BKB LIMITED AND ITS SUBSIDIARIES
(Registration number 1998/012435/06)
Annual Financial Statements
for the year ended 30 June 2019

VISION & VALUES

Our values are simple, concrete, meaningful and capture the essence of our culture, who we are and how we interact with one another. This speaks of how we go to market and our commitment to delivering a culture of excellence to all stakeholders as the Trusted Home of Agriculture.

OUR VISION

To craft agri-business through trust and shared values.

OUR MISSION

Maximising value creation through innovation and efficiency.

INTEGRITY

SERVICE EXCELLENCE

Service Excellence is in our hands.

ENCOURAGE ENTREPRENEURSHIP

Opportunity is in our hands.

DRIVE EARNINGS

Prosperity is in our hands.

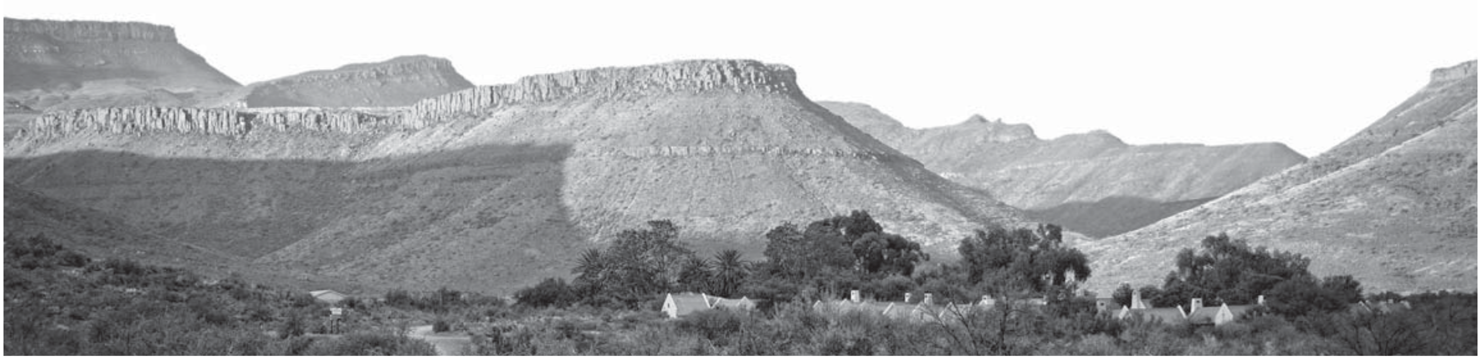
VALUE EMPLOYEES

Respect is in our hands.

CONSERVE THE ENVIRONMENT

The environment is in our hands.

www.bkb.co.za



BKB, celebrating 100 years of trust.

Our story is one of relationships, values and trust. From our inception we have always placed these ideals at the forefront of our business strategy. Partnerships forged over decades continue today and we endeavour to further develop from both existing and new relationships.

Grounded as a leader in the Agri-Industry our values, core competencies and reputation ensure the sustainability of our long term competitive advantage.

Our achievements over the past 100 years have been our expansion and positioning as the leading natural fibre broker and livestock auctioneering business in Africa, along with the diversification of our business, both locally and internationally. The BKB Group has developed into an organization where our people are our differentiating factor with common values that are underpinned by integrity.

A century of highlights:

- 1919 The first wool cooperative, FCU, established in Port Elizabeth.
- 1920 BSB (wool cooperative) founded in Cape Town and relocated during the same year to Port Elizabeth.
- 1925 WGA (wool cooperative) was founded in East London.
- 1927 KWB (wool cooperative) founded with head office in Belfast and moved to Durban.
- 1975 BKB was founded through amalgamating of FCU, BSB and KWB.
- 1998 BKB converted and restructured from a cooperative to a public company.
- 2005 Acquired BKB Louwid (Livestock Marketing)

  BKB transferred 15% shareholding ownership to BBBEE producer partners in Ciskei, Transkei and Lesotho.
- 2007 Acquired BKB van Wyk (Livestock Marketing)

  Acquired BKB GrainCo and Gritco (Grain storage, trading and processing)
- 2010 Established BKB Agrifin (Agri Finance)
- 2011 Merged with ECAC (East Cape Agricultural Cooperative)
- 2013 Established PaKHouse Brands and acquired Atlanta Products.
- 2016 Acquired 75% of Fruits du Sud (Pty) Ltd (Raisin processing and exports)
- 2017 Established AlphaAlfa (Lucern processing and exports)

  Acquired RFID Experts Africa (Radio frequency identification and data transfer systems)
- 2019 BKB Properties repositioned as Home and Hectare Real Estate.

  Acquired BKB Riverview (Livestock Marketing)

  Commissioned our second grit mill in Bethlehem.

  BKB launches “BKB SHIFT” a digital platform business.

BKB celebrates a 100 years of trust together with a staff complement of 3608 employees and 62 000 customers.

In the fast changing world we will accelerate our development and growth, embrace digital transformation and advance through innovation, efficiency and by adding value to our customers.

BKB The Trusted Home of Agriculture.

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Preparer

J van Rooyen
General Manager: Finance

Published

29 August 2019

Chairman's Report

BKB marks its centenary in 2019 and it is a great privilege for me to be writing this report in this momentous year. Whilst we are inordinately proud of this achievement, we are also humbled by the fact that few companies achieve this major milestone especially in today's fast changing world. Countless people have over the years contributed in many and varied ways to building BKB into the successful business it is today. We owe our longevity to our customers, suppliers and employees as well as the communities we have worked with over these years. They have all been an important part of this remarkable journey. We look forward to continuing this journey with them in BKB's second century as a company that never stops embracing the future.

The 2019 Financial Year has been extremely difficult when measured against profitability. A number of factors have conspired to create the perfect storm which has resulted in BKB producing the poorest profit in a number of years. Profit before tax was R46,7 million (2018: R228,5 million). At operational level we have been confronted with a stagnant economy, marked by drought and adverse market conditions, in addition to the Chinese ban on wool imports and the Lesotho ban on exports of wool and mohair. Despite the challenging economic and market conditions most of the operating divisions produced credible results. The sale of the ARC investment in BKB and the Board's decision to defend a hostile takeover of BKB resulted in a substantial write-off. This exceptional impairment has had a significant, negative impact on the year's profits. These details are reflected in the financial statements (Note 29). The decision to defend the hostile approach was taken after much deliberation and in the interests of the company and all stakeholders.

Whilst the wool price has remained strong, conditions in the wool market have been difficult. BKB has provided free storage to the buyers post sale and this assistance to the market has no doubt contributed to stabilising the market in the face of the Chinese ban on South African wool. The Cape Wools Merino Indicator for the 2018/2019 season was on average 17.1% higher than the 2017/2018 season. The Australian market Indicator strengthened by 13.6% over the same period. Total wool delivered to BKB in the last season declined as a result of the Lesotho ban on exports. However, the narrower definition of Merino wool showed a marginal increase in deliveries despite the severe drought.

The beef and lamb market has been negatively affected by the poor economy which has resulted in price declines year on year. The lack of confidence has also impacted the price of breeding stock, resulting in a subdued market for this class of livestock. The market for A2/A3 beef closed at R44.70 per kg (2018: R46.60) and weaners closed at R28.00 per kg (2018: R33.50). The A2/A3 lamb market closed the year at R67.00 per kg (2018: R75.00) with store lambs at R39.00 (2018: R44.50). Livestock farmers have experienced a difficult year as indicated by the across the board decline in prices. These difficulties have been mitigated for those who are also in the fibre market by the sound wool and mohair prices. The decline in prices and negative sentiment in the livestock market has had the effect of our Livestock Division not making budget.

The yellow maize price increased by 31% over the reporting period closing at R2 850/ton. A key achievement during the year was the completion of our new grit mill in Bethlehem. This mill is now in full production and will at least double our grit milling capacity. The drought in the Bultfontein area meant that we had to bring maize in from other areas resulting in a significant increase in our cost price. This has clearly had a negative effect on the profitability of the milling business. Our Storage and Handling division continues to perform well with good demand for our niche and very flexible offering.

Fruits du Sud, our raisin business, has experienced a highly competitive market on both the procurement side and in sales to the international market. This has resulted in a squeeze on margins with the concomitant effect on profitability. We expect that there will again be an oversupply in the coming season. Plans are in place to intensively manage supply to offtake.

Sugar continues to be a solid performer with sound management. This division beat budget and has been awarded an additional allocation by the Swazi Sugar association.

Our Retail Trading Division delivered profits marginally better than budget which is commendable in the tough economic conditions. This division continues to benefit from more intense management of various retail metrics. This focus is an ongoing process and we are confident that benefits will flow through to the bottom line in the years to come. The Branch upgrades continued with Graaff-Reinet and Somerset East recently completed.

The IMF forecasts global growth of 3.3% in 2019 increasing to 3.6% in 2020.The bulk of this growth will come from the developing and emerging countries with the first world growth being muted. The greater risk to these forecasts is on the downside as a result of the uncertainties regarding world trade. Forecasts for South Africa are 1.0% in 2019 declining to 0.3% in 2020.

South Africa is in crisis both politically and on the economic front. New leaders have been appointed to many State agencies and almost without fail they have found that the legacy they have inherited is much worse than expected. The turnaround of these critical institutions is going to take a long time precisely when the country is crying out for decisive action. The long term solutions are clear. Whether the President has sufficient political support to implement the sound policies he espouses remains to be seen. The Committee investigating land reform has delivered its report. The land reform debate has much wider implications for South Africa. Security of tenure is pivotal to the growth of an economy and it is critical that all landowners (current and new) have the assurance that their property rights are protected. Only in this way will new farmers be able to unlock the full value of the land they farm on. We should all ensure that Government is not tempted to pursue populist policies, but rather focusses on the essential elements of a successful Land Reform policy. These are security of tenure and sound assistance to new farmers.

Recently VKB made an investment in BKB which resulted in VKB becoming the largest single shareholder at 21%. The decision by the parties to pursue this alliance was made after lengthy deliberation and discussion. Although there are clear differences in our respective philosophies relating to control we see the investment by VKB as an insurance against the type of hostile attacks we are being exposed to with increasing frequency.

Chairman's Report

BKB has taken the strategic decision to embrace and invest in the digital revolution. BKB SHIFT is the vehicle which will drive this initiative. The intention is to not only provide digital solutions that enhance the efficiency of our own operations, but to also develop products which will be taken up in the market. We believe that unlocking the value of the data that BKB has at its disposal will benefit the Company and its customers alike. SHIFT is but one example of the Group's commitment to innovation. There is a strong culture of continuous improvement across all divisions with a focus on delivering exceptional quality and customer service.

The Group endeavours to apply the principles of sound corporate governance as set out in the King Code. We strive to be compliant in the broadest sense of the term and honour our obligations to all our stakeholders by ensuring that we continue to be well managed and place emphasis on strong ethical leadership. We will vigorously pursue our values so that everything we do is true to the BKB Brand. This message is reinforced each and every day.

During the year we welcomed Mcebisi Jonas and Ivan Pillay to the BKB Board. Their diverse experience has immediately made a positive contribution to our deliberations. We trust that our association will be long and fruitful.

At BKB we value our people and are always appreciative of their essential contribution to the success of the business. I would like to thank all our employees for their contributions to the Group in the past year. They have shown unwavering dedication and commitment to the Company, their colleagues and our customers in what has been a very challenging year. We also place on record the contribution of our customers; may our relationship be one of mutual benefit to both parties. Finally thanks to our Board for unfailing loyalty and commitment. This has been a particularly difficult year across a range of issues and the demands on our Managing Director, Wolf Edmayr, have been enormous. Thanks to Wolf for attending to these with his normal dedication.

Chris Louw
Chairman

29 August 2019

Five Year Financial Summary

Figures in Rand thousand	2019	2018	2017	2016	2015
Group					
Statement of Financial Position					
Assets					
Non-current assets	1 064 336	982 460	825 164	711 202	574 783
Current assets	1 691 908	1 421 940	1 583 592	1 392 468	1 201 115
Assets of disposal groups held for sale	-	-	-	9 390	-
Total assets	**2 756 244**	**2 404 400**	**2 408 756**	**2 113 060**	**1 775 898**
Liabilities					
Non-current liabilities	242 054	135 434	135 226	137 809	98 590
Current liabilities	1 329 892	885 773	1 058 617	1 109 926	861 937
Total liabilities	**1 571 946**	**1 021 207**	**1 193 843**	**1 247 735**	**960 527**
Equity					
Share capital	102 720	289 960	293 921	50 189	64 795
Reserves	158 553	142 551	86 084	86 084	84 716
Retained income	914 313	944 653	821 912	720 589	664 175
Non-controlling interest	8 712	6 029	12 996	8 463	1 685
Total equity	**1 184 298**	**1 383 193**	**1 214 913**	**865 325**	**815 371**
Total equity and liabilities	**2 756 244**	**2 404 400**	**2 408 756**	**2 113 060**	**1 775 898**
Statement of Profit or Loss and Other Comprehensive Income					
Revenue	4 768 499	4 422 557	4 231 249	3 503 829	2 956 019
Cost of sales	(3 776 528)	(3 446 812)	(3 316 267)	(2 741 940)	(2 262 383)
Gross profit	**991 971**	**975 745**	**914 982**	**761 889**	**693 636**
Other operating income	46 851	53 579	33 587	22 049	19 516
Other operating expenses	(950 342)	(763 348)	(692 402)	(615 175)	(556 841)
Operating profit	**88 480**	**265 976**	**256 167**	**168 763**	**156 311**
Finance income	20 323	10 292	12 373	5 551	4 027
Finance costs	(62 114)	(47 788)	(65 047)	(47 418)	(34 157)
Profit before taxation	**46 689**	**228 480**	**203 493**	**126 896**	**126 181**
Taxation	(22 402)	(67 222)	(68 268)	(38 240)	(31 226)
Profit for the year	**24 287**	**161 258**	**135 225**	**88 656**	**94 955**
Non-controlling interest	1 354	3 447	(5 580)	(3 313)	(865)
Retained income for the year	**25 641**	**164 705**	**129 645**	**85 343**	**94 090**
Per share data (cents per share)					
Earnings per share (Basic)	29	183	162	128	137
Earnings per share (Diluted)	29	181	161	128	137
Normalised earnings per share	147	184	163	127	137
Dividend per share	58	47	43	43	43

Five Year Financial Summary

Figures in Rand thousand	2019	2018	2017	2016	2015
Financial ratios					
Solvency and liquidity ratios					
Current ratio (1)	1,3	1,6	1,5	1,3	1,4
Quick ratio (2)	0,6	0,9	0,9	0,7	0,8
Profitability (%)					
Return on assets (3)	1	7	6	4	5
Return on equity (4)	2	12	11	10	12
Operating margin	2	6	6	5	5
Debt leverage					
Interest cover	2	7	5	4	5
Other					
Net asset value per share (cents/share) (5)	1272	1486	1306	1223	1139
EBITDA (Rand thousand) (6)	140	313	297	211	192
EBITDA margin (%)	3	7	7	6	7
Effective tax rate (%)	48	29	33	30	25

(1) Current assets divided by current liabilities.
(2) Current assets less inventory divided by current liabilities.
(3) Earnings divided by total assets.
(4) Profit for the year as a percentage of shareholders' equity.
(5) Shareholders' equity divided by number of shares in issue at year end.
(6) Earnings before interest, tax, depreciation and amortisation.

Financial and Operations Review

1. Financial Review

Income Statement

The segmental analysis and annual financial statements should be read together with this review.

Results for the year	2019 R'million	2018 R'million	Change %
Value of business	11 429	11 318	1
Revenue	4 768	4 423	8
Operating profit	88	266	(67)
Profit before tax	47	228	(79)
Profit after tax	24	161	(85)

Value of business and Revenue

The BKB Group recorded value of business of R11 429 million (2018: R11 318 million) and revenue of R4 768 million (2018: R4 423 million), an increase of 1% and 8% respectively. The loss of the Lesotho wool and mohair clip in 2019 resulted in no sales from this source being recorded compared to R544 million in 2018. Record prices for wool in the first quarter offset the loss of the Lesotho clip. The import ban from China in the fourth quarter again affected wool negatively. Lower livestock prices contributed directly to the decline in value of business and revenue achieved by the Livestock division. The Trading division increased its revenue by R108 million year on year. In the PakHouse Group, AlphaAlfa (Pty) Ltd increased volumes and the commissioning of the new grit mill in Bethlehem increased volumes in Grainco (Pty) Ltd. Despite a decrease in the price of sugar, the Sugar division achieved both higher value of business and revenue through increased volumes. Fruits du Sud (Pty) Ltd increased its revenue by R22 million, despite very difficult market conditions.

Operating profit and operating profit margins

An operating profit of R88 million was achieved by the Group, which is a decrease of R178 million compared to 2018. The major contributor to this decrease is the impairment of the Maruwa Investments (Pty) Ltd debt amounting to R115 million and legal and advisory fees in connection with these matters amounting R14 million (See Note 29). Excluding these once-off items, operating profit amounted to R218 million.

The remainder of the decline in operating profit relates to the difficult trading conditions in the Fibre division as well as the price related decrease in profits in the Livestock division compared to 2018.

The Group's gross margin has remained in line with the previous year at 21% (2018: 22%).

The Group posted a profit after tax of R24 million (2018: R161 million). Headline earnings decreased from R165 million in 2018 to R26 million in 2019. The largest divisional contributors to the profit were once again the Fibre division with an after tax profit of R61 million (2018: R95 million) and the Livestock, Auctioneering and Properties division which posted a profit after tax of R28 million (2018: R487 million).

The Sugar division performed well to increase after tax profits from R4 million in 2018 to R15 million in 2019. The Grain division posted a profit after tax of R9 million as compared to the previous year of R19 million. Procurement issues in drought areas increased costs and lowered margins. Our lucerne and hay operation, AlphaAlfa (Pty) Ltd, which is three years old, improved their performance but remains in a loss position. The raisin business, Fruits du Sud, performed better than 2018, but due to slow international sales was still in a loss position.

We continue to implement our cost management initiatives to counter increases in overheads and utilities and their effects, particularly given the difficult environment we operate in.

Finance income and expense

The Group earned R8 million (2018: R10 million) in interest on surplus cash and R12 million in interest charged on the Maruwa loan. The PakHouse Divisions stock financing and bank overdrafts incurred an interest expense of R62 million (2018: R48 million).

Taxation

The consolidated effective rate is 48% (2018: 29%). The higher effective rate in 2019 relates primarily to the capital loss on the impairment of the Maruwa loan and the legal and advisory fees relating to the share transaction (Note 29).

Statement of Other Comprehensive Income

Other comprehensive income for the year

In 2019 the movement in the reserve on revaluation of properties is due to the revaluation of the buildings in Oceanic Swaziland (Pty) Ltd and Fruits du Sud (Pty) Ltd. The remainder of the Group properties were revalued in 2018. The Group commenced hedge accounting during the previous financial year, which has resulted in a cash flow hedge reserve, which represents foreign currency revaluations for future reclassification to profit and loss.

Financial and Operations Review

Statement of Financial Position

Property, plant and equipment

The most significant increase in property, plant and equipment was the completion in the construction of the new grit mill in Bethlehem that commenced during the previous year. Upgrades to the trading branch buildings continued during 2019.

Inventories

The inventory of Fruits Du Sud (Pty) Ltd increased due to higher procurement prices as well as higher volumes. The inventory in Grainco (Pty) Ltd increased due to the stockholding for the new grit mill in Bethlehem.

Share capital

The decrease in share capital relates to the re-purchase of 4,7 million shares from Maruwa Investments (Pty) Ltd and the purchase of 5,7 million shares by the BKB Limited Personnel Share Trust (Note 29).

Borrowings and finance lease liabilities

BKB Limited entered into a new term loan of R110 million with FNB and has a facility with the Land Bank to assist emerging farmers with production loans. Finance lease liabilities are instalment sale agreements relating to plant and equipment purchased for the Bethlehem mill, the lucerne facility in Kimberley and motor vehicles.

Cash reserves and debt position

The Group had cash reserves at 30 June 2019 of R57 million (2018: R81 million). The majority of the short-term borrowings of R773 million (2018: R327 million) were used for financing of grain inventories, trading and dried fruit inventories and debtors. The Group has stringent controls in place over the use of cash resources.

Statement of cash flows

Cash flows from operating activities

Cash used in operations amounted to R8 million during the current financial year, compared to cash generated by operations during 2018 of R273 million. Excluding working capital requirements, cash generated by operations decreased from R318 million to R268 million, which is in line with the operating profit excluding the effect of the Maruwa loan impairment. The net working capital requirement (current assets excluding cash, less current liabilities) increased by R277 million (2018: R45 million), which is mainly a result of the significant increase in inventory.

Cash flows from investing activities

Capital expenditure for assets acquired by the Group was R66 million (2018: R111 million). The major asset acquisition was the construction of a new grit mill in Bethlehem.

Capital expenditure of R124 million for the replacement of motor vehicles, ICT hardware and software, store and plant and equipment and for certain expansion initiatives, has been identified and budgeted for the 2020 financial year.

Cash flows from financing activities

The most significant cash flow was the loan advanced to Maruwa (Note 29).

Dividend

BKB traditionally maintains a dividend cover of three times earnings as long as circumstances permit. We believe that this policy allows the Group to grow organically and to exploit opportunities complementary to our business.

During the year BKB Limited, the holding company, received dividends from subsidiaries of R26 million (2018: R29 million). This income is shown in the Company results and has no effect on the Group results.

During November 2018 a gross dividend of R54 million (58 cents per share) was paid to shareholders.

Going concern

The financial statements are presented on the basis that BKB Limited and its subsidiaries will continue as going concerns for the foreseeable future. In its assessment, the Board and Management have considered the financial position of the Group, the sustainability of our business model, available cash resources and debt as at 30 June 2019 and the current regulatory environment and potential changes thereto.

2. Operations Review

The salient features and highlights for the Group's operating divisions and supporting functions are set out below. Detailed segmental information is set out in Note 1 to the financial statements.

