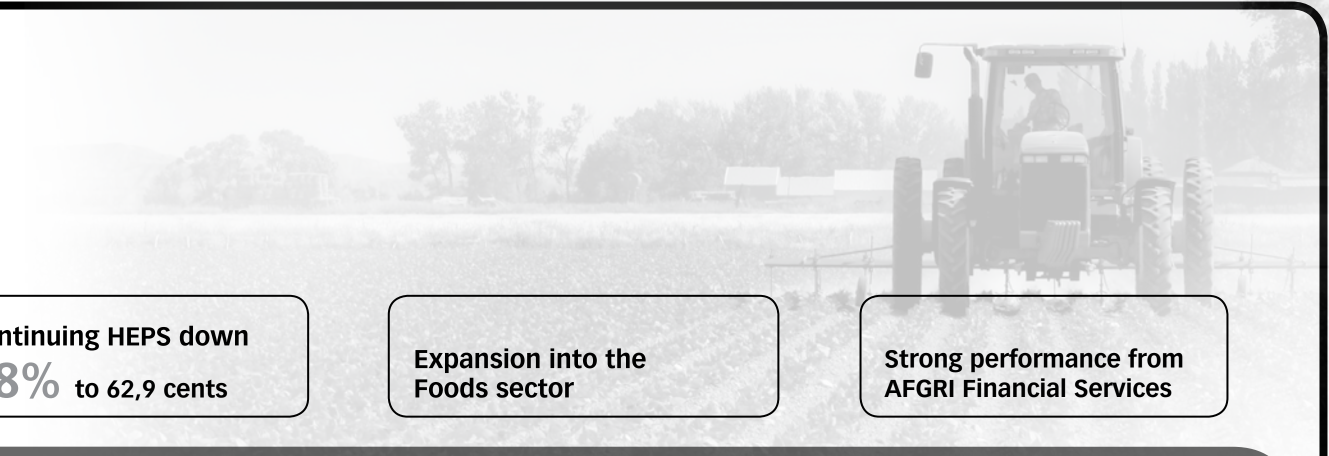
AFGRI LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1995/004030/06)
ISIN number: ZAE000040549 Share code: AFR

AFGRI

Growth the natural outcome



Total HEPS down
30% to 54,7 cents

Continuing HEPS down
18% to 62,9 cents

Expansion into the Foods sector

Strong performance from AFGRI Financial Services

Audited condensed consolidated financial results for the year ended 30 June 2011 and cash dividend declaration

Group balance sheet (R'millions)

	Note	30 June 2011	30 June 2010
ASSETS			
Non-current assets		**2 464**	2 080
Property, plant and equipment	2	**1 699**	1 394
Goodwill	2	**118**	37
Other intangible assets	2	**269**	241
Investments in associates		**41**	36
Other financial assets		**41**	52
Financial receivables		**164**	204
Deferred income tax assets		**132**	116
Current assets		**5 474**	6 375
Inventories		**1 024**	900
Biological assets		**53**	57
Trade and other receivables		**450**	545
Trade receivables financed by banks	6	**3 425**	3 898
Derivative financial instruments		**91**	50
Current income tax assets		**26**	28
Cash and cash equivalents and cash collateral deposits		**405**	897
Cash collateral deposits		**147**	422
Cash and cash equivalents		**258**	475
Assets of disposal groups classified as held for sale		**40**	23
Total assets		**7 978**	8 478
EQUITY			
Capital and reserves attributable to equity holders		**1 571**	1 602
Share capital*		**–**	–
Treasury shares		**(90)**	(90)
Incentive trust shares		**(133)**	(171)
Fair value and other reserves		**(64)**	43
Retained earnings		**1 858**	1 820
Non-controlling interest	9	**4**	683
Total equity		**1 575**	2 285
LIABILITIES			
Non-current liabilities		**748**	347
Borrowings		**560**	173
Deferred income tax liabilities		**188**	174
Current liabilities		**5 648**	5 846
Trade and other payables		**1 221**	1 564
Derivative financial instruments		**41**	73
Current income tax liabilities		**2**	2
Short-term borrowings		**10**	105
Call loans and bank overdrafts		**951**	207
Bank borrowings to finance trade receivables	6	**3 423**	3 895
Liabilities of disposal groups classified as held for sale		**7**	–
Total liabilities		**6 403**	6 193
Total equity and liabilities		**7 978**	8 478
Net asset value per share attributable to equity holders (cents)		**441**	451

Share capital issued to the value of R3 755 (2010: R3 738)

Group income statement (R'millions)

