998
181 705	157 592

Previously Other income was disclosed inclusive of Manufacturing income, Information technology income, AGRISSETA and ETI income, Training income, Weighbridge income and Commission received. In the current year those accounts are disclosed separately to provide more relevant information.

24. EXPENSES BY NATURE

Cost of products sold	
– Cost of sales	
– Net realised cost/(surplus) of derivative financial instruments	
Foreign exchange differences	
Depreciation	
Amortisation of intangible assets	
Directors' emoluments	
Staff costs	
– Salaries, wages and bonuses	
– Provision for long-term incentive scheme	
– Employer's contribution to pension fund (defined contribution plan)	
– Employer's contribution to medical benefits	
– Increase/(decrease) in provision for post-retirement medical benefits	
– Training expenses	
Skills development levy	
Auditor's remuneration	
– For audit	
– Other services	
– Underprovision previous year	
Rent paid	
– Buildings	
– Vehicles	
– Machinery and equipment	
Other occupancy costs	
Information technology expenses	
Marketing costs	
Transport/distribution	
Other administrative expenses	
JSE listing and other non-recurring expenses	
Bad debts written off	
Increase in provision for impairment of trade debtors	
Loss on disposal of share in subsidiary	
Fair value adjustment on loss of control	
Other expenses	

GROUP	
2017	2016
R'000	R'000
5 294 008	4 704 490
5 320 258	4 705 887
(26 250)	(1 397)
–	17
35 301	30 532
1 829	1 829
13 854	18 962
486 928	414 737
439 538	382 141
6 844	23
29 455	21 944
1 819	1 701
(168)	420
9 440	8 508
4 121	3 660
3 907	3 397
3 731	3 240
176	66
–	91
44 449	41 911
26 288	27 935
14 393	10 959
3 768	3 017
72 234	62 962
28 614	25 254
42 881	32 873
93 530	75 423
30 595	25 483
4 470	–
1 647	6 253
17 673	2 960
1 088	–
1 123	–
19 323	21 586
6 197 575	5 472 329

Previously other expenses was disclosed inclusive of skills development levy and other administrative expenses. In the current year those accounts are disclosed separately to provide more relevant information.

Number of employees in service at year-end

Number	Number
2 674	2 531

25. REMUNERATION PAID TO DIRECTORS 2017

Executive directors

SJ Liebenberg⁺

GW Sim

S Walsh

Non-executive directors

BS du Toit

D du Toit⁺

JH le Roux

NC Loubser⁺

HS Louw⁺

EA Messina⁺

WC Michaels⁺

CA Otto

HM Smit

GM Steyn

S Totaram⁺

JH van Niekerk

Total

2016

Executive directors

SJ Liebenberg

JJ Matthee⁺

GW Sim

S Walsh

Non-executive directors

BS du Toit

JH le Roux

NC Loubser

HS Louw

CA Otto

HM Smit

GM Steyn

S Totaram

JH van Niekerk

Total

	Salary R'000	Bonuses R'000	Pension con- tributions R'000	Directors' fees R'000	Expense allowance R'000	Total R'000
2017						
Executive directors						
SJ Liebenberg ⁺	829	–	121	–	6	956
GW Sim	2 240	1 500	197	–	12	3 949
S Walsh	3 739	2 877	437	–	44	7 097
	6 808	4 377	755	–	62	12 002
Non-executive directors						
BS du Toit				217	6	223
D du Toit ⁺				93	1	94
JH le Roux				210	1	211
NC Loubser ⁺				72	6	78
HS Louw ⁺				72	4	76
EA Messina ⁺				62	–	62
WC Michaels ⁺				25	–	25
CA Otto				279	2	281
HM Smit				181	6	187
GM Steyn				360	2	362
S Totaram ⁺				46	1	47
JH van Niekerk				297	5	302
				1 914	34	1 948
Total						13 950
2016						
Executive directors						
SJ Liebenberg	2 024	962	278	–	13	3 277
JJ Matthee ⁺	1 764	1 983	208	–	23	3 978
GW Sim	2 142	919	130	–	6	3 197
S Walsh	3 571	2 526	485	–	43	6 625
	9 501	6 390	1 101	–	85	17 077
Non-executive directors						
BS du Toit				204	6	210
JH le Roux				204	2	206
NC Loubser				170	9	179
HS Louw				170	5	175
CA Otto				204	–	204
HM Smit				170	9	179
GM Steyn				339	1	340
S Totaram				271	1	272
JH van Niekerk				238	5	243
				1 970	38	2 008
Total						19 085

