

INTEGRATED REPORT 2011

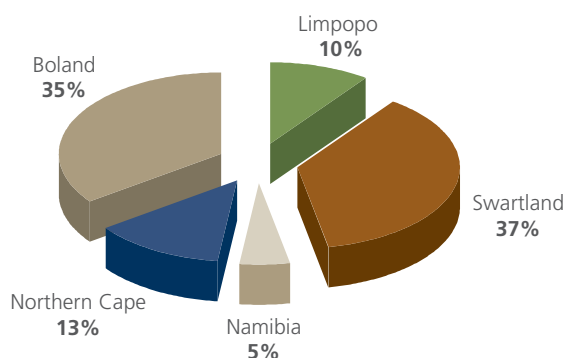


KAAP AGRI IS AN AGRICULTURAL SERVICES GROUP WHICH SUPPLIES A VARIETY OF PRODUCTS AND SERVICES MAINLY TO THE AGRICULTURAL SECTOR, BUT ALSO TO THE GENERAL PUBLIC

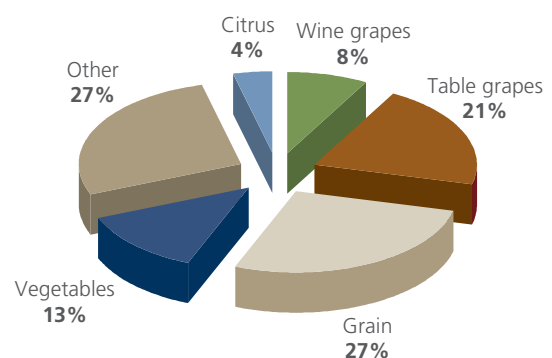
Kaap Agri has 147 operating points that stretch over 84 cities, towns and places and include areas such as the Swartland, Boland, Winelands, Overberg, Langkloof, Namaqualand, Orange River, Namibia and adjacent areas as well as Limpopo, Mpumalanga and Gauteng.

Kaap Agri is also the largest shareholder in Pioneer Food Group Limited.

Geographical distribution



Product distribution



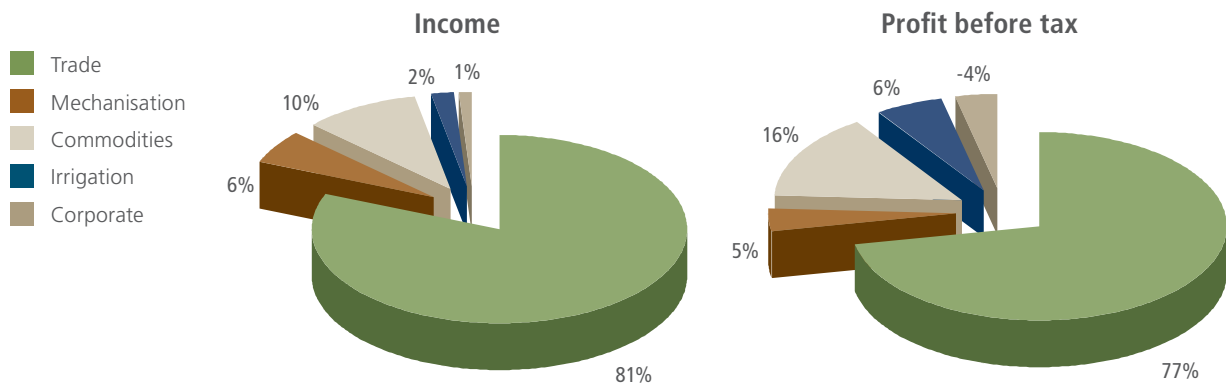
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2 BUSINESS PROFILE

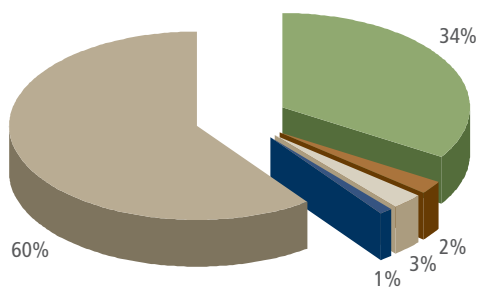
	TRADE		MECHANISATION	
Services	<ul style="list-style-type: none"> Production inputs Packing material Hardware Fuel Outdoor living 		<ul style="list-style-type: none"> Tractors Combine harvesters Tillage Parts Workshops 	
Purpose	Providing a complete range of production inputs and other goods to agricultural producers as well as to the general public		Providing a complete range of mechanisation equipment and services	
Operations	<ul style="list-style-type: none"> 62 Agrimark shops 21 Pakmark shops 3 Villagemart shops 2 Savemart shops 5 Liquormark shops 7 Agrimark depots Western Cape Northern Cape Limpopo Mpumalanga Namibia 		<ul style="list-style-type: none"> 9 Workshops 8 Parts outlets 4 Fuel depots Western Cape 	
Financial	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Income	2 112 224	1 927 949	157 487	159 124
Profit before tax	85 449	81 062	4 977	4 185
Gross assets	569 957	503 510	36 988	42 381
Net assets	214 258	189 327	23 852	30 029

AS PERCENTAGE OF TOTAL

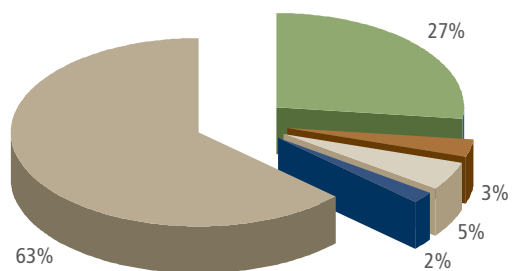


COMMODITIES		IRRIGATION		CORPORATE AND FINANCING	
<ul style="list-style-type: none"> Grain receiving and grading Grain marketing Grain storage Seed processing Seed potatoes 		<ul style="list-style-type: none"> Dripper pipe Pumps Irrigation equipment Filters Automation 		<ul style="list-style-type: none"> Financing Finances Human resources and Communication Internal audit IT services 	
Providing a complete range of marketing and hedging options as well as handling grain products between producer and buyer		Manufacturing of dripper pipe and other irrigation equipment, as well as distribution of franchise and other irrigation parts		Providing support services for the Group's activities Providing tailor-made financing for producers	
<ul style="list-style-type: none"> 14 Silo complexes 350 000 ton capacity 2 Seed-processing plants 		<ul style="list-style-type: none"> 1 Factory 6 Distribution points 		<ul style="list-style-type: none"> Head office Malmesbury 12 Regional credit offices 	
<ul style="list-style-type: none"> Western Cape 		<ul style="list-style-type: none"> Western Cape Gauteng Mpumalanga 		<ul style="list-style-type: none"> Western Cape Northern Cape Mpumalanga Namibia 	
2011 R'000	2010 R'000	2011 R'000	2010 R'000	2011 R'000	2010 R'000
265 068	284 709	80 374	70 037	8 542	7 737
17 563	17 175	6 932	3 584	(3 896)	1 110
44 195	48 627	23 267	23 927	997 745	823 341
37 729	33 852	15 858	18 247	487 512	419 216

Gross assets



Net assets



CHAIRMAN

GD (George) Eksteen ■*

VICE-CHAIRMAN

ASM (Mohammad) Karaan ■*

NON-EXECUTIVE

FA (Fran) du Plessis ▲

BS (Bernhardt) du Toit ▲

NC (Niko) Loubser ●

HS (Stanley) Louw ●

CA (Chris) Otto ▲■*

HM (Helgard) Smit ●

S (Samara) Totaram (Appointed: 26 May 2011) ▲

JH (Kosie) van Niekerk ■●

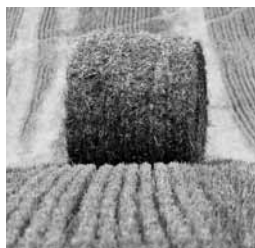
EXECUTIVE

S (Sean) Walsh – Managing ■

JJ (James) Matthee – Financial ●

CA (Corwyn) Botha (Retired: 31 July 2011)

- ▲ Audit Committee
- Human Resources Committee
- Finance Committee
- * Nomination Committee



Wian Beukes	General Manager: Trade – Inland
Johan de Lange	General Manager: Products
Charl Graham	Group Manager: Information Technology
Leopold Human	Group Manager: Financing Services
Kobus Jacobs	General Manager: Trade – Namibia
Reinhard Köstens	Group Secretary
Johan Liebenberg	Director Human Resources: Kaap Agri Bedryf
Francois Loots	General Manager: Trade – Northern Cape
James Matthee	Financial Director
Ian Schooling	General Manager: Agriplas
Hennie Smit	General Manager: Procurement and Logistics
Francois Swanepoel	General Manager: Trade – Coast
Dawie van Rensburg	General Manager: Mechanisation
Gerhard Victor	Group Manager: Finance
Sean Walsh	Managing Director



In general, the 2011 financial year has been a satisfactory one given the ongoing challenges. The South African economy remained flat in the wake of the recession, unemployment levels are still too high and industries, such as agriculture, with the capabilities to create jobs and social prosperity remain under political pressure. Nevertheless, there were some positives, both externally and within the agricultural environment. With the exception of the wine and potato industry, virtually all farming sectors achieved better prices. However, volumes and yields were lower. The fact that the Group achieved growth in turnover in real terms was largely due to new projects, branches and initiatives. This would not have been possible if the Group did not expand proactively.

EXPANSIONS

Over the year Kaap Agri added 11 new operational points in the form of Agrimarks, depots, Savemarts and a fuel station. These were added in the Western Cape, Southern Cape, Namibia and Limpopo. Several branches were upgraded or rebuilt entirely, such as the new Kakamas branch.

In total, 20 new operational points have been acquired or established in the last two years. The focus is on exploiting the cash market to supplement the agricultural market where growth opportunities are limited at this stage. The aim is also to improve service levels to the agricultural market by upgrading infrastructure and establishing depots to get closer to producers. A further focus is the expansion of branches in intensive fruit-growing areas where Kaap Agri is able to add value to the fruit industry as a leading provider of packaging materials. Kaap Agri will continue to grow the business by exploring new opportunities within the existing business, as well as by establishing and acquiring new branches.

EMPOWERMENT

Kaap Agri is proud to have already qualified as a level 5 contributor to black economic empowerment in the past year, with an 80% recognition level. This was achieved through progress with internal processes, as well as a share deal which enabled the broad-based black economic empowerment group Thembeke Capital to acquire a 15,79% interest and a Farmworker and Employee Trust to acquire a 5,26% interest in Kaap Agri Bedryf. Thembeke paid 50% in cash and the balance is funded by an interest-bearing loan, while the Trust's full interest is funded by an interest-bearing loan. A part of the dividend payable to the Trust is made available for community projects, with the remainder going towards redemption of the loan.

Various internal programmes to promote BEE are under way but have not yet reached the minimum threshold levels required to qualify for points. Kaap Agri, however, continues to promote BEE through internal processes such as training, development, accelerated programmes and opportunities, not only for the purpose of earning points, but also to empower staff at all levels. Agriculture, especially in rural areas, is not high on the list of potential employers for suitable candidates, and the challenge is to identify and appoint or promote the appropriate candidates, and to train, develop and retain them. Unfortunately these highly successful individuals also become the target of other businesses.

Kaap Agri also makes an effort to assist emerging farmers to develop into economically viable commercial farmers. Historically Kaap Agri's area of operation did not have many previously disadvantaged farmers and projects are limited in scope. Despite this, Kaap Agri already has 179 smaller and 16 larger emerging farmers on its books. The Kaap Agri Academy plays a significant role in providing skills training for emerging farmers as well as farm workers in order to develop their potential.

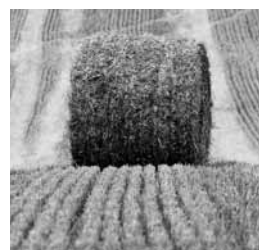
PIONEER FOOD GROUP

After a very good first half, Pioneer Food Group's results were disappointing in the second half of the year. Higher commodity prices have put pressure on margins and working capital, while margins on bread had to be reduced as part of the settlement with the Competition Commission. Pioneer spent R933,4 million over the year on expansions in order to enhance production capacity, improve effectiveness and expand product ranges. Pioneer is well positioned to share in profitable volume growth, considering the limited consumer spend environment. Continued pressure from cost inflation and a variance in consumer spend patterns will influence the financial position in the new financial year. Pioneer declared a total dividend of 80 cents per share, following the previous year in which no dividend was declared, and 89 cents in 2009.

RESULTS

The 10% increase in turnover is largely due to new expansions and inflation, as farming operations declined in many areas. This affirms the strategy of growth outside the existing business and areas.

Kaap Agri's headline earnings from own operations were virtually the same as in the previous year, mainly due to pressure on margins and the cost of new developments. Kaap Agri is a high-turnover low-margin business, so profits are highly sensitive to changes in margins.



The total equity-accounted headline earnings increased by 96,8% to R285,2 million. The adjusted headline earnings, after the adjustment of the Competition Commission's penalty of Pioneer the previous year, decreased by 18,6%.

The statement of financial position, even of the operations on its own, is strong with sound ratios and, also taking into account the cash flow, the company is solvent and liquid.

DIVIDEND

A final dividend of 4,50 cents per share has been proposed, translating into a total dividend of 16,50 cents per share. This dividend has been calculated taking into account a dividend from the operating company as well as the full dividend receivable from Pioneer Foods, less costs associated with the unbundling. The unbundling will unlock value for Group shareholders and therefore the cost is recovered from the Group dividend.