	Note	Year ended 30 June 2011	Year ended 30 June 2010
Continuing operations			
Sales of goods and services		**6 998**	6 797
Interest on trade receivables		**292**	383
Total revenue		**7 290**	7 180
Cost of sales*		**(5 231)**	(5 038)
Gross profit		**2 059**	2 142
Other operating income		**27**	79
Other operating expenses*		**(1 407)**	(1 310)
Operating profit		**679**	911
Finance costs	3	**(387)**	(438)
Share of profit of associates		**1**	–
Profit before income tax		**293**	473
Income tax expenses		**(68)**	(66)
Profit for the year from continuing operations		**225**	407
Discontinued operations			
(Loss)/profit for the year from discontinued operations	10	**(34)**	60
Profit for the year		**191**	467
Profit for the year attributable to:			
Equity holders of the Company		**190**	305
Non-controlling interest – Agri Sizwe partners		**–**	129
– Other non-controlling interests		**1**	33
Profit for the year		**191**	467
Number of shares in issue (million)		**375,5**	373,8
Weighted average number of shares in issue (million)		**328,5**	321,7
Diluted weighted average number of shares in issue (million)		**356,5**	354,8
Attributable to the equityholders of the company:			
Earnings per share from continuing operations (cents)		**65,5**	81,2
(Loss)/profit per share from discontinued operations (cents)		**(7,5)**	13,5
Earnings per share from all operations (cents)		**58,0**	94,7
Diluted earnings per share from continuing operations (cents)		**60,3**	73,7
Diluted (loss)/profit per share from discontinued operations (cents)		**(6,9)**	12,2
Diluted earnings per share from all operations (cents)		**53,4**	85,9

**Prior year information has been reclassified. Refer to note 12*

Group statement of comprehensive income (R'millions)

	Year ended 30 June 2011	Year ended 30 June 2010
Profit for the year	**191**	467
Other comprehensive income		
Exchange differences on translating foreign operations	**8**	3
Cash flow hedges	**7**	(16)
Other comprehensive income/(loss) for the year, net of tax	**15**	(13)
Total comprehensive income for the year	**206**	454
Total comprehensive income attributable to:		
Equity holders of the Company	**205**	292
Non-controlling interest – Agri Sizwe partners	**–**	129
– Other non-controlling interests	**1**	33
	206	454

Group statement of changes in equity (R'millions)

	Share capital	Fair value and other reserves	Retained earnings	Treasury shares	Incentive trust share	Total share-holders equity	Agri Sizwe partners	Other non-controlling interests	Total
Balance 30 June 2009 (audited)	–	47	1 722	(90)	(192)	1 487	619	27	2 133
Profit for the year	–	–	305	–	–	305	129	33	467
Other comprehensive loss for the year	–	(13)	–	–	–	(13)	–	–	(13)
Disposal of incentive shares	–	–	–	–	21	21	–	–	21
Dividends paid	–	–	(133)	–	–	(133)	–	–	(133)
Payment to non-controlling interests	–	–	–	–	–	–	(78)	(11)	(89)
Share based payments	–	9	–	–	–	9	–	–	9
Transaction with non-controlling interests	–	–	(74)	–	–	(74)	–	(36)	(110)
Balance 30 June 2010 (audited)	–	43	1 820	(90)	(171)	1 602	670	13	2 285
Profit for the year	–	–	190	–	–	190	–	1	191
Other comprehensive income for the year	–	15	–	–	–	15	–	–	15
Disposal of incentive shares	–	–	–	–	38	38	–	–	38
Dividends paid	–	–	(137)	–	–	(137)	–	–	(137)
Payment to non-controlling interests	–	–	–	–	–	–	–	(10)	(10)
Share based payments	–	6	–	–	–	6	–	–	6
Transaction with non-controlling interests	–	–	(23)	–	–	(23)	–	–	(23)
Consolidation of BEE SPVs	–	(120)	–	–	–	(120)	(670)	–	(790)
BEE partners share to non-distributable reserve	–	(8)	8	–	–	–	–	–	–
Balance 30 June 2011 (audited)	**–**	**(64)**	**1 858**	**(90)**	**(133)**	**1 571**	**–**	**4**	**1 575**

Group cash flow statement (R'millions)

	Year ended 30 June 2011	Year ended 30 June 2010
Operating activities		
Cash generated by operations before changes in working capital and tax paid	**381**	522
Changes in working capital	**(360)**	33
Tax paid	**(48)**	(71)
Net cash (utilised in)/generated by operating activities	**(27)**	484
Net cash (utilised in)/generated by investing activities	**(467)**	55
Net cash utilised in financing activities	**(467)**	(155)
Net (decrease)/increase in cash and cash equivalents	**(961)**	384
Cash and cash equivalents at the beginning of year	**268**	(116)
Cash and cash equivalents at the end of the year	**(693)**	268
Cash collateral deposits	**147**	422
Cash and cash equivalents and cash collateral deposits	**(546)**	690

Notes to the condensed consolidated annual financial statements

1. Basis of preparation and accounting policies

The directors of AFGRI Limited ("AFGRI" or "the Company") present these audited condensed consolidated financial results of the AFGRI group of companies ("the Group") for the year ended 30 June 2011. These condensed consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial liabilities (including derivative financial instruments) and biological assets at fair value through profit or loss, the Listings Requirements of the JSE Limited ("JSE") and the South African Companies Act (Act 71 of 2008) as amended, on a basis consistent with that of the prior period.

