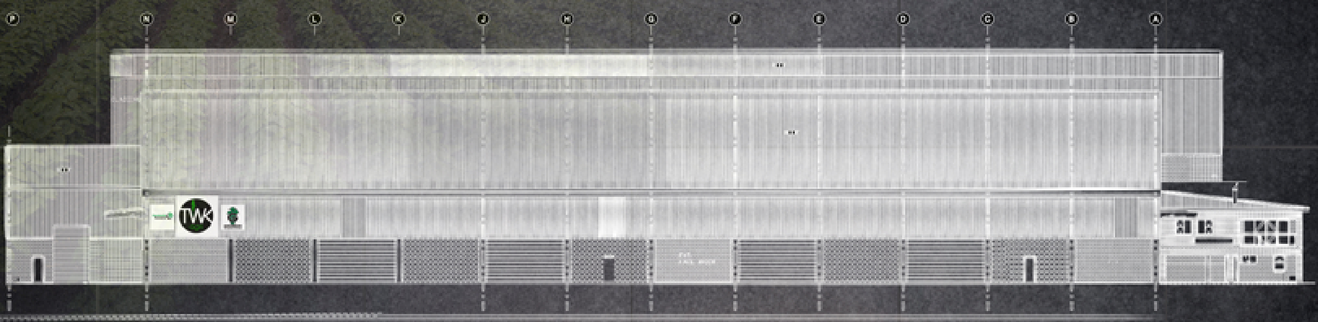
TWK Agriculture Holdings (Pty) Ltd.

Interim Results

February 2018



Building blocks of the future

on a prosperous foundation.

www.twkagri.com

Our values

Growth

Committed to providing excellence and constantly exceeding previous efforts.

Strive

Our mission is to be the supplier of choice, the market of choice, the employer of choice and the investment of choice.

Renew

Proactively committed to meeting the needs of our stakeholders without compromising the future of generations to come.

Sustain

A fresh outlook on business, underpinned by experience and knowledge.

Conserve

We take responsibility to protect the environment in which we work, thereby conserving a legacy for the future.

Develop

Investing time, resources and knowledge in our youth, employees, clients and the communities in which we operate.

TWK agri — Hout / Timber
TWK agri — Graan / Grain
TWK agri — Handel / Trade
TWK agri — Meganisasie / Mechanisation
TWK agri — Krediet / Financing
TWK agri — Versekering / Insurance
TWK agri — Motors & Bande / Vehicles & Tyres

The condensed consolidated interim results of TWK Agriculture Holdings (Pty) Ltd. for the six months ended 28 February 2018, comprise of the company, all its subsidiaries and jointly controlled entities (jointly referred to as the Group).

The accounting policies applied in the preparation of these condensed consolidated interim results are in accordance with IFRS and is consistent with the accounting policies applied in the preparation of the Group's previous audited consolidated annual financial statements.

These interim results have not been audited or independently reviewed by the Group's external auditors. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 August 2017.

All the amounts relate to the Group's results, unless otherwise specified.

The directors of the Group take full responsibility for the preparation of this report.

The preparation of the Group's results was supervised by the Group Chief Financial Officer, J.E.W. Fivaz.

The results were made available publicly on 29 March 2018.

Achieving sustainable growth, together.

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Business Review

The South African economy was strongly supported by the agricultural sector in 2017. If the agricultural sector is excluded, the growth would have been 0.9% instead of the 1.3%, achieved. It is expected that the agricultural sector will show slower growth in 2018 because of lower production of the summer grain compared with the level achieved in 2017, and the continuous severe drought in the Western Cape.

The overall results for the first six months of TWK are somewhat reflective of the robust, agricultural output in the 2017 production season, the broader, positive sentiment in South Africa after the political developments, as well as favourable weather conditions for the 2017/18 summer crop growing areas of the country.