This is expected to be a non-recurring dividend reduction and total dividends, although in two parts, are expected to return to normal from next year onwards.

SHARE TRADING

Shares are actively traded in-house over the counter, using a sophisticated computerised trading system. Over the year 3,2% of Kaap Agri's shares in total were traded, which is considered fairly liquid for an unlisted share. The weighted average trading price was R10,84 per share, 40% higher than in the previous year. The closing price at R12,35 was 43,74% higher than that of the previous year.

UNBUNDLING

Kaap Agri's first seed was planted 99 years ago with the foundation of Westelike Graan Boeren Co-operatiewe Vereniging (later Wesgraan) in 1912. The current Kaap Agri has been established through mergers of various agricultural cooperatives and businesses over the years, the biggest of which probably was the merger between WPK and Boland Agri in 2005.

In 1919 a few farmers, including Wesgraan directors, founded De Boeren Co-operatiewe Molen Maatschappij Beperk (Bokomo). Together with other agricultural co-operatives, Wesgraan supported and financed Bokomo and later Sasko as well.

Over the years these offshoots grew and in 1997 merged to become Pioneer Food Group. Kaap Agri currently holds a 31,0% economic interest in Pioneer Food Group with a total market capitalisation of R12,4 billion. Kaap Agri's interest is therefore worth R3,3 billion, constituting 80% of Kaap Agri's net asset value. Kaap Agri's OTC trading does, however, not reflect the full value of the underlying assets.

At the same time its own operations grew to a turnover of R3,8 billion, gross assets of R1,7 billion and profits of R78,3 million. The statement of financial position is healthy and sound enough to manage without the Pioneer investment.

Hence the Board has decided to separate the operations and the investment in Pioneer Food Group, forming two separate companies which in future will continue to exist and trade independently. The unbundling will unlock considerable value for shareholders, in that the respective shares are expected to trade at a higher aggregate value after the unbundling, that shareholders will have the option to invest either directly in the operations or indirectly in Pioneer Food Group, that dividends will be transparent and that the operations will be more focused.

Kaap Agri is therefore entering its centennial as a focused business that released its investment in Pioneer to the benefit of shareholder value.

PROSPECTS

Overall the current wheat crop promises to be more profitable for producers. This may improve producers' financial position, which may encourage them to plant more in the next season. Other operations experienced a normal year and expectations are that expansions and replacements that were neglected in the recession will gradually be resumed.

Kaap Agri's own expectation and observations are that the economy and business have already started to pick up and that new investments made in the last two years will start making a bigger contribution towards profits. Kaap Agri looks forward to moderate growth compared to the previous year and will continue to exploit growth opportunities.



GROUP RESULTS

	2011	2010	Increase/ (Decrease)
Turnover	R3 830,4 million	R3 471,4 million	10,3%
Adjusted headline earnings	R298,3 million	R350,5 million	(14,9)%
– Operations	R78,4 million	R78,2 million	0,2%
– Investments	R219,9 million	R272,3 million	(19,3)%
Adjusted headline earnings per share	115,78 cents	142,30 cents	(18,6)%
Dividend per share	16,50 cents	24,00 cents	(31,25)%

Turnover gradually increased over the year and finished at 10,3% above the previous year. New businesses that were started during the year accounted for 1,2% of this increase, which means that existing business increased by 9,1%.

The total adjusted headline earnings of R298,3 million for the year, including Pioneer Foods on an equity-accounted basis, were 14,9% lower than in the previous year.

OPERATIONS

Income statement

Income from inventory sales and services increased by 7,1% to R2 623,7 million, while direct business, where Kaap Agri mainly acts as a financier, increased by 18,1% to R1 206,7 million, which amounts to total value of transactions done of R3 830,4 million. The gross margin on income remained virtually unchanged.

Interest income increased by 4,2% as a result of an increase of 10,8% in average debtors over the period.

Total costs increased by 9,3%. Two percentage points of the increase was due to the costs of new expansions and acquisitions which was not fully operational in the previous period.

Finance charges decreased by 8,2%, largely as a result of interest rate reductions totalling 1,5 percentage points over the last two years. This decrease, together with the increase in interest received, resulted in an increase of 12,8% in net interest received.

Profit before tax from own activities increased by 3,6% to R111,0 million.

Income tax increased by 17,2% to an effective rate of 28,4%. In the previous year the effective rate was 25,1% due to the utilisation of assessed losses and non-taxable income.

Total equity-accounted profit increased by 105,1% to R300,2 million. The adjusted headline earnings decreased by 14,9% to R298,3 million.

Segment report

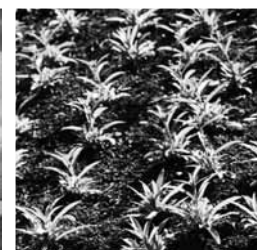
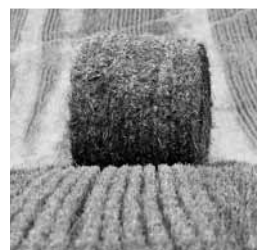
The operating segments' total profit, net of direct costs and interest on inventory, increased by 8,4%.

The turnover of the Trading division, including Agrimark outlets and supply of packaging materials, increased by 9,6% and profit by 5,4%. The net margin was slightly lower due to continued pressure on gross margins in general, as well as establishing and start-up costs of new branches and expansions that have not yet contributed towards profits.

The biggest contributors to turnover are still fuel, packaging materials, feeds, fertilisers, steel and cement, together constituting 60,1% of turnover. The focus on increased cash turnover resulted in a 165% increase in cash turnover since 2006, compared to the average increase of 97% in turnover. Cash income currently constitutes 30% of total income.

The Grain Handling & Marketing and Seed divisions' profit is virtually unchanged. Wheat cultivation for the season under review, in the area where Kaap Agri's silo complexes are situated, was 101 000 hectares compared to the 165 000 hectares of two seasons ago, and the crop totalled 230 000 tons versus 412 000 tons two seasons ago. However, in general wheat prices improved on the previous two seasons. Despite the smaller crop, Kaap Agri increased its market share in handling and storage, which enabled it to maintain its income base. The success of the division is largely dependent on volume throughput and every effort is made to make it as attractive and cost-efficient as possible for producers to deliver their produce through Kaap Agri's facilities.

The turnover of the Mechanisation division remained virtually unchanged but profit increased by 18,9%. The Workshops and Parts departments, in particular, were the biggest contributors towards this improvement.



The irrigation subsidiary Agriplas increased its turnover by 14,8% and profit by 93,4%. Better productivity levels and rigorous cost management were largely responsible for this increase in profit.

The Corporate segment mainly consists of costs for support services. The 7% increase includes non-recurring costs and provisions for future expenses. Without these, costs would have declined marginally. This decrease reflects rigorous and responsible cost management, even though the increase in activities also requires more attention from support services.

In total, the Trading division's contribution towards operating income was 74,4% (2010: 76,5%), Commodity division 15,3% (2010: 16,2%), Mechanisation division 4,3% (2010: 3,9%) and Agriplas 6,0% (2010: 3,4%).

Statement of financial position

The increase in property, plant and equipment, after depreciation and disposals, was primarily due to the acquisitions and upgrades already referred to, as well as normal replacements.

The loans of R36,9 million originated from financial support provided with the issue of shares in the operating company to BEE shareholders.

The 11,8% increase in inventory is in line with the 7,1% increase in inventory sales, especially in light of the stronger growth in sales in the second half of the year and in particular the last quarter.

Debtors and production loans increased by 18,3%. It is evident that producers are increasingly taking up credit and, especially in the second half of the year, debtors reflected a bigger increase than turnover. Although there was an increase in debtors outside terms, this is in line with the total increase in debtors and the overall quality of the book remains sound. Production input financing plays an important role in Kaap Agri's offering to its clients, and although the return on the financing book in itself does not necessarily justify the investment it plays a major role in as much as one-third of the Group's business. Adding the one-third to the financing book, together with the income generated by the book itself, makes it profitable. The Board is well aware of the risk involved in debtors and production financing, and there is a constant focus on managing this risk, also through a Finance Committee of the Board. The Board believes that provisions and reserves are adequate to cover the risks.

Creditors increased by 11,8%, which is in line with the increase in turnover.

Net interest-bearing debt increased by 30,4%, or R100,1 million, to R429,5 million. The increase is largely the net result of the cash profit (R142,7 million) plus the capital contribution with the issue of shares (R34,0 million) minus the increase in fixed and current assets (R208,8 million), tax paid (R30,8 million) and the net dividend paid (R61,5 million). The ratio of net interest-bearing debt to total assets in operations remained virtually unchanged at 24,3%.

The Group's statement of financial position is sound, with total shareholders' interest to total assets at 74,6%. If only the operations were taken into account (excluding the investment in Pioneer Foods), this ratio is 47,2%, which the Board believes to be an acceptable ratio for an operating company. These sound ratios enabled the Group to propose the unbundling of the investments and operations into two separate entities.

Cash flow remained positive, despite the increase in interest-bearing debt as explained above. Interest cover from own activities was 6,1 times, which is a highly acceptable ratio. The Group continues to maintain a sound balance between debt and available banking facilities.

INVESTMENTS

The results of Pioneer Foods are equity accounted in the financial statements, which means that a proportional share of the retained earnings of Pioneer Foods is reflected as share in retained earnings of associate. Kaap Agri's voting interest in Pioneer Foods is 28,9%, but due to limited profit-sharing in certain classes of shares the economic interest in the profit is 31,0%. Actual dividends received are directly written off against the carrying value of the investment.

Pioneer's profit from operations decreased by 18,5% to R726,2 million, despite a 7,1% increase in turnover. The second half of the year's profit, in particular, was negatively affected by rising input costs, delays in price increases and pressure on volumes. This pressure on profit was experienced in all divisions. The decrease in the gross profit margin on bread, as part of the Competition Commission settlement, has put further pressure on margins. Investment activities, in order to expand capacity and acquire new businesses, amounted to R933,4 million and added to the increase in net interest-bearing debt to R757,1 million. The company, however, is still geared positively with net interest-bearing debt amounting to 14,1% of equity at year-end.



The core figures of Pioneer Foods are as follows:

	2011	2010	Increase/ (Decrease)
Income (R million)	16 853,1	15 731,3	7,1%
Earnings (R million)	730,1	235,7	209,8%
Adjusted headline earnings (R million)	726,2	890,6	(18,5)%
Adjusted headline earnings per share (cents)	407,0	503,0	(19,1)%
Dividend declared per share (cents)	80,0	–	–
Dividend accrued to Kaap Agri (R million)	44,5	–	–
Carrying value in Kaap Agri's statements (R million)	1 790,1	1 570,5	14,0%

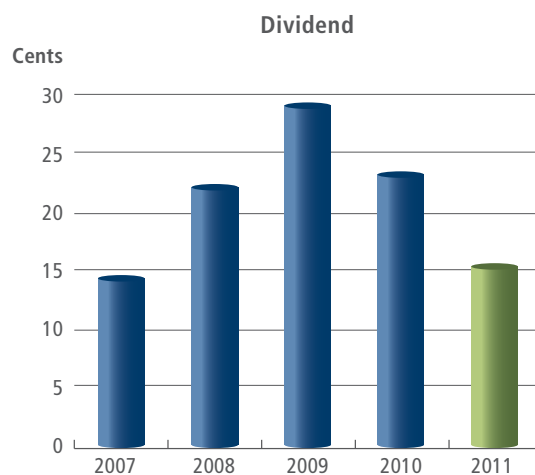
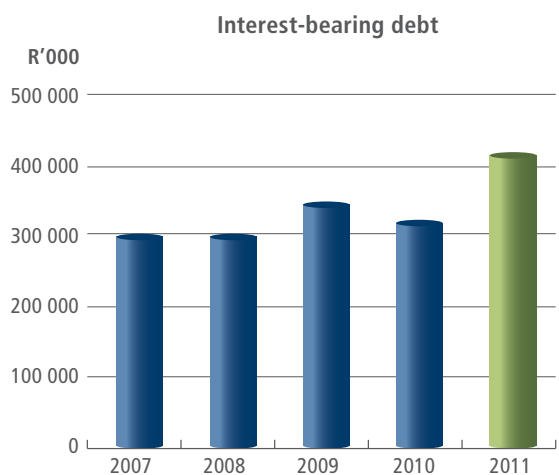
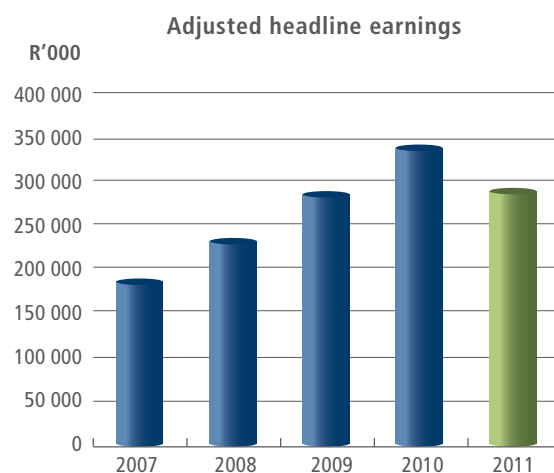
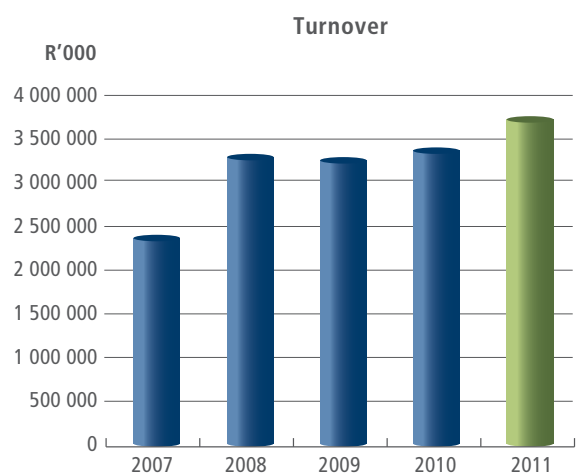
The market value of the Group's interest in Pioneer Foods at the trading price of R59,00 per share as at 30 September 2011 is R3 282 million.

