

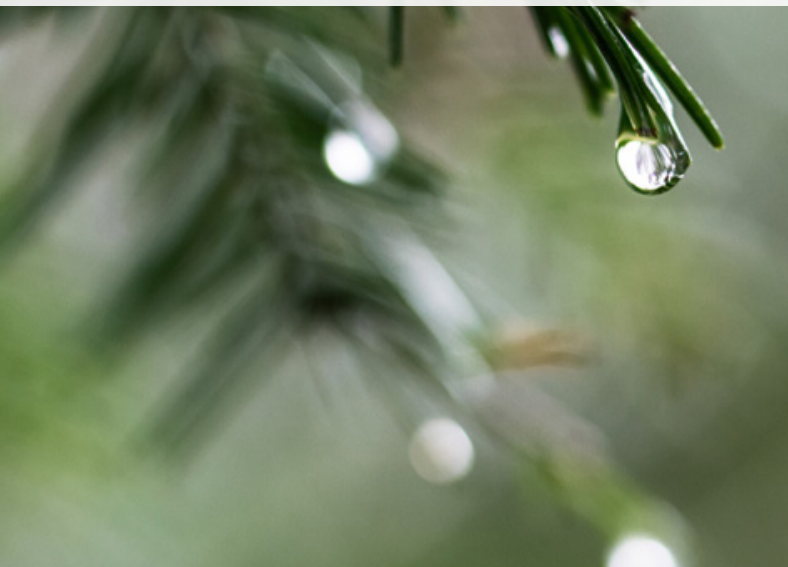


# **DRIVING A BETTER TOMORROW**

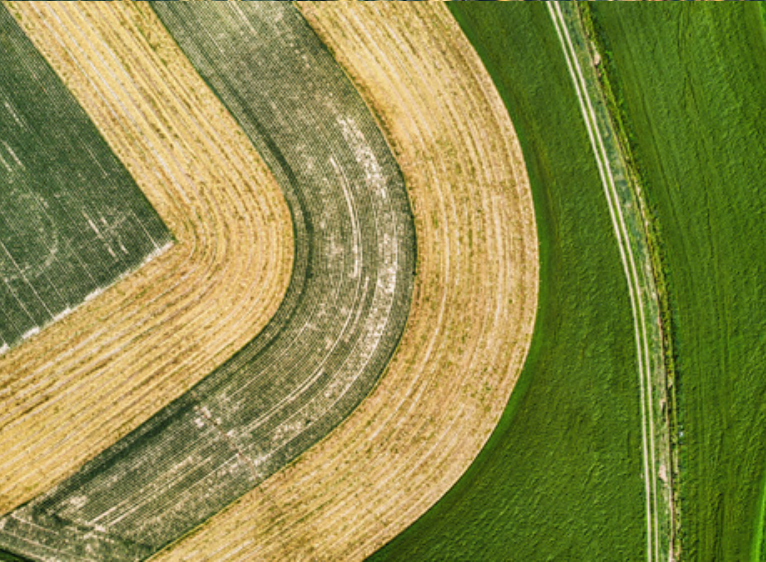


TWK Investments Ltd

**Annual  
Report  
2020**









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# About us

## Vision

Achieving sustainable growth together.



## Mission

Delivering value-adding products and services to the agricultural and related industries and to the communities in which we operate.



## Our Values

### Growth

Committed to providing excellence and constantly exceeding previous efforts.

### Strive

Our goal is to be the supplier 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.





## Strategy

The DNA of our business is built around our core values of growth and exceeding previous efforts, make every effort to be the investment of choice, renew, experience and knowledge, conserve, and develop all stakeholders with a customer focus. We have significant strength and depth within our Group, with the majority of our executives boasting long tenures with TWK.

With a forestry foundation and focusing on agriculture, the TWK Group's strategy involves a close and concentrated focus on the business segments the Group model is built on. TWK is a role player in the Timber, Retail, Financial services, Grain and Motor industries with a focus on unlocking additional value for the benefit of our shareholders. The TWK Group strategy is therefore designed around shareholder returns as priority and built on four pillars, namely customer focus, optimisation of the value chains, improvement of operational efficiencies and optimisation of capital management.

### Customer focus

Our strategy positions the spotlight on our customers and therefore TWK places our customers as our top priority. Not only do we focus on key customers but treat every customer as valuable, thereby striving to a unique service satisfaction. TWK will invest in the development of customer specific-needs but also master the art of the possible by designing and implementing technological breakthroughs.

We will also assist with growing the businesses of emerging farmers. The unique TWK Customer Loyalty scheme programme supports this strategy.

### Optimisation of the value chains

The strategy is designed to increase supply chain effectiveness by aligning the demand of our product offering and the underlying supply chain. The TWK Group will focus to offer innovative products through a responsive supply chain that is able to meet quick turnaround times. TWK offers a wide range of products, and plans to increase the value added product range. The focus will be to increase the value proposition with superior product offerings at a cost-effective rate. Included in this strategic pillar is further investment in the value chain of timber-related products, increase the different packaging size offering in the animal feed and the organic fertilizer operation. Also included is the investment in renewable energy.

## Improve operational efficiency

Our business model relies on having the right people with the right skills in the right jobs to create value. We require this input to generate value and we strive to nurture the commitment and support of this resource through strong personal relationships and incentives which recognise and reward the dedicated individuals who make a positive difference in TWK. Also included in this strategic pillar is the investment in logistics and improved logistic efficiencies, improved utilisation of technology, full exploration of available resources and, more importantly, to expand own plantations to secure timber supply.

### Optimisation of capital management

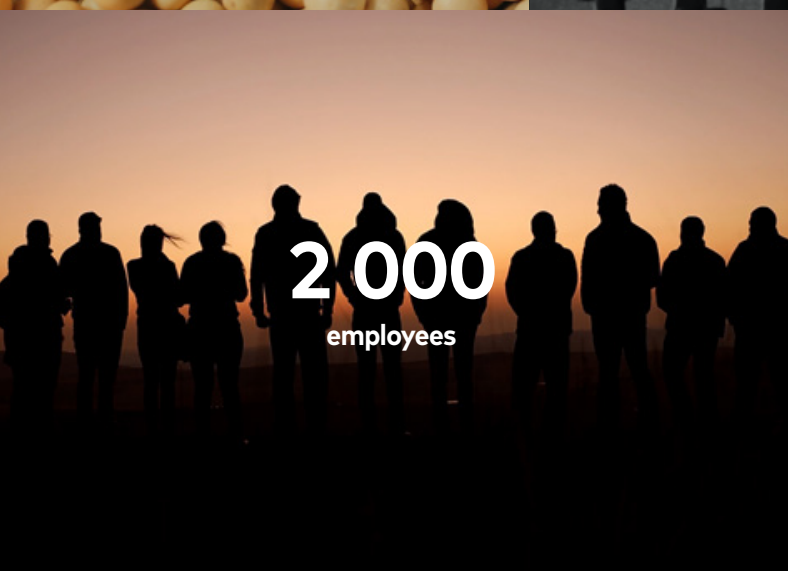
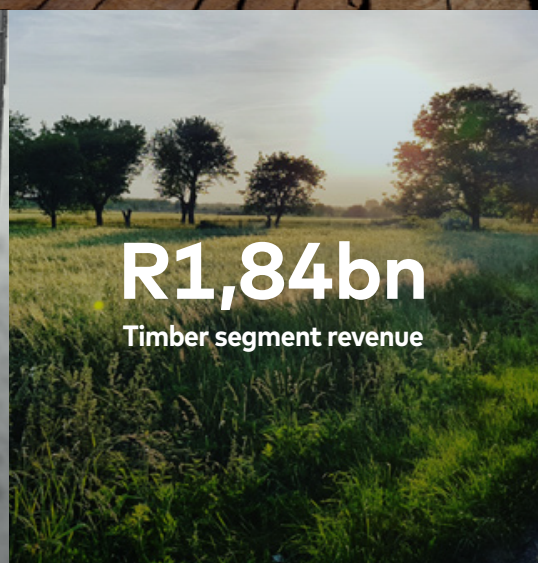
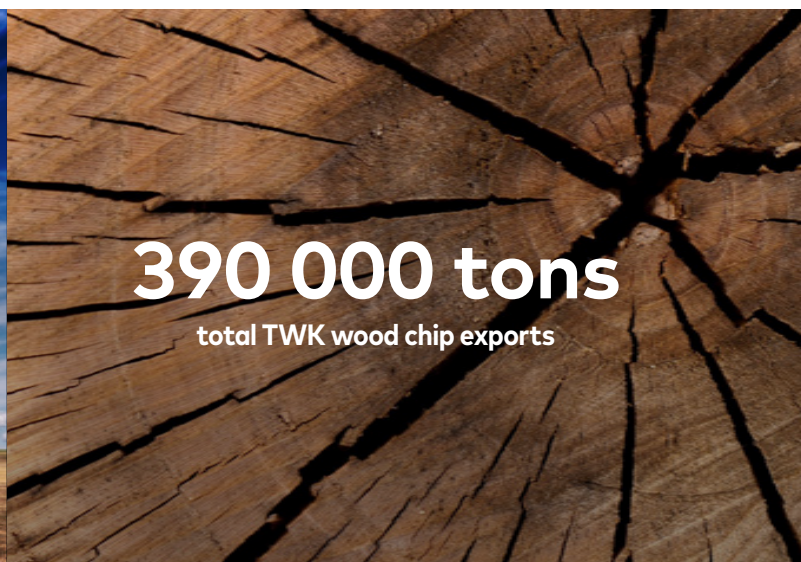
Optimal capital management and allocation is critical to our ability to generate long-term value for our stakeholders. Maintaining sound financial metrics is a key management priority. We are focused on organic and acquisitive growth in South Africa and selected international markets. Based on our on-lending business model, the Group's capital structure relies on debt as a permanent feature.

We need to ensure that capital is deployed optimally to meet operational requirements, service debt, fund future growth, and pay dividends to shareholders.

Included in this strategic pillar is to ensure effective financing structure to actively manage debt maturity profiles, the reduction of interest-bearing debt, to focus on working capital management, to align the realisation of assets with maturity of debt, to control the capital investment programme and to ensure adequate returns on new investments, cost control and operating capital management.



# Highlights





Operating profit  
**R294m**

down 31,73%  
2019: R431m

**711 000**

total tonnage of round  
timber marketed to  
various local markets

Profit before loyalty  
scheme payment of

**R172m**

The total equity exceeds the

**R1,35bn mark**

Earnings per share for the year  
ending 31 August 2020 are

**321,00 cents**

per share, down by 35,06%

**R42,85**

NAV per share

**12,83%**

Compound annual  
growth in NAV  
per share

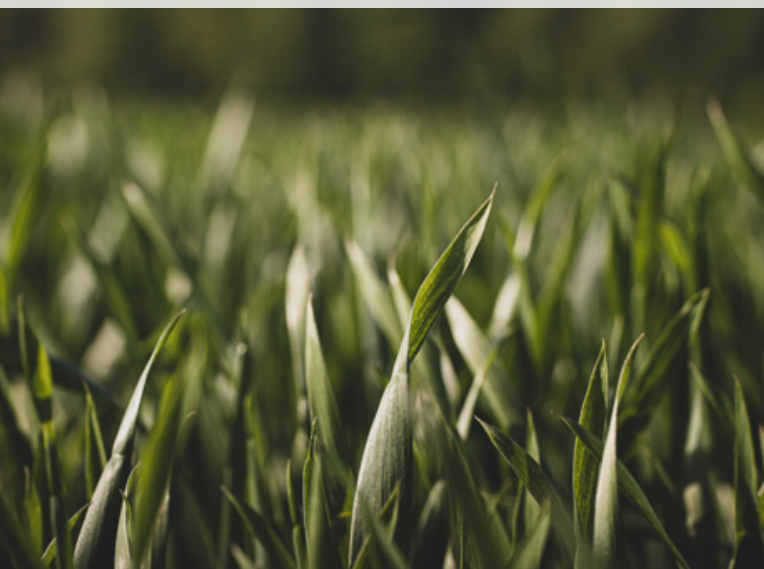
Total assets worth

**R4,4bn**



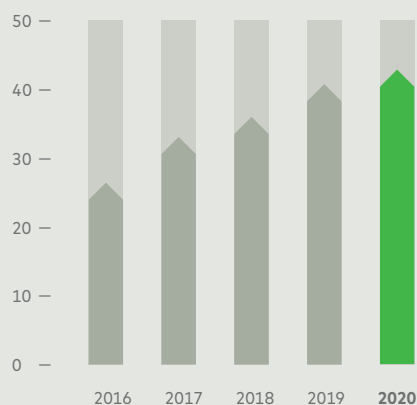


**During the last couple of years, we began to unlock real value for our shareholders and create a distinctive and active Company poised for future growth.**

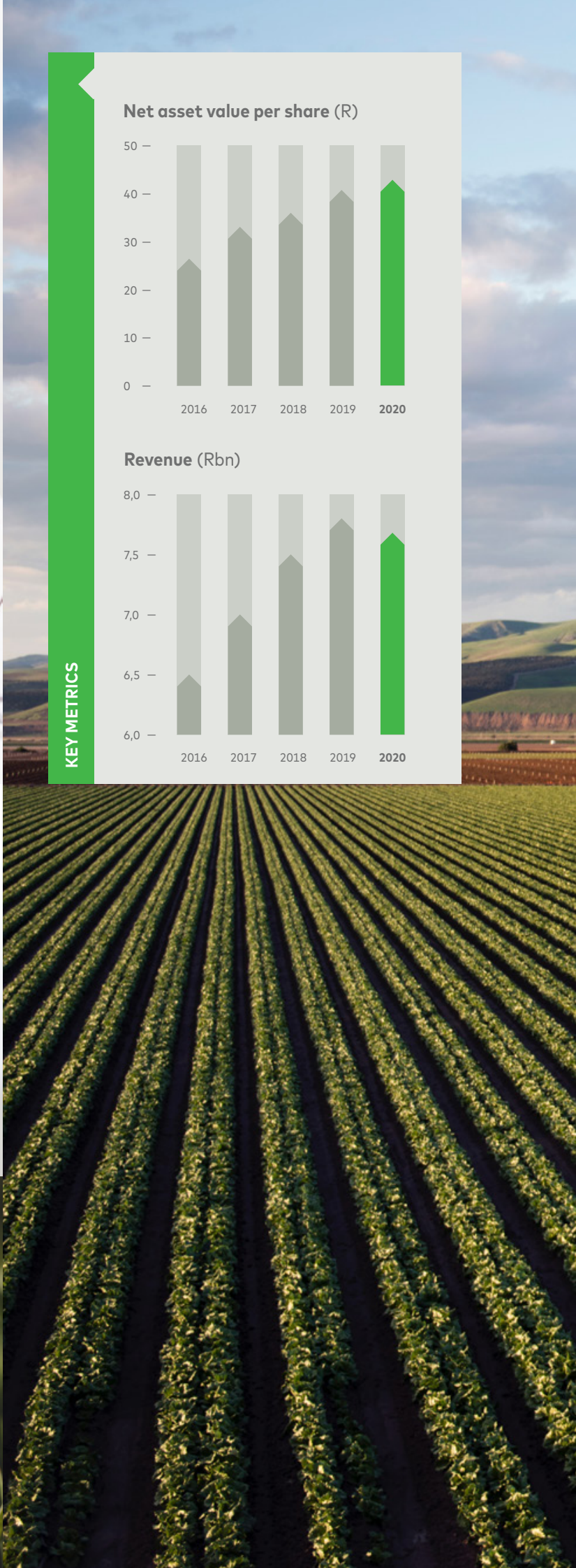


KEY METRICS

Net asset value per share (R)



Revenue (Rbn)





# Chairman's Report

**Johannes Stephanus Stapelberg**  
Chairman

The TWK Group has set very ambitious targets for the last six years. Even though the 2020 financial year was disappointing we do not recognise it as a setback in the achievement of our goals and targets. The strong and ethical leadership and a drive to create sustainable shared value support my view. During the last couple of years, we began to unlock real value for our shareholders and create a distinctive and active Company poised for future growth. TWK has invested in strategic growth opportunities and we have also made acquisitions that complement our existing businesses, and have diversified in quality revenue streams, all while staying focused on the needs of our producers.

Trading conditions for the first half of 2020 have been challenging, as a result of weaker economic conditions, a drastic demand decline in the international pulp paper industry and increased competition. The second half was characterised, to a lesser extent, by the effects of the unprecedented restrictions imposed by the COVID-19 pandemic.

The weaker demand in our key timber markets, continued to put pressure on consumers' disposable income and impairments on goodwill of R23 million limited our results for the period. The Timber and Motors and Tyres segments were the most negatively impacted, while the Grain segment was able to improve its margins. The Group's market capitalisation remains below its net asset value.

While tough economic conditions have inhibited revenue and trading profit growth, cash generation improved, albeit offset by the repayment of loans. Capital expenditure is closely managed, but we will not neglect important capital expenditure for sustainable growth.

Operating profit of R294,3 million, fell by 31,73% and profit before tax is down by 43,08% due to reasons mentioned above. Due to the adoption of IFRS 16: Leases, the debt to equity ratio increased to 139,9% (2019: 130,5%).

The Board is confident in the value of the quality income streams, the strength of the financial positions as well as the liquidity of the Company. It was thus possible to declare and to pay a reasonable dividend to shareholders, at a slightly higher dividend cover. The Board strives for a healthy balance between borrowed and own capital and the payment of future dividends will depend on the Board's continued evaluation of TWK's earnings, after provision is made for long-term growth, cash resources, own needs and other factors as determined by the dividend policy.

While newly developed markets and additions of business units supported the TWK Group revenue, the weaker demand in the key timber markets had a negative effect on total revenue.

The net asset value per share increased by 5,13% and stood at R42,83 per share at 31 August 2020.

TWK Agriculture Holdings (Pty) Ltd's share price increased further in the past year and stood at R40,00 per share as at 31 August 2020 and TWK Investments Ltd at R28,00 per share. Although there is still a lot of value locked in the shares, excellent growth has been experienced, and shareholders have thus shared significantly in our success.

We are disappointed by the results of 2020. However, the strong financial position, performances of recent years and the quality of the underlying income streams give the Board and Management the resources and confidence to pursue a range of investments primarily aimed at increasing scale. The objective has been not only to improve financial performance over the short term but also to prepare the various divisions for sustainable future growth.

## The Board's response to COVID-19

TWK's priority is to reduce the pressure posed by the COVID-19 pandemic on difficult markets and already burdened economies. The initiatives include cost-saving measures across the Group, reducing capital expenditure, reducing working capital requirements and assessing alternatives to improve profitability.

Of critical importance was the safety of our employees and customers. Strict protocols were implemented throughout the Group. The management and administration of the business continued to function well during the lockdown, with employees working remotely where possible, using our digital platforms. Board and committee meetings were conducted via telephone and video conferences.

The TWK Group has taken precautions to mitigate the spread of the COVID-19 with the help of the Group's shared services department based on general best practice, provided guidance and the government's instructions. This includes but is not limited to the adoption of even greater hygienic practices, limiting travel to critical business only and encouraging social distancing.

Employees' contributions, in the form of salary sacrifices and taking leave while remaining committed and resilient through this difficult time, have not gone unnoticed and are greatly valued.

## Corporate governance

TWK acknowledges its accountability to all its stakeholders under the legal and regulatory requirements applicable to its business and is committed to maintaining high standards of integrity, fair dealings, and transparency throughout its business. Addressing the threat to the integrity of our business from the ethics, fraud and corruption challenges facing South Africa remains an imperative for TWK. Through the Group's governance structures, the Board and the executive drive policies that mitigate our legal and operational risk and ensure we have the necessary policies and programmes in place to address corruption and establish an ethical culture, because the success of an organisation is dependent on its culture and the people and talent within it.

During the period under review, the Group continued to apply corporate governance at a high level to promote sustainability, create long-term value for shareholders, and continuously realise benefits for all stakeholders.



## Chairman's Report continued

The Board is responsible for the development, monitoring and modification, if necessary, of the Group's corporate governance framework. The Board of Directors remains primarily accountable to the Company but considers the interests of shareholders and clients, as well as the legitimate requirements of employees, suppliers, regulators and community organisations.

The directors are committed to the principles of good corporate governance as contained in the King IV guidelines.

The respective committees appointed by the Board, namely the Audit and Risk Committee, the Social and Ethics Committee, Nomination Committee, as well as the Remuneration Committee, perform their duties according to the respective mandates set out by the Board. The members of the Board are serious about the Group's affairs and attendance is excellent. Personal interests of directors and management are reported and monitored as regulated in terms of the Companies Act.

Closed periods apply to the trading of shares by directors during periods prior to the publication of financial statements and during certain strategic transactions and related matters.

As a Board we are aware that mitigating the risks faced by the Group is an integral part of how we manage and run the business.

### Outlook for the year ahead

To a certain extent, uncertainty and unique challenges are a reality for every business and more so in the current circumstances in which we find ourselves. The key to our success is a unique business model, quality of income streams, rapid response to a rapidly changing environment, overcoming challenges with opportunities and business practices based on ethical principles.

The TWK business model provides a strong basis from which growth and value creation can be delivered. We continuously evaluate new business opportunities and are confident that TWK will deliver attractive results to our shareholders going forward.

Looking ahead we anticipate an improvement in the operating environment for our business units due to increased market penetration, increased business operations, an increase in volumes and improved margins. Despite not being at historical levels there is an increase in the demand for our timber products. Furthermore, we will continue to focus on productivity, cost management and investments in the timber industry to increase our value-adding proposition.

Our producers play a material role in the success of TWK. In this regard, our overriding focus has been to develop and implement strategies that facilitate sustainable profitability for our shareholders and producers.

TWK's core business remains the provision of agricultural and agricultural-related services and inputs, and the provision of market access for agricultural products.

TWK's extensive footprint, infrastructure, market share and expertise enables us to not only focus on maintaining and expanding existing businesses, but to allow in our strategy-specific targets for partnerships, acquisitions and organic growth, with a focus on the agricultural value-chain and fibre supply.

The disappointing results of 2020 will not derail our strategies and plans for continuous growth. We have the financial resources and capacity to ensure that the Company can build on the growth pattern, and meet both our customers' needs and the growing demand for our products and services in accordance with our high standards.





Our focus remains on achieving our strategic objectives for the year ahead:

- Supplier of choice by improving and strengthening relationships with consumers, increasing our market share by taking advantage of knowledge and service, as well as expanding our product range;
- Market of choice through optimal market access, guaranteed payments, good prices and market information;
- Investment of choice through sustainable growth in profitability, and continuously improving our operational efficiency, exploring new and alternative business opportunities, ethical business principles and the balance between risk and return; and
- Employer of choice through targeted training, creating an ethical culture, recognising excellence, providing market-related remuneration and developing people inside and outside our Group.

The Agri sector proved to be of critical importance during the last year and therefore the sector is high on the agenda to accelerate growth in South Africa. I am positive about the prospects of the sector and more so about the sustainability and profitability of TWK.

## Acknowledgements

The current unfavourable business environment is widely recognised and reported on. Businesses are closing or are under immense pressure to remain open. It is therefore a battle for survival and not profitability in an environment plagued by depressed economic conditions. I am therefore grateful that TWK managed to earn a profit during this time and remained financially strong to withstand the shocks brought on by the pandemic.

The extraordinary year should not be underestimated or misjudged. The dedication it takes to maintain focus in challenging conditions is testament to an unwavering desire to win, combined with an energetic and focused management team and the people of TWK. In addition, I want to acknowledge the support and wisdom of the Board. It is my privilege to serve as Chairman of a great Board that carries out its tasks with meticulous precision – for that, I give my sincere thanks.

I also want to thank you, our shareholders, for your continued support and above all for your trust. Rest assured that our passion for what we do will continue to generate the sustainable, profitable returns you rightfully expect from us. I also thank each producer and customer for your ongoing support. Every customer is important to TWK and is the reason for TWK's existence. To our suppliers and business partners, I thank you for your continued support.

We acknowledge the grace of our Heavenly Father without which our results and growth would not have been possible. To Him all honour and gratitude for the blessings generously bestowed upon us.



**Johannes Stephanus Stapelberg**  
Chairman





# Board of Directors

Leading us forward







**HJK Ferreira**  
Director



**HW Küsel**  
Director



**JCN Wartington**  
Director



**GB Prinsloo**  
Director



**HG Hiestermann**  
Director



**JEW Fivaz**  
Chief Financial Officer



# Senior Management

Leading us forward



**WCJ van Rensburg**  
Managing Director: Protea Bande



**FJ Brauckmann**  
Chief Executive Manager: Timber



**DP van Rensburg**  
Executive Manager: Corporate Services



**GS Grobler**  
Chief Executive Manager: Financial Services





**MJ Potgieter**

Executive Manager: Business Development and Company Secretary



**JFC Byleveldt**

Managing Director: TWK Motors



**B de Klerk**

Chief Executive Manager: Grain



**LC Coetzer**

Chief Executive Manager: Trade



**WJ van Zyl**

Managing Director: BedRock



# Managing Director's Report

André Myburgh  
Managing Director

The results of the TWK Group for the period under review are disappointing when compared with the record results of the previous year. The results should however be put into perspective. The past financial year was probably one of the most challenging years for most businesses. No business has escaped the widespread disruption caused by the coronavirus (COVID-19) pandemic. The humanitarian crisis had significant implications, especially where it was accompanied by regulations issued by government that sometimes did not make sense for most people. COVID-19 caused a slowdown in world trade and disruptions in global supply chains and demand. The TWK Group did not escape the impact but has once again seen the benefit of having a well-diversified business model that creates sustainability and profitability even in a disruptive environment.

During the lockdown, agriculture was classified as an essential service provider and therefore alleviated the impact on the industry in which the TWK Group operates. Although TWK is a diversified business operating in the agriculture sector, the Timber segment is the main contributor. Therefore, the biggest impact on the business of the TWK Group was the disruption in the export of fibre and the decline in demand of local lumber and fibre.

Substantial losses were also incurred in the Motors and fuel sector.

TWK implemented all the necessary safety measures in a timely manner to ensure the safety of all stakeholders in the Group. This ensured that the permitted businesses could continue with operations in a safe and uninterrupted manner within the guidelines published by government. These measures caused additional cost but was effectively countered by cost savings initiatives across the Group.

The Group recognises and understands its role in the stabilisation of the rural economy especially during this difficult time. We have made a difference in the rural areas by providing and creating jobs. We have also supported our local communities in these challenging times to mitigate the impact of the pandemic. The TWK Vumbuka Fund together with other role players in the timber and agri sector delivered food parcels to over 2 500 vulnerable families.

## The strategy

The Board and management continue to build on the vision of achieving sustainable growth together. The TWK Group strategy is therefore designed around shareholder returns as a priority and built on four pillars namely: customer focus, optimisation of the value chains, improvement of operational efficiencies and optimisation of capital management.

Our focus remains to deliver on the specific needs of our customers. TWK will invest in the development of customer specific needs but also master the art of the possible by designing and implementing technological breakthroughs. TWK has adequate financial structures and funding to support the needs of our customers. We will also assist with growing the businesses of emerging farmers. The unique TWK Customer Loyalty scheme programme supports this strategy.

TWK will continue to increase supply chain effectiveness by aligning the demand of our product offering and the underlying supply chain. The TWK Group will continue to focus on offering innovative products through a responsive supply chain which is able to meet quick turnaround times. TWK offers a wide range of products and plans to increase the value-added product range. The focus will be to increase the value proposition with superior product offerings at cost-effective rates.

Our business model relies on having the right people with the right skills in the right jobs to create value. We require this input to generate value and we strive to nurture the commitment and support of this resource through strong personal relationships and incentives which recognise and reward the dedicated individuals who make a positive difference within the TWK Group.

The maintenance of sound financial metrics is a key management priority. We will continue to ensure that capital is deployed optimally to meet operational requirements, service debt, fund future growth, and pay dividends to shareholders. Based on our on-lending business model, the Group's capital structure relies on debt as a permanent feature.

We are focused on organic and acquisitive growth in South Africa and selected international markets. We will continue to strategically invest in the value chain of our core business. In this regard, TWK acquired an additional 25% stake in BedRock Mining Support (Pty) Ltd and now holds 90% of the shares in this Company.

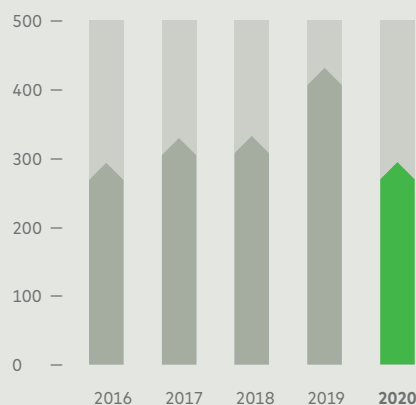
The Group has entered into an agreement for the acquisition of some of the forestry assets of Peak Timbers which includes standing timber on 17 800 hectares. The transaction is subject to Competition Commission approval.

Subsequent to year-end TWK acquired 51% of the shares in Sunshine Seedlings Services (Pty) Ltd (Sunshine) and has been granted an irrevocable right to acquire a further 49% of the shares in Sunshine over the next five years at agreed terms and financial ratios. Sunshine is a large nursery business yielding some of the highest quality timber and vegetable seedlings in South Africa and produces over 50 million vegetable seedlings annually, as well as 10 million forestry clones, seven million forestry seedlings and four million essential oil seedlings and clones.

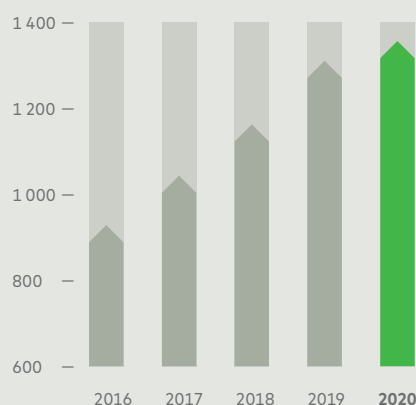


KEY METRICS

Operating profit (Rm)



Shareholders' equity (Rm)



**Our philosophy  
for driving a  
better tomorrow.**





## Managing Director's Report Business Report

# Timber segment

The Timber Division reported revenue of R1,84 billion, a decrease of 16,84% from R2,21 billion for the previous financial year primarily due to a sharp decline in the export of woodchips on the back of the drastic decline in demand in the international pulp paper industry.

Although TWK's two sawmills, situated in eSwatini, remained open during the national South African COVID-19 lockdown, the majority of South Africa's mines and sawmills were classified as non-essential services up to Level 4. As a result, no sales to the South African mining timber industry, construction sector as well as sawmills were made for a period of 33 days. This, together with the lacklustre economy, resulted in sales volumes decreasing by 21% for Pine, 54% for Eucalyptus and 22% for Wattle.

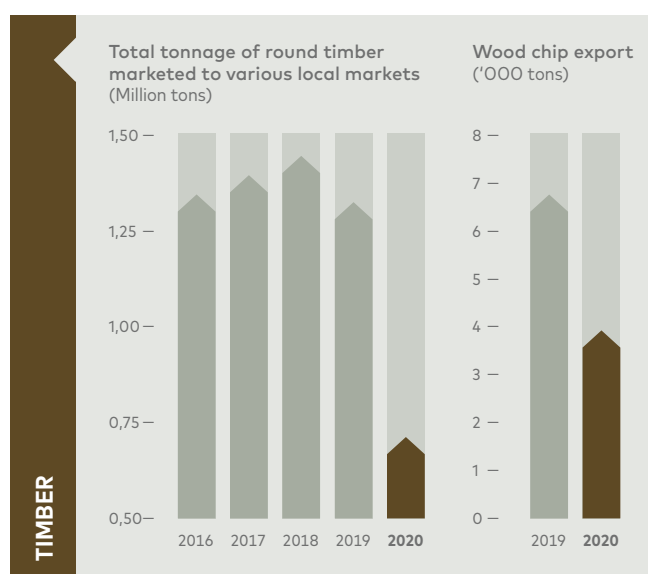
BedRock, an integrated timber-based mine support subsidiary of TWK, reported a satisfactory set of results and managed to increase their sales for the year under review despite the tough market conditions faced by the mining sector.