Although a slower growth for the agricultural sector is expected in 2018, the expectation is that TWK will be able to continue with its growth pattern. TWK is a very well-diversified business and our footprint is spread over a wide geographical area that includes Mpumalanga, KwaZulu-Natal, the Eastern Cape and the Western Cape, which reduces the drought risk. Regardless of the fact that we are located in a very good grain production area, we are also located in the timber belt of South Africa, which ensures us a great source of business, and therefore, changing grain prices will not impact our business, significantly.

TWK's results were positively impacted by increased volumes, improved margins, cost control and effective working capital management. The restructuring of the TWK funding model with Land Bank and Standard Bank, had a positive effect on the balance sheet structure, liquidity and the finance cost of the Group. The debt to equity ratio decreased further to 127%.

Total assets continued to increase in particular due to an increase in the investment of goodwill in the timber and fuel industry, capital expenditure, increase in inventories and an increase in the fair value of biological assets. The debtors book is higher in February than in August which is in line with the cyclical nature of the agricultural industry. Assets are evaluated on a continuous basis where applicable, and the necessary impairments have been taken.

Operational Review

Timber

The revenue of the Timber division is higher than the previous year. Although the strengthening in the Rand had a negative impact on export revenue, there was a 6.02% increase in volume wood chips exported. The Timber division reported an increase of 27.7% in revenue and 6.9% in earnings.

The strengthening of the Rand had a negative impact on the profitability of the timber export business. Negotiation of export prices is currently in process and should counter the negative impact of the stronger Rand. Volume exports are expected to increase during the second half of the financial year.

Retail and Mechanisation

The revenue of the Retail and Mechanisation division is 5.8% higher than the previous year, notwithstanding the fact that the price of fertiliser declined during the period. Although a decline in fertiliser sales in certain areas was experienced, the sales and profits were supported by the new Umlaas blending plant and the addition of the Gromor business.

The aftermath of the drought subsided somewhat and TWK managed to increase market share, which resulted in an increase in turnover. The increase in volume business and the stabilisation of margins had a positive effect on the profit of the segment. The segment reported an increase of 45.3% in earnings.

Operational Review

Financial Services

The record maize production and low maize prices had a negative impact on the profitability and cash flow of clients, which were not sufficiently hedged against price fluctuations. However the bridging facilities amounted to only 5.3% of the total debtors book, compared to 4.27% of the comparative period of the previous year. The arrears/handed over accounts decreased by 0.6% to R25,2 million.

The debtors book is supported by good security, strong balance sheets of customers and good industry and geographical diversification.

Grain

Although higher sales volumes were achieved, the turnover in the Grain division is lower than the previous year due to lower commodity prices. The gross profit in the Grain division was positively affected by higher volumes, better utilisation of production capacity and the positive impact of the low maize prices on the production industries.

The TWK Animal Feeds volume sales is under pressure, because of competition and due to customers mixing more of their own feed due to the recent decline in maize prices. The sale of the loss making business, Maluti Milling, also had a positive effect on the profitability of the segment and the segment reported a substantial increase in earnings.

Operational Review

Motors and Tyres

The revenue of the Motors division is higher than the previous year due to an increase in new vehicle prices and increase in volume sales. Volume sales is supported by the addition of an Isuzu dealership. Although margins of vehicles are still under pressure, the Motors division managed to increase earnings. The expectation is that the increase of VAT will have a negative impact on the sales of vehicles, but the division's profit and sustainability will be supported by the filling stations.

The revenue of the Tyres division is higher than the previous year. Revenue in the newly penetrated Gauteng area is growing steadily and the presence of transport contractors in the timber industry is also increasing, which supports revenue and profit of the tyre division.

Prospects

We are very pleased with the performance for six months ended 28 February 2018, the strong financial position and the continued momentum in the organisation.

Through the rigorous application and execution of our strategic and operational efficiencies through effective cost management and optimal inventory levels, we are confident that the growth will continue. The strategic growth in our footprint and the additions of new businesses delivered the desired results. It is therefore expected that the good momentum built up, by the different segments, will continue and that the results of previous years, will be exceeded.

