

ABBREVIATED FINANCIAL STATEMENTS

2017

The fingerprint of the
farmer is engraved in
the DNA of TWK.



TWK Investments Ltd

Three-year review of TWK Investments Ltd

	2017	2016	2015
Turnover from continuing operations	6 997 638 119	6 537 668 535	5 297 240 844
Profit from continuing operations before loyalty scheme payments	216 949 786	183 923 057	126 155 482
Return on opening equity	12,47%	14,05%	10,29%
Basic Earnings per share	366,92	329,32	221,76
Net asset value per share	33,06	26,43	23,43

Looking forward

TWK's strategy is based on the creation and unlocking of value through the optimisation of existing assets and operations as well as making investments which are necessary to ensure the sustainable growth of TWK over the long term.

The South African agriculture industry is known for fluctuating agricultural conditions and severe droughts. Although there are still areas which are suffering under droughts, the prognosis for the coming year appears to be very positive. Any business has a number of risks which need to be limited or managed. However, TWK's business model and operations have a number of levers to mitigate challenges and risks, including a diversified client base, operational effectiveness, broad spectrum of suppliers, product diversification and limited market risk.

Due to the close application and implementation of our strategic and operational effectiveness through efficient cost management and optimal stock levels, growth is expected to continue. It is therefore expected that the good momentum built up by the respective business segments will be continued and the results of previous years will be substantially exceeded.

TWK's core business is and continues to provide agricultural and agricultural related services and inputs, and to provide market access for agricultural products. TWK's extensive footprint, infrastructure, market share and expertise enable us to not only focus on maintaining and expanding existing businesses, but our strategy includes specific targets for new additions focusing on the agricultural value chain.

Consolidated Statement of Financial Position

as at 31 August 2017

Figures in Rand	2017	2016 Restated
Assets		
Non-Current Assets		
Property, plant and equipment	666 427 607	622 274 960
Biological assets	307 247 522	270 934 599
Goodwill and intangible assets	120 711 442	21 925 708
Investments in associates	12 517 096	36
Loans to group companies	15 053 325	11 527 743
Other financial assets	195 919 387	192 578 717
Finance lease receivables	14 122 989	19 186 204
	1 331 999 368	1 138 427 967
Current Assets		
Inventories	1 056 330 694	994 364 428
Other loans receivable	333	3 822 976
Trade and other receivables	862 910 036	712 953 266
Other financial assets	6 496 579	-
Finance lease receivables	15 327 742	16 383 806
Current tax receivable	12 249 844	6 847 271
Cash and cash equivalents	111 672 626	133 240 248
	2 064 987 854	1 867 611 995
Non-current assets held for sale and assets of disposal groups	4 185 332	-
	3 401 172 554	3 006 039 962
Equity and Liabilities		
Equity		
Equity Attributable to Equity Holders of Parent		
Share capital	774 144 333	776 478 952
Reserves	(2 766 486)	(22 100 631)
Retained income	271 154 776	173 198 007
	1 042 532 623	927 576 328
Non-controlling interest	(9 917 560)	(54 448 450)
	1 032 615 063	873 127 878
Liabilities		
Non-Current Liabilities		
Loans from group companies	142 736 720	-
Other loans payable	9 743 584	16 256 102
Other financial liabilities	511 625 397	221 873 984
Finance lease liabilities	1 466 911	-
Retirement benefit obligation	9 564 000	6 089 009
Deferred tax	115 088 622	87 403 767
	790 225 234	331 622 862
Current Liabilities		
Trade and other payables	630 007 630	562 763 675
Loans from group companies	11 215 953	-
Other loans payable	10 714 096	6 935 278
Other financial liabilities	918 304 506	1 225 611 665
Finance lease liabilities	736 405	128 178
Current tax payable	1 631 312	4 849 266
Provisions	880 311	528 885
Dividend payable	4 447 499	222 004
Bank overdraft	394 545	250 271
	1 578 332 257	1 801 289 222
Total Liabilities	2 368 557 491	2 132 912 084
Total Equity and Liabilities	3 401 172 554	3 006 039 962