BKB Agri

Fibre

The Fibre division provides a brokerage and full service offering to producers in Southern Africa. We have a great team of dedicated people working together to ensure the success of our producers.

The year under review has proven to be very challenging. The import ban by China on wool and mohair (caused by a foot and mouth disease outbreak in Limpopo), the loss of the Lesotho wool and mohair clip due to policy changes by the Lesotho government, coupled with the devastating drought in the Karoo production area, all contributed to an incredibly difficult year for the Fibre division. The stability of our infrastructure and resilience of our people were thoroughly put to the test.

Despite not participating in the export market to China, the industry continued to support South African producers, with auctions achieving clearing rates of not less than ninety percent. This was achieved despite the fact that processors were aware of delayed shipments. Procedures have been finalized and exports resumed in August, with a much clearer set of regulations in place.

The situation in Lesotho remains dire, with producers experiencing severe hardship. BKB and all the relevant industry players are fully engaged in seeking satisfactory resolution of the Lesotho situation.

The RWS (responsible wool standard) certification system proved to be highly beneficial to producers, and South Africa is currently perceived as the world leader in terms of the supply of certified wool. The first certified garments are already on the shelves of major retailers.

The BKB Fibre division earned the ISO 9001 (quality), as well as ISO 14001 (environment) certification under the updated standards this year. This is highly beneficial when working with international certification authorities.

The sales of our CORE Merino clothing brand have increased threefold compared to the previous year. We are excited about the product and are exploring new opportunities for the brand.

Livestock

The division trades under the brands of BKB, BKBLouwid, BKB van Wyk, and BKB Wildlife. During the year under review two new brands were added, namely BKB Riverview (in the Eastern Cape’s Alexandria region) and Home & Hectare Real Estate. The division focuses on marketing activities relating to livestock, properties and agricultural equipment by means of auctions and through liaison transactions.

The Livestock and Auctioneering division has produced another set of positive results for the year. The division contributed a profit before tax of R39,7 million (2018: R66,6 million). Notwithstanding the challenging trading environment, turnover of R204 million was generated (2018: R233 million).

Towards the second half of the financial year, trading conditions came under pressure with a significant drop in livestock prices that have continued into the new financial year. The division has, however, experienced a notable increase in the number of auctions. A key trend that developed, particularly in the Central Region, is the increased commercial component in traditional stud stock auctions. As a result, value of business only decreased slightly to R4,0 billion (2018: R4,4 billion). Demand for good quality animals remains strong and the increased global demand for red meat is expected to positively impact on selling prices in future. In the short term it is expected that selling prices will remain at current levels.

It is expected that the current land reform issues will continue to put pressure on the property market. Under the new Home & Hectare brand the property division’s key focus continues to be on farm properties, with an added focus on both residential (rural and urban) and commercial properties.

The Livestock and Auctioneering division continues to place service excellence at the forefront of their offering. We sustain the leadership position in the industry by ensuring that our personnel have the relevant market expertise and skills. Encouraging entrepreneurship and promoting ongoing training and upskilling of personnel ensures that the demands of our customers are continuously met. Digital technologies and social media platforms are increasingly being used, which significantly improved the effectiveness of our livestock marketing efforts.

Financial and Operations Review

Trading (Retail Shops)

According to Statistics South Africa the agriculture sector declined 13.2% quarter-on-quarter in the first three months of 2019, thus contributing to overall negative economic growth of 3.2% for South Africa over this period. They attribute the weakened performance to a slowdown in the production of field crops as well as falling household consumption expenditure.

In sharp contrast to the decline during the period under review, the BKB Trading division's revenue, year on year, increased by 7%. This can be attributed to BKB's national footprint that operates in diverse regions with variant weather patterns as well as support from loyal customers that are mainly small and large stock producers.

The division's profitability also increased slightly, due to a better procurement strategy and a gross margin improvement.

BKB Trading kept its commitment to support the rural economy and cemented our position further in the agricultural sector by upgrading various branches throughout South Africa. Port Elizabeth, our Flagship branch, and Graaff-Reinet, the most recently renovated store, provide a much better shopping experience to traditional customers and new patrons alike.

We look forward to revamping additional selected retail shops in the next financial year. These upgrades will include new BKB brand integration, forecourts and convenience stores.

PaKHouse Brands

PaKHouse Brands is the Holding Company of the agro-processing subsidiaries in the BKB Group and has interests in various supply chains from producer to consumer. A good performance by the Sugar division as well as the grain storage operations ensured that PaKHouse Brands increased its contribution to the BKB Group's results with a profit before tax of R24,2 million (2018: R14,3 million).

The main activities of PaKHouse Brands are related to grain, lucerne, dried fruit and sugar, and include procurement, storage, processing and marketing functions. The Group owns world-class processing and storage facilities, all of which are operated in accordance with various accredited standards and best practices. Production and storage facilities are strategically located throughout Southern Africa. Scale and footprint ensures the sourcing of quality raw materials and products whilst also providing producers access to a wide variety of markets.

Atlanta Sugar (Pty) Ltd houses the agro-based consumer goods with its main operation in Matsapha, Swaziland. The core product range includes various categories of sugar, grain products and sunflower oil. Activities include pre-packing, sales and marketing to a diverse customer base of national retailers, wholesalers, industrial customers and independent traders. Low international sugar prices continued to put pressure on local produced sugar prices, resulting in slower than expected sales. The local demand for sugar has also been badly effected by recently introduced sugar taxes. Given a difficult trading environment, management performed well to deliver growth in profits. The business is well positioned to further increase its brand and sales reach during the next financial year.

Fruits du Sud (Pty) Ltd focuses on the processing, packing and exporting of raisins. The Company operates from Kanoneiland in the Northern Cape. Procurement prices for raisins experienced double-digit growth since the previous season. International sales value and volume uptake however was slow and below expectations, resulting in lower margins and profitability. Large volumes of South African raisins that were allocated for the USA, were rejected by the American health authorities, resulting in lost sales and increased costs. It is expected that the South African industry will continue to experience volume growth while the establishment of grapes for raisin production in South Africa enjoys an upward trend.

BKB GrainCo (Pty) Ltd specialises in the storage of grains. The Grain Storage division again performed well during the current year. Most of the depots operated at full capacity for the peak season while off-season activities also contributed to profits. All grain depots are JSE/SAFEX and FBO accredited. Due to the quality infrastructure, systems, and location of depots, management are confident of continued good performance in the next financial year.

AlphaAlfa (Pty) Ltd is in its third year of production. The animal feed activities involving both lucerne and hay processing are combined at the facilities in Kimberley. Lower than expected export volumes, mainly due to wet weather during harvest, contributed to the disappointing result for the past financial year. With its high-density press and storage facilities, the Company is however well positioned to increase its current production as well as capitalising on the expected growth in the export of double pressed lucerne to international markets.

Grainco (Pty) Ltd is responsible for yellow maize processing at it's grit mills in Bultfontein and Bethlehem. Due to severe drought in the Western Free State region during the past year, the Bultfontein mill experienced difficulty in procuring quality yellow maize. Higher logistical costs and less desirable extraction yields resulted in lower than expected margins. The new mill in Bethlehem was commissioned during the latter part of the financial year and is ideally located to benefit from good maize production in the Eastern Free State. Management are optimistic that Grainco has the infrastructure in place to ensure consistent high quality to the client base as well as to improve profitability.

Financial and Operations Review

BKB SHIFT

As BKB celebrates a century of continued business, the rise of Industry 4.0 brings about new challenges that the Company will have to navigate to ensure a successful future. It is clear that companies globally are struggling to understand and come to grips with the challenges presented by Industry 4.0 and digital transformation. The average age of global companies on the S&P 500 index over the past 60 years has dropped from 61 to 18 years and is projected to reduce further to less than 7 years before 2025. In order to be successful, the challenge is to establish connectedness and access to real-time insights across processes, partners, products, and people through the use of digital platforms.

Over the past 5 years, BKB has invested heavily in its technology infrastructure and applications that drive the business. The Group has adopted an active digital social strategy that has seen large eco-systems emerge from the interactions between our clients. With the implementation of business intelligence tools, valuable insights have been gained from the large amounts of data that is captured.

One of the applications that has drawn much attention to BKB recently has been the introduction of Blockchain technology. Retailers on a global scale are adopting more rigid standards and governance processes to ensure that the products they offer come from an authentic source and comply with a set of standards in the interest of safety and consumer trust. The Group's proof-of-concept initiatives were successful and solutions are currently being developed into a commercial application.

RFID Experts Africa (Pty) Ltd, a subsidiary of BKB, plays an important role in the supply chain. The RFID tag creates a digital twin of any physical asset (for instance a bale of wool or a livestock unit) and makes it part of the “Internet of Things”.

BKB SHIFT will focus on the digital acceleration of BKB and the agricultural industry.

Our people

BKB is a significant player within the agricultural industry with a permanent staff complement of 1 567 employees and 2 018 seasonal employees, learners and contractors. We pride ourselves in being a high-performing organisation that puts its people first. Our best practice processes act as enablers to our people, empowering each individual to grow within the organisation.

The Group’s focus on employee training as part of the employee value proposition allows BKB to attract and retain a high quality workforce, reduces employee turnover (our total staff turnover is below acceptable norms at 9% with a voluntary staff turnover of 6%) and improves customer satisfaction and efficiencies in our business.

We are constantly striving to enhance the level of interaction and relationships with our employees.

Learning and Development of our People

Our people are our greatest competitive advantage and we view learning as an integral part of growing this competitive edge. We recognise that when employees grow, they, in turn, grow our business. We, continuously, invest in the training and development of our people.

Of the eight learnerships successfully running in the BKB Group, we are especially proud of the Production Technology Learnership for our hearing impaired employees on the wool floor. We have 28 hearing-impaired sorters and pressers employed on the wool floor, which is in keeping with the national drive to uplift the disabled.

This year we successfully launched the BKB Leadership Academy to support our goal to be the market leaders in how we manage and lead our employees. We know that an investment into the leadership teams of BKB is an investment in our future. This year the first 42 managers attended the one-year program. The golden thread throughout the Academy is leadership, because when employees build trust in leaders, leaders consequently gain the power of Influence. When employees lose the fear of failure, they become engaged. Engaged employees are more creative, more "present in the work place" and passionate about their work and employer. Research shows that if we embrace the power of being equally effective as a leader as we are managers, our ability to produce great results logically increases.

Other learning offered this year range from developing personal, team and organisational efficacy, retail management training, supervisory development programmes, computer and product knowledge initiatives and compliance training. There were 630 beneficiaries of the various training programmes and 42 employees benefited from our staff bursary programme to further their tertiary studies.

Our passion for growing people extends beyond the development of our own employees. BKB has proudly established a BKB Educational Trust with the purpose of financially assisting school children and students. This year we were able to support 134 children with their studies to an amount in excess of R1,1 million.

Financial and Operations Review

Human Resources Policies

We provide a variety of services to our employees which range from general benefits such as medical aid and retirement fund schemes, with generous death and disability benefits, to overall employee care. Our remuneration structure, underpinned by our remuneration policy, remains instrumental in ensuring reward parity, internally as well as for external benchmarking, and also serves as a means to attract and retain talent.

BKB Wellness includes free trauma counselling as well as an HIV/Aids insurance Protector Plan providing psychological and medical support and free anti-retroviral treatment to all employees.

Merit and recognition awards include Long Service Awards and our annual Value Awards. Our annual Chairman's Award for Excellence, a most prestigious honour, is awarded to an individual who made a difference and achieved our BKB purpose through their talent, skill and ingenuity.

We subscribe to an online recruitment talent community portal, BKB SkillsMap, which aims to bridge the gap between job seekers and ourselves. Attracting and retaining the right talent is at the heart of our business' success.

Employment Equity and Transformation

BKB is committed to Transformation and has an Employment Equity Committee, chaired by the General Manager: Human Resources. This committee provides a forum for representatives of labour, management and other designated groups to review the progress and discuss the direction of BKB's employment equity plans and policies. In addition, the Board has a Social and Ethics Committee and a Human Resources Committee that ensures compliance, governance and conscientious leadership.

Whilst 72% of our total workforce profile is representative of Previously Disadvantaged Individuals (PDI), we have a 11% PDI representation on middle management and 26% PDI representation on junior management.

Broad Based Black Employment Empowerment

Of BKB's shareholding, 11% is owned with equal rights by PDG's (previously disadvantaged group's), the most significant of which are the Ciskei, Transkei and Lesotho Empowerment Trusts. Although the Lesotho Empowerment Trust is not considered for our Broad Based Black Economic Empowerment (BBBEE) rating, we are of the view that the beneficiaries are a significant contributors to the wool and mohair industry and require due recognition for this.

Our industry is subject to the Agri-sector specific regulation under the BBBEE legislation and we proactively implement policies that are in accordance with BBBEE guidelines.

Our policies promote equitable human resource practices for greater inclusivity amongst all groups.

Compliance

In terms of its Compliance Policy and Charter, BKB is committed to complying with applicable laws, rules, codes and standards. The Group conducts business according to the highest standards of corporate governance and in the interest of all stakeholders. The Audit and Risk Committee assesses significant regulatory risks and the level of compliance thereof as part of its duties. Regulatory compliance is included in the scope of audits performed in terms of the Group's annual internal audit and risk management plan.

A suitably qualified Compliance Officer has been appointed in each business unit to assume responsibility for the co-ordination, direction and reporting for regulatory compliance within that business unit. Compliance Officers have a dual reporting line to both the Group Compliance Officer and their direct line manager. The Group Compliance Officer reports quarterly to the Audit and Risk Committee.

Corporate Governance Report

The Group is committed to the principles of transparency, integrity and accountability as recommended in the King IV Report. The principles of King IV have been adopted as far as practically possible. The need to conduct the business of the Group with integrity and highest standards of corporate governance is a cornerstone of the Group's philosophy.

1. Governance and Compliance

Board of Directors

During the 2019 financial year the Board of Directors comprised of eleven members, of which nine served in a non-executive capacity and two members served in executive capacities. The Board of Directors meets quarterly and is responsible for strategic and policy decisions.

The Chairman is a non-executive director and all non-executive directors are appointed for a specific period.

The Board of Directors shall comprise of no fewer than six and no more than fifteen directors as follows:

- a maximum of eight directors elected by the holders of the ordinary shares;
- a maximum of four executive directors appointed by the abovementioned elected directors; and
- a maximum of three non-executive directors appointed by the elected non-executive directors based on their expertise and experience

The role and function of the board includes:

- providing strategic direction;
- exercising effective control over the Company and Group;
- ensuring the sustainability and financial position of the business;
- putting appropriate risk management, internal controls and regulatory compliance procedures in place;
- designating and assigning responsibility to sub-committees and providing terms of reference;
- defining levels of authority for management; and
- providing governance and oversight over subsidiary companies' activities.

Audit and Risk Committee

The Audit and Risk Committee consists of four non-executive directors. The external auditors and the internal auditors have unlimited access to the Audit and Risk Committee, which ensures that their independence is not compromised in any way. The external auditors attend the meetings and are granted the opportunity to discuss any relevant matter. Internal audit matters are considered during each quarterly Audit and Risk Committee meeting. Members of executive, senior management and internal audit attend the meetings by invitation.

This committee continuously monitors the independence and objectivity of the external auditors.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee consists of one executive and three non-executive directors and the General Manager of Human Resources.

This committee determines the remuneration of all personnel. Matters relating to the remuneration of non-executive directors are put to shareholders for approval at the Annual General Meeting.

Over and above this, this committee also ensures that the appropriate Human Resources policies and procedures are in place, and are aligned to the values of BKB, the required talent is recruited and retained and that proper development and reward structures are in place. This committee is also responsible for ensuring that a proper employment equity plan is in place and is being actioned.

Nominations Committee

The Nominations Committee is made up of three non-executive directors and is chaired by the Chairman of Board. The committee ensures that the recommended Board appointments are done taking into account the need for appropriate skills, competency and experience. This committee will also make recommendations regarding composition of Board Committees.

Social, Ethics and Sustainability Committee

This committee consists of one executive and three non-executive directors and the General Manager of Human Resources.

The functions of the Social, Ethics and Sustainability Committee are:

- adopting the necessary policy, strategy and structure to manage social, ethical and sustainability issues;
- providing leadership and guidance to the Board on social and ethical issues;
- ensuring that effective and adequate policies and procedures are in place to manage social, ethical and sustainability risks;
- reviewing and approving the policy, strategy and structure to manage social, ethical and sustainability issues in the Group;
- monitoring that subsidiaries, associate companies and related entities develop policies, guidelines and practices congruent with the Group's social, ethical and sustainability policies;
- reviewing compliance by the Group, its subsidiaries and associates with policy, guidelines and appropriate local and international standards and relevant local laws in social, ethical and sustainability matters, including competition laws;

Corporate Governance Report

- as appropriate, consulting and communicating with internal and external stakeholders with respect to social, ethical and sustainability issues; and
- ensuring that management has allocated adequate resources to comply with social, ethical and sustainability policies, codes of best practice and regulatory requirements.

This committee is also responsible for our Broad Based Black Economic Empowerment implementation.

Investment Committee

The Investment Committee was made up of two executive and two non-executive directors during the 2019 financial year. This committee assists the Board in:

- considering new acquisitions or investments;
- informing and updating the Board on new and existing opportunities;
- ensuring alignment between the investment and acquisition and the business strategy; and
- considering the alignment of funding options to investments and acquisitions.

Attendance of meetings

	AGM		Board of Directors										Audit and Risk Committee				Human Resources, Remuneration & Social & Ethics Committee					Investment Committee
	Scheduled	Adjourned	Special	Special	Special	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled	Scheduled
Meeting dates	28/11/2018	13/02/2019	17/11/2018	30/04/2019	12/06/2019	30/08/2018	28/11/2018	29/11/2018	27/02/2019	30/05/2019	29/08/2018	28/11/2018	26/02/2019	29/05/2019	29/08/2018	29/08/2018	27/11/2018	26/02/2019	24/04/2019	13/02/2019
D C Louw	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	G	N	N	N	✔	✔	✔	✔	X	G
G E J Kingwill	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	✔	✔	✔	✔	✔	G
W Edmayr	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	X	E	E	E	X	✔	✔	✔	✔	✔
A S du Toit	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	E	E	E	E	N	N	N	N	N	✔
C D Hobson	✔	X	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	✔	✔	✔	✔	✔	N
M H Jonas	X	X	X	X	X	✔	X	X	✔	✔	N	N	N	N	N	N	N	N	N	N
E A Meyer	✔	X	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N	✔
V Pillay	✔	X	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N	N	N	N	N	N
H C Staple	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N	N
H J Swart	✔	X	✔	✔	✔	✔	✔	✔	✔	✔	✔	X	✔	✔	N	N	N	N	N	N
F P R van Wyk	✔	✔	✔	X	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	N	N	N	N	N	✔
J van Zyl*	✔	-	X	-	-	X	-	-	-	-	N	-	-	-	N	-	-	-	-	-

✔ - PRESENT X - APOLOGY N - NOT ON COMMITTEE E - EX-OFFICIO G - INVITEE AS DIRECTOR
* - Resigned

2. Internal control systems

Proper internal control systems and processes are in place. They provide reasonable assurance to the Board of Directors and Management concerning the preparation of reliable, published financial statements and the safeguarding of the Group's assets. The proper operation of internal controls is monitored internally and the findings and recommendations are reported to Management and the Board of Directors. The Board of Directors, inter alia through the Audit and Risk Committee, supervises the financial reporting process.

3. Employee participation

The Group employs a range of participative structures for issues that significantly and directly affect employees. These have been designed to maintain sound relationships between employer and employees through the effective communication of relevant information, consultation and the identification and resolution of conflict. The Group employs a policy of equal opportunities for all and promotes staff on merit.

4. Code of Ethics

Through its Code of Ethics, the Group is committed to the highest standards of integrity, conduct and ethics in its dealings with all its stakeholders, including its directors, managers, employees, customers, suppliers, competitors, investors, shareholders and the public in general. It is expected of directors, executive management and all staff to fulfil their ethical obligations in such a manner that fair, commercially competitive practices are employed in operating the business.

Audit and Risk Committee Report

1. Members of the Audit and Risk Committee

The members of the Audit and Risk Committee are all independent non-executive directors of the Group and include:

Name	Qualification
HC Staple	B.Comm; CTA; NHEd; CA (SA)
EA Meyer	BComm (Honours); CA (SA)
HJ Swart	M.Comm (Agricultural Economics)
FPR van Wyk	BSc Agriculture Economics (Honours); BCompT and BCompT(Honours); CA (SA)

The committee is satisfied that the members have the required knowledge and experience as set out in the Companies Act 71 of 2008.

The committee is satisfied that it has fulfilled its governance and statutory responsibilities.

2. Meetings held by the Audit and Risk Committee

The committee held four meetings during 2019 and all the members of the committee attended all the meetings.

The external auditors attended and reported to all meetings of the Audit and Risk Committee. The external auditor has unrestricted access to this committee.

Executive directors and relevant general and senior managers, as well as representatives of the compliance and risk management functions, attended meetings by invitation.

3. External auditor

The committee satisfied itself that the external auditor, PriceWaterhouseCoopers Inc., is independent of the Group, both as defined by the Companies Act 71 of 2008 and the standards stipulated by the auditing profession. Assurance was provided by the external auditor that internal governance processes within the firm support and demonstrate appropriate independence.

The Audit and Risk Committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

The Audit and Risk Committee considered and approved all non-audit services. The committee ensured that the scope of non-audit services rendered by the external auditors did not impair auditor independence.

The committee recommended PriceWaterhouseCoopers Inc. for reappointment as the external auditors and Mr. AF Puggia as the designated audit director for the 2020 financial year.

4. Functions of the Audit and Risk Committee

The detailed duties of the Audit and Risk Committee are set out in its Charter. In summary, the committee's role is to provide independent oversight of the effectiveness of the Group’s control environment, its assurance functions, risk management processes and the integrity of the annual financial statements.

The committee reviewed the accounting policies, significant accounting matters as well as the going concern assessment applicable to the annual financial statements of the Group for the year ended 30 June 2019 and ensured that these financial statements were in compliance with the requirements of IFRS and the Companies Act.