(R'millions)	Property, plant and equipment Year ended 30 June 2011	Property, plant and equipment Year ended 30 June 2010	Other intangible assets and goodwill Year ended 30 June 2011	Other intangible assets and goodwill Year ended 30 June 2010
2. Property, plant and equipment, other intangible assets and goodwill				
Carrying value beginning of year	**1 394**	1 346	**278**	275
Additions	**224**	282	**74**	74
Disposals at book value	**(49)**	(101)	**–**	(28)
Foreign currency differences	**3**	1	**1**	–
Depreciation/amortisation	**(103)**	(99)	**(46)**	(43)
Purchase of subsidiaries	**255**	–	**80**	–
Net sale of subsidiary (including assets held for sale)	**(25)**	(32)	**–**	–
Impairment	**–**	(3)	**–**	–
Carrying value end of period	**1 699**	1 394	**387**	278

(R'millions)	Year ended 30 June 2011	Year ended 30 June 2010
3. Finance costs		
Interest paid on bank borrowings used to finance trade receivables	**(205)**	(366)
Other interest paid to financial institutions	**(101)**	(72)
Other interest paid to financial institutions as a result of the consolidation of the BEE SPVs	**(81)**	–
Finance cost – Continuing operations (per income statement)	**(387)**	(438)
Finance cost – Discontinued operations	**(12)**	(51)
Finance cost – Total	**(399)**	(489)

(Cents)	Year ended 30 June 2011	Year ended 30 June 2010
4. Reconciliation of headline earnings per share (cents)		
Earnings	**58,0**	94,7
Impairment of assets	**0,3**	2,4
Profit of the sale of business	**(1,0)**	(12,1)
Profit on disposal of assets	**(2,6)**	(6,4)
Headline earnings	**54,7**	78,6
Diluted headline earnings	**50,4**	71,2

5. Business segment results

The pre-tax segment results are presented without taking into account any headline earnings adjustments and before the allocation of any minority share of profits. Operating profits after finance costs are shown after a charge for internal interest based on each operating unit's net assets throughout the year. With the exception of the restructuring of AFGRI Trading no other significant changes to the Group's structure and operations have occurred during the period. However, some of the smaller less material operations (Broking in Financial Services and Primary Inputs in Agri Services) have been amalgamated with their larger sister divisions. The continuing aspects of AFGRI Trading are reported under the Grain Management division. The Group did change the way it allocates Head Office expenses during the year. Although the allocation basis stayed consistent with prior years, only centralised costs are now distributed with corporate head office cost remaining in the Corporate segment. Comparatives have been restated to ensure comparability.

6. Trade receivables financed by banks and related liability

The only security for the liability is the trade receivables themselves and in certain cases, additional cash collateral deposits of 20% and/or cash trade receivables of up to 15% of the facility. The Group carries the risk of loss on these trade receivables.

7. Agency agreements

The Group manages agri debtors on behalf of third party financial institutions to the amount of R1 401 million (2010: R1 181 million). Management fees are paid by these third parties. The Group is liable for bad debts to a maximum of between 10% and 15% of the value of debtors administered. The Group receives a fee for the handling, grading, storing and administration of commodities on behalf of third parties. The value of these commodities is R3 419 million (2010: R2 927 million).

8. Business combinations

On 16 September 2010 the Group acquired a 100% shareholding in Crystal Holdings (Pty) Limited, a sugar cane farm, as compensation by converting a debt owed by the company to one of the Group's subsidiaries into equity. In terms of IFRS the company's underlying assets and liabilities were fair valued at acquisition date which resulted in no goodwill. Fair values were as follows: property, plant and equipment of R111,5 million, investment in associates of R4,3 million, financial receivables of R0,2 million, biological assets of R13,6 million, trade and other receivables of R0,2 million, cash and cash equivalents of R1,4 million, deferred tax liabilities of R13,9 million, trade and other payables of R6,8 million, income tax liabilities of R0,4 million and the loan to the Group subsidiary of R110,3 million. Revenue amounting to R15,1 million and a net loss of R7,0 million were included in the current year results.

As part of its growth strategy, the Group entered into a purchase agreement on 6 August 2010 to obtain the business of Rossgro Chickens (Pty) Limited as a going concern for a purchase consideration of R223,2 million. The transaction was approved by the South African Competition Authorities and the conditions precedent to the transaction were fulfilled on 28 January 2011. In terms of IFRS the company's underlying assets and liabilities were fair valued at acquisition date which resulted in goodwill of R80,0 million. Fair value of property, plant and equipment was R143,2 million. The initial accounting for this business combination in terms of IFRS 3 is incomplete as the purchase price allocation exercise is still to be finalised. The Group will revisit the assumptions and finalise the impact of IFRS 3 in the forthcoming year. Revenue amounting to R116,4 million and net loss of R9,9 million were included in the current year results.