ANNUAL FINANCIAL STATEMENTS

Full details of cash flow, movements in equity, assets, liabilities, income and expenses and other statutory information are disclosed in the Group statements. This review must also be read in conjunction with the directors' report on the Group statements.

DIVIDEND

A final dividend of 4,50 cents per share has been proposed, translating into a total dividend of 16,50 cents per share for the year, compared to 24,0 cents for the previous year. Pioneer has resumed the declaration of dividends but only the interim dividend was actually received in the current year. Costs associated with the proposed unbundling will also be recovered from the Pioneer Foods dividend before it is paid as part of the abovementioned dividend.



	GROUP				
	2011	2010	2009	2008	2007
	R'000	R'000	R'000	R'000	R'000
Income statement					
Revenue	2 623 695	2 449 556	2 274 091	2 363 094	1 701 051
Direct business	1 206 726	1 021 879	1 061 671	1 003 546	759 434
Value of transactions	3 830 421	3 471 435	3 335 762	3 366 640	2 460 485
Adjusted headline earnings					
Operations	78 377	78 196	97 697	91 669	60 793
Investments	219 921	272 356	195 029	148 723	135 293
Total attributable to	298 298	350 552	292 726	240 392	196 086
Equity holders of the holding company	285 222	350 552	292 726	240 392	196 086
Non-controlling interest	13 076	–	–	–	–
Adjusted headline earnings per share (cents)					
– Operations	26,50	31,74	39,71	39,16	31,20
– Investments	89,28	110,56	79,26	63,53	69,43
– Total	115,78	142,30	118,97	102,69	100,63
Cash profit after tax from operations	111 834	111 330	105 509	154 321	103 188
Dividend paid	40 645	59 122	73 902	56 517	34 522
Dividend per share (cents)	16,50	24,00	30,00	23,00	15,00
Statement of financial position					
Operations					
Non-current assets	365 864	309 817	288 646	257 684	245 457
Current assets	1 310 492	1 136 524	1 083 441	1 068 107	946 906
	1 676 356	1 446 341	1 372 087	1 325 791	1 192 363
Liabilities and loans	(896 865)	(753 386)	(749 725)	(784 050)	(728 487)
Shareholders' equity operations	779 491	692 955	622 362	541 741	463 876
Investments	1 790 111	1 570 452	1 543 622	1 431 926	1 255 830
Total shareholders' equity group	2 569 602	2 263 407	2 165 984	1 973 667	1 719 706
Equity holders of the holding company	2 453 758	2 263 407	2 165 984	1 973 667	1 719 706
Non-controlling interest	115 844	–	–	–	–
Net interest-bearing debt	429 480	329 405	356 586	307 280	308 598
Net asset value per share					
Associates included at the equity method					
– Operations	R2,69	R2,81	R2,53	R2,20	R2,02
– Investments	R7,27	R6,38	R6,26	R5,83	R5,45
– Total	R9,96	R9,19	R8,79	R8,03	R7,47
Associates included at market value after deduction of capital gains tax					
– Operations	R2,69	R2,81	R2,53	R2,20	R2,02
– Investments	R11,93	R9,71	R6,97	R5,29	R6,99
– Total	R14,62	R12,52	R9,50	R7,49	R9,01
Shares issued (number – '000)	246 340	246 340	246 340	245 890	230 148
Ratios					
Total shareholders' equity : Total assets employed					
– Operations	47,15%	46,67%	43,15%	39,93%	37,38%
– Total	74,55%	74,66%	72,97%	70,95%	66,94%
Net interest-bearing debt : Total assets employed					
– Operations	24,30%	24,34%	24,61%	24,46%	27,94%
– Total	11,71%	11,56%	11,70%	11,83%	14,75%
Adjusted headline earnings : Shareholders' interest					
– Operations	10,65%	11,89%	16,78%	18,23%	14,59%
– Total	12,34%	15,83%	14,14%	13,02%	13,88%
Interest cover (times)					
– Operations	6,1	5,4	4,6	6,3	4,6
Ratios calculated on average balances					

STAKEHOLDERS

For Kaap Agri social sustainability is about its non-financial performance and ensuring that Kaap Agri conducts business in a sustainable manner within the wider environment.

The environment includes the physical environment, social environment, economic environment and political environment.

Kaap Agri's business philosophy seeks a balance among the environment and all its stakeholders in order to ensure sustainable growth and prosperity.

EMPLOYMENT

Kaap Agri strives to have greater representation of the designated category in the Group, especially on all levels of management, and has clear targets in this regard.

Not only are new appointments and promotions effected in accordance with the guidelines of the Employment Equity Act, but the Group's policy determines that all appointments and promotions must first be measured against their compliance, or otherwise, with the targets set.

On junior and middle management levels the Group is well positioned and within its targets, but on senior level there is still room for improvement. This matter, as well as succession planning, is currently receiving attention.

There is no discrimination in the workplace or in terms of policy or conditions of service, and all staff have equal access to all benefits and schemes offered.

The prescribed Labour Development Plan was submitted on the due date. Currently, Kaap Agri is comfortably ahead of the set targets.

REMUNERATION PHILOSOPHY

The objective of the remuneration policy is to establish and retain a talented and skilful workforce. Staff receive market-related remuneration on a Total Cost of Employment (TCOE) basis and can themselves choose how their TCOE should be divided among benefits and schemes offered.

The basic remuneration can be supplemented by incentive schemes, which is applicable to all staff, in order to further promote performance.

TRAINING AND DEVELOPMENT

Kaap Agri's policy is firstly to develop potential and talent from within, before positions are made available externally. A proactive process of identifying talent is followed, where upon appropriate training and development programmes are structured around specific requirements, both internally and externally where necessary.

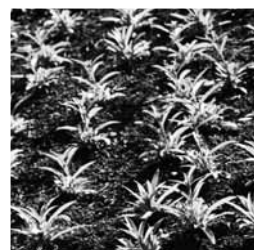
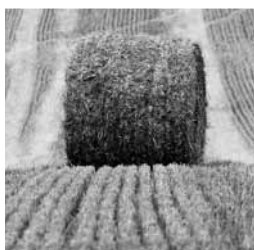
Trainee managers are also appointed at junior level with the specific objective to develop these persons into management material.

Kaap Agri's training strategy is in line with and supports the business strategy. Training and development are further conducted according to a predetermined training plan that sets out to realise the needs of the Group and the employee, as well as the potential of the employee. These training programmes are not just focused on the needs of the Group and the task, but also endeavour to develop the individual as a person.

The Group is an active participant in the AgriSETA, and has 113 assessors, 80 mentors and 15 moderators. Several learnerships are being run on an ongoing basis under the SETA and more than 349 internal learnerships have already been completed, with a further 116 in process. The company is qualified as an accredited training services provider for AgriSETA and can therefore provide training for external people.

Self-development is also encouraged through the extension of funding for extramural study and the reimbursement of costs upon the attainment of qualifications. Kaap Agri also extends financial support to twelve external students in the form of short- and long-term bursaries and also financial support to a number of scholars from the designated category.

About 70% of the total training budget is spent on staff members from the designated category.



BLACK ECONOMIC EMPOWERMENT (BEE)

Over the past three years, the Group has put structures in place to implement BEE actively according to a predetermined road map. Although considerable progress has been made in most of the aspects of the scorecard, not all inputs have qualified as yet, as certain thresholds need to be reached before any qualifying points can be achieved. These qualifying levels should be achieved in the near future.

During the year Kaap Agri reached level 5 of the BEE scorecard which gives the Group an 80% recognition status, two years earlier than planned as per the said road map. Black shareholding is currently 21,05% but should increase to 25% in the year to come.

KAAP AGRI ACADEMY

Kaap Agri has founded an academy that provides training to developing farmers as well as farm workers. Seventy-one students already completed the Farming Development programme and the next group of 25 already enrolled, while several shorter training programmes were presented to more than 480 farm workers.

SERVICE PROVIDER FOR MAFISA (MICRO AGRICULTURAL FINANCIAL INSTITUTION OF SA)

The Government has appointed Kaap Agri as a service provider to make loans available to developing farmers for production purposes. These MAFISA funds are managed under the name KALF (Kaap Agri loan funds). Applications by farmers who qualify are considered with them, amended and followed up to ensure that the right practice and support is applied.

HEALTH AND SAFETY

The management of health and safety is done in accordance with the Occupational Health and Safety Act at all operational points as part of the risk management programme. Compliance with the requirements of the legislation is monitored strictly in order to ensure that a safe working environment is created and maintained.

SOCIAL RESPONSIBILITY

Various community projects, such as the De La Bat School for the Deaf, the Ligstraal School for learners with special education needs, the Camphill organisation for persons with

learning disabilities, Sunfield Care centre for intellectually disabled, FASfacts' Fetal Alcohol Syndrome prevention campaign and farming projects in previously disadvantaged communities, are supported through financial contributions, job creation and indirect support. Kaap Agri provide a bursary fund on a yearly basis to the University of Stellenbosch, the Cape Provincial University of Technology and the Hoër Landbouskool Boland for the studies of learners of the designated category. Kaap Agri is also involved in many other areas, on primary level, in agriculture and agricultural activities and societies.

Staff are encouraged to participate in local community actions in their personal capacity and as representatives of Kaap Agri.

ENVIRONMENT

The Group is mainly located in the rural areas, where its activities as well as the activities of its clientele are closely linked to nature. Consequently it is only natural that the Group will cherish nature, and conduct its business in such a manner that it has the minimum impact on nature. The risk management programme is hence not only set on the compliance of regulatory requirements, but follows a "green" approach to ensure a sustainable environment.

The Group is also aware of its impact and responsibility towards the environment within which it conducts business. The requirements of local authorities are strictly complied with as part of the risk management programme.

The Group is both employer and provider of products and services, often outside the usual business parameters, as it is sometimes the only supplier in town.

In conjunction with an independent company Kaap Agri is currently developing a project to sustainably reduce the Group's total electricity consumption by 10% per annum over the next three years.

SUSTAINABILITY AND RISK MANAGEMENT

Kaap Agri originated in 1912, when the Westelike Graan Boeren Co-operatiewe Vereniging was founded and is now 99 years old. It is Kaap Agri's intention to exist and grow for at least the next 99 years. This can only be achieved through a sustainable partnership with all role players, parties concerned and the environment at large. Kaap Agri is committed to this.



Kaap Agri's stakeholders consist of its shareholders (which are listed companies, institutional investors, several smaller private investors and traditional agricultural producers), its staff, customers, suppliers, financiers, its environment and the state. All those whose lives, or that of their dependants, are affected by Kaap Agri at some stage.

Kaap Agri is aware of its responsibility towards all stakeholders and the broader community and therefore subscribes to the principles of good corporate management and practices. In implementing them, the Board of Directors commits itself to the principles of professionalism, discipline, transparency, empowerment, fairness, integrity and accountability to all stakeholders.

The board continually evaluates and considers all legislation, codes, practices and suggestions to ensure that its conduct, individually and collectively, complies with good corporate governance as far as practically possible. Where it deviates from specific guidelines, the board makes sure that this deviation is warranted and in the best interest of Kaap Agri.

BOARD OF DIRECTORS

The Board is responsible for the overall performance of the Group. The Board fulfils its responsibility by giving strategic leadership, appointing competent management, delegating responsibilities in a structured manner, assessing business plans and budgets and monitoring their implementation and results, and overseeing the risk management programme. In the implementation of these duties, the Board also pays attention to the sustainability of the business within the framework of the broader community and environment.

The Board consists of ten elected non-executive directors and two executive directors appointed by the Board. The terms of service of the executive directors are coupled to their terms of service as employees, whilst the non-executive directors rotate on a three year basis. No director or employee has a fixed-term contract with the Group.

The Chairman of the Board is a non-executive director. In conducting its responsibilities, the Board meets regularly and also makes use of the committees to advise it on auditing, human resources, financing and investment matters. The committees function on the basis of clearly defined mandates that set out their duties, powers and responsibilities.

The remuneration of the non-executive directors consists of a fixed annual compensation for services as a director, an additional compensation 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. Details of directors' remuneration for the past year appears in the enclosed financial statements.

Due to the unbundling after year-end, the structure, composition of the directorate and the remuneration of the non-executive directors will not be the same for the next year, and will be tabled separately at the annual general meeting(s).

Details of the Board members and attendance at board and committee meetings are provided on page 16.

AUDIT COMMITTEE

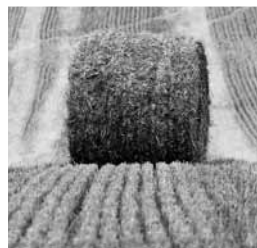
The Audit Committee consists of four non-executive directors of the Group. The committee is responsible for ensuring that a proper system of internal control and risk management exists and is applied, and that the management information, accounting policy and reporting to shareholders and other interested parties meet appropriate standards and comply with relevant legislation. The external auditors and internal auditors have unrestricted access to the chairman of the committee, which ensures that their independence is not impaired.