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. Bonuses include amounts vested which are payable during December of the year following the financial year ending 30 September, during which such amounts vested, as well as amounts provided for in the current year for future liabilities according to the scheme rules, which will only vest in the future.

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

⁺ Not a member of the Board for a full year.

26. DIRECTORS' SHARE OPTIONS

S Walsh

Grant date	Vesting date	Exercise price	Fair value at grant date	Share options 2017	Share options 2016
1 October 2016	1 October 2018	23,88	8,66	113 187	–
1 October 2016	1 October 2019	23,88	9,53	113 187	–
1 October 2016	1 October 2020	23,88	10,21	113 187	–
1 October 2016	1 October 2021	23,88	10,75	113 187	–
1 October 2016	1 October 2018	23,88	8,66	51 775	–
1 October 2016	1 October 2019	23,88	9,53	51 775	–
1 October 2016	1 October 2020	23,88	10,21	51 775	–
1 October 2016	1 October 2021	23,88	10,75	51 775	–

GW Sim

27. FINANCE COSTS

Banks and other

28. INCOME TAX

Tax expenditure:

Current taxation – current year

Current taxation – previous year overprovided

Deferred taxation – current year

Taxation for the year

GROUP	
2017 R'000	2016 R'000
67 001	47 308
94 683	78 568
(694)	(2)
(2 379)	1 810
91 610	80 376
%	%
28,00	28,00
Adjusted for:	
0,64	0,03
(0,07)	(0,04)
(1,04)	(0,35)
(0,02)	–
27,51	27,64

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

Adjusted for:

Non-deductible expenses of a capital nature

Non-taxable ETI and dividend income

Learnership allowances

Difference in tax rate of foreign subsidiary

Effective rate

29. EARNINGS PER SHARE

Basic

Basic earnings per share is 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 attributable to ordinary shareholders

Net profit on disposal of assets

Gross

Tax effect

Net loss on disposal of share in subsidiary and impairment of joint venture

Loss on disposal of share in subsidiary

Fair value adjustment on loss of control

Tax effect

Headline earnings

JSE listing and other non-recurring expenses

Gross

Tax effect

Recurring headline earnings

GROUP	
2017 R'000	2016 R'000
241 417	210 422
(137)	(118)
(190)	(164)
53	46
2 211	–
1 088	–
1 123	–
–	–
243 491	210 304
4 470	–
4 470	–
–	–
247 961	210 304
Number	Number
70 462	70 462
71 056	70 462
Cents	Cents
342,62	298,63
339,76	298,63
345,56	298,46
342,67	298,46
351,91	298,46

Headline earnings are calculated based on Circular 2/2015 issued by the South African Institute of Chartered Accountants.

Non-recurring expenses consist predominantly of once-off costs associated with the JSE listing.

30. DIVIDEND PER SHARE

Interim

29,40 cents per share (2016: 26,50 cents per share)

Final

82,60 cents per share (2016: 68,00 cents per share)

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. The final dividend for the year ended 30 September 2017 will be accounted for as an appropriation of retained profit in the year ending 30 September 2018.

