



TWK Investments Ltd



R431 million

OPERATING PROFIT UP 29,94%

R1 310 million

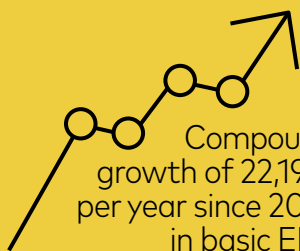
Shareholders' equity



28,88%

PROFIT BEFORE TAX INCREASE

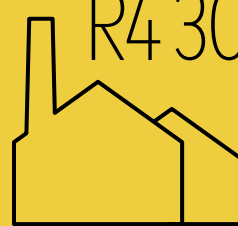
ANNUAL REPORT 2019



Compound growth of 22,19% per year since 2015 in basic EPS

2 000

EMPLOYEES



R4 305 million

TOTAL ASSETS

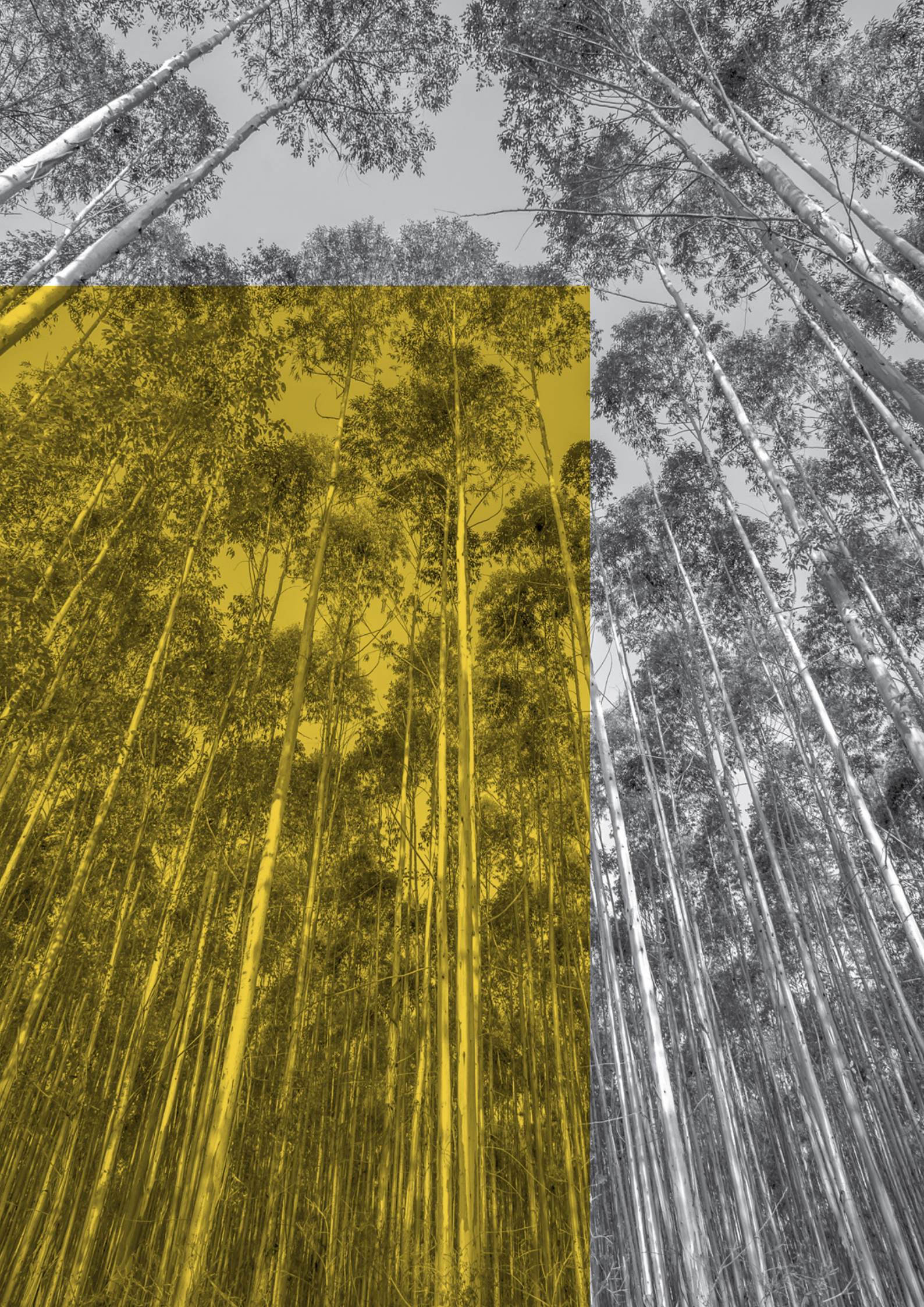


TABLE OF CONTENTS

ABOUT US	2
2019 HIGHLIGHTS	4
CHAIRMAN'S REPORT	6
BOARD OF DIRECTORS AND SENIOR MANAGEMENT	10
A MESSAGE FROM OUR MANAGING DIRECTOR	12
TIMBER SEGMENT	14
RETAIL AND MECHANISATION SEGMENT	16
GRAIN SEGMENT	18
FINANCIAL SERVICES SEGMENT	20
VEHICLES AND TYRES SEGMENT	22
REPORT BY THE FINANCIAL DIRECTOR	26
CORPORATE GOVERNANCE REPORT	29
REPORT FROM THE SOCIAL AND ETHICS COMMITTEE	32
DIRECTORS' RESPONSIBILITIES AND APPROVAL	34
STATEMENT BY THE SECRETARY	35
DIRECTORS' REPORT	36
AUDIT AND RISK COMMITTEE REPORT	38
INDEPENDENT AUDITOR'S REPORT	40
STATEMENT OF FINANCIAL POSITION	43
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	45
STATEMENT OF CHANGES IN EQUITY	46
STATEMENT OF CASH FLOWS	48
ACCOUNTING POLICIES	49
NOTES TO THE FINANCIAL STATEMENTS	62
GENERAL INFORMATION	109

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.

ABOUT US

continued



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 in particular 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, improve operational efficiencies and optimisation of capital management.

CUSTOMER FOCUS

Our strategy position 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 to investing further in the value chain of timber-related products, increase the different packaging size offering in the animal feed operation and in 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, improve utilisation of technology and fully exploit available resources and, more importantly, to expand own plantations to secure 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 proactively renegotiate debt financing and gearing levels and 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 ensure adequate returns on new investments, cost control and operating capital management.

2019 HIGHLIGHTS

TWK Investments Ltd's share price increased to R26,50 per share by 31 August 2019.



compound growth in share price of 57,56% per year since 2015

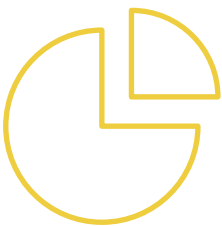


Turnover increased by 3,88% to R7,8 billion



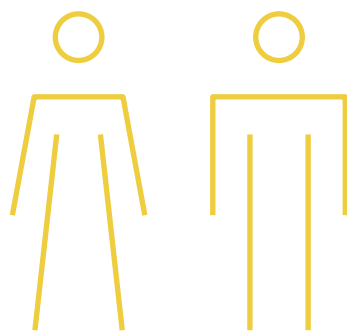
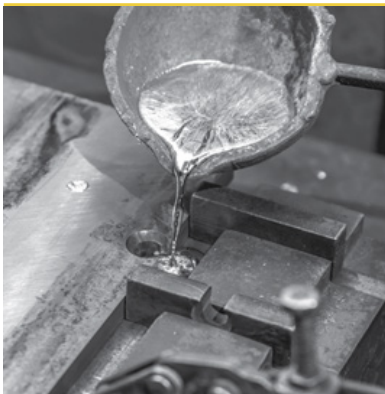
28,88%

PROFIT BEFORE TAX INCREASE



R4,74 billion
Trade segment
total revenue

R3,61 billion
Timber segment
total revenue



2 000

EMPLOYEES



671 799 tons
total TWK
wood chip
exports



2019 HIGHLIGHTS continued

R431 million

Operating profit up 29,94%

2018: R332 million



1,32 million total tonnage of round timber marketed to various local markets



R40,74 NAV per share



The total equity exceeds the R1,3 billion mark



Earnings per share for the year ending 31 August 2019 are 494,30 cents per share, a growth of 13,78%



PROFIT BEFORE LOYALTY SCHEME PAYMENT OF

R321 million



R4,3 billion total assets

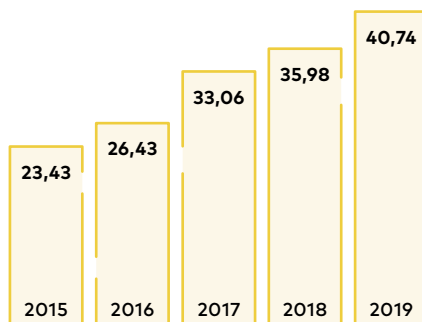
CHAIRMAN'S REPORT



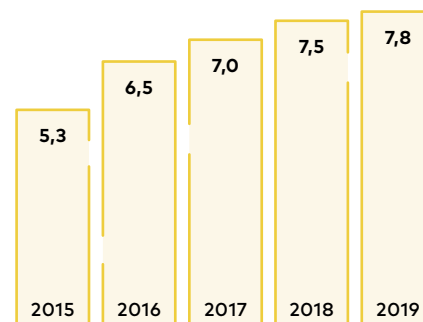
Our performance in
2019 is our
strongest
on record.