The Chairman of the Board, the Managing Director and the Financial Director attend meetings by invitation, and any other director may also attend the meetings if the director so requests.

The committee meets with internal and external auditors on a regular basis, also without management and other directors being present, and considers its findings and recommendations, as well as other information that may be relevant in carrying out their mandate or specific tasks entrusted to it by the Board.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee consists of four non-executive directors and the Managing Director. The Chairman of the Board is the chairman of the Human Resources Committee. The committee meets periodically to consider matters such as remuneration policy, the remuneration of executive management, succession planning, directors' remuneration, incentive schemes and other human resource matters. The performance-linked remuneration philosophy of the Group makes provision for incentive schemes and is regularly rated against professional external remuneration surveys.



NOMINATION COMMITTEE

The Nomination Committee consists of three non-executive directors. The Nomination Committee assesses the effectiveness of the actions of the Board and its committees and also plays a leading role in recommendations on the composition of the Board in order to achieve the correct balance of expertise and distribution.

FINANCE COMMITTEE

The Finance Committee consists of four non-executive directors and the Financial Director and is supported by regional credit committees with local board representation, as well as outside experts, where necessary, who meet regularly.

The committee sets guidelines and policy for the granting of credit and production finance and monitors the implementation of such guidelines and policy according to clear decision-making powers. The committee is also ultimately responsible for overseeing the evaluation of the recoverability of debts and write-offs and provision against debtors.

INTERNAL CONTROL

In order to accept responsibility for the correctness of the financial statements, the Board relies on systems of internal control and accounting and information systems of which the objective is to provide a reasonable assurance that assets are being safeguarded and that the risk of errors, fraud or losses are effectively being kept to the minimum. These control measures, which are contained in written policy documents and procedures, include the delegation of responsibilities and powers within a clearly defined framework, effective accounting procedures and segregation of duties, and monitoring by a qualified internal audit and risk management division. All material risks in the Group have been identified and documented in a comprehensive risk framework.

The Audit Committee monitors the appropriateness of and compliance with the internal control and advises the Board in this regard.

Nothing has come to the attention of the Board that indicates a material deterioration in the functioning of these control measures, procedures and systems during the financial year.

RISK MANAGEMENT

The Group is involved in the trading of grain products, mainly wheat. This involvement entails various risks, including delivery risk, storage risk and price risk. It is the Group's

policy to hedge these risks by way of legal contracts, good administration, insurance and price hedging.

By their very nature and extent, debtors entail certain risks. The Board makes use of a specialist Finance Committee to ensure that these risks are properly managed through the application of a structured credit policy and the acquisition of securities where this is considered appropriate.

The Financial Director acts as the Compliance officer, together with the underlying disciplines and responsible persons in the Group, with the object to make sure that all acts, regulations and rules which may be applicable, are identified and complied with promptly. Staff are continually trained to be aware of relevant legislation.

Other operational risks are addressed by appropriate controls and procedures and the compliance thereto is monitored by an Internal Audit and Risk Management Team.

RELATED PARTY TRANSACTIONS

A number of the non-executive directors are direct or indirect customers of the Group and do business with the Group on an ongoing basis. This business is in the ordinary course of events and takes place on an arm's length basis through the normal operating points. No director's business with the Group exceeds 1% of the total business.

Some directors also hold shares directly or indirectly in the company. No director's shareholding in the company exceeds 1%.

The directors' conduct in relation to any dealings with the Group is prescribed by an agreed written charter.

With the exception of the Chairman's directorship at Pioneer Foods, no other director represents Kaap Agri on any other board. In instances where they do serve on other boards they act independently from Kaap Agri.

SHARE TRADING

The Group's shares trade over an internal counter through use of a tested system which guarantees integrity.

Trading by directors and identified employees is subject to written policy that prescribes certain closed periods as well as specific approval for every transaction. In addition to the written policy, the board regularly considers whether there are any circumstances or information in their possession that is not generally known and that might have an impact on the share price, which would therefore prohibit trading.



GROUP COMPANY SECRETARY

The secretary is an integral part of the Group's corporate governance process and sees to it that the affairs of the directorate and the Group of companies are administered in accordance with business ethics and relevant laws and regulation.

The secretary gives guidance to the directors in relation to compliance with their statutory responsibilities, and the directors have unrestricted access to the advice and services of the secretary in this regard.

GOING CONCERN

The annual financial statements are compiled in accordance with International Financial Reporting Standards (IFRS) and the policy is implemented consistently.

The Board considers these financial statements, as well as the forthcoming year's business plan, budgets and the liquidity position in order to form its opinion on the Group's ability to trade as a going concern.

The Board's opinion pertaining to the appropriateness, validity and disclosure of the annual financial statements and explanations are set out in the Declaration of directors' responsibility and approval.

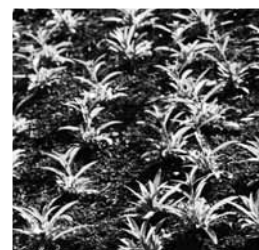
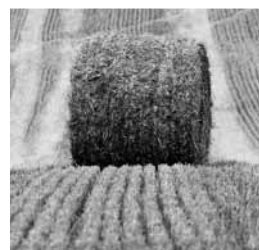
ATTENDANCE OF BOARD AND COMMITTEE MEETINGS	BOARD		COMMITTEE			
	Scheduled	Un-scheduled	Audit Committee	Human Resources Committee	Finance Committee	Nomination Committee
Number of meetings	4	3	3	2	4	1
GD (George) Eksteen <i>Chairman, Chairman HR Committee</i>	4	3		2		1
ASM (Mohammad) Karaan <i>Vice Chairman</i>	4	3		2		1
S (Sean) Walsh * <i>Managing Director</i>	4	3				
FA (Fran) du Plessis <i>Chairman Audit Committee</i>	3	3	3			
BS (Bernhardt) du Toit	2	3	3			
NC (Niko) Loubser	4	3			4	
HS (Stanley) Louw	4	3			4	
JJ (James) Matthee * <i>Financial Director</i>	4	3			4	
CA (Chris) Otto	3	3	3	2		1
HM (Helgard) Smit	4	2			2	
S (Samara) Totaram +	2	1	1			
JH (Kosie) van Niekerk • <i>Chairman Finance Committee</i>	4	3	2		4	
CA (Corwyn) Botha +	2	2		1		

* Executive

• Not a member of the Committee for a full year.

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

In all instances of absence, apologies were offered in advance.



SHAREHOLDERS' PROFILE

Shares	Number of shareholders	Number of shares	Percentage
1 to 10 000	2 961	11 410 546	4,6%
10 001 to 100 000	1 629	48 940 364	19,9%
100 001 to 1 000 000	254	56 418 306	22,9%
1 000 001 to 10 000 000	7	19 958 076	8,1%
Above 10 000 000	1	109 612 422	44,5%
	4 852	246 339 714	100,0%
Treasury shares	1	8 807 982	
Total	4 853	255 147 696	

Shareholders with a 10% share or more

Zeder Investments Limited	44,5%
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Share transfers

Trading price October 2010	
– Average	R9,03
– Highest	R9,11
Trading price September 2011	
– Average	R12,23
– Highest	R12,75
Weighted average price – year	R10,84
Total value traded	R84 890 897
Number of shares traded	7 828 394
Percentage traded	3,18%

Shareholding of directors (direct and indirect)

	2011	2010
Du Plessis FA	–	–
Du Toit BS	131 651	131 651
Eksteen GD	1 827 000	1 757 000
Karaan ASM	–	–
Loubser NC	19 178	19 178
Louw HS	34 000	34 000
Matthee JJ	130 000	130 000
Otto CA	10 696	10 696
Smit HM	277 202	307 202
Totaram S	–	–
Van Niekerk JH	1 105 646	1 105 646
Walsh S	5 000	5 000
Total	3 540 373	3 500 373
Percentage of issued shares	1,4%	1,4%



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 fairly present the position of the company and Group on 30 September 2011, 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 20.

The annual financial statements and group annual financial statements on pages 21 to 63 were compiled by GC Victor CA(SA) and were approved by the board of directors on 6 December 2011 and signed on their behalf by:



GD Eksteen
Chairman



S Walsh
Managing director

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act 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
6 December 2011

REPORT OF THE AUDIT COMMITTEE

TO THE SHAREHOLDERS OF KAAP AGRI LIMITED

COMPOSITION AND ATTENDANCE OF MEETINGS

The composition of the Audit Committee and attendance of meetings are set out on pages 4 and 16 of this annual report.

KEY FUNCTIONS AND RESPONSIBILITIES

The responsibilities of the Audit 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 quality of management information;
- the internal auditors' audit plan, reports and recommendations;
- the independence, conditions of appointment, audit plan and remuneration of the external auditors;
- the effectiveness and reports of the external auditors;
- the Group's conformance to corporate management rules, risk management and statutory requirements;
- the appropriateness of accounting policy and any matters related to financial reporting;
- the separate and consolidated annual financial statements, before these annual financial statements are approved by the board for release;
- 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 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 Committee, and the Audit 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 Committee meetings. The committee also regularly meets together and separately with the internal and external auditors in order to create the opportunity to exchange confidential information. The Audit Committee also oversees the co-operation between the internal and external auditors and serve 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 Committee is of the opinion that:

- the Group's internal control measures and risk management are sufficient;
- 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;
- there are no other matters which are to be revealed to shareholders which have not been covered in the annual financial statements.



FA du Plessis
Chairman: Audit Committee

6 December 2011

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF KAAP AGRI LIMITED

We have audited the annual financial statements and group annual financial statements of Kaap Agri Limited, which comprise the directors' report, statement of financial position and the consolidated statement of financial position as at 30 September 2011, the income statement and consolidated income statement, the statement of comprehensive income and the consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity, the statement of cash flows and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 63.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the annual financial statements and group annual financial statements present fairly, in all material respects, the financial position of the company and of the Group as at 30 September 2011, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc

Director: DG Malan

Registered auditor

PO Box 215

Paarl, 7620

6 December 2011

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 SEPTEMBER

NATURE OF ACTIVITIES

Kaap Agri is an agricultural services group which supplies a variety of products and services mainly to the agricultural sector, but also the general public, and is also the largest shareholder in Pioneer Food Group Limited, a company that is involved in the manufacturing of food, beverages and related products for humans as well as fodder for animals. The various operating activities are further highlighted in the Chairman's and Financial review on pages 6 to 10.

FINANCIAL RESULTS

The profit after tax of the Group amounted to R300,2 million (2010: R146,4 million) while the gross assets increased to R3 466 million (2010: R3 017 million). The results of the Group are presented in detail in the financial statements and further information is provided in the Chairman's and Financial review on pages 6 to 10.

SHARE CAPITAL

The authorised share capital consists of 400 000 000 ordinary shares of R0,01 each of which 255 147 696 are currently issued.

DIVIDENDS

A final dividend of R11,1 million (2010: R54,2 million) has been approved, representing 4,50 cents (2010: 22 cents) per share. The dividend is payable on 17 February 2012 to shareholders registered on 3 February 2012 (the record date) as shareholders of the company. The last date of trade cum dividend will be 27 January 2012.

The total dividend for the year amounts to R40,6 million (2010: R59,1), representing 16,50 cents (2010: 24 cents) per share.

SUBSIDIARIES

The interests in subsidiaries are presented on page 59 of the financial statements.

DIRECTORS

Full details of the directors appear on page 4.

DIRECTORS' INTERESTS

The directors' interest in shares of the company appears on page 17.

EVENTS AFTER REPORTING DATE

Since the financial year-end, shareholders approved the unbundling of the investments (Agri Voedsel Beleggings) and operations (Kaap Agri Bedryf) into two separate holding companies. Full details are available on the Group's website, www.kaapagri.co.za.

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.

1.1 Basis of preparation

The annual financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS). 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.

1.2 Standards, interpretations and amendments to published standards that became effective for the first time during the current financial year

- IAS 32 (Amendment) – “Financial instruments: Presentation – Classification of rights issues” (effective from 1 February 2010)
- IFRS 1 and IFRS 7 (Amendments) – “Limited exemption from comparative IFRS 7 disclosures for first-time adopters” (effective from 1 July 2010)
- IFRS 1 (Amendment) – “First-time adoption of International Financial Reporting Standards – Additional exemptions” (effective from 1 January 2010)
- IFRS 2 (Amendment) – “Share-based payments – Group cash-settled share-based payment transactions” (effective from 1 January 2010)
- Improvements to various IFRS standards (issued April 2009) (effective from 1 January 2010)
- Improvements to various IFRS standards (issued May 2010) (effective from 1 July 2010)
- IFRIC 19 – “Extinguishing financial liabilities with equity instruments” (effective from 1 July 2010)

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

1.3 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 October 2011 or later periods, but which the Group has not early adopted voluntarily, and are as follows:

- IAS 1 (Amendment) – “Presentation of financial statements – Presentation of items of other comprehensive income” (effective from 1 July 2012)
- IAS 12 (Amendment) – “Income taxes – Deferred tax” (effective from 1 January 2012)
- IAS 19 (Amendment) – “Employee benefits” (effective from 1 January 2013)
- IAS 24 (Amendment) – “Related party disclosures” (effective from 1 January 2011)
- IAS 27 (Revised) – “Consolidated and separate financial statements – Separate financial statements” (effective from 1 January 2013)
- IAS 28 (Revised) – “Investments in associates – Associates and joint ventures” (effective from 1 January 2013)
- IFRS 1 (Amendment) – “First-time adoption of International Financial Reporting Standards – Hyperinflation and fixed dates” (effective from 1 July 2011)
- IFRS 7 (Amendment) – “Financial instruments: Disclosure – Transfer of financial assets” (effective from 1 July 2011)
- IFRS 9 – “Financial instruments” (effective from 1 January 2013)
- IFRS 10 – “Consolidated financial statements” (effective from 1 January 2013)
- IFRS 11 – “Joint arrangements” (effective from 1 January 2013)
- IFRS 12 – “Disclosures of interests in other entities” (effective from 1 January 2013)
- IFRS 13 – “Fair value measurement” (effective from 1 January 2013)
- Improvements to various IFRS standards (issued May 2010) (effective from 1 January 2011)
- IFRIC 14 (Amendment) – “Pre-payments of a minimum funding requirement” (effective from 1 January 2011)

Management is in the process of evaluating the impact of these amendments to standards and interpretations on the Group's reported results or financial position. Management's initial evaluation is that the amendments will not have a material effect on the Group's reported results or financial position.