9. Non-controlling interests

During the financial year, the Group's broad-based black economic empowerment structure was modified. To facilitate this modification, GroCapital Financial Services (Pty) Ltd, (a wholly owned subsidiary), funded the transaction, advancing R211 million to Izitsalo Employee Investment (Pty) Limited to buy out the remaining 80,1% beneficial interest it did not own in the Agri Sizwe Trust. This transaction, and specifically the funding thereof by the Group, has necessitated the consolidation of both the Agri Sizwe Trust and Izitsalo Employee Investment (Pty) Limited. The consolidation resulted in the pre-tax profit share of the Agri Sizwe Trust of R76,1 million no longer being reflected as a minority interest, an increase in finance costs of R80,6 million and an increase in taxation of R3,9 million. Assets and liabilities have been recognised at fair value at acquisition date which resulted in an increase in deferred tax assets of R17,4 million, a decrease in financial receivables of R50,2 million, a decrease in non-controlling interest of R669,5 million, an increase in borrowings of R545,0 million and an increase in trade and other payables of R0,1 million. At acquisition reserves of R91,1 million have been classified as non-distributable under general reserves. Post acquisition reserves of R8,4 million loss have also been classified as non-distributable under general reserves. The R211 million payment to the 80,1% investor in Agri Sizwe Trust has been accounted for under equity as a transaction with equity holders.

10. Discontinued operations

During the financial year a decision was taken to close the loss making business unit of the Trading division as the fully hedged business model was not sustainable. These assets contributed R59,4 million (2010: R79,0 million) to the Group's revenue and a loss of R32,1 million (2010: R15,3 million loss) to the Group's profit before tax.

The Group is in the process of concluding a sale agreement of one of its poultry breeder farms "Uitkyk" situated near Mokopane to Mike's Chicken (Pty) Limited. The assets will only be transferred to the buyer over the next 12 months and are therefore disclosed as held-for-sale. The related borrowings will be settled once the sales price has been received.

During the previous financial year the Group concluded the sale agreement of the Tsunami business unit with Oninamix (Pty) Limited trading as Arysta Lifescience South Africa. One of the assets disclosed as held-for-sale has not been transferred during the current financial year due to administrative delays and will be transferred in the next financial year.

The trading results of the loss making business unit of the Trading division are disclosed as discontinued operations. The comparative reclassification between continuing and discontinued operations in the Income Statement and Business Segment Results has been made. Included in the loss from discontinued operations is the loss on the remeasurement of assets of the poultry breeder farm "Uitkyk" to fair value due to its held-for-sale classification.

11. Subsequent event

As part of AFGRI's growth strategy to expand its industrial processing capacity of its Foods segment, AFGRI announced on 15 June 2011 that AFGRI Operations Limited and GroCapital Financial Services (Pty) Ltd (a wholly owned subsidiary) had entered into a binding sale of business agreement to acquire the yellow grits and by-products milling business of Pride Milling Company (Pty) Limited conducted at Ermelo, Kinross and Bethal as a going concern.

The purchase price, which is subject to adjustment, is R220 million. The transaction is subject to the fulfilment of various suspensive conditions, in particular the unconditional approval of the South African Competition Authorities and AFGRI's satisfaction with the results of financial, legal and technical due diligence. More details regarding this transaction were published on SENS on 15 June 2011.

In addition, GroCapital Financial Services (Pty) Ltd (a wholly owned subsidiary) is in the process of negotiating the disposal of its farmers lending book to the Land and Agricultural Development Bank of South Africa. Cautionary statements were released on SENS on 14 July 2011 and 17 August 2011.

12. Comparative figures

During the current financial year certain costs, that have previously been disclosed as other operating expenses, have now been disclosed as part of cost of sales. The prior year information has been reclassified to ensure comparability and a total amount of R32,4 million has been reclassified from other operating expenses to cost of sales.

13. Going concern

The Board of Directors is satisfied that, after taking into account the current banking facilities, its utilisation thereof and the budgeted profit and cash flows for the year ending 30 June 2012, the working capital available to AFGRI will be sufficient to meet its requirements for the next 12 months.

14. Corporate governance and JSE Limited ("JSE") compliance

The Group's applications of the principals and recommendations of King III is to be reported in the Integrated Annual Report. The Group complies with the JSE Listings Requirements regarding the contents of the condensed consolidated annual financial statements.

15. Audit opinion

These condensed consolidated financial results have been audited by our auditors, PricewaterhouseCoopers Inc., who have performed their audit in accordance with the International Standards on Auditing. A copy of their unqualified audit report is available for inspection at the registered office of the company.