RL Meyer
CHAIRMAN

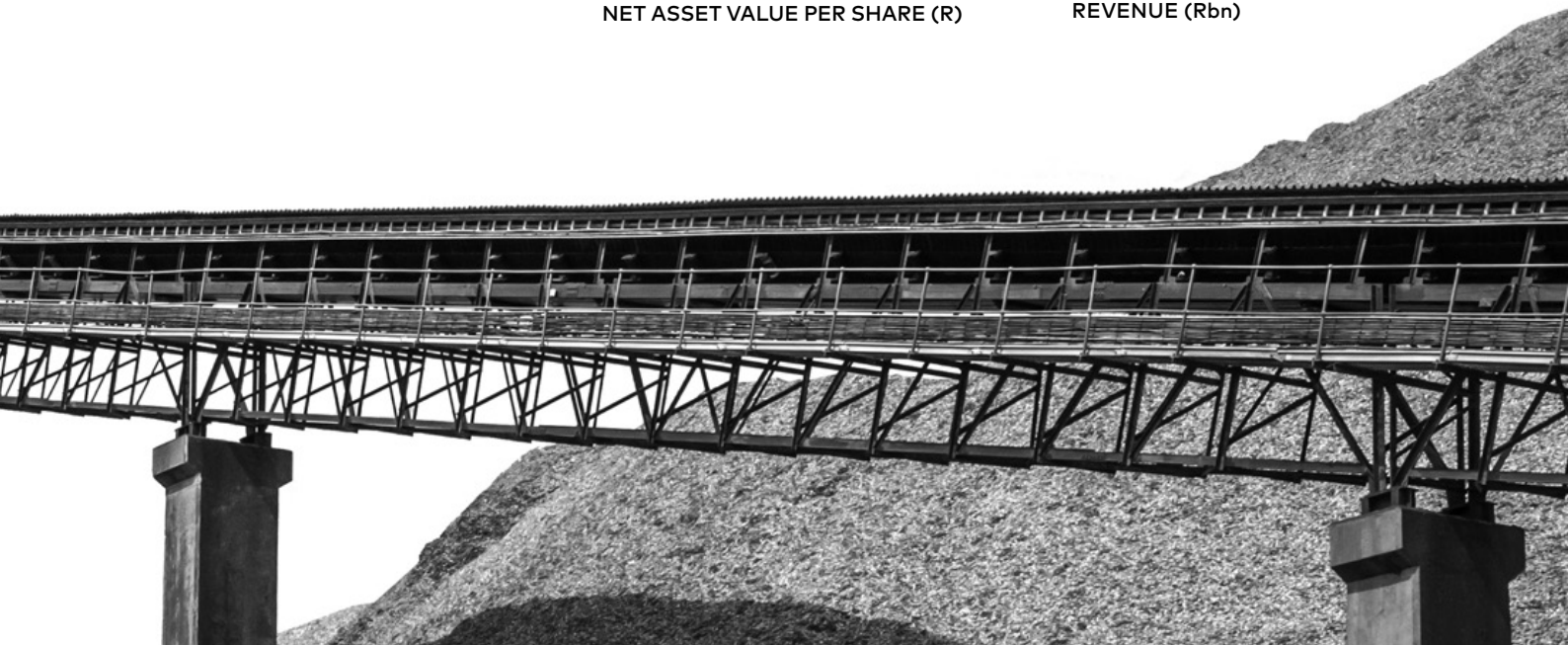
The total equity exceeds the **R1,3 billion** mark



NET ASSET VALUE PER SHARE (R)



REVENUE (Rbn)



Dear Stakeholder

The 2019 year was another year of significant progress. We have achieved a fifth successive year of record revenues, profits and earnings per share demonstrating the strength of our business model and successful execution of our strategy.

Despite a very challenging economic environment, the 2019 financial year reflected an exceptional performance from TWK. Our team delivered consistently on a good plan and by doing so with vigour, focus and enthusiasm. The compound annual growth rate in revenue is 9,99% over the past five years, but importantly, we have delivered a compound annual growth in dividends declared of 31,61% over the past five years.

There is no shortage of reminders that we have set ourselves very ambitious targets for the last five years. However, our ability to generate noticeable returns early in our growth journey affirms my faith that TWK holds immense potential that can be appreciated through strong and ethical leadership and a drive to create sustainable shared value. During this time, we began to unlock 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 diversify our revenue streams, all while staying focused on the needs of our producers.

The objectives for 2019 have remained aligned with the previous years to ensure consistency and continuity of approach and to ensure clear focus on TWK's ultimate strategic objectives.

Although the economic conditions impacted the trade, and vehicles and tyres segments negatively, we are very pleased with the performance of the segments. Except for the aforementioned segments, all business segments once again increased profits and/or market share.

Our financial performance reflects the core health of the business and the excellent positioning of our business units, geographic distribution, and the strength of multiple revenue streams, lowering risk and ensuring constant growth.

The profit of 2018 was improved upon with ease in 2019, and TWK achieved a new record profit of R321 million before loyalty payments from continued operations, and paid a R42,3 million loyalty bonus to its customers. The debt to equity ratio decreased with a further 2% to 130%, and profit before tax increased with 28,88%, exceeding the R270 million mark. These milestones prove that the strategic plans for the company are being realised.

Turnover increased by 3,88% from the previous year. Operating profit increased by 29,94% from the previous year and TWK's earnings per share for the year ending 31 August 2019 are 494,3 cents per share, representing growth of 13,78%. It was thus possible to declare and to pay a constant dividend to shareholders, at a slightly higher dividend cover.

CHAIRMAN'S REPORT

continued

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.

TWK's revenue continues to show a rising trend due to an increase in volume business, newly developed markets and the addition of business units and increased volumes of agricultural inputs.

The net asset value per share increased by 13,22% and stood on R40,74 per share at 31 August 2019.

TWK Agriculture Holdings (Pty) Ltd's share price increased further in the past year and stood at R37,00 per share as at 31 August 2019 and TWK Investments Ltd at R26,50 per share. Although there is still a lot of value locked up in the shares, excellent growth has been experienced, and thus shareholders shared significantly in our success.

The strong financial performances of recent years have given the Board and Management the resources and confidence to pursue a range of investments primarily aimed at increasing scale. The objective has been to not only improve financial performance over the short term but also to prepare the various divisions for sustainable future growth.

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 in order to promote sustainability, create long-term value for shareholders, and continuously realise benefits for all stakeholders.

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 takes into account 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 conscientiously according to the respective mandates set out by the Board. In my view, the input of the committees is of an outstanding quality, and the members of the committees have the necessary knowledge and experience to perform their tasks admirably. 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.

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.

The management of directors' conflicts of interest is a critical corporate governance issue and strictly regulated in terms of the Companies Act. Directors and Management are expected to act independently. Declarations of interests are recorded and directors and Management are given an opportunity for disclosure at each Board meeting of any material interest that may affect the Group.

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

The new financial year has begun against a background of ongoing macroeconomic uncertainty. While we are not immune from the impact of external events, we are encouraged by our start to 2020.

Our producers play a material role in the success of TWK. Their passion for our business and commitment to driving growth is praiseworthy, particularly in the current difficult trading environment of unrelenting competition, fierce margin pressure and uncertainty. In this regard, our overriding focus has been to develop and implement strategies that facilitate sustainable profitability for our shareholders and producers.

Looking ahead we are anticipating an improvement in the operating environment for our business units because of increased market penetration, increased business operations, improved margins, an increase in the demand for timber products and strategic acquisitions. We will continue to focus on productivity, cost management and investments in the timber industry to increase our value adding proposition. The TWK business model provides a strong basis from where 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.

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 enable us not only to focus on maintaining and expanding existing businesses, but to include in our strategy specific targets for partnerships, acquisitions and organic growth, with a focus on the agricultural value-chain.

CHAIRMAN'S REPORT

continued

We are very pleased with our 2019 performance, the strong financial position and the ongoing momentum in the organisation. We have the financial resources and capacity to ensure that the Company can build on the growth pattern, and to meet both our customers' needs and the growing demand for our products and services, in accordance with our high standards.