1.4 Basis of consolidation

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

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.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling interest is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

In the stand-alone financial statements of the companies which form part of the Group, the investments in subsidiary companies are stated at cost less accumulated impairments.

Foreign subsidiaries

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

- all statement of financial position items (assets and liabilities) are translated at the closing rate at the specific reporting date;
- all income statement items (income and expenses) are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income

Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities assumed at the date of exchange. Acquisition-related costs are expensed as incurred.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3: Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal companies) that are classified as held-for-sale in accordance with IFRS 5: Non-current assets held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the company assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for company purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the company held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

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 intercompany 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.

Associated companies

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 and are initially recognised at cost. The Group's investment in associates includes goodwill, net of any accumulated impairment, identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against 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 obligations or made payments on behalf of the associate.

The effects of dilutionary and anti-dilutionary equity transactions by associates are recognised directly in profit or loss.

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

The acquisition of associates in stages is accounted for in accordance with IFRS 3: Business Combinations. Goodwill is calculated at each stage of the acquisition based on the consideration and share of fair value of net assets at each stage. Any existing fair value reserve is reversed (in equity), restating the investment to cost. There is a step-up in retained earnings from the previously owned share of net assets to fair value.

In the stand-alone financial statements of the companies which form part of the Group, the investments in associated companies are stated at fair value.

Investments in associated companies 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.

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 four years.

1.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director.

1.6 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	5 – 10 years
Vehicles	4 – 5 years
Office furniture and equipment	5 – 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.

1.7 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.

1.8 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.

1.9 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale investments. 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 sub-categories: 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.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that either meet the recognition criteria for this category or were designated to this category or are not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of investments are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. The fair value adjustments to available-for-sale financial assets are recognised directly in other comprehensive income.

Loans and receivables are carried at amortised cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss, including interest and dividend income, are presented in the income statement in the period in which they arise.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the income statement as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest rate method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payments is established.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active, including unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.10 Deferred taxation

Deferred taxation are 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 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 assets are recognised for unused STC credits to the extent that it is probable that dividends will be declared against which the unused STC credits 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.

1.11 Inventory

Workshop stock, merchandise, farming requisites and raw materials are valued at the lower of cost, calculated on the average cost basis, or net realisable value, taking into account obsolescence and saleability. Implement stock 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.

1.12 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.

1.13 Cash and cash equivalents

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

1.14 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.

1.15 Trade payables

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.

1.16 Employee benefits

Pension scheme arrangements

The Group operates a pension fund consisting of a defined-contribution plan registered in terms of the Pension Funds Act, 1956, and the assets are administered separately by trustees. Funding is in terms of conditions of employment by means of contributions by the participating subsidiaries in the Group as well as employees. The Group has no further obligations to the fund once the contributions have been paid. Contributions are recognised in the income statement when they are due.

Post-retirement medical benefits

Certain in-service members and retired staff 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.

Profitsharing and bonus plans

A liability for employee benefits in the form of profitsharing 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.

The Group also operates an incentive scheme based on phantom shares. The fair value of the liability incurred for employee services received is recognised as an expense. Until the liability is settled, the Group remeasures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period.

1.17 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.

Derivatives at fair value through profit or loss and accounted for at fair value through profit or loss

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.

1.18 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.

1.19 Revenue 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.

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.

1.20 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.

1.21 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, reissued 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.

1.22 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.

1.23 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.

1.24 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.

1.25 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.

1.26 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.

1.27 Secondary tax on companies (STC)

South African resident companies are subject to a dual corporate tax system. One part of the tax being levied on taxable income and the other, secondary tax (STC), on distributed income. A company incurs an STC charge on the declaration or deemed declaration of dividends, as defined in the income tax act, to its shareholders. STC is not a withholding tax on shareholders, but a tax on companies.

The STC tax consequence of dividends is recognised as a taxation charge in the income statement in the same period that the related dividend is accrued as a liability. The STC liability is reduced by dividends received during the dividend cycle. Where dividends declared exceed the dividends received during a cycle, STC is payable at the current STC rate on the net amount. Where dividends received exceed dividends declared within a cycle, there is no liability to pay STC. The potential tax benefit related to excess dividends received is carried forward to the next dividend cycle as an STC credit. Deferred tax assets are recognised on unutilised STC credits to the extent that it is probable that dividends will be declared against which the unutilised STC credits will be utilised.

STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER

		GROUP	
		2011	2010
		R'000	R'000
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	3	325 200	305 262
Intangible assets	4	677	–
Investment in associated companies	5	1 790 111	1 570 452
Loans	6	35 783	–
Deferred taxation	7	4 204	4 555
		2 155 975	1 880 269
Current assets			
Inventory	8	406 187	363 241
Trade and other receivables	9	887 885	756 721
Financial instruments for hedging	10	476	556
Short-term portion of loans	6	1 094	–
Cash and cash equivalents	11	14 850	15 737
Income tax		–	269
		1 310 492	1 136 524
Total assets		3 466 467	3 016 793
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	12	2 551	2 551
Share premium		659 371	659 371
Other reserves	13	758 356	772 342
Retained profit		1 042 599	838 262
Treasury shares	12	(9 119)	(9 119)
Capital and reserves – shareholders of the holding company		2 453 758	2 263 407
Non-controlling interest		115 844	–
Total equity		2 569 602	2 263 407
Non-current liabilities			
Deferred taxation	7	3 922	2 271
Provisions for other liabilities and charges	14	16 171	16 067
		20 093	18 338
Current liabilities			
Trade and other payables	15	428 979	383 633
Financial instruments for hedging	10	476	556
Short-term portion of provisions for other liabilities and charges	14	3 445	4 913
Short-term borrowings	16	443 775	344 645
Income tax		97	1 301
		876 772	735 048
Total liabilities		896 865	753 386
Total equity and liabilities		3 466 467	3 016 793

INCOME STATEMENT

FOR THE YEAR ENDED 30 SEPTEMBER

		GROUP	
		2011	2010
		R'000	R'000
	Notes		
Revenue	21	2 623 695	2 449 556
Cost of sales		(2 177 249)	(2 036 058)
Gross profit		446 446	413 498
Other operating income	22	89 790	86 871
Distribution costs		(42 819)	(39 636)
Administrative expenses		(237 848)	(214 747)
Other operating expenses		(121 228)	(113 469)
Operating profit		134 341	132 517
Finance costs	25	(23 316)	(25 401)
Share in profit of associated companies	5	220 720	66 156
Profit before tax		331 745	173 272
Income tax	26	(31 504)	(26 871)
Profit after tax		300 241	146 401
Attributable to:			
Equity holders of the holding company		286 974	146 401
Non-controlling interest		13 267	–
		300 241	146 401
Earnings per share – basic and diluted (cents)	27	116,50	59,43
Dividend per share (cents)	28	16,50	24,00

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011	2010
	R'000	R'000
Profit for the year	300 241	146 401
Other comprehensive income:	21 885	10 144
Cash flow hedges	695	(39)
Share of other comprehensive income of associated company	21 190	10 183
Total comprehensive income	322 126	156 545
Attributable to:		
Equity holders of the holding company	308 752	156 545
Non-controlling interest	13 374	–
	322 126	156 545

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP								
	Share capital R'000	Share premium R'000	Re-valuation reserve R'000	Fair value reserve R'000	Business-combination reserve R'000	Equity reserve R'000	Retained profit R'000	Treasury shares R'000	Non-controlling interest R'000
Balance									
1 October 2009	2 551	659 371	18 542	(108)	216 582	511 319	766 846	(9 119)	–
Total comprehensive income	–	–	–	(39)	–	10 183	146 401	–	–
Dividends paid	–	–	–	–	–	–	(59 122)	–	–
Transfer between reserves	–	–	(784)	–	–	16 647	(15 863)	–	–
Balance									
30 September 2010	2 551	659 371	17 758	(147)	216 582	538 149	838 262	(9 119)	–
Non-controlling interest sold in Kaap Agri Bedryf Limited	–	–	–	–	–	–	(34 646)	–	103 667
Total comprehensive income	–	–	–	695	–	21 190	286 867	–	13 374
Dividends paid	–	–	–	–	–	–	(83 755)	–	(1 197)
Transfer between reserves	–	–	(17 758)	–	(216 582)	198 469	35 871	–	–
Balance									
30 September 2011	2 551	659 371	–	548	–	757 808	1 042 599	(9 119)	115 844

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER

		GROUP	
		2011	2010
Notes		R'000	R'000
	Cash flow from operating activities	(15 280)	94 915
	Net cash profit from operating activities	142 685	137 786
	Working capital changes	(127 114)	(16 415)
	Income tax paid	(30 851)	(26 456)
	Cash flow from investment activities	(11 674)	16 862
	Purchase of property, plant and equipment	(37 880)	(33 076)
	Proceeds on disposal of property, plant and equipment	5 122	1 503
	Proceeds on insurance claim – property, plant and equipment	–	3 583
	Acquisition of operations	(1 167)	(4 657)
	Dividends received	22 251	49 509
	Cash flow from financing activities	26 067	(113 321)
	Increase/(decrease) in short-term loans	99 130	(28 798)
	Capital contribution from non-controlling interest	34 008	–
	Interest paid	(23 316)	(25 401)
	Dividend paid	(83 755)	(59 122)
	Net decrease in cash and cash equivalents	(887)	(1 544)
	Cash and cash equivalents at the beginning of the year	15 737	17 281
	Cash and cash equivalents at the end of the year	14 850	15 737
	Comprising of:		
	– Bank and cash on hand	14 850	15 737

1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements, are set out on pages 22 to 31. 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.

Recognition of deferred tax assets

Deferred tax assets on calculated tax losses are recognised to the extent that the future projections show that there will be future taxable profits.

The Group has an STC credit of R19,6 million (2010: R75,0 million). It is the judgement of management that this STC credit will in all probability not be utilised in the foreseeable future, especially seen in the light of recent income tax act amendments, and accordingly no deferred tax asset is recognised.

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 1.6 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 and historical impairment rates based on risk factors specific to the industry, such as price volatility of products, exchange rates, labour intensity of products and commodity prices.

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.

Post-retirement medical benefits

Refer to note 1.16 of the Group's accounting policies as well as note 14.