TWK owns and operates a world-class woodchip production and export facility in Richards Bay, with the capability of producing and exporting 900 000 tonnes of woodchips per annum. During the year under review, TWK produced 390 000 tonnes of woodchips compared to 672 000 tonnes for the year ended 31 August 2019. TWK produces and exports high-quality woodchips to some of the largest pulp and paper producers in Japan, China and India. Due to the drastic decline of nearly 23% in the pulp paper industry as well as the oversupply of international pulp in the market on the back of a slowdown specifically in China and Japan, the South African pulp markets continued to be unfavourably affected.

The national pulp producers were classified as essential service providers with the onset of the national lockdown as they provide critical products to the food and pharmacy industries. However, packaging demand for non-essential products, especially tobacco and alcohol, came under pressure which did impact our woodchip business.

As a result of the above mentioned market conditions, operating profit of the Timber segment declined by 54,98% from R244,46 million in August 2019 to R110,03 million.

We are expecting the "loss" in volumes, due to the lower demand by the pulp paper industry, to be taken up by the increase in packaging volumes as online or e-commerce shopping as well as the demand for sanitary products increased as a direct result of COVID-19, globally. In addition, with the volume decline in recycled waste paper, we are expecting an increase in the demand for virgin pulp, used in the manufacturing of paper, corrugated carton board and other paper-related products.



The pending acquisition of some of the forestry assets of Peak Timbers Ltd and Peak Forest Products (Pty) Ltd by Shiselweni Forestry Company Ltd, a wholly-owned subsidiary of TWK, will add 23 422 hectares of land, 17 900 hectares of standing timber, buildings and a sawmill operation to the Group. The acquisition is still subject to the fulfilment of a number of conditions precedent.

The solar system implemented at our sawmills has relieved the dependency on eSwatini power supply and the initiative to centralise the management of our logistics in-house, have both resulted in significant cost savings for the business. TWK Timber has taken the time during the Level 5- and Level 4-lockdown period to rationalise its operations and to implement innovative systems and products.

The outlook remains uncertain given that the full effect of COVID-19, on an already fragile economy and the industries in which we trade, such as the construction and industrial markets, is unclear. The contemplated infrastructure stimulus plan announced by government is promising and should provide some much needed short-term economic and long-term infrastructure transformation relief.

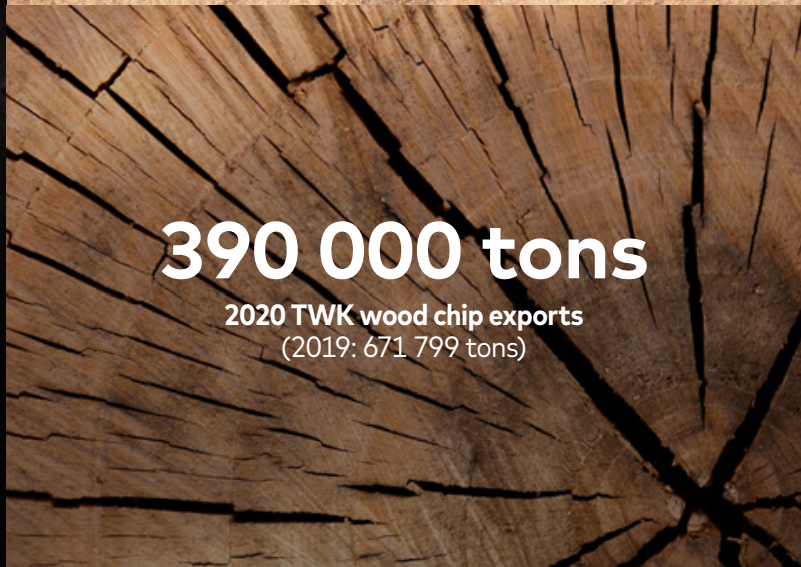
The expansion projects undertaken at certain South African paper mills bodes well for the demand of virgin pulp. The outlook for the international woodchip market is also positive as COVID-19 has incrementally increased the demand for quality packaging and sanitation products to meet the surging demand in e-Commerce shopping and face masks.

The Timber Division will continue to focus its efforts on cost-cutting and cash preservation initiatives to ensure that it can weather the effect that COVID-19 has on the sectors in which this division trades.



# PEFC

(Programme for the  
Endorsement of Forest  
Certification)



## 390 000 tons

2020 TWK wood chip exports  
(2019: 671 799 tons)



Managing Director's Report  
Business Report

# Retail and Mechanisation segment

TWK increased its retail outlets to 29 (August 2019: 27) adding the New Holland Mechanisation Agency in Pietermaritzburg with effect from 1 February 2020 and the Harding retail store. TWK restructured Gromor (Pty) Ltd, an organic-related fertiliser products business, sold the Nelspruit plant and impaired the goodwill of the business to the amount of R23 million during the year under review. As at 31 August 2020, TWK had five fertiliser depots situated in KwaZulu-Natal, Mpumalanga, North West and eSwatini as well as five fertiliser blending facilities located in Mpumalanga, KwaZulu-Natal and the Western Cape. In addition, TWK owns one organic fertiliser production facility in KwaZulu-Natal, where compost, chicken litter and organic products are manufactured.

The Retail and Mechanisation (Trade) Division reported a mixed set of results as trading conditions varied between different areas and business units. In addition, COVID-19 also had different impacts on the businesses within this division.

TWK's retail stores were classified as essential service providers with the onset of the national lockdown at midnight on 26 March 2020, with sales volumes decreasing from the prior year. As a result of effective cost and stock management, net profits were in line with last year's results.

Mechanisation sales, through the New Holland agencies, increased significantly, especially in parts of KwaZulu-Natal and Mpumalanga, where good rains at the beginning of September 2019 favourably impacted trading conditions with record crops being reported in these regions. TWK, as a result, increased its market share in tractor sales to 36% in KwaZulu-Natal and 32% in Mpumalanga.

The fertiliser business, although also classified as an essential service provider, was negatively impacted by the volatile exchange rate which created significant variances in world fertiliser prices. The competition in the fertiliser industry is on the rise with new entrants into this market. As a result, profits for the year came under severe pressure due to much lower margins being achieved for Nitrogen, Phosphorous and Potassium fertiliser products as a result of a constant drop in world prices, a highly competitive market environment, as well as the rand weakening against the US dollar over the reporting period. Fertiliser sold for the year under review was 5 015 tonnes higher than the previous year.

The organic product business was not declared as an essential service provider which culminated in substantially lower sales. TWK continued to pay rental, salaries and wages during the national lockdown. The cost structure of this business has been streamlined and new strategies and plans have been devised.



As a result of higher fertilizer prices, revenue increased by 15,71% from R2,91 billion (August 2019) to R3,37 billion. Operating profit increased by 7,34% to R34,37 million but the profit before tax was negatively affected by goodwill impairments.

Trading conditions are expected to remain challenging due to the competitive environment. The weak rand against all foreign currencies significantly increases the cost of imported products necessary for the manufacturing of fertiliser. As a result of the COVID-19 pandemic, the international fertiliser market is currently very volatile resulting in severe price fluctuations. Any stabilisation in the international fertiliser market will result in improved margins.

The Retail and Mechanisation Division's strategy remains resolute and the main focus will continue to be on delivering excellent client service as well as being the lowest-cost supplier of fertiliser and organic-products. Management streamlined the management of these businesses during the year and the businesses are well positioned for any recovery in the economy.





## Fertiliser

business has increased  
its market share



# R3,37bn

2020 Segment revenue  
(2019: R2,91bn)





## Managing Director's Report Business Report

# Grain segment

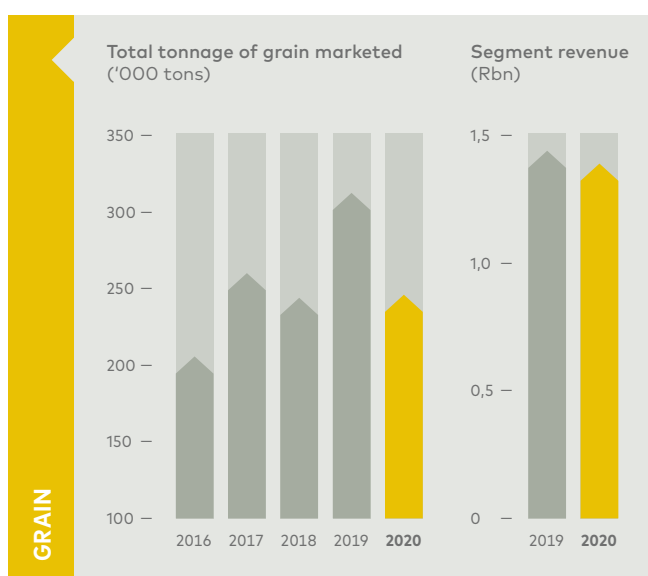
The Grain Division reported a strong set of results and was the only division unaffected by COVID-19. Contributing to the strong results was the silo capacity increase at the Rietspruit Silo to accommodate the storage of Non-Genetically Modified Organisms (NGMO) crops. The loss-making (since 2019) Mkhondo Animal Feeds operation was closed during the year.

The Grain Silo business experienced good capacity utilisation, which also resulted in a solid performance by the Grain Marketing business.

Prior to the national lockdown implemented at the end of March 2020, the Grain Mill business was impacted by electricity load shedding. Load shedding results in strain being placed on the machinery as the grain within the system "clogs up" and has to be cleaned out. The cost to start up these machines is high and can take up to two hours to restart, as the start-up has to be phased in. Days lost at the mills amounted to nearly 16 days and nearly 19 days at the packaging operations.

Operating profit increased by a satisfactory 131,4% from R19,1 million in August 2019 to R44,1 million. All operations reported good margin yields given the higher grain volumes sold and good average selling prices.

The weakening of the rand against the major currencies contributed to an increase in grain prices for the year under review despite the Chicago Board of Trade (CBOT) grain prices declining sharply. The CBOT price declines were mainly due to the volatility in the global oil price, from an unprecedented low of just under US\$12/barrel in May 2020, due to the Russian-Saudi Arabia oil trade war, to US\$42,80/barrel at 31 August 2020. The main drivers of agricultural commodity prices are the result of the compound interactions among macroeconomic factors such as brent crude oil prices, crop size, exchange rates, growing demand for food and agricultural productivity.



Maize prices will be impacted by the outcome of the 2020/2021 crop. Maize, as a primary ingredient in a variety of products, will become increasingly important as a primary source of food as the unemployment rate in South Africa continues to increase at an alarming rate. As a result of the increasing number of unemployed people due to COVID-19, we were actively involved in various social outreach programmes whereby food was distributed to those in need.

Given the good potential 2020/2021 crops, South Africa has already started to export maize into Africa where there is currently a shortage of white maize.





**R1,31bn**  
2020 Segment revenue  
(2019: R1,35bn)



Managing Director's Report  
Business Report

# Financial Services segment

Revenue decreased by 2,97% from R178,85 million in August 2019 to R173,54 million, with operating profit increasing by 2,55% to R36,87 million.

The **Insurance Division** reported 20% growth in the crop insurance portfolio mainly due to the increase of 19 655 more hectares of crop insured over the reporting period and 20% growth in its short-term insurance book, mainly on the back of the new brokerages acquired. The life insurance team also succeeded in growing the commission income by approximately 4% during the year under review.

During the financial year, TWK added three new brokerages to its short-term insurance portfolio resulting in the expansion of its footprint. In February 2020, the short-term insurance book of Microzone, situated in Marble Hall, was acquired. Fidessure Broker (Nelspruit) and Bennie Conradie (Jeffreys Bay) were acquired in May 2020 and July 2020, respectively.

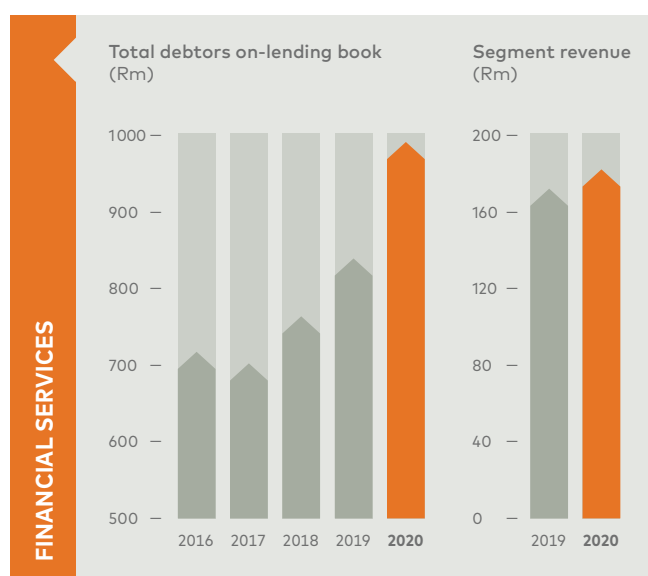
The impact of COVID-19 on the Insurance Division has been negligible. The reason being that insurance brokers were able to offer "premium holidays" to their clients who were closed during high levels of lockdown, with TWK still receiving a commission on said policies. On the life insurance side of the business, COVID-19 has also not had an impact on the business, with the only difficulty being the ability to visit our clients.

The medical portfolio continued to show excellent growth. Our policy count grew by 86% from September 2019 to August 2020, totalling 1 991 members. This growth includes the clients transferred from Bennie Conradie.

Effective 1 September 2020, subsequent to year-end, the short-term insurance portfolio of Bezant Makelaars, situated in Lydenburg, was acquired and added to the TWK Insurance portfolio.

The **Credit Division** strives to tailor each finance product to meet the ever-changing needs of individual clients. This business understands that economic and market conditions change all the time and that relationships with its clients are important.

On 31 August 2020, the Credit Division reported a decline of 34% in bridging facilities compared to the previous year. Excellent payments were made towards production facilities, an indication that clients' payments increased by 8%. During the financial year under review, the production book increased from R232 million on 29 February 2020 to R438 million on 31 August 2020.



Monthly facilities are healthy and compare well with the previous year.

Production accounts handed over due to bad debts amounted to 5,79% of the total debtors book for August 2020. The percentage of bad debts written off over the TWK Group is 0,75% of the average total debtors' book.

TWK has an agreement with Standard Bank which allows the Credit Division to offer competitive lines of credit to its clients. The liquidity problems that the Landbank experienced did not affect TWK.

TWK Financial Services will continue to pursue expansion and acquisition opportunities to increase its product offering, administrative infrastructure, and service levels to provide existing and new clients with the best services and good products.





**R174m**

2020 Segment revenue  
(2019: R179m)



Managing Director's Report  
Business Report

# Motors and Tyres segment

The Motors and Tyres division experienced one of its most challenging trading periods in history. Revenue decreased by 10,74% to R979,6 million (August 2019: R1 097,6 million), due to declines in sales volumes across all the underlying businesses. The Toyota, Hino and Isuzu dealerships showed a 21% decline in the number of vehicles sold, a 17% decline in new tyre sales as well as a drop of 21.1% in petrol and diesel sales for the year ended 31 August 2020.

Despite the motor dealerships and Protea Tyres making a concerted effort to manage costs by closing loss-making operations and streamlining their operations, the impact of COVID-19 has been exceptionally negative. This resulted in operating profit decreasing by 45,5% from R35,18 million in August 2019 to R19,17 million.

## Motors

New vehicle sales, as confirmed by NAAMSA statistics, and used vehicle sales continued on a steep downward trajectory pre-COVID-19. At midnight on 26 March 2020, all dealerships had to close their doors with immediate effect as these businesses were not classified as essential service providers. As a result, dealerships were completely closed for nearly 40 days with no sales recorded from 27 March to 4 May. With the onset of Level 4, only essential vehicle and emergency repairs were allowed, which resulted in limited revenue streams.

TWK assessed all its loss-making businesses and re-classified them as "Assets-held-for-sale". During the year under review, the Lions River Fourie Street Total fuel station was sold, resulting in cost savings. The Standerton Isuzu dealership was acquired during the year and operates as a branch of the Ermelo Isuzu dealership, thereby increasing the geographical footprint of dealerships and increasing profitability.

Silo Panel Beaters continued to experience exceptionally tough trading conditions due to a sharp decline in volumes due to less accidents. This was due to the rules prohibiting travel during hard lockdown levels, which was exacerbated by higher costs of automotive parts caused by automotive OEMs being closed for two months at the onset of the lockdown.

The Filling Station division's petrol and diesel sales volumes declined from 19 339 441 litres in August 2019 to 15 252 380 litres for the year. The upgraded filling stations did not meet budget expectations on the back of a sharp decline in litres sold due to the filling stations being closed during the upgrade period as well as increased competition in the regions in which the Group operates.

Roofspace Rental Group, registered in South Africa and eSwatini, will diversify the Motors and Tyres segment revenue stream going forward. The aim of this business is to on-sell solar energy. This project started paying dividends in the second half of the year and should gain momentum in the new financial year.

The already weak state of the economy, the uncertainty of the long-term impact of COVID-19 and newer models being more reliable, are motivating South African motorists to either keep their vehicles for longer or buy used vehicles. Although we are expecting trading conditions to remain challenging for the foreseeable future, there should be a greater demand for services and parts. TWK dealerships will continue to enhance its value-adding client services and experiences, especially marketing via its e-commerce platforms, to increase loyalty amongst existing clientele and to boost after-market services and parts sales.

## Tyres

The sale of and re-treading of truck and heavy-vehicle tyres remains Protea Tyres' core business, which continued to experience good growth in the first half of the year, but with the onset of COVID-19, a sharp decline was experienced as dealerships were closed for 40 days and only essential re-treading was done to maintain heavy-vehicles. Between April 2020 and the end of August 2020, revenue was down by about 17% of the prior comparable period's revenue. Despite the challenging year, the re-treading business registered six new innovative re-tread patterns which were completed and rolled out during the year under review.

Notwithstanding the above factors, management has implemented purposeful plans to save costs, especially on inefficient systems and personnel. Expenditure was cut back by an average of 16% against budget. Non-profitable branches are constantly assessed either for closure or for sale.

Protea Tyres started importing new top brand tyres from China since January 2020. These are high quality truck tyres that can be re-treaded. Due to the shortage of tyres when these centres opened fully under Level 3, Protea Tyres was in a strong position as it had a variety of sufficient stock. The business streamlined its warehouse logistics operations which also resulted in meaningful cost benefits and optimal stock levels. Debtors collections were also well managed, and all these initiatives resulted in improved working capital and positive cash generation. Protea Tyres is well positioned to benefit from business consolidation opportunities in this fragmented market, specifically in the Gauteng province.





**R0,98bn**

2020 Segment revenue  
(2019: R1,09bn)





## Managing Director's Report Business Report

### The new financial year

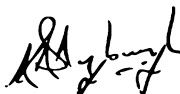
We project that the international markets and prices of timber fibre will continue to be under pressure into the new year. Although the international market will take a bit longer to get back to previous volumes and prices, we are very optimistic that the rest of our business units will perform much better than the past year. We will continue to bear down on costs and improve the efficiency of our operations, including through range optimisation and lower stockholdings to deliver sustainable improvements in our cash generation and profit before tax.

The investments in new business will have a material positive effect on the Group's profitability and sustainability. It is our disciplined approach, balance sheet, diversified business model and core competencies that enable us to withstand the shocks experienced during the last financial year. TWK is a Group focused on long-term, sustainable growth, and we will continue to invest in both organic and external opportunities at a time of dramatic change in our industry. We will be disciplined in deploying our capital, whether to enhance existing operations, to expand our capabilities or to acquire businesses. We will take measured risks where we believe they will provide an acceptable return on capital.

### Acknowledgements

We are very disappointed with the past year's results but are grateful that our business is profitable and sustainable. We are thankful that we were still able to create and add value to our stakeholders while making a difference in the economy as a whole as well as the rural economy.

I would like to thank all of TWK's staff who did their utmost best in the interest of TWK. Thank you for your hard work, sometimes under difficult circumstances in the past year. To my fellow directors and executive management, I would like to express my gratitude for your team spirit, as well as your support, guidance, and cooperation. It is truly a great privilege to be part of this innovative and dynamic team that is committed to making TWK a successful business. To all TWK stakeholders, our producers, suppliers, and the community in which we do business, we want to express our gratitude because you support TWK. Our gratitude is also expressed towards our Heavenly Father, without whom we cannot do anything and for the unmerited blessings He bestows on our business.



**André Myburgh**  
Managing Director







# Report by the Financial Director

## Introduction

The 2020 financial year is incomparable to any other previous years due to the tough market conditions and the COVID-19 impact on the Group's August 2020 results.

Preservation of a robust balance sheet, strong cash generation and disciplined cost control were the key features of the Group during these challenging economic conditions.

While our results this year are disappointing and taking the challenging environment into account, it underlines the effectiveness and importance of our diversified business model. Over the past six years, we have pursued a clear and consistent long-term plan focused on building a stronger and more competitive business which is sustainable and delivers consistent turnover and earnings growth. This year we did not achieve turnover and earnings growth, but we are geared and equipped with the necessary energy to build on the quality of income streams.

In the 2020 financial year revenue is down by 1%, headline earnings per share is down by 19,85% to 385 cents and EBITDA declined by 21,71% to R331 million from a record high of R423 million in 2019.

Taking these setbacks into consideration, the net asset value per share increased to R42,83 (2019: R40,74).

During the financial year we have focused on our key financial indicators namely revenue growth, operating profit growth, return on total assets, return on equity and consistent headline earnings per share growth.

## Revenue growth

Revenue was down due to tough market conditions. There is however an improvement and we will increase quality revenue by optimising existing operations, increasing product offerings and expanding our footprint through acquisitions.

## Operating profit growth

The ability to convert revenue growth into operating profit growth is a critical measure of our success. This indicates the effectiveness of cost control, unlocking of synergies and the effectiveness of production and procurement. The focus will be to further unlock synergies within the different business units and segments.

## Return on total assets

Assets should be utilised effectively to generate earnings. Assets that do not yield the desired returns will be disposed. We will focus on effective inventory management which will increase the return on total assets and lower the dependency on revolving loan facilities.

## Return on equity

Shareholders rightfully expect consistent returns on capital provided. We believe that return on equity is a true bottom-line profitability indicator and therefore strive to invest in opportunities that will yield returns above our internal rate of return threshold. Investments that do not yield the desired returns are closely monitored and, where necessary, corrective actions are taken.

## Consistent HEPS growth

The effective execution of the financial indicators as discussed above will result in HEPS growth.

## Financial performance

The following review of the Group's financial performance for the year ended 31 August 2020 focuses on the key line items of the statements of comprehensive income and financial position which management considers material to the Group's performance.

The following review should be considered in conjunction with the annual financial statements.

## Revenue

Group revenue decreased by 1% to R7,68 billion (2019: R7,75 billion). Revenue in the trade segments increased by 15,7% due to higher volumes of fertiliser sold, the additions of new branches and better trading conditions in certain areas. Revenue in the Timber segment decreased by 16,8% due to a decline of 46% in the total volume of round timber marketed and a decrease of 42% in the tonnes woodchips exported. However, the negative impact was offset by a weaker rand.

## Operating expenditure

The Group's operating expenses decreased by 0,15% when excluding the impact of the implementations of IFRS 16: Leases on operating expenses. Refer to note 6 of the financial statements for more details on the impact of the implementation of the standard. Operating expenditure as a percentage of turnover was 12,92% (2019: 13,34%) and is in line with our commitment to maintain disciplined around expenditure.





**R7,68bn**

2020 Group revenue  
(2019: R7,75bn)



**R294m**

2020 Operating profit  
(2019: R431m)



**7,75%**

2020 Return on equity  
(2019: 13,67%)



**31,35%**

Headline earnings down  
(2019: up 29,64%)

**35,06%**

Earnings per share down  
(2019: up 13,78%)

**R331m**

EBITDA  
(2019: R423m)



## Report by the Financial Director continued

### Five year review

The summary of the five-year review is as follows:

Figures in Rand	2020	2019	2018	2017	2016
Revenue	<b>7 680 067 366</b>	7 753 007 355	7 463 662 309	7 005 465 597	6 537 668 535
Operating profit	<b>294 299 346</b>	431 080 108	331 742 888	329 069 511	292 955 694
EBITDA	<b>330 949 466</b>	422 745 720	363 444 161	351 475 277	292 721 515
Finance cost paid	<b>105 086 386</b>	118 891 941	117 830 697	129 197 231	109 893 928
Interest cover – EBITDA (times)	<b>3,15</b>	3,56	3,08	2,72	2,66
Net profit after tax	<b>108 371 589</b>	191 799 983	158 496 182	138 418 435	115 585 595
Total assets	<b>4 438 317 576</b>	4 304 566 731	4 018 667 763	3 459 517 970	3 006 039 962
Return on total assets – EBIT (%)	<b>5,94</b>	9,2	8,31	9,66	8,92
Current ratio	<b>1,19</b>	1,19	1,22	1,31	1,04
Gearing ratio (%)	<b>139,9</b>	130,5	131,3	147,7	154,8
Headline earnings per share (cent)	<b>384,8</b>	480,2	391,0	439,0	329,3
Return on opening equity (%)	<b>7,75</b>	13,67	13,46	12,47	14,05
Price earnings	<b>8,72</b>	5,36	4,10	3,54	2,28
Dividend per share (declared post year-end)	<b>0,65</b>	0,90	0,75	0,60	0,44
Net asset value per share	<b>42,83</b>	40,74	35,98	33,06	26,43
Market cap 31 August	<b>885 249 792</b>	851 871 412	575 067 003	409 919 198	263 257 448

### Operating profit

Operating profit decreased by 31,8% to R294 million (2019: R431 million) as the Timber segment experienced a decline in sales and due to the impact of COVID-19, especially on the Motors segment.

The decline in total gross profit margin to 15,9% (2019: 17,4%) driven by tough market conditions and volatile world fertiliser prices had a negative impact on operating profit.

The Group operating margin weakened to 3,83% from 5,56% due to reasons mentioned above.

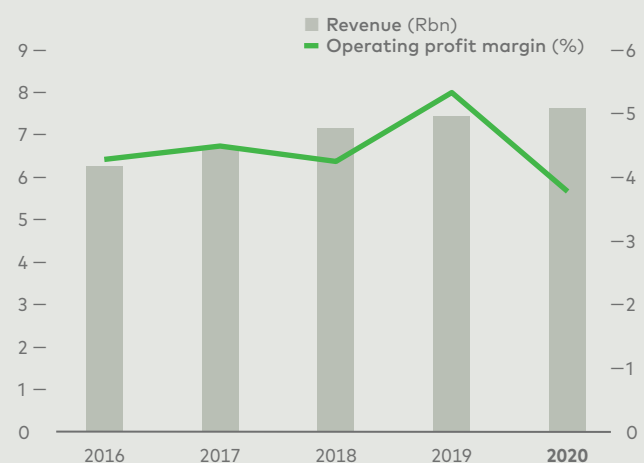
The Group results were also affected by the impairments of R23,1 million on goodwill relating to the Gromor organic fertiliser business. Due to the past year's depressed performance and forecasted profit expectations of Gromor, management interrogated the valuations of the intangible assets and as a result wrote down these assets in line with IFRS.

### Statement of financial position

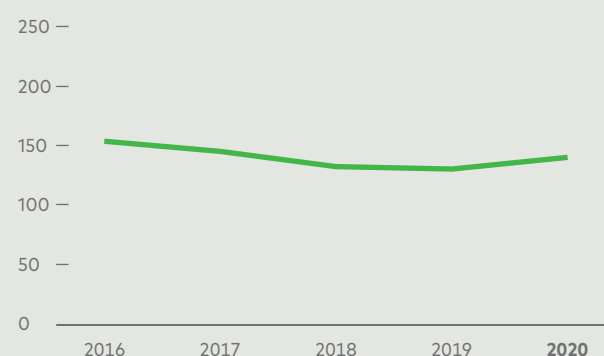
The ratio of shareholders' interest to total assets improved further to 30,51% (2019: 30,42%) but the gearing level increased to 139,9% at year-end (2019: 130,2%) even though borrowings decreased. The increase in the gearing level was due to the implementation of IFRS16: Leases. The level is still comfortably within our internal thresholds with sufficient headroom available to meet the coming year's requirements.

We aim to manage our cost of capital by maintaining an appropriate capital structure, with a balance between equity and debt. The primary sources of the Group's net debt include long-term borrowings and syndicated revolving credit facility, financing from various banks, thus providing us with access to diverse sources of debt financing with varying debt maturities. Subsequent to year-end, the TWK Board and Standard Bank, have approved that the portion of the Landbank's participation (R508 million) in the syndicated evolving credit facility (with Standard Bank and First National Bank as syndicate partners), to be placed with Standard Bank. The purpose of the alternative financing arrangements is to address the liquidity risk posed by the Landbank as short-term financier.

#### Operating profit margin



#### Gearing level (%)





The ratio of current assets to current liabilities at year-end was consistent at 1,19 times (2019: 1,19 times), indicating that working capital remains adequately funded and closely monitored.

### Inventory

Inventory was tightly managed and Group inventory days was lower at 54 (2019: 57) days. Inventory levels were 4,07% lower, which is slightly below the rate of sales growth.

### Trade and other receivables

Trade receivables continued to be well managed. The stratification of the client base relative to credit extended is at 60,45% between R1 and R5 000 000. Even though seasonal facilities were lower at 31 August 2020 when compared to the previous year, the average utilisation was higher during the peak season, resulting in good interest earnings. The total bridging facilities decreased to R65,2 million from R79,1 million. Unfortunately, tough economic times have led to an increase in handed over facilities from R52,6 million to R70,1 million. Securities are held to mitigate risk where appropriate and we believe we are suitably provided for when considering the health of the debtors' book. Low levels of bad debt were still maintained, and the bad debt ratio was 0,75% for the Group's total debtors' book. The default rate of bad debt written off was 0,53% in 2019, 0,22% in 2018, 0,29% in 2017 and 0,29% in 2016.

### Cash and capital management

Net cash from operating activities increased by R146,1 million to R438,8 million. Cash resources were offset against repayments of loans.

The Group's capital management strategy is focused on investing in the organic and inorganic growth of the business and returning surplus funds to shareholders through dividends.

Capital expenditure of R113 million (2018: R184 million) was invested and we disposed of the Fourie Street filling station in Ermelo which did not generate the desired returns.

We are well positioned as a leading agriculture and forestry group with a strong platform for growth. In pursuing opportunities to grow, we are committed to maintaining discipline around expansionary capital expenditure and acquisitions.

### Accounting policies and estimates

The TWK Group objective is to ensure that appropriate, understandable and sustainable accounting policies are adopted, implemented, and aligned to the Group's commercial realities, risks and strategies to the greatest extent possible.

Significant accounting policies adopted in preparation of the financial statements are appropriately described in the financial statements section of the financial statements. The Board and senior management are confident that TWK's internal control system is adequate for preparing accurate financial statements in accordance with IFRS and the requirements of the Companies Act.