TWK's ultimate objective is the increase in sustainable profitability through securing sustained raw material supply, optimising productivity by clearing redundancies and implementing new technologies, motivated and engaged employees and through listening and responding to customer and investor requirements while actively being involved in effective social responsibility initiatives.

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

- Supplier of choice by improving and strengthening the relationship 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, market-related remuneration and developing people inside and outside our Group.

ACKNOWLEDGEMENTS

TWK remains well-placed to capitalise on opportunities across the Agri and forestry industry and deliver attractive, risk-adjusted growth. This position and successes could not be possible without the continued support of all stakeholders.

These successes could especially not be achieved without the single-minded focus, ongoing support and guidance of our Board and the relentless pursuit of excellence by our highly capable TWK team. This includes the executives, senior management and a valued group of employees across the organisation. Once again, congratulations to the management team and all employees on a successful year. Thank you for your continued energy, commitment, expertise and the passion with which you carry TWK forward for the benefit of all stakeholders.

We also want to thank you, our shareholders, for your continuing 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 continued support. Every customer is important to TWK and the reason for TWK's existence. To our suppliers and business partners, I thank you for your continued support.

In conclusion, I would like to thank my fellow directors for their valuable contribution, in both wisdom and support, which ensures that TWK maintains the highest standards of corporate governance and continues with the effective implementation of its growth and expansion strategy.

The ultimate gratitude is ascribed to our Heavenly Father, without Whom we cannot survive.



Ludwig Meyer
Chairman

BOARD OF DIRECTORS



RL Meyer
CHAIRMAN

AS Myburgh
MANAGING DIRECTOR

AW Küsel
DIRECTOR

TI Ferreira
DIRECTOR

HJK Ferreira
DIRECTOR

SENIOR MANAGEMENT



WC Janse van Rensburg
MANAGING DIRECTOR: PROTEA
VERSOOLWERKE ERMELO (PTY) LTD

FJ Bauckmann
CHIEF EXECUTIVE
MANAGER: TIMBER

WJ van Zyl
EXECUTIVE MANAGER:
CORPORATE SERVICES

GS Grobler
CHIEF EXECUTIVE MANAGER:
FINANCIAL SERVICES

MJ Potgieter
EXECUTIVE MANAGER:
BUSINESS DEVELOPMENT
and COMPANY SECRETARY



CA du Toit
DIRECTOR

AC Hiestermann
DIRECTOR
(REMOVED: 16 OCTOBER 2019)

JCN Wartington
DIRECTOR

JS Stapelberg
DIRECTOR

JEW Fivaz
FINANCIAL DIRECTOR



JFC Byleveldt
MANAGING DIRECTOR:
TWK MOTORS (PTY) LTD

B de Klerk
CHIEF EXECUTIVE
MANAGER: GRAIN

LC Coetzer
CHIEF EXECUTIVE
MANAGER: TRADE

D Kruger
MANAGING DIRECTOR:
BEDROCK MINING
SUPPORT (PTY) LTD

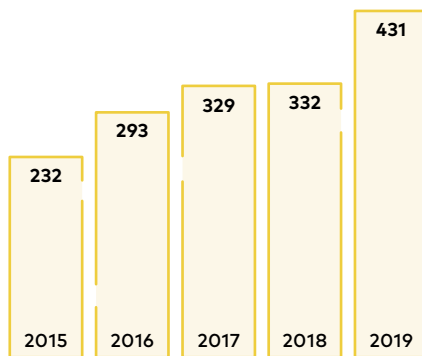
A MESSAGE FROM OUR MANAGING DIRECTOR



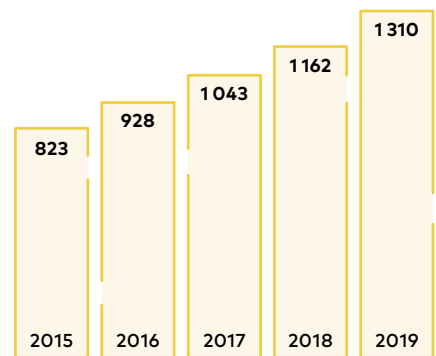
AS Myburgh
MANAGING DIRECTOR

Our philosophy and the difference we make.

The DNA of our business is built around our core values of growth and exceeding previous efforts and making every effort to be the investment of choice.



OPERATING PROFIT (RM)



SHAREHOLDERS' EQUITY (RM)



In South Africa we are confronted with corruption, at state-owned entities, on all levels of national, provincial and local government and also in the private sector. We believe we have to make a difference in the way we convene our business, with integrity and honesty.

Our philosophy is to stay positive and keep on believing in our beautiful country, in spite of all the challenges and negativity we want to show positive leadership and giving people hope. The TWK Group vision of achieving sustainable growth together, fundamentally means that the business strives to create and add value so that all its stakeholders are better off because the company exists.

The TWK Group recognises and understands its role in the stabilisation of the rural economy, while the increasing urbanisation of our population places greater demand on food and fibre supply, we have to make a difference in the rural areas by providing and creating jobs.

The DNA of our business is built on our core values of growth, exceeding previous efforts, making every effort to be the investment of choice, renewal, experience and knowledge, conservation and development of 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. As the Group has grown, we have consistently added more talent across the business to build even greater strength and depth and we appointed 236 people during the 2019 financial year, which is more than any year in our history.

The TWK Group also plays its part in ensuring international competitiveness, whilst contributing to the national economy with our fibre exports.

THE TWK GROUP STRATEGY

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 in particular 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, improve operational efficiencies and optimisation of capital management.

CUSTOMER FOCUS

Our strategy position 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 to investing further in the value chain of timber-related products, increase the different packaging size offering in the animal feed operation and in 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, improve utilisation of technology and fully exploit available resources and, more importantly, to expand own plantations to secure 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 proactively renegotiate debt financing and gearing levels and 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 ensure adequate returns on new investments, cost control and operating capital management.

MANAGING DIRECTOR'S REPORT BUSINESS REPORT

Timber segment

671 799 tons

2019 TWK WOOD CHIP EXPORTS
(2018 702 869 tons)

TWK MARKETS AND SELLS APPROXIMATELY 1,45 MILLION TONS OF ROUND TIMBER ANNUALLY TO VARIOUS MARKETS WHICH REPRESENTS APPROXIMATELY 10% OF THE SOUTH AFRICAN TOTAL ROUND TIMBER MARKET.

The beginning of the year was characterised by unprecedented international demand for chips as well as a healthy demand for timber in the national markets. Chip prices increased on the back of this demand with concomitant higher prices for pulpwood to producers.

Pulp prices were very high for almost 24 months, but began to fall sharply during January 2019. Pulp prices are expected to remain low for as long as international stock levels are high, which will take about 12 months to decline. Due to the high international pulp stock levels, there will inevitably be pressure on chip prices for the coming year.

The Richards Bay wood chipping plant performed exceptionally well and continues to produce excellent quality chips. The plant is continuously being upgraded to ensure chip quality and production quality. Profit margins will be subdued in the coming year due to the expected pressure on prices. However, the weakening in the rand supports profitability.

The mine timber sawmill, BedRock, had a challenging year as a result of a five-month strike in the gold mining industry. Notwithstanding these circumstances, management and staff remained very positive and exploited new markets, thus winning an international export market and a new Platinum mine timber contract. BedRock is also in the process of developing new technologically advanced timber-based support products for the mine timber market.

The production capacity and recovery rates of the SAWCO pine sawmill were upgraded during the year. The SAWCO mine timber sawmill was permanently closed and production volumes

have been moved to the BedRock Piet Retief mill to utilise synergy and improve efficiency. The outlook for the pine mill looks very positive with increased volume throughput and the improved recoveries achieved.

The Lydenburgh Sawmill was permanently closed due to its weak financial performance.