Business segment results (R'millions)

	Agri-Services: Retail and Equipment 2011	2010	Agri-Services: Grain Management 2011	2010	Financial Services 2011	2010	Foods: Animal Protein 2011	2010	Foods: Oil and Protein 2011	2010	Other: Corporate 2011	2010	Other: BEE SPVs 2011	2010	Other: Inter-group eliminations 2011	2010	Totals: Continuing operations 2011	2010	Totals: Discontinued operations 2011	2010	All operations 2011	2010
Revenue	**3 112**	3 277	**396**	492	**408**	507	**2 929**	2 627	**514**	544	**–**	1	**–**	–	**(69)**	(268)	**7 290**	7 180	**59**	1 146	**7 349**	8 326
– sale of goods and services	**3 109**	3 275	**396**	492	**119**	126	**2 929**	2 627	**514**	544	**–**	1	**–**	–	**(69)**	(268)	**6 998**	6 797	**59**	1 120	**7 057**	7 917
– interest	**3**	2	**–**	–	**289**	381	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**292**	383	**–**	26	**292**	409
Operating profit/(loss) (before the items below)	**66**	168	**200**	216	**233**	298	**296**	292	**36**	38	**(36)**	(44)	**–**	–	**–**	–	**795**	968	**(26)**	123	**769**	1 091
– other operating income	**–**	–	**–**	–	**15**	60	**–**	–	**–**	–	**12**	19	**–**	–	**–**	–	**27**	79	**–**	2	**27**	81
– depreciation and amortisation	**(13)**	(13)	**(17)**	(20)	**(24)**	(27)	**(65)**	(58)	**(6)**	(7)	**(18)**	(11)	**–**	–	**–**	–	**(143)**	(136)	**(6)**	(6)	**(149)**	(142)
Operating profit/(loss)	**53**	155	**183**	196	**224**	331	**231**	234	**30**	31	**(42)**	(36)	**–**	–	**–**	–	**679**	911	**(32)**	119	**647**	1 030
Other items of profit and loss	**–**	–	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1**	–	**(2)**	–	**(1)**	–
– fair value adjustment to disposal group assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(2)**	–	**(2)**	–
– share of profit/(loss) of associates	**–**	–	**1**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1**	–	**–**	–	**1**	–
Profit/(loss) before finance costs	**53**	155	**184**	196	**224**	331	**231**	234	**30**	31	**(42)**	(36)	**–**	–	**–**	–	**680**	911	**(34)**	119	**646**	1 030
Finance costs	**(38)**	(57)	**(16)**	(12)	**(180)**	(298)	**(68)**	(56)	**(6)**	(4)	**2**	(11)	**(81)**	–	**–**	–	**(387)**	(438)	**(12)**	(51)	**(399)**	(489)
Profit/(loss) before income tax	**15**	98	**168**	184	**44**	33	**163**	178	**24**	27	**(40)**	(47)	**(81)**	–	**–**	–	**293**	473	**(46)**	68	**247**	541
Income tax																	**(68)**	(66)	**12**	(8)	**(56)**	(74)
Profit after tax																	**225**	407	**(34)**	60	**191**	467
Assets	**1 406**	1 832	**961**	1 011	**3 553**	3 730	**1 877**	1 523	**302**	150	**500**	736	**(33)**	–	**(588)**	(504)	**7 978**	8 478			**7 978**	8 478
Non-current assets	**244**	236	**401**	445	**338**	196	**1 098**	882	**97**	77	**319**	259	**(33)**	–	**–**	(15)	**2 464**	2 080			**2 464**	2 080
Other current assets	**757**	835	**183**	147	**144**	19	**247**	240	**131**	26	**39**	49	**–**	–	**(267)**	(258)	**1 234**	1 058			**1 234**	1 058
Trade and other receivables	**357**	721	**280**	346	**2 919**	3 090	**519**	395	**74**	46	**47**	76	**–**	–	**(321)**	(231)	**3 875**	4 443			**3 875**	4 443
Cash and cash equivalents	**48**	40	**97**	73	**152**	425	**13**	6	**–**	1	**95**	352	**–**	–	**–**	–	**405**	897			**405**	897
Liabilities	**458**	841	**406**	554	**3 024**	3 248	**677**	675	**168**	77	**1 621**	1 276	**538**	–	**(489)**	(478)	**6 403**	6 193			**6 403**	6 193
Non-current liabilities	**3**	3	**2**	20	**20**	13	**118**	253	**7**	7	**64**	66	**534**	–	**–**	(15)	**748**	347			**748**	347
Other current liabilities	**444**	833	**404**	534	**133**	298	**559**	422	**161**	70	**65**	50	**4**	–	**(489)**	(463)	**1 281**	1 744			**1 281**	1 744
Borrowings to finance trade receivables	**–**	–	**–**	–	**2 871**	2 937	**–**	–	**–**	–	**552**	958	**–**	–	**–**	–	**3 423**	3 895			**3 423**	3 895
Call loans and overdrafts	**11**	5	**–**	–	**–**	–	**–**	–	**–**	–	**940**	202	**–**	–	**–**	–	**951**	207			**951**	207
Capital expenditure	**22**	39	**39**	59	**30**	24	**86**	145	**26**	21	**95**	67	**–**	–	**–**	–	**298**	355			**298**	355

Commentary

The directors of AFGRI Limited ("AFGRI") are pleased to present the audited condensed consolidated financial results of the AFGRI group of companies ("the Group") for the year ended 30 June 2011.