31. NET CASH PROFIT FROM OPERATING ACTIVITIES

Operating profit per income statement

Adjusted for:

– Depreciation

– Amortisation of intangible assets

– Profit on disposal of property, plant and equipment

– Loss on disposal of share in subsidiary

– Fair value adjustment on loss of control

– Increase in provisions

– Interest on loan

32. WORKING CAPITAL CHANGES

Increase in inventory

Increase in trade and other debtors

Increase in trade and other creditors

33. INCOME TAX PAID

Balance owing at the beginning of the year

Income tax expense in income statement

Balance owing at the end of the year

34. DISPOSAL OF SHARE IN SUBSIDIARY

Property, plant and equipment

Deferred taxation

Inventory

Trade and other receivables

Cash and cash equivalents

Trade and other payables

Short-term borrowings

Loan – Kaap Agri Bedryf Limited

50% Share in joint venture at carrying value

Loss on disposal of share in subsidiary

Proceeds on sale – provided under Trade and other receivables

GROUP	
2017 R'000	2016 R'000
20 716	18 672
58 201	47 914
78 917	66 586
399 827	338 106
35 301	30 532
1 829	1 829
(191)	(164)
1 088	–
1 123	–
36 535	17 337
(2 023)	(3 024)
473 489	384 616
(14 854)	(125 853)
(96 134)	(164 045)
214 776	85 394
103 788	(204 504)
3 046	4 130
93 989	78 566
(2 524)	(3 046)
94 511	79 650
35 393	–
6 548	–
70 573	–
39 408	–
2 285	–
(40 715)	–
(52 406)	–
(27 169)	–
33 917	–
(16 279)	–
(1 088)	–
16 550	–

35. ACQUISITION OF OPERATIONS

Non-current assets
Non-current liabilities
Current assets
Purchase consideration settled in cash

GROUP	
2017 R'000	2016 R'000
96 284	36 000
(11 824)	–
6 239	1 679
90 699	37 679

Refer to note 36 for more information.

36. 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 as the price is competitive in the context of other retail fuel operations and the business combination presents synergies within the Group and have further earnings potential.

A purchase price allocation as required by IFRS 3 Business Combinations was performed and no material intangible assets were identified, other than fuel site operating licences. The site licences are identified as separable, but only together with the related property. The licences are recognised with the property that it relates to as one asset as these assets have similar useful lives.

The Group does not disclose revenue and profit of the combined entities as if the acquisitions occurred at the beginning of the reporting period, because the Group does not have access to the relevant information before the Group obtained control over the businesses.

The Group acquired the following assets through business combinations:

30 September 2017

Mirage Motors service station on 1 October 2016
Garden Route service station on 1 March 2017
Modderivier OK and service station on 1 April 2017
Kempena Motors New Holland workshop and parts outlet on 1 August 2017
Sasol Motherwell service station on 1 August 2017
Sasol Stanford Road service station on 1 August 2017
Sasol Figtree service station on 1 August 2017

The assets and liabilities at the date of acquisition can be summarised as follows:

	Total R'000	Garden Route R'000	Mirage Motors R'000	Modder- rivier R'000	Kempena Motors R'000	Sasol Mother- well R'000	Sasol Stanford Road R'000	Sasol Figtree R'000
Carrying value								
Assets								
Property, plant and equipment	53 185	10 175	2 738	6 930	100	9 410	11 117	12 715
Inventory	6 239	161	1 289	2 496	745	484	641	423
	59 424	10 336	4 027	9 426	845	9 894	11 758	13 138
Fair value								
Assets								
Property, plant and equipment	43 067	4 529	4 841	11 975	100	8 490	8 618	4 514
Inventory	6 239	161	1 289	2 496	745	484	641	423
Deferred taxation	(11 824)	(1 260)	(1 353)	(3 179)	–	(2 377)	(2 411)	(1 244)
Goodwill	53 217	7 906	4 574	5 435	2 250	8 797	11 211	13 044
Purchase consideration paid in cash	90 699	11 336	9 351	16 727	3 095	15 394	18 059	16 737

36. BUSINESS COMBINATIONS continued

	Total R'000	Garden Route R'000	Mirage Motors R'000	Modder- rivier R'000	Kempena Motors R'000	Sasol Mother- well R'000	Sasol Stanford Road R'000	Sasol Figtree R'000
The acquired businesses contributed as follows since acquisition to the Group's results:								
Revenue	91 669	1 761	35 332	31 925	1 478	7 887	7 377	5 909
Net profit/(loss)	2 361	(349)	(744)	2 030	89	700	386	249

**TFC
Operations
R'000**

30 September 2016

TFC Operations on 1 June 2016.