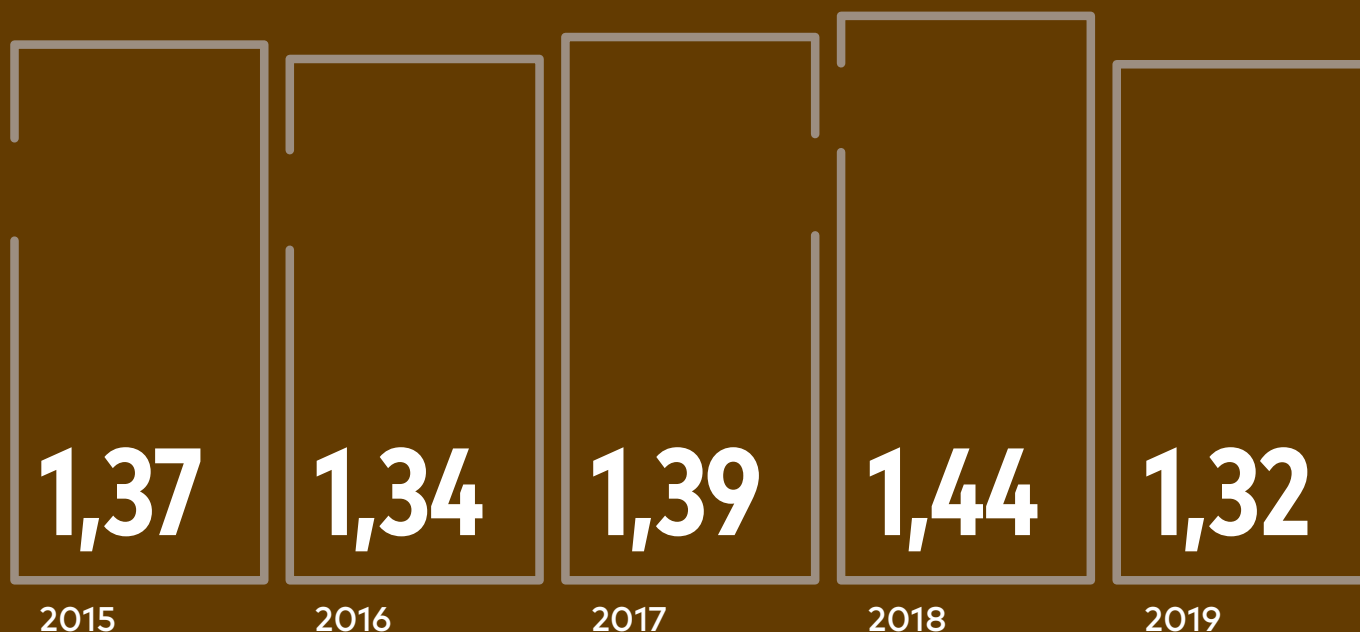
We are once again grateful to report that TWK suffered no material losses due to plantation fires. Incidents of arson also decreased.

TWK's plantations once again received FSC and ISO 14001 certification.

The PEFC (Programme for the Endorsement of Forest Certification) certification system has been approved for South Africa, but a certification organisation in South Africa still needs to be accredited. The first plantation audits should take place during November 2019, after which it will be rolled out to all timber growers interested in the PEFC certification.

TWK's Eucalyptus x Grandis Machaturii (G.Mac) breeding programme is on schedule and the plan is to make the first clones available to producers in the coming year. This clone is frost resistant and will improve production volumes and sustainability, especially in the greater Piet Retief area.

**TOTAL TONNAGE OF ROUND TIMBER MARKETED TO VARIOUS LOCAL MARKETS
(MILLION TONS)**



MANAGING DIRECTOR'S REPORT BUSINESS REPORT

Retail and mechanisation segment

R4,74 billion

2019 SEGMENT REVENUE

(2018 R4,17 billion)

THE TRADE SEGMENT PRODUCES A VARIETY OF AGRICULTURAL PRODUCTS TO PRODUCERS AND THE GENERAL PUBLIC. TWK OPERATES 27 RETAIL OUTLETS THAT ARE STRATEGICALLY POSITIONED IN MPUMALANGA, KWAZULU-NATAL AND ESWATINI.

The past financial year was characterised by extreme competitive trading conditions which led to lower sales and lower gross margins. A reduction in customer spend was noticeable because of droughts in certain areas, lower sugar and milk prices as well as lower maize and other grain yields.

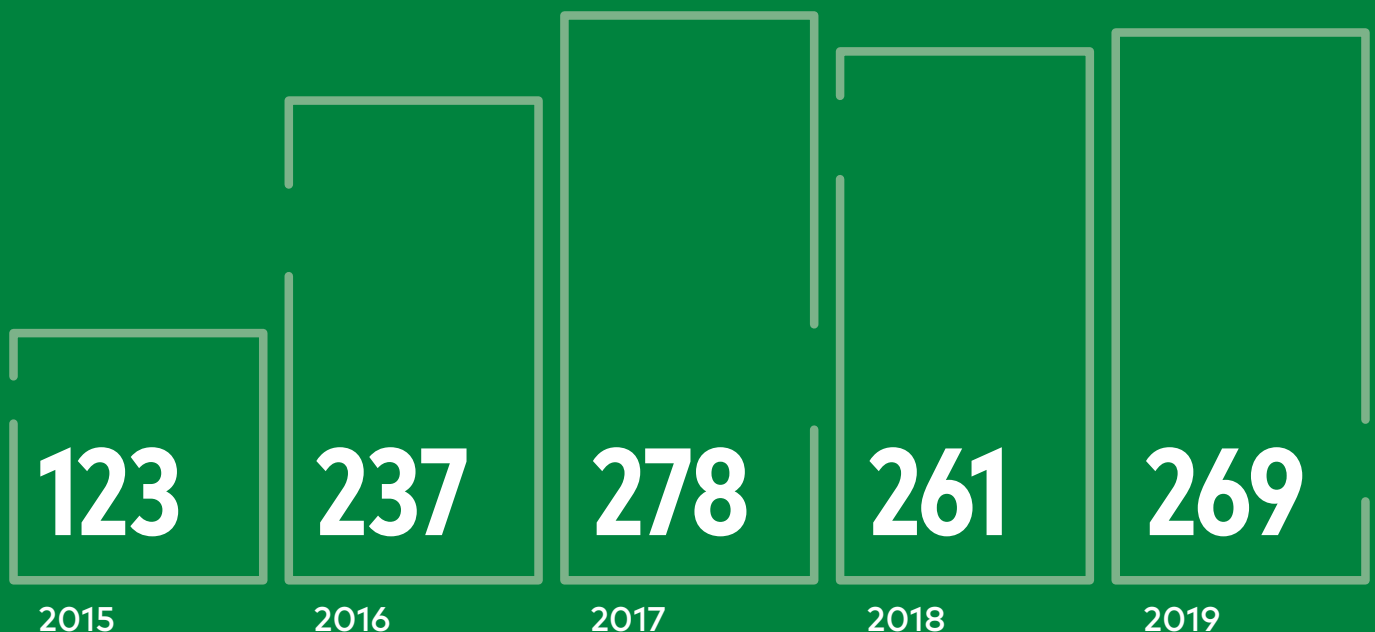
Fertilizer sales in the six regions where our blending plants are operational varied from good to disappointing. Disappointing sales can be attributed to the drought in the specific areas as well as margin pressure due to competitors selling at very low margins to obtain market share. The TWK fertilizer business, however, managed to marginally increase its market share during the year. TWK also experienced a decline in organic fertilizer and compost sales due to a reduction in customer spend especially in retail chains and nurseries.

Mechanisation sales were less influenced by the above factors as sales are only done from Bethal, Ermelo and Piet Retief. In these areas customers had average to above average crop yields and therefore did not have a major effect on sales.

During the new financial year, the main focus areas for the retail stores will be to further align stock levels with customers' spend behaviour. The project which was started to upgrade especially bigger retail stores will continue during the new year to further stimulate customer experience and spend.

The focus for the fertilizer business in the new financial year will be to import smaller batches of raw materials to minimise the effect on margins from frequent import price changes and fluctuations in the exchange rate. The Gromor business is currently in the process of a total integration into the TWK systems which will lead to meaningful reductions in costs and the improvement of control mechanisms. Investigations are also underway to expand the organic fertilizer and compost product offering from Gromor to other parts of the country where the company's products are in high demand. This will not only support synergies with the current fertilizer business, but will also improve profitability.

TOTAL TONNAGE FERTILISER SOLD
(‘000 TONS)



MANAGING DIRECTOR'S REPORT

BUSINESS REPORT

Grain segment

R1,43 billion

2019 SEGMENT REVENUE
(2018 R1,08 billion)

THE GRAIN SEGMENT SPECIALISES IN THE STORAGE, PROCESSING AND MARKETING OF GRAIN. TWK PRODUCES ITS OWN TRADEMARK MAIZE AND ANIMAL FEED THAT IS RETAIL, WHOLESALE AND LOCALLY MARKETED.