The group remains well placed to grow revenues through ongoing product innovation and expansion. We will benefit from opportunities that arise, as and when it occurs, and any decisions we make will be in the best interest of our shareholders. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings, sufficient working capital and undrawn financing facilities, to service its operating activities and ongoing investments.

TWK Agriculture Holdings

Condensed consolidated statement of Financial Position

	As at 28 February 2018 (6 Months - Unaudited) R	As at 31 August 2017 (Audited) R
Assets		
Non-current Assets		
Biological assets	313 895 317	307 247 522
Property, plant and equipment	825 155 014	777 813 972
Goodwill and intangible assets	120 380 276	120 711 442
Investments in associates	1 405 378	12 517 096
Loans to group companies	12 647 896	15 053 325
Other financial assets	125 437 829	171 774 592
Finance lease receivables	13 919 686	14 122 989
	1 412 841 396	**1 419 240 938**
Current Assets		
Inventories	1 010 782 767	1 056 330 694
Other loans receivable	333	333
Trade and other receivables	1 128 487 652	858 767 107
Other financial assets	39 758 535	9 498 376
Finance lease receivables	11 886 533	15 327 742
Current tax receivable	12 596 196	12 249 844
Cash and cash equivalents	136 357 430	114 549 714
	2 339 869 446	**2 066 723 810**
Non-current assets held for sale and assets of disposal groups	10 085 332	10 085 332
Total Assets	**3 762 796 174**	**3 496 050 080**
Equity and Liabilities		
Equity Attributable to Equity Holders of Parent		
Share capital	16 396 195	10 001 816
Reserves	449 170 337	449 408 104
Retained income	375 974 881	357 771 541
	841 541 413	**817 181 461**
Non-controlling interest	363 026 071	305 209 277
	1 204 567 484	**1 122 390 738**
Liabilities		
Non-current Liabilities		
Loans from group companies	-	-
Other loans payable	2 318 981	9 743 584
Other financial liabilities	618 564 030	628 015 248
Finance lease liabilities	1 886 643	1 466 911
Retirement benefit obligation	9 564 000	9 564 000
Deferred tax	170 629 038	146 970 288
	802 962 692	**795 760 031**
Current Liabilities		
Trade and other payables	706 820 147	627 987 400
Loans from group companies	-	-
Other loans payable	19 179 204	10 714 096
Other financial liabilities	913 001 691	929 029 169
Finance lease liabilities	1 927 074	736 405
Current tax payable	5 139 389	1 631 312
Provisions	652 542	880 311
Dividend payable	3 317 215	6 526 073
Bank overdraft	104 508 736	394 545
	1 754 545 998	**1 577 899 311**
Liabilities of disposal groups	720 000	
Total liabilities	**2 558 228 690**	**2 373 659 342**
Total equity and liabilities	**3 762 796 174**	**3 496 050 080**

Condensed consolidated statement of Profit or Loss and Other Comprehensive Income

	For the 6 Months ending 28 February 2018 (Unaudited) R	For the year ending 31 August 2017 (Audited) R
Revenue from continuing operations	**3 729 480 247**	**7 009 062 576**
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	197 626 566	353 883 428
Depreciation and amortisation	(14 100 386)	(26 726 861)
Operating profit before interest and tax (EBIT)	**183 526 180**	**327 156 567**
Finance costs	(58 412 898)	(128 677 020)
Profit after finance costs	**127 011 911**	**213 789 046**
Profit from equity accounted investments	1 405 333	1 917 051
Profit before tax from continuing operations	**128 417 244**	**215 706 097**
Taxation	(35 534 621)	(62 256 678)
Profit after tax from continuing operations	**92 882 623**	**153 449 419**
Profit / (Loss) from discontinued operations	-	(9 444 765)
Profit for the year	**92 882 623**	**144 004 654**
Other comprehensive income		
Gains on property revaluation	-	16 095 838
Remeasurements on defined benefit liability		(4 206 991)
Available-for-sale financial assets adjustments	-	8 347 935
Taxation related to other comprehensive income	-	(6 112 731)
Other comprehensive income for the year	**-**	**14 124 051**
Total comprehensive income for the year	**92 882 623**	**158 128 705**
Profit attributable to		
Owners of the parent	54 952 225	87 038 624
Non-controlling interest	37 930 398	56 966 030
Profit for the year	**92 882 623**	**144 004 654**
Total comprehensive income attributable to		
Owners of the parent	54 952 225	101 162 675
Non-controlling interest	37 930 398	56 966 030
Total comprehensive income for the year	**92 882 623**	**158 128 705**
Basic earnings per share - cents	**434.81**	**700.51**