The committee held discussions with the external auditors on their findings and the results of their audit. During the year under review the committee met with the external audit separately.

Regarding internal audit, the committee considered the results of reviews performed by internal audit (both in-house and outsourced internal audit activities) and ensured that processes are put in place by management to take the necessary corrective action where control weaknesses have been identified. The future structures, organisation and resourcing of the Group’s internal audit function is under review by the committee. The strengthening of the internal audit function will be a focus area of the committee’s agenda for 2020.

The management of risk at BKB is delegated to the divisional and business units. However, the Audit and Risk Committee oversees the management of financial and other risks that affect the integrity of financial reporting at BKB.

5. Annual Financial Statements

The committee reviewed the annual financial statements of the Group and the Company and is satisfied that they comply with International Financial Reporting Standards in all material aspects and also with the Companies Act, No. 71 of 2008.

The committee recommended the annual financial statements to the board of directors for approval on 29 August 2019.

Audit and Risk Committee Report

6. Expertise and experience of the General Manager: Finance

The Audit and Risk Committee also satisfied itself that the General Manager: Finance has appropriate expertise and experience.

On behalf of the Audit and Risk Committee

HC Staple
Chairman Audit and Risk Committee

29 August 2019

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Company and Group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 30 June 2020. In light of this review and the current financial position, they are satisfied that the Company and Group have access to adequate resources to continue their operations for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Company and Group's financial statements. The financial statements have been examined by the Company and Group's external auditor and their report is presented on pages 21 to 23.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and committees of the board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements for the year ended 30 June 2019, which have been prepared on the going concern basis, were approved by the board on 29 August 2019 and were signed on their behalf by:

Approval of financial statements

D C Louw

W Edmayr

Group Secretary's Certification

In my opinion as Group Secretary, I hereby confirm, in terms of the Companies Act 71 of 2008, for the year ended 30 June 2019, that the Group has lodged with the Commissioner of Companies all such returns as are required of a public Company in terms of this Act and that all such returns are true, correct and up to date.

Ms J Oosthuizen
Group Secretary
29 August 2019

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of the Company and the Group for the year ended 30 June 2019.

1. Nature of business

The Company is incorporated and domiciled in South Africa with interests in the Agriculture industry. The activities of the Group are undertaken through the Company and its principal subsidiaries. The Group operates in South Africa and Swaziland.

The Group's business broadly entails the handling and marketing of agricultural products (wool, mohair, grain, sugar, fruit and livestock), the provision of farming requisites, financing and other related activities.

There have been no material changes to the nature of the Group's business from the prior year.

2. Review of financial results and activities

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year, except for the changes in accounting policies as a result of the adoption of IFRS 9 and IFRS 15 as set out in Note 47.

Full details of the financial position, results of operations and cash flows of the Company and the Group are set out in these consolidated and separate annual financial statements.

3. Share capital

	2019	2018
Authorised	**Number of shares**	
Ordinary shares	200 000 000	200 000 000

	2019	2018	2019	2018
Issued	**R '000**	**R '000**	**Number of shares**	
Ordinary shares	4 420 354	4 653 004	88 407 075	93 060 078

There has been no change to the authorised share capital during the year under review. The issued share capital reduced by 4 653 003 shares.

4. Authority to buy back shares

At the last AGM held on 28 November 2018, shareholders gave the company or any of its subsidiaries a general approval in terms of section 48 of the Companies Act 71 of 2008, by way of special resolution, for the acquisition of its own shares.

4 653 003 shares were repurchased at an average price of R22 per share during the current year in terms of this general authority. These shares were cancelled.

5. Control over unissued shares

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act 71 of 2008. This general authority remains valid until the next AGM.

6. Dividends

The Company's dividend policy is to consider a final dividend in respect of each financial year. At it's discretion, the board may consider a special dividend, where appropriate. Depending on the need to retain funds for expansion or operating purposes, the board may pass on the payment of dividends.

At the board meeting on 29 August 2019, the directors proposed a gross dividend to shareholders of 10 cents per share (2018: 58 cents per share). Proposed dividends to be paid will amount to R8 840 708 (2018: R53 974 845).

7. Share incentive scheme

Refer to Note 16 of the consolidated annual financial statements for details of the Group share incentive scheme.

Directors' Report

8. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
W Edmayr	Chief Executive Officer	Executive	South Africa	
A S du Toit	Chief Executive Officer PaKHouse Brands	Executive	South Africa	
D C Louw	Chairman	Non-executive	South Africa	
G E J Kingwill	Vice-Chairman	Non-executive	South Africa	
P G Carshagen		Non-executive	South Africa	Appointed 9 July 2019
C D Hobson		Non-executive	South Africa	
J F Janse van Rensburg		Non-executive	South Africa	Appointed 9 July 2019
M H Jonas		Non-executive	South Africa	
E A Meyer		Non-executive	South Africa	
V Pillay		Non-executive	South Africa	
H C Staple		Non-executive	South Africa	
H J Swart		Non-executive	South Africa	
F P R van Wyk		Non-executive	South Africa	
J van Zyl		Non-executive	South Africa	Resigned 20 November 2018

9. Directors' interests in shares

As at 30 June 2019, the directors of the Company held direct and indirect beneficial interests in 6% (2018: 5%) of its issued ordinary shares, as set out below.

	2019	2018
	Number of shares	
Non-executive directors	2 198 423	2 167 703
Executive directors	2 966 074	2 700 414
	5 164 497	**4 868 117**

The register of interests of directors and others in shares of the Company is available to the shareholders upon request.

There have been no changes in beneficial interests that occurred between the end of the reporting period and the date of this report.

10. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the Group had an interest and which significantly affected the business of the Group.

11. Interests in subsidiaries, associates and joint arrangements

Details of material interests in subsidiary companies are presented in the consolidated annual financial statements in note 7.

Apart from Atlanta Investments (Pty) Ltd, Atlanta Products (Pty) Ltd and Oceanic Swaziland (Pty) Ltd, all subsidiaries are incorporated in South Africa.

There were no significant acquisitions or divestitures during the year ended 30 June 2019.

12. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

13. Going concern

The directors believe that the Group has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its future foreseeable cash requirements. The directors are not aware of any new or material changes that may adversely impact the Group. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

Directors' Report

14. Auditors

PriceWaterhouseCoopers Inc. continued in office as auditors for the Company and its subsidiaries for 2019.

At the AGM, the shareholders will be requested to reappoint PriceWaterhouseCoopers Inc. as the independent external auditors of the Group and to confirm Mr AF Puggia as the designated lead audit director for the 2020 financial year.

15. Secretary

The Company secretary is Ms J Oosthuizen.

Business address:	61 Grahamstown Road North End Port Elizabeth 6001

16. Registered Office

The Company's registered office is at 61 Grahamstown Road, North End, Port Elizabeth.

Independent auditor's report

To the Shareholders of BKB Limited

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of BKB Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

BKB Limited's consolidated and separate financial statements set out on pages 24 to 92 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statements of profit and loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended;
- the consolidated and separate notes to the financial statements; and
- the accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the information included in the document titled "*BKB Limited and its Subsidiaries Annual Financial Statements for the year ended 30 June 2019*", which includes the Company Secretary's Certification, Directors' Report, the Audit and Risk Committee Report as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: AF Puggia
Registered Auditor
Port Elizabeth
29 August 2019

Statements of Financial Position as at 30 June 2019

		Group		Company	
Figures in Rand thousand	**Notes**	**2019**	**2018**	**2019**	**2018**
Assets					
Non-current assets					
Property, plant and equipment	2	836 327	767 500	402 652	388 078
Investment property	3	35 528	35 468	1 517	1 517
Goodwill	4	63 539	59 039	4 500	-
Intangible assets	5	50 331	44 277	27 112	12 389
Investments in subsidiaries	7	-	-	296 250	189 251
Loans to group companies	8	-	-	3 030	417 196
Trade and other receivables	11	55 416	53 199	13 988	13 352
Deferred tax	9	23 195	22 977	-	-
		1 064 336	**982 460**	**749 049**	**1 021 783**
Current assets					
Inventories	10	846 661	623 883	310 935	265 828
Loans to group companies	8	-	-	534 494	-
Trade and other receivables	11	769 799	713 718	451 384	341 098
Derivatives	12	8 484	-	-	-
Other financial assets	14	4 584	347	-	-
Current tax receivable		5 193	3 137	1 572	-
Cash and cash equivalents	13	57 187	80 855	4 110	44 826
		1 691 908	**1 421 940**	**1 302 495**	**651 752**
Total assets		**2 756 244**	**2 404 400**	**2 051 544**	**1 673 535**
Equity and liabilities					
Equity					
Share capital	15	102 720	289 960	202 003	304 370
Reserves		158 553	142 551	146 778	146 928
Retained income		914 313	944 653	668 354	729 971
		1 175 586	1 377 164	1 017 135	1 181 269
Non-controlling interest		8 712	6 029	-	-
Total equity		**1 184 298**	**1 383 193**	**1 017 135**	**1 181 269**
Liabilities					
Non-current liabilities					
Loans from group companies	17	-	-	-	14 720
Borrowings	18	106 160	14 946	106 160	10 030
Finance lease liabilities	19	55 973	24 381	-	-
Retirement benefit obligation	21	7 402	8 363	7 402	8 363
Deferred tax	9	65 371	80 800	32 856	54 298
Provisions	22	7 148	6 944	7 148	6 944
		242 054	**135 434**	**153 566**	**94 355**
Current liabilities					
Trade and other payables	23	449 312	433 214	214 331	243 222
Loans from group companies	17	-	-	8 798	-
Borrowings	18	663 624	299 314	640 413	149 315
Financial liabilities at fair value	20	79 045	11 315	-	-
Derivatives	12	-	27 085	-	-
Finance lease liabilities	19	30 325	16 718	-	-
Current tax payable		1 156	7 017	-	5 119
Bank overdraft	13	106 430	91 110	17 301	255
		1 329 892	**885 773**	**880 843**	**397 911**
Total liabilities		**1 571 946**	**1 021 207**	**1 034 409**	**492 266**
Total equity and liabilities		**2 756 244**	**2 404 400**	**2 051 544**	**1 673 535**

Statements of Profit or Loss and Other Comprehensive Income

Figures in Rand thousand	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Value of business conducted	24	11 428 667	11 318 193	5 867 231	5 901 246
Revenue from contracts with customers	25	4 768 499	4 422 557	2 649 123	2 574 675
Cost of sales	26	(3 776 528)	(3 446 812)	(2 084 869)	(2 000 430)
Gross profit		**991 971**	**975 745**	**564 254**	**574 245**
Other operating income	27	46 851	53 579	19 364	19 290
Dividends from subsidiaries		-	-	25 900	29 395
Administrative and other expenses	28	(811 310)	(751 331)	(482 182)	(452 684)
Impairment of financial assets	28	(9 595)	(12 017)	(10 164)	(5 364)
Impairment of financial assets - share transaction	29	(115 215)	-	(115 215)	-
Legal and professional fees - share transaction	29	(14 222)	-	(14 222)	-
Operating profit (loss)	28	**88 480**	**265 976**	**(12 265)**	**164 882**
Finance income	30	20 323	10 292	47 126	32 611
Finance costs	31	(62 114)	(47 788)	(39 990)	(21 634)
Profit (loss) before taxation		**46 689**	**228 480**	**(5 129)**	**175 859**
Taxation	32	(22 402)	(67 222)	169	(43 030)
Profit (loss) for the year		**24 287**	**161 258**	**(4 960)**	**132 829**
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Gains on property revaluation		3 993	93 479	-	91 409
Income tax relating to items that will not be reclassified		(1 102)	(26 153)	-	(25 595)
Total items that will not be reclassified to profit or loss		**2 891**	**67 326**	**-**	**65 814**
Items that may be reclassified to profit or loss:					
Gains (losses) on cash flow hedges not subject to basis adjustments		23 909	(19 855)	-	-
Income tax relating to items that may be reclassified		(6 611)	5 476	-	-
Total items that may be reclassified to profit or loss		**17 298**	**(14 379)**	**-**	**-**
Other comprehensive income for the year net of taxation		**20 189**	**52 947**	**-**	**65 814**
Total comprehensive income (loss) for the year		**44 476**	**214 205**	**(4 960)**	**198 643**
Profit (loss) attributable to:					
Owners of the parent		25 641	164 705		
Non-controlling interest		(1 354)	(3 447)		
		24 287	**161 258**		
Total comprehensive income (loss) attributable to:					
Owners of the parent		41 793	221 172		
Non-controlling interest		2 683	(6 967)		
		44 476	**214 205**		
Basic earnings per share (c)	33	28,70	183,10		
Diluted earnings per share (c)	33	28,70	181,30		
Dividends per share (c)	33	58,00	47,00		

Statement of Changes in Equity

		Group		Company	
Figures in Rand thousand	**Notes**	**2019**	**2018**	**2019**	**2018**
Share capital					
Balance at the beginning of the year		4 653	4 653	4 653	4 653
Movements during the year:					
Shares re-purchased		(233)	-	(233)	-
Balance at the end of the year		**4 420**	**4 653**	**4 420**	**4 653**
Share premium account					
Balance at the beginning of the year		319 082	316 553	299 717	299 717
Movements during the year:					
Premium on shares re-purchased		(102 134)	-	(102 134)	-
Premium on issue of shares		2 002	2 529	-	-
Balance at the end of the year		**218 950**	**319 082**	**197 583**	**299 717**
Treasury shares					
Balance at the beginning of the year		(33 775)	(27 285)	-	-
Share movement during the year		(86 875)	(6 490)	-	-
Balance at the end of the year		**(120 650)**	**(33 775)**	**-**	**-**
Total share capital		**102 720**	**289 960**	**202 003**	**304 370**
Reserves					
Reserve on revaluation of properties					
Balance at the beginning of the year		150 338	83 012	143 856	78 042
Movements during the year:					
Revaluations		3 807	93 479	-	91 409
Deferred tax on revaluations		(1 050)	(26 153)	-	(25 595)
Transfer to distributable reserves		(150)	-	(150)	-
Balance at the end of the year		**152 945**	**150 338**	**143 706**	**143 856**
Cash flow hedge reserve					
Balance at the beginning of the year		(10 859)	-	-	-
Movements during the year:					
Fair value adjustments to cash flow hedge reserve		2 524	(18 983)	-	-
Reclassification to profit or loss		15 964	4 017	-	-
Income tax relating to items that may be reclassified		(5 093)	4 107	-	-
Balance at the end of the year		**2 536**	**(10 859)**	**-**	**-**
Black economic empowerment reserve					
Balance at the beginning and end of the year		**2 439**	**2 439**	**2 439**	**2 439**
Unissued share reserve					
Balance at the beginning and end of the year		**633**	**633**	**633**	**633**
Total reserves		**158 553**	**142 551**	**146 778**	**146 928**
Retained income					
Balance at the beginning of the year		944 653	821 912	729 971	640 880
Change in accounting policy		(5 427)	-	(3 876)	-
Deferred tax on change in accounting policy		1 520	-	986	-
Movements during the year:					
Profit (loss) for the year		25 641	164 705	(4 960)	132 829
Dividends		(52 282)	(41 964)	(53 975)	(43 738)
Transfer from revaluation reserve on properties and deferred tax		208	-	208	-
Balance at the end of the year		**914 313**	**944 653**	**668 354**	**729 971**
Non-controlling interest					
Balance at the beginning of the year		6 029	12 996	-	-
Movements during the year:					
Loss for the year		(1 354)	(3 447)	-	-
Other comprehensive loss		4 037	(3 520)	-	-
Balance at the end of the year		**8 712**	**6 029**	**-**	**-**
Total equity		**1 184 298**	**1 383 193**	**1 017 135**	**1 181 269**

Statements of Cash Flows

		Group		Company	
Figures in Rand thousand	**Notes**	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities					
Cash receipts from customers		11 420 141	11 388 689	5 776 309	5 898 037
Cash paid to suppliers and employees		(11 428 125)	(11 115 950)	(5 793 486)	(5 770 815)
Cash (used in)/generated from operations	34	(7 984)	272 739	(17 177)	127 222
Finance income		8 476	10 292	35 279	32 611
Dividend income		-	-	25 900	29 395
Finance costs		(62 114)	(47 788)	(39 990)	(21 634)
Dividends		(52 282)	(41 964)	(53 975)	(43 738)
Tax paid	35	(52 101)	(61 651)	(26 920)	(37 626)
Net cash from operating activities		**(166 005)**	**131 628**	**(76 883)**	**86 230**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(40 641)	(109 349)	(29 189)	(31 235)
Sale of property, plant and equipment	2	5 729	9 897	2 269	5 846
Purchase of investment property	3	(60)	(118)	-	(118)
Purchase of other intangible assets	5	(25 266)	(1 941)	(22 300)	(1 542)
Sale of other intangible assets	5	13	60	13	-
Business combinations	38	-	53	-	-
Loans advanced to group companies		-	-	(233 249)	37 586
Net cash from investing activities		**(60 225)**	**(101 398)**	**(282 456)**	**10 537**
Cash flows from financing activities					
Loan advanced to Maruwa - share transaction	29	(417 663)	-	(417 663)	-
Repayment of loan advanced to Maruwa - share transaction	29	132 012	-	132 012	-
Cash (paid) received on share movements	15	(4 957)	(3 961)	-	-
Proceeds from borrowings		210 950	4 563	110 000	1 230
Repayment of borrowings		(85 634)	(22 188)	(2 979)	(16 660)
Proceeds from financial liabilities at fair value through profit (loss)		1 071 819	218 879	-	-
Repayment of financial liabilities at fair value through profit (loss)		(1 026 774)	(232 630)	-	-
Finance lease payments		(22 719)	(23 445)	-	-
Net cash from financing activities		**(142 966)**	**(58 782)**	**(178 630)**	**(15 430)**
Total cash movement for the year		**(369 196)**	**(28 552)**	**(537 969)**	**81 337**
Cash at the beginning of the year		(10 255)	134 293	44 571	79 589
Movement in cash credit accounts		330 208	(115 996)	480 207	(116 355)
Total cash at end of the year	13	**(49 243)**	**(10 255)**	**(13 191)**	**44 571**

Notes to the Financial Statements

1. Segmental information

The Group has identified reportable segments which represent the structure used by the board of directors and executive management to make key strategic and operating decisions and assess performance.

The Group's reportable segments are operating segments which are differentiated by the activities that each undertake, products they manufacture and markets they operate in.

The Group has seven reportable segments within which the Group's strategic business units (SBUs) fall.

These reportable segments as well as the products and services from which each of them derives revenue are set out below:

Reportable Segment	**Products and services**
Brokerage services	Comprises marketing by auction, trading, warehousing and logistics of wool and mohair for both the producer and buyer.
Trading	Trading is made up of retail trading branches throughout the country specialising in agricultural requisites.
Livestock, auctioneering and property transactions	Comprises the marketing and auctioneering of livestock, general farming implements and agricultural and related properties.
Leasing of properties	The leasing of warehouse and office space.
Fruit	Comprises the processing, distribution and marketing of dried fruits, predominantly in foreign markets.
Grain	Comprises the trading in grain commodities, grain storage and handling, maize milling and lucern processing.
Sugar	Comprises the packing, distribution and sales of sugar and agro based consumer goods.

The SBUs offer different services and are managed separately as they require different skills, technology and marketing strategies.

Segmental revenue and results

The executive directors assess the performance of the operating segments based on a measure of adjusted value of business conducted, revenue and profit before tax. This measurement basis includes the effects of non-recurring expenditure from the operating segments such as restructuring costs, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event.

2019

Figures in Rand thousands	**Segment revenue - external**	**Segment revenue - internal**	**Profit before tax**	**Depreciation and amortisation**	**Finance income/ (cost)**	**Human Resource/staff costs**	**Taxation**
Brokerage services	850 807	-	81 985	(6 145)	(17 981)	(140 865)	(23 037)
Trading	1 768 177	-	24 654	(4 118)	(23 346)	(87 693)	(6 903)
Livestock, auctioneering and property transactions	203 911	-	39 718	(6 158)	(8 285)	(91 321)	(11 501)
Leasing of properties	4 903	35 699	26 286	(677)	(2 021)	(392)	(7 360)
Fruit	408 481	-	(7 908)	(5 440)	(24 759)	(9 837)	2 492
Grain	804 088	245	11 967	(2 415)	(17 228)	(53 670)	(3 306)
Sugar	725 578	-	20 160	(6 425)	(4 041)	(16 329)	(5 917)
All other segments	2 554	81 894	(150 173)	(2 991)	55 870	(46 255)	33 130
Total	**4 768 499**	**117 838**	**46 689**	**(34 369)**	**(41 791)**	**(446 362)**	**(22 402)**

2018

Figures in Rand thousands	**Segment revenue - external**	**Segment revenue - internal**	**Profit before tax**	**Depreciation and amortisation**	**Finance income/ (cost)**	**Human Resource/staff costs**	**Taxation**
Brokerage services	880 395	-	131 794	(5 901)	(14 205)	(132 700)	(36 891)
Trading	1 659 443	-	20 640	(3 184)	(21 457)	(80 760)	(5 779)
Livestock, auctioneering and property transactions	233 200	-	66 632	(4 981)	(11 300)	(90 852)	(18 664)
Leasing of properties	4 907	33 536	20 390	(823)	(2 145)	(361)	(6 026)
Fruit	386 886	-	(19 132)	(5 114)	(20 431)	(8 067)	5 338
Grain	615 742	2 325	26 853	(1 072)	(14 799)	(47 968)	(7 595)
Sugar	636 714	-	6 549	(6 413)	(6 715)	(17 560)	(2 719)
All other segments	5 270	70 215	(25 246)	(3 035)	53 557	(53 519)	5 114
Total	**4 422 557**	**106 076**	**228 480**	**(30 523)**	**(37 495)**	**(431 787)**	**(67 222)**

Notes to the Financial Statements

1. Segmental information (continued)

Segment assets and liabilities

The amounts provided to the board of directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Investments in shares held by the Group and deferred tax assets are not considered to be segment assets and are not allocated to segments.