Share-based remuneration

Refer to note 1.16 of the Group's accounting policies as well as note 14.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

3. PROPERTY, PLANT AND EQUIPMENT

Cost/deemed cost

Land and buildings

Other property

Investment property

Grain silos

Machinery and equipment

Vehicles

Office furniture and equipment

Improvements to leasehold property

Assets under construction

Accumulated depreciation

Land and buildings

Other property

Investment property

Grain silos

Machinery and equipment

Vehicles

Office furniture and equipment

Improvements to leasehold property

Total carrying value

Depreciation has been allocated as follows in the income statement:

Cost of sales

Other operating expenses

Reconciliation of movements in carrying value

	Total	Land and buildings	Grain silos	Machinery and equipment	Vehicles	Office furniture and equipment	Improvements to leasehold property	Assets under construction
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
30 September 2011								
Carrying value 1 October 2010	305 262	239 061	14 612	17 277	4 004	26 796	2 579	933
Additions	37 985	21 568	–	6 236	782	8 757	686	(44)
Disposals	(3 752)	(3 263)	–	(74)	(387)	(28)	–	–
Improvements to leased premises written off	(774)	–	–	–	–	–	(774)	–
Depreciation	(13 521)	(1 339)	(1 174)	(3 192)	(928)	(6 888)	–	–
Carrying value 30 September 2011	325 200	256 027	13 438	20 247	3 471	28 637	2 491	889

GROUP

2011
R'000

2010
R'000

265 144	246 867
261 744	243 467
3 400	3 400
38 794	39 189
44 691	38 864
12 341	12 362
60 983	52 835
4 234	3 548
889	933
427 076	394 598
(9 117)	(7 806)
(9 063)	(7 773)
(54)	(33)
(25 356)	(24 577)
(24 444)	(21 587)
(8 870)	(8 358)
(32 346)	(26 039)
(1 743)	(969)
(101 876)	(89 336)
325 200	305 262
(713)	(750)
(12 808)	(12 223)
(13 521)	(12 973)

	Total R'000	Land and buildings R'000	Grain silos R'000	Machinery and equipment R'000	Vehicles R'000	Office furniture and equipment R'000	Improve- ments to leasehold property R'000	Assets under con- struction R'000
30 September 2010								
Carrying value 1 October 2009	286 985	218 250	15 897	14 462	3 826	23 019	1 041	10 490
Additions	33 179	23 427	1	5 646	1 257	10 512	1 893	(9 557)
Disposals	(342)	–	–	(26)	(111)	(205)	–	–
Written off as a result of fire	(1 232)	(1 232)	–	–	–	–	–	–
Improvements to leased premises written off	(355)	–	–	–	–	–	(355)	–
Depreciation	(12 973)	(1 384)	(1 286)	(2 805)	(968)	(6 530)	–	–
Carrying value 30 September 2010	305 262	239 061	14 612	17 277	4 004	26 796	2 579	933

4. INTANGIBLE ASSETS

Customer relations

Cost

Accumulated amortisation

Reconciliation of movements in carrying value:

Carrying value on acquisition of operations

Amortisation

GROUP

2011
R'000

2010
R'000

833

–

(156)

–

677

–

833

–

(156)

–

677

–

5. INVESTMENT IN ASSOCIATED COMPANIES

Beginning of the year

Share in total comprehensive income

Share in net profit

Amortisation of intangible assets and fixed assets revalued to
fair value on acquisition of the additional interest

Share in other comprehensive income

Dividends received

End of the year

1 570 452

1 543 622

241 910

76 339

223 398

68 834

(2 678)

(2 678)

21 190

10 183

(22 251)

(49 509)

1 790 111

1 570 452

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011	2010
	R'000	R'000
Pioneer Food Group Limited		
Number of issued shares: 210 531 459 (2010: 211 600 620)		
Number of shares excluding issued shares which do not currently share in profit: 179 373 472 (2010: 178 098 009)		
Voting interest: 28,89% (2010: 28,73%)		
Economic interest: 31,01% (2010: 31,23%)		
55 627 707 (2010: 55 627 707) Shares at fair value at date of acquisition	1 032 280	1 032 280
Share in post-acquisition retained profit	757 808	538 149
RSA Agri Makelaars (Pty) Ltd		
Number of issued shares: 500 (2010: 500)		
Shareholding: 20% (2010: 20%)		
100 (2010: 100) Shares at fair value at date of acquisition	23	23
Share in post-acquisition retained profit	-	-
	1 790 111	1 570 452
Fair value at quoted market price	3 283 048	2 648 332
The shares in Pioneer Food Group Limited serves as security as set out in note 16.		
The share in the associate's profit for the period is calculated by using the economic interest. The economic interest is calculated by decreasing the associate's issued share capital with its issued shares which do not currently share in profit.		
The Group's proportionate interest in assets and liabilities of the associated companies is as follows:		
Non-current assets	1 562 390	1 363 513
Current assets	1 497 882	1 410 208
Total assets	3 060 272	2 773 721
Non-current liabilities	586 465	647 800
Current liabilities	768 377	639 274
Total liabilities	1 354 842	1 287 074
The Group's proportionate interest in the cash flows of the associated companies is as follows:		
Cash flow from operating activities	253 780	431 073
Cash flow from investment activities	(291 601)	(252 846)
Cash flow from financing activities	(75 436)	(141 521)
Net increase/(decrease) in cash and cash equivalents	(113 257)	36 706
The Group's proportionate interest in the revenue and expenses of the associated companies is as follows:		
Revenue	5 254 901	4 944 046
Profit before taxation	326 750	193 737
Income tax	(99 561)	(120 038)
Profit attributable to ordinary shareholders	227 189	73 699

Pioneer Food Group Limited has a share incentive scheme, as well as class A shares issued in terms of an employee share scheme, which will have a potential dilutive effect on the Kaap Agri Group's economic interest. The total potential dilution of 2,12 percentage points, which will occur as a result of the options being exercised, will be accounted for directly in the income statement.

6. LOANS

Plurispace (Pty) Ltd
Short-term portion carried over to current assets

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

The loan to Plurispace (Pty) Ltd, a wholly owned subsidiary of Thembeke Capital Limited, bears interest at prime less 0,5%. Repayment of the loan takes effect through all dividends declared to Plurispace by Kaap Agri Bedryf Limited. The loan must be repaid in full by 30 September 2017. The shares that Plurispace holds in Kaap Agri Bedryf Limited serve as security for the loan.

7. DEFERRED TAXATION

Movement of deferred taxation

	2011 R'000	2010 R'000
Balance beginning of year	2 284	1 544
Balance on acquisition of operations	(233)	–
Income statement credit/(debit)	(1 588)	744
Debit against reserves	(181)	(4)
Balance end of year	<u>282</u>	<u>2 284</u>

Due to the following timing differences:

Property, plant and equipment	(18 834)	(18 116)
Intangible assets	(189)	–
Currency translation differences	(169)	12
Tax loss	3 863	4 401
Provisions and accrued expenses	15 611	15 987
	<u>282</u>	<u>2 284</u>

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

Non-current assets	4 204	4 555
Non-current liabilities	(3 922)	(2 271)
	<u>282</u>	<u>2 284</u>

8. INVENTORY

Merchandise	401 544	359 392
Raw materials	3 283	3 010
Consumable goods	1 360	839
	<u>406 187</u>	<u>363 241</u>
Inventory carried at net realisable value	<u>21 553</u>	<u>22 867</u>

Included in the inventory is a provision for slow-moving and obsolete stock of R9,1 million (2010: R7,6 million). Inventory to the value of R1,8 million (2010: R3,5 million) was written off during the year.

The inventory is encumbered as security as set out in note 16.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011	2010
	R'000	R'000
9. TRADE AND OTHER RECEIVABLES		
Trade debtors	884 252	747 653
Provision for impairment	(27 808)	(31 363)
	856 444	716 290
Sundry debtors	31 441	40 431
	887 885	756 721
<p>The carrying value of trade and other receivables approximates its fair value at the reporting date.</p> <p>The trade debtors are encumbered as security as set out in note 16.</p>		
10. FINANCIAL INSTRUMENTS FOR HEDGING		
<p>The fair values of financial instruments at fair value through profit or loss and derivative financial instruments on reporting date are:</p>		
Financial instruments at fair value through profit or loss		
Firm commitment – Grain purchases		
Assets/(Liabilities)		
– Forward purchase contracts	482	1 361
– Options	(6)	(805)
	476	556
Forward purchase contracts and options		
<p>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.</p>		
Derivative financial instruments		
Hedging instruments		
Assets/(Liabilities)		
– Forward sale contracts	(482)	(1 361)
– Options	6	805
	(476)	(556)
Forward sale contracts		
<p>The forward sale contracts represent contracts with millers and SAFEX for the future sale of physical commodities.</p> <p>Options</p> <p>Options represent derivative financial instruments originating from producers which will be recouped with the physical delivery of the commodities.</p>		
11. CASH AND CASH EQUIVALENTS		
Cash on hand	555	497
Bank balances	14 295	15 240
	14 850	15 737

12. ORDINARY SHARE CAPITAL

Authorised:

400 000 000 (2010: 400 000 000) ordinary shares of R0,01 each

Issued:

255 147 696 (2010: 255 147 696) ordinary shares of R0,01 each

Treasury shares:

8 807 982 (2010: 8 807 982) ordinary shares

All issued shares are fully paid.

13. OTHER RESERVES

Revaluation reserve

The Revaluation reserve came into existence in 2006 when the Group revalued its land and buildings to fair value. The Group made the choice to apply the "fair value as deemed cost" – exemption in terms of IFRS 1 "First-time adoption of International Reporting Standards". The Revaluation reserve was transferred to Retained profit during the year.

Fair value 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 is recognised directly in other comprehensive income on the Fair value reserve.

Business combination reserve

The difference between the par value of shares issued during a transaction under common control and the fair value of the consideration received is recognised directly in equity on the Business combination reserve. For the following transactions under common control amounts were recognised against this reserve:

- On 31 January 2005 the trading companies WPK en Boland Agri were combined in a new interim holding company.
- On 31 July 2007 the Kaap Agri Group was restructured to combine Kaap Agri A and Kaap Agri B in one holding company.
- On 1 August 2007 the Group obtained a further interest in Pioneer Food Group Limited in a share swap transaction.

The Business combination reserve was transferred to retained profit during the year.

Equity reserve

The share in profit of associated companies, less any dividends received, is transferred to the Equity reserve. The share in any other movements in other comprehensive income of associates, as well as the effect of dilutionary and anti-dilutionary equity transactions of associates, is recognised in the income statement and statement of comprehensive income and then transferred to the Equity reserve.

GROUP	
2011	2010
R'000	R'000
4 000	4 000
2 551	2 551
(9 119)	(9 119)
–	17 758
548	(147)
–	216 582
757 808	538 149
758 356	772 342

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011	2010
	R'000	R'000
14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES		
Post-retirement medical benefits	15 926	16 627
Balance beginning of year	16 627	16 478
Interest costs recognised in the income statement	1 399	1 428
Actuarial profit recognised in the income statement	(763)	–
Contributions	(1 337)	(1 279)
	3 690	4 353
Long-term incentive scheme	4 353	7 758
Balance beginning of year	(3 626)	(3 783)
Payment	97	342
Interest costs recognised in the income statement	1 109	36
Actuarial loss recognised in the income statement	1 757	–
Current service cost	19 616	20 980
Short-term portion carried over to current liabilities	(3 445)	(4 913)
Post-retirement medical benefits	(1 327)	(1 284)
Long-term incentive scheme	(2 118)	(3 629)
	16 171	16 067
Amounts recognised in the income statement are shown under other operating expenses.		
Existing provisions are based on the following important assumptions:		
<i>Post-retirement medical benefits</i>		
Cost of medical inflation (%)	7,50	7,75
Discount rate (%)	9,00	9,00
Average retirement age (years)	65	65
Expected membership continuance at retirement (%)	100	100
	R'000	R'000
Effect of a 1% movement in the assumed cost of medical inflation and discount rate:	+1%	-1%
<i>Cost of medical inflation</i>		
Aggregate of current service cost and interest cost	119	(106)
Liability	1 318	(1 156)
<i>Discount rate</i>		
Liability	(1 226)	1 423
Effect of a 1-year movement in the assumed average retirement age:	+1	-1
<i>Average retirement age</i>		
Liability	(18)	19

	2011	2010	2009	2008	2007
	R'000	R'000	R'000	R'000	R'000
<i>Trend information</i>					
Present value of liabilities	15 926	16 627	16 478	15 528	14 791
Present value of plan assets	–	–	–	–	–
Present value of obligations above plan assets	15 926	16 627	16 478	15 528	14 791
<i>Experience adjustments</i>					
Present value of liabilities	449	–	(588)	(716)	(495)
Present value of plan assets	–	–	–	–	–
Actuarial profit/(loss) before changes in assumptions	449	–	(588)	(716)	(495)

	GROUP	
	2011	2010
<i>Long-term incentive scheme</i>		
Discount rate (%)	7,25	7,42
Growth rate of phantom-share value – year ending 30 September 2011 (%)	n/a	11,00
Growth rate of phantom-share value – year ending 30 September 2012 (%)	11,00	11,00
Growth rate of phantom-share value – year ending 30 September 2013 (%)	11,00	11,00
Forfeited phantom shares in future periods (number)	0	0

The Group operates an incentive scheme based on phantom shares. In terms of the scheme, phantom shares are allocated to senior management and executive directors at a value based on the trading price of the Group's share price and the price/earnings ratio of the operations. The calculated increase on the value of the phantom shares is paid as a bonus over three, four and five years, one-third in each year, from the date in which the phantom shares were 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 2 696 600 (2010: 6 185 875) phantom shares were allocated at calculated values of between R5,30 and R7,36 per share.

	R'000	R'000
15. TRADE AND OTHER PAYABLES		
Trade creditors	382 234	346 434
Other creditors	46 745	37 199
	428 979	383 633

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

16. SHORT-TERM BORROWINGS

Bank overdrafts
RSA Agri Makelaars (Pty) Ltd

GROUP	
2011	2010
R'000	R'000
437 943	341 532
5 832	3 113
443 775	344 645

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

The bank overdraft facility is renewed annually and the current facility bears interest at prime and prime less 1,85%.

The loan from RSA Agri Makelaars (Pty) Ltd is unsecured and bears interest at rates agreed on from time to time. There are no specific repayment terms.

The bank overdraft facility of R553 million is secured by:

- A limited guarantee by Kaap Agri Beleggings Limited (limited to R680 million) for the facilities of Kaap Agri Bedryf Limited.
- A cession of trade debtors and stock of Kaap Agri Bedryf Limited.
- A negative pledge over the assets in the name of Kaap Agri Bedryf Limited and its subsidiaries.
- A cession and pledge over the shareholding of Kaap Agri Beleggings Limited in Agri Voedsel Beleggings (Pty) Ltd.
- A cession over the loan account of Kaap Agri Beleggings Limited to Agri Voedsel Beleggings (Pty) Ltd.
- A negative pledge over 55 627 707 Pioneer Food Group shares in the name of Agri Voedsel Beleggings (Pty) Ltd.
- A cession of trade debtors of Agriplas (Pty) Ltd as well as a limited guarantee by Kaap Agri Bedryf Limited (limited to R6 million) for the facilities of Agriplas (Pty) Ltd.
- An unlimited guarantee by Kaap Agri Beleggings Limited for the R20 million facility of Kaap Agri (Namibia) (Pty) Ltd.