The assets and liabilities at the date of acquisition can be summarised as follows:

Carrying value

Assets

Property, plant and equipment

Inventory

138

1 679

1 817

Fair value

Assets

Plant and equipment

Inventory

Goodwill

Purchase consideration paid in cash

138

1 679

35 862

37 679

The acquired businesses contributed as follows since acquisition to the Group's results:

Revenue

Net profit

61 452

1 142

37. INTEREST IN SUBSIDIARIES

Name of subsidiary

	Number of issued shares		Shareholding (%)	
	2017	2016	2017	2016
Kaap Agri Bedryf Limited	74 170 277	74 170 277	100,00	100,00
Kaap Agri (Namibia) (Pty) Ltd	500	401	50,00	100,00
Kaap Agri (Aussenkehr) (Pty) Ltd	100	100	100,00	–
Agriplas (Pty) Ltd	7 000	7 000	100,00	100,00
TFC Properties (Pty) Ltd	455	400	88,00	100,00
TFC Operations (Pty) Ltd	114	100	88,00	100,00

38. INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the Executive committee 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, Fuel and convenience (TFC), Wesgraan as well as Irrigation manufacturing. The performance of the operating segments are 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.

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

Wesgraan provides a complete range of marketing and hedging options as well as handling grain products between producer and buyer.

Irrigation manufacturing, manufactures dripper pipe and other irrigation equipment and distributes franchise and other irrigation parts.

	GROUP			
	Segment revenue		Segment results	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Segment revenue and results				
Trade	4 134 625	3 887 991	221 662	194 189
Fuel and convenience (TFC)	1 385 271	1 031 865	63 782	46 426
Wesgraan	710 239	558 610	51 922	30 785
Irrigation manufacturing	180 976	169 405	25 248	18 163
Total for reportable segments	6 411 111	5 647 871	362 614	289 563
Corporate	4 586	4 972	(109 851)	(80 170)
Treasury	–	–	80 063	81 405
Share in profit of joint venture	–	–	201	–
Total external revenue	6 415 697	5 652 843		
Profit before tax			333 027	290 798
Income tax			(91 610)	(80 376)
Profit after tax			241 417	210 422

38. INFORMATION ABOUT OPERATING SEGMENTS continued

Segment assets and liabilities

	Segment assets		Segment liabilities	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade	1 231 029	1 180 500	816 221	675 939
Fuel and convenience (TFC)	340 921	215 713	24 420	15 969
Wesgraan	68 980	63 312	25 704	2 080
Irrigation manufacturing	64 016	71 000	29 822	27 653
Total for reportable segments	1 704 946	1 530 525	896 167	721 641
Corporate	272 026	231 586	125 623	128 641
Trade debtors	1 392 979	1 364 756	–	–
Investment in joint venture	15 357	–	–	–
Short-term borrowings	–	–	764 892	871 058
Deferred taxation	823	6 008	16 815	5 858
	3 386 131	3 132 875	1 803 497	1 727 198

Other segment information

	Capital expenses		Depreciation	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Trade	98 179	93 953	15 142	12 837
Fuel and convenience (TFC)	118 272	71 002	4 367	4 054
Wesgraan	9 881	2 599	3 520	3 525
Irrigation manufacturing	8 736	2 054	4 293	4 050
Total for reportable segments	235 068	169 608	27 322	24 466
Corporate	9 615	7 790	7 979	6 066
	244 683	177 398	35 301	30 532

During the current year the Group changed its internal reporting structures to allow for a separate focus on Fuel and convenience stores. Fuel and convenience were previously managed within the Trade segment. Comparative information has been restated to be consistent with the current presentation.