The financial performance for AFGRI for the year under review was impacted by the discontinuation of the grain trading business as highlighted in the discontinued operations line in the income statement. The results of the continuing operations were impacted by: agricultural conditions and its effect on the retail and equipment divisions both in South Africa and Australia, an increased tax rate, the consolidation of the BEE minorities and the Competition Commission settlement.

South Africa produced a large maize crop for the fourth year in a row. However, the crop was smaller than originally anticipated and in certain areas, in particular Mpumalanga and Gauteng, a mid-season drought followed by an above average late rainy season negatively influenced both yield and quality. Maize farmers, in the face of low maize prices, opted to plant a smaller area of maize, preferring alternative crops such as soya. In addition to this farmers reduced spending on capital equipment and other expenses. International commodity prices, including the prices of grains and food in general, only began to increase in early 2011.

The combined result of these factors was that the Group's overall performance was lower than prior year.

Operational review

The Group manages its operations in three segments – Agri Services, Financial Services and Foods. Within these segments are divisions and smaller individual business units. The financial results of these three segments and their individual divisions appear in the Business segment results. Minor changes have been made to the Group's segments during the year. Africa is now included with Retail and Equipment (2010: Financial Services). The procurement element of the Group's Grain Trading business unit is included with Grain Management and the marketing element with Financial Services where it complements the activities of the Broking business. Prior year comparatives have been restated for these changes. The consolidation of the Agri Sizwe partnership is reflected in a dedicated column on the segment report, whilst centralised costs are still charged to the segments as in the past, the corporate costs now remain in the corporate segment and certain logical changes have been made to some of the divisions underlying the three operating segments.

AFGRI Agri Services

The 2010/11 agricultural year was erratic. Late pre-season rains, the large 2009/10 summer crop and the strong rand which limited grain prices, all contributed to an uncertain start to the season with approximately 13% of the available land transferred from maize to other crops, such as soya. Heavy post planting rainfall restricted access to lands for fertilising and an extended mid-season drought and heavy late rains impacted on the final crop size and quality in many of the AFGRI regions.

These early season factors above led to a reduction in volumes through the Group's retail stores and lower commodity prices resulted in a reduction in profitability despite the maintenance of retail margins. In particular, the low grain prices resulted in reduction in retail turnover and a move towards lower kilowatt tractors leading to a reduction in AFGRI's market share.

Severe drought in Western Australia resulted in the Australian subsidiary reporting its first ever loss, further contributing to the disappointing results.

Although the Grain Management business began the year with silo stock levels higher than in July 2009, the increased export of grain and the smaller, lower quality summer crop in the main AFGRI areas resulted in lower storage revenues and handling fees in the second half of the year. The provision of value-added services and strict cost control allowed this division to limit the impact on its results.

Overall the Agri Services segment produced a profit before tax of R183 million (2010: R282 million) a decline of 35%. This result includes a R15,6 million settlement paid to the Competition Commission relating to its investigation into the recommendation of standard storage tariffs by members of the Grain Silo industry to SAFEX, at the request of SAFEX.

AFGRI Financial Services

The 2011 financial year for the Group's Financial Services segment was characterised by generally improved results through the renegotiation of facilities and the cost benefits of the 2010 restructuring.

During the year, GroCapital increased its lending to processors and end users of agricultural products by 5%. The closer matching of facilities with lending reduced commitment fees. This saving, together with improved margins through appropriate re-pricing resulted in an increase in the profitability of the corporate debtors' book.

The division grew its fee income through expanding its international agricultural trade financing services and related foreign exchange products.

The discontinuance of an element of the Group's Grain Trading division and the lower agricultural futures volumes traded on SAFEX saw a decline in the contribution from the Group's Broking business.

In line with the Group's strategy to reduce the size of its farmer lending book, the AFGRI Capital division further reduced the average size of its debtors' book by approximately R530 million (to R2,6 billion) or 20% year-on-year.

AFGRI Capital benefited for the full year from re-pricings and the restructuring finalised towards the end of the 2010 financial year. The renegotiation of facilities resulted in a release of cash collateral deposits, lower costs and reduced commitment fees. The division reported a considerable turnaround in its performance during the year.

Subsequent to year end, the Group reported on SENS that it was in negotiations with the Land and Agricultural Development Bank of South Africa to dispose of its farmers lending book. This transaction, if concluded, will result in AFGRI disposing its existing performing farmers lending book to the Land and Agricultural Development Bank of South Africa and originating farmer debt on behalf of the Land and Agricultural Development Bank of South Africa, while AFGRI will continue to administer the book. As a consequence of this transaction, AFGRI's gearing will reduce.