Capital expenditure reflects additions to non-current assets, other than financial instruments, deferred tax assets, post employment benefit assets and rights arising under insurance contracts.

The amounts provided to the board of directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's interest-bearing liabilities are not considered to be segment liabilities but rather are managed by the Group's treasury function.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position.

Figures in Rand thousands	2019		2018	
	Total assets	Total liabilities	Total assets	Total liabilities
Brokerage services	476 789	60 896	474 909	83 536
Trading	434 136	319 725	406 528	304 915
Livestock, auctioneering and property transactions	311 285	157 774	251 743	108 876
Leasing of properties	581 588	80 616	515 003	64 001
Fruit	467 877	456 568	403 061	402 457
Grain	668 441	457 675	441 422	232 788
Sugar	207 723	86 001	219 348	182 463
All other segments	440 304	784 590	581 704	531 489
Total	**3 588 143**	**2 403 845**	**3 293 718**	**1 910 525**
Reconciling items				
Inter-segment loans	(831 899)	(831 899)	(889 318)	(889 318)
Total as per statement of financial position	**2 756 244**	**1 571 946**	**2 404 400**	**1 021 207**

Geographical information

	2019		2018	
	Revenue by location of customer	Non-current assets by location of assets	Revenue by location of customer	Non-current assets by location of assets
South Africa	4 757 727	957 098	4 410 458	872 679
Swaziland	10 772	51 822	12 099	56 582
Total	**4 768 499**	**1 008 920**	**4 422 557**	**929 261**

Non-current assets reconciles to the statement of financial position through non-current receivables of R55,4 million (2018: R53,2 million).

2. Property, plant and equipment

Group	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	444 664	(1 666)	442 998	430 733	(1 195)	429 538
Plant and machinery	420 026	(116 234)	303 792	360 634	(107 532)	253 102
Furniture and fixtures	11 309	(6 437)	4 872	10 101	(6 002)	4 099
Motor vehicles	122 984	(48 933)	74 051	114 552	(42 324)	72 228
Office equipment	11 641	(6 984)	4 657	9 459	(6 120)	3 339
IT equipment	27 270	(21 313)	5 957	24 459	(19 265)	5 194
Total	**1 037 894**	**(201 567)**	**836 327**	**949 938**	**(182 438)**	**767 500**

Notes to the Financial Statements

2. Property, plant and equipment (continued)

Company	2019 Cost or revaluation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost or revaluation	2018 Accumulated depreciation	2018 Carrying value
Land and buildings	318 166	-	318 166	308 230	-	308 230
Plant and machinery	62 933	(22 573)	40 360	58 311	(19 261)	39 050
Furniture and fixtures	9 216	(5 228)	3 988	8 107	(4 781)	3 326
Motor vehicles	57 494	(25 428)	32 066	53 287	(22 443)	30 844
Office equipment	9 897	(5 721)	4 176	7 605	(4 884)	2 721
IT equipment	19 619	(15 723)	3 896	17 985	(14 078)	3 907
Total	**477 325**	**(74 673)**	**402 652**	**453 525**	**(65 447)**	**388 078**

Reconciliation of property, plant and equipment - Group - 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Depreciation	Total
Land and buildings	429 538	10 371	-	(435)	-	3 993	(469)	442 998
Plant and machinery	253 102	73 640	355	(1 749)	-	-	(21 556)	303 792
Furniture and fixtures	4 099	1 526	-	(18)	(16)	-	(719)	4 872
Motor vehicles	72 228	15 274	680	(4 255)	-	-	(9 876)	74 051
Office equipment	3 339	2 458	-	(6)	16	-	(1 150)	4 657
IT equipment	5 194	4 254	-	(62)	-	-	(3 429)	5 957
	767 500	**107 523**	**1 035**	**(6 525)**	**-**	**3 993**	**(37 199)**	**836 327**

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Depreciation	Total
Land and buildings	359 128	9 164	-	(1 215)	(24 909)	87 832	(462)	429 538
Plant and machinery	176 834	85 111	416	(901)	9 553	-	(17 911)	253 102
Furniture and fixtures	3 187	1 569	31	(47)	(6)	-	(635)	4 099
Motor vehicles	63 480	23 849	9	(6 050)	(172)	-	(8 888)	72 228
Office equipment	4 080	622	21	(15)	(415)	-	(954)	3 339
IT equipment	5 998	2 971	153	(94)	3	-	(3 837)	5 194
	612 707	**123 286**	**630**	**(8 322)**	**(15 946)**	**87 832**	**(32 687)**	**767 500**

Reconciliation of property, plant and equipment - Company - 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Depreciation	Total
Land and buildings	308 230	10 371	-	(435)	-	-	-	318 166
Plant and machinery	39 050	5 456	355	(565)	-	-	(3 936)	40 360
Furniture and fixtures	3 326	1 167	-	-	-	-	(505)	3 988
Motor vehicles	30 844	6 244	680	(1 313)	-	-	(4 389)	32 066
Office equipment	2 721	2 351	-	(2)	-	-	(894)	4 176
IT equipment	3 907	2 565	-	(26)	-	-	(2 550)	3 896
	388 078	**28 154**	**1 035**	**(2 341)**	**-**	**-**	**(12 274)**	**402 652**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Transfers	Revaluations	Depreciation	Total
Land and buildings	217 726	6 475	-	(1 193)	(6 187)	91 409	-	308 230
Plant and machinery	23 257	10 176	-	(374)	9 127	-	(3 136)	39 050
Furniture and fixtures	2 427	1 355	-	(12)	-	-	(444)	3 326
Motor vehicles	26 806	10 303	-	(2 633)	-	-	(3 632)	30 844
Office equipment	2 899	527	-	(15)	-	-	(690)	2 721
IT equipment	4 323	2 399	-	(65)	-	-	(2 750)	3 907
	277 438	**31 235**	**-**	**(4 292)**	**2 940**	**91 409**	**(10 652)**	**388 078**

Net carrying amounts of leased assets

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Plant and machinery	102 424	45 654	-	-
Motor vehicles	3 438	2 768	-	-
	105 862	**48 422**	**-**	**-**

Revaluations

The Group's land and buildings are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every three years, except for land and buildings situated in rural areas, which are valued every five years.

Refer to Note 43&44 for specific details regarding the valuation of the land and buildings.

The carrying value of the revalued assets under the cost model would have been:

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Land and buildings	230 245	221 240	118 032	108 095

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company and its respective subsidiaries.

Included in the Group value of buildings above is a 50% share of the property owned by Bethlehem Veilingskrale (Pty) Ltd. The 50% interest is valued at R1 050 000 (2018: R1 050 000).

The cost of assets includes assets in progress to the value of R3 556 468 (2018: R63 769 685) for the Group and R3 368 441 (2018: R4 985 744) for the Company.

3. Investment property

Group	2019 Cost / Valuation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost / Valuation	2018 Accumulated depreciation	2018 Carrying value
Investment property	35 528	-	35 528	35 468	-	35 468

Company	2019 Cost / Valuation	2019 Accumulated depreciation	2019 Carrying value	2018 Cost / Valuation	2018 Accumulated depreciation	2018 Carrying value
Investment property	1 517	-	1 517	1 517	-	1 517

Notes to the Financial Statements

3. Investment property (continued)

Reconciliation of investment property - Group - 2019

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	35 468	60	-	-	35 528

Reconciliation of investment property - Group - 2018

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	19 135	118	15 946	269	35 468

Reconciliation of investment property - Company - 2019

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	1 517	-	-	-	1 517

Reconciliation of investment property - Company - 2018

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	4 070	118	(2 940)	269	1 517

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the Company.

Amounts recognised in profit and loss for the year

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Rental income from investment property	3 729	3 788	1 461	1 662
Direct operating expenses from rental generating property	(1 071)	(1 240)	(634)	(491)
	2 658	**2 548**	**827**	**1 171**

4. Goodwill

Group		2019			2018	
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	63 539	-	63 539	59 039	-	59 039

Company		2019			2018	
	Cost	Accumulated impairment	Carrying value	Cost	Accumulated impairment	Carrying value
Goodwill	4 500	-	4 500	-	-	-

Reconciliation of goodwill - Group - 2019

	Opening balance	Additions through business combinations	Impairment loss	Total
Goodwill	59 039	4 500	-	63 539

Notes to the Financial Statements

4. Goodwill (continued)

Reconciliation of goodwill - Group - 2018

	Opening balance	Additions through business combinations	Impairment loss	Total
Goodwill	59 039	-	-	59 039

Reconciliation of goodwill - Company - 2019

	Opening balance	Additions through business combinations	Impairment loss	Total
Goodwill	-	4 500	-	4 500

Reconciliation of goodwill - Company - 2018

	Opening balance	Additions through business combinations	Impairment loss	Total
Goodwill	-	-	-	-

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Goodwill relates to the acquisitions of:				
Atlanta Products (Pty) Ltd	19 346	19 346	-	-
BKBLouwid (Pty) Ltd	6 876	6 876	-	-
BKB Van Wyk (Pty) Ltd	16 216	16 216	-	-
Fruits du Sud (Pty) Ltd	1 861	1 861	-	-
Grainco (Pty) Ltd	13 716	13 716	-	-
Wool and Mohair Exchange NPC	1 024	1 024	-	-
Riverview Trading	4 500	-	4 500	-
	63 539	**59 039**	**4 500**	**-**

5. Intangible assets

Group	2019			2018		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Patents, trademarks and other rights	12 652	(1 076)	11 576	4 000	(356)	3 644
Brand names	28 022	(12 829)	15 193	28 022	(9 947)	18 075
Computer software, other	35 030	(18 663)	16 367	30 252	(18 388)	11 864
Client lists and relationships	67 374	(60 179)	7 195	63 363	(52 669)	10 694
Total	**143 078**	**(92 747)**	**50 331**	**125 637**	**(81 360)**	**44 277**

Company	2019			2018		
	Cost / Valuation	**Accumulated amortisation**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation**	**Carrying value**
Patents, trademarks and other rights	12 652	(1 076)	11 576	4 000	(356)	3 644
Computer software, other	24 913	(13 248)	11 665	23 048	(14 303)	8 745
Client lists and relationships	4 011	(140)	3 871	-	-	-
Total	**41 576**	**(14 464)**	**27 112**	**27 048**	**(14 659)**	**12 389**

Notes to the Financial Statements

5. Intangible assets (continued)

Reconciliation of intangible assets - Group - 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
Patents, trademarks and other rights	3 644	3 500	5 152	-	(720)	11 576
Brand names	18 075	-	-	-	(2 882)	15 193
Computer software, other	11 864	8 103	-	(13)	(3 587)	16 367
Client lists and relationships	10 694	-	4 011	-	(7 510)	7 195
	44 277	**11 603**	**9 163**	**(13)**	**(14 699)**	**50 331**

Reconciliation of intangible assets - Group - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
Patents, trademarks and other rights	3 911	-	-	-	(267)	3 644
Brand names	20 957	-	-	-	(2 882)	18 075
Computer software, other	12 756	1 941	650	(60)	(3 423)	11 864
Client lists and relationships	18 064	-	-	-	(7 370)	10 694
	55 688	**1 941**	**650**	**(60)**	**(13 942)**	**44 277**

Reconciliation of intangible assets - Company - 2019

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
Patents, trademarks and other rights	3 644	3 500	5 152	-	(720)	11 576
Computer software, other	8 745	5 137	-	(13)	(2 204)	11 665
Client lists and relationships	-	-	4 011	-	(140)	3 871
	12 389	**8 637**	**9 163**	**(13)**	**(3 064)**	**27 112**

Reconciliation of intangible assets - Company - 2018

	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
Patents, trademarks and other rights	3 911	-	-	-	(267)	3 644
Computer software, other	9 409	1 542	-	-	(2 206)	8 745
	13 320	**1 542**	**-**	**-**	**(2 473)**	**12 389**

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Patents, trademarks and other rights comprise of:				
Trade rights - Beaufort West driveway	3 378	3 644	3 378	3 644
Trade rights - Hanover driveway	3 340	-	3 340	-
Auction rights - Riverview Trading	1 890	-	1 890	-
Auction rights - Slabbert, Verster & Malherbe	2 968	-	2 968	-
	11 576	**3 644**	**11 576**	**3 644**
Brand names comprise of:				
BKB Van Wyk (Pty) Ltd	2 081	2 341	-	-
Fruits du Sud (Pty) Ltd	13 112	15 734	-	-
	15 193	**18 075**	**-**	**-**

Notes to the Financial Statements

5. Intangible assets (continued)

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Client lists and relationships comprise of:				
Atlanta Products (Pty) Ltd	1 037	7 264	-	-
Fruits du Sud (Pty) Ltd	2 287	3 430	-	-
Riverview Trading	3 871	-	3 871	-
	7 195	**10 694**	**3 871**	**-**
Computer software, other	16 367	11 864	11 665	8 745
Total	**50 331**	**44 277**	**27 112**	**12 389**

6. Impairment of assets

Value in use

Goodwill is allocated to the Group's cash generating units (CGU's) identified according to internal Company structure and/or business segment. The recoverable amount of a cash-generating unit is determined based on value-in-use calculations. The calculations use cash flow projections based on financial budgets approved by management, and a terminal value, where applicable. The discount rates used in the impairment calculations were determined based on the weighted average cost of capital.

The period over which management has projected cash flows is based on financial budgets approved by management for the next financial year which was then further projected for another four years.

The growth rate used to extrapolate cash flow projections beyond the period covered in the calculation was based on most recent budgets.

Significant assumption used	Atlanta Products (Pty) Ltd	BKBLouwid (Pty) Ltd	BKB Van Wyk (Pty) Ltd	Fruits du Sud (Pty) Ltd	GrainCo (Pty) Ltd
Revenue growth rate	7.1%	4%	4%	5%	3%-5%
Terminal growth rate	3.5%	2%	2%	2.5%	3%-5%
Gross profit percentage	5.2%	-	-	14.5%	70%
Commission percentage	-	5.2%	5.9%	-	-
Post-tax discount rate	17.2%	16.5%	16.5%	19.1%	16%

	Atlanta Products (Pty) Ltd	BKBLouwid (Pty) Ltd	BKB Van Wyk (Pty) Ltd	Fruits du Sud (Pty) Ltd	GrainCo (Pty) Ltd
Value in use	89 106	78 785	75 584	211 859	116 199
Value in use exceeds carrying amount	35 091	65 488	47 304	114 883	41 421

No impairment of goodwill arose due to the value-in-use impairment calculations supporting the current carrying values.

Sensitivity of key assumptions

The impairment tests were performed at 30 June 2019. The recoverable amounts were determined on the basis of the value-in-use using the discounted cash flow method. The basis for projecting future cash flows is the business plans prepared by management for the five years 2020 to 2024. These plans take into consideration historical empirical values and management's expectations regarding the future development of the relevant markets. The impairment tests took into account the assumptions tabled above.

The recoverable amount of this cash generating unit would equal its carrying amount if management assumptions would be changed to the following:

Impact of changes in key assumptions	Atlanta Products (Pty) Ltd	BKBLouwid (Pty) Ltd	BKB Van Wyk (Pty) Ltd	Fruits du Sud (Pty) Ltd	GrainCo (Pty) Ltd
Revenue growth rate	-5.0%	-8%	-7.5%	-	See below
Gross profit percentage	4.1%	-	-	11%	See below

A 2.5% increase in the discount rate and a 2% decrease in the growth rate of the value-in-use calculations will not result in an impairment charge of goodwill in Grainco (Pty) Ltd for the 2019 financial year.

Notes to the Financial Statements

7. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
BKB Shearing (Pty) Ltd	BKB Ltd	100%	100%	-	-
Anzomix (Pty) Ltd	BKB Ltd	100%	100%	-	-
The House of Fibre (Pty) Ltd	Anzomix (Pty) Ltd	100%	100%	-	1
Core Merino (Pty) Ltd	BKB Ltd	100%	100%	13	13
Billsons Coutts (Pty) Ltd	BKB Ltd	100%	100%	37 001	1
Home and Hectare (Pty) Ltd	BKB Ltd	100%	100%	-	-
BKBLouwid (Pty) Ltd	BKB Ltd	100%	100%	7 338	7 338
BKB Van Wyk (Pty) Ltd	BKB Ltd	100%	100%	5	5
BKB SHIFT (Pty) Ltd	BKB Ltd	100%	100%	1	1
RFID Africa Experts (Pty) Ltd	BKB SHIFT (Pty) Ltd	100%	100%	-	-
Wool and Mohair Exchange of South Africa NPC	BKB Ltd	100%	100%	3 966	3 966
PakHouse Brands (Pty) Ltd	BKB Ltd	100%	100%	247 926	177 926
Atlanta Sugar (Pty) Ltd	PakHouse Brands (Pty) Ltd	100%	100%	-	-
Atlanta Sugar SA (Pty) Ltd	Atlanta Sugar (Pty) Ltd	100%	100%	-	-
Atlanta Investments (Pty) Ltd	Atlanta Sugar (Pty) Ltd	100%	100%	-	-
Atlanta Products (Pty) Ltd	Atlanta Investments (Pty) Ltd	100%	100%	-	-
Oceanic Swaziland (Pty) Ltd	Atlanta Investments (Pty) Ltd	100%	100%	-	-
Grainco Group Holdings (Pty) Ltd	PakHouse Brands (Pty) Ltd	100%	100%	-	-
AlphaAlfa (Pty) Ltd	Grainco Group Holdings (Pty) Ltd	100%	100%	-	-
BKB Grainco (Pty) Ltd	Grainco Group Holdings (Pty) Ltd	100%	100%	-	-
Grainco (Pty) Ltd	Grainco Group Holdings (Pty) Ltd	100%	100%	-	-
Gritco Properties (Pty) Ltd	Grainco Group Holdings (Pty) Ltd	100%	100%	-	-
PakHouse Fruits Holdings (Pty) Ltd	PakHouse Brands (Pty) Ltd	100%	100%	-	-
Fruits du Sud (Pty) Ltd	PakHouse Fruits Holdings (Pty) Ltd	75%	75%	-	-
				296 250	189 251

The adoption of IFRS 9 has resulted in loans to group companies now being disclosed as equity in the individual company stand-alone financial statements and as a result these loans are disclosed as part of the Company's investment in subsidiaries.

8. Loans to group companies

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Subsidiaries				
Anzomix (Pty) Ltd	-	-	-	1
The House of Fibre (Pty) Ltd	-	-	315	-
Billsons Coutts (Pty) Ltd	-	-	10 602	49 350
BKBLouwid (Pty) Ltd	-	-	20 319	37 321
BKB Van Wyk (Pty) Ltd	-	-	12 833	-
RFID Africa Experts (Pty) Ltd	-	-	8 490	5 672
Wool & Mohair Exchange of South Africa NPC	-	-	6 274	6 159
PakHouse Brands (Pty) Ltd	-	-	2 189	71 861
Atlanta Sugar (Pty) Ltd	-	-	97	97
Atlanta Sugar SA (Pty) Ltd	-	-	2 096	38 024
Atlanta Products (Pty) Ltd	-	-	-	10
Grainco Group Holdings (Pty) Ltd	-	-	87 449	57 690
PakHouse Fruits Holdings (Pty) Ltd	-	-	70 584	70 584
Fruits du Sud (Pty) Ltd	-	-	321 852	80 427
Loss Allowance - IFRS 9	-	-	(5 576)	-
	-	**-**	**537 524**	**417 196**

Loans to subsidiaries are payable on demand and interest is charged at the prime related interest rate except for a fixed repayment loan of R4 685 407 included in the Fruits du Sud (Pty) Ltd's balance. The loan is repayable in monthly instalments of R174 320 (2018: R174 870).

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

8. Loans to group companies (continued)

Non-current assets	-	-	3 030	417 196
Current assets	-	-	534 494	-
	-	**-**	**537 524**	**417 196**

The adoption of IFRS 9 has resulted in loans to group companies now being disclosed as current assets which is consistent with the classification and disclosure in the individual company stand-alone financial statements.

9. Deferred tax

Deferred tax liability

Property plant and equipment	(121 257)	(106 347)	(69 404)	(67 403)
Prepayments	(485)	(528)	-	-
Intangible assets	(6 392)	(8 775)	-	-
Total deferred tax liability	**(128 134)**	**(115 650)**	**(69 404)**	**(67 403)**

Deferred tax asset

Realised capital loss	23 094	-	23 094	-
Provisions	19 186	19 891	13 426	13 078
Income in advance	-	-	28	27
Deferred tax balance from temporary differences other than unused tax losses	42 280	19 891	36 548	13 105
Tax losses available for set off against future taxable income	43 678	37 936	-	-
	85 958	57 827	36 548	13 105
Total deferred tax asset	**85 958**	**57 827**	**36 548**	**13 105**

Deferred tax assets and liabilities have been offset at individual entity level where the income taxes relate to the same jurisdiction and the law allows net settlement.