TWK's Board and management believe the financial statements published in this annual report present fairly, in all material respects, the financial position, financial performance and cash flows of TWK in accordance with IFRS and without any material misstatements.

## Audit report

The auditors issued an unmodified audit opinion for the financial year.

## Looking ahead

One of the key focus areas for TWK is to create sustainable shareholder value. The aims of the ZARX listing of TWK Investments Limited in 2017 were to unlock shareholder value and to create liquidity for the share. Although traded volumes have increased significantly and the share price trading at a lower discount to net asset value, the lack of liquidity remains a challenge. TWK is at an advanced stage of creating additional alternatives in this regard and we trust that we will soon be able to communicate this to the market.

The Group has begun the 2021 financial year with great energy, and we remain focused on our strategy in a tough market while remaining resolute on cost control.

Management will continue to drive volumes and market share and expand our value-added product portfolio which is now a core business focus. We will also explore further cost efficiencies and synergistic opportunities to leverage TWK's asset base and infrastructure.

The targets that we have set are aggressive but achievable through disciplined execution and collaboration among all key stakeholders. The recent addition of Sunshine Seedlings Services (Pty) Ltd and the acquisition of some of the forestry assets of Peak Timbers, subject to Competition Commission approval, will support quality earnings and cash generation.

## Appreciation

I would like to thank all the employees of TWK for their diligence and commitment to the success of TWK especially during this unprecedented time. My sincere thanks to the finance team for their discipline, diligence and continuous improvement in ensuring that TWK can provide stakeholders with an accurate and meaningful analysis of its financial and operational performance. I also extend my appreciation to the executive management team for their passion and drive to win, and to my fellow Board members for their sound advice and valued guidance.



**JEJ Fivaz**

Financial Director



# Corporate Governance Report

## Commitment to corporate governance

The TWK Board is committed to responsible corporate citizenship and effective corporate governance. Commitment to the implementation of the Group's business with integrity, sustainability, equity and accountability is the cornerstone of the Group's philosophy. In this regard, the Board is committed to complying with the applicable corporate guidelines.

The Group's corporate best practices as contained in its Memorandum of Incorporation, policies and operating procedures and the application of these are regularly tested against the practical realities and execution thereof. The Board continuously evaluates and considers all applicable legislation, operating codes and practices to ensure that its conduct takes into account the recommendations of the King Code. Where it deviates from specific guidelines, the Board is of opinion that this deviation is warranted and in the best interest of TWK and all its stakeholders, or a process to ensure compliance in the journey of corporate governance is in progress. A corporate governance report is available on the TWK website.

The basic principles and practical application of the King Codes are in place throughout the Group, and are successfully implemented. The Board is satisfied that the Group complies, where practically possible, with the provisions and recommendations of the King Codes, with realisation that good corporate governance is a journey and not a destination.

During the period under review several arrangements and or procedures were formalised and/or updated, including formal approval of the Board Charter, the review and amendment of the terms of reference of each of the Board committees, and the approval of the Internal Audit Charter.

In an environment of comprehensive and changing regulation, and in the context of ongoing growth, TWK focuses on achieving an appropriate balance between the corporate governance expectations of stakeholders and the requirement to deliver consistent and competitive financial returns.

The Board and management will continue with the approach of continuous, increasing improvement in management practices and structures to ensure the expectations of stakeholders with regard to corporate governance are met.

Corporate governance within TWK is more than just a set of rules and regulations — it is the basis for the management of our business on a day-to-day basis.

## The Board of Directors (Board)

During the financial year, the Board consisted of ten members, of whom two served in an executive capacity and the balance served in a non-executive capacity and were elected by the Company's shareholders. The non-executive directors retire on a rotation basis after three years, in accordance with the applicable provisions of the Memorandum of Incorporation. Two of the non-executive directors are independent directors with Mr CA du Toit fulfilling the role as lead independent director.

Non-executive directors are nominated and elected by shareholders and provision is made for a transparent nomination process. Prior to election as director, nominated candidates are evaluated by the Nomination Committee for competence in terms of the Companies Act, good corporate principles and the Memorandum of Incorporation. The Nomination Committee consists of four non-executive directors and makes recommendations to the Board and the shareholders. At the first meeting of the Board, held after each Annual General Meeting of shareholders, the directors elect from among them a chairman and vice-chairman. The chairman and vice-chairman are non-executive directors. There is a Board-approved decision-making framework which delegates certain powers to executive management.

There is a clear division of responsibilities at Board level. The Board delegates authority to the applicable committees to ensure that all issues of strategy, performance, resources and standards of conduct and responsible corporate governance are applied. The Board is well-balanced and the chairman's role is separate from that of the managing director. The chairman is responsible for leadership within the Board and facilitates constructive liaison between the Board, management and stakeholders. The managing director is primarily responsible for leadership and management in implementing strategy and operating the business. Although the Board maintains overall responsibility and effective control over the Company, the operation of the daily business of the Company is delegated to the managing director.

No individual director has unfettered powers of decision-making and all directors have unrestricted access to all information, records, documents and property of the Group. The directors may also obtain independent professional advice regarding the affairs of the Company.

The Board determines the Group's operations and strategy and is responsible for providing guidance. These include the design and review of the Group's strategy, budget approvals and major capital spending, monitoring of operating results against budgets, evaluation of the Group's financial position and performance of the executive management.

The Board is assisted by the Audit and Risk Committee, the Social and Ethics Committee, the Remuneration Committee and the Nomination Committee. The committees function in accordance with approved frameworks. The chairpersons and members of the respective committees, with the exception of the Audit and Risk Committee elected by the shareholders, are elected by the Board according to their expertise in a particular area.

The management of directors' conflicts of interest is a critical corporate governance issue and strictly regulated in terms of the Companies Act. In the performance of their duties, directors and management are expected to act independently. At every Board meeting, directors and management are given the opportunity to disclose any material interest which may impact the Group. These updated disclosures are noted by the Company Secretary.



Attendance at Board meetings						
	16 Oct 2019	28 Nov 2019	6 Feb 2020	8 Apr 2020	1 Jul 2020	27 Aug 2020
JS Stapelberg (Chairman)	✓	✓	✓	✓	✓	✓
TI Ferreira (Vice-chairman)	✓	✓	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓	✓	✓
HJK Ferreira	✓	✓	✓	✓	✓	✓
HG Hiestermann *			✓	✓	✓	✓
HW Küsel	✓	✓	✓	✓	✓	✓
RL Meyer *	✓	✓				
GB Prinsloo *			✓	✓	✓	✓
JCN Wartington	✓	✓	✓	✓	✓	✓
AS Myburgh (Managing Director)	✓	✓	✓	✓	✓	✓
JEW Fivaz (Financial Director)	✓	✓	✓	✓	✓	✓

✓ = Meeting attended. ✗ = Meeting not attended, with pardon.

\* At the Annual General Meeting on 6 February 2020, Mr RL Meyer retired as director and Mr HG Hiestermann and Mr GB Prinsloo were elected as directors.

Meetings of the Board and subcommittees are held in accordance with approved meeting procedures. The members of the Board are serious about the Group's affairs and attendance is excellent.

Board meetings are held regularly as per the annual work plan, or as necessary. During the period under review, the following Board meetings were held.

## Ethical code of conduct

TWK, its subsidiaries and their staff are committed to acting with honesty and integrity in the performance of their duties and in their personal conduct, according to the highest moral and ethical standards.

The TWK Code of Ethics is a document in which the operation of our business in a legal and ethically acceptable manner is contained. Each director and employee has committed to the Code of Ethics that requires of the employees and directors to carry out their duties in a fair manner and to act accordingly to customers, suppliers and other stakeholders to ensure a reputation of maintaining integrity and responsible behaviour.

Adequate grievance and disciplinary procedures exist in order to promote and ensure the application of the Code of Ethics.

## Closed period for trading of shares

The Group maintains a closed period for the trading of shares for a period that precedes the publication of the interim and annual financial results and during certain strategic transactions and related matters, as per the Share Trading Policy.

During such a closed period, no director, staff member or their related persons and entities as defined in the Share Trading Policy, may enter into any transaction related to TWK shares.

## Internal control systems and risk management

Risk control and management is an integral part of the Group's corporate governance framework.

The Group has adopted a proactive approach in managing risks with the application of appropriate controls. Risk assessment is done on a regular basis, in terms of which risks are quantified and prioritised. The Audit and Risk Committee evaluates the internal control process and the outcome of the process. It provides reasonable assurance to the Board and management that risks are managed effectively to ensure sustainability.

Management continuously pays attention to the risk management process and the Internal Audit Department is used to strengthen the Company's internal control and risk management model.

## Internal audit

The internal audit function is carried out independently and in accordance with a specific audit plan approved by the Audit and Risk Committee. The internal auditors report to the Audit and Risk Committee and have direct and unrestricted access to the committee and the chairman of the Board. They enjoy the full support and cooperation of both the Board and management of the Group.

The primary purpose and mission of the internal auditors is to support the Group in identifying operational risks, carrying out an independent assessment of compliance with Group policies, risk controls, internal control systems and accounting practices and, where necessary, recommending improvements in respect thereof.

## Sustainability

The sustainability of the TWK Group remains the main focus of the Board. TWK is committed to ensuring and expanding the sustainability of its business which is achieved by reducing risk, improving and expanding existing operations and the utilisation of opportunities.

TWK conducts its business in an environmentally responsible manner through the application of ISO and FSC standards. New projects are only undertaken if they can be operated in a sustainable way and in compliance with set financial benchmarks.

The solvency and liquidity for future periods are evaluated on a regular basis by the Board.

TWK's sustainability is therefore focused on, inter alia, the reduction of risk, improvement of efficiency, conservation of existing revenue streams and the utilisation of opportunities. All actions are measured against minimum expectations and their impact on society and the environment. Quick adaptation and movement in changing conditions is the key focus for TWK's sustainability.

## Reporting controls

The Group follows a practice of monthly financial reporting of all operational departments. The management of cash, bank relations, human resources and real estate-related business is done on a central basis.



## Corporate Governance Report continued

Executive and senior management meets on an ongoing basis to take stock of performance, commercial and strategic issues to proactively take action where necessary.

### Going concern

The annual financial statements that form part of the annual report have been prepared on a going concern basis. Adequate long-term and short-term financing is obtained in order to finance future operations and to ensure the realisation of assets and pursuance of obligations will occur in the ordinary course of business.

The Board has every reason to believe that the Group has sufficient resources to continue its operations for the foreseeable future.

### Compliance with legislation

The responsibility for compliance with legislation rests with the Board. Ongoing attention is given to the applicable legislation and it also forms part of the risk management model. Continuous awareness campaigns and training is conducted throughout the Group.

### Human resources and remuneration

The Remuneration Committee is tasked by the Board to independently approve and oversee the implementation of a remuneration policy that will encourage the achievement of the Group's strategy. The Board has the final authority for the approval of the remuneration philosophy and policy and provides oversight for the execution of the policy.

The Group's staff is an important resource in achieving the organisation's objectives and the implementation of internal control systems. The Group has excellent staff and executives with proven experience in the industry. Succession planning per division is an ongoing process.

TWK is committed to creating and maintaining an environment that provides equal opportunities for all employees. The remuneration policy outlines the governance framework through which remuneration is determined and managed throughout the Group.

It is the general policy of the Group that the remuneration of all employees should be fair and that employees who accepted the challenge to achieve the strategic goals of the Company and are excelling in it, should be appropriately remunerated.

The remuneration of the non-executive directors is reviewed annually and tabled at the annual general meeting for approval. The Remuneration Committee benchmarks this remuneration against independent surveys to ensure a market related and competitive remuneration. The non-executive directors do not participate in any short-term or long-term incentive schemes.

The remuneration of the executive directors comprise of guaranteed pay, short-term and long-term incentives. The Remuneration Committee determines the executive directors' and other executives' total remuneration and reviews it annually, using benchmarks based on independent surveys and specialist advisors from time to time.

Ongoing training of employees takes place on the basis of pre-planned training sessions that aim to develop the employee's potential for the benefit of the Company and the individual. The Group also has an excellent relationship with the AgriSeta.

A safe and healthy workplace is created and maintained in accordance with the provisions of the Occupational Health and Safety Act.

The Board believes that senior management has the necessary expertise and experience to implement the Group's strategy and to run the business.

### Black economic empowerment (BEE)

TWK supports broad-based black economic empowerments that fits into the Group's business strategies and takes into account the importance of meaningful empowerment for sustainable growth.

The TWK Group's restructuring was implemented on 1 September 2014 and since then, the Vumbuka Trust, a broad-based black economic trust, holds a 25% shareholding in TWK Agri (Pty) Ltd.

### Community involvement

TWK believes in making a difference in the communities it operates in and supports a range of different organisations by means of donations and sponsorships. TWK remains deeply involved in the support of black emerging farmers that gained access to land through the land reform processes.



**JS Stapelberg**

Chairman



**AS Myburgh**

Managing Director



# Report from the Social and Ethics Committee

HW Küsel

Chairman: Social and Ethics Committee

**The purpose of the Report by the Social and Ethics Committee is to report on how the committee performed its responsibilities as defined for the financial year ending 31 August 2020.**

## Composition

The Social and Ethics Committee of TWK Agricultural Holdings (Pty) Ltd fulfils the duties of the Social and Ethics Committee of TWK Investments Ltd. The committee consists of at least three members who are directors or prescribed officers of the Company, and at least one member who is not involved in the day-to-day management of the Company. During the period under review, the committee consisted of four non-executive directors, namely HW Küsel, CA du Toit, TI Ferreira and JCN Wartington. The managing director and other members of Executive Management also attend meetings.

The chairman of the committee attends the annual general meeting and reports to the shareholders about the committee's activities.

The committee meets at least twice a year, and further meetings may be requested if deemed necessary.

## Objectives and responsibilities

The committee performs its statutory obligations as prescribed in the Companies Act 71 of 2008 (Regulation 43) as well as additional non-statutory functions as per the recommended practices of the King IV report on Corporate Governance.

According to its mandate, the committee must monitor the business activities applicable to relevant legislation, other legal requirements or prevailing codes of best practice regarding the following:

1. Social and economic development, including the Company's goal in terms of:
  - a) the ten principles of the United Nations Global Compact Principles;
  - b) the Organisation for Economic Co-operation and Development's recommendations on corruption;
  - c) the Employment Equity Act; and
  - d) the Broad-Based Black Economic Empowerment Act.
2. Good corporate citizenship, including promoting equality, preventing unfair discrimination, reducing corruption, developing the community in which the Company operates, and recording sponsorships, donations and charity expenses.
3. The environment, health and public safety, including the impact of business activities, products or services.
4. Relationships with consumers, including Company advertisements, public relations and compliance with consumer protection laws.

5. Labour relations and employment, including:
  - a) the Company's status in terms of the International Labour Organisation's protocol for an acceptable workplace and working conditions; and
  - b) the Company's labour relations and its contribution to the educational development of its employees.
6. Organisational ethics as per the recommendation of the King IV report on Corporate Governance.

## Report

### Social and economic development

TWK continuously contributes to the development of the communities in which operations are conducted. Examples include sponsorships and donations to schools, organised agriculture, the disadvantaged and various community marketing initiatives.

TWK's Enterprise Development Department specifically focuses on providing emerging farmers access to finance, correct inputs, markets, as well as technical advice and training. This is achieved through strategic partnerships with financiers, funders, commercial farmers and other organisations that have similar objectives. TWK's main partners in this regard include the Land Bank, the Jobs Fund, GrainSA, and the Dept: Rural Development & Land Reform.

The TWK-Vumbuka Fund that was launched during the COVID-19 pandemic, in partnership with GrainSA, and with the financial assistance from a number of commercial farmers, made a massive difference in providing maize meal to the neediest households that were impacted financially by the pandemic.

### The Employment Equity Act

TWK reports annually to the Department of Labour on the progress of objectives and targets contained in TWK's Employment Equity Plan. Equal representation on the various occupational levels of the labour force receives adequate planning and attention.

TWK also focuses on keeping abreast of changes in legislation and policies as determined by the Department of Labour.

### Broad-based black economic empowerment

TWK is committed to the principles of broad-based black economic empowerment (B-BBEE), as defined by the Department of Trade and Industry's Code of Good Practice, as well as the agricultural sector codes and other sector codes applicable to certain subsidiaries of the Group.

Following implementation of the BEE transaction on 1 September 2014, the Vumbuka Trust (a broad-based black economic empowerment trust) holds 25% of the shareholding in TWK Agri (Pty) Ltd.



## Report from the Social and Ethics Committee continued

### Attendance at Social and Ethics Committee meetings

	8 Apr 2020	27 Aug 2020
HW Küsel	✓	✓
CA du Toit	✓	✓
TI Ferreira	✓	✓
JCN Wartington	✓	✓

✓ = Meeting attended. ✕ = Meeting not attended, with pardon.

Apart from TWK's own initiatives regarding enterprise development, social obligations and skills development, the Vumbuka Trust also has a significant impact on the community.

TWK Agri (Pty) Ltd currently has a Level 6 BEE rating which compares well in the agriculture industry overall. Due to the scale and composition of TWK's annual procurement, the Company's main challenge in terms of the amended BEE codes is the level of procurement from black empowered-, black woman empowered-, small-, and empowered medium-sized enterprises, which all weigh very heavy in the amended codes.

### Good corporate citizenship

The Board, Executive Management and employees of the TWK Group and its subsidiaries strive for the highest standards of corporate governance in its operations.

Throughout the Company, consideration is given to the recognition of human rights, fair labour practices, the environment and the fight against corruption through adequate internal control, independent external audits, internal audits, external communication and appropriate accounting practices.

TWK acknowledges its duty to contribute to the socioeconomic upliftment of the community in which it conducts business. This includes sponsorships and donations to different institutions. All sponsorships, donations and charity expenses are recorded and reported to the Committee.

### The environment, health and public safety

The conservation of the environment in which we operate is a priority and therefore, TWK is committed to protecting the environment and reducing the impact of the Group's activities on the environment.

We are committed to protecting the environment, preserving our natural resources, utilising it in an efficient and responsible way, and implementing sound environmental practices in all our business operations. We will restrain from doing business with third parties who do not go about their business in an environmentally responsible way.

Electricity and water savings are also constantly being addressed and further green energy initiatives have been implemented during the year.

Special attention is given to health and safety issues in the workplace to ensure a healthy workforce, a safe environment for our employees and a work environment in which our operations can be maintained and improved. Compliance with the Occupational Health and Safety Act is managed through health and safety committees. The safety of our employees is of paramount importance and training is provided to emergency workers, fire-fighters, and forklift and machine operators on an ongoing basis.

Where applicable, employees are continuously sent for medical observation. The Health and Safety division played an important role during the COVID-19 pandemic, assisting with the implementation and monitoring of required procedures and practices.

### Consumers and customers

Customer satisfaction is an ongoing focus. The success of our customers is also our success, and therefore we strive to understand our customers' needs in order to deliver quality products and services to them. We build personal relationships by communicating with our customers through publications, information days and, where possible, personal visits.

### Labour relations

At TWK our workforce is our most valuable asset. For this reason, TWK being an employer of choice focuses on creating an environment that optimises labour relationships.

This year, TWK again granted several bursaries to matric learners and also assisted employees in obtaining formal qualifications. At the same time, various training initiatives were driven at administrative and operational points.

The development and the enhancement of our workforce's skills is a top-priority that allows us to play a key role in achieving sustainable growth in our workforce, as well as the community we operate in. TWK continues to enjoy an excellent relationship with the AgriSETA.

We treat our employees fairly, respecting their human rights and human dignity, and remunerate them at a competitive level. We provide a safe and healthy working environment to our employees and do not tolerate any form of discrimination based on religion, race or gender.

### Organisational ethics

A code of ethics, describing the principles according to which TWK operates its businesses, is signed by all Board members and employees. TWK strives to maintain sound relationships with all stakeholders and is fully committed to the ethical principles of equity, accountability, transparency and social responsibility.



**HW Küsel**

Chairman: Social and Ethics Committee

# 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 financial statements and related financial information included in this report.

It is their responsibility to ensure that the financial statements fairly present the state of affairs of the 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 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 Group, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors 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 beyond 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, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

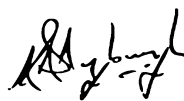
The directors have reviewed the Group's cash flow forecast for the year to 31 August 2021 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditor and their report is presented on pages 44 to 46.

The financial statements have been prepared on the going concern basis, were approved by the Board of Directors on 26 November 2020 and were signed on their behalf by:



**JS Stapelberg**  
Chairman



**AS Myburgh**  
Managing Director



# Statement by the Secretary

I hereby confirm that, in my opinion as company secretary and in terms of section 88(2)(e) of the Companies Act of South Africa, as amended, the company has filed all returns required of a public company in terms of the Companies Act to the Commissioner, and that all such returns are true, correct and up to date.



**MJ Potgieter**

Company Secretary

Piet Retief

26 November 2020

# Directors' Report

## 1. Overview of activities

The Company is involved in agricultural services and conducts business mainly in South Africa. The activities of the Company, its subsidiaries and associates are as follows:

- ▶ Marketing of forestry and agricultural products;
- ▶ Handling and storage of grain;
- ▶ Processing of forestry and cereal products;
- ▶ Supply of agricultural inputs;
- ▶ Trade activities;
- ▶ Financial and agricultural services; and
- ▶ Credit extension.

There were no fundamental changes in the nature of the Group's business during the period under review.

## 2. Financial results and prospects

The Group achieved a profit before tax of R159 million (2019: R279 million).

The operating results and financial position of the Group are set out in detail in the financial statements, and are explained in the chairman's report and the managing director's report.

## 3. Going concern

After consideration of the current financial position and existing credit facilities of the Company and its subsidiaries, as well as the budgets and cash flow projections for the financial year ending 31 August 2021, the Board has satisfied itself that the Company is a going concern and that it complies with the solvency and liquidity requirements of the Companies Act. The financial statements have therefore been prepared on a going concern basis.

## 4. Events after the reporting period

The directors are not aware of any matter or circumstances that arose since the end of the financial year.

## 5. Interest of directors in contracts

No contracts in which directors and officials have a material interest were incurred during the year. The share register is available for inspection at the Company's registered office.

## 6. Authorised and issued share capital

Refer to note 22 of the financial statements for detail on the movement in the issued share capital.

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. As this general authority remains valid only until the next AGM, the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares under the control of the directors until the next AGM.

## 7. Borrowing powers

In terms of the Company's Memorandum of Incorporation, the directors may, in their discretion, exercise all the powers of the Company in order to obtain funding.

## 8. Dividends

Dividends have already been declared and were paid to shareholders during the 12 months as set out in the attached statement of changes in equity after approval has been granted by the Board in this regard.

Dividends are recommended and approved by the Board of Directors of TWK Investments Ltd, based on the financial year-end statements. TWK is of the opinion that there will be continued payment of dividends, although no assurance can be given that dividends will be paid in the future or in respect of the amounts to be paid from year to year. The payment of future dividends will depend on the Board's ongoing evaluation of TWK's earnings, after providing for long-term growth, cash and debt resources, and reserves available for payment of a dividend based on the evaluation of the going concern and other factors.

Taking into consideration the goals, as set out in the strategic plans of the Company, the Board has the flexibility to determine the most fitting allocation of profits to shareholders, as well as deciding on the specific intervals at which dividends must be paid and, if applicable, on the payment of interim dividends.

Within the framework of the above flexibility, the Board also has the discretion to determine the form or combination of the distribution, for example cash, share dividend or the buyback of shares.

Notwithstanding the aforementioned, the Company's general policy will be, in the absence of conditions that require a deviation, to maintain the payout of profits to its shareholders based on normal growth goals and dividend cover guidelines of five times in any of the forms of compensation mentioned above.



## Directors' Report continued

### Authorised shares

	2020 Number of shares	2019 Number of shares
Non par-value ordinary shares	100 000 000	100 000 000
Type A non par-value cumulative preference shares	1	1
Type B non par-value cumulative preference shares	50 000 000	50 000 000

### Issued shares

	2020 R	2019 R	2020 Number of shares	2019 Number of shares
Non par-value ordinary shares	776 478 952	776 478 952	31 616 064	32 146 091
Type A non par-value cumulative preference shares	1	1	1	1
Type B non par-value cumulative preference shares	0	0	0	0
	776 478 953	776 478 953	31 616 065	32 146 092

## 9. Directors

The composition of the Board remained unchanged during the year. The Company's Board of Directors was compiled as follows at year-end:

- ▶ JS Stapelberg (Chairman)
- ▶ CA du Toit
- ▶ TI Ferreira (Vice-chairman)
- ▶ HW Küsel
- ▶ AS Myburgh (Managing Director)
- ▶ JCN Wartington
- ▶ HJK Ferreira
- ▶ HG Hiestermann\*
- ▶ JEW Fivaz (Financial Director)
- ▶ GB Prinsloo

## 10. Secretary

The Company Secretary is MJ Potgieter.

### Business address:

11 De Wet Street  
Piet Retief  
2380

## 11. Interest in subsidiaries and other financial assets

Details of the Company's interest in subsidiaries, associates and other financial assets are contained in the notes to the financial statements.

## 12. Auditors

PKF Pretoria Incorporated has been appointed as the auditors. A decision to appoint the auditors will be submitted at the forthcoming annual general meeting.

## 13. Special resolutions

The following special resolutions were passed at a general meeting of shareholders on 6 February 2020:

- ▶ General authority to buy back shares;
- ▶ Authorisation to issue shares to directors and/or designated officers and/or related parties;
- ▶ Remuneration of non-executive directors;
- ▶ Authorisation to issue "B" preference shares to the extent of 30% or more of existing preference shares in issue at any point;
- ▶ Authorisation to issue ordinary shares to the extent of 30% or more of existing ordinary shares in issue at any point; and
- ▶ General authorisation to provide financial assistance to related and inter-related companies.

# Audit and Risk Committee Report

**HJK Ferreira**  
Chairman: Audit and Risk Committee

**This report is provided by the Audit and Risk Committee ("the committee") of TWK Investments Ltd for the financial year ended 31 August 2020.**

The committee has an independent role with accountability to both the Board and to shareholders. The committee's responsibilities include the statutory duties prescribed by the Companies Act 71 of 2008, activities recommended by King IV as well as additional responsibilities assigned to it by the Board.

## Composition

The committee comprises at least three non-executive directors, elected annually by the shareholders of the Company on the recommendation of the Board.

The committee holds sufficient scheduled meetings to discharge all its duties as set out in its terms of reference but subject to a minimum of three meetings per year.

The managing director, financial director, external and internal auditors, together with the appropriate Board members, attend the meetings on invitation. The internal and external auditors have unrestricted access to the committee.

During the period under review, the committee consisted of four non-executive directors, two of whom are independent. The committee's membership changed at the annual general meeting held on 6 February 2020.

An effectiveness evaluation was performed in terms of which the Board satisfied itself that each committee member has the necessary skills and experience to serve on the committee.

The committee met four times during the period under review.

The chairman of the committee and the external auditors attend the annual general meeting.

A formal work plan is compiled by the committee to ensure that all duties assigned to it by the Board during the year are carried out.

## Mandate delegated by the Board

In terms of its mandate, the committee is required to:

1. Perform its statutory duties as prescribed by the Companies Act, with specific reference to the audit quality, audited independence and financial policies and reporting concerns;
2. Satisfy itself of the suitability, independence, effectiveness and the quality of the external auditors and its audit partner;

3. Make recommendations regarding the appointment of an independent external auditor (including the audit partner) in accordance with the provisions of the Companies Act;
4. Approve the fees payable to auditors and the terms and conditions of the appointment;
5. Consider any non-audit work by such auditors, and determine whether the provision of such services will materially affect their independence;
6. Review the Audit Committee charter to be in line with the recommendations of King IV;
7. Hold separate meetings with management and the external and internal auditors to discuss relevant matters;
8. Receive and handle any concerns or complaints regarding accounting practices, internal audit work and internal financial control in an appropriate manner;
9. Consider incidents reported on the whistle-blowing platform and monitor actions taken;
10. Report to the Board on matters relating to accounting policies, financial controls, financial records and financial reporting;
11. Evaluate the annual audit plan;
12. Review and recommend for adoption by the Board the Group's consolidated interim results for the six months ended 28 February 2020 and the consolidated annual financial statements for the year ended 31 August 2020;
13. Consider and review the accounting practices, policies and procedures, as well as the effectiveness of internal financial controls;
14. Ensure that the financial planning, management and reporting of the business is conducted in accordance with the applicable accounting policies and international financial reporting standards;
15. Monitor compliance with applicable legislation and regulatory aspects;
16. Evaluate the effectiveness of management information and internal control systems;
17. Ensure that the internal control function is effective and that the internal auditor has unrestricted access to the chairman of the Audit and Risk Committee and the chairman of the Board;
18. Confirm and monitor the internal audit process and assess the effectiveness of the internal audit function;
19. Grant assistance to the Board in order to ensure that the business implements an effective risk management policy and plan and risk disclosure is complete, timely and relevant;
20. Consider the skills and capacity of the finance function in general and the financial director in particular;
21. Recommend the interim and annual financial statements to the Board for approval;
22. Consider the Group's liquidity and solvency;
23. Ensure risk management is integrated into business operations;



## Audit and Risk Committee Report continued

### Attendance at Audit and Risk Committee meetings

	16 Oct 2019	28 Nov 2019	8 Apr 2020	27 Aug 2020
CA du Toit	✓	✓	✓	✓
RL Meyer	✓	✓	◇	◇
HG Hiestermann	◇	◇	✓	✓
JS Stapelberg	✓	✓	◇	◇
HJK Ferreira	✓	✓	✓	✓
GB Prinsloo	◇	◇	✓	✓

✓ = Meeting attended. ✗ = Meeting not attended, with pardon. ◇ = At the annual general meeting on 6 February 2020, the committee's membership changed.

24. Perform an assessment of risks and opportunities emanating from the triple context within which the Group operates with reference to the capitals that the Group uses and affects;
25. Ensure risk management assessments are conducted on a continuous basis;
26. Ensure that management considers and implements appropriate risk responses; and
27. Ensure risk management reporting in the annual report is comprehensive and relevant.

### Response to the impact of the COVID-19 pandemic

Although certain business units were designated as businesses that could operate as an essential service provider during lockdown, the businesses operated in a depressed demand environment. The focus was to keep inventory levels well balanced to sales volumes, cost control and capital projects were reassessed. This enabled the Group to overcome the unforeseen risk and the Group was able to meet all of its debt obligations.

The diversity of TWK's business model is proving to be beneficial, as some segments, such as Grain, has seen an increase in business, which partly compensated for segments such as Timber, which operated in a depressed demand environment. From a liquidity perspective, TWK is in an advantageous position. It will be able to run the business fairly conventionally, without having to resort to drastic measures such as selling productive assets or debt restructuring.

### Internal financial controls

A formal review was conducted on the design, implementation and effectiveness of the TWK Group's internal financial control system by the internal audit function during the 2020 financial year. Based on the results of the review and after considering information and explanations provided by management and discussions with the external auditor about the results of their audit, the committee believes that the TWK Group's internal financial control system is effective and provides a basis for preparing reliable financial statements.

### External audit

The external auditors of the Company are PKF Pretoria Inc., headed by Mr Retief Smith. The auditors regularly attend the committee meetings.

The committee is satisfied that the external auditor is independent of the Group in accordance with the Companies Act, which includes consideration of compliance with the independence or conflict of interest criteria as prescribed by the Independent Regulatory Council for Auditors.