Consolidated Statement of Profit or Loss and Other Comprehensive Income

as at 31 August 2017

Figures in Rand	2017	2016 Restated
Continuing operations		
Revenue	6 997 638 119	6 537 668 535
Cost of sales	(5 959 328 543)	(5 656 824 349)
Gross profit	1 038 309 576	880 844 186
Other operating income	65 036 184	70 743 864
Other operating gains	32 750 685	24 114 149
Other operating expenses	(807 026 934)	(682 746 505)
Operating profit	329 069 511	292 955 694
Investment income	2 310 677	861 291
Finance costs	(129 197 231)	(109 893 928)
Share of profit from associates	1 917 051	-
Other non-operating gains	12 849 778	-
Profit before loyalty scheme payments	216 949 786	183 923 057
Loyalty scheme payments	(11 945 443)	(25 545 818)
Profit before taxation	205 004 343	158 377 239
Taxation	(57 141 141)	(44 130 487)
Profit from continuing operations	147 863 202	114 246 752
Discontinued operations		
(Loss) / profit from discontinued operations	(9 444 765)	1 338 843
Profit for the year	138 418 437	115 585 595
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements on defined benefit liability	(4 206 991)	-
Gains on property revaluation	19 026 873	1 642 468
Income tax relating to items that will not be reclassified	(4 280 762)	(4 690 935)
Total items that will not be reclassified to profit or loss	10 539 120	(3 048 467)
Items that may be reclassified to profit or loss:		
Available-for-sale financial assets adjustments	(722 635)	8 310 240
Income tax relating to items that may be reclassified	161 871	(3 833 474)
Total items that may be reclassified to profit or loss	(560 764)	4 476 766
Other comprehensive income for the year net of taxation	9 978 356	1 428 299
Total comprehensive income for the year	148 396 793	117 013 894
Profit attributable to:		
Owners of the parent:		
From continuing operations	125 144 110	114 254 464
From discontinued operations	(9 444 765)	1 338 843
	115 699 345	115 593 307
Non-controlling interest:		
From continuing operations	22 719 092	(7 712)
Total comprehensive income attributable to:		
Owners of the parent	125 677 701	117 021 606
Non-controlling interest	22 719 092	(7 712)
	148 396 793	117 013 894
Earnings per share:		
From continuing and discontinued operations		
Basic earnings per share (c)	366,92	329,32
From continuing operations		
Basic earnings per share (c)	396,87	325,51
From discontinued operations		
Basic (loss) earnings per share (c)	(29,95)	3,81

Statement of Changes in Equity

Figures in Rand	Share capital	Revaluation reserve	Fair value adjustment assets-available-for-sale reserve	Restructuring Reserve	Share based payments reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
Balance at 01 September 2015	776 478 952	15 927 642	4 221 718	(40 024 411)	-	(19 875 051)	65 982 664	822 586 565	(52 005 392)	770 581 173
Profit for the year	-	-	-	-	-	-	115 593 307	115 593 307	(7 712)	115 585 595
Other comprehensive income	-	(3 048 467)	4 476 766	-	-	1 428 299	-	1 428 299	-	1 428 299
Total comprehensive income for the year	-	(3 048 467)	4 476 766	-	-	1 428 299	115 593 307	117 021 606	(7 712)	117 013 894
Transfer between reserves	-	(3 653 880)	-	-	-	(3 653 880)	3 653 880	-	(2 281 930)	(2 281 930)
Dividends	-	-	-	-	-	-	(12 031 844)	(12 031 844)	(153 417)	(12 185 261)
Total contributions by and distributions to owners of group recognised directly in equity	-	(3 653 880)	-	-	-	(3 653 880)	(8 377 964)	(12 031 844)	(2 435 347)	(14 467 191)
Balance at 01 September 2016	776 478 952	9 225 295	8 698 484	(40 024 411)	-	(22 100 632)	173 198 007	927 576 327	(54 448 450)	873 127 877
Profit for the year	-	-	-	-	-	-	115 699 345	115 699 345	22 719 092	138 418 437
Other comprehensive income	-	16 658 418	(560 764)	-	-	16 097 654	(4 206 991)	11 890 663	(1 912 307)	9 978 356
Total comprehensive income for the year	-	16 658 418	(560 764)	-	-	16 097 654	111 492 354	127 590 008	20 806 785	148 396 793
Employees share option scheme	(2 334 619)	-	-	-	3 871 703	3 871 703	2 172 656	3 709 740	-	3 709 740
Transfer between reserves	-	(635 211)	-	-	-	(635 211)	635 211	-	-	-
Dividends	-	-	-	-	-	-	(13 378 090)	(13 378 090)	(9 293 412)	(22 671 502)
Changes in ownership interest	-	-	-	-	-	-	(2 965 362)	(2 965 362)	12 057 435	9 092 073
Business combinations	-	-	-	-	-	-	-	-	20 960 082	20 960 082
Total contributions by and distributions to owners of group recognised directly in equity	(2 334 619)	(635 211)	-	-	3 871 703	3 236 492	(13 535 585)	(12 633 712)	23 724 105	11 090 393
Balance at 31 August 2017	774 144 333	25 248 502	8 137 720	(40 024 411)	3 871 703	(2 766 486)	271 154 776	1 042 532 623	(9 917 560)	1 032 615 063