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

Geographical revenue for the Group are as follows:

South Africa

Namibia

Total

Non-current assets (excluding deferred taxation) are located in the following countries:

South Africa

Namibia

Total

GROUP	
2017 R'000	2016 R'000
6 025 201	5 141 269
390 496	511 574
6 415 697	5 652 843
1 053 783	773 838
1 587	27 849
1 055 370	801 687

39. GOING CONCERN

Based on the financial statements, the present 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.

40. EVENTS AFTER REPORTING DATE

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 Group or the results of those activities.

Kaap Agri Limited

Statement of financial position

at 30 September

		COMPANY		
	Notes	2017 R'000	2016 Restated R'000	2015 R'000
ASSETS				
Non-current assets				
Investment in subsidiary company	2	634 708	634 708	634 708
Current assets				
Short-term portion of loans	3	14 395	26 821	36 334
Total assets		649 103	661 529	671 042
EQUITY AND LIABILITIES				
Capital and reserves				
Ordinary share capital	4	456 643	456 643	456 643
Retained profit		192 456	204 882	214 395
Total equity		649 099	661 525	671 038
Current liabilities				
Loan subsidiary company	5	4	4	4
Total equity and liabilities		649 103	661 529	671 042

Statement of comprehensive income

for the year ended 30 September

Revenue
Preference dividends received
Dividends received
Other operating expenses
Profit before taxation
Income tax
Net profit for the year

COMPANY	
2017 R'000	2016 Restated R'000
2 023	3 024
54 546	47 321
(4)	(4)
56 565	50 341
–	–
56 565	50 341

Statement of changes in equity

for the year ended 30 September

Balance as previously reported – 1 October 2015

Restatement

Restated balance 1 October 2015

Restated net profit for the year

Restated dividends paid

Balance 30 September 2016

Net profit for the year

Dividends paid

Balance 30 September 2017

COMPANY	
Share capital R'000	Retained profit R'000
480 347	216 359
(23 704)	(1 964)
456 643	214 395
–	50 341
–	(59 854)
456 643	204 882
–	56 565
–	(68 991)
456 643	192 456

Statement of cash flows

for the year ended 30 September

No cash flow effect as the company did not have any cash flows for the year.

Notes to the 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 97 to 107.

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.

2. INVESTMENT IN SUBSIDIARY COMPANY

Unlisted:

KaaP Agri Bedryf Limited

Number of issued shares

74 170 277 (2016: 74 170 277)

Shareholding: 100% (2016: 100%)

Shares at cost

COMPANY	
2017 R'000	2016 Restated R'000
634 708	634 708

3. LOANS

Preference shares

Accumulated preference dividend

Short-term portion carried over to current assets

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

The preference dividend rate is calculated at prime less 0,5%.

4. ORDINARY SHARE CAPITAL

Authorised

100 001 000 (2016: 100 001 000) ordinary shares with no par value

Issued

74 170 277 (2016: 74 170 277) ordinary shares with no par value

5. LOAN SUBSIDIARY COMPANY

Kaap Agri Bedryf Limited

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.

6. RELATED PARTY TRANSACTIONS

Refer to notes 2 and 5.

7. RESTATEMENT OF COMPARATIVE AMOUNTS

Prior period error

During 2012 the company issued 5% of its shares to Empowerment and Transformation Investments (Pty) Ltd (ETI) for a purchase price of R23,7 million. The company financed the purchase price through the purchase of 100% of the authorised preference shares of ETI for a purchase price of R23,7 million, equalling the issuing price of the 5% shares sold to ETI. These ordinary and preference shares transactions between the company and ETI resulted in the company recognising a Loan Receivable for R23,7 million for the preference share investment in ETI with a corresponding increase of R23,7 million in the company's issued share capital. The loan and interest outstanding to the company were to be repaid with dividends declared and paid by the company to ETI. In accordance with the International Financial Reporting Standards, (IFRS), accounting standard, IAS 39, the issue of the 5% shareholding to ETI should not have been recognised as an issue of shares and likewise the purchase of the preference shares should not have been recognised as a loan receivable, as the various share transactions in substance constituted an option given by the company to ETI to acquire a 5% shareholding. In terms of IFRS 2, the company should have recognised an expense in profit and loss and a share-based payment reserve in equity, at transaction date. The 2016 opening retained earnings and comparative amounts of the financial statements of the company were restated for this error. The effect of the error on the financial statements of the company is as follows:

COMPANY	
2017 R'000	2016 Restated R'000
13 937	25 992
458	829
14 395	26 821
(14 395)	(26 821)
-	-
456 643	456 643
4	4

7. RESTATEMENT OF COMPARATIVE AMOUNTS continued**Effect on statement of financial position****EQUITY**

Share capital – 1 October 2015

Retained earnings

Restated balance reported at 1 October 2015

Dividends paid

Profit for the year

Restated balance reported at 30 September 2016**ASSETS****Non-current assets**

Loans

Current assets

Loans

Effect on Statement of comprehensive income**REVENUE**

Investment income

Profit before tax

	2016 Original balance R	Restatement R	2016 Restated balance R
Share capital – 1 October 2015	480 347	(23 704)	456 643
Retained earnings	216 359	(1 964)	214 395
Restated balance reported at 1 October 2015	696 706	(25 668)	671 038
Dividends paid	(62 674)	2 820	(59 854)
Profit for the year	52 089	(1 748)	50 341
Restated balance reported at 30 September 2016	686 121	(24 596)	661 525
ASSETS			
Non-current assets			
Loans	23 214	(23 214)	–
Current assets			
Loans	28 203	(1 382)	26 821
	51 417	(24 596)	26 821
Effect on Statement of comprehensive income			
REVENUE			
Investment income	52 093	(1 748)	50 345
Profit before tax	52 089	(1 748)	50 341

8. ILLUSTRATIVE FINANCIAL EFFECTS

Referring to note 7 above, the company legally issued 5% of its shares to Empowerment and Transformation Investments (Pty) Ltd at a purchase price of R23,7 million rand. Empowerment and Transformation Investments (Pty) Ltd legally issued 100% of its authorised preference shares to the company for a purchase price of R23,7 million. In terms of the applicable International Financial Reporting Standards, these transactions between the company and ETI were in substance deemed not to have occurred. This resulted in certain balances and transactions in terms of these transactions not being accounted for in the accounting records of the company as the accounting is based on the substance and not the legal form of the transactions.

The disclosure below provides information on what the impact would have been if the financial statements were prepared based on the legal form of the respective agreements.

2017**Loans**

Empowerment and Transformation Investments (Pty) Ltd

Preference shares

Accumulated preference dividend

Short-term portion carried over to current assets

Long-term portion carried over to non-current assets

Capital and reserves

Ordinary share capital

Investment income

Preference dividends received

Empowerment and Transformation Investments (Pty) Ltd

Dividends paid

Ordinary dividends paid

	Financial statements at present	Adjustments	Financial statements Legal form of contracts
Empowerment and Transformation Investments (Pty) Ltd			
Preference shares	–	22 541	22 541
Accumulated preference dividend	–	502	502
	–	23 043	23 043
Short-term portion carried over to current assets	–	(2 198)	(2 198)
Long-term portion carried over to non-current assets	–	20 845	20 845
	456 643	23 704	480 347
Preference dividends received			
Empowerment and Transformation Investments (Pty) Ltd	–	1 698	1 698
	–	1 698	1 698

8. ILLUSTRATIVE FINANCIAL AFFECTS continued
2016

Loans

Empowerment and Transformation Investments (Pty) Ltd

Preference shares

Accumulated preference dividend

Short-term portion carried over to current assets

Long-term portion carried over to non-current assets

Capital and reserves

Ordinary share capital

Investment income

Preference dividends received

Empowerment and Transformation Investments (Pty) Ltd

Dividends paid

Ordinary dividends paid

	Financial statements at present	Adjustments	Financial statements Legal form of contracts
	–	24 196	24 196
	–	399	399
	–	24 595	24 595
	–	(1 382)	(1 382)
	–	23 213	23 213
	456 643	23 704	480 347
	–	1 748	1 748
	–	1 748	1 748

Accounting policy

to the financial statements for the year ended 30 September

1. BASIS OF PREPARATION

The annual financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, 71 of 2008, and the JSE Limited Listings Requirements. The annual financial statements have been compiled on the historical-cost basis, with the exception of Available-for-sale investments which are revalued to fair value.