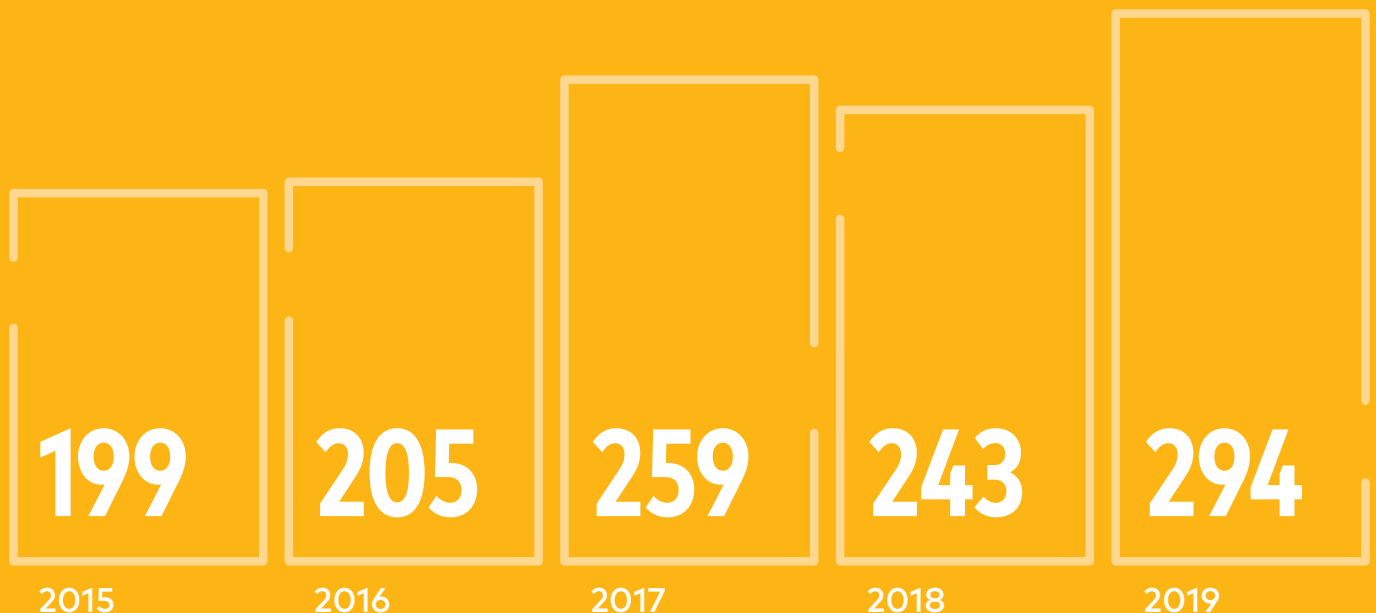
The weather conditions during the year under review were characterised by the El Nino weather condition that prevailed throughout the year. As a result, the southwestern parts of South Africa’s summer areas received rain very late and therefore planted very late.

Grain prices were therefore quite high during this uncertain period, from December to April. This gave our grain producers the opportunity to market at good prices but put the industries under pressure. Our producers are in the fortunate position of realising their crops earlier than the rest of South Africa and, as a result, are able to make better use of the higher prices. However, the weather forecasts for the coming year look much better and we expect a good rainfall season.

The industries achieved mixed success. Arrow Feeds in Eswatini achieved good results while the Mkondo mill and animal feed factory at Piet Retief did not perform well. Grain prices were high for a long period during the year. Consumers of flour are under pressure and price resistance is experienced if flour prices rise too high. The animal feed division was restructured during the year and we expect the results to be better for the coming year.

Producers in our service area achieved relatively good crop yields and consequently deliveries in the silos were very good. The silos and grain marketing division achieved good results and we expect the situation to continue due to higher carry-over stocks. We are certainly exposed to the rainfall during the growing season of the summer harvest, but with the good forecasts of precipitation for the coming season the prospects are good.

TOTAL TONNAGE OF GRAIN MARKETED
(‘000 TONS)



MANAGING DIRECTOR'S REPORT

BUSINESS REPORT

Financial services segment

R171 million

2019 SEGMENT REVENUE
(2018 R149 million)

THE FINANCIAL SERVICES DIVISION OFFERS VALUE-ADDING FINANCIAL PRODUCTS AND SERVICES TO THE AGRICULTURAL AND RELATED INDUSTRIES. THE FINANCIAL SERVICES SEGMENT ACTS AS A FINANCIER TO THE FARMERS AND THEREFORE THE BUSINESS MODEL IS AN ON-LENDING MODEL.

INSURANCE DIVISION

A decrease in mandate fee income due to changes in legislation had a negative impact on TWK Insurance’s earnings. Nevertheless, TWK Insurance managed to grow its market share and profit. This can largely be attributed to the diverse product range offered to clients, well-trained staff as well as the purchase of short-term portfolios and collaboration with other brokerages.

Notwithstanding the fact that the crop insurance footprint was increased by approximately 6% growth in hectares, the crop insurance business was under pressure as a result of increasing fierce competition.

One of the latest additions to the Insurance division is the Life Insurance and medical leg. This brings a diversified balance of products that can be offered to customers.

Despite challenging conditions and changing legislation and regulations, TWK Insurance remains a competitive player in the market. This is achieved by remaining flexible and through the development of purpose-build products. Whilst our focus remains on the agricultural portfolio, we emphasise the expansion of a diversified portfolio that includes commercial, personal and life insurance. This is done to lower risk and ensure sustainability.

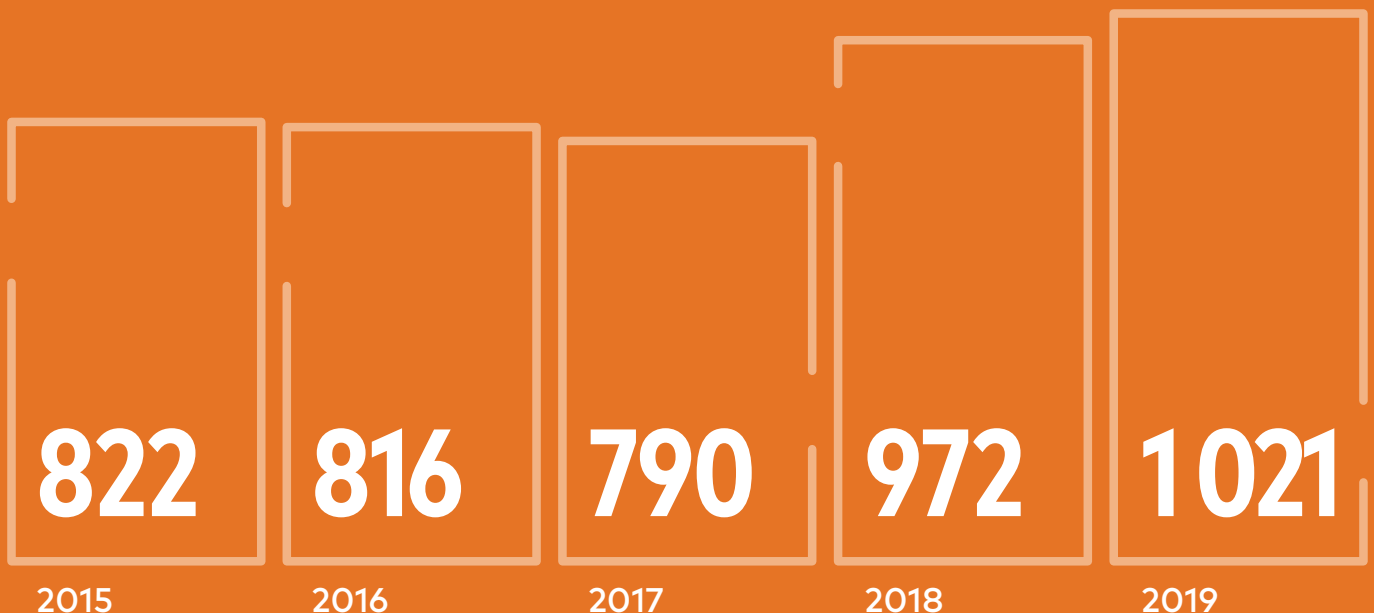
CREDIT DIVISION

Seasonal facilities have increased over the past year, resulting in good interest earnings. Unfortunately, tough economic times have led to a significant increase in bridging facilities. However, low levels of bad debt were still maintained and the bad debt ratio was 0.5% for the Group’s total debtors book.

The need for term loans and asset financing continues to increase.

In order to produce competitively and successfully, we realise that our clients and producers need access to competitive credit that is adaptable for unique circumstances. Through applying our effective credit policy that limits credit risk, but still supports growth, the Credit division was able to deliver excellent results with very low levels of bad debt.