The committee in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2020 financial year.

The committee approved the terms regarding the non-audit services by the external auditor, and the nature and scope of the non-audit services that may be provided by the external auditor.

### Internal audit

The internal audit function provides information to assist in the establishment and maintenance of an effective system of internal control to manage the risks associated with the business.

The internal audit function is responsible for the following:

- Evaluating governance processes, including ethics;
- Assessing the effectiveness of the risk methodology and internal financial controls; and
- Evaluating business processes and associated controls in accordance with the annual audit plan.

The internal audit function is established by the Board. The committee is responsible for overseeing Internal Audit, and, specifically in respect of:

- Overseeing the functioning of the internal audit department;
- Satisfying itself of the competence of the internal auditors and adequacy of internal audit resources;
- Approving the annual internal audit plan;
- Reviewing the functioning of the internal audit programme and department to ensure co-ordination between the internal and external auditor; and
- Ensuring the internal audit function is subject to independent quality review as appropriate.

The internal auditor has unrestricted access to the chairman of the committee and the chairman of the Board.

The Company has a formal risk management process in terms of which financial and control risks are identified, analysed, and updated, and internal audits concentrate, inter alia, on these risks.

### Evaluation of chief financial officer and finance function

The committee is satisfied that the expertise and experience of the financial director is appropriate to meet the responsibilities of the position. This is based on the qualifications, levels of experience, and the Board's assessment of the financial knowledge of the financial director. The committee is also satisfied as to the appropriateness, expertise and adequacy of resources of the finance function and the experience of senior members of management responsible for the finance function.

### Financial statements

The committee evaluated the accounting policies and financial statements for the period ending 31 August 2020 and believes that the Group has complied with the requirements of the Companies Act 71 of 2008, as well as the International Financial Reporting Standards (IFRS) in all material respects. The committee is also satisfied that the financial statements reflect the position of the Company and Group correctly, that all factors that may have an impact on the integrity of the report have been taken into account, and that the reporting of risk management, as included in this report, is complete and applicable.

The committee and the Board have considered the annual report in terms of its correctness and integrity and believe that the report is in all material respects a fair representation of the Group's activities and performance.

### Approval of the audit and risk committee report

The committee confirms that it has functioned in accordance with its terms of reference for the 2020 financial year and that its report to shareholders has been approved by the Board.



**HJK Ferreira**

Chairman: Audit and Risk Committee



# Independent Auditor's Report

To the shareholders  
of TWK Investments Limited

## Report on the audit of the consolidated annual financial statements

### Opinion

We have audited the consolidated annual financial statements of TWK Investments Limited and its subsidiaries set out on pages 47 to 114, which comprise the consolidated Statements of Financial Position as at 31 August 2020, and the consolidated Statement of Profit or Loss and Other Comprehensive Income, the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated annual financial statements, including a summary of significant account policies.

In our opinion, the consolidated annual financial statements present fairly, in all material respects, the consolidated financial position of TWK Investments and its subsidiaries as at 31 August 2020, and its consolidated financial performance and consolidated cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

### 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 Annual Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How the matter was addressed in the audit
<p><b>Valuation of biological assets</b></p> <p>As disclosed in note 7, the consolidated annual financial statements includes Biological Assets.</p> <p>Biological assets are required to be measured in accordance with IAS 41 <i>Agriculture</i>. The assets should therefore be valued at fair value less cost to sell. Due to there being a limited active market for the plantations, the fair values are determined using a recognised valuation formula, and are categorised as a Level 3 within the fair value hierarchy in terms of IFRS 13 <i>Fair Value Measurement</i>. This component received significant attention from senior personnel within the audit team. Executive management of TWK Investments Limited and its subsidiaries was directly involved in the assumptions, estimation and judgements made.</p> <p>The valuation of biological assets is considered to be a key audit matter due to the significant assumptions, judgements and estimation required.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Evaluating management's representation relating to the obtained valuation techniques and fair presentation of the biological assets.</li> <li>• Evaluating the consistency of the application of the fair value methodology.</li> <li>• Critically evaluating the fair value methodology against criteria in IAS 41 <i>Agriculture</i> and IFRS 13 <i>Fair Value Measurement</i>, measurements and key assumptions applied by management in determining the fair value of the plantations</li> <li>• Assessing the reliability of the obtained underlying data used in the tables of the recognised valuation formula.</li> <li>• Assessing the valuation calculation for arithmetical accuracy and the consistency of the classification of various plantations relating to species and costing.</li> <li>• Evaluating the completeness, existence and accuracy of the underlying data used in the fair value estimation.</li> <li>• Testing the movement for reasonableness and validity through inspection of corroborating supporting documentation.</li> <li>• Evaluating the adequacy of the financial statement's disclosures, including disclosures of the key assumptions, judgements and sensitivities to confirm compliance with IAS 41 and IFRS 13.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "TWK Investments Ltd Annual Report 2020" which includes the Directors' Report, the Audit & Risk Committee Report as required by the Companies Act 71 of 2008 and the Chairman's Report, Managing Director's Report, Report by the Financial Director, Corporate Governance Report, Report of the Social & Ethics Committee and the Statement by the Secretary. The other information does not include the consolidated annual financial statements and our auditor's report thereon.

Our opinion on the consolidated annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated annual 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 annual financial statements

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated annual financial statements, the directors are responsible for assessing the group'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 or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the consolidated annual financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated annual 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 annual 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 annual 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 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 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 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 to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated annual financial statements, including the disclosures, and whether the consolidated annual 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 annual 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our

auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Independent Auditor's Report continued

### Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Pretoria Incorporated has been the auditor of TWK Investments Limited and its subsidiaries for 10 years.

*PKF PRETORIA INC.*

**Brendan Robinson**

Director

26 November 2020

**PKF**

Chartered Accountants  
& Business Advisers

PKF Pretoria Incorporated  
Registered Auditor  
Chartered Accountant (SA)

Emwil House West, Ground Floor  
15 Pony Street, Tijger Vallei Office Park  
Silver Lakes, 0081

# Statement of financial position

## As at 31 August 2020

Figures in Rand	Notes	2020	2019
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	845 275 912	847 381 562
Right-of-use assets	6	145 475 267	—
Biological assets	7	435 561 003	393 774 918
Goodwill and intangible assets	8	162 411 122	165 204 709
Investments in associates	10	3 715 802	1 433 080
Loans to Group companies	11	13 080 221	14 243 052
Other loans receivable	12	—	2 007 524
Loans receivable	17	83 388 199	78 199 427
Investments at fair value	19	58 268 587	60 410 111
Finance lease receivables	13	7 220 095	12 090 273
Deferred tax	15	98 770 082	79 910 560
		<b>1 853 166 290</b>	1 654 655 216
<b>Current assets</b>			
Biological assets	7	284 824 553	376 538 923
Inventories	16	964 194 542	1 005 108 390
Loans receivable	17	47 939 577	26 780 563
Trade and other receivables	18	1 063 463 928	1 005 018 508
Finance lease receivables	13	12 224 647	12 682 931
Current tax receivable		19 006 898	4 000 278
Cash and cash equivalents	21	108 829 846	132 609 474
		<b>2 500 483 991</b>	2 562 739 067
Non-current assets held for sale and assets of disposal Groups	22	84 667 295	87 172 446
<b>Total assets</b>		<b>4 438 317 576</b>	4 304 566 729



# Statement of financial position

As at 31 August 2020 continued

Figures in Rand	Notes	2020	2019
<b>Equity and liabilities</b>			
<b>Equity</b>			
Equity attributable to equity holders of parent			
Share capital	23	724 529 061	754 981 683
Reserves		28 244 061	26 204 214
Retained income		601 274 181	528 427 522
		1 354 047 303	1 309 613 419
Non-controlling interest		1 995 511	41 995 042
		1 356 042 814	1 351 608 461
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Loans from Group companies	28	105 483 112	121 349 744
Other loans payable	29	445 003	1 207 880
Borrowings	30	545 187 336	462 610 479
Lease liabilities	6	108 197 321	2 772 209
Retirement benefit obligation	14	5 959 000	6 829 000
Deferred tax	15	224 288 717	208 107 231
		989 560 489	802 876 543
<b>Current liabilities</b>			
Trade and other payables	32	837 969 781	818 291 008
Loans from Group companies	28	13 071 129	108 315 992
Other loans payable	29	9 410 157	15 809 213
Borrowings	30	1 153 013 636	1 161 297 660
Derivative financial instruments	20	3 482 164	2 838 950
Lease liabilities	6	42 980 467	2 828 846
Contract liabilities	33	2 298 169	7 437 296
Current tax payable		201 365	18 761 764
Provisions	31	5 418 034	4 964 350
Dividend payable		8 898 853	3 792 100
Bank overdraft	21	15 970 517	5 744 546
		2 092 714 272	2 150 081 725
<b>Total liabilities</b>		3 082 274 761	2 952 958 268
<b>Total equity and liabilities</b>		4 438 317 576	4 304 566 729

# Statement of profit or loss and other comprehensive income

## For the year ended 31 August 2020

Figures in Rand	Notes	2020	2019
<b>Continuing operations</b>			
Revenue	34	7 680 067 366	7 753 007 355
Cost of sales	35	(6 459 269 768)	(6 403 591 459)
<b>Gross profit</b>		<b>1 220 797 598</b>	1 349 415 896
Other operating income	36	60 085 134	80 875 602
Other operating gains	37	5 930 025	34 736 818
Other operating expenses		(992 513 411)	(1 033 948 208)
<b>Operating profit</b>	38	<b>294 299 346</b>	431 080 108
Investment income	39	6 397 902	8 343 515
Finance costs	40	(105 086 386)	(118 891 941)
Share of profit from associates	10	2 282 723	576 129
Other non-operating losses	41	(25 781 766)	(41 222)
<b>Profit before loyalty scheme payments</b>		<b>172 111 819</b>	321 066 589
Loyalty scheme payments		(13 427 396)	(42 280 175)
<b>Profit before taxation</b>		<b>158 684 423</b>	278 786 414
Taxation	42	(50 196 434)	(80 972 547)
<b>Profit from continuing operations</b>		<b>108 487 989</b>	197 813 867
<b>Discontinued operations</b>			
(Loss)/profit from discontinued operations	22	(116 400)	(6 013 884)
<b>Profit for the year</b>		<b>108 371 589</b>	191 799 983
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurements on net defined benefit liability		259 000	815 000
(Losses)/gains on property revaluation		(11 486 930)	40 367 530
Income tax relating to items that will not be reclassified		2 496 351	(2 353 103)
<b>Total items that will not be reclassified to profit or loss</b>		<b>(8 731 579)</b>	38 829 427
<b>Items that may be reclassified to profit or loss:</b>			
Changes in fair value of equity investments at fair value through other comprehensive income		(3 581 240)	(16 586 450)
Income tax relating to items that may be reclassified		698 602	3 715 364
<b>Total items that may be reclassified to profit or loss</b>		<b>(2 882 638)</b>	(12 871 086)
<b>Other comprehensive income for the year net of taxation</b>	43	<b>(11 614 217)</b>	25 958 341
<b>Total comprehensive income for the year</b>		<b>96 757 372</b>	217 758 324
<b>Profit attributable to:</b>			
<b>Owners of the parent:</b>			
From continuing operations		101 602 651	164 913 345
From discontinued operations		(116 400)	(6 013 884)
		<b>101 486 251</b>	158 899 461
<b>Non-controlling interest:</b>			
From continuing operations		6 885 338	32 900 522
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		90 201 576	184 849 745
Non-controlling interest		6 555 796	32 908 579
		<b>96 757 372</b>	217 758 324
<b>Earnings per share</b>			
<b>From continuing and discontinued operations</b>			
Basic earnings per share (c)	44	321,00	494,30
Diluted earnings per share (c)	44	294,92	452,69



## Statement of changes in equity

For the year ended 31 August 2020

Figures in Rand	Share capital	Treasury shares	Total share capital	Revaluation reserve	Reserve for investments at fair value through OCI
<b>Balance at 01 September 2018</b>	776 478 952	(9 390 707)	767 088 245	31 606 010	10 623 906
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	38 014 427	(12 879 143)
<b>Total comprehensive income for the year</b>	—	—	—	38 014 427	(12 879 143)
Change of ownership interest	—	—	—	—	—
Employees share option scheme	—	(12 106 562)	(12 106 562)	—	—
Expected credit losses	—	—	—	—	—
Dividends	—	—	—	—	—
Transfer between reserves	—	—	—	—	2 255 236
<b>Total contributions by and distributions to owners of Group recognised directly in equity</b>	—	(12 106 562)	(12 106 562)	—	2 255 236
<b>Balance at 1 September 2019</b>	776 478 952	(21 497 269)	754 981 683	69 620 437	—
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	(8 650 906)	—
<b>Total comprehensive income for the year</b>	—	—	—	(8 650 906)	—
Business combinations	—	—	—	—	—
Share-based payments	—	—	—	—	—
Shares bought back	(18 255 260)	(12 197 363)	(30 452 623)	—	—
Dividends	—	—	—	—	—
<b>Total contributions by and distributions to owners of Group recognised directly in equity</b>	(18 255 260)	(12 197 363)	(30 452 623)	—	—
<b>Balance at 31 August 2020</b>	<b>758 223 692</b>	<b>(33 694 632)</b>	<b>724 529 060</b>	<b>60 969 532</b>	<b>—</b>
Note(s)	23	23	23	25 & 43	26 & 43

# Statement of changes in equity

For the year ended 31 August 2020 continued

Restructuring reserve	Share-based payments reserve	Change of ownership reserve	Total reserves	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
(40 024 411)	4 316 867	(3 115 887)	3 406 485	391 956 322	1 162 451 053	21 331 283	1 183 782 336
—	—	—	—	158 899 461	158 899 461	32 900 522	191 799 983
—	—	—	25 135 284	815 000	25 950 284	8 057	25 958 341
—	—	—	25 135 284	159 714 461	184 849 745	32 908 579	217 758 324
—	—	(2 852 247)	(2 852 247)	—	(2 852 247)	(7 167 993)	(10 020 240)
—	514 692	—	514 692	—	(11 591 870)	—	(11 591 870)
—	—	—	—	(1 875 514)	(1 875 514)	—	(1 875 514)
—	—	—	—	(21 367 747)	(21 367 747)	(5 076 827)	(26 444 574)
(2 255 236)	—	—	—	—	—	—	—
(2 255 236)	514 692	(2 852 247)	(2 337 555)	(23 243 261)	(37 687 378)	(12 244 820)	(49 932 198)
(42 279 647)	4 831 559	(5 968 134)	26 204 215	528 427 522	1 309 613 420	41 995 042	1 351 608 462
—	—	—	—	101 486 251	101 486 251	6 885 338	108 371 589
(2 892 769)	—	—	(11 543 675)	259 000	(11 284 675)	(329 542)	(11 614 217)
(2 892 769)	—	—	(11 543 675)	101 745 251	90 201 576	6 555 796	96 757 372
—	—	14 567 185	14 567 185	—	14 567 185	(35 950 048)	(21 382 862)
—	(983 665)	—	(983 665)	—	(983 665)	—	(983 665)
—	—	—	—	—	(30 452 623)	—	(30 452 623)
—	—	—	—	(28 898 592)	(28 898 592)	(10 605 279)	(39 503 871)
—	(983 665)	14 567 185	13 583 520	(28 898 592)	(45 767 695)	(46 555 327)	(92 323 021)
<b>(45 172 416)</b>	<b>3 847 894</b>	<b>8 599 051</b>	<b>28 244 061</b>	<b>601 274 181</b>	<b>1 354 047 302</b>	<b>1 995 511</b>	<b>1 356 042 814</b>
	24	27					



## Statement of cash flows

For the year ended 31 August 2020

Figures in Rand	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Cash generated from operations	45	619 112 432	463 407 935
Interest income		4 880 602	6 752 744
Finance costs		(105 086 386)	(118 891 940)
Tax paid	46	(81 612 677)	(60 161 459)
Dividend income		1 517 300	1 590 771
<b>Net cash from operating activities</b>		<b>438 811 271</b>	<b>292 698 051</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(112 656 853)	(184 344 354)
Sale of property, plant and equipment	5	62 021 658	19 323 766
Purchases of other intangible assets	8	(2 248 665)	(1 133 644)
Agency insurance rights acquired	8	(14 210 857)	(8 000 000)
Sale of other intangible assets	8	110 416	170 013
Consideration paid for business combinations	9	(21 382 863)	(10 020 240)
Receipts from finance lease receivables		14 557 265	13 148 658
Advances to finance lease receivables		(9 228 803)	(13 771 391)
Purchase of investments at fair value		(6 313 251)	(3 395 436)
Sale of investments at fair value		5 415 734	11 675 601
Purchase and establishment of biological assets	7	(223 115 790)	(182 766 849)
Receipts from forestry and term loans		46 647 566	52 245 650
Advances on forestry and term loans		(72 995 352)	(56 453 540)
<b>Net cash from investing activities</b>		<b>(333 399 795)</b>	<b>(363 321 766)</b>
<b>Cash flows from financing activities</b>			
Advances from other financial liabilities		365 627 896	140 417 599
Repayment of other financial liabilities		(291 335 062)	(61 114 512)
Proceeds from other loans		4 225 882	1 402 998
Decrease in other loans		(9 380 291)	(6 893 001)
Dividends paid		(34 397 118)	(28 262 555)
Lease liability payment	6	(33 757 096)	—
Proceeds from loans with Group companies		70 289 415	3 507 947
Repayment of Group loans		(180 238 079)	(12 349 915)
Purchase of own shares		(30 452 622)	(12 106 562)
<b>Net cash from financing activities</b>		<b>(139 417 076)</b>	<b>24 601 999</b>
<b>Total cash movement for the year</b>		<b>(34 005 600)</b>	<b>(46 021 716)</b>
Cash at the beginning of the year		126 864 928	172 886 644
<b>Total cash at end of the year</b>	21	<b>92 859 329</b>	<b>126 864 928</b>

# Notes to the financial statements

## For the year ended 31 August 2020

### 1. Significant accounting policies

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

#### 1.1 Basis of preparation

The consolidated annual financial statements of the TWK Investments Ltd Group 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 financial statements and the Companies Act of South Africa. The Group consolidated annual financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- ▶ Biological assets are measured at fair value less cost to sell,
- ▶ Derivative financial instruments are measured at fair value,
- ▶ Land and buildings are measured at fair value,
- ▶ Financial instruments through profit and loss are measured at fair value,
- ▶ Share-based payments are measured at fair value, and
- ▶ The retirement benefit obligation is recognised as the net total of the present value of defined benefit obligation.

These accounting policies adopted in the preparation of the financial statements are consistent with the previous period, except for the changes set out in note 2.

#### 1.2 Segmental reporting

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

The basis of segmental reporting has been set out in note 4.

#### 1.3 Consolidation

##### Basis of consolidation

##### Subsidiaries

A subsidiary is a company that is owned or controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The results of subsidiaries are included in the Group consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. All the subsidiaries have the same financial year-end and the same accounting policies as the holding company.

All inter-company transactions, balances, and unrealised gains on transactions between Group companies are eliminated in full on consolidation.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. 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 at book value.

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

##### 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.

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.

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.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill 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.

#### 1.4 Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for using the equity method, except when the investment is classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the Consolidated Statement of Financial Position at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the Group's interest in that associate are recognised only to the extent that the Group has incurred a legal or constructive obligation to make payments on behalf of the associate.

For associates with different year-ends, the Group uses independently reviewed 12 month management accounts in the preparation of the consolidated financial statements.

#### 1.5 Significant judgements and sources of estimation uncertainty

The preparation of consolidated annual financial statements, requires management to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. Refer to note 18 for details regarding the impairment of trade receivables.

Trade receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The assessment is done at initial recognition of the trade receivable. Further, the impairment provision is monitored at the end of each reporting period. The Company measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9.

##### Allowance for slow moving, damaged and obsolete inventory

Inventory is valued at the lower of cost and net realisable values. A provision is raised against inventory according to nature, condition and age.

##### Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

##### Impairment testing

The Group reviews and tests for impairment the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are Grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each Group of assets. Expected future cash flows are used to determine the value in use of tangible assets and are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 31 of the financial statements.

##### Deferred tax asset

Deferred tax assets is recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the loss can be utilised. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of taxable future profits, together with future tax planning strategies.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### Post-retirement medical benefit

Refer to note 14 for details regarding calculations and assumptions.

#### Share-based payments

Refer to note 24 for details regarding calculations and assumptions.

#### Biological assets

Refer to note 7 for details regarding calculations and assumptions.

#### Property, plant and equipment

Management reviews the lifespan and residual value of fixed assets on an annual basis, and adjustments are made as appropriate. Management uses their experience, judgement and assumptions in the process of determining life span and residual value.

#### 1.6 Biological assets

The Group recognises a biological asset or agricultural produce when, and only when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits associated with the asset will flow to the entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell. The fair value of standing timber at maturity date, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting and transportation costs.

The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantations at maturity, in its most relevant market, and includes the potential additional biological transformation and related risks associated with the asset. Any gain or loss arising from changes in the fair value of biological assets are included in profit or loss in the statement of comprehensive income.

Losses resulting from natural disasters such as abnormal rainfall or drought, frost, hail and epidemic deaths and losses resulting from fire damage and theft, and the recovery of the loss from a third party is considered a separate economic event. Consequently, the carrying value of the biological asset is reduced by the loss and the associated expense as a fair value adjustment included in the statement of comprehensive income.

Initial and subsequent expenditure incurred for the establishment and conservation of biological assets are capitalised as costs directly attributable to the biological transformation required to obtain the fair value at which biological assets are valued.

#### 1.7 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits flowing from the item for more than one period of use in the production or supply of goods or services, or for administrative purposes, and are not acquired for resale purposes will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes site preparation, the purchase price of the equipment and directly attributable labour, installation and other costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Borrowing costs are capitalised on qualifying assets. The capitalisation of borrowing costs ceases when the asset is in the location and condition necessary for it to be capable of commercial operation. Start-up and ongoing maintenance costs are not capitalised.

Plant, machinery, structures and motor vehicles are carried at cost less accumulated depreciation and any impairment losses.

Land and buildings are subsequently carried at fair value based on periodic, but at least quadrennial, valuations by external independent valuers, less subsequent accumulated depreciation for buildings. Land is not depreciated as it is deemed to have an unlimited useful life.

An increase in an asset's carrying amount, as a result of a revaluation, is recognised to other comprehensive income and accumulated in the revaluation surplus 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 an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current period to the extent that no credit balance exists in the revaluation surplus in respect of that asset.

The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation surplus in equity. The revaluation surplus in equity related to a specific item of land and buildings is transferred directly to retained income when the asset is derecognised.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

When an item of land and buildings is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Depreciation is calculated to write off the asset's cost amount over its estimated useful life to its estimated residual value. The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

The depreciable amount of buildings, plant and equipment, i.e. the cost (or revalued amount) less the residual value as defined, is allocated on a systematic basis over its useful life.

The useful life and residual value of buildings, plant and equipment are reviewed on an annual basis. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. The evaluation regarding the useful life and residual values of assets can only be established with certainty when the item of plant and equipment near the end of their useful life. Useful life and residual value evaluation may result in a larger or smaller depreciation expense. If the residual value of an asset equals the carrying amount, the depreciation is discontinued until the carrying amount exceeds the residual value.

Leasehold Improvements are written off over the period of the lease agreement.

The estimated useful lives of items of property, plant and equipment are within the following intervals:

Buildings and structures	20 to 50 years
Plant and machinery	4 to 22 years
Motor vehicles	6 years

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.8 Goodwill and intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition, and liabilities assumed. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and is not amortised.

Goodwill is allocated to cash-generating units for the purpose of impairment assessment. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose.

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.

Goodwill and Intangible assets are initially recognised at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- ▶ 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.

Goodwill and intangible assets, except computer software, is regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The useful life and residual values of computer software are reviewed at the beginning of each reporting period and adjusted if appropriate. The evaluation regarding the useful lives and residual values of computer software can only be established with certainty when the item of asset near the end of their useful life. The estimated useful life of computer software are four years.

Amortisation is calculated to write off computer software's cost amount over its estimated useful life to its estimated residual value.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### 1.9 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. The classification of financial instruments, which are adopted by the Group, are as follows:

Financial assets which are equity instruments:

- Designated as at fair value through other comprehensive income.

For financial assets to be classified and measured at amortised cost only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows.

In order for a financial asset to be classified and measured at fair value through OCI, only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost

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

#### Loans and receivables

##### Classification

Loans and receivables are classified as financial assets when both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 Company's business model is to collect the contractual cash flows on these loans.

##### Recognition and measurement

Loans receivable are recognised when the Company 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.

##### Impairment

The Company 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 Company 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, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Company 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.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### Trade and other receivables

##### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 18).

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 Company's business model is to collect the contractual cash flows on trade and other receivables.

##### Recognition and measurement

Trade and other receivables are recognised when the Company 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.

##### Impairment

The Company recognises a loss allowance for expected credit losses on trade and other receivables and prepayments. The amount of expected credit losses is updated at each reporting date. The Group measures the loss allowance for Trade Receivables by applying the simplified approach which is presented by IFRS 9. In accordance with this approach, the expected credit losses are estimated using a provision matrix. The provision matrix has been developed by making use of an internal risk rating which is mapped to the indicative mapping methodology for corporate exposure based on information published by rating agencies. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. A comprehensive probability of Default (PD) rating of an external source is used as reference point for forward looking information. Trade receivables is Grouped in categories based on shared characteristics to measure the expected credit losses.

##### Measurement and recognition of expected credit losses

The Company 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 18.

An impairment gain or 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 other operating expenses in profit or loss as a movement in credit loss allowance (note 38).

##### Credit risk

Details of credit risk are included in the trade and other receivables note (note 18) and the financial instruments and risk management note (note 52).

#### Investments in equity instruments

##### Classification

Investments in equity instruments are presented in note 19. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

The designation as at fair value through other comprehensive income is never made on investments which are either held for trading or contingent consideration in a business combination.

##### Recognition and measurement

Investments in equity instruments are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition, at fair value. Transaction costs are added to the initial carrying amount for those investments which have been designated as at fair value through other comprehensive income. All other transaction costs are recognised in profit or loss.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income, depending on their classification. Details of the valuation policies and processes are presented in note 19.

Dividends received on equity investments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 39).

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### Non-hedging derivatives

##### Classification

Non-hedging derivatives are classified as mandatorily at fair value through profit or loss.

The Group participates in various over-the-counter (OTC) future buying and selling contracts for the buying and selling of commodities. Although certain contracts are covered by the physical provision or delivery during normal business activities, OTC-contracts are regarded as a financial instrument (note 20).

##### Recognition and measurement

Derivatives 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.

Transactions in foreign currencies are translated to the functional currency of the Group at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange ruling at the reporting date. Any foreign exchange differences are recognised in profit or loss in the year in which the difference occurs. The profit or loss are included under other operating gains and losses.

#### Borrowings and loans from related parties

##### Classification

Loans from Group companies (note 11), other loans payable (note 29) and borrowings (note 30) are classified as financial liabilities subsequently measured at amortised cost.

##### 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 40.)

Borrowings expose the Company to liquidity risk and interest rate risk. Refer to note 52 for details of risk exposure and management thereof.

#### Trade and other payables

Trade and other payables (note 32), excluding VAT and amounts received in advance, are classified as financial liabilities initially measured at fair value, and subsequently measured at amortised cost.

#### 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.

#### Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost.

#### Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**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 inputs which are not based on observable market data.

For assets and liabilities that are recognised in the annual financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### 1.10 Tax

##### 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.

##### 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 to the extent that it is probable that future taxable profit will be available against which the unused tax losses 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.

##### 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.

#### 1.11 Leases

The Company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense (note 38) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Company is a lessee are presented in note 6 Leases (Company as lessee).

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 6).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 40).

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Company will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Company incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are 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. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

#### 1.12 Leases

The following accounting policy applies to the comparative disclosures of leases. The Company has adopted IFRS 16 in the current year, but has not restated the comparatives. These accounting policies are prepared on the basis of IAS 17. Refer to the note on changes in accounting policies for details of the impact of the adoption of IFRS 16 on these financial statements.

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.

##### Finance leases — lessor

The Group recognises finance lease receivables in the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

##### 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 interest rate implicit in the lease.

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.

##### Operating leases — lessor

Operating lease income is recognised as an income 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 which arises due to future escalation in amounts payable implicit in these agreements.

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.

##### 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 liability which arises due to future escalation in amounts payable implicit in these agreements.

The liability is not discounted.

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

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### 1.13 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory items is determined in accordance with the weighted average cost method, unless it is more appropriate to apply another basis on account of the characteristics of the inventory. The cost of grain commodities is determined on the basis of fair 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.

When inventories are sold, the carrying amount of those inventories are 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.

#### 1.14 Non-current assets held for sale

Non-current assets and disposal Groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal Group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal Groups) held for sale (distribution to owners) are measured at the lower of their carrying amount and fair value less costs to sell (distribute).

A non-current asset is not depreciated (or amortised) while it is classified as held for sale (held for distribution to owners), or while it is part of a disposal Group classified as such.

#### 1.15 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, the Group also test goodwill acquired in a business combination for impairment annually.

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.

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.

A reversal of an impairment loss of 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.

#### 1.16 Share capital and equity

Ordinary shares are classified as equity.

If the Company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Consideration paid or received shall be recognised directly in equity.

Ordinary shares in TWK Investments Ltd which have been acquired by the TWK Agri Aandele Aansporings Trust, are classified as treasury shares. The cost of these shares is deducted from equity and the number of shares is deducted from the total number of shares.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### 1.17 Share-based payments

The Group grants share options to certain employees under an employee share plan. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted as part of the TWK Group employee share option plan is measured using the Black-Scholes option pricing model, taking into account the terms and conditions under which the options were granted. The amount recognised as an expense with a corresponding increase in equity is adjusted at each reporting date to reflect the actual number of share options that vest or are expected to vest. Non-market vesting conditions are included in assumptions about the number of awards that are expected to become due, including taking into account the forfeiture of instruments due to resignation and these assumptions are reviewed on an annual basis.

#### 1.18 Employee benefits

##### 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.

##### Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

##### Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined based on the current value of expected medical aid contribution by taking into account mortality tables.

Actuarial valuations are conducted on an annual basis by independent actuaries and any gains or losses are recognised in profit or loss.

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, and reduces by the fair value of plan assets.

#### 1.19 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.

#### 1.20 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 are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### 1.21 Revenue recognition

The TWK Group recognises revenue from the following major sources:

- Sale of agricultural products and produce
- Sale and servicing of farming equipment
- Sale of processed and unprocessed timber products
- Sale, storage and handling of grain related products
- Sale of motor vehicles, tyres, related items, fuel and servicing of motor vehicles
- Commission income
- Financial income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties, and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, as well as value added tax. The Group assesses all revenue agreements in order to determine if it is acting as principal or agent. All intergroup sales are eliminated in full on consolidation.

#### Revenue from contracts with customers

##### Income from sale of goods without warranty

TWK Group offers a large variety of products that cater for the different agricultural and related industries. Our products include farming equipment, fertiliser, seed, livestock products, hardware, building material, fuel, fencing, spares, processed and unprocessed timber products and grain products, motor vehicles and related items.

The revenue from the sale of goods without a warranty is recognised when control of the goods has been transferred to the customer being at the point in time, and depends on the ability to direct the use and obtain the benefits to the customer.