17. 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	32 316	29 249
Purchases	8 420	13 155
Trade receivables	10 818	6 826

Transactions with associated companies and outstanding balances

Also refer to note 5.

Sales	68 764	42 157
Purchases	37 274	27 902
Interest paid	353	349
Trade receivables	1 001	795
Trade payables	2 558	2 554
Loan	5 832	3 113

The relationships between the various companies in the Group are disclosed in note 34. Refer to note 16 for loans with related parties.

Refer to executive directors' remuneration as disclosed in note 24 for key management compensation.

18. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks like market risk (including currency risk, fair value 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: available-for-sale investments, 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 prepaid expenses of R418 402 (2010: R357 494), statutory receivable amounts of R16,4 million (2010: R22,4 million), statutory liabilities of R5,0 million (2010: R2,1 million) and liabilities in respect of employee benefits of R12,5 million (2010: R10,7 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.

There is also a conversion risk arising from the consolidation of the results of foreign subsidiaries in South African rands, the Group's reporting currency.

Kaap Agri (Namibia) (Pty) Ltd is currently the only foreign subsidiary within the Group. The functional currency of Kaap Agri (Namibia) (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 fair value 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	Amount	Rate	Amount
	2011	2011	2010	2010
	%	R'000	%	R'000
Assets:				
Trade receivables	9,00 – 14,00	856 444	9,50 – 14,50	716 290
Other receivables	–	14 667	–	17 705
Loans	8,50	36 877	–	–
Cash and cash equivalents	4,00	14 851	4,50	15 737
Liabilities:				
Bank overdraft	7,15	437 943	7,65	341 532
Loan RSA Agri Makelaars (Pty) Ltd	7,00	5 832	7,50	3 113
Trade and other payables	–	411 512	–	370 856

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011	2010
	R'000	R'000
To illustrate the Group's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit after taxation, are illustrated as follows:		
Interest-bearing assets	908 172	732 028
Interest-bearing liabilities	(443 775)	(344 645)
Net interest-bearing assets	<u>464 397</u>	<u>387 383</u>
Half a percentage point increase in interest rates	1 672	1 395
Half a percentage point decrease in interest rates	(1 672)	(1 395)

Price risk

The Group is exposed to equity securities price risk because of investments held by the Group that are classified on the statement of financial position as available-for-sale.

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	2 365	1 404
Influence of an increase of R100 per ton in commodity prices on Derivative Financial instruments	(2 365)	(1 404)
	<u>-</u>	<u>-</u>
Influence of a decrease of R100 per ton in commodity prices on Financial assets at fair value through profit or loss	(2 365)	(1 404)
Influence of a decrease of R100 per ton in commodity prices on Derivative Financial instruments	2 365	1 404
	<u>-</u>	<u>-</u>

Credit risk

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

The Group limits its counterparty 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. As a result of a strict credit policy, which includes the ongoing revision of credit limits, securities and credit evaluations of the financial position of these clients, the Group is of the opinion that the credit risks associated with these financial assets are relatively small under normal circumstances. 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. The credit risks related to trade debtors are limited by taking up securities, like mortgage bonds over property, notarial bonds over movable property and cessions over expected crops. 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. The Group is of the opinion that no significant concentration of risk existed at year-end, which had not been secured or adequately provided for.

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

	Grain R'000	Fruit R'000	Vegetables R'000	Other R'000	Total R'000
Debtors within terms (settlement date is not exceeded)					
30 September 2011					
Balance	230 436	282 347	99 983	137 713	750 479
Securities at fair value	(38 513)	(60 527)	(30 679)	(4 602)	(134 321)
Exposure to credit risk	191 923	221 820	69 304	133 111	616 158
30 September 2010					
Balance	172 428	241 194	85 989	91 033	590 644
Securities at fair value	(30 500)	(28 639)	(31 666)	(1 130)	(91 935)
Exposure to credit risk	141 928	212 555	54 323	89 903	498 709

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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	Grain R'000	Fruit R'000	Vegetables R'000	Other R'000	Total R'000
Debtors outside terms (settlement date is exceeded) but not impaired					
30 September 2011					
Balance	14 277	66 832	11 485	9 609	102 203
Portion within terms	4 923	6 406	304	2 297	13 930
60 days outside terms	–	60	–	1	61
90 days outside terms	48	2 452	64	1 734	4 298
120 days and more outside terms	9 306	57 914	11 117	5 577	83 914
Securities at fair value	(7 578)	(35 862)	(7 268)	(1 160)	(51 868)
Exposure to credit risk	6 699	30 970	4 217	8 449	50 335
30 September 2010					
Balance	32 781	68 391	5 626	14 089	120 887
Portion within terms	18 573	21 460	4 391	7 812	52 236
60 days outside terms	92	156	9	–	257
90 days outside terms	238	924	80	1 633	2 875
120 days and more outside terms	13 878	45 851	1 146	4 644	65 519
Securities at fair value	(15 873)	(17 409)	(3 598)	(2 227)	(39 107)
Exposure to credit risk	16 908	50 982	2 028	11 862	81 780
Debtors which are impaired					
30 September 2011					
Balance	1 991	16 466	7 048	6 065	31 570
Provision for impairment	(1 955)	(13 267)	(6 521)	(6 065)	(27 808)
Balance beginning of year	(7 279)	(11 566)	(4 561)	(7 957)	(31 363)
Provision utilised	1 707	1 663	160	2 340	5 870
Provision written back/(created)	3 617	(3 364)	(2 120)	(448)	(2 315)
Securities at fair value	(36)	(3 199)	(527)	–	(3 762)
Exposure to credit risk	–	–	–	–	–
30 September 2010					
Balance	10 810	12 172	5 088	8 052	36 122
Provision for impairment	(7 279)	(11 566)	(4 561)	(7 957)	(31 363)
Balance beginning of year	(5 325)	(5 590)	(1 991)	(13 218)	(26 124)
Provision utilised	57	698	4	4 708	5 467
Provision written back/(created)	(2 011)	(6 674)	(2 574)	553	(10 706)
Securities at fair value	(3 531)	(403)	(527)	–	(4 461)
Exposure to credit risk	–	203	–	95	298

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:

	GROUP	
	2011 R'000	2010 R'000
Total borrowing facilities	553 000	623 000
Net interest-bearing debt	(429 480)	(329 405)
	123 520	293 595

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

	1 to 6 months R'000	7 to 12 months R'000	12 months and longer R'000	Total R'000
30 September 2011				
Trade and other payables	394 752	16 760	–	411 512
Financial instruments – Liabilities	477	–	–	477
Financial instruments – Assets	(477)	–	–	(477)
Short-term borrowings	–	469 000	–	469 000
	394 752	485 760	–	880 512
30 September 2010				
Trade and other payables	355 133	19 680	–	374 813
Financial instruments – Liabilities	557	–	–	557
Financial instruments – Assets	(557)	–	–	(557)
Short-term borrowings	–	368 527	–	368 527
	355 133	388 207	–	743 340

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.

Trade debtors and trade creditors

The nominal value of trade receivables, less impairment provision, and trade payables is assumed to approximate their fair values.

Financial liabilities

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to companies with similar financial instruments.

Capital maintenance

The company considers total equity, which includes share capital, share premium, reserves and treasury shares, as capital. The ratio between capital and debt is the capital ratio. 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 on page 35 and the capital ratios on page 11.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

	GROUP	
	2011 R'000	2010 R'000
19. CONTINGENT LIABILITIES		
Guarantees for personal loans		
Kaap Agri Bedryf Limited guarantees certain loans of staff at Absa Bank Limited. The company is of the opinion that no financial loss would occur, as the company has guarantees from the staff.		
Operational lease payments		
Payable within one year	19 445	18 111
Payable between one and five years	29 821	33 128
Payable after five years	2 066	2 763
	51 332	54 002
20. CAPITAL COMMITMENTS		
Contracted	18 402	15 337
Not yet contracted	23 000	20 000
	41 402	35 337
These commitments have been approved by the board of directors. The commitments will be financed by own and borrowed funds.		
21. REVENUE		
Supplying of requisites and services	2 567 963	2 399 385
Finance margin on direct transactions	55 732	50 171
	2 623 695	2 449 556
22. OTHER OPERATING INCOME		
Interest received	64 698	62 083
– Trade debtors that are not impaired	57 128	57 577
– Trade debtors that are impaired	2 778	2 976
– Other	4 792	1 530
Profit on sale of property, plant and equipment	1 370	1 161
Proceeds with insurance claim – property, plant and equipment	–	3 583
Foreign exchange differences	2	2
Transport cost recovered	3 888	3 797
Rent received	6 142	5 652
Decrease in provision for post-retirement medical benefits	701	–
Bad debts recovered	191	311
Decrease in provision for impairment of trade debtors	3 555	–
Other income	9 243	10 282
	89 790	86 871

23. EXPENSES BY NATURE

	GROUP	
	2011	2010
	R'000	R'000
Cost of products sold	2 164 450	2 024 943
– Cost of sales	2 158 729	2 026 434
– Net realised cost/(income) of derivative financial instruments	5 721	(1 491)
Depreciation	13 521	12 973
Improvements on leased premises written off	774	355
Amortisation of intangible assets	156	–
Property, plant and equipment written off as a result of fire	–	1 232
Directors' emoluments	13 422	8 687
Staff costs	235 366	213 589
– Salaries, wages and bonuses	208 169	189 687
– Provision for long-term incentive scheme	1 074	122
– Employer's contribution to pension fund (defined contribution plan)	19 084	17 422
– Employer's contribution to medical benefits	1 337	1 279
– Increase in provision for post-retirement medical benefits	–	149
– Training expenses	5 702	4 930
Auditor's remuneration	2 542	2 326
– For audit	2 379	2 206
– Other services	165	120
– Overprovision previous year	(2)	–
Rent paid	23 360	19 849
– Buildings	14 860	12 056
– Vehicles	5 661	5 378
– Machinery and equipment	2 839	2 415
Other occupancy costs	32 553	29 883
Computer expenses	10 482	9 572
Marketing costs	19 771	18 640
Transport/distribution	30 110	27 986
Bad debts written off	5 870	5 468
Increase in provision for impairment of trade debtors	–	5 239
Goodwill written off	–	800
Other expenses	26 767	22 368
	2 579 144	2 403 910
	Number	Number
Number of employees in service at year-end	1 684	1 621

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

24. REMUNERATION PAID TO DIRECTORS

	Salaries and fees R'000	Retirement contributions R'000	Long-term incentive scheme R'000	Remuneration with retirement R'000	Travelling and other costs R'000	Total R'000
2011						
Executive directors						
CA Botha	3 453	349	663	2 576	22	7 063
JJ Matthee	1 959	282	769	–	12	3 022
S Walsh	1 994	251	457	–	37	2 739
	7 406	882	1 889	2 576	71	12 824
Non-executive directors						
FA du Plessis	211	–	–	–	3	214
BS du Toit	148	–	–	–	9	157
GD Eksteen	295	–	–	–	18	313
ASM Karaan	158	–	–	–	5	163
NC Loubser	116	–	–	–	12	128
HS Louw	116	–	–	–	7	123
CA Otto	170	–	–	–	3	173
HM Smit	116	–	–	–	7	123
S Totaram	63	–	–	–	–	63
JH van Niekerk	158	–	–	–	9	167
	1 551	–	–	–	73	1 624
Total	8 957	882	1 889	2 576	144	14 448
2010						
Executive directors						
CA Botha	3 242	317	215	–	18	3 792
JJ Matthee	1 809	262	41	–	18	2 130
S Walsh	1 831	208	–	–	40	2 079
	6 882	787	256	–	76	8 001
Non-executive directors						
FA du Plessis	215	–	–	–	6	221
BS du Toit	143	–	–	–	9	152
CJ du Toit	44	–	–	–	1	45
GD Eksteen	287	–	–	–	19	306
ASM Karaan	58	–	–	–	3	61
NC Loubser	143	–	–	–	6	149
HS Louw	107	–	–	–	12	119
JF Mouton	107	–	–	–	7	114
CA Otto	52	–	–	–	–	52
HM Smit	143	–	–	–	5	148
S Totaram	107	–	–	–	9	116
JH van Niekerk	143	–	–	–	9	152
	1 549	–	–	–	86	1 635
Total	8 431	787	256	–	162	9 636

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

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

	GROUP	
	2011 R'000	2010 R'000
25. FINANCE COSTS		
Banks and other	23 316	25 401
26. INCOME TAX		
Tax expenditure:		
Current taxation – current year	29 158	27 615
Deferred taxation – current year	1 588	(744)
Secondary tax on companies – current year	758	–
Taxation for the year	31 504	26 871
Calculated tax loss:		
Calculated tax loss available for utilisation against future taxable income	11 361	14 673
Utilised against deferred taxation	–	–
Net available for future utilisation	11 361	14 673
Tax relief calculated at current rates amounts to	3 863	4 628
	%	%
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory rate, as follows:		
Statutory tax rate	28,00	28,00
Adjusted for:		
Non-deductible expenses/(non-taxable income)	0,28	(0,91)
Temporary differences not provided for	(0,30)	0,26
Capital profit	0,10	0,31
Difference in tax rate of foreign subsidiary	(0,18)	(0,21)
Utilisation of assessed losses not previously recognised	(0,20)	(1,02)
Deferred taxation on assessed losses previously not recognised	–	(1,35)
Secondary tax on companies	0,68	–
Effective rate – Operations	28,38	25,08
Share in profit of associated company	(18,88)	(9,58)
Effective rate – Consolidated	9,50	15,50
	R'000	R'000
Calculated STC liability if the Group's total reserves would have been declared as a dividend	162 894	145 590
Unutilised STC credits	(1 956)	(7 507)
Contingent liability	160 938	138 083

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

27. 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.