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 to the annual financial statements.

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 2016:

Amendments to standards

- Amendments to IAS 1 Presentation of Financial Statements disclosure initiative (effective 1 January 2016)
In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures on applying the consolidation exemption (effective 1 January 2016)
The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to IFRS 11 Joint Arrangements on acquisition of an interest in a joint operation (effective 1 January 2016)
This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, on depreciation and amortisation (effective 1 January 2016)
In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to IAS 27 Separate Financial Statements on equity accounting (effective 1 January 2016)
In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- Annual Improvements to Standards 2012 – 2014 (effective 1 January 2016)
- Amendment to IAS 19 Employee Benefits
Discount rate: regional market issue – The amendment to IAS 19 clarifies that market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high-quality corporate bonds in that currency, government bond rates must be used.
- Amendment to IAS 34 Interim Financial Reporting
The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).
- Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
This is an amendment to the changes in methods of disposal – Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners.
- Amendment to IFRS 7 Financial Instruments: Disclosures
Applicability of the offsetting disclosures to condensed interim financial statements.

None of the new standards, amendments, improvements and interpretations of existing standards mentioned above, that have been published, have any material effect on the financial statements of the Group.

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 9 Financial Instruments (effective from 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.
- IFRS 9 Financial Instruments – on general hedge accounting (effective from 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 from 1 January 2018)
The IASB has amended IFRS 15 to clarify the guidance, but there were no major changes to the standard itself. The amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of these areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 Leases (effective from 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

- Amendments to IAS 12 Income Taxes – Recognition of deferred tax assets for unrealised losses
The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets. The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.
- Amendment to IAS 7 Cash Flow Statements
In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IFRS 2 Share-based Payment
Clarifying how to account for certain types of share-based payment transactions. 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.
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures on sale or contribution of assets
The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures.
- Annual Improvements to Standards 2014 – 2016
These amendments impact 3 standards:
 - 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. (Effective 1 January 2018)
 - IFRS 12 Disclosure of Interests in Other Entities regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (paragraph B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - IAS 28 Investments in Associates and Joint Ventures regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. (Effective 1 January 2018)

- IFRIC 22 Foreign Currency Transactions and Advance Consideration

This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice.

- IFRIC 23 Uncertainty Over Income Tax Treatments

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 2017 but not yet effective on that dates. The most significant of these standards are IFRS 9 and IFRS 15, which will be effective for the Group's 2019 financial year, and IFRS 16, which will be effective for the Group's 2020 financial year. Management has performed a high-level analysis of the impact of these standards, with a more detailed assessment of the impact underway.

Although IFRS 9 changes the classification of certain financial instruments, the measurement of the Group's financial assets and liabilities is expected to be unchanged under the new principles. Trade receivables, loans and other receivables are all held to collect principle and interest only and will continue to be measured at amortised cost in future. Similarly, borrowings and trade and other payables will continue to be measured at amortised cost. Derivatives will remain at Fair Value through Profit or Loss. The Group is currently assessing the potential impact of the new expected credit loss impairment model on the provision for impairment of trade receivables.

Under IFRS 15 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. 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. It is therefore expected that the timing and measurement of the Group's revenue will not change as a result of the implementation of IFRS 15. Management, however, still has to perform a detailed analysis of all revenue contracts to assess each individually, but the impact is not expected to be significant.

The new standard for leases, IFRS 16, requires a lessee to recognise a right-of-use asset and corresponding lease liability on the balance sheet 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 still has to perform a detailed analysis of all lease contracts on an individual basis and the impact of these cannot be quantified at this stage.

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 involvements 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.