TOTAL DEBTORS ON-LENDING BOOK (Rm)



MANAGING DIRECTOR'S REPORT

BUSINESS REPORT

Vehicles and tyres segment

R1,11 billion

2019 SEGMENT REVENUE
(2018 R1,06 billion)

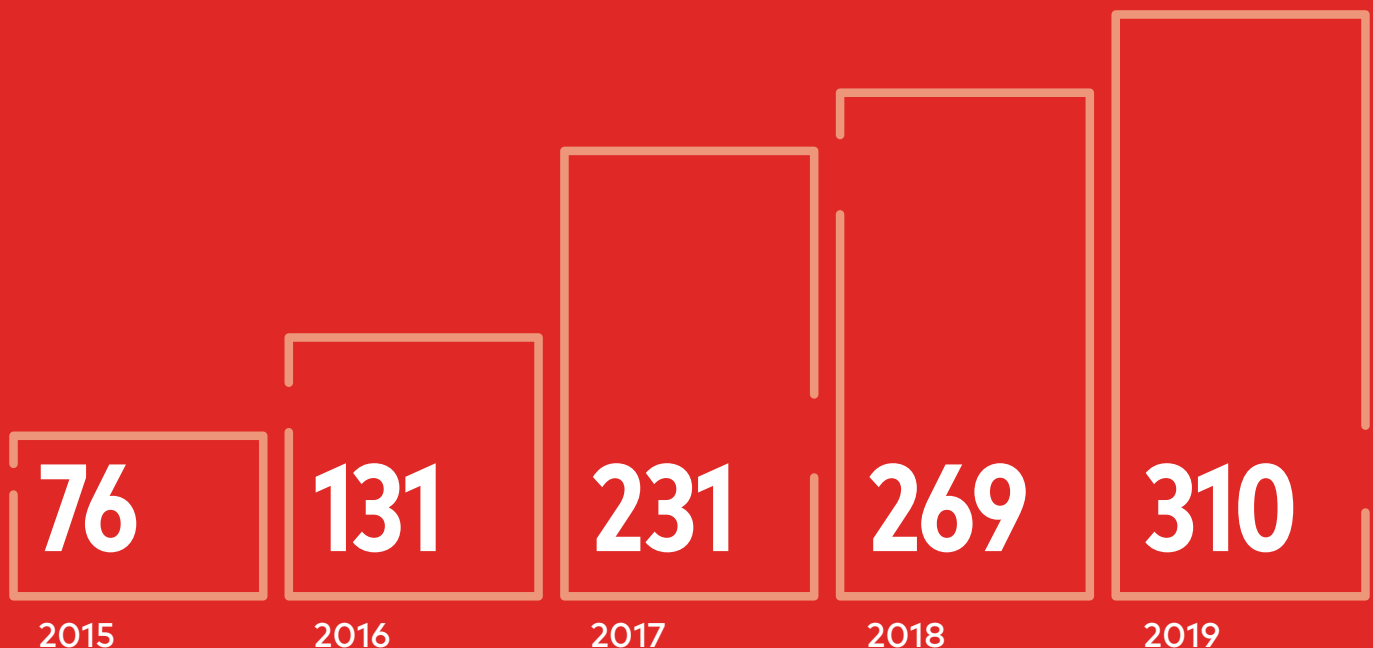
DURING THE YEAR UNDER REVIEW, THE DEVELOPMENT OF TWO FILLING STATIONS WAS COMPLETED AND OPENED, NAMELY TOTAL FOURIE STREET AND TOTAL WESSELTON, BOTH LOCATED IN ERMELO.

The difficult economic market conditions and a decline in consumer spending were clearly visible in this segment. However, the two strong brands namely Toyota and Isuzu marketed in this segment, as well as the extensive product range covering each segment in the car market, support sales.

During the year under review, the development of two filling stations was completed and opened, namely Total Fourie Street and Total Wesselton, both located in Ermelo. The development of the Wesselton Mall in Ermelo is also completed with 100% occupancy and excellent anchor tenants. The project development took slightly longer than planned and the volume of litres has not yet been sold on budget. The Total Elukwatini filling station was also upgraded during the year which negatively affected volume sales. However, upgrades are now complete and volume sales are expected to return to normal at Elukwatini.

Sales volumes in the tyre industry increased during the year, but it was mainly net profit that stabilised at acceptable levels. This was achieved through market penetration and newly gained markets, especially in Gauteng, specifically the truck market. The coal transport industry, one of our core sources for retreaded and new tyres, has contracted by almost 45% due to Eskom's restructuring in transport contractor choices at the mines. Focus is therefore on the expansion of the supply of tyres to the mining, agri and forestry sectors, which will limit the dependence and risk of only truck tyres.

FILLING STATION REVENUE
(Rm)



MANAGING DIRECTOR'S REPORT

continued

THE NEW FINANCIAL YEAR

The 2019 financial result bears testimony to the strength of our strategy and the ability of our team to deliver substantive progress in a tough environment. We are committed to ongoing improvements in our customer offer in order to drive volume growth in a tough market.

The new year starts with the after-effects of the drought and political uncertainty remaining at primary producer level. The consumer is under financial pressure. It can be seen especially in the retail sector as a whole. It is also anticipated that international fibre prices will be under pressure and could have a negative influence on export volumes in 2020. Local markets, especially the mine timber market, will support sales and profitability in this segment. We will continue to bear down on costs and improve the efficiency of our operations, including through range optimisation and lower stockholdings in order to deliver sustainable improvements in our cash generation and profit before tax.

The Group plans to invest in excess of R500 million in the new year in additional own forestry assets. The Group is already in advanced discussions and has in principle reached an agreement, subject to certain conditions precedent, for the acquisition of forestry assets, and is confident of its ability to meet all capital investment requirements through internally generated cash flow, approved credit lines and other appropriate capital resources. The acquisition will have a material positive effect on the Group's profitability and sustainability.

It is our balance sheet, diversified business model and core competencies that enables us to pursue opportunities like BedRock Mining Timber, the Total Fuel sites, Gromor organic fertilizer and insurance agency rights we have acquired during the last two years. 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, thereby we play our part in South Africa's economic turnaround by growing our business, creating employment opportunities and unlocking shareholder value.

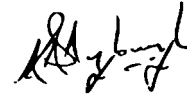
ACKNOWLEDGEMENTS

Our stakeholders and especially the farmers are our motivation. We appreciate the relationships and co-operation we could share during the year. Once again, we delivered the best results to date. We are grateful that we were able to create and add value to all our stakeholders.

I have to acknowledge the TWK staff, fellow directors and executive team for the great attitude they have shown towards their work, our clients, as well as life in general during 2019. I thank you for the difference you made and for your contribution towards making TWK a company of outstanding value and service.

A special thank you to our chairman for a total of 23 years of service to TWK. The truth is that the best leaders desire to serve others, not themselves. We thank you for that attitude.

Above all, all the honour and glory must go to our Heavenly Father. We are full of gratitude for the Lord's wonderful mercy.



André Myburgh
Managing Director



REPORT BY THE FINANCIAL DIRECTOR



Our result this year underlines the effectiveness of our long-term strategy.

Since listing on ZARX in June 2017, the Group has consistently achieved compound annual growth in earnings per share of 16,07%.

JEW Fivaz
FINANCIAL DIRECTOR

R7,75 billion

Group revenue increased by **3,88%**

2018: R7,46 billion

R431 million

Operating profit increased by **29,94%**

2018: R332 million

REPORT BY THE FINANCIAL DIRECTOR continued

INTRODUCTION

Our result this year, in which we achieved turnover growth in a tough market without sacrificing earnings growth, underlines the effectiveness of our long-term strategy and our ability to implement it. Over the past five years, we have pursued a clear and consistent long-term plan focused on building a stronger and more competitive business which delivers consistent turnover and earnings growth.

Since listing on ZARX in June 2017, the Group has consistently achieved compound annual growth in earnings per share of 16,07%, with dividends per share growing even faster at 22,47%, supported by solid cash conversion rates.

In the 2019 financial year, the Group extended its track record of high-quality organic earnings growth, with headline earnings up 29,64% to R187 million. Headline earnings per share grew 22,82% to 480 cents supported by EBITDA growth of 16,32% to R423 million.

FINANCIAL PERFORMANCE

The following review of the Group's financial performance for the year ended 31 August 2019 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 together with the annual financial statements.

REVENUE

Group revenue increased by 3,88% to R7,75 billion (2018: R7,46 billion). Revenue in the Grain segment increased by 37% due the higher grain prices during the financial year as well as an increase in the grain stored in the silos. Revenue in the Timber segment decrease by 11% as a result of a decline of 8,3% in the total volume of round timber marketed and a decrease of 4,4% in the tons of woodchips exported.

The revenue in the Timber segment was supported by an on-average 12% weaker rand on export products.

OPERATING EXPENDITURE

The Group's operating expenses increased by a low 3,47% and is in line with our commitment to maintain discipline around expenditure. Operating expenditure as a percentage of turnover improved to 13,33% from 13,39% in the prior year.

OPERATING PROFIT

Operating profit increased by 29,94% to R431 million (2018: R332 million) as the timber segment achieved operating leverage and expanded margins. Even though a slight decrease in total gross profit margin, the increase in total revenue and cost management supported operating profit.

The group operating margin strengthened to 5,56% from 4,44% in tough market conditions and fierce competition.