The ability to direct the use and obtain the benefits will depend on certain circumstances which include the liability to make payment, transfer of legal title, physical possession and transfer of significant risk and rewards of ownership.

##### Income from sale of goods with a warranty

The TWK Group supplies New Holland Farming equipment, Toyota and Isuzu Motor vehicles and trucks which include a warranty.

The revenue terms, conditions and recognition criteria are the same as income from sale of goods without a warranty except for the warranty provided.

The warranty is provided by the product supplier and administrated by TWK.

As the warranty obligation is on the product supplier, TWK does not recognise any provision for the cost involved with this liability.

##### Income from contract fertiliser sales

For contract fertiliser sales the TWK Group recognize the revenue for goods as the goods are being delivered. Due to the nature of the transaction and the timing difference between the date of the contract and the expected date of the delivery, the obligation is performed over time and give rise to a contract liability. Revenue is recognised on the basis of the value of product delivered to date relative to the total value of product delivered.

#### Services rendered

Servicing of farming equipment, motor vehicles and trucks:

Customers are being charged for the servicing of these items based on the time spent and parts used. The revenue for the servicing of these items will be recognised when the service is complete if the service does not take a significant period of time. If, however, the service does take a significant period of time, revenue will be recognised as the customer's asset is enhanced and TWK obtains a right to payment. In the event that it is not possible to complete the service due to further faults, the client is liable for the charges for time spent and materials used to the point when the service ceases.

#### Storage and handling of grain

The storage of grain is seen as a single performance obligation which is satisfied by TWK over a period of time as the customer receives and consumes the benefit of being able to store the product at the grain storage facility. The revenue from the storage of grain are recognised as the grain is stored over time.

An output-based method is being followed to measure the completion of the service, as the customer only pays for specific activities to be performed which entails that revenue is recognised on the basis of the value of services transferred to date relative to the total service promised.

The revenue from the handling of grain is seen as a single performance obligation which is satisfied by TWK at a point in time. The revenue from the handling of grain is recognised upon completion of the handling activity by TWK.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### Commission income

The TWK Group offers a variety of insurance products and services to a diverse client base of which TWK acts as agent. The main products offered are:

- Short-term insurance;
- Crop insurance;
- Plantation insurance;
- Long-term insurance;
- Medical aids; and
- Alternative Risk Transfer.

Commission income is recognised in the accounting period in which the services are being rendered.

#### Financial Income

Financial income comprise of interest income and dividend income.

TWK offers its clients with a variety of products to assist with their financing requirements which include Month accounts, Term loan facilities, Forestry loans, Asset financing and Production facilities. Interest income is earned on these products.

Interest income is recognised, in profit or loss, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest accrues daily and is recognised on a monthly-basis.

Dividend income from investments are recognised when the right to receive payment is established.

#### Rental income

Income from operating leases in respect of property is recognised in profit or loss on a straight-line basis over the lease term.

### 1.22 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 cost of providing services recognised as revenue in the current period is included in cost of sales.

### 1.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 1. Significant accounting policies continued

#### 1.24 Translation of foreign currencies

##### 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 financial statements are recognised in profit or loss in the period in which they arise.

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.

#### 1.25 Loyalty scheme payments

The Group operates a loyalty scheme to incentivise clients for doing business with the TWK Group by awarding shares to be taken up in the TWK Group and/or cash payments on an annual basis. All bona-fide farmers that do significant business with the TWK Group by contributing to gross profit exceeding a set minimum amount qualify to be awarded through the TWK Loyalty Scheme. These payments are accounted for in the period in which the loyalty scheme payments is made when applicable.

### 2. Changes in accounting policy

The accounting policy adopted in the preparation of the Group financial statements is consistent with the policy followed in the preparation of the Group's annual financial statements for the previous financial year, except for the adoption of new standards and interpretations effective as of 1 September 2019 as set out below:

#### Application of IFRS 16 Leases

In the current year, the Company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 September 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC 27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases; and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

#### Leases where Company is lessee

##### Leases previously classified as operating leases

The Company undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate at the date of initial application.
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Company applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

As an exception to the above, no adjustments were made on initial application of IFRS 16 for leases previously classified as operating leases:

- for which the underlying asset is of low value. From the date of initial application, these leases are accounted for in accordance with paragraph 6 of IFRS 16 by recognising the lease payments on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 2. Changes in accounting policy continued

The Company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis:

- when a portfolio of leases contained reasonably similar characteristics, the Company applied a single discount rate to that portfolio;
- leases which were expiring within 12 months of 01 September 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed;
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

#### Leases previously classified as finance leases

For leases that were classified as finance leases applying IAS 17, the Company measured the carrying amount of the right-of-use asset and the lease liability at the date of initial application as the carrying amount of the leased asset and lease liability immediately before that date measured applying IAS 17. For those leases, the Company accounts for the right-of-use asset and the lease liability applying IFRS 16 from the date of initial application.

#### Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

No third statement of financial position is disclosed as the implementation of the standard did not have any other material impact on the financial statements of the Group.

### 3. New Standards and Interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Company 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 16 Leases	1 January 2019	The impact of the standard is set out in note 2 Changes in accounting policy

#### 3.2 Standards and interpretations not yet effective

Standards already issued, but not yet effective are listed below. The intention of the Group is to adopt these standards, if applicable, when they become effective:

Standard/interpretation	Effective date:	Expected impact
▸ Classification of Liabilities as Current or Non-current — Amendment to IAS 1	1 January 2022	Unlikely there will be a material impact
▸ COVID-19-Related Rent Concessions — Amendment to IFRS 16	1 June 2020	Unlikely there will be a material impact
▸ Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020	Unlikely there will be a material impact
▸ Definition of a business — Amendments to IFRS 3	1 January 2020	Unlikely there will be a material impact
▸ Presentation of Financial Statements: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
▸ Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	Unlikely there will be a material impact
▸ IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact

### 4. Segmental information

The Group has identified reportable segments which represent the structure used by the 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.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 4. Segmental information continued

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

The 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.

The segment information provided to the management is presented below:

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation	Operating profit
<b>2020</b>						
<b>Continuing operations</b>						
Timber	2 923 814 274	(1 085 216 260)	1 838 598 014	125 565 954	(15 529 592)	110 036 362
Retail and mechanisation	5 477 627 958	(2 107 954 990)	3 369 672 968	62 162 361	(27 792 736)	34 369 625
Financial services	180 947 079	(7 407 138)	173 539 941	39 181 694	(2 309 046)	36 872 648
Grain	1 386 182 624	(74 682 580)	1 311 500 044	49 922 698	(5 773 109)	44 149 589
Motors and tyres	990 507 493	(10 880 709)	979 626 784	32 180 302	(13 008 444)	19 171 858
Corporate	56 589 943	(49 460 325)	7 129 618	39 982 205	(3 710 337)	36 271 868
<b>Total</b>	<b>11 015 669 371</b>	<b>(3 335 602 002)</b>	<b>7 680 067 369</b>	<b>348 995 214</b>	<b>(68 123 264)</b>	<b>280 871 950</b>

Figures in Rand	Investment income	Impairment and other non-cash items	Interest expense	Income from equity-accounted investments	Profit before tax
<b>2020</b>					
<b>Continuing operations</b>					
Timber	1 097 939	—	(2 863 664)	1 818 379	110 089 016
Retail and mechanisation	1 389 411	(23 129 120)	(25 029 612)	464 344	(11 935 351)
Financial services	857 836	—	(356 656)	—	37 373 829
Grain	1 095 418	—	(3 146 570)	—	42 098 438
Motors and tyres	900 452	—	(39 230 131)	—	(19 157 821)
Corporate	1 056 846	(2 652 646)	(34 459 753)	—	216 312
<b>Total</b>	<b>6 397 902</b>	<b>(25 781 766)</b>	<b>(105 086 386)</b>	<b>2 282 723</b>	<b>158 684 423</b>
<b>Reconciling items</b>					
Discontinued operations					(116 400)
Taxation					(50 196 434)
<b>Profit after tax and discontinued operations</b>					<b>108 371 589</b>



# Notes to the financial statements

For the year ended 31 August 2020 continued

## 4. Segmental information continued

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation	Operating profit
<b>2019</b>						
<b>Continuing operations</b>						
Timber	3 612 769 598	(1 401 954 065)	2 210 815 533	256 361 575	(11 899 880)	244 461 695
Retail and mechanisation	4 742 002 201	(1 829 846 700)	2 912 155 501	38 769 281	(6 749 610)	32 019 671
Financial services	171 544 061	7 307 906	178 851 967	36 321 056	(363 860)	35 957 195
Grain	1 425 928 747	(79 824 839)	1 346 103 908	23 377 429	(4 301 507)	19 075 923
Motors and tyres	1 113 704 918	(16 147 947)	1 097 556 971	41 308 009	(6 128 097)	35 179 912
Corporate	49 605 945	(42 082 470)	7 523 475	24 998 932	(2 893 395)	22 105 537
<b>Total</b>	<b>11 115 555 470</b>	<b>(3 362 548 115)</b>	<b>7 753 007 355</b>	<b>421 136 282</b>	<b>(32 336 349)</b>	<b>388 799 933</b>

Figures in Rand	Investment income	Other non-cash items	Interest expense	Income from equity-accounted investments	Profit before tax
<b>2019</b>					
<b>Continuing operations</b>					
Timber	1 358 209	—	(3 585 532)	—	242 234 372
Retail and mechanisation	1 708 020	—	(24 738 335)	576 129	9 565 485
Financial services	1 203 101	—	(14 358)	—	37 145 939
Grain	1 327 244	—	(3 332 212)	—	17 070 955
Motors and tyres	911 456	338 888	(33 696 757)	—	2 733 499
Corporate	1 835 485	(380 110)	(53 524 746)	—	(29 963 836)
<b>Total</b>	<b>8 343 515</b>	<b>(41 222)</b>	<b>(118 891 940)</b>	<b>576 129</b>	<b>278 786 414</b>
Discontinued operations					(6 013 884)
Taxation					(80 972 547)
<b>Profit for the year</b>					<b>191 799 983</b>

## 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 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	Capital expenditure*	Total assets	Total liabilities	Net assets
<b>2020</b>				
<b>Continuing operations</b>				
Timber	20 255 754	1 404 134 962	(966 028 266)	438 106 696
Retail and mechanisation	16 991 588	741 943 032	(615 917 271)	126 025 761
Financial services	15 529 622	991 421 724	(504 060 040)	487 361 684
Grain	4 899 320	331 402 768	(293 764 545)	37 638 223
Motors and tyres	36 896 711	382 927 697	(213 298 858)	169 628 839
Corporate	34 543 380	586 487 393	(489 205 782)	97 281 611
<b>Total</b>	<b>129 116 375</b>	<b>4 438 317 576</b>	<b>(3 082 274 762)</b>	<b>1 356 042 814</b>

\* Capital expenditure relates to PPE and intangible assets.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 4. Segmental information continued

Figures in Rand	Capital expenditure*	Total assets	Total liabilities	Net assets
<b>2019</b>				
<b>Continuing operations</b>				
Timber	30 677 089	1 492 700 777	(1 152 307 800)	340 392 978
Retail and mechanisation	10 167 556	731 351 602	(552 727 487)	178 624 114
Financial services	8 668 620	861 470 046	(456 286 282)	405 183 763
Grain	8 526 773	221 700 899	(186 479 892)	35 221 007
Motors and tyres	111 498 218	388 850 882	(188 837 951)	200 012 931
Corporate	20 236 089	608 492 524	(416 318 856)	192 173 669
<b>Total</b>	<b>189 774 345</b>	<b>4 304 566 730</b>	<b>(2 952 958 268)</b>	<b>1 351 608 462</b>

\* Capital expenditure relates to PPE and intangible assets.

### 5. Property, plant and equipment

Figures in Rand	2020			2019		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	644 866 688	(18 504 157)	626 362 531	613 378 841	(16 951 039)	596 427 802
Plant and machinery	332 284 727	(185 685 622)	146 599 105	329 245 342	(176 812 582)	152 432 760
Motor vehicles	98 110 444	(49 533 421)	48 577 023	95 322 780	(50 853 516)	44 469 264
Leasehold improvements	—	—	—	28 376 405	(1 132 326)	27 244 079
Structures	27 552 725	(3 815 472)	23 737 253	33 227 234	(6 419 577)	26 807 657
<b>Total</b>	<b>1 102 814 584</b>	<b>(257 538 672)</b>	<b>845 275 912</b>	<b>1 099 550 602</b>	<b>(252 169 040)</b>	<b>847 381 562</b>

#### Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Transfers
<b>2020</b>				
Land and buildings	596 427 802	46 914 395	—	(5 388 801)
Plant and machinery	152 432 760	37 823 023	(27 811 297)	8 354 065
Motor vehicles	44 469 264	18 933 860	(6 324 304)	1 241 860
Leasehold improvements	27 244 079	416 186	(26 677 377)	—
Structures	26 807 657	8 569 389	(405 345)	(9 438 108)
<b>Total</b>	<b>847 381 562</b>	<b>112 656 853</b>	<b>(61 218 323)</b>	<b>(5 230 984)</b>

Figures in Rand	Revaluations	Depreciation	Impairment loss	Total
<b>2020</b>				
Land and buildings	(11 486 930)	(103 935)	—	626 362 531
Plant and machinery	—	(22 569 380)	(1 630 066)	146 599 105
Motor vehicles	—	(9 743 657)	—	48 577 023
Leasehold improvements	—	(982 888)	—	—
Structures	(415 235)	(1 381 105)	—	23 737 253
<b>Total</b>	<b>(11 902 165)</b>	<b>(34 780 965)</b>	<b>(1 630 066)</b>	<b>845 275 912</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 5. Property, plant and equipment continued

Figures in Rand	Opening balance	Additions	Disposals	Classified as held for sale reversal	Transfers	Revaluations
<b>2019</b>						
Land and buildings	583 528 785	60 842 049	(13 424 298)	(64 828 094)	(7 695 050)	40 367 531
Plant and machinery	131 161 427	55 732 910	(3 052 282)	—	(4 017 662)	—
Motor vehicles	40 068 635	14 596 359	(2 957 159)	—	—	—
Leasehold improvements	39 346	48 828 123	—	(22 344 352)	—	—
Structures	15 439 010	641 260	—	—	11 659 913	—
<b>Total</b>	<b>770 237 203</b>	<b>180 640 701</b>	<b>(19 433 739)</b>	<b>(87 172 446)</b>	<b>(52 799)</b>	<b>40 367 531</b>

Figures in Rand	Borrowing cost capitalised	Depreciation	Impairment loss	Impaired and discontinued operations	Total
<b>2019</b>					
Land and buildings	2 158 761	(229 446)	(1 403 042)	(2 889 394)	596 427 802
Plant and machinery	—	(22 782 474)	—	(4 609 159)	152 432 760
Motor vehicles	—	(6 634 696)	—	(603 875)	44 469 264
Leasehold improvements	1 544 892	(823 930)	—	—	27 244 079
Structures	—	(932 526)	—	—	26 807 657
<b>Total</b>	<b>3 703 653</b>	<b>(31 403 072)</b>	<b>(1 403 042)</b>	<b>(8 102 428)</b>	<b>847 381 562</b>

A register containing the information required by Regulation 25(3) of the Companies Regulations, 2011 is available for inspection at the registered office of the Group.

The impairment of R1 630 066 in the current year, relates to plant and machinery utilised in the sawmill operations of Sawco Mining Timber Company (Pty) Ltd.

#### Property, plant and equipment encumbered as security

Certain property, plant and equipment with a carrying value of R378 965 932 (2019: R389 494 816), have been pledged to secure borrowings. Refer to note 30.

#### Borrowing costs capitalised

Figures in Rand	2020	2019
Borrowing costs capitalised to qualifying assets	—	3 703 653
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation (%)	—	10,25

#### Revaluations

Land and buildings are carried at fair value based on periodic, but at least quadrennial, valuations by external independent valuers, less subsequent accumulated depreciation for buildings.

The last valuation on selected assets was on 31 August 2020. Valuations were performed by independent valuer's, Mr C Winckler and Mr W Winckler of Valuers Africa (Pty) Ltd. The valuer's are registered professional valuer's and are not connected to the Group.

Where no comparable information is available, the income capitalization method of valuation are being used to revalue land and buildings. Where comparable information is available, the comparable sales method is used and for specialised property, the depreciated replacement cost are being used.

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

Figures in Rand	2020	2019
Land and buildings	<b>224 298 861</b>	222 544 389

#### Fair value information

The fair value measurement of Property, Plant and Equipment have been categorised as Level 3 based on inputs which are not based on observable market data.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 6. Right-of-use assets and lease liabilities

The Group adopted IFRS 16 using the retrospective approach with the date of initial application 1 September 2019, therefore IFRS 16 has no impact on the prior year.

The Company leases several assets, including land, buildings and motor vehicles. The average lease term is 4 years.

The Group also has certain leases with lease terms of 12 months or less and leases of low value. The Group applies the recognition exemption for these leases.

The Company has the option to purchase the vehicles at a nominal amount on completion of the lease term. Details pertaining to leasing arrangements, where the Company is lessee are presented below:

Figures in Rand	Adoption of IFRS 16	Disposals	Remeasurement	Depreciation	Total
Buildings	180 502 702	(27 526 900)	6 565 460	(26 864 469)	132 676 793
Leasehold property	20 608 521	(1 372 393)	(1 242 443)	(5 195 211)	12 798 474
<b>Total</b>	<b>201 111 223</b>	<b>(28 899 293)</b>	<b>5 323 017</b>	<b>(32 059 680)</b>	<b>145 475 267</b>

The disposal of assets and liabilities are due to the disposal of the Fourie street filling station and the cancellation of the lease relating to the Wesselton filling station.

#### Lease liabilities

Figures in Rand	Adoption of IFRS 16	Interest	Disposal	Remeasurement	Payments	Total
Buildings	180 502 702	12 391 405	(28 471 435)	6 737 352	(33 288 453)	137 871 571
Leasehold property	20 608 520	1 931 565	(1 229 957)	(1 368 025)	(6 635 886)	13 306 217
<b>Total</b>	<b>201 111 222</b>	<b>14 322 970</b>	<b>(29 701 392)</b>	<b>5 369 327</b>	<b>(39 924 339)</b>	<b>151 177 788</b>

The maturity analysis of lease liabilities is as follows:

Figures in Rand	2020	2019
Within one year	<b>42 980 467</b>	—
Two to five years	<b>76 906 852</b>	—
More than five years	<b>31 290 469</b>	—
<b>Total</b>	<b>151 177 788</b>	—

#### Comparative information for lease liabilities under IAS 17

The information presented for lease liabilities for the comparative period has been prepared on the basis of IAS 17, and therefore only represents the liability as at that date for finance leases and not for operating leases. In addition to the information presented in the table above, IAS 17 required an entity to present a reconciliation of the present value of lease payments for finance leases. This information is presented in the table below:

Figures in Rand	2020
Present value of minimum lease payments due	
— within 1 year	<b>2 828 846</b>
— in second to fifth year inclusive	<b>2 772 209</b>
<b>Total</b>	<b>5 601 055</b>

#### Impact of application of IFRS 16

The impact of the application of IFRS 16 on the Statement of Profit or Loss and Other Comprehensive Income is as follows:

Figures in Rand	2020	2019
Decrease in operating expenses	<b>(39 924 340)</b>	—
Increase in depreciation	<b>32 059 680</b>	—
Increase in finance costs	<b>14 322 970</b>	—
<b>Total</b>	<b>6 458 310</b>	—

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 7. Biological assets

Figures in Rand	2020 Carrying value	2019 Carrying value
Forestry assets	714 981 052	765 447 057
Livestock	5 404 503	4 866 784
<b>Total</b>	<b>720 385 555</b>	<b>770 313 841</b>
Immature (Classified as non-current assets)	435 561 003	393 774 918
Mature (Classified as current assets)	284 824 553	376 538 923
	<b>720 385 556</b>	<b>770 313 841</b>

Mature forestry assets are those plantations that are harvestable, while immature forestry assets have not yet reached that stage of growth. Timber is harvested according to a rotation plan, once trees reach maturity. This period ranges from 7 to 25 years, depending on species, climate and location.

### Reconciliation of biological assets

Figures in Rand	Opening balance	Additions due to planted and purchased	Decreases due to harvest/sales	Disposals	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
<b>2020</b>							
Forestry assets	765 447 057	164 986 299	(158 660 600)	(103 988 006)	(10 067 156)	57 263 458	714 981 052
Livestock	4 866 784	—	(101 443)	(328 314)	967 476	—	5 404 503
	<b>770 313 841</b>	<b>164 986 299</b>	<b>(158 762 043)</b>	<b>(104 316 320)</b>	<b>(9 099 680)</b>	<b>57 263 458</b>	<b>720 385 555</b>

Figures in Rand	Opening balance	Additions due to planted and purchased	Decreases due to harvest/sales	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
<b>2019</b>						
Forestry assets	683 983 726	176 890 535	(168 023 147)	26 760 949	45 834 994	765 447 057
Livestock	4 384 724	947 541	(505 338)	39 857	—	4 866 784
	<b>688 368 450</b>	<b>177 838 076</b>	<b>(168 528 485)</b>	<b>26 800 806</b>	<b>45 834 994</b>	<b>770 313 841</b>

### Non-financial information

	Pine	Eucalyptus	Wattle	Total
<b>2020</b>				
<b>Hectares of own plantations</b>				
Balance as at 31 August 2019	4 162	7 407	2 352	13 921
Planted during the year	221	500	242	963
Harvested during the year	(145)	(656)	(192)	(993)
Adjustment measurement	(4)	8	5	9
<b>Balance as at 31 August 2020</b>	<b>4 234</b>	<b>7 258</b>	<b>2 352</b>	<b>13 900</b>
<b>2019</b>				
Balance as at 31 August 2018	4 067	7 456	2 141	13 664
Planted during the year	165	692	367	1 224
Harvested during the year	(70)	(741)	(156)	(967)
<b>Balance as at 31 August 2019</b>	<b>4 162</b>	<b>7 407</b>	<b>2 352</b>	<b>13 921</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 7. Biological assets continued

	Cattle	Horses	Total
<b>2020</b>			
<b>Livestock quantities</b>			
Balance as at 31 August 2019	<b>908</b>	<b>1</b>	<b>909</b>
Due to births	<b>184</b>	<b>—</b>	<b>184</b>
Due to death	<b>(18)</b>	<b>—</b>	<b>(18)</b>
Due to sale	<b>(68)</b>	<b>—</b>	<b>(68)</b>
<b>Balance as at 31 August 2020</b>	<b>1 006</b>	<b>1</b>	<b>1 007</b>
<b>2019</b>			
Balance at 31 August 2018	861	1	862
Due to acquisitions	6	—	6
Due to births	135	—	135
Due to death	(6)	—	(6)
Due to sale	(88)	—	(88)
<b>Balance as at 31 August 2019</b>	<b>908</b>	<b>1</b>	<b>909</b>

Forestry assets consists of own plantations and plantations bought. TWK manages plantations on land that the Group owns, as well as plantations bought on a standing timber basis. The Group discloses both of these as directly managed forestry assets.

Own plantations comprised of approximately 13 900 (2019: 13 921) hectares of tree plantations on land that the Group owns which range from newly established plantations to plantations that are approximately 24 years old. Standing timber comprised of approximately 56 (2019: 892) hectares of tree plantations of which the Group has only the marketing rights. During the year the Group harvested approximately 407 504 (2019: 585 7558) tonnes of timber on land that the group owns, as well as plantations bought on a standing timber basis.

TWK manages the establishment, maintenance and harvesting of its plantations on a compartmentalised basis. These plantations comprise pulpwood and sawlogs and are managed to ensure that the optimum fibre balance is supplied to the most relevant market.

TWK manages its plantations on a rotational basis and as such, increases by means of growth are negated by fellings for sales over the rotation period.

#### Pledged as security

Plantations with a carrying value of R148 618 229 (2019: R243 280 442) have been pledged to secure borrowings. Refer to note 30.

#### Methods and assumptions used in determining fair value

##### Forestry assets

Own plantations are measured at fair value less estimated costs to sell by using the Faustmann formula.

Standing timber are measured on initial recognition and subsequent reporting dates at cost. Within the nature of the intended use within a short period of time, the cost of standing timber is deemed to be the fair value.

The fair value of own plantations at matured date, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting and transportation costs. The fair value of younger own plantations is based on the present value of the net cash flows expected to be generated by the plantations at maturity, in its most relevant market, and includes the potential biological transformation and related risks associated with the asset.

The net selling price is based on third-party transactions and is influenced by the species, relevant market, maturity profile and location of timber. Any gain or loss arising from changes in the fair value of biological assets are included in profit or loss.

The detail of significant unobservable inputs for own plantations is as follows:

#### Own plantations

Plantations are stated at fair value less estimated cost to sell at the harvesting stage and is a level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 fair value measurement and consistent with prior years.

The expected yields per log class are calculated with reference to growth models relevant to the planted area. The growth models are derived from actual trail data.

- The future standing timber market prices per tonne is based on the current benchmarked industry norms price per tonne of the different species for their relevant market. The estimated fair value would increase/(decrease) by 12,14% if the estimated timber prices per tonne were 10% higher/(lower).
- The estimated weighted average yields per hectare is 143,76 ton (2019: 145,87 ton) The estimated fair value would increase/(decrease) by 4,79% (2019: 5,66%) if the estimated yield per hectare were 5% higher/(lower).
- The estimated weighted average harvest and transportation costs per tonne as a percentage of selling price is 34,10% (2019: 35,85%). The estimated fair value would increase/(decrease) by 4,6% (2019: 4,39%) if the estimated harvest and transportation costs were 10% lower/(higher).



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 7. Biological assets continued

#### Livestock

The valuation technique used to determine the fair value of livestock is based on the market price of livestock of similar age, weight and market values. Significant unobservable inputs are therefore not applicable.

The fair value measurement of livestock have been categorised as level 2 fair values based on observable market sales data.

#### Risk management strategy related to biological assets

The Group is exposed to the following risks relating to plantations:

##### Regulatory and environmental risk

The Group is subject to laws and regulations. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

##### Supply and demand risk

The Group is exposed to risk arising from fluctuations in the price and sales volume of timber. When possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management perform regular industry trend analyses for projected harvest volumes and pricing.

##### Climate and other risks

The plantations are exposed to the risk of damage from climate changes, diseases, fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including fire protection, forest health inspections and industry pest and disease surveys. The Group is also insured against fire and other forces of nature.

### 8. Goodwill and Intangible assets

Figures in Rand	2020			2019		
	Cost less impairments	Accumulated amortisation	Carrying value	Cost less impairments	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	505 290	(15 832)	489 458	605 080	(15 832)	589 248
Sole distributor rights	3 000 000	—	3 000 000	3 000 000	—	3 000 000
Computer software	16 765 519	(6 784 227)	9 981 292	9 409 654	(5 652 827)	3 756 827
Goodwill	104 006 962	—	104 006 962	127 136 082	—	127 136 081
Agency insurance rights	44 933 410	—	44 933 410	30 722 553	—	30 722 553
<b>Total</b>	<b>169 211 181</b>	<b>(6 800 059)</b>	<b>162 411 122</b>	<b>170 873 369</b>	<b>(5 668 659)</b>	<b>165 204 709</b>

#### Reconciliation of goodwill and intangible assets

Figures in Rand	Opening balance	Additions	Scrapping	Transfers	Amortisation	Impairment loss	Total
<b>2020</b>							
Patents, trademarks and other rights	589 248	—	(99 790)	—	—	—	489 458
Sole distributor rights	3 000 000	—	—	—	—	—	3 000 000
Computer software	3 756 827	2 248 665	(10 626)	5 230 984	(1 244 558)	—	9 981 292
Goodwill	130 136 081	—	—	—	—	(23 129 120)	104 006 962
Agency insurance rights	27 722 555	14 210 856	—	—	—	—	44 933 410
	<b>165 204 711</b>	<b>16 459 521</b>	<b>(110 416)</b>	<b>5 230 984</b>	<b>(1 244 558)</b>	<b>(23 129 120)</b>	<b>162 411 122</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 8. Goodwill and Intangible assets continued

Figures in Rand	Opening balance	Additions	Scrapping	Transfers	Amortisation	Total
<b>2019</b>						
Patents, trademarks and other rights	529 958	229 290	(170 000)	—	—	589 248
Sole distributor rights	3 000 000	—	—	—	—	3 000 000
Computer software	3 732 965	904 353	(13)	52 800	(933 278)	3 756 827
Goodwill	130 136 081	—	—	—	—	130 136 081
Agency insurance rights	19 722 555	8 000 000	—	—	—	27 722 555
	157 121 559	9 133 643	(170 013)	52 800	(933 278)	165 204 711

#### Other information

During the year, the Group acquired the insurance agency rights of Bennie Conradie makelaars, Fiddesure brokers and Micro Zone brokers for a consideration of R939 178, R11 022 298 and R2 249 379 respectively.

During the previous year the Group acquired the insurance agency rights of Platorand Makelaars for a consideration of R8 000 000.

#### Review of useful life assessment and impairment

During the year, a portion of the Goodwill relating to the acquisition of Gromor (Pty) Ltd was impaired. The value of the impairment was R23 129 120 and based on the discounted future cash flow expected to be generated by the business for the next 5 years. The impairment is included in other non-operating gains and losses. Refer note 40.

Amortisation is calculated to write off computer software's carrying amount over its estimated useful life to its estimated residual value. The useful life and residual values are reviewed at the beginning of each reporting period and adjusted if appropriate. The evaluation regarding the useful life and residual values of computer software can only be established with certainty when the item of asset near the end of their useful life. The estimated useful lives of items of computer software is 4 years.

Goodwill and sole distributor rights is regarded as having an indefinite useful life because there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Management review Goodwill regularly to determine whether events and circumstances continue to support an indefinite useful life and review for impairment by comparing its recoverable amount by its carrying amount.

Goodwill is allocated to the Group's cash generating units based on the different business segments. The recoverable amount of a cash generating unit is based on the calculation of the value in use. The calculation uses cashflow forecasts prepared by management for the next seven years. Due to the nature of and the strategic objectives of the cash generating units a longer than 5 years cashflow forecasts was used.

Figures in Rand	2020	2019
<b>Intangible assets with indefinite lives:</b>		
Agency insurance rights	<b>41 933 410</b>	27 722 555
Goodwill relating to the trade business unit	<b>11 810 458</b>	34 939 578
Goodwill relating to the timber business unit	<b>79 196 503</b>	79 196 503
Goodwill relating to the fuel and oil business unit	<b>16 000 000</b>	16 000 000

The following assumptions were used in the calculation:

Growth rate	4,00%
Discount rate	12,70%

The forecasted cash flows are based on actual results and assumptions regarding own strategies and market development. The discount rate reflect the specific risks that are related to the business.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant operating segments.