Deferred tax liability	(65 371)	(80 800)	(69 404)	(67 403)
Deferred tax asset	23 195	22 977	36 548	13 105
Total net deferred tax liability	**(42 176)**	**(57 823)**	**(32 856)**	**(54 298)**

Deferred tax comprises:				
Deferred tax asset - recoverable within 12 months	23 479	23 894	13 454	13 105
Deferred tax asset - recoverable after 12 months	63 699	36 068	23 094	-
Deferred tax liability- payable within 12 months	(936)	(587)	-	-
Deferred tax liability- payable after 12 months	(128 418)	(117 198)	(69 404)	(67 403)
	(42 176)	**(57 823)**	**(32 856)**	**(54 298)**

Reconciliation of deferred tax asset (liability)

At beginning of year	(57 823)	(40 356)	(54 298)	(27 634)
Change in accounting policy (IFRS 9)	1 520	-	986	-
Charge to profit or loss	21 782	(819)	20 398	(1 069)
Acquired or disposed of in business combination	-	4 029	-	-
Debit to other comprehensive income	(7 713)	(20 677)	-	(25 595)
Realisation of deferred tax on revaluation reserve	58	-	58	-
	(42 176)	**(57 823)**	**(32 856)**	**(54 298)**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
10. Inventories				
Farming requisites and merchandise	317 499	265 109	275 800	255 071
Consumables	16 767	16 883	7 162	4 069
Fruit inventory	288 899	191 124	-	-
Grain inventory	165 961	65 784	-	-
Sugar inventory	30 055	78 295	-	-
Wool and mohair inventory	38 691	18 340	38 691	18 340
	857 872	635 535	321 653	277 480
Provision for obsolete, slow moving and defective stock	(11 211)	(11 652)	(10 718)	(11 652)
	846 661	**623 883**	**310 935**	**265 828**
Inventory included at net realisable value	3 988	5 769	3 988	3 359
Grain inventory included at market value	145 289	22 307	-	-
11. Trade and other receivables				
Financial instruments:				
Trade receivables	734 125	668 739	304 038	281 310
Trade receivables - loans to employees	48 505	46 425	9 551	7 058
Loss allowance	(15 766)	(4 105)	(7 113)	(3 605)
Trade receivables at amortised cost	766 864	711 059	306 476	284 763
Receivable from BKB Personnel Share Trust	-	-	133 565	50 687
Other receivable	23 294	11 757	20 184	9 626
Non-financial instruments:				
VAT	15 721	24 558	1 579	6 560
Deposits	12 838	13 580	174	242
Prepayments	6 498	5 963	3 394	2 572
Total trade and other receivables	**825 215**	**766 917**	**465 372**	**354 450**
Non-current assets	55 416	53 199	13 988	13 352
Current assets	769 799	713 718	451 384	341 098
	825 215	**766 917**	**465 372**	**354 450**

Notes to the Financial Statements

11. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

Group	**2019**		**2018**	
	Estimated gross carrying amount at default	**Loss allowance**	**Estimated gross carrying amount at default**	**Loss allowance**
Expected credit loss rate:				
12 Month expected credit loss				
Specific low risk of default 1.6%	137 542	(2 232)	-	-
Specific high risk of default 63.5%	6 996	(4 439)	-	-
Lifetime expected credit loss				
Not past due: 0.7%	360 293	(2 429)	-	-
Less than 30 days past due: 1.2%	145 252	(1 804)	-	-
31 - 60 days past due: 1.9%	71 369	(1 325)	-	-
61 - 90 days past due: 2.6%	19 749	(512)	-	-
91 - 120 days past due: 3.6%	16 850	(611)	-	-
More than 120 days past due: 9.8%	24 579	(2 414)	-	-
Total	**782 630**	**(15 766)**	**-**	**-**

Company	**2019**		**2018**	
	Estimated gross carrying amount at default	**Loss allowance**	**Estimated gross carrying amount at default**	**Loss allowance**
Expected credit loss rate:				
12 Month expected credit loss				
Specific low risk of default 2.4%	79 424	(1 904)	-	-
Lifetime expected credit loss				
Not past due: 0.8%	170 900	(1 385)	-	-
Less than 30 days past due: 2.7%	29 857	(806)	-	-
31 - 60 days past due: 4.2%	4 476	(189)	-	-
61 - 90 days past due: 6.6%	4 799	(316)	-	-
91 - 120 days past due: 10.4%	3 790	(394)	-	-
More than 120 days past due: 10.4%	20 343	(2 119)	-	-
Total	**313 589**	**(7 113)**	**-**	**-**

Reconciliation of loss allowances

The following table shows the movement in the loss allowance for trade and other receivables:

Figures in Rand thousand	**Group 2019**	**Group 2018**	**Company 2019**	**Company 2018**
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	(4 105)	-	(3 605)	-
Adjustments upon application of IFRS 9	(5 427)	-	(2 105)	-
Opening balance in accordance with IFRS 9	**(9 532)**	**-**	**(5 710)**	**-**
Provision raised on new trade receivables	(2 813)	-	(1 403)	-
Provisions reversed on settled trade receivables	1 329	-	-	-
Reclassification from specific provision (IAS39) to loss allowance (IFRS9)	(4 750)	-	-	-
Closing balance	**(15 766)**	**-**	**(7 113)**	**-**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

11. Trade and other receivables (continued)

Credit risk disclosures for comparatives under IAS 39

The following comparative information for trade and other receivables (which have not been restated) is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Trade and other receivables past due but not impaired

The ageing of amounts past due but not impaired is as follows:

	Group 2019	Group 2018	Company 2019	Company 2018
0 - 3 month past due	-	159 265	-	28 038
>3 months past due	-	48 924	-	24 862

Trade and other receivables impaired

Trade receivables are stated net of an amount of R17,9 million for the Group and R4,8 million for the Company in respect of trade receivables specifically identified as impaired as of 30 June 2018.

Reconciliation of provision for impairment of trade and other receivables

	Group 2019	Group 2018	Company 2019	Company 2018
Opening balance	-	3 086	-	2 738
Provision for impairment	-	1 051	-	867
Amounts written off as uncollectable	-	(32)	-	-
	-	**4 105**	**-**	**3 605**

The maximum exposure to credit risk at the reporting date is the fair value of each class of trade and other receivable mentioned above. The Group does not hold any collateral as security.

Exposure to currency risk

The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Rand Amount	Group 2019	Group 2018	Company 2019	Company 2018
Rand	713 695	613 487	306 476	284 763
US Dollar	53 169	97 572	-	-
	766 864	**711 059**	**306 476**	**284 763**

12. Derivatives

Hedging derivatives	Group 2019	Group 2018	Company 2019	Company 2018
Foreign exchange contracts	8 484	(27 085)	-	-

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	Group 2019	Group 2018	Company 2019	Company 2018
Cash on hand	426	1 181	297	1 076
Bank balances	56 761	79 674	3 813	43 750
Bank overdrafts	(106 430)	(91 110)	(17 301)	(255)
	(49 243)	**(10 255)**	**(13 191)**	**44 571**
Current assets	57 187	80 855	4 110	44 826
Current liabilities	(106 430)	(91 110)	(17 301)	(255)
	(49 243)	**(10 255)**	**(13 191)**	**44 571**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
13. Cash and cash equivalents (continued)				
Summary of securities provided for overdraft facilities:				
Cession of trade receivables (AlphaAlfa & Grainco)	96 387	65 098	-	-
Deed of hypothecation over moveable assets, inventory and trade receivables	10 500	10 500	-	-
Bond over Oceanic property	12 000	12 000	-	-
Covering bond over Port Elizabeth property	110 000	90 000	110 000	90 000
Covering bond over rural properties	63 000	-	63 000	-
General notarial bond over movable grain inventory (AlphaAlfa & Grainco)	70 000	-	-	-
Special and notarial bond over movable assets (Grainco)	4 500	4 500	-	-
First covering mortgage bond over properties (Bultfontein & Bethlehem)	53 240	53 240	-	-
	419 627	**235 338**	**173 000**	**90 000**

Summary of surety provided for overdraft facilities:

Unlimited surety provided by Oceanic Swaziland (Pty) Ltd and R5 million surety provided by BKB Limited for overdraft facility in Atlanta Products (Pty) Ltd .

Surety of R400 million provided by BKB van Wyk (Pty) Ltd, BKB Grainco (Pty) Ltd, Grainco (Pty) Ltd, BKBLouwid (Pty) Ltd, PakHouse Brands (Pty) Ltd and BKB Limited for overdraft facilities in BKBLouwid (Pty) Ltd and BKB Limited.

Surety provided by BKB Limited for overdraft facilities in BKB van Wyk (Pty) Ltd.

Joint and several guarantee for R125 million to ABSA Bank Limited in favour of GrainCo Group Holdings (Pty) Ltd by AlphaAlfa (Pty) Ltd, Grainco (Pty) Ltd and BKB Grainco (Pty) Ltd.

Joint and several guarantee for R75 million to ABSA Bank Limited in favour of GrainCo Group Holdings (Pty) Ltd by Gritco Properties (Pty) Ltd.

Joint and several guarantee for R36 million to ABSA Bank Limited in favour of Grainco (Pty) Ltd by Gritco Properties (Pty) Ltd.

Joint and several guarantee for R10 million to ABSA Bank Limited in favour of BKB Grainco (Pty) Ltd by Gritco Properties (Pty) Ltd.

Joint and several guarantee for R100 million to Absa Bank Limited in favour of Grainco (Pty) Ltd by GrainCo Group Holdings (Pty) Ltd.

Joint and several guarantee for R20 million to ABSA Bank Limited in favour of AlphaAlfa (Pty) Ltd by Grainco (Pty) Ltd and GrainCo Group Holdings (Pty) Ltd.

Joint and several guarantee for R15.2 million to Absa Bank Limited in favour of Grainco (Pty) Ltd by GrainCo Group Holdings (Pty) Ltd.

Guarantee for R50 million to ABSA Bank Limited in favour of Grainco Properties (Pty) Ltd by Grainco (Pty) Ltd.

Limited suretyship for R 2.5 million to Nedbank Limited in favour of BKB Grainco (Pty) Ltd by Grainco (Pty) Ltd and Gritco Properties (Pty) Ltd.

Security cession of call account to Nedbank Limited. Limited suretyship for R7.2 million in favour of Nedbank Limited to Grainco (Pty) Ltd by BKB Grainco (Pty) Ltd, Gritco Properties (Pty) Ltd and GrainCo Group Holdings (Pty) Ltd.

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
14. Other financial assets				
At fair value through profit or loss - held for trading				
Other financial assets	4 584	347	-	-
Comprise open forward contracts. Open positions are valued using market-to-market rate of a particular commodity at year-end. Commodities traded include soya beans, sunflower seeds, wheat, white maize and yellow maize.				
Current assets				
Held for trading (fair value through profit or loss)	4 584	347	-	-

15. Share capital

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Authorised				
200 000 000 (2018: 200 000 000) Ordinary shares with no par value	-	-	-	-
Issued				
88 407 075 (2018: 93 060 078) ordinary no par value shares	4 420	4 653	4 420	4 653
Share premium	218 950	319 082	197 583	299 717
Treasury shares	(120 650)	(33 775)	-	-
	102 720	**289 960**	**202 003**	**304 370**
Reconciliation of number of shares in issue (thousand of shares):				
Balance at the beginning of the year	93 060	93 060	93 060	93 060
Share buy back	(4 653)	-	(4 653)	-
Balance at the end of the year	**88 407**	**93 060**	**88 407**	**93 060**

Treasury shares
Treasury shares have arisen through the consolidation of the BKB Personnel Share Trust. Details of the Trust's shareholding are as follows:

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Reconciliation of number of treasury shares (thousand of shares):				
Balance at the beginning of the year	3 546	3 358	-	-
Acquired by the trust	6 798	1 594	-	-
Disposed of by the trust	(796)	(1 406)	-	-
Balance at the end of the year	**9 548**	**3 546**	**-**	**-**

16. Share based payments

The establishment of the BKB Share Incentive Plan was approved by the board of directors on 24 November 2016. In accordance with BKB's Incentive Policy, eligible employees are provided with the opportunity to acquire the Share Allocation from the BKB Personnel Share Trust at the market price at that date in recognition of their commitment to BKB. They will be allocated Bonus Shares from the Trust, proportionate to the number of shares issued and still in possession of the eligible employee, provided the levels of performance specified in the Incentive Policy are achieved. The bonus shares will be for financial performance for the 2017, 2018, 2019 and 2020 financial years.

Bonus shares shall be made available following upon the end of each financial year, for a period of four years, commencing at the end of the 2017 and 2018 financial years respectively, provided the employee remains in the service of BKB, and is not, at the time, subject to disciplinary proceedings. The total bonus share allocation will amount to 80% of the shares the employee was entitled to purchase and will be awarded 30% for years one and two and 20% for years three and four, provided the performance conditions set at the beginning of each financial year are met. Performance conditions will be 100% dependent on corporate performance in years one to three and 80% dependent on corporate performance and 20% on divisional performance in year four.

Liability arising from share based payments

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Amount recognised in bonus accrual	5 818	17 658	4 709	14 062

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

17. Loans from group companies

Subsidiaries

BKB Shearing (Pty) Ltd	-	-	441	314
The House of Fibre (Pty) Ltd	-	-	-	4
Home and Hectare (Pty) Ltd	-	-	8 356	8 661
BKB Van Wyk (Pty) Ltd	-	-	-	5 740
PakHouse Farms (Pty) Ltd	-	-	1	1
	-	**-**	**8 798**	**14 720**
Non-current liabilities	-	-	-	14 720
Current liabilities	-	-	8 798	-
	-	**-**	**8 798**	**14 720**

The adoption of IFRS 9 has resulted in loans from Group companies now being disclosed as current liabilities which is consistent with the classification and disclosure in the individual company stand-alone financial statements.

18. Borrowings

Held at amortised cost				
Secured				
Land and Agricultural Bank of South Africa Limited - Cash credit accounts The cash credit accounts relate to BKB Limited (2018: BKB Limited and Fruits du Sud (Pty) Ltd). Bears interest at a rate linked to prime.	629 522	299 314	629 522	149 315
Land and Agricultural Bank of South Africa Limited - Term loan BKB Limited: Repayable in annual instalments of R1 600 000 (2018: R-). Fruits du Sud (Pty) Ltd: Repayable in monthly instalments of R- (2018: R176 674). Bears interest at a rate linked to prime.	10 030	14 525	10 030	10 030
First National Bank Limited Repayable in monthly instalments of R1 423 373 (2018: R-). Bears interest at a rate linked to prime.	107 021	-	107 021	-
ABSA Bank Limited Commodity finance of lucern stock and raw material in AlphaAlfa (Pty) Ltd. Bears interest at a rate linked to prime.	23 211	-	-	-
Other financial liabilities	-	421	-	-
	769 784	**314 260**	**746 573**	**159 345**
Non-current liabilities	106 160	14 946	106 160	10 030
Current liabilities	663 624	299 314	640 413	149 315
	769 784	**314 260**	**746 573**	**159 345**

Land and Agricultural Bank of South Africa Limited - Cash credit accounts and term loan security				
Notarial covering bonds over movable assets (including inventory) of BKB Limited	160 000	160 000	160 000	160 000
Notarial covering bonds over movable assets (including inventory) of Fruits du Sud	180 000	150 000	-	-
Covering bond over rural properties	75 000	75 000	75 000	75 000
Covering bonds over properties in Fruits du Sud	40 000	25 500	-	-
Cession of trade and other receivables (BKB, BKBLouwid, BKB Van Wyk and Fruits du Sud)	517 245	493 770	300 787	236 726
	972 245	**904 270**	**535 787**	**471 726**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

18. Borrowings (continued)

Surety signed by BKB Van Wyk (Pty) Ltd, BKBLouwid (Pty) Ltd, BKB Eiendomme (Pty) Ltd, Wool and Mohair Exchange NPC, BKB Shearing (Pty) Ltd, Billsons Coutts (Pty) Ltd, RFID Experts Africa (Pty) Ltd, Fruits du Sud (Pty) Ltd and PakHouse Brands (Pty) Ltd.

	Group 2019	Group 2018	Company 2019	Company 2018
First National Bank Limited security				
Covering bond over Port Elizabeth properties	110 000	90 000	110 000	90 000
Covering bond over rural properties	63 000	-	63 000	-
	173 000	**90 000**	**173 000**	**90 000**

Surety of R400 million signed by BKB Van Wyk (Pty) Ltd, BKBLouwid (Pty) Ltd, BKB Grainco (Pty) Ltd, Grainco (Pty) Ltd and PakHouse Brands (Pty) Ltd.

	Group 2019	Group 2018	Company 2019	Company 2018
ABSA Bank Limited security				
Grain inventory	21 956	-	-	-
	21 956	**-**	**-**	**-**

Refer to Note 36 Changes in liabilities arising from financing activities for details of the movement in the borrowings during the reporting period and Note 43 Financial instruments and financial risk management for the fair value of borrowings.

19. Finance lease liabilities

	Group 2019	Group 2018	Company 2019	Company 2018
Minimum lease payments due				
- within one year	35 074	19 108	-	-
- in second to fifth year inclusive	67 995	27 866	-	-
	103 069	46 974	-	-
less: future finance charges	(16 771)	(5 875)	-	-
Present value of minimum lease payments	**86 298**	**41 099**	**-**	**-**

	Group 2019	Group 2018	Company 2019	Company 2018
Present value of minimum lease payments due				
- within one year	30 325	16 718	-	-
- in second to fifth year inclusive	55 973	24 381	-	-
	86 298	**41 099**	**-**	**-**

	Group 2019	Group 2018	Company 2019	Company 2018
Non-current liabilities	55 973	24 381	-	-
Current liabilities	30 325	16 718	-	-
	86 298	**41 099**	**-**	**-**

Finance lease liabilities are payable over periods from 1 to 5 years at prime linked interest rates repayable in monthly instalments of between R 5 324 and R 1 226 962 (2018: between R 5 324 and R 710 220).

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

	Group 2019	Group 2018	Company 2019	Company 2018
Finance lease liabilities security				
Motor vehicles	3 438	2 768	-	-
Plant and machinery	102 424	45 654	-	-
	105 862	**48 422**	**-**	**-**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
20. Financial liabilities at fair value				
At fair value through profit (loss)				
ABSA Bank Limited Commodities are financed by ABSA in the form of a loan. The loan is calculated on the short position that the Company transferred to ABSA. The carrying value if the loan changes with respect to the mark-to-market value of the SAFEX commodities. The loan is repayable as the short positions on SAFEX close. This loan is secured by the value of the inventory and bears interest at a rate linked to prime.	75 913	10 389	-	-
Open forward contracts Comprise open forward contracts. Open positions are valued using market-to-market rate of a particular commodity at year-end. Commodities traded include soya beans, sunflower seeds, wheat, white maize and yellow maize.	3 132	926	-	-
	79 045	**11 315**	**-**	**-**
Current liabilities	79 045	11 315	-	-
ABSA Bank Limited Security				
Grain inventory	75 913	10 389	-	-

21. Retirement benefits

Defined benefit plan

The Company contributes to the medical aid costs of certain of the retired employees. The plan is a post employment medical benefit plan.

Carrying value

	Group 2019	Group 2018	Company 2019	Company 2018
Actuarially valued present value of the defined benefit obligation	7 402	8 363	7 402	8 363

Movements for the year

	Group 2019	Group 2018	Company 2019	Company 2018
Opening balance	8 363	9 168	8 363	9 168
Contributions by members	(1 161)	(1 231)	(1 161)	(1 231)
Net expense recognised in profit or loss	200	426	200	426
	7 402	**8 363**	**7 402**	**8 363**

Net expense recognised in profit or loss

	Group 2019	Group 2018	Company 2019	Company 2018
Interest cost	692	745	692	745
Re-measurements due to changes in financial assumptions	(194)	20	(194)	20
Re-measurements due to experience adjustments	(298)	(339)	(298)	(339)
	200	**426**	**200**	**426**

Key assumptions used

Assumptions used on last valuation of 30 June 2019.

	Group 2019	Group 2018	Company 2019	Company 2018
Discount rates used	8.96%	8.88%	8.96%	8.88%
Increase in medical costs	5.33%	6.61%	5.33%	6.61%

Currently medical aid subsidies are payable to 54 pensioners (2018: 63) with an average age of 83.4 years (2018: 83.5). The table used to determine the mortality rate is "post employment-PA90(2)". The weighted average duration of the defined benefit obligation is 5.4 years. Expected contributions for the year ending 30 June 2020 are R1,1 million.

Notes to the Financial Statements

21. Retirement benefits (continued)

As at valuation date, the present value of the defined benefit obligation is as follows:	**2019 Number**	**2019 Defined benefit obligation R'000**	**2018 Number**	**2018 Defined benefit obligation R'000**
BKB Members	42	4 958	47	5 354
ECAC Members	12	2 444	16	3 009
	54	**7 402**	**63**	**8 363**

Sensitivity	**2019 Change in assumptions**	**2019 Change in obligation**	**2018 Change in assumptions**	**2018 Change in obligation**
Healthcare costs	+1%	+3.9%	+1%	+3.3%
	-1%	-3.6%	-1%	-3.2%
Mortality	+1%	-5.7%	+1%	-5.3%
	-1%	+6.3%	-1%	5.8%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Risks involved in maintaining the Post Employment Healthcare Obligation:

- Inflation: The risk that future healthcare cost inflation as well as CPI inflation are higher than expected and uncontrolled.
- Longevity: The risk that beneficiaries live longer than expected and thus their healthcare benefit is payable for longer than expected.
- Open-ended, long-term liability: The risk that the liability may be volatile in the future and uncertain.
- Legislative changes: The risk that changes to legislation with respect to the post-employment benefits may increase the liability for the Company.
- Future changes in the tax environment: The risk that changes in the tax legislation governing employee benefits may increase the liability for the Company.

22. Provisions

Reconciliation of provisions - Group - 2019

	Opening balance	**Additions**	**Utilised during the year**	**Total**
Provision for service bonus	6 944	797	(593)	7 148

Reconciliation of provisions - Group - 2018

	Opening balance	**Additions**	**Utilised during the year**	**Total**
Provision for service bonus	6 751	966	(773)	6 944

Reconciliation of provisions - Company - 2019

	Opening balance	**Additions**	**Utilised during the year**	**Total**
Provision for service bonus	6 944	797	(593)	7 148

Reconciliation of provisions - Company - 2018

	Opening balance	**Additions**	**Utilised during the year**	**Total**
Provision for service bonus	6 751	966	(773)	6 944

Certain employees are entitled to long service bonuses if certain criteria are met. Provision is made for this eventuality.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

23. Trade and other payables

Financial instruments:				
Trade payables	352 728	324 084	155 307	173 050
Accrued leave pay	22 168	21 823	13 881	13 357
Accrued bonus	18 371	37 598	11 311	27 693
Other accrued expenses	19 214	16 658	10 393	7 276
Accrued audit fees	2 380	1 897	1 946	1 521
Other payables	24 908	23 115	21 493	20 128
Non-financial instruments:				
Amounts received in advance	2 313	197	-	197
VAT	7 230	7 842	-	-
	449 312	**433 214**	**214 331**	**243 222**

24. Value of business conducted

Brokerage services	3 134 317	3 308 081	3 118 614	3 295 255
Trading	1 757 600	1 648 149	1 757 600	1 648 149
Livestock, auctioneering and property transactions	4 023 201	4 412 846	961 148	930 573
Leasing of properties	6 586	6 607	3 479	3 232
PakHouse Brands	1 146 208	1 039 393	-	-
Grain	1 327 903	868 413	-	-
Financing	32 852	34 704	26 390	24 037
	11 428 667	**11 318 193**	**5 867 231**	**5 901 246**

The value of business conducted represents the value of transactions for the Group as well as those conducted in its capacity as an agent/broker.