Low maize prices and difficult economic conditions affected the Group's insurance broking business unit. This impact was moderated by expanding the product offering and managing costs.

In total AFGRI's Financial Services segment reported a profit before tax of R44 million (2010: R33 million), an increase of 33%.

AFGRI Foods

Increased competition from a new independent manufacturer of animal feeds in the marketplace and the loss of volumes due to the vertical integration of smaller poultry producers resulted in a decline in independent volumes for AFGRI Animal Feeds. However, the 2010 expansion of AFGRI's Daybreak abattoir and the current year's acquisition of the operations of Rossgro contributed to an overall net increase of 3% in the division's volumes. Volume growth was also achieved in the Western Cape and KwaZulu-Natal with the recently acquired Pietermaritzburg factory.

While there existed significant commodity price volatility during the year, procurement was well managed with the result that margins were not affected substantially.

With the exception of energy costs (driven by price increases), operating costs at all AFGRI Animal Feeds' factories were well controlled. There are ongoing efforts to identify energy efficiencies and cost savings within the division.

During 2010 AFGRI Poultry expanded its Daybreak abattoir's capacity to 770 000 birds per week. The acquisition of Rossgro's facility added a further 350 000 birds per week from 1 March 2011. Capacity utilisation at the two abattoirs since March has averaged 91%.

The challenge for the poultry industry is the continuing low level of selling prices. Current year prices are only marginally above those of 2010 and lower than 2009. Low selling prices are the result of a variety of factors from increased production capacity, and the level of imports. It is estimated that the current level of imported chicken into South Africa represents some 3,7 million chickens per week, equivalent to nearly four AFGRI Poultry operations. The strong rand continues to support these imports. Although trading conditions remained difficult during the year the increased capacity and production contributed to improved results from the Group's poultry operation.

The Group's Oil and Protein division, Nedan reported a decline in its profit before tax which is attributed to lower crushing volumes as the crush margin turned negative in the second half of the year and increased energy costs.

In total the AFGRI Foods segment reported a profit before tax of R187 million (2010: R205 million), a decrease of 9%.

Financial review

Continuing operations

The Group's revenue from continuing operations increased by 2%. This disappointing growth in revenue is mainly attributable to low commodity prices which impacted on farmer spending and furthermore led to low animal feed and poultry prices, both large contributors to Group revenue. In addition, lower interest rates and a smaller debtors' book contributed to the low rate of top line growth.

The Group's cost of sales from continuing operations increased by 4% reducing the gross profit percentage (excluding interest income) from 26% to 25%. The first ever loss by the Australian subsidiary accounts for a considerable portion of this lost margin.

Selling and administration cost increases were well managed, restricting the increase to just over 7% despite significant increases in administered prices such as electricity, the settlement with the Competition Commission and an increase in transaction costs as a result of an increase in corporate actions.

During the year, the Group was able to restructure its B-BBEE partnership structure, seeing the original core partners exiting and the Group's employees and charitable trusts increasing their ownership. This transaction necessitated the consolidation of the Agri Sizwe partnership for the first time. This accounting treatment makes comparison of selected income statement lines difficult and results in the reallocation of a major portion of the minority interest in the Group to borrowings. For further details refer to note 9 of the notes to these condensed consolidated results.

Due to the consolidation of the Agri Sizwe partnership the Group's finance charges now include the cost associated with the external borrowings of the Agri Sizwe Empowerment Trust, amounting to R81 million (2010: R nil). Ignoring the impact of this consolidation, the Group's borrowing costs decreased by 30%, in line with lower interest rates and the reduced debtors' book.

The inclusion of the R81 million Agri Sizwe Empowerment Trust finance costs amplifies the Group's decline in results at the profit before and after income tax levels. This impact is largely reversed when one considers the profit attributable to equity holders as the financial results now include the consolidation of the Agri Sizwe partnership and therefore no longer reflect a minority balance attributable to the Trust. The net impact for the year of the consolidation of the Agri Sizwe Empowerment Trust on profit attributable to equity holders is a loss of R8 million.

The Group's effective tax rate for all operations is 23% (2010: 20%).

Profit after tax from continuing operations totalled R225 million (2010: R407 million), a decline of 45%. Approximately 20% of this decline is due to the consolidation of the Agri Sizwe partnership.

Discontinued operations

A lengthy and detailed investigation into the profitability of aspects of AFGRI Trading concluded that the fully hedged business model is not sustainable. A decision was taken to discontinue this particular product line and reallocate the remaining grain trading activities to the Grain Management and GroCapital divisions. The benefits of this are reduced costs, the elimination of uncontrollable risks and a more sustainable business model for our customers.

The loss after tax from discontinued operations of R34 million (2010: profit of R60 million) relates only to the aspect of AFGRI Trading discussed above. The prior year's results from discontinued operations include capital and trading profits attributable to the sale of businesses.