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 9. Interests in subsidiaries

Name of Company	Held by	% holding 2020	% holding 2019
Silo Autobody (Pty) Ltd	TWK Motors (Pty) Ltd	61,00	61,00
The Lionsriver Farmers Exchange (Pty) Ltd	TWK Motors (Pty) Ltd	60,00	60,00
Die Kilo Bemarkingskorporasie (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Constantia Kunsmis (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Rothman Motors (Pty) Ltd	TWK Motors (Pty) Ltd	100,00	100,00
TWK Insurance Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
TWK Motors (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Protea Versoolwerke Ermelo (Pty) Ltd	TWK Agri (Pty) Ltd	60,00	60,00
TWK Rekenaardienste (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Lydenburg Saagmeule (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Bedrock Mining Support (Pty) Ltd	TWK Agri (Pty) Ltd	90,000	65,006
Protea Tyres Kimberley (Pty) Ltd	Protea Versoolwerke Ermelo (Pty) Ltd	59,00	59,00
Machrie Korttermyn (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	100,00
Gromor (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	100,00	52,50
Farmyard Organics (Pty) Ltd	Gromor (Pty) Ltd	100,00	100,00
Arrowfeeds (Pty) Ltd	TWK Investments Ltd	100,00	100,00
Canyon Springs Investments 140 (Pty) Ltd	TWK Investments Ltd	50,00	50,00
Castle Walk Property Investments (Pty) Ltd	TWK Investments Ltd	100,00	100,00
Shiselweni Forestry Company Ltd	TWK Investments Ltd	100,00	100,00
TWK Agri (Pty) Ltd	TWK Investments Ltd	75,00	75,00
TWK Swaziland (Pty) Ltd	TWK Investments Ltd	100,00	100,00
Nhlangano Timber Company (Pty) Ltd	Shiselweni Forestry Company Ltd	100,00	100,00
Olmacs (Pty) Ltd	Shiselweni Forestry Company Ltd	100,00	100,00
SAWCO Mining Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	100,00	100,00
SAWCO Treated Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	100,00	50,00
Fidessure Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	100,00	—
Roofspace Rental Group (Pty) Ltd	TWK Agri (Pty) Ltd	75,00	—

During the current year, the Group acquired an additional 24,994% of the issued share capital of Bedrock Mining Support (Pty) Ltd.

During the previous year, the Group acquired an additional 20% of the issued shares of Rothman Motors (Pty) Ltd at R1 per share.

During the previous year the Group also disposed of 15,67% of the shares held by TWK Motors (Pty) Ltd in Silo Autobody (Pty) Ltd to the Vumbuka Trust at R21 628 per share. A profit of R338 888 have been included in other non-operating gains. Refer to note 41. TWK Motors (Pty) Ltd also decided to purchase an additional 10% of the shares of Silo Autobody (Pty) Ltd from the Jo-Ann Trust at R1 per share. Refer to details below.

### Subsidiaries pledged as security

TWK Agriculture Holdings (Pty) Ltd, TWK Investments Ltd and TWK Agri (Pty) Ltd signed unlimited suretyship as guarantee for the loan facilities granted by the Land and Agricultural Bank. Refer to note 30.

Shiselweni Forestry Company Ltd signed a suretyship limited to an amount of R250 000 000 for the Standard Bank overdraft facility. Refer to note 30 and 21.

The shares of Castle Walk Property Investments (Pty) Ltd and Protea Versoolwerke Ermelo (Pty) Ltd also serve as security for the loan facilities granted by the Land and Agricultural Bank to the ultimate holding company TWK Agriculture Holdings (Pty) Ltd.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 9. Interests in subsidiaries continued

#### Business combinations

##### Bedrock Mining Support (Pty) Ltd

During the year, the Group acquired an additional 24,996% (2019: 10,00%) of the issued share capital of Bedrock Mining Support (Pty) Ltd, a manufacturer of timber-based mining support products. The interest was acquired to further expand the timber business of the Group. The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition and liabilities assumed amounted to R1 505 549 (2019: R2 131 528). These amounts have been accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements). Refer to note 27.

The fair values of assets acquired and liabilities assumed summarised by each major category are as follows:

Figures in Rand	2020	2019
Total assets	<b>156 441 531</b>	135 032 542
Total liabilities	<b>(76 921 441)</b>	(53 362 933)
<b>Net identifiable assets</b>	<b>79 520 090</b>	81 669 609
Net identifiable assets acquired at an additional 24,996% (2019: 10,00%)	<b>19 875 251</b>	8 166 956
Less: Consideration paid	<b>(21 380 800)</b>	(10 298 484)
Change of ownership interest	<b>(1 505 549)</b>	(2 131 528)

##### Sawco Treated Timber Products (Pty) Ltd

During the year, the Group acquired an additional 50,00% of the issued share capital of Sawco Treated Timber Products (Pty) Ltd, a manufacturer of treated timber products. The interest was acquired to further expand the timber business of the Group.

The fair values of assets acquired and liabilities assumed summarised by each major category are as follows:

Figures in Rand	2020
Total assets	<b>21 433 918</b>
Total liabilities	<b>(20 683 829)</b>
<b>Net identifiable assets</b>	<b>750 089</b>
Net identifiable assets acquired at an additional 50%	<b>375 045</b>
Less: Consideration paid	—
Change of ownership interest	<b>375 045</b>

##### Gromor (Pty) Ltd

During the current year, the Group acquired an additional 47,5% of the issued share capital of Gromor (Pty) Ltd for no consideration. The interest was acquired to further expand the fertilizer business of the Group. The fair value of the Group's share of the net identifiable assets and liabilities assumed of the acquired business at the date of acquisition amounted to R15 697 689.

Figures in Rand	2020
<b>Fair value of net identifiable assets acquired</b>	<b>33 047 897</b>
Net identifiable assets acquired at an additional 47,50%	<b>15 697 689</b>
Less: Consideration paid	—
Change in ownership interest	<b>15 697 689</b>

##### Rothman Motors (Pty) Ltd

During the previous year, the Group acquired an additional 20% of the issued share capital of Rothman Motors (Pty) Ltd with an interest in the sale of motor vehicles and related services. The interest was acquired to further expand the Motors & Tyres business of the Group. In the prior year a gain on bargain purchase to the amount of R28 273 have been included in other operating income. Refer to note 36.

The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets and liabilities assumed of the acquired business at the date of acquisition amounted to R562 317, and have been accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements). Refer to note 27.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 9. Interests in subsidiaries continued

Figures in Rand	2020
Total assets	46 088 842
Total liabilities	(48 900 327)
<b>Net identifiable assets acquired</b>	<b>(2 811 485)</b>
Net identifiable assets acquired at an additional 20%	(562 297)
Less: Consideration paid	(20)
Change on ownership interest	(562 317)

#### Silo Autobody (Pty) Ltd

During the previous year the Group also decided to sell 15,67% of the shares held by TWK Motors (Pty) Ltd in Silo Autobody (Pty) Ltd to the Vumbuka Trust at R21 628 per share. No change in ownership reserve or gain on bargain purchase arose from the sale transaction. In the year, the Group decided to purchase the 10% shareholding in Silo Autobody (Pty) Ltd from the Jo-Ann Trust by TWK Motors (Pty) Ltd at R1 per share.

The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets and liabilities assumed of the acquired business at the date of acquisition amounted to R158 444, and have been accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements). Refer to note 27.

Figures in Rand	2020
Total assets	12 342 418
Total liabilities	(13 926 758)
<b>Net identifiable assets acquired</b>	<b>(1 584 340)</b>
Net identifiable assets acquired at an additional 10%	(158 434)
Less: Consideration paid	(10)
Change in ownership interest	(158 444)

### Summarised financial information of material subsidiaries

#### Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities
<b>2020</b>						
Constantia Kunsmis (Pty) Ltd	55 829 514	419 591 093	475 420 607	35 670 923	438 302 978	473 973 901
TWK Motors (Pty) Ltd	54 070 398	116 806 998	170 877 396	21 146 210	85 449 149	106 595 359
Protea Versoolwerke Ermelo (Pty) Ltd	27 241 287	46 704 693	73 945 980	4 663 564	21 399 436	26 063 000
Bedrock Mining Support (Pty) Ltd	60 699 236	97 763 428	158 462 664	5 055 939	73 358 555	78 414 494
TWK Agri (Pty) Ltd	699 154 325	2 274 208 046	2 973 362 371	882 682 934	1 883 814 083	2 766 497 017
Shiselweni Forestry Company Ltd	602 149 797	262 332 436	864 482 233	158 437 583	185 652 811	344 090 394
Gromor Group (Pty) Ltd	37 115 474	29 992 711	67 108 185	50 421 155	28 069 903	78 491 058
Lionsriver Farmers Exchange (Pty) Ltd	76 108 772	99 218 306	175 327 078	29 837 865	156 140 279	185 978 144
SAWCO Mining Timber (Pty) Ltd	41 058 176	24 960 528	66 018 704	10 193 711	45 031 790	55 225 501
<b>Total</b>	<b>1 653 426 979</b>	<b>3 371 578 239</b>	<b>5 025 005 218</b>	<b>1 198 109 884</b>	<b>2 917 218 984</b>	<b>4 115 328 868</b>
<b>2019</b>						
Constantia Kunsmis (Pty) Ltd	48 126 353	304 594 681	352 721 034	21 883 512	315 051 056	336 934 568
TWK Motors (Pty) Ltd	34 634 711	150 500 633	185 135 344	4 685 955	119 439 714	124 125 669
Protea Versoolwerke Ermelo (Pty) Ltd	23 904 477	56 107 845	80 012 322	3 496 206	27 730 798	31 227 004
Bedrock Mining Support (Pty) Ltd	59 135 187	95 333 814	154 469 001	6 073 691	68 043 651	74 117 342
TWK Agri (Pty) Ltd	555 882 255	2 400 777 631	2 956 659 886	811 228 226	2 008 500 630	2 819 728 856
Shiselweni Forestry Company Ltd	557 767 059	250 361 921	808 128 980	145 669 813	163 920 761	309 590 574
Gromor Group (Pty) Ltd	19 238 433	33 494 407	52 732 840	33 636 333	18 191 585	51 827 918
Lionsriver Farmers Exchange (Pty) Ltd	64 365 491	111 525 996	175 891 487	—	171 476 970	171 476 970
SAWCO Mining Timber (Pty) Ltd	34 138 005	31 544 465	65 682 470	10 463 129	37 088 657	47 551 786
<b>Total</b>	<b>1 397 191 971</b>	<b>3 434 241 393</b>	<b>4 831 433 364</b>	<b>1 037 136 865</b>	<b>2 929 443 822</b>	<b>3 966 580 687</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 9. Interests in subsidiaries continued

#### Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit/(loss) before tax	Tax expense	Profit/(loss)	Other comprehensive income	Total comprehensive income
<b>2020</b>						
Constantia Kunsmis (Pty) Ltd	1 837 742 362	(2 474 305)	810 754	(1 663 551)	(12 676 208)	(14 339 759)
TWK Motors (Pty) Ltd	502 795 738	2 062 914	(310 865)	1 752 049	1 520 314	3 272 363
Protea Versoolwerke Ermelo (Pty) Ltd	135 642 194	183 022	555 434	738 456	(849 183)	(85 399)
Bedrock Mining Support (Pty) Ltd	396 614 697	34 371 380	(9 674 868)	24 696 512	—	24 696 512
TWK Agri (Pty) Ltd	6 287 870 909	141 014 580	(32 001 908)	109 012 672	4 252 112	113 264 784
Shiselweni Forestry Company Ltd	126 919 758	28 667 239	(7 264 106)	21 403 133	—	21 403 133
Gromor Group (Pty) Ltd	62 801 530	(17 756 915)	4 971 935	(12 784 980)	—	(12 784 980)
Lionsriver Farmers Exchange (Pty) Ltd	277 702 041	(16 280 976)	2 215 393	(14 065 583)	—	(14 065 583)
SAWCO Mining Timber (Pty) Ltd	80 156 768	(10 112 318)	2 774 838	(7 337 480)	—	(7 337 480)
<b>Total</b>	<b>9 708 245 997</b>	<b>159 674 621</b>	<b>(37 923 393)</b>	<b>121 751 228</b>	<b>(7 752 965)</b>	<b>114 023 591</b>
<b>2019</b>						
Constantia Kunsmis (Pty) Ltd	928 088 784	(17 565 955)	5 078 149	(12 487 806)	—	(12 487 806)
TWK Motors (Pty) Ltd	521 279 926	5 508 507	(1 341 580)	4 166 927	955 151	5 122 078
Protea Versoolwerke Ermelo (Pty) Ltd	148 772 021	4 552 005	(1 284 219)	3 267 786	20 142	3 287 926
Bedrock Mining Support (Pty) Ltd	354 826 402	24 570 354	(6 894 073)	17 676 281	—	17 676 281
TWK Agri (Pty) Ltd	6 526 637 134	160 834 045	(45 135 664)	115 698 381	(11 447 798)	104 250 583
Shiselweni Forestry Company Ltd	116 975 849	49 547 217	(13 625 484)	35 921 733	32 028 333	67 950 066
Gromor Group (Pty) Ltd	66 348 859	(1 806 684)	1 012 241	(794 443)	—	(794 443)
Lionsriver Farmers Exchange (Pty) Ltd	279 039 153	(3 102 332)	849 053	(2 253 279)	—	(2 253 279)
SAWCO Mining Timber (Pty) Ltd	81 158 476	(2 795 399)	766 998	(2 028 401)	(1 556 943)	(3 585 344)
<b>Total</b>	<b>9 023 126 604</b>	<b>219 741 758</b>	<b>(60 574 579)</b>	<b>159 167 179</b>	<b>19 998 885</b>	<b>179 166 062</b>

The net assets recognised in the individual financial statements of the acquired companies are at fair value as at the acquisition date and due to the fact that no other identifiable assets were identified, goodwill was recognised were applicable.

Nature of business and non-controlling information of material subsidiaries.

#### Nature of business and non-controlling information of material subsidiaries

Company	Nature of business	Proportion of non-controlling interest and their voting rights %	Non-controlling interest result for the year R	Accumulated non-controlling interest R
TWK Motors (Pty) Ltd	Sale of motor vehicles and related services			
Constantia Kunsmis (Pty) Ltd	Manufacturing and distribution of fertilizer			
Shiselweni Forestry Company Ltd	Growing of timber and other related operations			
Protea Versoolwerke (Ermelo) (Pty) Ltd	Retreading of tyres as well as the sale and installation of new tyres, batteries, shocks and exhausts	40,000	(34 159)	19 153 192
TWK Agri (Pty) Ltd	Agricultural products and services	25,000	3 093 298	(26 718 490)
Bedrock Mining Support (Pty) Ltd	Timber-based underground support to South African mines	10,000	8 642 054	8 004 747
Gromor (Pty) Ltd	Manufacturing and distribution of organic fertilizer			
Lionsriver Farmers Exchange (Pty) Ltd	Fuel service stations including convenience stores, food outlets and related business	40,000	(5 625 650)	(4 260 426)



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 10. Investments in associates

The following table lists all of the associates in the Company:

Name of Company	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020	Carrying amount 2019
Henleo 1080 (Pty) Ltd	45,00	45,00	1 896 973	1 433 080
African Collateral Management (Pty) Ltd	45,00	45,00	—	—
Silulu Forestry Company (Pty) Ltd	45,00	45,00	1 818 829	—
			3 715 802	1 433 080

The percentage ownership interest of the above associates is equal to the percentage voting rights, and the Group does not have significant influence over these companies.

Henleo 1080 (Pty) Ltd is incorporated in South Africa with interest in the manufacturing and distribution of fertilizer. The issued share capital of Henleo 1080 (Pty) Ltd is R100. No dividends have been declared or paid by Henleo 1080 (Pty) during the current or previous year. The financial year-end of Henleo 1080 (Pty) Ltd is 28 February. The financial information above is based on independently reviewed 12 month management accounts.

African Collateral Management (Pty) Ltd is incorporated in South Africa with an interest in grain storage. The interest was acquired to further expand the grain business of the TWK Group. The issued share capital of African Collateral Management (Pty) Ltd is R120. No dividends have been declared or paid by African Collateral Management (Pty) Ltd during the year. The financial year-end of African Collateral Management (Pty) Ltd is 31 March. The financial information above is based on 12 month management accounts. During the current year, the Group acquired an additional 5% of the issued share capital of African Collateral Management (Pty) Ltd. The Group did not obtain control over the entity.

Silulu Forestry Company (Pty) Ltd is incorporated in Swaziland with an interest in agricultural activities. The interest was acquired to further expand the timber business of the TWK Group. The issued share capital of Silulu Forestry Company (Pty) Ltd is R100. No dividends have been declared or paid by Silulu Forestry Company (Pty) Ltd during the year. The financial year-end of Silulu Forestry Company (Pty) Ltd is 31 August. The Group did not obtain control over the entity.

The Group accounts for its investments in associates using the equity method.

### Summarised financial information of material associates

#### Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit/(loss) from continuing operations	Total comprehensive income
<b>2020</b>			
Henleo 1080 (Pty) Ltd	16 583 207	1 031 875	1 031 875
African Collateral Management (Pty) Ltd	2 468 894	(2 132 237)	(2 132 237)
Silulu Forestry Company (Pty) Ltd	2 753 660	3 846 750	3 846 750
	21 805 761	2 746 388	2 746 388
<b>2019</b>			
Henleo 1080 (Pty) Ltd	19 401 859	1 280 301	1 280 301
African Collateral Management (Pty) Ltd	3 583 257	(427 530)	(427 530)
Silulu Forestry Company (Pty) Ltd	2 282 707	(224 126)	(224 126)
	25 267 823	628 645	628 645

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 10. Investments in associates continued

#### Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
<b>2020</b>					
Henleo 1080 (Pty) Ltd	15 843 242	6 457 529	17 294 305	790 970	4 215 496
African Collateral Management (Pty) Ltd	12 046 292	1 375 923	15 910 357	1 031 807	(3 519 949)
Silulu Forestry Company (Pty) Ltd	25 471 874	2 438 313	5 197 554	18 670 789	4 041 844
	<b>53 361 408</b>	<b>10 271 765</b>	<b>38 402 216</b>	<b>20 493 566</b>	<b>4 737 391</b>
<b>2019</b>					
Henleo 1080 (Pty) Ltd	21 452 408	5 605 272	23 271 212	602 846	3 183 622
African Collateral Management (Pty) Ltd	10 640 370	2 497 509	12 742 690	1 782 901	(1 387 712)
Silulu Forestry Company (Pty) Ltd	9 155 128	2 488 571	—	11 866 822	(223 123)
	41 247 906	10 591 352	36 013 902	14 252 569	1 572 787

#### Reconciliation of net assets to equity-accounted investments in associates

Figures in Rand	Total net assets	Interest in associate at % ownership	Accumulated unrecognised losses	Investment in associate
<b>2020</b>				
Henleo 1080 (Pty) Ltd	4 215 496	1 896 973	—	1 896 973
African Collateral Management (Pty) Ltd	(3 519 949)	(1 583 977)	1 583 977	—
Silulu Forestry Company (Pty) Ltd	4 041 844	1 818 829	—	1 818 829
	<b>4 737 391</b>	<b>2 131 825</b>	<b>1 583 977</b>	<b>3 715 802</b>
<b>2019</b>				
Henleo 1080 (Pty) Ltd	3 183 622	1 432 630	—	1 432 630
African Collateral Management (Pty) Ltd	(1 387 712)	(624 470)	624 470	—
Silulu Forestry Company (Pty) Ltd	(223 123)	(109 330)	108 880	450
	1 572 787	698 830	733 350	1 433 080

#### Reconciliation of movement in investments in associates

Figures in Rand	Investment at beginning of year	Acquisitions/disposals	Share of profit	Investment at end of year
<b>2020</b>				
Henleo 1080 (Pty) Ltd	1 432 630	—	464 343	1 896 973
Silulu Forestry Company (Pty) Ltd	450	—	1 818 379	1 818 829
	<b>1 433 080</b>		<b>2 282 722</b>	<b>3 715 802</b>
<b>2019</b>				
Henleo 1080 (Pty) Ltd	856 494	—	576 136	1 432 630
African Collateral Management (Pty) Ltd	—	6	(6)	—
Silulu Forestry Company (Pty) Ltd	—	450	—	450
	856 494	456	576 130	1 433 080

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 11. Loans to Group companies

### Associates

Figures in Rand	2020	2019
<b>Henleo 1080 (Pty) Ltd</b>	<b>7 143 828</b>	9 973 337
Subject to the availability of funds of the Company, the loans shall be repaid from time to time as agreed between the Company and all its Shareholders with reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
<b>African Collateral Management (Pty) Ltd</b>	<b>5 936 393</b>	4 269 715
Subject to the availability of funds of the Company, the loan shall be repaid from time to time as agreed between the Company and all its Shareholders with reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
	<b>13 080 221</b>	14 243 052

A detailed register of these loans are available for inspection at the registered office of the Company.

### Split between non-current and current portions

Figures in Rand	2020	2019
Non-current assets	<b>13 080 221</b>	14 243 052

### Exposure to credit risk

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 18 for guidance on how expected credit losses is calculated.

In determining the amount of expected credit losses, the Group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate. The expected loss rate percentage for loans to Group companies is zero.

### Fair value of Group loans receivable

The fair value of Group loans receivable approximates its fair value.

## 12. Other loans receivable

Figures in Rand	2020	2019
<b>Gibela Trade and Invest (Pty) Ltd</b>		
The unsecured loan from Gromor (Pty) Ltd carries no interest and was repaid during the year.	—	2 007 524
<b>Split between non-current and current portions</b>		
Non-current assets	—	2 007 524

### Fair value of other loans receivable

Other loans receivable approximates its fair value.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 13. Finance lease receivables

Figures in Rand	2019	2018
<b>Maturity analysis of lease payments receivable</b>		
— within one year	<b>12 933 951</b>	17 690 778
— in second to fifth year inclusive	<b>7 814 705</b>	10 095 611
Gross investment in leases	<b>20 748 656</b>	27 786 389
Less: Unearned interest income	<b>(1 303 914)</b>	(3 013 185)
<b>Net investment in the lease</b>	<b>19 444 742</b>	24 773 204
Non-current assets	<b>7 220 095</b>	12 090 273
Current assets	<b>12 224 647</b>	12 682 931
	<b>19 444 742</b>	24 773 204

Finance lease receivables represent items sold over varying terms of up to 60 months. The underlying asset serves as security for the lease agreement. Interest rates are market related and both variable and fixed depending on the specific agreement.

The carrying value of finance lease receivables have been pledged to secure borrowings (see note 30).

#### Exposure to credit risk

Finance lease receivables inherently exposes the Company to credit risk, being the risk that the Company will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. 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.

Finance lease receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 18 for guidance on how expected credit losses is calculated.

The carrying value of finance leases receivable is fully secured and therefore no exposure to credit risk exists.

### 14. Retirement benefits

#### Defined benefit plan

The Group's policy is not to provide post-retirement medical aid benefits to its employees. However, a provision is made for a closed Group of former employees in respect of post retirement medical scheme contributions. The last valuation was on 31 August 2020. An independent actuary, Mr D Freidus of Five 2 Two Actuaries determined the value of the obligation and the annual cost of such benefits.

At year-end the number of members consisting of former employees was 12 (2019: 16).

#### Carrying value

Figures in Rand	2020	2019
Present value of the defined medical benefit obligation	<b>(5 959 000)</b>	(6 829 000)

The fair value of plan assets includes:

#### Movements for the year

Figures in Rand	2020	2019
Opening balance	<b>(6 829 000)</b>	(8 349 000)
Actuarial gains and losses	<b>259 000</b>	815 000
Benefits paid on behalf of members	<b>1 203 000</b>	1 320 000
Interest costs	<b>(592 000)</b>	(615 000)
	<b>(5 959 000)</b>	(6 829 000)

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 14. Retirement benefits continued

#### Key assumptions used

The liability as at 31 August 2020 takes into account mortality tables as required by IAS19 and the calculation is based on the current value of expected medical aid contributions by taking into account assumptions described below. All former employees who qualify to form part of this scheme are retired. The valuation does not include an accrued service factor in the calculation of the liability value of current employees as they do not qualify for the scheme.

Figures in Rand	2020	2019
Discount rates used (%)	11,25	9,50
Healthcare inflation rate (%)	8,00	5,50
Mortality tables	PA90	PA90

#### Sensitivity analysis

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost rates on the accumulated post-employment benefit obligation is as follows:

Figures in Rand	2020	2019
Increase of 1%	(257 000)	(283 000)
Decrease of 1%	240 000	265 000

The effect of an increase of one percentage point and the effect of a decrease of one percentage point in the discount rate used is as follows:

Figures in Rand	2020	2019
Increase of 1%	254 000	280 000
Decrease of 1%	(277 000)	(304 000)

### 15. Deferred tax

#### Deferred tax liability

Figures in Rand	2020	2019
Property plant and equipment	(14 647 706)	(13 986 322)
Revaluation of land and buildings	(4 806 629)	(7 914 899)
Leases	(1 814 414)	—
Biological assets	(201 281 609)	(184 217 023)
Investments	(1 738 359)	(1 988 987)
<b>Total deferred tax liability</b>	<b>(224 288 717)</b>	<b>(208 107 231)</b>

#### Deferred tax asset

Figures in Rand	2020	2019
Accruals and provisions	25 185 109	27 907 449
Income received in advance	449 255	618 706
Deferred tax balance from temporary differences other than unused tax losses	25 634 364	28 526 155
Tax losses avail for set off against future tax income	73 135 718	51 384 405
	98 770 082	79 910 560
<b>Total deferred tax asset</b>	<b>98 770 082</b>	<b>79 910 560</b>

The deferred tax asset and deferred tax liability consists of income tax in South Africa and Eswatini and therefore relates to different jurisdictions.

The deferred tax relating to South Africa companies is as follows:

Figures in Rand	2020	2019
Deferred tax liability	(61 575 545)	(60 054 098)
Deferred tax asset	52 821 848	43 629 193
<b>Total net deferred tax liability</b>	<b>(8 753 697)</b>	<b>(16 424 905)</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 15. Deferred tax continued

The deferred tax relating to Eswatini companies is as follows:

Figures in Rand	2020	2019
Deferred tax liability	<b>(162 713 172)</b>	(148 053 133)
Deferred tax asset	<b>44 629 755</b>	36 293 101
<b>Total net deferred tax liability</b>	<b>(118 083 417)</b>	(111 760 032)

The deferred tax asset and deferred tax liability have been offset in the Statement of Financial Position as follows:

Figures in Rand	2020	2019
Deferred tax liability	<b>(224 288 717)</b>	(208 107 231)
Deferred tax asset	<b>98 770 082</b>	79 910 560
<b>Total net deferred tax liability</b>	<b>(125 518 635)</b>	(128 196 671)

### Reconciliation of deferred tax asset/(liability)

Figures in Rand	2020	2019
At beginning of year	<b>(128 196 671)</b>	(120 989 593)
Increases in tax loss available for set off against future taxable income – gross of valuation allowance	<b>21 751 312</b>	15 766 470
Temporary difference on leases	<b>(1 814 414)</b>	–
Temporary difference on property, plant and equipment	<b>(661 384)</b>	(2 420 505)
Temporary difference on revaluation of land and buildings	<b>3 108 270</b>	725 086
Temporary difference on accruals and provisions	<b>(2 891 790)</b>	789 975
Temporary difference on fair value adjustments on investments	<b>250 628</b>	3 326 049
Temporary difference movement on biological assets	<b>(17 064 586)</b>	(25 394 153)
	<b>(125 518 635)</b>	(128 196 671)

### 16. Inventories

Figures in Rand	2020	2019
Raw materials	<b>24 789 110</b>	28 919 371
Work in progress	<b>1 096 161</b>	942 025
Finished goods	<b>455 909 533</b>	659 528 485
Agricultural products	<b>492 839 449</b>	324 361 183
	<b>974 634 253</b>	1 013 751 064
Inventories (write-downs)	<b>(10 439 711)</b>	(8 642 674)
	<b>964 194 542</b>	1 005 108 390

### Inventory pledged as security

Inventory with a carrying value of R796 938 842 (2019: R817 091 252) have been pledge to secure borrowings granted to the Group as set out in note 30.

The price of grain inventory is hedged in terms of the Group's grain policy on the South African Future Exchange (Safex). Variance margins are also set off against these items and consequently the carrying value is equal to the fair value thereof. The fair value measurement of grain inventory have been categorised as Level 3 in terms of the fair value measurement hierarchy.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 17. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Figures in Rand	2020	2019
Forestry and term loans	131 423 785	104 985 717
The Loans represents loans and receivables granted over a period between 5 and 10 years to clients which are repayable in monthly or annual instalments. The Group holds collateral as security.		
Loss allowance	(96 010)	(5 727)
	131 327 775	104 979 990
<b>Split between non-current and current portions</b>		
Non-current assets	83 388 198	78 199 427
Current assets	47 939 577	26 780 563
<b>Total in loans receivable before provisions</b>	<b>131 327 775</b>	<b>104 979 990</b>

### Loans pledged as security

The loans with a carrying value of R131 327 775 (2019: R104 979 990) have been pledged to secure borrowings by the Group's parent, TWK Agriculture Holdings (Pty) Ltd. Refer to note 30.

### Exposure to credit risk

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

The maximum exposure to credit risk without taking credit enhancements and collateral into account is equal to the total carrying value of the asset. The maximum exposure to credit risk at the reporting date is the fair value of loans mentioned above less securities held by the Group.

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk.

Loans receivables are classified into the following stages, in accordance with IFRS 9 Financial instruments, for impairment purposes, considering changes in credit risk since initial recognition and risk characteristics on initial recognition for impairment purposes as follows:

#### Stage 1: the loss allowance measured at an amount equal to 12-month expected credit losses

This represents Loans where there has not been a significant increase in credit risk since initial recognition. For the portfolio impairment assessment, the loans are not individually assessed but Grouped to perform a Grouped assessment.

#### Stage 2: the loss allowance measured at an amount equal to lifetime expected credit losses

Loans whose credit risk have increase significantly since initial recognition as well as loans with higher risk characteristics on initial recognition. For the portfolio impairment assessment loans are not individually considered, but loans with similar credit risks and characteristics are Grouped together and assessed for impairment. These loans have not been handed over to the legal department for collections but there is an indicator of impairment.

#### Stage 3: loans that are credit-impaired

Loans whose credit risk have increased significantly since initial recognition. These debtors are handed over to the legal department for recovery. The specific impairment represents the actual risk for bad debt determined by the legal department, taking into account the recovery possibility, all securities, the clients financial situation and the expected realisation of securities held for the specific customers. A portfolio portion is provided for debtors where a recovery possibility exists.

The amount of the provision for impairment losses is determined using the following formula:

Impairment = Total book x probability of Default % (PD%) x Loss Given Default % (LGD%)

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 17. Loans receivable continued

On that basis the loss allowance in accordance with IFRS 9 was determined as follows for trade receivables:

#### Loss allowance

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
<b>2020</b>			
Stage 1	22 704 525	0,38	86 277
Stage 2	675 927	1,44	9 733
Stage 3	0	85,00	0
<b>2019</b>			
Stage 1	1 385 464	0,41	5 727
Stage 2	0	1,18	0
Stage 3	0	95,00	0

#### Exposure to interest rate risk

Refer to note 52 for details of interest rate risk management for investments in loans receivable.

### 18. Trade and other receivables

Figures in Rand	2020	2019
<b>Financial instruments:</b>		
Trade receivables	971 025 338	891 436 044
Loss allowance	(14 524 139)	(13 736 173)
Trade receivables at amortised cost	956 501 199	877 699 871
Deposits	3 488 779	2 317 689
Other receivable	27 248 502	28 735 722
<b>Non-financial instruments:</b>		
VAT	66 825 473	90 859 353
Employee costs in advance	788 180	176 281
Prepayments	8 611 795	5 229 992
<b>Total trade and other receivables</b>	<b>1 063 463 928</b>	<b>1 005 018 908</b>
<b>Financial instrument and non-financial instrument components of trade and other receivables</b>		
At amortised cost	987 238 480	908 752 882
Non-financial instruments	76 225 448	96 265 626
	<b>1 063 463 928</b>	<b>1 005 018 508</b>

Trade receivables consist mainly of production accounts and current accounts.