25. Revenue

Revenue from contracts with customers				
Sale of goods	4 204 698	3 852 860	2 317 549	2 248 886
Rendering of services	208 755	184 769	146 829	138 943
Commissions received	315 386	336 178	154 876	159 563
Interest received	32 942	35 630	26 390	24 037
Rental income	6 718	13 120	3 479	3 246
	4 768 499	**4 422 557**	**2 649 123**	**2 574 675**

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Sale of goods				
Brokerage services	584 969	621 929	569 246	609 331
Trading	1 747 163	1 639 555	1 748 303	1 639 555
Fruit	408 388	386 886	-	-
Grain	725 740	551 983	-	-
Sugar	738 438	652 507	-	-
	4 204 698	**3 852 860**	**2 317 549**	**2 248 886**

Rendering of services				
Brokerage services	139 329	131 103	138 959	130 876
Trading	7 870	8 067	7 870	8 067
Fruit	93	-	-	-
Grain	61 463	45 599	-	-
	208 755	**184 769**	**146 829**	**138 943**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
25. Revenue (continued)				
Commissions received				
Brokerage services	118 741	123 110	118 741	123 110
Livestock, auctioneering and property transactions	193 497	211 799	36 135	36 453
Grain	3 148	1 269	-	-
	315 386	**336 178**	**154 876**	**159 563**
Other revenue				
Interest received	32 942	35 630	26 390	24 037
Rental income	6 718	13 120	3 479	3 246
	39 660	**48 750**	**29 869**	**27 283**
Total revenue from contracts with customers	**4 768 499**	**4 422 557**	**2 649 123**	**2 574 675**
Timing of revenue recognition				
At a point in time				
Sale of goods	4 204 698	3 852 860	2 317 549	2 248 886
Commissions received	315 386	336 178	154 876	159 563
	4 520 084	**4 189 038**	**2 472 425**	**2 408 449**
Over time				
Rendering of services	208 755	184 769	146 829	138 943
Interest received	32 942	35 630	26 390	24 037
Rental income	6 718	13 120	3 479	3 246
	248 415	**233 519**	**176 698**	**166 226**
Total revenue from contracts with customers	**4 768 499**	**4 422 557**	**2 649 123**	**2 574 675**

26. Cost of sales

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Sale of goods	3 776 528	3 446 812	2 084 869	2 000 430
Sale of goods				
Brokerage services	510 864	521 754	502 995	511 736
Trading	1 580 734	1 473 292	1 581 874	1 488 694
Fruit	352 115	357 210	-	-
Sugar	681 146	590 737	-	-
Grain	651 669	503 819	-	-
	3 776 528	**3 446 812**	**2 084 869**	**2 000 430**

27. Other operating income

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018
Bad debts recovered	2 442	2 449	2 280	1 966
Cash discounts received	8 043	6 094	7 962	6 013
Fair value adjustment of investment property	-	269	-	269
Foreign exchange gains	18 190	23 156	510	70
Gain on bargain purchase in a business combination	-	2 827	-	-
Profit on sale of buildings	-	1 911	-	1 911
Other	18 176	16 873	8 612	9 061
	46 851	**53 579**	**19 364**	**19 290**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

28. Operating profit (loss)

Operating profit (loss) for the year is stated after charging (crediting) the following, amongst others:

	Group 2019	Group 2018	Company 2019	Company 2018
Auditor's remuneration - external				
Approved audit fees	3 730	3 340	1 805	1 623
Adjustment for previous year	221	54	136	19
Tax and advisory services	531	314	529	197
	4 482	**3 708**	**2 470**	**1 839**
Auditor's remuneration - internal	**-**	**739**	**-**	**739**

Employee costs

	Group 2019	Group 2018	Company 2019	Company 2018
Salaries, wages, bonuses and other benefits	397 446	366 732	220 829	200 549
Commission paid	27 158	23 073	4 792	2 754
Training and other expenses	12 631	12 276	7 456	7 408
Provision for service bonus	797	967	797	966
Retirement benefit plans: defined contribution expense	8 130	17 537	2 765	14 312
Retirement benefit plans: defined benefit expense	200	426	200	426
Share based compensation provision movement	-	10 776	-	9 060
Total employee costs	**446 362**	**431 787**	**236 839**	**235 475**

Expenses by nature

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

	Group 2019	Group 2018	Company 2019	Company 2018
Changes in inventories of finished goods and work in progress	(222 778)	37 339	(45 107)	7 353
Raw materials and consumables purchased	3 999 306	3 409 473	2 129 976	1 993 077
Discount allowed	44 074	35 880	12 002	8 932
Employee costs	446 362	431 787	236 839	235 475
Operating lease charges	27 590	31 510	6 581	5 521
Management fees	-	-	57 154	49 882
Depreciation and amortisation	34 639	30 523	15 338	13 125
Vehicle costs	41 832	34 292	27 286	23 588
Repairs and maintenance	26 962	27 054	14 780	13 666
Advertising expense	17 345	17 026	12 042	11 939
Bank charges	19 562	14 009	12 974	9 297
Computer expenses	19 597	16 942	15 202	12 916
Subsistence and travel	13 136	11 203	8 308	7 351
Impairment of financial assets	9 595	12 017	10 164	5 364
Impairment of financial assets - share transaction	115 215	-	115 215	-
Professional consulting fees	14 675	13 384	3 254	4 380
Professional consulting fees - share transaction	8 214	-	8 214	-
Water and electricity	10 336	9 366	8 062	7 658
Telephone and postage	10 212	9 571	6 020	5 624
Transport	31 077	10 684	2 675	2 089
Loss on products	8 908	8 918	7 264	8 152
Legal expenses	1 654	2 001	1 218	1 403
Legal expenses - share transaction	6 008	-	6 008	-
Insurance cost net of recoveries	8 538	6 083	293	-
Security	6 559	5 678	3 029	2 954
Write-down of property, plant and equipment	-	5 647	-	-
Non-executive directors' fees	2 850	2 105	2 850	2 105
Rates and taxes	4 274	4 069	3 609	3 427
Other expenses	21 128	23 599	25 402	23 200
	4 726 870	**4 210 160**	**2 706 652**	**2 458 478**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

29. Impairment of financial assets - share transaction

Summary of expenses specifically incurred	Group 2019	Group 2018	Company 2019	Company 2018
Impairment of financial assets	115 215	-	115 215	-
Professional consulting fees	8 214	-	8 214	-
Legal expenses	6 008	-	6 008	-
	129 437	**-**	**129 437**	**-**

During the year under review a number of events occurred involving the shareholding of a large shareholder, ARC Fund (ARC). ARC held 18 612 016 shares in BKB Ltd (20% of the issued shares). ARC informed BKB that it intended to dispose of its entire shareholding to a direct competitor of BKB which already had a sizeable holding of BKB shares.

In terms of the original subscription agreement with ARC, BKB held a right of first refusal over the shares. The board viewed ARC's decision, to dispose of it's entire shareholding to a competitor as a hostile act and contrary to ARC's stated intentions when it acquired its shares in BKB. The board decided to exercise the right of first refusal. It was the unanimous view of the Board that this was in the best long term interest of the Company and its stakeholders.

BKB nominated Maruwa Investments (Pty) Ltd ("Maruwa"), a black-owned investment management company, to acquire the ARC shareholding. In terms of the nomination agreement with Maruwa, BKB enjoyed certain refinancing rights and also a call option.

Developments in connection with Maruwa's long term financing arrangements resulted in BKB exercised its call option in June 2019. Shareholders were advised of this development in a notice dated 2 July 2019.

The net effect of the transactions was a write-off amounting to R115,2 million in respect of amounts receivable from Maruwa. This amount includes capital and interest.

The events and transactions involved lengthy arbitration proceedings, together with extensive input and assistance of legal advisors, counsel and corporate finance specialists. The combined legal and advisory fees in connection with these matters amounted to R14,2 million.

30. Finance income

	Group 2019	Group 2018	Company 2019	Company 2018
Finance income				
Investments in financial assets:				
Bank and other cash	6 858	9 277	1 782	4 727
Interest Maruwa - share transaction	11 847	-	11 847	-
Other financial assets	1 618	1 015	281	184
Loans to group companies:				
Subsidiaries	-	-	33 216	27 700
Total finance income	**20 323**	**10 292**	**47 126**	**32 611**

31. Finance costs

	Group 2019	Group 2018	Company 2019	Company 2018
Interest paid	62 114	47 788	39 990	21 634

32. Taxation

Major components of the tax expense (income)

	Group 2019	Group 2018	Company 2019	Company 2018
Current				
Local income tax - current period	43 867	65 788	19 915	41 870
Local income tax - recognised in current tax for prior periods	3	10	3	-
STC	314	605	311	91
	44 184	**66 403**	**20 229**	**41 961**
Deferred				
Originating and reversing temporary differences	(21 736)	763	(20 396)	1 071
Arising from prior period adjustments	(46)	56	(2)	(2)
	(21 782)	**819**	**(20 398)**	**1 069**
	22 402	**67 222**	**(169)**	**43 030**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

32. Taxation (continued)

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

	Group 2019	Group 2018	Company 2019	Company 2018
Accounting profit (loss)	46 689	228 480	(5 129)	175 859
Tax at the applicable tax rate of 28% (2018: 28%)	13 073	63 974	(1 436)	49 241
Tax effect of adjustments on taxable income				
Under provision - prior year	3	10	3	-
Deferred taxation - prior year	(57)	66	(2)	(2)
Exempt income and allowable deductions	(2 238)	(2 224)	(7 859)	(9 001)
Expenses not deductible for tax purposes	11 605	3 681	10 162	3 048
Dividends tax not recovered	314	605	311	91
Special income tax allowances	(2 062)	(852)	(1 408)	(784)
Income taxed at capital gains tax rate	309	1 134	60	437
Income taxed at different rate	707	832	-	-
Deferred tax asset not raised	(145)	(42)	-	-
Recognition of assessed loss	-	(74)	-	-
Revaluation of property	893	112	-	-
	22 402	**67 222**	**(169)**	**43 030**

	Group 2019	Group 2018	Company 2019	Company 2018
Estimated tax losses carried forward				
Estimated tax losses to be set off against future taxable profit	156 087	135 392	-	-

33. Earnings per share

The calculation of basic earnings per share is based on earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year.

	Group 2019	Group 2018	Company 2019	Company 2018
Basic earnings per share				
From operations (c per share)	28,70	183,10	-	-

Basic earnings per share was based on earnings of R 25 641 000 (2018: R 164 705 000) and a weighted average number of ordinary shares of 89 423 935 (2018: 89 942 000).

	Group 2019	Group 2018	Company 2019	Company 2018
Reconciliation of profit for the year to basic earnings				
Profit or loss for the year attributable to equity holders of the parent	24 287	161 258	-	-
Adjusted for:				
Non-controlling interest	1 354	3 447	-	-
	25 641	**164 705**	**-**	**-**

The calculation of diluted earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

	Group 2019	Group 2018	Company 2019	Company 2018
Diluted earnings per share				
From operations (c per share)	28,70	181,30	-	-

Diluted earnings per share was based on earnings of R 25 641 000 (2018: R 164 705 000) and a weighted average number of ordinary shares of 89 423 935 (2018: 90 870 000).

	Group 2019	Group 2018	Company 2019	Company 2018
Reconciliation of basic earnings to diluted earnings				
Basic earnings (no adjustments)	25 641	164 705	-	-

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

33. Earnings per share (continued)

Reconciliation of weighted average number of ordinary shares to diluted shares				
Weighted average number of ordinary shares used for basic earnings per share	89 424	89 942	-	-
Adjusted for:				
Bonus shares to be issued	-	928	-	-
	89 424	**90 870**	**-**	**-**

Headline earnings and diluted headline earnings per share

Headline earnings per share and diluted headline earnings per share are determined by dividing headline earnings and diluted headline earnings by the weighted average number of ordinary share outstanding during a period.

Headline earnings and diluted headline earnings are determined by adjusting basic earnings and diluted earnings by excluding separately identifiable re-measurement items. Headline earnings and diluted headline earnings are presented after tax and non-controlling interest.

Headline earnings per share (c)	31,50	184,00	-	-
Diluted headline earnings per share (c)	31,50	182,10	-	-

Reconciliation between earnings and headline earnings				
Basic earnings	25 641	164 705	-	-
Adjusted for:				
Net loss (profit) on sale of property, plant and equipment	796	(1 575)	-	-
Impairment of investment	1 990	-	-	-
Gain on bargain purchase	-	(2 827)	-	-
Write-down of property, plant and equipment	-	5 647	-	-
Tax effect of adjustments	(223)	(456)	-	-
	28 204	**165 494**	**-**	**-**

Reconciliation between diluted earnings and diluted headline earnings				
Diluted earnings	25 641	164 705	-	-
Adjusted for:				
Net loss (profit) on sale of property, plant and equipment	796	(1 575)	-	-
Impairment of investment	1 990	-	-	-
Gain on bargain purchase	-	(2 827)	-	-
Write-down of property, plant and equipment	-	5 647	-	-
Tax effect of adjustments	(223)	(456)	-	-
	28 204	**165 494**	**-**	**-**

Normalised earnings per share

Normalised earnings per share is one of the measures is one of the measurement bases which the Group uses in assessing performance and in deciding how to allocate resources. The calculation of normalised earnings per share is based on headline earnings generated from primary business operations of the Group excluding abnormal or non-recurring gains and losses, divided by weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings per share is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.

Normalised earnings per share (c)	146,70	184,00	-	-

Reconciliation between headline earnings and normalised earnings				
Headline earnings	28 204	165 494	-	-
Adjusted for:				
Impairment of financial assets - share transaction	115 215	-	-	-
Legal and professional fees - share transaction	14 222	-	-	-
Tax effect of adjustments	(26 472)	-	-	-
	131 169	**165 494**	**-**	**-**

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

33. Earnings per share (continued)

Dividends per share

	Group 2019	Group 2018	Company 2019	Company 2018
Final (c)	58,00	47,00	-	-

Dividends amounting to R54,0 million (2018: R43,7 million) were paid to shareholders of the Company who were registered on 30 August 2018.

34. Cash (used in)/generated from operations

	Group 2019	Group 2018	Company 2019	Company 2018
Profit (loss) before taxation	46 689	228 480	(5 129)	175 859
Adjustments for:				
Depreciation and amortisation	51 898	46 629	15 338	13 125
Dividend income	-	-	(25 900)	(29 395)
Finance income	(20 323)	(10 292)	(47 126)	(32 611)
Finance costs	62 114	47 788	39 990	21 634
Fair value losses	18 448	2 554	-	-
Gain on bargain purchase in a business combination	-	(2 827)	-	-
Credit loss allowances - IFRS 9 Retained Earnings	(5 427)	-	(3 876)	-
Impairment of financial assets - share transaction	115 215	-	115 215	-
Movements in retirement benefit assets and liabilities	(961)	(805)	(961)	(805)
Movements in provisions	204	2 458	204	2 306
(Loss) profit on sale of property, plant and equipment	796	(1 575)	72	(1 554)
Fair value adjustment of investment property	-	(269)	-	(269)
Write-down of property, plant and equipment	-	5 647	-	-
Changes in working capital:				
Inventories	(222 778)	36 092	(45 107)	6 107
Trade and other receivables	(58 298)	13 906	(31 006)	(22 122)
Derivatives	(35 569)	32 958	-	-
Trade and other payables	16 099	(105 616)	(28 891)	(5 053)
Increase (decrease) in cash flow hedge reserve	23 909	(19 855)	-	-
(Acquisition) disposal of working capital through business combinations	-	(2 534)	-	-
	(7 984)	**272 739**	**(17 177)**	**127 222**

35. Tax paid

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	(3 880)	872	(5 119)	(784)
Current tax for the year recognised in profit or loss	(44 184)	(66 403)	(20 229)	(41 961)
Balance at end of the year	(4 037)	3 880	(1 572)	5 119
	(52 101)	**(61 651)**	**(26 920)**	**(37 626)**

36. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - Group - 2019

	Opening balance	Fair value changes	New leases	Other non-cash movements	Cash flows	Closing balance
Borrowings	314 260	-	-	-	455 524	769 784
Other financial liabilities measured at fair value	10 968	18 448	-	-	45 045	74 461
Finance lease liabilities	41 099	-	67 918	-	(22 719)	86 298
Total share capital	289 960	-	-	103 368	(290 608)	102 720
Total liabilities from financing activities	**656 287**	**18 448**	**67 918**	**103 368**	**187 242**	**1 033 263**

Notes to the Financial Statements

36. Changes in liabilities arising from financing activities (continued)

Reconciliation of liabilities arising from financing activities - Group - 2018

	Opening balance	Fair value changes	New leases	Other non-cash movements	Cash flows	Closing balance
Borrowings	447 881	-	-	-	(133 621)	314 260
Other financial liabilities measured at fair value	22 165	2 554	-	-	(13 751)	10 968
Finance lease liabilities	50 605	-	13 939	-	(23 445)	41 099
Total share capital	293 921	-	-	-	(3 961)	289 960
Total liabilities from financing activities	**814 572**	**2 554**	**13 939**	**-**	**(174 778)**	**656 287**

Reconciliation of liabilities arising from financing activities - Company - 2019

	Opening balance	Fair value changes	New leases	Other non-cash movements	Cash flows	Closing balance
Borrowings	159 345	-	-	-	587 228	746 573
Total share capital	304 370	-	-	183 284	(285 651)	202 003
Total liabilities from financing activities	**463 715**	**-**	**-**	**183 284**	**301 577**	**948 576**

Reconciliation of liabilities arising from financing activities - Company - 2018

	Opening balance	Fair value changes	New leases	Other non-cash movements	Cash flows	Closing balance
Borrowings	291 130	-	-	-	(131 785)	159 345
Total share capital	304 370	-	-	-	-	304 370
Total liabilities from financing activities	**595 500**	**-**	**-**	**-**	**(131 785)**	**463 715**

37. Dividends paid

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Dividends	(52 282)	(41 964)	(53 975)	(43 738)

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

38. Business combinations

Aggregated business combinations

	Group 2019	Group 2018	Company 2019	Company 2018
Property, plant and equipment	1 035	630	1 035	-
Intangible assets	-	650	-	-
Deferred tax	-	4 029	-	-
Inventories	-	1 242	-	-
Trade and other receivables	-	245	-	-
Cash and cash equivalents	-	2 616	-	-
Intercompany loan - Ultimate Holding Company	-	(2 562)	-	-
Trade and other payables	-	(4 023)	-	-
Client lists and relationships	4 011	-	4 011	-
Auction rights	5 152	-	5 152	-
Total identifiable net assets	10 198	2 827	10 198	-
Goodwill	4 500	-	4 500	-
Gain on a bargain purchase in a business combination	-	(2 827)	-	-
	14 698	**-**	**14 698**	**-**

	Group 2019	Group 2018	Company 2019	Company 2018
Net cash outflow on acquisition				
Cash consideration paid	(14 698)	2 562	(14 698)	-
Cash acquired	-	(2 562)	-	-
	(14 698)	**-**	**(14 698)**	**-**

Riverview Trading

On 1 March 2019 the Group acquired the business of Riverview Trading (excluding any tangible assets and liabilities).

Goodwill of R 4 500 000 arising from the acquisition consists largely of the synergies and economies of scale expected from combining the operations of the entities, as well as from intangible assets which did not qualify for separate recognition. Goodwill is not deductible for income tax purposes.

Fair value of assets acquired and liabilities assumed

	Group 2019	Group 2018	Company 2019	Company 2018
Client lists and relationships	4 011	-	4 011	-
Auction rights	1 950	-	1 950	-
Total identifiable net assets	5 961	-	5 961	-
Goodwill	4 500	-	4 500	-
	10 461	**-**	**10 461**	**-**

Acquisition date fair value of consideration paid

	Group 2019	Group 2018	Company 2019	Company 2018
Cash	(6 000)	-	(6 000)	-
Contingent consideration arrangement	(4 461)	-	(4 461)	-
	(10 461)	**-**	**(10 461)**	**-**

Contingent consideration arrangements

The contingent consideration arrangement requires the Group to pay the previous owners of Riverview Trading an amount of R4 000 000 which is conditional upon the business achieving the performance target for the first two years following the effective date. The first payment will be due 1 March 2020 and the second payment 1 March 2021, inclusive of interest at 7.5% per annum.

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**

38. Business combinations (continued)

Slabbert, Verster & Malherbe (CAPE) CC

On 1 December 2018 the Group acquired the business of Slabbert, Verster and Malherbe (CAPE) CC excluding the property and liabilities.

Fair value of assets acquired and liabilities assumed

Property, plant and equipment	1 035	-	1 035	-
Auction rights	3 202	-	3 202	-
	4 237	**-**	**4 237**	**-**

Acquisition date fair value of consideration paid

Cash	(4 237)	-	(4 237)	-

RFID Experts Africa (Pty) Ltd

On 1 August 2017 the Group acquired 100% of the voting equity interest of RFID Experts Africa (Pty) Ltd which resulted in the Group obtaining control over RFID Experts Africa (Pty) Ltd. RFID Experts Africa (Pty) Ltd is principally involved in the agricultural industry.