Condensed consolidated statement of Changes in Equity

	Share capital	Revaluation reserve	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	Attributable to non-controlling holders of TWK Investments	Total equity
	R	R	R	R	R	R	R	R	R	R	R
Balance at 1 September 2017 (Audited)	10 001 816	336 423 638	33 975 763	75 137 000	3 871 703	449 408 104	357 771 541	817 181 461	(9 917 560)	315 126 837	1 122 390 738
Total comprehensive income for the 6 month period	**-**	**-**	**(23 216)**	**-**		**(23 216)**	**54 952 224**	**54 929 008**	**15 185 247**	**22 745 151**	**92 859 406**
Dividends paid						-	(11 416 844)	(11 416 844)	(970 101)	(6 365 996)	(18 752 941)
Other changes for the period	6 394 380	-	-	-	(214 551)	(214 551)	(25 332 041)	(19 152 212)	9 985 746	17 236 747	8 070 281
Total changes for the 6 month period	**6 394 380**	**-**	**(23 216)**	**-**	**(214 551)**	**(237 767)**	**18 203 339**	**24 359 952**	**24 200 892**	**33 615 902**	**82 176 746**
Balance at 29 February 2018 (Unaudited)	**16 396 196**	**336 423 638**	**33 952 547**	**75 137 000**	**3 657 152**	**449 170 337**	**375 974 880**	**841 541 413**	**14 283 332**	**348 742 739**	**1 204 567 484**

Condensed consolidated statement of Cash Flows

	For the 6 Months ending 28 February 2018 (Unaudited) R	For the year ending 31 August 2017 (Audited) R
Cash from operating activities	198 856 559	382 169 779
Interest income	2 492 769	1 544 157
Dividends paid	(21 961 799)	(16 821 318)
Dividends income	601 677	915 564
Finance costs	(58 412 898)	(128 677 020)
Income tax paid	(8 714 146)	(46 936 357)
Changes in operating capital	(127 854 393)	(94 963 377)
Net cash flows from operating activities	**(14 992 231)**	**97 231 428**
Cash flows from investing activities	(59 209 194)	(194 915 325)
Net cash flows before financing activities	**(74 201 425)**	**(97 683 897)**
Cash flows from financing activities	(8 105 050)	78 838 189
Net (decrease)/increase in cash and cash equivalents	**(82 306 475)**	**(18 845 708)**
Cash and cash equivalents at the beginning of the year	114 155 169	133 000 877
Total cash and cash equivalents at the end of the year	**31 848 694**	**114 155 169**

Segmental Information for the six months ending 28 February 2018 (unaudited)