Headline earnings up

29,64%

Earnings per share up

19,09%

EBITDA grew by

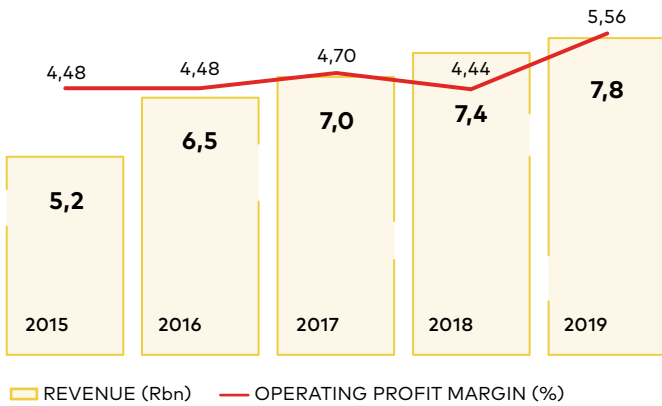
16,32%

Five-year review summary

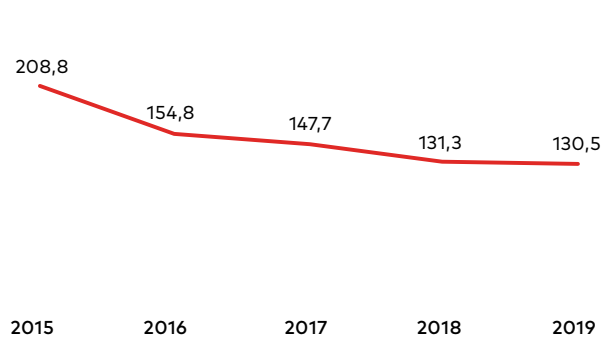
Figures in Rand	2015	2016	2017	2018	2019
Revenue	5 297 240 844	6 537 668 535	7 005 465 597	7 463 662 309	7 753 007 355
Operating profit	217 818 695	292 955 694	329 069 511	331 742 888	431 080 108
EBITDA	241 201 587	292 721 515	351 475 277	363 444 161	422 745 720
Finance cost paid	107 715 899	109 893 928	129 197 231	117 830 697	118 891 941
Interest cover – EBITDA (times)	2,24	2,66	2,72	3,08	3,56
Net profit after tax	84 585 504	115 585 595	138 418 435	158 496 182	191 799 983
Total assets	3 055 848 298	3 006 039 962	3 459 517 970	4 018 667 763	4 304 566 731
Return on total assets – EBIT (%)	7,26	8,92	9,66	8,31	9,24
Current ratio	1,02	1,04	1,31	1,22	1,19
Gearing ratio (%)	208,8	154,8	147,7	131,3	130,5
Headline earnings per share (cents)	221,8	329,3	366,9	391,0	480,2
Return on opening equity (%)	10,29	14,05	12,47	13,46	13,67
Price earnings	1,94	2,28	3,54	4,10	5,36
Dividend per share (declared post year-end)	0,30	0,44	0,60	0,75	0,90
Net asset value per share	23,43	26,43	33,06	35,98	40,74
Market cap 31 August	150 934 270	263 257 448	409 919 198	575 067 003	851 871 412

REPORT BY THE FINANCIAL DIRECTOR continued

OPERATING PROFIT MARGIN



GEARING LEVEL (%)



STATEMENT OF FINANCIAL POSITION

The ratio of shareholders' interest to total assets increased to 30,42% (2018: 28,93%) and the gearing level decline further to 130,5% at year-end (2018: 131,3%).

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.

The ratio of current assets to current liabilities at year-end was consistent at 1,19 times (2018: 1,22 times), indicating that working capital remains adequately funded.

INVENTORY

Inventory was tightly managed and group inventory days was consistent at 57 days. Inventory levels were 3.85% higher, which is slightly below the rate of sales growth.

TRADE AND OTHER RECEIVABLES

Trade receivables continued to be well managed. The stratification of the clients base relative to credit extended is at 63,48% between R1 and R5 000 000. Seasonal facilities have increased over the past year, resulting in good interest earnings. Unfortunately, tough economic times have led to a significant increase in bridging facilities. However, low levels of bad debt were still maintained and the bad debt ratio was 0,5% for the Group's total debtors book. The default rate of bad debt written off was 0,22% in 2018, 0,29% in 2017 and 0,29% in 2016.

Debtors whose credit risk have increased significantly since initial recognition increased to R14 064 198 (2018: R7 146 238) after taking into account the recovery possibility. These debtors are handed over to the legal department for recovery.

CASH AND CAPITAL MANAGEMENT

Cash generated by operations before taking into account changes in working capital increased by R73 million to R415 million. However, the increase in total debtors as well as the slight decrease in inventory turnover had a negative impact on total cash generated by operations. The development of two filling stations and a shopping centre with own cash resources also had a negative effect on total cash at year end. These properties are held for sale.

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 R184 million (2018: R129 million) was invested.

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 and 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 International Financial Reporting Standards ("IFRS") and without any material misstatements.

AUDIT REPORT

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

LOOKING AHEAD

The Group has begun the 2020 financial year with great energy, and we remain committed to winning more customers 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 amongst all key stakeholders.

APPRECIATION

My sincere thanks to the Group and operational finance teams for their diligence in ensuring that TWK is able to provide stakeholders with an accurate and meaningful analysis of its financial and operational performance. I also extend my appreciation to my fellow Board members for their sound advice and valued guidance.

JEW 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.

During the period under review, corporate governance advisors assisted the Group to independently analyse the corporate governance compliance and effectiveness against the King IV Report on Corporate Governance for South Africa. Several of the recommendations have been or are being implemented with realisation that good corporate governance is a journey and not a destination.

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 rotation 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 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 has been 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. An annual evaluation is conducted to assess the effectiveness of the Board as a unit, as well as the individual contributions of the 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, seven scheduled Board meetings were held.

CORPORATE GOVERNANCE REPORT

continued

ATTENDANCE AT BOARD MEETINGS

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

	22 Oct 2018	29 Nov 2018	5 Feb 2019	18 Feb 2019	27 Mar 2019	12 Jun 2019	28 Aug 2019
RL Meyer (Chairman)	✓	✓	✓	✓	✓	✓	✓
JS Stapelberg (Vice-chairman)	✓	✓	✓	✓	✓	✓	✓
CA du Toit	✓	⊗	✓	✓	✓	✓	✓
HJK Ferreira	✓	✓	✓	✓	✓	✓	✓
TI Ferreira	✓	✓	✓	✓	✓	✓	✓
AC Hiestermann *	✓	✓	✓	⊗	✓	✓	✓
HW Küsel	✓	✓	✓	✓	✓	✓	✓
JCN Warrington	✓	✓	✓	✓	✓	✓	✓
AS Myburgh (Managing Director)	✓	✓	✓	✓	✓	✓	✓
JEW Fivaz (Financial Director)	✓	✓	✓	✓	✓	✓	✓

* AC Hiestermann was removed from the Board by the shareholders on 16 October 2019.

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.

CORPORATE GOVERNANCE REPORT

continued

REPORTING CONTROLS

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

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 are 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 them, 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 empowerment that fits into the Group's business strategies and takes into account the importance of meaningful empowerment for sustainable growth.

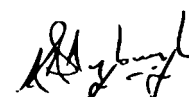
The TWK Group's restructuring was implemented on 1 September 2014 and since then, the Vumbuka Trust, a broad-based black economic trust, holds a 25% shareholding in TWK Agri (Pty) Ltd.

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.



RL Meyer
Chairman



AS Myburgh
Managing Director



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 2019.

REPORT FROM THE SOCIAL AND ETHICS COMMITTEE

COMPOSITION

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 Warington. 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.

Attendance of meetings during the reporting period is indicated on the table on page 33.

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, GFADA, GrainSA, SEDA and the Dept: Rural Development & Land Reform.

THE EMPLOYMENT EQUITY ACT

TWK took note of the amendments to employment equity reporting that were gazetted on the 8th of August 2019, and already utilises a comprehensive remuneration and correlation system that caters for differentiation in pay and work value.

TWK will report to the Department of Labour in January 2020 on the progress of objectives and targets contained in TWK's 2016 – 2021 Employment Equity Plan.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

TWK is committed to the principles of broad-based black economic empowerment (BBBEE), 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 01 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

ATTENDANCE AT SOCIAL AND ETHICS COMMITTEE MEETINGS

☑ = Meeting attended. ☒ = Meeting not attended, with pardon.

	27 Mar 2019	28 Aug 2019
HW Küsel	☑	☑
CA du Toit	☑	☑
TI Ferreira	☑	☑
JCN Warington	☑	☑

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.

The first BEE certificate under the amended codes was issued during the period under review. TWK Agri (Pty) Ltd achieved 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 refrain 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.

The Health and Safety department at TWK has a specific focus to assist all TWK branches by means of regular site visits, internal and external audits and risk assessments. Special attention is given to health and safety issues in the workplace to ensure we maintain a healthy and safe working environment that complies with all legal requirements.

TWK is also focussed on monitoring progress through health and safety committees, with proactive thinking rather than reactive planning.