Fair value of assets acquired and liabilities assumed

Property, plant and equipment	-	630	-	-
Intangible assets	-	650	-	-
Deferred tax	-	4 029	-	-
Inventories	-	1 242	-	-
Trade and other receivables	-	245	-	-
Cash and cash equivalents	-	2 616	-	-
Intercompany loan - Ultimate Holding Company	-	(2 562)	-	-
Trade and other payables	-	(4 023)	-	-
Total identifiable net assets	-	2 827	-	-
Gain on a bargain purchase in a business combination	-	(2 827)	-	-
	-	**-**	**-**	**-**

Acquisition date fair value of consideration paid

Cash	-	2 562	-	-
Less: Loan advanced to acquiree	-	(2 562)	-	-
	-	**-**	**-**	**-**

39. Contingencies

The Lesotho Revenue Authority, with whom South Africa has a double taxation agreement, raised income tax and value added tax assessments for BKB Limited in respect of income tax and value added tax for multiple years of assessment. The Company has consulted it's professional advisors and commenced the process to have the assessments declared void.

Contingent liabilities				
Guarantees issued	670	670	670	670

No losses are expected from these contingent liabilities.

Notes to the Financial Statements

Figures in Rand thousand	Group 2019	Group 2018	Company 2019	Company 2018

40. Commitments

Authorised capital expenditure

	Group 2019	Group 2018	Company 2019	Company 2018
Not yet contracted for and authorised by directors	124 153	180 547	63 014	97 118

Capital expenditure is managed with cash availability. Expansion and improvements need appropriate support and justification before go ahead.

Operating leases – as lessee (expense)

	Group 2019	Group 2018	Company 2019	Company 2018
Minimum lease payments due				
- within one year	2 090	2 839	-	-
- in second to fifth year inclusive	3 293	3 327	-	-
	5 383	**6 166**	**-**	**-**

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

41. Related parties

Relationships

Subsidiaries	Refer to note 7

Related party balances

	Group 2019	Group 2018	Company 2019	Company 2018
Loan accounts - Owing (to) by related parties				
Loans granted to key management	38 771	39 495	110	128
Amounts included in trade receivable (trade payable) regarding related parties				
BKB Grainco (Pty) Ltd	-	-	296	155
Grainco (Pty) Ltd	-	-	203	413
BKBLouwid (Pty) Ltd	-	-	665	1 167
BKB Van Wyk (Pty) Ltd	-	-	526	234
Atlanta Sugar SA (Pty) Ltd	-	-	95	370
Atlanta Products (Pty) Ltd	-	-	21	8
AlphaAlfa (Pty) Ltd	-	-	92	(11)
Fruits du Sud (Pty) Ltd	-	-	216	169
RFID Africa Experts (Pty) Ltd	-	-	(28)	(76)
BKB Personnel Share Trust	-	-	133 565	50 867
Key management	3 846	3 032	1 668	1 569

Related party transactions

	Group 2019	Group 2018	Company 2019	Company 2018
Interest paid to (received from) related parties				
Billsons Coutts (Pty) Ltd	-	-	(1 183)	(1 309)
Home and Hectare (Pty) Ltd	-	-	414	386
BKBLouwid (Pty) Ltd	-	-	(2 366)	(5 331)
BKB Van Wyk (Pty) Ltd	-	-	-	(471)
Wool & Mohair Exchange of South Africa NPC	-	-	(620)	(608)
Atlanta Sugar SA (Pty) Ltd	-	-	(2 716)	(4 960)
Grainco Group Holdings (Pty) Ltd	-	-	(8 533)	(1 456)
BKB Grainco (Pty) Ltd	-	-	-	(1)
Grainco (Pty) Ltd	-	-	-	(7 502)
Gritco Properties (Pty) Ltd	-	-	-	(285)
Fruits du Sud (Pty) Ltd	-	-	(15 428)	(3 651)
BKB Personnel Share Trust	-	-	(2 784)	(2 503)
Key management	(2 784)	(2 503)	-	-
Purchases from (sales to) related parties				
RFID Africa Experts (Pty) Ltd	-	-	2 610	5 768
Atlanta Sugar SA (Pty) Ltd	-	-	(712)	(370)
BKB Grainco (Pty) Ltd	-	-	(39)	(70)
Grainco (Pty) Ltd	-	-	21 315	10 723
Sales to key management and directors	(10 165)	(11 068)	(8 730)	(9 574)

Notes to the Financial Statements

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
41. Related parties (continued)				
Rent paid to (received from) related parties				
Billsons Coutts (Pty) Ltd	-	-	415	393
Home and Hectare (Pty) Ltd	-	-	(36)	(34)
BKBLouwid (Pty) Ltd	-	-	(205)	(195)
BKB Van Wyk (Pty) Ltd	-	-	(95)	(90)
Management fees paid to (received from) related parties				
BKB Shearing (Pty) Ltd	-	-	55 814	49 672
RFID Africa Experts (Pty) Ltd	-	-	1 340	210
Dividends paid to (received from) related parties				
Home and Hectare (Pty) Ltd	-	-	(1 210)	(809)
BKBLouwid (Pty) Ltd	-	-	(8 840)	(4 773)
BKB Van Wyk (Pty) Ltd	-	-	(6 654)	(5 362)
Atlanta Sugar SA (Pty) Ltd	-	-	-	(7 882)
Atlanta Products (Pty) Ltd	-	-	-	(4 380)
Oceanic Swaziland (Pty) Ltd	-	-	-	(239)
BKB Grainco (Pty) Ltd	-	-	-	(3 178)
Grainco (Pty) Ltd	-	-	-	(2 772)
Pakhouse Brands (Pty) Ltd	-	-	(9 199)	-
Rebate fees (received) paid				
Home and Hectare (Pty) Ltd	-	-	(165)	-
Compensation to directors and other key management				
Short-term employee benefits	44 743	52 123	25 327	28 803
Share-based payment	-	10 776	-	9 060
	44 743	**62 899**	**25 327**	**37 863**

Notes to the Financial Statements

42. Directors' emoluments

2019

	Fees	Salary & employee benefit	Expenses reimbursed	Pension fund contributions	Total
W Edmayr	-	12 682	40	-	12 722
A S du Toit	-	4 441	-	-	4 441
D C Louw	660	-	85	-	745
G E J Kingwill	350	-	47	-	397
C D Hobson	220	-	19	-	239
M H Jonas	200	-	-	-	200
E A Meyer	240	-	22	-	262
V Pillay	200	-	2	-	202
H C Staple	350	-	-	-	350
H J Swart	240	-	41	-	281
F P R van Wyk	240	-	20	-	260
J van Zyl	150	-	-	-	150
	2 850	**17 123**	**276**	**-**	**20 249**

2018

	Fees	Salary & employee benefit	Expenses reimbursed	Pension fund contributions	Total
W Edmayr	-	10 469	291	460	11 220
A S du Toit	-	3 099	-	409	3 508
K Riga	-	1 352	50	58	1 460
D C Louw	620	-	99	-	719
G E J Kingwill	300	-	51	-	351
C D Hobson	177	-	33	-	210
E A Meyer	177	-	216	-	393
H C Staple	300	-	-	-	300
H J Swart	177	-	44	-	221
F P R van Wyk	177	-	19	-	196
J van Zyl	177	-	11	-	188
	2 105	**14 920**	**814**	**927**	**18 766**

Securities issued

Shares acquired by directors in terms of the employee share scheme:

		W Edmayr		AS du Toit	
Shares acquired	**Consideration paid**	**2019 Number of shares**	**2018 Number of shares**	**2019 Number of shares**	**2018 Number of shares**
Share option plan	R10.68 per share	-	-	-	55 000
Share incentive scheme - 2017 financial results	No consideration	-	225 000	-	66 000
		-	**225 000**	**-**	**121 000**

Service contracts

Wolf Edmayr (Managing Director) was appointed to his position on 1 April 2004 on a fixed term contract that expires on 30 September 2020. Andries Stephanus Du Toit was appointed as Executive Director on 1 October 2017. All non-executive directors get re-elected at the annual general meeting after their three year term has expired.

Executive directors are subject to written employment agreements. The employment agreements regulate duties, remuneration, allowances, restraints, leave and notice periods of these executives

Notes to the Financial Statements

43. Financial instruments and risk management

43.1 Categories of financial instruments

Categories of financial assets

Group - 2019

	Notes	Fair value through profit or loss	Amortised cost	Total
Derivatives	12	8 484	-	8 484
Trade and other receivables	11	-	790 158	790 158
Cash and cash equivalents	13	-	57 187	57 187
Other financial assets		4 584	-	4 584
		13 068	**847 345**	**860 413**

Group - 2018

	Notes	Fair value through profit or loss	Amortised cost	Total
Trade and other receivables	11	-	722 816	722 816
Cash and cash equivalents	13	-	80 855	80 855
Other financial assets		347	-	347
		347	**803 671**	**804 018**

Company - 2019

	Notes	Fair value through profit or loss	Amortised cost	Total
Loans to group companies	8	-	537 524	537 524
Trade and other receivables	11	-	460 225	460 225
Cash and cash equivalents	13	-	4 110	4 110
		-	**1 001 859**	**1 001 859**

Company - 2018

	Notes	Fair value through profit or loss	Amortised cost	Total
Loans to group companies	8	-	417 196	417 196
Trade and other receivables	11	-	345 076	345 076
Cash and cash equivalents	13	-	44 826	44 826
		-	**807 098**	**807 098**

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2019

	Notes	Fair value through profit or loss	Amortised cost	Total
Trade and other payables	23	4 461	435 308	439 769
Borrowings	18	-	769 784	769 784
Finance lease obligations	19	-	86 298	86 298
Other financial liabilities at fair value	20	79 045	-	79 045
Bank overdraft	13	-	106 430	106 430
		83 506	**1 397 820**	**1 481 326**

Group - 2018

	Notes	Fair value through profit or loss	Amortised cost	Total
Trade and other payables	23	-	425 175	425 175
Borrowings	18	-	314 260	314 260
Derivatives	12	27 085	-	27 085
Finance lease obligations	19	-	41 099	41 099
Other financial liabilities at fair value	20	11 315	-	11 315
Bank overdraft	13	-	91 110	91 110
		38 400	**871 644**	**910 044**

Company - 2019

	Notes	Fair value through profit or loss	Amortised cost	Total
Trade and other payables	23	4 461	209 870	214 331
Loans from group companies	17	-	8 798	8 798
Borrowings	18	-	746 573	746 573
Bank overdraft	13	-	17 301	17 301
		4 461	**982 542**	**987 003**

Company - 2018

	Notes	Fair value through profit or loss	Amortised cost	Total
Trade and other payables	23	-	243 025	243 025
Loans from group companies	17	-	14 720	14 720
Borrowings	18	-	159 345	159 345
Bank overdraft	13	-	255	255
		-	**417 345**	**417 345**

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

43.2 Capital risk management

The Group's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the Group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The Group monitors capital utilising a number of measures, including the gearing ratio. The gearing ratio is calculated as net borrowings (total borrowings less cash) divided by shareholders' equity.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

		Group		Company	
Figures in Rand thousand		**2019**	**2018**	**2019**	**2018**
	Notes				
Loans from group companies	17	-	-	8 798	14 720
Financial liabilities at fair value	20	79 045	11 315	-	-
Borrowings	18	769 784	314 260	746 573	159 345
Finance lease liabilities	19	86 298	41 099	-	-
Total borrowings		**935 127**	**366 674**	**755 371**	**174 065**
Cash and cash equivalents	13	49 243	10 255	13 191	(44 571)
Net borrowings		**984 370**	**376 929**	**768 562**	**129 494**
Equity		1 184 298	1 383 193	1 017 135	1 181 269
Debt/equity ratio		83 %	27 %	76 %	11 %

43.3 Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board has overall responsibility for the establishment and oversight of the Group's risk management framework. The board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports quarterly to the board on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee.

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group is exposed to credit risk on loans receivable, debt instruments at fair value through other comprehensive income, trade and other receivables, cash and cash equivalents, loan commitments and financial guarantees.

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the Group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default. When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc.Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable which do not contain a significant financing component are the exceptions and are discussed below.

Where necessary, the assessment for a significant increase in credit risk is made on a collective basis. Management typically adopt this approach when information relevant to the determination of credit risk is not available on an individual instrument level. Often, the only information available on individual instruments which could indicate an increase in credit risk, is "past due" information. It is typical that more forward-looking information is generally more readily available on a collective basis. Therefore, making the determination on a collective basis, helps to ensure that credit loss allowances are determined on the basis of lifetime expected credit losses before they reach the point of being past due. Forward looking, macro-economic information is applied on a collective basis when it is readily available without undue cost or effort. When loss allowances are determined on a collective basis, management determines the loss allowances by grouping financial instruments on the basis of shared credit risk characteristics.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

The maximum exposure to credit risk is presented in the table below:

Group			**2019**			**2018**	
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Trade and other receivables	11	805 924	(15 766)	790 158	726 921	(4 105)	722 816
Cash and cash equivalents	13	57 187	-	57 187	80 855	-	80 855
		863 111	**(15 766)**	**847 345**	**807 776**	**(4 105)**	**803 671**

Company			**2019**			**2018**	
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	8	543 100	(5 576)	537 524	417 196	-	417 196
Trade and other receivables	11	467 338	(7 113)	460 225	348 681	(3 605)	345 076
Cash and cash equivalents	13	4 110	-	4 110	44 826	-	44 826
		1 014 548	**(12 689)**	**1 001 859**	**810 703**	**(3 605)**	**807 098**

Amounts are presented at amortised cost or fair value depending on the accounting treatment of the item presented. The gross carrying amount for debt instruments at fair value through other comprehensive income is equal to the fair value because the credit loss allowance does not reduce the carrying amount. The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

43. Financial instruments and risk management (continued)

ii. Liquidity risk

The Group is exposed to liquidity risk, which is the risk that the Group will encounter difficulties in meeting its obligations as they become due.

The Group manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

Group - 2019

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Borrowings	18	-	106 160	106 160
Finance lease liabilities	19	-	55 973	55 973
Current liabilities				
Trade and other payables	23	439 769	-	439 769
Borrowings	18	663 624	-	663 624
Financial liabilities at fair value	20	79 045	-	79 045
Finance lease liabilities	19	30 325	-	30 325
Bank overdraft	13	106 430	-	106 430
		1 319 193	**162 133**	**1 481 326**

Group - 2018

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Borrowings	18	-	14 946	14 946
Finance lease liabilities	19	-	24 381	24 381
Current liabilities				
Trade and other payables	23	425 175	-	425 175
Borrowings	18	299 314	-	299 314
Financial liabilities at fair value	20	11 315	-	11 315
Finance lease liabilities	19	16 718	-	16 718
Bank overdraft	13	91 110	-	91 110
		843 632	**39 327**	**882 959**

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

Company - 2019

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Borrowings	18	-	106 160	106 160
Current liabilities				
Trade and other payables	19	214 331	-	214 331
Loans from group companies	17	8 798	-	8 798
Borrowings	18	640 413	-	640 413
Bank overdraft	13	17 301	-	17 301
		880 843	**106 160**	**987 003**

Company - 2018

		Less than 1 year	2 to 5 years	Total
Non-current liabilities				
Loans from group companies	17	-	14 720	14 720
Borrowings	18	-	10 030	10 030
Current liabilities				
Trade and other payables	23	243 025	-	243 025
Borrowings	18	149 315	-	149 315
Bank overdraft	13	255	-	255
		392 595	**24 750**	**417 345**

iii. Foreign currency risk

The Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the Group deals primarily is the US Dollar.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Exposure in Rand

The net carrying amounts, in Rand, of the various exposures, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amounts at the closing rate at the reporting date:

		Group		Company	
Figures in Rand thousand		**2019**	**2018**	**2019**	**2018**
US Dollar exposure:					
Current assets:					
Trade and other receivables	11	53 169	97 572	-	-
Cash and cash equivalents	13	2 774	1 689	-	-
Net US Dollar exposure		**55 943**	**99 261**	**-**	**-**

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

		Group		Company	
Figures in Rand thousand		**2019**	**2018**	**2019**	**2018**
US Dollar exposure:					
Current assets:					
Trade and other receivables	11	3 785	7 122	-	-
Cash and cash equivalents	13	197	123	-	-
Net US Dollar exposure		**3 982**	**7 245**	**-**	**-**
Exchange rates					
Foreign currency per Rand					
US Dollar		14.05	13.70	-	-

Forward exchange contracts

Certain forward exchange contracts have been entered into for the purposes of managing foreign currency risk. The net market value of all forward exchange contracts at reporting date is calculated by comparing the forward exchange contracted rates to the equivalent market foreign exchange rates at reporting date.

Group - 2019

	Note	Contract rate	Contract foreign currency amount
Exports			
Sell dollars - expiry 15 July 2019 to 30 December 2019	12	13.835 - 15.255	23 930 189

Group - 2018

	Note	Contract rate	Contract foreign currency amount
Exports			
Sell dollars - expiry 31 July 2018 to 28 February 2019	12	12.239 - 13.972	19 450 000

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

At 30 June 2019, if the Rand/US Dollar exchange rate had been 5% (2018: 5%) higher or lower during the period, with all other variables held constant, profit or loss for the year would have been R2 million (2018: R3,6 million) higher and R2 million (2018: R3,6 million) lower.

Notes to the Financial Statements

43. Financial instruments and risk management (continued)

iv. Interest rate risk

Interest rate risk is the risk that the Group's financial position may be adversely affected as a result of changes in the market interest rate. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's most significant interest bearing assets are its trade receivables, and cash and cash equivalents. The Group's most significant interest bearing liabilities are its loans with various financial institutions.

The Group manages its interest rate risk by negotiating the best possible interest rates with relevant financial institutions, and through borrowing funds at floating interest rates.

The subsidiaries involved in grain-related activities are particularly exposed to fluctuations in interest rates. Interest on all commodity financing gets repaid by the customer. The policy is to manage interest rate risk by monitoring interest rates carefully, and adjusting product pricing accordingly, as well as including variable interest rates in their sales contracts.

There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

Group

At 30 June 2019, if the prime lending rate had been 1% per annum (2018: 1%) higher or lower during the period, with all other variables held constant, profit or loss before tax for the year would have been R1,6 million (2018: R3,9 million) lower/higher and R1,6 million (2018: R3,9 million) higher/lower.

Company

At 30 June 2019, if the prime lending rate had been 1% per annum (2018: 1%) higher or lower during the period, with all other variables held constant, profit or loss before tax for the year would have been R2 million (2018: R6,4 million) higher and R2 million (2018: R6,4 million) lower.

v. Price risk

The Group does not use derivatives to manage operational exposures to price risks relating to changes in livestock and wool and mohair prices.

The subsidiaries involved in grain-related activities enter into forward sales contracts with their customers and suppliers, as well as stock on hand. These contracts carry market price risk when the price of the contract is fixed, as underlying commodity markets continues to fluctuate. This can have the effect that the subsidiaries would incur a loss or realise a gain depending on the movement in the market. The price risk is directly linked with the tonnage of the commodity determined in the contract with the suppliers and customers.

The grain operations manage the risk by taking out futures on the SAFEX market, thereby limiting the net exposure to fluctuations in commodity prices.

The grain operations are fully hedged on the SAFEX market and changes in SAFEX fluctuation will not be significant.

44. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Financial Statements

44. Fair value information (continued)

Levels of fair value measurements

Level 2

Figures in Rand thousand	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Recurring fair value measurements					
Assets	Notes				
Investment property	3				
Residential property		1 517	1 517	1 517	1 517
Office buildings		34 011	33 951	-	-
Total investment property		**35 528**	**35 468**	**1 517**	**1 517**
Property, plant and equipment	2				
Trading branches		125 938	115 566	125 938	115 566
Office buildings		182 946	182 946	174 835	174 836
Shearing and auction facilities		18 443	18 878	17 393	17 828
Processing and packaging plant		115 671	112 148	-	-
Total property, plant and equipment		**442 998**	**429 538**	**318 166**	**308 230**
Financial assets mandatorily at fair value through profit or loss	10&14				
Commodity contracts: Inventory - SAFEX		145 289	22 307	-	-
Open forward contracts		4 584	347	-	-
Total financial assets mandatorily at fair value through profit or loss		**149 873**	**22 654**	**-**	**-**
Hedging derivatives	12				
Foreign exchange contracts		8 484	-	-	-
Liabilities	Notes				
Financial liabilities at fair value through profit (loss)	20				
ABSA Bank Limited		75 913	10 389	-	-
Open forward contracts		3 132	926	-	-
Total financial liabilities at fair value through profit (loss)		**79 045**	**11 315**	**-**	**-**
Hedging derivatives	12				
Foreign exchange contracts		-	27 085	-	-
Total		**557 838**	**449 260**	**319 683**	**309 747**

Buildings which are currently classified as non-current assets held for sale have been recognised at fair value less costs to sell because the assets fair value less costs to sell is lower than its carrying amount.

Transfers of assets and liabilities within levels of the fair value hierarchy

Transfers into level 2

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
Assets	Notes				
Property, plant and equipment	2				
Office buildings		-	33 950	-	-
Shearing and auction facilities		-	8 110	-	-
Total property, plant and equipment		**-**	**42 060**	**-**	**-**
Total		**-**	**42 060**	**-**	**-**

44. Fair value information (continued)

Valuation techniques used to derive level 2 fair values

Trading branches, office buildings, shearing and auction facilities, processing and packaging plants

Level 2 fair values of trading branches, office buildings, shearing and auction facilities, processing and packaging plants have been generally derived using the yield method. The main Level 2 inputs used in this model are discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by Andrè Crouse Valuers based on comparable transactions and industry data.

No changes have been made to the valuation technique.

The most significant assumption used in the valuation of the properties was the capitalisation rate, which has been set out below for the various properties:

Capitalisation rate

- Trading branches 10% to 13%
- Office buildings 10% to 11%
- Shearing and auction facilities 11%
- Processing and packaging plant 11% to 11.5%

The valuations of land and buildings situated at Portion 24 of Erf 455 Bloemsmond and Portion 24 of Erf 455 Bloemsmond, Gordonia, Vryburg were based on the depreciated replacement value method. A certain replacement cost is used as starting point and then reduced by physical depreciation, functional and economic obsolescence and possible buyers resistance. In the valuation process depreciation of property can be described as the deterioration of any of the attributes bestowed upon it by nature; its physical condition, its utility or purposeful use and that of any of its components contributing thereto, irrespective of the causes thereof.