Statement of Cash Flows

Figures in Rand	2017	2016
Cash flows from operating activities		
Cash generated from operations	251 044 198	452 703 708
Interest income	1 544 157	4 318 467
Dividends paid	(18 446 007)	(11 963 256)
Dividend income	766 520	1 089 164
Finance costs	(129 197 231)	(112 083 896)
Tax paid	(46 936 357)	(26 171 734)
Net cash from operating activities	58 775 280	307 892 453
Cash flows from investing activities		
Purchase of property, plant and equipment	(67 421 683)	(78 205 385)
Sale of property, plant and equipment	23 262 405	26 153 384
Sale of investment property	-	18 000 000
Purchase of other intangible assets	(3 615 521)	(513 542)
Goodwill payments	(52 356 832)	(3 122 807)
Sale of other intangible assets	481 722	33 623
Net cash outflow on acquisition / sale of subsidiaries	(1 320 057)	-
Net cash outflow on acquisition of associate	(10 600 009)	-
Purchase of biological assets	(336 821 727)	(303 008 356)
Sale of biological assets	284 629 656	264 915 422
Net cash flows from discontinued operations	(9 444 765)	1 338 843
Net cash from investing activities	(173 206 811)	(74 408 818)
Cash flows from financing activities		
Advances from other financial liabilities	955 603 823	13 241 975
Repayment of other financial liabilities	(1 012 159 569)	(88 101 487)
Loan advance to associate	(3 525 582)	(3 994 529)
Proceeds from other loans	6 400 433	17 798 730
Decrease of other loans	(9 134 133)	(840 619)
Repayment from customers on forestry and term loans	48 625 205	44 866 210
Advance made on on forestry and term loans to customers	(42 649 610)	(26 489 545)
Finance lease receipts	6 119 279	2 903 636
Finance lease payments	(1 063 199)	(588 641)
Loans from holding company	144 502 988	-
Net cash from financing activities	92 719 635	(41 204 270)
Total cash movement for the year	(21 711 896)	192 279 365
Cash at the beginning of the year	132 989 977	(59 289 388)
Total cash at end of the year	111 278 081	132 989 977

Segmental Review

Segmental Information

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

The reportable segments are divided into business units based on their products and services offered and the economic sector in which they operate. The geographical area in which the operating segments operate are of secondary concern. These reportable segments are set out below:

Reportable Segment	Products and services
Timber	Establishment, maintenance and harvesting of plantations, market access of timber as well as value adding and marketing of timber and timber-related products.
Retail and mechanisation	Sales and retail outlets, direct sales of farming input requirements and sales of mechanisation goods, as well as production and marketing of fertilizer and related products.
Financial services	Credit extension to agricultural producers and corporate clients. Insurance includes commission received on short-term, crop and life insurance premiums and administration fees.
Grain	Income received from handling and storage of agricultural produce, production and marketing of maize meal and animal feeds and commission earned on marketing of grain.
Motors and Tyres	Sale of motor vehicles, trucks, tyres and related products as well as fuel stations.
Corporate	Head office services, information technology, human resources, properties, corporate marketing, internal audit, Group finance and directors.

Segmental revenue and results

Management assesses the performance of the operating segments based on the measure of earnings before tax. Income tax is managed on a Group basis and is not allocated to operating segments.