	Revenue			Profit and Loss / Separately disclosable items			
	Total segment revenue	Inter segment revenue	Revenue from external customers	Operating profit before interest, tax, depreciation and amortisation (EBITDA)	Depreciation and amortisation	Finance costs	Earnings before taxation
	R	R	R	R	R	R	R
Continuing operations							
Timber	1 409 417 876	(211 141 831)	1 198 276 045	79 864 148	(6 806 592)	(17 466 507)	55 591 048
Retail and Mechanisation	2 411 221 522	(787 243 950)	1 623 977 572	72 558 536	(1 554 810)	(9 887 016)	61 116 710
Financial Services	66 578 585	3 294 963	69 873 548	40 149 916	(195 413)	(23 954 450)	16 000 053
Grain	370 288 328	(54 820 100)	315 468 228	16 882 861	(2 036 979)	(3 929 079)	10 916 803
Motors and Tyres	520 149 456	(3 363 985)	516 785 471	13 808 434	(2 159 364)	(3 750 118)	7 898 951
Corporate	29 677 585	(24 578 200)	5 099 384	(23 738 701)	(1 347 227)	574 273	(24 511 654)
Total	**4 807 333 350**	**(1 077 853 103)**	**3 729 480 247**	**199 525 194**	**(14 100 386)**	**(58 412 897)**	**127 011 911**

Reconciling items	
Discontinued operations	-
Profit from equity accounted investments	1 405 333
Taxation	(35 534 621)
Profit for the year	**92 882 623**

Segmental Information for twelve months ending 31 August 2017 (audited)

	Revenue			Profit and Loss / Separately disclosable items			
	Total segment revenue	Inter segment revenue	Revenue from external customers	Operating profit before interest, tax, depreciation and amortisation (EBITDA)	Depreciation and amortisation	Finance costs	Earnings before taxation
	R	R	R	R	R	R	R
Continuing operations							
Timber	3 054 900 060	(670 851 568)	2 384 048 492	184 503 899	(12 769 532)	(36 943 385)	134 790 982
Retail and Mechanisation	3 858 688 358	(1 293 188 833)	2 565 499 525	74 002 470	(3 138 303)	(27 111 846)	43 752 321
Financial Services	139 092 252	39 811	139 132 063	80 275 665	(388 469)	(50 216 843)	29 670 353
Grain	1 357 417 167	(323 472 730)	1 033 944 437	33 631 967	(4 018 789)	(8 575 308)	21 037 870
Motors and Tyres	879 703 044	(6 846 204)	872 856 840	21 560 648	(3 725 093)	(9 088 334)	8 747 221
Corporate	40 136 336	(26 555 117)	13 581 219	(24 781 725)	(2 686 674)	3 258 698	(24 209 701)
Total	**9 329 937 217**	**(2 320 874 641)**	**7 009 062 576**	**369 192 924**	**(26 726 860)**	**(128 677 018)**	**213 789 046**

Reconciling items	
Discontinued operations	(9 444 765)
Profit from equity accounted investments	1 917 051
Taxation	(62 256 678)
Profit for the year	**144 004 654**

Notes

Related Party Transactions

- **Trade Debtors – Directors**

Trade debtors comprise of production accounts as well, as other accounts, for which customers of the company qualify. Credit extension, repayment terms and interest rates in respect of loans are in line with company policy, which applies to all customers of the company.

As at 28 February 2018, R35,6 million (2017: R38.6 million) was owned to the Group by the Directors and their related entities, on the above mentioned accounts. This is covered by security held in terms of the credit policy.

Acquisition of Property Plant and Equipment

During the six months ended 28 February 2018, the Group acquired property, plant and equipment of R46,98 million.

Fair Value

The fair value measurements recognised in the statement of financial position or disclosed in the Group's financial statements by class of asset or liability, is categorised by levels according to the significance of inputs used in making the measurements. The different levels are defined as follows:

- Level 1: Represents those assets which are measured using unadjusted quoted prices in active markets for identical assets or liabilities, that the Group can access at measurement date.
- Level 2: Inputs other than quoted prices that are observable for the assets, either directly (as prices) or indirectly (derived from prices).
- Level 3: Applies to inputs, which are not based on observable market data.

There were no changes in levels or new items added since the annual financial statements of 31 August 2017.

By order of the board of directors:

CHAIRMAN
R.L. Meyer

CHIEF EXECUTIVE OFFICER
A.S. Myburgh

CHIEF FINANCIAL OFFICER
J.E.W. Fivaz