Transactions which result in changes in ownership levels, where the Group has control of the subsidiary both before and after the transaction are regarded as equity transactions and are recognised directly in the statement of changes in equity.

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 IAS 39 Financial Instruments: Recognition and Measurement 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 is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is 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 stand-alone 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.

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 purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

All resulting exchange differences are recognised as a separate component of other comprehensive income.

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.

Associates

Associates are all entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

If the ownership interest in an associate is reduced, but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount as part of the “share of profit/(loss) of an associate” in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group’s financial statements only to the extent of unrelated investor’s interest in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Dilution gains and losses arising in investments in associates are recognised in profit or loss. Accounting policies of associates have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Joint arrangements

Under IFRS 11, investments in joint arrangements 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 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.

Transactions under common control

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

During a transaction under common control, the result of operations for the period is presented as though the acquisition of its controlling interest through a transaction under common control had occurred in the earliest period presented. The effects of the inter-company transactions are eliminated in determining the results of operations for the period prior to the acquisition of the controlling interest, meaning that those results are on substantially the same basis as the results of operations for the period after the acquisition of the controlling interest. Similarly, the consolidated statement of financial position with related notes have been presented as though the assets and liabilities of the combining entities had been transferred at the earliest reporting period.

During a transaction under common control the excess of the purchase price consideration over the net asset value of the acquiree is recognised in equity.

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 is included in investment in associated companies. 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 or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Group allocates goodwill based on the operating segments in which it operates.

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. Amortisation is calculated on the straight-line method to allocate the cost of customer relations over the estimated useful life of five years.

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.

6. PROPERTY, PLANT AND EQUIPMENT

Land and buildings mainly comprise retail outlets, offices and silos. Land and buildings were revalued during 2006 to fair value when the Group made the choice to apply the fair value as deemed cost-exemption, in terms of IFRS 1: First-time adoption of International Financial Reporting Standards. Property, plant and equipment, including investment property, is 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 or revalued amounts 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 disposals 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 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 other long-term payables. 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 purposes 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

The Group classifies its financial assets in the following categories: at fair value through profit or loss and 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 are classified as trade and other receivables as well as cash and cash equivalents in the statement of financial position.

10. 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, 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.

11. 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. Inventory stock is valued at the specific cost price or net realisable value, whichever is the lower. Finished goods 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.

12. TRADE ACCOUNTS RECEIVABLE

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.

13. 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 recognised immediately in the income statement.

14. CASH AND CASH EQUIVALENTS

For the purposes 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.

15. 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.

16. SHARE 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 reissued, 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.

17. 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, 24 of 1956 ("the Pension Funds Act"), 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 staff 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 and liability is raised 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 share price at grant date, the expected life of the option, the expected volatility, the expected dividend yield and the risk-free interest rate.

18. 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.

19. 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.

20. REVENUE AND OTHER OPERATING INCOME RECOGNITION

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, estimated returns, rebates 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 finance margin earned on direct sales is recognised as income. The finance 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 impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the debtor. Interest on impaired debtors is recognised using the original effective interest rate.

Dividend income

Dividend income is recognised when the right to receive payment is established.

21. 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.

22. LEASES

Leases where a significant portion of the risks and rewards of ownership are 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.

23. 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.

24. 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.

25. FINANCIAL GUARANTEES

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurred because a specified debtor fails to make payment when due. Financial guarantees are initially measured at fair value. Subsequently it is measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18 Revenue.

26. 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.

27. 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 respect 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

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** (Appointed: 1 March 2017)

JH le Roux*

EA Messina** (Appointed: 1 March 2017)

WC Michaels** (Appointed: 1 August 2017)

CA Otto**

HM Smit**

JH van Niekerk**

S Totaram (Resigned: 30 January 2017)

SJ Liebenberg (Retired: 1 March 2017)

NC Loubser (Retired: 1 March 2017)

HS Louw (Retired: 1 March 2017)

* Non-executive

Independent

Company Secretary

RH Köstens

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Transfer secretaries

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