Valuation processes applied by the Group

The Group engages external, independent and qualified valuers to estimate the fair value of the Group's investment properties and land and buildings at least every three years, except for rural properties at least every five years.

As at 30 June 2019, the fair values of the land and buildings situated at Portion 24 of Erf 455 Bloemsmond and Portion 24 of Erf 455 Bloemsmond, Gordonia, Vryburg have been determined by Mr. TH Myburgh (Professional Valuer), of Equity Property Professionals with an effective valuation date of 28 May 2019.

As at 30 June 2019, the fair values of the land and buildings situated at Lot 497 and 500, Matsapha Industrial Estate, Swaziland have been determined by AM Ngwenya of Ngwenya Wonfor and Associates with an effective valuation date of 28 February 2019.

A directors' assessment was performed for trading branches, office buildings, shearing and auction facilities as well as processing and packaging plant which were not independently valued during the 2019 financial year. The last independent valuation of these land and buildings and investment properties were performed on 30 June 2018 by Mr. A Crouse (BCom(Hons), Dip Ind Eng (USA), Nat Dip Tech (Prod Eng)), a professional valuers.

The directors are of the opinion that the fair values as determined by the independent valuers during the last valuations performed, for properties listed above, represent the fair value of the investment properties and land and buildings.

Notes to the Financial Statements

45. Reclassification of comparatives

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements due to the adoption of IFRS 9 which became effective during the year. In addition to these changes the Group liabilities have been disaggregated into more financial statement line items on the face of the statement of financial position in order to enhanced disclosures.

As a result, certain line items have been amended in the statement of financial position, statements of cash flow and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The effects of the reclassification are as follows:

	Group		Company	
Figures in Rand thousand	**2019**	**2018**	**2019**	**2018**
Statement of Financial Position (previously reported)				
Investments in subsidiaries	-	-	-	591 727
Statement of Financial Position (after reclassification)				
Investment in subsidiaries	-	-	-	189 251
Loans to group companies	-	-	-	417 196
Loans from group companies	-	-	-	(14 720)
Statement of Financial Position (previously reported)				
Borrowings (Non-current)	-	39 327	-	-
Short-term borrowings (Current)	-	326 420	-	-
Derivatives (Current)	-	28 012	-	-
Statement of Financial Position (after reclassification)				
Borrowings (Non-Current)	-	14 946	-	-
Finance lease liabilities (Non-current)	-	24 381	-	-
Borrowings (Current)	-	299 314	-	-
Finance lease liabilities (Current)	-	16 718	-	-
Financial liabilities at fair value (Current)	-	11 315	-	-
Derivatives (Current)	-	27 085	-	-

Notes to the Financial Statements

46. New Standards and Interpretations

46.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 9 Financial Instruments	1 January 2018	The impact of the standard is set out in Note 47 Changes in accounting policy.
• IFRS 15 Revenue from Contracts with Customers	1 January 2018	The impact of the standard is set out in Note 47 Changes in accounting policy.
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	The impact of the standard is set out in Note 47 Changes in accounting policy.

46.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 1 July 2019:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 12 Income Taxes	1 January 2019	Unlikely there will be a material impact
• Amendments to IAS 23 Borrowing Costs	1 January 2019	Unlikely there will be a material impact
• IFRS 16 Leases	1 January 2019	Impact is currently being assessed

47. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

47.1 Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs.

IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for
- the classification and measurement of financial assets and financial liabilities
- impairment for financial assets, and
- general hedge accounting

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. The Group has elected the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 July 2018. Accordingly the prior year amounts reflected the requirements of IAS 39.

Classification and measurement of financial assets

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Notes to the Financial Statements

47. Changes in accounting policy (continued)

IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables in certain circumstances.

As at 1 July 2018, directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised. The result of the assessment is as follows:

	Group		Company	
Figures in Rand thousand	**1 July 2018**	**1 July 2017**	**1 July 2018**	**1 July 2017**
Items subject to the impairment provision of IFRS 9				
Loans to group companies	-	-	1 771	-
Trade and other receivables	5 427	-	2 105	-
Impact of deferred tax	(1 520)	-	(986)	-
Decrease in retained income	**3 907**	**-**	**2 890**	**-**

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

47.2 Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

There has been no significant impact from the new standard and no restatement of previous balances.

Accounting Policies

48. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

48.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements, and the Companies Act 71 of 2008 of South Africa, as amended.

The annual financial statements have been prepared on the historical cost convention, unless otherwise stated in the accounting policies. They are presented in thousands of Rand, which is the Group's and Company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in Note 47.

48.2 Segmental 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 executive directors that make strategic decisions.

The basis of segmental reporting has been set out in Note 1.

48.3 Consolidation

48.3.1 Basis of consolidation

The consolidated annual financial statements incorporate the annual financial statements of the Company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the Group.

The Group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity. They are deconsolidated from the date that control ceases.

The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the Group. All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 with non-controlling interests that do not result in loss of control are accounted for 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 Company.

Where a subsidiary is disposed of and a non-controlling shareholding 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. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

48.3.2 Investments in subsidiaries in the separate financial statements

In the company's separate financial statements, investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

48.3.3 Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Accounting Policies

48.3 Consolidation (continued)

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments. Otherwise, all subsequent changes to the fair value of contingent consideration that is deemed to be an asset or liability is recognised in either profit or loss or in other comprehensive income, in accordance with relevant IFRS's. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 groups) 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 acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interests in the acquiree are measured on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This treatment applies to non-controlling interests which are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other components of non-controlling interests are measured at their acquisition date fair values, unless another measurement basis is required by IFRS's.

In cases where the Group 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 to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

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. If the fair value of the net assets acquired is in excess of the consideration paid then the gain is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

48.4 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

48.4.1 Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

i. Lease classification

The Group is party to leasing arrangements, both as a lessee and as a lessor. The treatment of leasing transactions in the annual financial statements is mainly determined by whether the lease is considered to be an operating lease or a finance lease. In making this assessment, management considers the substance of the lease, as well as the legal form, and makes a judgement about whether substantially all of the risks and rewards of ownership are transferred.

ii. Expected manner of realisation for deferred tax

Management have reviewed the investment property portfolio of the Group in order to determine the appropriate rate at which to measure deferred tax. Investment property is measured at fair value. The manner of recovery of the carrying amount, i.e. through use or sale, affects the determination of the deferred tax assets or liabilities. IFRS assumes that the carrying amount of investment property is recovered through sale rather than through continued use. Management considered the business model of the portfolio and concluded that the assumption is not rebutted and that the deferred taxation should be measured on the sale basis.

Accounting Policies

48.4 Significant judgements and sources of estimation uncertainty (continued)

iii. Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact upon the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be affected.

48.4.2 Key sources of estimation uncertainty

i. Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

ii. Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in profit or loss.

In the Company an allowance is recognised against slow moving trade inventory at reporting date. Seasonal trade inventory older than twelve months is provided for at 15%. All other trade inventory older than twelve months is provided for at 25%. All trade inventory older than 24 months is provided for at 50%.

iii. Fair value estimation

Several assets and liabilities of the Group are either measured at fair value or disclosure is made of their fair values.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Information about the specific techniques and inputs of the various assets and liabilities are disclosed in Note 44.

iv. Impairment testing

The Group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determines the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

v. Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on Group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of property, plant and equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

48.5 Investment property

Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost of the investment property can be measured reliably.

Accounting Policies

48.5 Investment property (continued)

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment property in the Group comprises an office building and residential properties which are held for long-term rental yields and are not occupied by the Group. Investment property is carried at fair value, representing open market value determined on an annual basis by the board of directors.

Fair value is based on active market prices, adjusted if necessary for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. Valuations are conducted triennially by an independent valuer, except for residential properties in rural areas. Changes in fair values are recorded in profit or loss.

48.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major maintenance and services, additions to or replacements of parts of property, plant and equipment is capitalised if it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. Day to day maintenance costs are included in profit or loss in the year in which they are incurred.

Land and buildings comprise offices, warehouses, industrial, residential and trading branch buildings. Property values are reviewed on an annual basis by the directors. Offices, warehouses and industrial buildings are valued triennially by an external, independent valuer and included in the financial statements at the fair value less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Revaluations of land and buildings are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year. Land and buildings are valued every three years by an independent valuer, except for land and buildings situated in rural areas which are valued every five years.

Land and buildings is subsequently stated at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any increase in carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of land and buildings is transferred directly to retained income when the asset is derecognised.

Depreciation of an asset commences when the asset is available for use. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land and buildings	Straight line	50 years
Plant and machinery	Straight line	5 - 20 years
Furniture and fixtures	Straight line	5 - 10 years
Motor vehicles	Straight line	4 - 5 years
Office equipment	Straight line	5 - 10 years
IT equipment	Straight line	3 - 5 years

Accounting Policies

48.6 Property, plant and equipment (continued)

The residual value, useful life and depreciation method of each asset is reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. The directors consider the current values of properties to approximate their residual values.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

48.7 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity, and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Patents, trademarks and other rights	5 - 20 years
Brand names	5 - 20 years
Computer software, other	2 - 8 years
Client lists and relationships	5 - 20 years

48.8 Financial instruments: IFRS 9

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The financial instruments held by the Group, based on their specific classifications is set out in Note 43 Financial instruments and risk management.

Accounting Policies

48.8 Financial instruments: IFRS 9 (continued)

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

48.8.1 Loans receivable at amortised cost

i. Classification

Loans to group companies (Note 8), loans to directors, managers and employees (Note 41), and loans receivable (Note 11) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

ii. Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

iii. Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (Note 30).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

iv. Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, that is whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

v. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

An impairment loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in impairment on financial assets in profit or loss as a movement in credit loss allowance (Note 28).

Accounting Policies

48.8 Financial instruments: IFRS 9 (continued)

48.8.2 Trade and other receivables

i. Classification

Trade and other receivables, excluding VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 11). Trade and other receivables comprise trade debtors, advances and finance arrangements.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

ii. Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

iii. Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method and is included in revenue from contracts with customers (Note 25).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

iv. Trade and other receivables denominated in foreign currencies

When trade and other receivables are denominated in a foreign currency, the carrying amount of the receivables is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in other operating income (Note 27).

Details of foreign currency risk exposure and the management thereof are provided under financial instruments and risk management Note 43.

v. Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

vi. Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in Note 11.

48.8 Financial instruments: IFRS 9 (continued)

An impairment loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in impairment on financial assets in profit or loss as a movement in credit loss allowance (Note 28).

48.8.3 Borrowings and loans from related parties

i. Classification

Loans from group companies (Note 8) and borrowings (Note 18) are classified as financial liabilities subsequently measured at amortised cost.

ii. Recognition and measurement

Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (Note 31).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to Note 43 for details of risk exposure and management thereof.

iii. Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating income (Note 27).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management Note 43.

48.8.4 Trade and other payables

i. Classification

Trade and other payables (Note 23), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

ii. Recognition and measurement

They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 31).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to Note 43 for details of risk exposure and management thereof.

Accounting Policies

48.8 Financial instruments: IFRS 9 (continued)

48.8.5 Financial liabilities at fair value through profit or loss

i. Classification

Financial liabilities which are held for trading are classified as financial liabilities measured at fair value through profit or loss. Refer to Note 43.

Financial liabilities which are held for trading, consisting of foreign exchange contracts and open positions on the South African Futures Exchange (SAFEX), are initially measured at fair value on contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

When a financial liability is contingent consideration in a business combination, the Group classifies it as a financial liability at fair value through profit or loss. Refer to Note 43.

ii. Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the group's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs (Note 31).

iii. Financial liabilities denominated in foreign currencies

When a financial liability at fair value through profit or loss is denominated in a foreign currency, the fair value of the instrument is determined in the foreign currency. The fair value is then translated to the Rand equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised as part of the fair value adjustment in profit or loss. To the extent that the foreign exchange gain or loss relates to the portion of the fair value adjustment recognised in other comprehensive income, that portion of foreign exchange gain or loss is included in the fair value adjustment recognised in other comprehensive income.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management Note 43.

48.8.6 Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

48.8.7 Bank overdrafts

Bank overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

48.8.8 Derecognition

i. Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii. Financial liabilities

The Group derecognises financial liabilities when the Group obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

48.8 Financial instruments: IFRS 9 (continued)

48.8.9 Reclassification

i. Financial assets

The Group only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

ii. Financial liabilities

Financial liabilities are not reclassified.

48.8.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterpart.

48.8.11 Hedge accounting

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

i. Cash flow hedges

The effective portion of changes in the fair value of qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss in other operating gains (losses).

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of property, plant and equipment. Furthermore, if the Group expects that some or all of the loss accumulated in other comprehensive income will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Accounting Policies

48.9 Financial instruments: IAS 39 comparatives

48.9.1 Classification

The Group applied IAS39 for the previous financial year which ended 30 June 2018 (Note 47).

The Group classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through profit or loss - held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities at fair value through profit or loss - held for trading
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

48.9.2 Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

48.9.3 Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss exclude dividends and interest.

Dividend income is recognised in profit or loss when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

48.9.4 Derecognition

Financial assets 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.

48.9.5 Offsetting of financial assets

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterpart.

48.9.6 Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for 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 analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Accounting Policies

48.9 Financial instruments: IAS 39 comparatives (continued)

48.9.7 Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

48.9.8 Loans to (from) group companies

These include loans to and from group companies and are recognised initially at fair value plus direct transaction costs.

Loans to group companies are classified as loans and receivables.

Loans from group companies are classified as financial liabilities measured at amortised cost.

48.9.9 Trade and other receivables

Trade and other receivables comprise trade debtors, advances and finance arrangements. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Fair value represents the net invoiced amount of trade debtors and the cash value of any advances and financing arrangements granted.

Receivables are evaluated for impairment when they have exceeded their agreed-upon credit terms. An evaluation is performed taking into account the debtor’s financial position, wool and mohair, grain and livestock realisations as well as any security held by the Group. If the Group estimates that it will be unable to recover the full amount due, an impairment loss is recognised. Where the debtor subsequently becomes recoverable, the impairment is reversed to profit or loss. Where the debt becomes fully irrecoverable, such debtors are removed from the impairment provision and are written off.

Where debtors are not specifically identified as being impaired, an assessment is performed on the portfolio of all debtors, excluding those specifically provided for. If impairment indicators exist, a general provision is created based on the difference between the estimated expected recoveries and the current carrying amount of the debtors. The estimated recoveries are based on past history of the Group.

48.9.10 Trade and other payables

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

48.9.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

48.9.12 Bank overdrafts and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs.

Accounting Policies

48.9 Financial instruments: IAS 39 comparatives (continued)

48.9.13 Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and open positions on the South African Futures Exchange (SAFEX), are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Derivatives are classified as financial assets at fair value through profit or loss - held for trading.

48.9.14 Hedging activities

Designated and effective hedging instruments are excluded from the definition of financial instruments at fair value through profit or loss.

The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge)
- hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge);
- hedges of a net investment in a foreign operation (net investment 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 hedging 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 44.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

i. Cash flow hedges

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

Amounts accumulated in equity are reclassified to other comprehensive income to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place).

However, when the forecast transaction that is hedged results in the recognition of a non-financial item (for example, inventory or fixed assets) the gains and losses previously deferred in equity are held in equity and recognised on profit or loss as a reclassification adjustment through to other comprehensive income when the non-financial item affects profit or loss. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

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 that time remains in equity and is recognised in profit or loss as a reclassification adjustment through to other comprehensive income when the forecast transaction is ultimately recognised in profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in profit or loss as a reclassification adjustment through to other comprehensive income.

48.10 Tax

48.10.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Accounting Policies

48.10 Tax (continued)

48.10.2 Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

48.10.3 Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

48.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

48.11.1 Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the company's incremental borrowing rate.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

48.11.2 Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

48.11.3 Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

Accounting Policies

48.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of wholesale inventories is stated at the actual cost of purchase of such inventories, or net realisable value, if lower.

The cost of manufactured inventories are as follows:

Raw Materials: Actual cost determined on a first-in-first-out basis.
Finished Goods and Work-in-progress: Raw materials, direct labour, other direct costs and related production overheads (based on normal capacity).

Trading stock is generally determined on a weighted average basis and includes transportation and handling charges.

Grain inventories held in terms of brokerage transactions are measured at fair value at period end, based on the prevailing mark-to-market price of the specific inventory item as determined by SAFEX. The fair value of SAFEX commodity grain inventories is calculated based on SAFEX rates, less location differential, less grade discount and premiums at year end. The fair value of non-SAFEX commodity grain inventories is calculated based on willing buyer / willing prices seller at year end.

When inventories are sold the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

48.13 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, at the end of each financial year the Group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.
- tests goodwill acquired in a business combination for impairment.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment as defined by paragraph 5 of IFRS 8 Operating Segments before aggregation.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

Accounting Policies

48.13 Impairment of assets (continued)

A reversal of an impairment loss on assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

48.14 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity. Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity.

Shares issued at below fair value to conclude BEE transactions, where control over the counterparty was not present, are accounted for in profit or loss at the difference between the fair value of the shares and the issue price. A BEE reserve, included in non-distributable reserves, is credited in the statement of financial position.

If the Group reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those treasury shares is deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any consideration paid or received shall be recognised directly in equity.

Shares held by the BKB Personnel Share Trust are deducted from equity attributable to the Group’s equity holders on consolidation until the shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Group’s equity holders.

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

48.15 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

The Group operates a choice-settled, share-based compensation plan. The arrangement provides employees with the choice of cash settlement or receipt of equity instruments. The components are recorded, as a cash-settled share-based payment transaction to the extent that a liability to settle in cash has been incurred, or as an equity-settled share-based payment transaction to the extent that no such liability has been incurred.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

For cash-settled share-based payment transactions, the goods or services acquired and the liability incurred are measured at the fair value of the liability. Until the liability is settled, the fair value of the liability is re-measured at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

48.16 Employee benefits

48.16.1 Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

48.16.2 Defined contribution plans

The Group provides retirement and income protection benefits through a defined contribution plan for all of its permanent employees. The plan is administered separately from the Group and is governed by the Pension Funds Act.

A defined contribution plan is a pension plan into which the Group pays fixed contributions into a separate entity (a Fund) and will have no legal or constructive obligations to pay further contributions if the fund does not have sufficient assets to pay all employees’ benefits relating to employee service in the current and prior periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Accounting Policies

48.16 Employee benefits (continued)

48.16.3 Defined benefit plans

BKB Limited provides post-retirement medical benefits to certain retired employees.

The post-retirement medical liability is valued annually by independent, qualified actuaries. The liability is determined by discounting the future benefits payable at interest rates of government bonds with approximately the same maturity dates as the medical liability.

The expected costs of these benefits are accrued over the period of employment, using the projected unit credit method. Re-measurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the year in which they arise.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised in the year in which they arise, in other comprehensive income.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs.

48.17 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 39.

48.18 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position as a reduction of the carrying amount of the asset, which results in reduced depreciation expense.

48.19 Revenue from contracts with customers: IFRS 15

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods and services provided in the normal course of business, net of trade discounts, volume rebates and value added tax.

Revenue from contracts with customers is measured based on the consideration specified in a contract and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

- Sale of goods - wholesale (Brokerage, Fruit, Grain and Sugar)
- Sale of goods - retail (Trading)

Accounting Policies

48.19 Revenue from contracts with customers: IFRS 15 (continued)

- Rendering of services (Brokerage services, Trading and Grain)
- Commission received (Brokerage, Livestock auctioneering, property transactions and Grain)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

48.19.1 Sale of goods - wholesale

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location. Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No element of financing is deemed present as the sales are made in terms of credit terms, which are consistent with market practice.

Sale of wholesale goods comprises:

- Sale of processed maize and related products
- Margin on grain and related commodities
- Sale of manufactured lucerne and hay products
- Sale of surplus grain, upgradings and downgradings
- Packaging, marketing and sale of raisins
- Sale of sugar and related products
- Sale of wool and mohair

48.19.2 Sale of goods - retail

The Group sells goods directly to customers through its own retail outlets.

Revenue is recognised at a point in time for sales of goods.

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods, or based on credit terms negotiated for account holding customers. A receivable is recognised for account holding customers. No financing element is recognised as the payment terms are less than 6 months.

48.19.3 Rendering of services

Income is recognised at an amount that reflects the consideration to which the Group expects to become entitled for providing services to a customer. Income is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Group recognises income as the service is provided to a customer.

Rendering of services comprises:

- Handling, pressing and storage of wool and mohair
- Handling and storage of grain
- Shearing of animals

48.19.4 Commission received

Commission income is recognised at an amount that reflects the consideration to which the Group expects to become entitled for providing services to a customer. Income is measured based on the consideration specified in the contract with the customer and excludes amounts collected on behalf of third parties. The Group recognises income as the service is provided to a customer.

Commission received comprises:

- Commission on brokerage of wool and mohair
- Commission on sale of livestock and agricultural products
- Commission on sale of residential (urban and rural), commercial and farm properties

48.19.5 Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

48.19.6 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest received from debtors is included in revenue.

Accounting Policies

48.20 Revenue: IAS 18 comparatives

The Group applied the revenue recognition principles prescribed by IAS 18 in the prior year ended 30 June 2018 (Note 25).

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

48.20.1 Sales of goods

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and the risk and rewards of ownership have passed.

48.20.2 Rendering of services

Revenue from rendering of services is recognised in the period in which the services are provided by reference to completion of the specific transaction. Services income includes commission, handling and shearing income.

48.20.3 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. Interest received from debtors is included in revenue.

48.20.4 Dividend income

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

48.20.5 Rental income

Rental income is recognised on a straight-line basis over the period of the lease.

48.21 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related costs of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

Cost of sales is reduced by the amount recognised in inventory as a "right to return goods asset" which represents the Group right to recover products from customers where customers exercise their right of return under the Group returns policy.

48.22 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.

Accounting Policies

48.22 Borrowing costs (continued)

All other borrowing costs are recognised as an expense in the period in which they are incurred.

48.23 Translation of foreign currencies

48.23.1 Foreign currency transactions

A foreign currency transaction is recorded on initial recognition in Rands by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.