Production accounts mainly include the extension of credit to producers on a seasonal basis for purpose of procuring inputs and or mechanisation purchases from or via TWK. These accounts bear interest at market-related rates.

Current accounts consist of 30 day monthly accounts and is interest free for the first 30 days after statement. Interest on arrear accounts is levied at guideline rates as determined by the National Credit Act.

#### Trade and other receivables pledged as security

Trade receivables with a carrying value of R823 010 684 (2019: R716 302 339) have been pledged to secure the borrowings as set out in note 30.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 18. Trade and other receivables continued

#### Exposure to credit risk

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

The maximum exposure to credit risk without taking credit enhancements and collateral into account is equal to the total carrying value of the asset. The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above less securities held by the Group.

Before accepting new and existing customers the Group uses firm accessing procedures, according to the approved credit policy, to assess the customer's credit quality and defines credit limits by customer. In addition to the above, credit guarantee insurance cover is purchased on a portion of the debtors book to compensate for possible non-payments.

The Group has no significant concentration of credit risk due to its wide spread of customers. The Group has policies in place to ensure that sales of products and services are only made to customers with an appropriate credit history, within approved credit limits and against appropriate securities.

Management believes that credit risk inherent in trade receivables has sufficiently been accounted for through the provision of impairment. Refer to note 51 for details on credit risk.

#### Expected credit losses

Financial assets are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The impairment provision is monitored at the end of each reporting period, considering all reasonable and supportive information, including that which is forward-looking. The basis of impairment of a financial asset is dependent on the risk profile on initial recognition and on whether the credit risk of the financial asset has increased significantly since initial recognition. The Group measures the loss allowance for Trade Receivables by applying the simplified approach which is presented by IFRS 9 and determined on the following basis:

Trade receivables consist mainly of production accounts and current accounts. Production accounts mainly include the extension of credit to producers on a seasonal basis for purpose of procuring inputs and or mechanisation purchases from or via TWK. These accounts bear interest at market-related rates. Current accounts consist of 30 day monthly accounts and is interest free for the first 30 days after statement. Interest on arrears accounts is levied at guideline rates as determined by the National Credit Act. Payment period of these accounts must be settled within 12 months and therefore no lifetime expected credit losses are necessary.

In accordance with this approach, the expected credit losses are estimated using a provision matrix, which is presented below.

The provision matrix has been developed by making use of TWK's internal risk rating which is mapped to the indicative mapping methodology for corporate exposure based on information published by the rating agency Standard & Poor. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. TWK has identified a comprehensive probability of Default (PD) rating of an external source with reference to similar portfolios as reference point for forward looking information. To measure the expected credit losses, trade receivables have been Grouped in categories based on shared characteristics.

The different categories in trade debtors are defined as follows:

- ▶ **Performing** — Clients with an excellent credit history, financial position, cash flow and repayment ability.
- ▶ **Increased risk** — Client with good repayment ability and security without any indicator of non-performance, but without a strong financial position and balance sheet. TWK do not have a long-term relationship or credit history with the client.
- ▶ **Underperforming** — Clients with payments being overdue for a short period of time, but with stable financial position and good securities in place.
- ▶ **High risk** — Clients with payments being overdue for a longer period, but with stable financial position and good securities in place.
- ▶ **Non-performing** — Clients with history of non-performing and financial distress.
- ▶ **Default** — Mostly accounts that have been handed over to the attorneys for collections.

The categories are Group together based on the risk profile and the days past due on the following basis:

- ▶ **Category 1:** Performing
- ▶ **Category 2:** Increased risk, Underperforming, High risk, Non-performing
- ▶ **Category 3:** Default

The amount of the provision for impairment losses is determined using the following formula:

Impairment = Total book x probability of Default % (PD%) x Loss Given Default % (LGD%)

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 18. Trade and other receivables continued

On that basis the loss allowance on adoption of IFRS 9 was determined as follows for trade receivables:

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
<b>2020</b>			
Stage 1	106 019 203	0,11	116 621
Stage 2	33 711 618	1,01	340 019
Stage 3	16 549 999	85,00	14 067 499
<b>Total</b>	<b>156 280 820</b>		<b>14 524 139</b>
<b>2019</b>			
Stage 1	127 421 483	0,11	140 164
Stage 2	18 971 134	1,18	223 925
Stage 3	13 575 602	95,00	12 897 110
<b>Total</b>	<b>159 968 219</b>		<b>13 261 199</b>

Figures in Rand	2020	2019
<b>Specific impairment</b>		
Opening balance	(12 153 143)	(5 416 445)
Decrease/(increase) in provision during the year	(8 033 758)	(12 672 786)
Amounts written off	8 394 123	5 928 867
<b>Closing balance</b>	<b>(11 799 999)</b>	<b>(12 153 143)</b>
Opening balance	(1 575 809)	(1 572 229)
Remeasurement of loss allowance — comparative	(1 148 332)	(3 580)
<b>Closing balance</b>	<b>(2 724 141)</b>	<b>(1 575 809)</b>

In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

### Fair value of trade and other receivables

The fair value of trade and other receivables approximates its carrying value. The fair value measurement of Trade and other receivables have been categorised as Level 3 in terms of the fair value measurement hierarchy.

### 19. Investments at fair value

Investments at fair value through other comprehensive income comprise of equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Figures in Rand	2020	2019
<b>Equity investments at fair value through other comprehensive income:</b>		
Unlisted shares	58 268 587	60 410 111
	<b>58 268 587</b>	<b>60 410 111</b>

### Fair value information

The fair value measurement of financial assets at fair value have been categorised as Level 3 in terms of the fair value measurement hierarchy. The fair values of investments were determined as follows:

- The unlisted shares held by Protea Versoelwerke (Ermelo) (Pty) Ltd in Nexor 875 (Pty) Ltd are measured based on the interest the Company holds in the assets and liabilities, fair valued at year-end.
- The unlisted shares held in BKB Limited are measured based on the latest share trading price.
- The unlisted shares held in NTE Company (Pty) Ltd and UCL Company (Pty) Ltd are valued based on the earnings per share relative to the price-to-earnings ratio for similar assets.
- The unlisted shares held in TWK Agriculture Holdings (Pty) Ltd by TWK Motors (Pty) Ltd and TWK Group Customer Loyalty Scheme Trust are measured at fair value based on the market share price.



# Notes to the financial statements

For the year ended 31 August 2020 continued

## 19. Investments at fair value continued

### Equity investments at fair value through other comprehensive income

Figures in Rand	2020 Fair value	2020 Dividends received	2019 Fair value	2019 Dividends received
TWK Agriculture Holdings shares held by TWK Motors (Pty) Ltd	26 122 240	907 748	24 163 072	751 014
Nexcor 875 (Pty) Ltd shares held by Protea Versoolwerke Ermelo (Pty) Ltd	355 684	—	323 045	—
TWK Agriculture Holdings shares held by TWK Group Customer Loyalty Scheme Trust	6 895 492	362 729	6 157 688	503 111
BKB Limited shares held by TWK Investments Ltd	27 600	3 797	36 800	4 680
NTE Company (Pty) Ltd shares held by TWK Investments Ltd	22 482 976	309 076	27 844 751	308 796
UCL Company (Pty) Ltd shares held by a nominee of TWK Investments Ltd	1 884 755	25 890	1 884 755	23 170
York Timbers Limited	499 838	—	—	—
<b>Total</b>	<b>58 268 587</b>	<b>1 609 240</b>	<b>60 410 111</b>	<b>1 590 771</b>

### Reconciliation of investments at fair value

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Total
<b>2020</b>					
Unlisted Shares — TWK Agriculture Holdings held by TWK Motors (Pty) Ltd	24 163 072	—	1 959 168	—	26 122 240
Unlisted shares — Nexcor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	323 045	—	32 639	—	355 684
York Timbers Limited	—	499 838	—	—	499 838
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	6 157 688	5 813 413	340 125	(5 415 734)	6 895 492
BKB Limited held by TWK Investments Ltd	36 800	—	(9 200)	—	27 600
NTE Company (Pty) Ltd held by TWK Investments Ltd	27 844 751	—	(5 361 773)	—	22 482 978
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	1 884 755	—	—	—	1 884 755
	<b>60 410 111</b>	<b>6 313 251</b>	<b>(3 039 041)</b>	<b>(5 415 734)</b>	<b>58 268 587</b>
<b>2019</b>					
Unlisted Shares — TWK Agriculture Holdings held by TWK Motors (Pty) Ltd	23 510 016	—	653 056	—	24 163 072
Unlisted shares — Nexcor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	297 089	—	25 956	—	323 045
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	15 749 532	3 395 436	(1 311 679)	(11 675 601)	6 157 688
BKB Limited held by TWK Investments Ltd	27 600	—	9 200	—	36 800
NTE Company (Pty) Ltd held by TWK Investments Ltd	43 891 944	—	(16 047 193)	—	27 844 751
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	3 112 223	—	(1 227 468)	—	1 884 755
	<b>86 588 404</b>	<b>3 395 436</b>	<b>(17 898 128)</b>	<b>(11 675 601)</b>	<b>60 410 111</b>

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 19. Investments at fair value continued

#### Number of Shares in unlisted companies

Figures in Rand	2020	2019
TWK Agriculture Holdings (Pty) Ltd — Held by TWK Motors (Pty) Ltd	653 056	653 056
Nexcor 875 (Pty) Ltd — Held by Protea Versoolwerke (Ermelo) (Pty) Ltd	6	6
TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	224 122	166 424
BKB Limited held by TWK Investments Ltd	2 300	2 300
NTE Company (Pty) Ltd held by TWK Investments Ltd	3 431 064	3 431 064
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	514 888	514 888
	4 825 436	4 767 738

### 20. Derivative financial instruments

Figures in Rand	2020	2019
<b>Hedging derivatives</b>		
Commodity forward contracts	(3 482 164)	(2 838 950)
The forward purchase contracts represents contracts with producers for the procurement of physical commodities in the future. The forward sale contracts represents contracts with millers and other clients. It is against Group policy to have speculative positions.		
<b>Split between non-current and current portions</b>		
Current liabilities	(3 482 164)	(2 838 950)

The fair value measurement of forward contracts are categorised as Level 1 in terms of the fair value measurement hierarchy.

### 21. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2020	2019
Cash on hand	517 459	479 109
Bank balances	80 338 273	112 154 404
Short-term deposits	25 768 600	18 379 324
Deposit call account	20 349	19 671
Other cash and cash equivalents	2 185 165	1 576 966
Bank overdraft	(15 970 517)	(5 744 546)
	92 859 329	126 864 928
Current assets	108 829 846	132 609 474
Current liabilities	(15 970 517)	(5 744 546)
	92 859 329	126 864 928

#### Cash and cash equivalents pledged as security

Safex initial margins consist of deposits made for hedging positions which are held for pre-season grain contracts and own grain inventory.

The overdraft facility of the Group at Standard Bank is R340 000 000 (2019: R340 000 000) and is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee company (Pty) Ltd (RF). TWK Agri (Pty) Ltd and Constantia (Pty) Ltd indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for performing their indemnity obligation to the Security SPV, cessions over debtors month accounts is bonded in security to the Security SPV.

The banking facilities which includes the Term loans of Bedrock Mining Support (Pty) Ltd are secured by cessions of book debt, a special notarial bond over all plant and equipment, a general notarial bond over all moveable assets including inventory, a 1st bond over property, a negative pledge over qualifying assets as well as rights and title to the security shares, a restricted cession over reversionary right claims and a limited guarantee by Platau Investment Holdings (Pty) Ltd. Refer to note 30.

The Group has adequate financial resources available for future operating activities and commitments.

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 22. Discontinued operations, disposal groups and non-current assets held for sale

During the previous year, the Group made a decision to discontinue the sawmill operation in Lydenburg (Pty) Ltd due to a undesirable return on capital. The operation form part of the Timber segment.

The financial performance of the sawmill operation for the 12 months:

### Profit and loss

Figures in Rand	2020	2019
Revenue	—	794 206
Expenses	—	(1 031 983)
Net loss before tax	—	(237 777)
Tax	—	66 578
Net loss after tax	—	(171 199)
Losses on measurement to fair value less cost to sell	(150 000)	(8 102 428)
Tax thereon	33 600	2 259 743
	(116 400)	(6 013 884)

### Non-current assets held for sale

Figures in Rand	2020	2019
Non-current assets	61 523 014	64 828 094
Current assets	750 000	—
Leasehold property	22 394 281	22 344 352
<b>Total assets</b>	<b>84 667 295</b>	<b>87 172 446</b>

All the assets of the sawmill operation of Lydenburg (Pty) Ltd have been sold or impaired. The property on which the sawmill operates have been reclassified as held for sale.

During the current year, the Group also decided to reclassify the Property, plant & equipment relating to the Wesselton Mall as held for sale due to an undesirable return on capital and not being strategic in nature. The operation form part of the Motors & Tyres segment.

A register containing the information is available for inspection at the registered office of the Group.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 23. Share capital

#### Authorised

100 000 000 (2019: 100 000 000) No par-value ordinary shares

1 (2019: 1) "A" no par-value preference share

50 000 000 (2019: 50 000 000) "B" no par-value preference shares

Figures in Rand	2020	2019
<b>Issued</b>		
1 616 064 (2019: 32 146 091) no par-value ordinary shares	<b>724 529 060</b>	754 981 683
	<b>724 529 061</b>	754 981 683
<b>Reconciliation of ordinary share movement (number of shares):</b>		
Non par-value ordinary shares	<b>35 100 993</b>	35 100 993
Shares bought back	<b>(689 440)</b>	—
Less: Treasury shares	<b>(2 795 489)</b>	(2 954 902)
	<b>31 616 064</b>	32 146 091
<b>Reconciliation of ordinary share capital (value of shares):</b>		
No par-value ordinary shares	<b>776 478 952</b>	776 478 952
Shares bought back	<b>(18 255 260)</b>	—
Less: Treasury shares at cost	<b>(33 694 632)</b>	(21 497 269)
	<b>724 529 060</b>	754 981 683
<b>Reconciliation of treasury shares at cost:</b>		
Opening balance	<b>(21 497 269)</b>	(9 390 707)
Share options and loyalty scheme shares taken up	<b>6 828 676</b>	3 142 221
Shares bought by the intergroup entities at market value	<b>(19 026 039)</b>	(15 248 783)
	<b>(33 694 632)</b>	(21 497 269)
<b>Reconciliation of class A preference share movement (number of shares):</b>		
No par-value preference shares	<b>1</b>	1
Less: Treasury shares	<b>(1)</b>	(1)
	<b>—</b>	—
<b>Reconciliation of class A preference share capital (value of shares):</b>		
No par-value preference shares	<b>1</b>	1
Less: Treasury shares at cost	<b>(1)</b>	(1)
	<b>—</b>	—

The board is entitled from time to time and in the absolute discretion of the board, to declare and pay a dividend on the preference share from distributable profit and in priority to any dividends to be declared and paid to holders of ordinary shares.



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 24. Share-based payments

Aligned with TWK's strategic objective to be an employer of choice, the Group offers its key employees an equity-settled share-based payment scheme.

The long-term incentive (LTI) affords certain employees the right to purchase awarded shares in TWK Investments at the exercise price. During the vesting period (the period between grant date and vesting date), the shares are acquired and held in a trust. During this period the option cannot be exercised and is forfeited should the employee leave the employment of the TWK Group. After the grant date, employees have the option to exercise their rights in four yearly vesting tranches of 20%, 25%, 25% and 30% respectively. The grant date is the date on which the Group and the participant agree to a share-based payment arrangement. Participants are required to pay the exercise price on vesting date for shares awarded. The exercise price is determined by the lowest weighted average share price of any three successive months preceding the grant date.

The scheme is treated as an equity-settled scheme. The scheme are valued at the reporting date in terms of IFRS 2 by using the Black-Scholes model. A valuation was done by an independent actuary, Mr D Freidus of Five 2 Two Actuaries to confirm the accuracy of management estimates used.

The total expense recognised for the year amounts to R1 920 886 (2019: R2 099 211). The accumulated equity-settled reserve amounts to R3 847 894 (2019: R4 831 559).

	LTI2	LTI3	LTI4	LTI5	LTI6
<b>Key assumptions used (%)</b>					
Discount rate	8,34	8,72	8,97	7,62	7,22
Dividend yield	5,00	5,00	5,00	5,00	5,00
Share volatility	75,00	60,00	50,00	75,00	41,00

#### Share-based payment reserve

Figures in Rand	2020	2019
Opening balance	4 831 559	4 316 867
Expense recognised for the period	1 920 886	2 099 211
Vesting during the period/rights awarded	(2 904 551)	(1 584 519)
<b>Equity settled shared based payment reserve</b>	<b>3 847 894</b>	4 831 559

#### Share option group

Figures in Rand	LTI2	LTI3	LTI4	LTI5	LTI6	Total
Outstanding at the beginning of the year	386 600	200 200	181 753	149 948	—	918 501
Granted during the period	—	—	—	—	749 740	749 740
Vesting during the period	(153 900)	(69 250)	(106 050)	(111 768)	—	(440 968)
<b>Outstanding at end of year</b>	<b>232 700</b>	<b>130 950</b>	<b>75 703</b>	<b>38 180</b>	<b>749 740</b>	<b>1 227 273</b>
Grant date	12 Oct 2015	12 Oct 2016	2 Oct 2017	22 Oct 2018	17 Oct 2019	
Share price at grant date	R4,40	R8,70	R13,00	R17,90	R28,70	
Exercise price	R1,10	R4,11	R8,48	R13,88	R17,92	
End date of contractual life	2 Jan 2020	2 Jan 2021	2 Jan 2022	2 Jan 2023	2 Jan 2024	

Share-based payments awarded to Executive directors:

	Shares vested		Options outstanding	Value of benefit	
Figures in Rand	2020	2019		2020	2019
AS Myburgh	125 000	100 000	271 000	496 100	393 100
JEV Fivaz	70 750	51 000	156 250	278 240	201 070
				<b>774 340</b>	594 170

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 25. Revaluation reserve

In terms of the Memorandum of Incorporation, the revaluation reserve is non-distributable and relates to the revaluation of land and buildings included in property, plant and equipment as indicated in note 5.

Figures in Rand	2020	2019
Fair value balance at the beginning of the year	<b>69 620 437</b>	31 606 010
Fair value adjustment for the year	<b>(11 049 207)</b>	40 367 530
Transfers directly to equity	—	—
Deferred taxation	<b>2 398 302</b>	(2 353 103)
	<b>60 969 532</b>	69 620 437

### 26. Reserve for investments at fair value through OCI

The reserves represents fair value changes on financial assets as indicated in note 19 (Investments at fair value). The fair value reserve comprises the cumulative net change in the fair value of the financial assets until the assets are derecognised or impaired.

Figures in Rand	2020	2019
Financial assets at fair value through OCI at the beginning of the year	—	10 623 907
Fair value adjustment for the year	—	(16 586 450)
Attributable to non-controlling interest holders	—	(8 057)
Deferred taxation	—	3 715 364
Transfer to restructuring reserve	—	2 255 236
	—	—

### 27. Change in ownership reserve

The excess of the cost of the acquisition of the additional shareholding in subsidiaries to further expand certain business units, over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition and liabilities assumed is accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements).

The reserve is allocated to the following business units:

Figures in Rand	2020	2019
Reserve relating to the timber business unit	<b>(6 353 985)</b>	(5 223 481)
Reserve relating to the trade business unit	<b>15 673 756</b>	(23 934)
Reserve relating to the fuel and oil business unit	<b>(720 719)</b>	(720 719)
	<b>8 599 051</b>	(5 968 134)

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 28. Loans from Group companies

### Holding Company

Figures in Rand	2020	2019
TWK Agriculture Holdings (Pty) Ltd	11 554 241	17 302 532
The unsecured loan bears interest at a prime linked rate. The loan will be payable in monthly instalments of R591 387 over a remaining period of 21 months.		
TWK Agriculture Holdings (Pty) Ltd	107 000 000	113 666 667
The unsecured loan with a residual value of R84 000 000 carries interest at a rate linked to the prime rate. An amount of R5 686 006 will be repaid during September 2020 with monthly instalments thereafter of R1 619 943 over a remaining period of 37 months.		
TWK Agriculture Holdings (Pty) Ltd	—	98 696 537
The unsecured loan bear interest at a prime linked rate, and is repayable no later than the redemption date of the debentures linked to this loan.		
	118 554 241	229 665 736
<b>Split between non-current and current portions</b>		
Non-current liabilities	105 483 112	121 349 744
Current liabilities	13 071 129	108 315 992
	118 554 241	229 665 736

### Fair value of Group loans payable

The fair value of Group loans payable approximates their carrying amounts.

## 29. Other loans payable

Figures in Rand	2020	2019
Roofspace Rental Group (Pty) Ltd	25 324	—
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Gromor (Pty) Ltd	700 696	3 209 000
The unsecured loans to members of Gromor (Pty) Ltd carries interest and is repayable as and when future profits arise from operations.		
SD Zwane	6 447 126	7 182 618
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Treated Timber Products (Pty) Ltd	—	5 376 583
The unsecured loan bears interest at a prime linked rate and was repaid during the year.		
Buurman Trust	488 980	1 248 892
The unsecured loan bears interest at a prime linked rate and is repayable in monthly instalments over the remaining period of 172 months.		
The Nandi Trust	1 096 517	—
The unsecured loan bears interest at a prime linked rate and is repayable on demand, or as and when cash is available.		
Stony's Tyres	1 096 517	—
The unsecured loan bears interest at a prime linked rate and is repayable on demand, or as and when cash is available.		
	9 855 160	17 017 093
<b>Split between non-current and current portions</b>		
Non-current liabilities	445 003	1 207 880
Current liabilities	9 410 157	15 809 213
	9 855 160	17 017 093

### Fair value of shareholder loans payable

Other loans payable approximates its fair value.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 30. Borrowings

#### Held at amortised cost

Figures in Rand	2020	2019
<b>Secured</b>		
Standard Bank of South Africa: Term Loan	<b>199 600 000</b>	216 400 000
The facility is secured by a first continuing covering mortgage bond over the immovable property and notarial general bond to the maximum of R25 000 000 over the movable assets (wood chips and wood logs) of Shiselweni Forestry Company Limited, A fellow subsidiary of the Company. The loan carries interest at a prime linked rate with monthly capital instalments of R1 400 000 plus interest with a residual amount of R199 600 000, payable on 31 December 2021.		
Land and Agricultural Bank of South Africa: Revolving loan facility	<b>327 415 437</b>	466 359 294
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of TWK Agri (Pty) Ltd and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), are bonded in security to the Security SPV. The loan bears interest at the prime link rate. The loan is repayable on 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Standard Bank of South Africa: Revolving loan facility	<b>327 445 733</b>	466 385 000
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of the Company and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime link rate.		
The loan is repayable on 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Land and Agricultural Bank of South Africa: Revolving loan facility	<b>99 909 763</b>	79 996 966
The facility is secured by a guarantee issued by the Security SPV Guarantor, TWK Guarantee Company (Pty) Ltd (RF). TWK indemnify the security SPV against all claims in terms of the SPV guarantee. As security for TWK performing their indemnity obligation to the security SPV, own plantations (refer to note 6) is bonded in security to the Security SPV. The loan bears interest at the prime link rate. The loan is repayable on 30 November 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Land and Agricultural Bank of South Africa: Revolving loan facility	<b>50 318 139</b>	49 068 139
The loan was granted to the Company for the financing of loans to emerging farmers for production credit and establishment finance. The loan has a final repayment date of 5 years from the month following the month in which the first advance was made. The loan is repayable on 30 June 2023. No interest is payable on the loan.		
Rand Merchant Bank	<b>205 531 626</b>	95 653 248
The revolving loan facility is secured by cessions over inventory (refer to note 13) and the loan bear interest at a prime-linked rate.		
Standard Bank Term loan: Bedrock Mining Support (Pty) Ltd	—	14 000 000
The facility is secured by a unrestricted cession of book debt, a special notarial bond over all plant and equipment, a general notarial bond over all moveable assets including inventory, a 1st bond over property, and a negative pledge over qualifying assets as well as rights and title to the security shares. The loan bears interest at a JIBAR linked rate. The loan was repaid during the current year.		
Land and Agricultural Bank of South Africa: Term Loan	<b>258 582 134</b>	226 913 906
The loan bears interest at a prime linked rate. The loan has a residual value of R208 000 000,00 and is payable on 31 August 2023. The facility is secured by a guarantee issued by the Security SPV Guarantor TWK Guarantee Company (Pty) Ltd (RF). TWK indemnify the security SPV against all claims in terms of the SPV guarantee. As security for TWK performing their indemnity obligation to the security SPV, term loans (refer to note 16) and fixed property (refer to note 5) is bonded in security to the Security SPV.		
Standard Bank Term Loan: Bedrock Mining Support (Pty) Ltd	<b>5 380 637</b>	5 981 369
The facility is secured by a restricted cession of book debt, a restricted cession of reversionary right claims and a limited guarantee by Platau Investment Holdings (Pty) Ltd, as well as security shares held in Bedrock Mining Support (Pty) Ltd by Platau Investment Holdings (Pty) Ltd.		



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 30. Borrowings

Figures in Rand

	2020	2019
First National Bank: Revolving loan facility	132 113 965	—
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of the Company and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime link rate.		
The loan is repayable on 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
First National Bank: Term loan	52 001 680	—
The facility is secured by property of TWK Investments Limited. The loan bears interest at a prime linked rate. The loan is repayable in monthly instalments over a remaining period of 28 months and is payable on 31 December 2022.		
Nedbank Limited Term loan: Gromor (Pty) Ltd	—	1 503 524
The facility is secured by plant, equipment and machinery and bears interest at a prime linked rate. The facility was repaid during the current year.		
First National Bank	13 477 609	—
The facility is unsecured, and bears interest at a prime linked rate. The facility is repayable during September 2020.		
Standard Bank: Term loan	9 404 697	—
The credit facility bears interest at a prime linked rate and the repayment of loan is monthly in arrears over a period of 120 months.		
CNHI Capital	1 392 862	1 646 693
The facility is secured, bears interest at prime-linked rate and is repayable in the next 12 months.		
Standard Bank of South Africa	14 535 710	—
The loan is secured by fixed assets owned by the Group, bears interest at a prime linked rate, with monthly instalments payable over a remaining period of 74 months.		
Nedbank Limited: Term loan	1 090 980	—
The facility is secured by unencumbered moveable assets of the Group. The loan carries interest at a prime linked rate and is repayable in monthly instalments of R17 877 over a remaining period of 48 months.		
	1 698 200 972	1 623 908 139
<b>Split between non-current and current portions</b>		
Non-current liabilities	545 187 336	462 610 479
Current liabilities	1 153 013 636	1 161 297 660
	1 698 200 972	1 623 908 139

The Company and TWK Agriculture Holdings (Pty) Ltd signed unlimited surety as guarantee for the loan facilities granted by Land and Agriculture Bank of South Africa and Standard bank of South Africa to TWK Agri (Pty) Ltd.

The Land Bank and Standard Bank facilities is further restricted to the following loan conditions (covenants) based on a TWK Agriculture Holdings (Pty) Ltd level:

- ▶ Interest cover ratio of greater than or equal to 2,3 to 1;
- ▶ Total debt to equity ratio of smaller than 250%;
- ▶ Long-term debt to equity smaller than 80%;
- ▶ Cumulative debt service cover ratio of equal or greater than 1,2;
- ▶ Security cover ratio of greater than 1 to 1.

The Group provides the Land Bank and Standard Bank of South Africa on a yearly basis with a compliance certificate and during the year no event or potential event of default occurred.

#### Fair value of borrowings

The carrying value of borrowings approximates the fair value thereof.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 31. Provisions

#### Reconciliation of provisions

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
<b>2020</b>				
Provisions	<b>886 410</b>	<b>73 921</b>	<b>—</b>	<b>960 331</b>
Share-based payments	<b>4 077 940</b>	<b>12 236 889</b>	<b>(11 857 126)</b>	<b>4 457 703</b>
	<b>4 964 350</b>	<b>12 310 810</b>	<b>(11 857 126)</b>	<b>5 418 034</b>
<b>2019</b>				
Provisions	796 388	90 022	—	886 410
Share-based payments	615 693	6 682 723	(3 220 476)	4 077 940
	1 412 081	6 772 745	(3 220 476)	4 964 350

The provisions consist mainly of retrieval deficits at the TWK Group's tyre segment companies, Protea Versoolwerke Ermelo (Pty) Ltd and Protea Versoolwerke Kimberley (Pty) Ltd, which are expected to be utilised within the following 12 months, as well as severance pay of one of the TWK Group's grain segment companies, Arrowfeeds (Pty) Ltd. The severance pay is payable to certain employees on retirement.

The provision for share based payments relates to the estimated value of the employees that selected cash payments instead of shares as part of the share based payment scheme. (Refer to note 24).

The provision for share-based payments are expected to be utilised as follows:

2 January 2021	R363 560
2 January 2022	R1 235 463
2 January 2023	R1 729 306
2 January 2024	R1 129 374
	<b>R4 457 703</b>

### 32. Trade and other payables

Figures in Rand	2020	2019
<b>Financial instruments:</b>		
Trade payables	<b>555 954 515</b>	604 024 071
Current account: Holding Company	<b>91 759 510</b>	28 933 988
Other accrued expenses	<b>13 900 956</b>	13 032 355
Deposits received	<b>606 976</b>	470 114
Other payables	<b>107 898 599</b>	94 586 241
<b>Non-financial instruments:</b>		
Accrued leave and bonus	<b>52 820 789</b>	72 103 410
VAT	<b>15 028 436</b>	4 470 097
Operating lease payables	<b>—</b>	670 732
	<b>837 969 781</b>	818 291 008

#### Fair value of trade and other payables

The fair value of trade and other payables approximates its carrying value. The fair value measurement of Trade and other payables have been categorised as Level 3 in terms of the fair value measurement hierarchy.

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 33. Contract liabilities

### Summary of contract liabilities

Figures in Rand	2020	2019
Supply of fertilizer products	—	5 865 485
Storage and handling of grain	2 298 169	1 571 811
	2 298 169	7 437 296

Contract liabilities include advances received for the storage and handling of grain, as well as for the future supply of fertilizer products. All contract liabilities are short-term in nature. These liabilities will subsequently realise to Grain Storage- and Handling income as well as Fertilizer sales.