Transactions within the Group take place on an arm's length basis in a manner similar to transactions with third parties. The segment information provided to management is presented below:

2017								
	Revenue			Profit and Loss / Separately disclosable items				
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Earnings before items listed	Depreciation and amortisation	Interest expense	Income from equity accounted investments	Earnings before tax
Continuing Operations								
Timber	3 054 900 060	(670 851 568)	2 384 048 492	189 110 577	(12 769 532)	(36 676 385)	-	139 664 660
Retail and mechanisation	3 858 688 358	(1 293 188 836)	2 565 499 522	75 919 516	(3 138 303)	(27 111 846)	1 917 051	45 669 367
Financial Services	139 092 256	39 811	139 132 067	80 275 665	(388 469)	(50 216 843)	-	29 670 353
Grain	1 357 417 167	(323 472 730)	1 033 944 437	23 528 759	(4 018 789)	(8 575 308)	-	10 934 662
Motors and Tyres	879 703 044	(6 846 204)	872 856 840	21 978 788	(3 725 093)	(9 088 335)	-	9 165 360
Corporate	28 711 879	(26 555 118)	2 156 761	(30 160 262)	(2 678 283)	2 738 486	-	(30 100 059)
Total	9 318 512 764	(2 320 874 645)	6 997 638 119	360 653 043	(26 718 469)	(128 930 231)	1 917 051	205 004 343
Reconciling items								
Discontinued operations								(9 444 765)
Taxation								(57 141 141)
Profit for the year								138 418 437

	Revenue			Profit and Loss / Separately disclosable items			
	Total segment revenue	Inter-segment revenue	Revenue from external customers	Earnings before items listed	Depreciation and amortisation	Interest expense	Earnings before tax
Continuing Operations							
Timber	2 376 376 401	(256 680 686)	2 119 695 715	170 801 184	(9 035 025)	(30 068 194)	131 697 965
Retail and mechanisation	3 639 068 770	(1 119 227 456)	2 519 841 314	79 990 843	(2 482 416)	(28 973 663)	48 534 764
Financial Services	152 025 989	(2 699 470)	149 326 519	57 817 775	(377 989)	(40 017 146)	17 422 640
Grain	1 149 161 886	(64 029 807)	1 085 132 079	14 483 785	(4 512 962)	(10 738 988)	(768 165)
Motors and Tyres	667 929 691	(4 256 783)	663 672 908	16 882 620	(3 844 419)	(3 490 207)	9 547 994
Corporate	17 900 722	(17 900 722)	-	(48 593 534)	(2 858 694)	3 394 269	(48 057 959)
Total	8 002 463 459	(1 441 237 161)	6 537 668 535	291 382 673	(23 111 505)	(109 893 929)	158 377 239
Reconciling items							
Discontinued operations							1 338 843
Taxation							(44 130 487)
Profit for the year-							115 585 595

Segment assets and liabilities

Segment assets and liabilities are measured in a manner consistent with that of the annual financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset and liability. The group's borrowings and derivative financial instruments are not considered to be segment liabilities, but are managed by the 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.

2017

	Total assets	Total liabilities	Net assets
Continuing operations			
Timber	1 208 654 872	382 213 778	826 441 094
Retail and mechanisation	567 514 983	356 021 677	211 493 306
Financial Services	811 575 621	(63 717 891)	875 293 512
Grain	128 160 031	88 569 162	39 590 869
Motors and Tyres	188 172 766	80 917 804	107 254 962
Corporate	497 094 281	1 524 552 961	(1 027 458 680)
Total	3 401 172 551	2 368 557 491	1 032 615 063
Total as per statement of financial position	3 401 172 551	2 368 557 491	1 032 615 063

2016

	Total assets	Total liabilities	Net assets
Continuing operations			
Timber	1 028 559 331	285 946 725	742 612 606
Retail and mechanisation	527 507 132	257 031 299	270 475 833
Financial Services	706 402 916	2 197 557	704 205 359
Grain	199 270 519	104 698 008	94 572 511
Motors and Tyres	187 878 472	69 877 511	118 000 961
Corporate	356 421 592	1 413 160 984	(1 056 739 392)
Total	3 006 039 962	2 132 912 084	873 127 878
Total as per statement of financial position	3 006 039 962	2 132 912 084	873 127 878