All operations

The Group reported profit for the year attributable to equity holders of R190 million (2010: R305 million) a decline of 38%.

Earnings and headline earnings

Earnings per share from all operations for the period of 58,0 cents (2010: 94,7 cents) reflect a 39% decline.

AFGRI's total headline earnings per share of 54,7 cents (2010: 78,6 cents) are 30% lower than the prior year.

The result is that headline earnings per share from continuing operations declined by 18,1% to 62,9 cents (2010: 76,8 cents). The reduction in the profitability of continuing operations may be attributed to the poor retail trading conditions in South Africa and Australia, lower stock levels in the silo's during the second half of the year, the R15,6 million settlement with the Competition Commission and the higher tax rate from the prior year's low base.

Cash flow

In total the Group had a decrease in cash and cash equivalents of R961 million which resulted in an increase in net debt.

Apart from the reduced profit, various cash outflows occurred. The closure of a part of AFGRI Trading, the sale of the Tsunami business in 2010 and reduced activity in the retail stores are the main contributors to the reduction in creditors resulting in the outflow of working capital.

R223,2 million was invested in acquiring Rossgro Chickens (Pty) Limited and a further R298 million was invested in the expansion of the Group's operations.

The Group further funded R207 million to the BEE partners which was used to buy out the remaining minorities.

Changes to the Board of Directors

Due to the restructuring of the black economic empowerment structure discussed above, Messrs MI Mogari, MM Moloele and Ms KL Thoko resigned as directors with effect from 3 September 2010.

Messrs JJ Claassen, DD de Beer, JJ Ferreira and FJ van der Merwe retired as directors with effect from 15 October 2010 after many years of loyal and dedicated service.

Mr CT Vorster and Ms BA Mabuza were appointed as non-executive directors with effect from 15 November 2010.

Ms NL Shirilele was appointed as an independent non-executive director on 26 January 2011.

Prospects

Assuming higher maize prices and a strong rand remain with us through the forthcoming year, maize plantings should return to normal and weather permitting, a further good crop is expected. Increased agricultural confidence should improve demand at AFGRI's retail and equipment operations in South Africa and Australia.

With the lower opening stock at 1 July 2011, the Grain Management business will need to once again carefully manage its costs and provide value-added services such as collateral management of storage facilities where AFGRI's knowledge, experience and proprietary technology can be applied.

In the Financial Services segment, the focus will be on finalising and implementing the proposed sale of the farmers lending book, where AFGRI retains the relationship with its farming clients. This is expected to improve the Group's gearing and provide it with a strong base to expand further into the Foods sector.

The Foods segment will continue to focus on product quality and customer service. Bedding down this year's two acquisitions and extracting every synergy from the AFGRI value chain will be key focus areas.

By order of the Board

JPR Mbau
(Chairman)

CP Venter
(Chief Executive Officer)

6 September 2011

Declaration of final cash dividend

Notice is hereby given that the directors of AFGRI have declared a final cash dividend of 3,20 cents per share for the year ended 30 June 2011. In accordance with settlement procedures of STRATE, the following dates will apply to the final dividend:

Last day to trade cum the dividend	Friday, 11 November 2011
Trading ex dividend commences	Monday, 14 November 2011
Record date	Friday, 18 November 2011
Dividend payment date	Monday, 21 November 2011

There will be no dematerialisation or rematerialisation of AFGRI shares between Monday, 14 November 2011 and Friday, 18 November 2011, both dates inclusive.

By order of the Board

N van Wyk
Group Company Secretary
Centurion

Administration

Business address and registered office: AFGRI Building, 12 Byls Bridge Boulevard, Highveld Ext 73, Centurion, 0157
Tel 011 063 2347 Fax 087 942 5010 **Company Secretary:** Ms N van Wyk, PO Box 11054, Centurion, 0046
Bankers: ABSA Bank Limited, Co-öperatieve Centrale Raiffeisen-Boerenleenbank B.A. trading as Rabo Bank, FirstRand Bank Limited, Hong Kong and Shanghai Banking Corporation, Investec Bank Limited, Land and Agricultural Development Bank of SA Limited, Nedcor Limited, Standard Bank of SA Limited, Standard Chartered Bank
Auditors: PricewaterhouseCoopers Inc., 32 Ida Street, Menlyn Park, 0102, PO Box 35296, Menlo Park, 0102
Transfer secretaries: Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107 Tel: 011 370 5000
Sponsor: Investec Bank Limited, 100 Grayston Drive, Sandton, 2196, PO Box 785700, Sandton, 2146

Directorate

Non-executive: JPR Mbau, *Chairman*; DD Barber; LM Koyana; L de Beer; BA Mabuza; CT Vorster; NL Shirilele
Executive: CP Venter *(Chief Executive Officer)*, JA van der Schyff *(Financial Director)*

This announcement is available on SENS and AFGRI's website at
www.afgri.co.za

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