## 34. Revenue

Figures in Rand	2020	2019
<b>Revenue from contracts with customers</b>		
Sale of goods	7 459 021 770	7 523 685 737
Rendering of services	48 984 901	50 286 536
Commissions received	101 363 993	88 465 405
	7 609 370 664	7 662 437 678
<b>Revenue other than from contracts with customers</b>		
Rental Income	1 037 024	976 922
Interest received (trading)	69 659 678	89 592 755
	70 696 702	90 569 677
	7 680 067 366	7 753 007 355

## 35. Cost of sales

Figures in Rand	2020	2019
Sale of goods	6 447 443 619	6 402 237 214
Rendering of services	14 956 632	13 434 335
Discount received	(4 034 312)	(12 343 081)
<b>Manufactured goods:</b>		
Depreciation and impairment	903 829	262 991
	6 459 269 768	6 403 591 459

## 36. Other operating income

Figures in Rand	2020	2019
Administration and management fees received	3 493 771	3 683 794
Commissions received	2 937 657	1 614 454
Rental income	6 400 314	4 217 546
Bad debts recovered	184 021	803 565
Recoveries	6 379 546	4 641 768
Interest received	47 322	821 199
Insurance claims	2 023 048	5 046 581
Other income	28 610 059	48 646 046
Rebates received	4 812 694	7 352 469
Government grants	5 196 702	4 048 180
	60 085 134	80 875 602

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 37. Other operating gains

Figures in Rand	Notes	2020	2019
<b>Gains/(losses) on disposals, scrappings and settlements</b>			
Property, plant and equipment	5	(29 970 291)	(68 751)
Lease remeasurement	6	785 750	—
Lease liability		28 268 475	—
		(916 066)	(68 751)
<b>Foreign exchange gains/(losses)</b>			
Net foreign exchange gains		17 470 301	9 356 299
<b>Fair value gains/(losses)</b>			
Biological assets	7	(10 067 156)	26 760 949
Investment in associates		39 058	—
Unlisted shares — Held by the TWK Group Customer Loyalty Scheme Trust		(596 112)	(1 311 679)
		(10 624 210)	25 449 270
<b>Total other operating gains/(losses)</b>		<b>5 930 025</b>	<b>34 736 818</b>

## 38. Operating profit

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

Figures in Rand	2020	2019
<b>Auditor's remuneration — external</b>		
Audit fees	3 547 202	3 155 301
Expenses	297 315	386 271
	3 844 517	3 541 572
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	485 297 071	501 004 334
Equity settled share-based payments	2 716 569	2 099 211
<b>Total employee costs</b>	<b>488 013 640</b>	<b>503 103 545</b>
<b>Leases</b>		
<b>Operating lease charges</b>		
Premises	35 316 560	56 652 337
Motor vehicles	2 407 388	6 327 254
Equipment	7 830 692	9 827 054
Insurance book	131 579	—
	45 686 219	72 850 484
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	34 780 965	31 666 063
Depreciation of right-of-use assets	32 206 963	—
Amortisation of intangible assets	1 244 558	601 456
<b>Total depreciation and amortisation</b>	<b>68 232 486</b>	<b>32 267 519</b>
Less: Depreciation included in cost of merchandise sold and inventories	(903 829)	(262 991)
<b>Total depreciation and amortisation expensed</b>	<b>67 328 657</b>	<b>32 004 528</b>
<b>Impairments and other losses/(gains)</b>		
Property, plant and equipment	1 630 066	1 403 042
Trade receivables	1 148 332	8 319 728
Inventories	1 797 037	(2 161 279)
	4 575 435	7 561 491



# Notes to the financial statements

For the year ended 31 August 2020 continued

## 39. Investment income

Figures in Rand	2020	2019
<b>Dividend income</b>		
<b>Group entities:</b>		
Holding company received by Intergroup Trust	300 388	503 111
<b>Equity instruments at fair value through profit or loss:</b>		
Unlisted investments – Local	1 216 912	1 087 660
<b>Total dividend income</b>	<b>1 517 300</b>	<b>1 590 771</b>
<b>Interest income</b>		
<b>From investments in financial assets:</b>		
Bank and other cash	622 983	1 795 342
Other receivables	150 469	201 512
Other financial assets	3 336 659	3 584 199
<b>Loans to Group companies:</b>		
Associates	770 491	1 171 691
<b>Total interest income</b>	<b>4 880 602</b>	<b>6 752 744</b>
<b>Total investment income</b>	<b>6 397 902</b>	<b>8 343 515</b>

## 40. Finance costs

Figures in Rand	2020	2019
Holding company	12 540 021	24 014 562
Trade and other payables	235 477	198 789
Lease liabilities	14 113 423	–
Borrowings	135 461 497	140 513 184
<b>Total finance costs</b>	<b>162 350 418</b>	<b>164 726 535</b>
Less: Capitalised to qualifying assets	(57 263 458)	(45 834 594)
<b>Total finance costs expensed</b>	<b>105 086 960</b>	<b>118 891 941</b>

## 41. Other non-operating gains

Figures in Rand	Notes	2020	2019
<b>Gains/(losses) on disposals, scrappings or settlements</b>			
Other financial assets		(2 237 411)	(380 110)
Investments in subsidiaries	9	–	338 888
		<b>(2 237 411)</b>	<b>(41 222)</b>
Fair value gains/(losses)			
Investment property		(415 235)	–
Impairment of goodwill		(23 129 120)	–
		<b>(23 544 355)</b>	<b>–</b>
<b>Total other non-operating gains/(losses)</b>		<b>(25 781 766)</b>	<b>(41 222)</b>

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 42. Taxation

### Major components of the tax expense

Figures in Rand	2020	2019
<b>Current</b>		
Local income tax – current period	45 189 787	87 444 938
Foreign income tax – current period	2 855 871	1 990 715
	<b>48 045 658</b>	89 435 653
<b>Deferred</b>		
Originating and reversing temporary differences	(5 300 515)	(23 026 338)
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	103 025	158 833
Foreign originating and reversing temporary differences	7 348 266	14 404 399
	<b>2 150 776</b>	(8 463 106)
	<b>50 196 434</b>	80 972 547

### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

%	2020	2019
Applicable tax rate	28,00	28,00
Impairment of Goodwill	4,13	–
Disallowable charges	–	(2,63)
Dividend received	(0,21)	(0,35)
Profit from equity accounted investments	(0,46)	(0,27)
Capital gains tax	–	(1,20)
Prior year adjustment	–	7,70
Other	0,20	(1,44)
Eswatini tax rate lower than standard rate	(0,03)	(0,03)
	<b>31,63</b>	29,78

## 43. Other comprehensive income

### Components of other comprehensive income

Figures in Rand	Gross	Tax	Net before noncontrolling interest	Noncontrolling interest	Net
<b>2020</b>					
<b>Items that will not be reclassified to profit/(loss)</b>					
<b>Remeasurements on net defined benefit liability/asset</b>					
Remeasurements on net defined benefit liability/asset	259 000	–	259 000	–	259 000
<b>Movements on revaluation</b>					
Gains/(losses) on property revaluation	(11 486 930)	2 496 351	(8 990 579)	339 673	(8 650 906)
<b>Total items that will not be reclassified to profit/(loss)</b>	<b>(11 227 930)</b>	<b>2 496 351</b>	<b>(8 731 579)</b>	<b>339 673</b>	<b>(8 391 906)</b>
<b>Items that may be reclassified to profit/(loss)</b>					
<b>Changes in fair value of equity investments at fair value through other comprehensive income</b>					
Losses arising during the year	(3 581 240)	698 602	(2 882 638)	(10 131)	(2 892 769)
<b>Total</b>	<b>(14 809 170)</b>	<b>3 194 953</b>	<b>(11 614 217)</b>	<b>329 542</b>	<b>(11 284 675)</b>

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 43. Other comprehensive income continued

Figures in Rand	Gross	Tax	Net before noncontrolling interest	Noncontrolling interest	Net
<b>2019</b>					
<b>Items that will not be reclassified to profit/(loss)</b>					
<b>Remeasurements on net defined benefit liability/asset</b>					
Remeasurements on net defined benefit liability/asset	815 000	—	815 000	—	815 000
<b>Movements on revaluation</b>					
Gains on property revaluation	40 367 530	(2 353 103)	38 014 427	—	38 014 427
<b>Total items that will not be reclassified to profit/(loss)</b>	41 182 530	(2 353 103)	38 829 427	—	38 829 427
<b>Items that may be reclassified to profit/(loss)</b>					
<b>Changes in fair value of equity investments at fair value through other comprehensive income</b>					
Losses arising during the year	(16 586 450)	3 715 364	(12 871 086)	(8 057)	(12 879 143)
<b>Total</b>	24 596 080	1 362 261	25 958 341	(8 057)	25 950 284

## 44. Earnings and dividends per share

Figures in Rand	2020	2019
<b>Basic earnings per share</b>		
From continuing operations (c per share)	321,37	513,01
From discontinued operations (c per share)	(0,37)	(18,71)
	321,00	494,30
<b>Reconciliation of profit or loss for the year to basic earnings</b>		
Profit for the year	108 371 589	191 799 983
<b>Adjusted for:</b>		
Non-controlling interest	(6 885 338)	(32 900 522)
	101 486 251	158 899 461
	31 616 064	32 146 091
Basic earnings per share (c)	321,00	494,30

### Diluted earnings per share

In the determination of diluted earnings per share, profit or loss attributable to the equity holders of the parent and the number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

Where there is a discontinued operation, diluted earnings per share is determined for both continuing and discontinued operations.

Figures in Rand	2020	2019
<b>Diluted earnings per share</b>		
From continuing operations (c per share)	295,26	469,82
From discontinued operations (c per share)	(0,34)	(17,13)
	294,92	452,69

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 44. Earnings per share continued

The calculation of earnings per share is based on the consolidated profit attributable to the owners of the holding company divided by the total number of shares in issue at year-end.

Figures in Rand	2020	2019
<b>Reconciliation of basic earnings to earnings used to determine diluted earnings per share</b>		
Basic earnings	321,00	494,30
<b>Adjusted for:</b>		
Shares held by Intergroup Trust to be distributed to customers and personnel	(26,28)	(41,61)
	<b>294,92</b>	<b>452,69</b>
<b>Reconciliation of weighted average number of ordinary shares used for earnings per share to weighted average number of ordinary shares used for diluted earnings per share</b>		
Weighted average number of ordinary shares used for basic earnings per share	31 616 064	32 146 091
<b>Adjusted for:</b>		
Shares held by Intergroup Trust to be distributed to customers and personnel	2 795 489	2 954 902
	<b>34 411 553</b>	<b>35 100 993</b>

### Dividends per share

Figures in Rand	2020	2019
90 cents per share (2019: 75 cents)	30 970 397,00	26 325 744,75

Dividends payable are not accounted for until they have been declared by the Board of directors.

### 45. Cash generated from operations

Figures in Rand	2020	2019
Profit before taxation	158 684 423	278 786 414
<b>Adjustments for:</b>		
Depreciation and amortisation	68 123 264	32 336 349
Losses on disposals, scrapings and settlements of assets and liabilities	1 701 816	109 973
Income from equity accounted investments	(2 282 723)	(576 129)
Dividend income	(1 517 300)	(1 590 771)
Interest income	(4 880 602)	(6 752 744)
Finance costs	105 086 386	118 891 941
Fair value adjustments	10 067 156	(25 489 585)
Impairment losses	1 630 066	1 403 042
Impairment of Goodwill	23 129 120	—
Movements in retirement benefit assets and liabilities	(611 000)	(705 000)
Share-based treasury share payments	(603 902)	3 976 939
Movement in provisions	73 921	90 022
Inventory write-downs	1 797 037	8 642 674
Expected credit loss allowance	787 966	6 441 630
Loss from discontinued operations	(116 400)	—
<b>Changes in working capital:</b>		
Inventories	39 116 811	(45 945 541)
Trade and other receivables	(59 233 386)	(55 450 101)
Derivative financial instruments	643 214	(4 122 392)
Biological assets	262 976 919	127 622 263
Trade and other payables	19 678 773	33 614 874
Contract liabilities	(5 139 127)	(7 875 923)
	<b>619 112 432</b>	<b>463 407 935</b>



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 46. Tax paid

Figures in Rand	2020	2019
Balance at beginning of the year	(14 761 486)	(18 855 787)
Current tax for the year recognised in profit or loss	(48 045 658)	(56 087 158)
Balance at end of the year	(18 805 533)	14 761 486
	(81 612 677)	(60 181 459)

### 47. Dividends paid

Figures in Rand	2020	2019
Balance at beginning of the year	(3 792 100)	(5 610 079)
Dividends	(39 503 871)	(26 444 574)
Balance at end of the year	8 898 853	3 792 100
	(34 397 118)	(28 262 553)

### 48. Loyalty Scheme payments

The TWK Loyalty Scheme was implemented to incentive clients for doing business with the TWK Group by awarding shares to be taken up in the TWK Group and/or cash payments on an annual basis. All bona fide farmers who do significant business with the TWK Group by contributing to gross profit exceeding a set minimum amount may qualify to be awarded through the TWK Loyalty Scheme.

### 49. Commitments

#### Capital commitments

Capital commitments include all projects for which specific Board approval has been obtained. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded.

Figures in Rand	2020	2019
<b>Already contracted for but not provided for</b>		
— Property, plant and equipment	2 230 123	35 070 499
	2 230 123	35 070 499

This committed expenditure relates to property, plant and equipment. Expenditure will be financed by available bank facilities, retained profits, mortgage facilities or existing cash resources.

Figures in Rand	2020	2019
<b>Not yet contracted for and authorised by directors</b>		
— Property, plant and equipment	82 847 767	126 500 490
	82 847 767	126 500 490

Capital commitments are based on the budget approved by the Board. Major capital projects require further approval before they commence and will be financed by available bank facilities, retained profits, mortgage facilities or existing cash resources.

### 50. Contingencies

The Company had contingent liabilities at year end in respect of:

- ▶ The Shiselweni Forestry Company Limited, has entered into an agreement for the acquisition of some of the forestry assets of Peak Timbers Ltd and Peak Forest Products (Pty) Ltd as a going concern.
- ▶ The acquisition is structured as a pure asset purchase on a going concern basis and includes assets located in the Piggs Peak area of Eswatini.
- ▶ The total consideration for the assets will be between R500 million and R550 million subject to an adjustment on the effective date in the case of significant deviation from the Annual Plan of Operation in relation to the planned harvesting and silviculture operations.
- ▶ Approximately 70% of the acquisition will be financed through new bank debt facilities.
- ▶ Material suspensive conditions include inter alia approval of the acquisition by the South African and Eswatini Competition Authorities as well as the Eswatini Land Control Board.
- ▶ Shareholders will be updated with regards to the fulfilment of the suspensive conditions and the implementation of the transaction in due course.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 51. Related parties

#### Relationships

Holding Company	TWK Agriculture Holdings (Pty) Ltd
Subsidiaries	Refer to note 9
Associates	Refer to note 10
Members of key management	Executive and Non-executive Directors and related businesses

#### Related party balances

Figures in Rand

	2020	2019
<b>Loan accounts – Owing to/by related parties</b>		
TWK Agriculture Holdings (Pty) Ltd	118 554 241	229 665 736
<b>Amounts included in trade receivable regarding related parties</b>		
Directors and related businesses	43 206 376	22 875 186
<b>Amounts included in trade payables regarding related parties</b>		
TWK Agriculture Holdings (Pty) Ltd	(14 236 135)	(14 236 135)
<b>Related party transactions</b>		
<b>Interest paid to (received from) related parties</b>		
Interest received from directors and related businesses	(3 620 735)	(1 729 452)
Interest paid to holding company	1 474 412	2 243 307
<b>Purchases from (sales to) related parties</b>		
Purchases from directors and related businesses	130 911 966	114 218 386
Sales to directors and related businesses	(56 323 768)	(16 688 272)
<b>Rent paid to (received from) related parties</b>		
TWK Agriculture Holdings (Pty) Ltd	110 040	12 510 362

#### Total number of shares held by the directors and related shareholders in which they have declared a personal financial interest

	Direct		Indirect		Related trust*	
	Shares	%	Shares	%	Shares	%
<b>Non-executive</b>						
GB Prinsloo	—	0,00	477	0,00	—	0,00
JS Stapelberg	—	0,00	2 755	0,01	292 954	0,85
TI Ferreira	—	0,00	15 829	0,05	23 961	0,07
HJK Ferreira	—	0,00	—	0,00	—	0,00
CA du Toit	—	0,00	—	0,00	—	0,00
HG Hiestermann	51 500	0,15	157 867	0,46	—	0,00
HW Kusel	33 847	0,10	45 379	0,13	—	0,00
JCN Wartington	500	0,00	612	0,00	5 595	0,02
<b>Executive</b>						
AS Myburgh	867 000	2,52	59 806	0,17	306 478	0,89
JEW Fivaz	284 126	0,83	1 223	0,00	2 000	0,01
<b>Subtotal for Directors</b>	1 236 973	3,59	283 948	0,83	630 988	1,83
<b>Other shareholders</b>	33 174 580	96,41				
<b>Total</b>	34 411 553	100,00				

\* Excluding trusteeship in TWK Agri Aandele Aansporings Trust & TWK Customer Loyalty Scheme Trust.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 52. Financial instruments and risk management

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk and the Group's exposure to these financial risks.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management in close co-operation with the Group's operating units, through identifying, evaluating and hedging financial risk where needed.

In combination with the audit committee, the Boards have conducted a robust assessment of the principal risks to which TWK is exposed and they are satisfied that the Group has effective systems and controls in place to manage its principal risks.

The Board of Directors has overall responsibility for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Group's executives are responsible for developing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group. Top risks are identified through an enterprise risk management process, whereby the top risks are identified, assessed, quantified and prioritised. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board has an Audit and Risk Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures. 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 Group monitors its forecast financial position on a regular basis. The Group's executive members meet regularly and consider financial performance and cash flow projections, taking into consideration market conditions and new developments.

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary. The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous reporting period.

Financial risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks as financial risks are anticipated to be ongoing due to the strategy and business model of the Group. The top risks are identified through the enterprise risk management process.

TWK's financial risks are as follows:

- liquidity risk;
- market risk (including interest rate, price risk and currency risk); and
- credit risk.

#### a) Liquidity risk

Liquidity risk is the risk that the Group has insufficient financial resources to meet its obligations as and when they fall due or that such resources will only be available at excessive costs. The risk arises from mismatches in the timing of cash flows.

Funding risk arises when the necessary liquidity to fund liquid asset positions cannot be obtained for the expected terms when required.

Liquidity risk management implies maintaining sufficient cash reserves, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised and unutilised borrowing facilities are monitored. Consequently the Group ensure that sufficient borrowing facilities are available to exceed projected peak borrowings.

The Group's management of liquidity and funding includes:

- monitoring forecast cash flows and establishing the level of liquid facilities necessary on a daily basis;
- ensuring that adequate unutilised borrowings facilities are maintained;
- development and maintenance of a syndicated funding structure;
- repayments of long-term borrowings are structured so as to match the expected cash flows from the operations to which they relate;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- maintaining liquidity and funding contingency plans.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 52. Financial instruments and risk management continued

The Group utilises the credit facilities of various banking institutions and takes into account the maturity dates of its various assets and funds its activities by obtaining a balance between the optimal financing mechanism and the different financing products, which include bank overdrafts, short-term loans, long-term loans, commodity finance, finance lease and other creditors. The Group has been able to operate within these facilities and based on the growth forecast and committed credit facilities the trend is expected to continue.

Borrowing disclosed in note 30 as well as projected profitability levels will provide adequate liquidity levels to support operational cash flows within the foreseeable future. The table below analyses the Group's borrowing (excluding revolving loan facilities) into relevant maturity Groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in Rand	Less than 1 year	Between 1 and 2 years
<b>At 31 August 2020</b>		
Borrowings	<b>266 128 738</b>	<b>1 432 072 232</b>
Trade and other payables	<b>770 120 556</b>	<b>–</b>
<b>At 31 August 2019</b>		
Borrowings	148 556 400	1 475 351 738
Trade and other payables	741 046 769	–
Finance lease obligations	2 828 846	2 772 209

Any part of the revolving loan facilities disclosed in note 30 which is repaid, may be reborrowed. TWK may in its sole discretion extend the final repayment date of 31 December 2021 by written request.

#### b) Market risk

##### (i) Interest rate risk

The Group finances its operations through a combination of shareholders' funds, loans and bank borrowings. The Group's interest rate risk arises from long- and short-term financial liabilities as well as long- and short-term financial assets. The Group is naturally hedged against fluctuating interest rates to a large extent since interest-bearing debt is mainly utilised for assets earning interest at fluctuating rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are denominated in Rand.

To illustrate the Group's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit after taxation, are illustrated below. The analysis is prepared assuming the amount of the liabilities and assets at the end of the reporting period was the balance for the whole year.

Figures in Rand	2020	2019
Interest-bearing liabilities	<b>1 927 470 022</b>	1 827 123 884
Interest-bearing assets	<b>582 231 029</b>	671 896 443
Net interest-bearing liabilities	<b>1 345 238 993</b>	1 155 227 441
Half a percentage point increase in interest rates	<b>6 726 195</b>	5 776 737
Half a percentage point decrease in interest rates	<b>(6 726 195)</b>	(5 776 737)

##### (ii) Currency risk

The Group imports and exports products and is exposed to currency risk arising from various currency exposures, mainly the US Dollar. The Company sells to foreign customers in USD and collects money in the USD denominated bank account. Future commitments as well as recognised assets and liabilities that are denominated in a currency that is not the functional currency, expose the Group to currency risk. Most of the Group's purchases are dominated in SA Rand. However certain fertilizer raw material dominated in USD was purchased during the year. This exposed the Group to changes in the foreign exchange rates. The functional currency is ZAR and management has prepared a policy stipulating how the foreign exchange risk be managed. To manage the foreign exchange rate risk the Group makes use of exchange rate hedging instruments which commence when predetermined exchange rate levels are reached. The exchange rate hedging instruments are concluded with a financial institution. The USD spot rate as at 31 August 2020 amounted to R16,95 (31 August 2019: R15,19). The Swaziland Emalangeni and South African Rand were at par.

The following information present the sensitivity to an increase or decrease in respective to the USD on the total revenue on exports:

Figures in Rand	2020	2019
Total revenue on exports	<b>699 659 174</b>	1 061 722 605
50c increase in exchange rate	<b>20 638 914</b>	34 948 078
50c decrease in exchange rate	<b>(20 638 914)</b>	(34 948 078)



# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 52. Financial instruments and risk management continued

The total amounts converted into ZAR based on the year-end spot rate included in trade and other receivables and trade and other payables as at 31 August are as follows:

Figures in Rand	2020	2019
Trade and other receivables	78 056 864	—
Trade and other payables	—	31 751 829

#### (iii) Price risk

The Group is exposed to equity price risk arising from equity investments and commodity price risk.

Equity investments held by the Group are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The Group's sensitivity to equity prices has not changed significantly from the prior year. Commodity price risk arises from the Group's consumption of agricultural commodities and its trading in derivative financial instruments linked to underlying agricultural commodity prices.

The procurement of grain commodities for utilisation by the Group and the subsidiaries is subject to the hedging policy approved by the Board of Directors, and uses financial instruments such as commodity futures and option contracts, and other derivative instruments to reduce the volatility of input prices of these raw materials and therefore mitigate against market risk. The monitoring and management of the risk mitigation strategies is performed on a daily basis to ensure that all trades are within the approved exposure limits. The Group also offers broking services to producers and consumers of agricultural commodities such as maize and soy beans. This offering generates limited exposure to market risk due to the back-to-back nature of the transactions.

#### c) Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and other loans and receivables.

The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition to the above, credit guarantee insurance cover is purchased on a portion of the debtors book to compensate the Group for possible non-payments.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas, mainly Mpumalanga and Natal. As a result of a strict credit policy, which includes the ongoing revision of credit limits, securities and credit evaluations of financial positions of these clients, the Group is of the opinion that the credit risk associated with these financial assets are relatively small under normal circumstances.

The Group has policies and procedures in place to ensure that sales of products are made to customers with an acceptable credit history. These policies and procedures are approved by the Board of Directors. The Board delegates the responsibility for the management of credit risk within the parameters set by the Credit Policy. The Credit Committee meeting takes place on a daily basis if necessary. The Credit Committee approves applications for monthly accounts, crop loans, term loans and asset finance after evaluating the credit risk of the individual applicant.

It is policy to ensure that loans and receivables are within the customer's capacity to repay. Collateral is an important mitigate of credit risk. Seasonal loans are usually secured by a combination of mortgage bonds, notarial bonds over moveable assets and a cession of crops.

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in the borrower's ability to meet its obligations
- significant changes in the value of the collateral supporting the obligation
- significant changes in the expected performance and behaviour of the borrower

Regardless of the analysis above, debtors are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company and handed over to the legal department. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

# Notes to the financial statements

## For the year ended 31 August 2020 continued

### 52. Financial instruments and risk management continued

The different internal risk rating in trade debtors are defined as follows:

- Performing – Clients with an excellent credit history, financial position, cash flow and repayment ability.
- Increased risk – Client with good repayment ability and security without any indicator of non-performance, but without a strong financial position and balance sheet. TWK don't have a long term relationship or credit history with the client.
- Underperforming – Clients with payments being overdue for a short period of time, but with stable financial position and good securities in place.
- High risk – Clients with payments being overdue for a longer period of time, but with stable financial position and good securities in place.
- Non performing – Clients with history of non performing and financial distress.
- Default – Mostly accounts that have been handed over to the attorneys for collections.

The concentration across the different internal risk rating is as follows:

Category (%)	Performing	Increased risk	Under-performing	High risk	Non-performing	Default
Risk	67,95	18,78	0,70	2,32	0,00	10,26

The table below illustrates the stratification of the clients base relative to credit extended:

Figures in Rand	Exposure to the book (%)
R1 – R500 000	12,60
R500 001 – R1 250 000	13,04
R1 250 001 – R5 000 000	34,81
R5 000 001 – R8 000 000	12,50
R8 000 001 – R12 000 000	5,25
Above R12 000 000	21,79

The amount of the provision for portfolio impairment losses is determined by using the following formula:

Portfolio impairment = Total book x Probability of Default % x (PD%) x Loss Given Default % (LGD%). The Group has identified a comprehensive Probability of Default rating of an external source with reference to similar portfolios as reference point for forward looking information. The Loss Given Default is calculated as the Gross exposure, by decreasing the total debtor balance by the security value held or ceded to the Group.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. The internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor. To measure the expected credit losses. Trade receivables have been Grouped in categories based on shared characteristics. Refer to note 18. Trade and other receivables for the details regarding categories.

The default rate of bad debt written off was 0,75% in 2020, 0,53% in 2019, 0,22% in 2018, 0,29% in 2017 and 0,29% in 2016. This also lowers the credit risk as the history shows that the provision raised would be sufficient based on the trend of bad debt written off over the past few years.

#### Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 30, cash and cash equivalents disclosed in note 21, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio:

Figures in Rand	2020	2019
Total equity	<b>1 356 042 815</b>	1 351 608 462
Interest bearing liabilities less cash	<b>1 834 610 693</b>	1 764 037 619
Subtotal	<b>3 190 653 508</b>	3 115 646 081
Calculated rate (times)	<b>1,35</b>	1,30
Calculated rate (%)	<b>135,00</b>	130,00
Target band (%)	<b>120 – 200</b>	120 – 200

# Notes to the financial statements

For the year ended 31 August 2020 continued

## 53. Events after the reporting period

TWK Agri (Pty) Ltd, has acquired 51% of the shares in Sunshine Seedlings Services (Pty) Ltd ("SSS"), with effective date 1 September 2020.

In addition, TWK Agri (Pty) Ltd has been granted an irrevocable right to acquire a further 49% of the shares in SSS over the next 5 years at agreed terms and financial ratios.

The acquisition is aligned to TWK's strategy to invest in the agricultural and forestry value chain.

## 54. Directors' emoluments

Figures in Rand	Remuneration	Travelling and accommodation expenses	Short-term incentive	Long-term incentive
<b>2020</b>				
CA du Toit	331 589	11 990		
TI Ferreira	278 659	3 964		
AC Hiestermann	32 682	0		
HW Kusel	270 024	4 930		
RL Meyer	207 000	7 577		
AS Myburgh	3 662 662	243 228	3 471 952	3 438 600
JS Stapelberg	400 183	3 283		
JCN Wartington	231 804	4 881		
HJK Ferreira	365 574	13 915		
GB Prinsloo	138 480	1 035		
HG Hiestermann	138 480	0		
JEW Fivaz	2 422 078	262 521	2 303 760	1 780 065
<b>Subtotal</b>	<b>8 479 217</b>	<b>557 324</b>	<b>5 775 712</b>	<b>5 218 665</b>
<b>2019</b>				
CA du Toit	353 792	18 635		
TI Ferreira	236 017	8 205		
AC Hiestermann	250 467	17 008		
HW Kusel	274 550	14 248		
RL Meyer	484 175	37 659		
AS Myburgh	3 719 621	24 802	3 081 405	1 537 100
JS Stapelberg	328 050	6 433		
JCN Wartington	236 017	10 993		
HJK Ferreira	358 533	61 193		
JEW Fivaz	2 444 908	276 043	2 126 051	778 920
<b>Subtotal</b>	<b>8 686 130</b>	<b>475 219</b>	<b>5 207 456</b>	<b>2 316 020</b>

# General information

## Company

TWK Investments Ltd and its subsidiaries

## Country of incorporation and domicile

South Africa

## Nature of business and principal activities

TWK focuses on the supply of agricultural and related services, as well as input resources, and on providing market access for agricultural products.

## Directors

JS Stapelberg (Chairman)  
TI Ferreira (Vice-chairman)  
AS Myburgh (Managing Director)  
CA du Toit  
HJK Ferreira  
AC Hiestermann  
HW Küsel  
JCN Warrington  
E Prinsloo  
JEW Fivaz (Financial Director)

## Registered office

11 De Wet Street  
Piet Retief  
2380

## Business address

11 De Wet Street  
Piet Retief  
2380

## Postal address

PO Box 128  
Piet Retief  
2380

## Bankers

The Land and Agricultural Development Bank of South Africa (Land Bank) and Standard Bank of South Africa Limited

## Auditors

PKF Pretoria Incorporated

## Secretary

MJ Potgieter

## Company registration number

1997/003334/07

## Income tax number

9475026713

## Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

## Prepared by

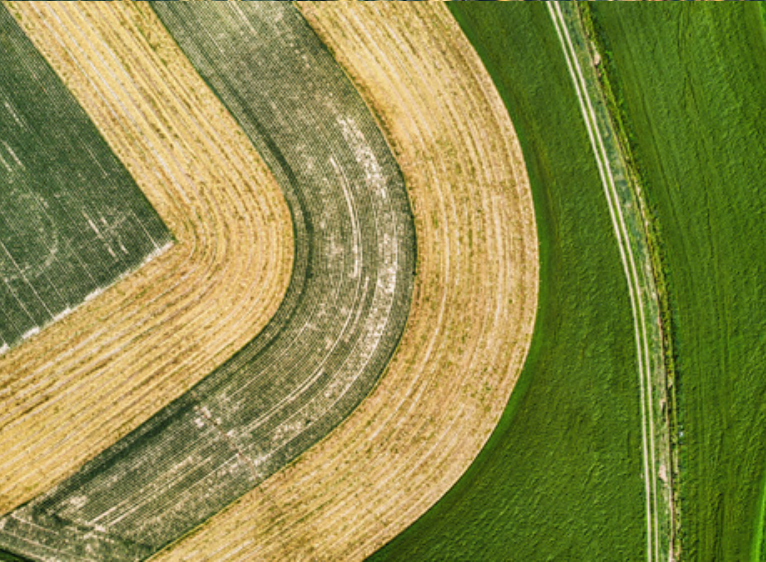
The financial statements were prepared internally by the Group Financial Manager, Mr M Luyken CA(SA), under the supervision of the financial director, Mr JEW Fivaz.

## Published

26 November 2020















## **TWK Agri**

### **Head Office**

11 De Wet Street,  
Piet Retief, 2380

### **Postal Address**

PO Box 128,  
Piet Retief, 2380

T: +27 (0)17 824 1000

F: +27 (0)17 824 1077

E: [twk@twkagri.com](mailto:twk@twkagri.com)

[twkagri.com](http://twkagri.com)