Profit attributable to equity holders of the Holding company

Reconciliation between earnings and headline earnings:

Net profit attributable to ordinary shareholders

Net profit on disposal of assets

Gross

Tax effect

Non-controlling interest

Net proceeds with insurance claim due to fire

Gross proceeds

Property, plant and equipment written off

Tax effect

Goodwill written off

Headline earnings adjustment for associated company

Headline earnings

Associated company – Competition Commission penalties

Adjusted headline earnings

Weighted average number of ordinary shares ('000)

Earnings per share (cents)

Headline earnings per share (cents)

Adjusted headline earnings per share (cents)

Headline earnings are calculated based on Circular 3/2009 issued by the South African Institute of Chartered Accountants. Adjusted headline earnings are defined as headline earnings excluding the effect of Competition Commission penalties of the associated company.

Diluted earnings per share is not disclosed, as there are no potential dilutive instruments at reporting date.

	GROUP	
	2011	2010
	R'000	R'000
Profit attributable to equity holders of the Holding company	286 974	146 401
Reconciliation between earnings and headline earnings:		
Net profit attributable to ordinary shareholders	286 974	146 401
Net profit on disposal of assets	(953)	(836)
Gross	(1 370)	(1 161)
Tax effect	226	325
Non-controlling interest	191	–
Net proceeds with insurance claim due to fire	–	(2 013)
Gross proceeds	–	(3 583)
Property, plant and equipment written off	–	1 232
Tax effect	–	338
Goodwill written off	–	800
Headline earnings adjustment for associated company	(799)	597
Headline earnings	285 222	144 949
Associated company – Competition Commission penalties	–	205 603
Adjusted headline earnings	285 222	350 552
Weighted average number of ordinary shares ('000)	246 340	246 340
	Cents	Cents
Earnings per share (cents)	116,50	59,43
Headline earnings per share (cents)	115,78	58,84
Adjusted headline earnings per share (cents)	115,78	142,30

	GROUP	
	2011	2010
	R'000	R'000
28. DIVIDEND PER SHARE		
Interim		
12,0 cents (2010: 2,0 cents) per share	29 560	4 927
Final		
4,50 cents (2010: 22,0 cents) per share	11 085	54 195
	40 645	59 122
<p>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 2011 will be accounted for as an appropriation of retained profit in the year ending 30 September 2012.</p>		
29. NET CASH PROFIT FROM OPERATING ACTIVITIES		
Operating profit per income statement	134 341	132 517
Adjusted for:		
– Depreciation	13 521	12 973
– Amortisation of intangible assets	156	–
– Profit on disposal of property, plant and equipment	(1 370)	(1 161)
– Proceeds with insurance claim – property, plant and equipment	–	(3 583)
– Property, plant and equipment written off as a result of fire	–	1 232
– Goodwill written off	–	800
– Decrease in provisions	(1 676)	(5 347)
– Interest on loan	(3 061)	–
– Improvements on leased premises written off	774	355
	142 685	137 786
30. WORKING CAPITAL CHANGES		
Increase in inventory	(43 925)	(4 072)
Increase in trade and other debtors	(127 006)	(52 579)
Increase in trade and other creditors	43 817	40 236
	(127 114)	(16 415)
31. INCOME TAX PAID		
Balance owing/(paid in advance) at the beginning of the year	1 032	(127)
Income tax expense in income statement	29 916	27 615
Balance owing at the end of the year	(97)	(1 032)
	30 851	26 456
32. ACQUISITION OF OPERATIONS		
Non-current assets	705	103
Current assets	462	3 754
Goodwill	–	800
Purchase consideration settled in cash	1 167	4 657

Refer to note 33 for more information.

33. BUSINESS COMBINATIONS

On 10 January 2011 the Group acquired the assets and business of CT Volschenk Beleggings (Pty) Ltd.

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

Carrying value

As the Group acquired the assets of this business rather than the shares of the legal entity that previously owned such assets, it is unpractical to disclose the carrying amounts in the books of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.

Fair value

Assets

Inventory

Customer relations

Deferred taxation

Trade receivables

Purchase consideration

GROUP

2011	2010
R'000	R'000

	105	–
	833	–
	(233)	–
	462	–
	<u>1 167</u>	<u>–</u>

A purchase price allocation as required by IFRS 3: Business Combinations was performed and no material intangible assets were identified.

The acquired business contributed revenues of R13,3 million in the current financial year since acquisition to the company's total revenue. The acquired business realised a net profit of R492 652 in the current financial year since acquisition.

On 1 October 2009 the Group acquired the assets and business of Blaauwberg Trading CC.

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

Carrying value

As the Group acquired the assets of this business rather than the shares of the legal entity that previously owned such assets, it is unpractical to disclose the carrying amounts in the books of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.

Fair value

Assets

Inventory

Trade receivables

Goodwill

Purchase consideration

	–	1 704
	–	1 026
	–	800
	<u>–</u>	<u>3 530</u>

A purchase price allocation as required by IFRS 3: Business Combinations was performed and no material intangible assets were identified. For this reason the goodwill paid were written off in the income statement.

The acquired business contributed revenues of R17,6 million (2010: R11,2 million) since acquisition to the company's total revenue. The acquired business realised a net loss of R1,7 million (2010: R1,5 million) since acquisition.

On 1 October 2009 the Group acquired the assets and business of Orban Investments 13 CC, t/a Texas Trading.

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

Carrying value

As the Group acquired the assets of this business rather than the shares of the legal entity that previously owned such assets, it is unpractical to disclose the carrying amounts in the books of the previous owners prior to the acquisition. In these circumstances the Group does not have access to such carrying values.

Fair value

Assets

Equipment

Inventory

Purchase consideration

GROUP	
2011	2010
R'000	R'000
–	103
–	1 024
–	1 127

A purchase price allocation as required by IFRS 3: Business Combinations was performed and no material intangible assets or goodwill were identified.

The acquired business contributed revenues of R18,1 million (2010: R8,8 million) since acquisition to the company's total revenue. The acquired business realised a net profit of R30 800 (2010: R1,4 million loss) since acquisition.

34. INTEREST IN SUBSIDIARIES

Name of subsidiary	Number of issued shares		Shareholding (%)	
	2011	2010	2011	2010
Kaap Agri Beleggings Limited	19 705 494 000	19 705 494 000	100,00	100,00
Kaap Agri Bedryf Limited	186 183 987	155 153 321	83,33	100,00
Agri Voedsel Beleggings (Pty) Ltd	906 041	906 041	100,00	100,00
Kaap Agri (Namibia) (Pty) Ltd	400	400	100,00	100,00
Cerino Trading 25 (Pty) Ltd	120	120	100,00	100,00
Agri IT Limited	6 010 000	6 010 000	100,00	100,00
Agriplas (Pty) Ltd	7 000	7 000	100,00	100,00

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER

35. INFORMATION ABOUT OPERATING SEGMENTS

Management has determined the operating segments based on the reports reviewed by the managing director that are used to make strategic decisions. The managing director considers the business from a divisional perspective. The performance of the following divisions are separately considered: Trade, mechanisation, commodity and seed processing as well as irrigation: manufacturing and retail. The performance of the operating segments are assessed based on a measure of revenue and net profit before taxation.

Segment income and results	Segment income		Segment results	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Trade	2 112 224	1 927 949	85 449	81 062
Mechanisation	157 487	159 124	4 977	4 185
Products and seed processing	265 068	284 709	17 563	17 175
Irrigation: manufacturing and retail	80 374	70 037	6 932	3 584
Total for reportable segments	2 615 153	2 441 819	114 921	106 006
Corporate	8 542	7 737	(52 984)	(49 531)
Treasury	–	–	49 088	50 641
Investment in associated companies	–	–	220 720	66 156
Total external income	2 623 695	2 449 556		
Profit before tax			331 745	173 272
Income tax			(31 504)	(26 871)
Profit after tax			300 241	146 401

Segment assets and liabilities	Segment assets		Segment liabilities	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Trade	569 957	503 510	355 699	314 183
Mechanisation	36 988	42 381	13 136	12 352
Products and seed processing	44 195	48 627	6 466	14 775
Irrigation: manufacturing and retail	23 267	23 927	7 409	5 680
Total for reportable segments	674 407	618 445	382 710	346 990
Corporate	141 301	107 051	66 458	59 480
Trade debtors	856 444	716 290	–	–
Short-term borrowings	–	–	443 775	344 645
Investment in associated companies	1 790 111	1 570 452	–	–
Deferred taxation	4 204	4 555	3 922	2 271
	3 466 467	3 016 793	896 865	753 386

Other segment information	Capital expenses		Depreciation	
	2011 R'000	2010 R'000	2011 R'000	2010 R'000
Trade	29 008	24 384	4 841	4 562
Mechanisation	969	709	298	257
Products and seed processing	1 975	3 008	2 081	2 120
Irrigation: manufacturing and retail	1 788	779	818	855
Total for reportable segments	33 740	28 880	8 038	7 794
Corporate	4 140	4 196	5 483	5 179
	37 880	33 076	13 521	12 973

2011 R'000	2010 R'000
---------------	---------------

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	2 415 981	2 255 933
Namibia	207 714	193 623
Total	2 623 695	2 449 556

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

South Africa	2 146 593	1 870 437
Namibia	5 178	5 277
Total	2 151 771	1 875 714

**STATEMENT OF FINANCIAL POSITION
at 30 September**
ASSETS
Non-current assets

Investment in subsidiary company

Current assets

Loan subsidiary company

Total assets
EQUITY AND LIABILITIES
Capital and reserves

Ordinary share capital

Share premium

Retained profit

Total equity
Total equity and liabilities

Notes	COMPANY	
	2011 R'000	2010 R'000
2	1 881 875	1 881 875
3	497 718	479 230
	2 379 593	2 361 105
4	2 552	2 552
	2 358 553	2 358 553
	18 488	–
	2 379 593	2 361 105
	2 379 593	2 361 105

**STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September**

Investment income – Kaap Agri Beleggings Limited

Other operating expenses

Profit before taxation

Income tax

Net profit for the year

	COMPANY	
	2011 R'000	2010 R'000
	105 241	61 239
	(3)	(4)
	105 238	61 235
	–	–
	105 238	61 235

**STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September**
Balance 1 October 2009

Net profit for the year

Dividends paid

Balance 30 September 2010

Net profit for the year

Dividends paid

Balance 30 September 2011

	COMPANY		
	Share- capital R'000	Share- premium R'000	Retained profit R'000
	2 552	2 358 553	–
	–	–	61 235
	–	–	(61 235)
	2 552	2 358 553	–
	–	–	105 238
	–	–	(86 750)
	2 552	2 358 553	18 488

**STATEMENT OF CASH FLOWS
for the year ended 30 September**

Cash flow from operating activities

Net cash loss from operating activities
Operating profit per income statement
Adjusted for:
Investment income

Cash flow from investment activities

Increase in subsidiary loan
Dividends received

Cash flow from financing activities

Dividend paid

Net increase 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

COMPANY	
2011	2010
R'000	R'000
105 238	61 235
(105 241)	(61 239)
(3)	(4)
(18 488)	–
105 241	61 239
86 753	61 239
(86 750)	(61 235)
(86 750)	(61 235)
–	–
–	–
–	–

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September**

1. ACCOUNTING POLICIES

The principal accounting policies incorporated in the preparation of these financial statements, are set out on pages 22 to 31. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also required 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 SUBSIDIARIES

Unlisted
KaaP Agri Beleggings Limited
Number of issued shares: 19 705 494 000 (2010: 19 705 494 000)
Shareholding: 100% (2010: 100%)
Shares at cost

3. LOANS SUBSIDIARY COMPANY

KaaP Agri Beleggings 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.

4. ORDINARY SHARE CAPITAL

Authorised: 400 000 000 ordinary shares of R0,01 each
Issued: 255 147 696 ordinary shares of R0,01 each
(2010: 255 147 696 ordinary shares of R0,01 each)
All issued shares are fully paid.

5. RELATED PARTY TRANSACTIONS

Refer to notes 2 and 3.

COMPANY	
2011	2010
R'000	R'000
1 881 875	1 881 875
497 718	479 230
4 000	4 000
2 552	2 552

Company secretary and registered office

RH Köstens

65 Voortrekker Road, Malmesbury, 7300

PO Box 22, Malmesbury, 7299

Telephone number: 022 482 8000

Fax number: 022 482 8008

Internet address: www.kaapagri.co.za

Auditors

PricewaterhouseCoopers Inc

Share transfer office

Contact person: Lizelle Bleeker

PO Box 13, Porterville, 6810

Telephone number: 022 931 8200

Fax number: 086 636 7200

E-mail: lbleeker@kaapagri.co.za

Invitation

*The Annual General Meeting
will be held on Tuesday
14 February 2012 at 11:00
in the Kaap Agri Members' Hall,
Voortrekker Road, Malmesbury.*

*Shareholders are cordially invited
to join the Board for tea after the
Annual General Meeting.*



Business address and registered office: 65 Voortrekker Road Malmesbury 7300