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

As the employer of choice, TWK believes that it is of the utmost importance to maintain a fair, equitable and positive work environment for all employees.

Effective human resources policies and practices are in place to ensure that business segments receive the necessary support needed to achieve their strategic goals.

Further to this, the development and the enhancement of our workforce skills remain a top-priority that allows us to play a key role in achieving sustainable growth in our employees, as well as the community we operate in.

The TWK Healthy Habits wellness initiative was launched this year and was met with great enthusiasm amongst employees. This initiative definitely sparked some healthy changes in the workforce, and also produced exciting events for both employees and communities.

ORGANIZATIONAL 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.

The framework for the Social and Ethics Committee has been updated to fully describe the Committee’s non-statutory responsibilities as per the recommended practices of the King IV report on Corporate Governance, with the main additions being the responsibilities in terms of organizational ethics.

During the following year, further focus will be placed on organizational ethics in the Committee and in the operations of the Company, including a review of the current code of ethics and the creation of further awareness of the Company’s values throughout the Company.



HW Küsel

Chairman: Social and Ethics Committee

DIRECTORS' RESPONSIBILITIES AND APPROVAL



RL Meyer
Chairman

AS Myburgh
Managing Director

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 2019 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 40 to 42.

The financial statements have been prepared on the going concern basis, were approved by the Board of Directors on 28 November 2019 and were signed on their behalf by:

RL Meyer
Chairman

AS Myburgh
Managing Director

STATEMENT BY THE SECRETARY



MJ Potgieter
Company 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
28 November 2019



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 R279 million (2018: R216 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 2020, 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

	2019 Number of shares	2018 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

	2019 R	2018 R	2019 Number of shares	2018 Number of shares
Non par-value ordinary shares	776 478 952	776 478 952	35 100 993	35 100 993
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	35 100 994	35 100 994

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:

- RL Meyer (Chairman)
- CA du Toit
- TI Ferreira
- HW Küsel
- AS Myburgh (Managing Director)
- JS Stapelberg (Vice-Chairman)
- JCN Warington
- HJK Ferreira
- AC Hiestermann*
- JEW Fivaz (Financial Director)

* AC Hiestermann was removed from the Board by the shareholders on 16 October 2019.

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 5 February 2019:

- 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% of 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 for the financial year ended 31 August 2019.

The Audit and Risk Committee ("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 by the Board.

COMPOSITION

The committee consists of at least three non-executive directors, appointed by the shareholders on the recommendation of the Board. The committee meets at least twice a year as per the mandate and assignment to the committee. 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.

The committee's membership, which comprises four non-executive directors, two of whom are independent, was subject to change during the year under review. Committee member HJK Ferreira was elected as chair of the committee.

An effectiveness evaluation was performed in terms of which the Board satisfied itself that each Audit Committee member has the suitable skill and experience to serve on the Audit Committee.

The committee met three 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 following is expected of the committee:

1. Performing 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. Recommendation regarding the appointment of an independent external auditor in accordance with the provisions of the Companies Act;
3. Approval of fees payable to auditors and the terms and conditions of the appointment;

4. Consideration of any non-audit work by such auditors, and determining whether the provision of such services will materially affect their independence;
5. Receiving and handling any concerns or complaints regarding accounting practices, internal audit work and internal financial control in an appropriate manner;
6. Reporting to the Board on matters relating to accounting policies, financial controls, financial records and financial reporting;
7. Consideration of the independence and effectiveness of the external auditors;
8. Evaluation of the annual audit plan;
9. Consideration and review of the financial statements, accounting practices, policies and procedures, as well as the effectiveness of internal financial controls;
10. 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;
11. Monitoring compliance with applicable legislation and regulatory aspects;
12. Evaluation of the effectiveness of management information and internal control systems;
13. 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;
14. Confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
15. Granting 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;
16. Consider the skills and capacity of the finance function in general and the financial director in particular;
17. Recommending the interim and annual financial statements to the Board for approval;
18. Ensure risk management is integrated into business operations;
19. Ensure risk management assessments are conducted on a continuous basis;
20. Ensure that management considers and implements appropriate risk responses; and
21. Ensure risk management reporting in the annual report is comprehensive and relevant.

INTERNAL FINANCIAL CONTROLS

Based on the results of the formally documented review of the design, implementation and effectiveness of the TWK Group's internal financial control system conducted by the internal audit function during the 2019 financial year and, in addition, after considering information

AUDIT AND RISK COMMITTEE REPORT

continued

ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS

☑ = Meeting attended. ☒ = Meeting not attended, with pardon.

	29 Nov 2018	27 Mar 2019	28 Aug 2019
CA du Toit	☒	☑	☑
RL Meyer	☑	☑	☑
AC Hiestermann*	☑	☑	☑
JS Stapelberg	☑	☑	☑
HJK Ferreira	☑	☑	☑

* AC Hiestermann was removed from the Board by the shareholders on 16 October 2019.

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 André Oosthuysen. The auditors regularly attend the Audit and Risk 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 2019 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 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, in particular in respect of:

- Oversee the functioning of the internal audit department;
- Satisfy itself of the competence of the internal auditors and adequacy of internal audit resources;
- Approve 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
- Ensure the internal audit function is subject to independent quality review as appropriate.

The internal auditor has unrestricted access to the chairman of the Audit and Risk 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 THE FINANCIAL DIRECTOR 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.

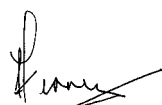
FINANCIAL STATEMENT

The committee evaluated the accounting policies and financial statements for the period ending 31 August 2019 and believes that the Group has complied with the requirements of the Companies Act, 2008, as well as 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 on 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 2019 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 financial statements of TWK Investments Limited and its subsidiaries set out on pages 43 to 108, which comprise the consolidated statements of financial position as at 31 August 2019, 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 financial statements, including a summary of significant account policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TWK Investments and its subsidiaries as at 31 August 2019, and its consolidated financial performance and consolidated cashflows for the year ended in accordance with International Financial Reporting Standards and the requirements of 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 Financial Statements section of our report. We are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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

Valuation of biological assets

As disclosed in note 6, the consolidated financial statement includes Biological Assets. Biological assets are required to be measured in line with IAS 41 Agriculture. The assets therefore should 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 well known valuation formula, and are categorised as a Level 3 within the Fair value Hierarchy in terms of IFRS 13 Fair Value Measurement. This component received significant attention from senior personnel within the audit team. Executive management of TWK Investments Ltd and its subsidiaries was directly involved in the assumptions, estimation and judgements made.

The valuation of biological assets is considered to be a key audit matter due to the significant assumptions, judgements and estimation required.

How the matter was addressed in the audit

Our audit procedures included the following:

- Management's representation with regards to the valuation techniques and fair presentation of the biological assets were obtained and evaluated.
- The consistency of the application of the fair value methodology was evaluated.
- Critically evaluated the fair value methodology against criteria in IAS 41 Agriculture and IFRS 13 Fair Value Measurement, measurements and key assumptions applied by management in determining the fair value of the plantations.
- The underlying data used in the tables of the well-known valuation formula was obtained and assessed for reliability.
- The valuation calculation was verified for arithmetical accuracy and the consistency of the classification of various plantations relating to species and costing was assessed.
- The completeness, existence and accuracy of the underlying data used in the estimation was evaluated.
- The movement was tested for reasonableness and validity by inspecting corroborative supporting documentation.
- Evaluating the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgements and sensitivities to ensure that they are in compliance with the IAS 41 and IFRS 13.

INDEPENDENT AUDITOR'S REPORT

continued

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises 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, Corporate Governance Report, Social & Ethics Report and the Statement by the Secretary. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 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 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 FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated 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 FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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, related safeguards.

INDEPENDENT AUDITOR'S REPORT

continued

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

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 Ltd and its subsidiaries for 9 years.



Andre Oosthuysen

Director

28 November 2019

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 2019

Figures in Rand	Notes	2019	2018 Restated
Assets			
Non-current assets			
Property, plant and equipment	5	847 381 562	770 237 203
Biological assets	6	393 774 918	337 717 454
Goodwill and intangible assets	7	165 204 710	157 121 558
Investments in associates	9	1 433 080	856 494
Loans to Group companies	10	14 243 052	17 160 974
Other loans receivable	11	2 007 524	—
Loans receivable	16	78 199 427	60 394 368
Investments at fair value	18	60 410 111	86 588 404
Finance lease receivables	12	12 090 273	9 007 437
Deferred tax	14	79 910 560	63 354 113
		1 654 655 217	1 502 438 005
Current assets			
Biological assets	6	376 538 923	350 650 996
Inventories	15	1 005 108 390	967 805 523
Other loans receivable	11	—	333
Loans receivable	16	26 780 563	40 364 816
Trade and other receivables	17	1 005 018 508	957 895 027
Derivative financial instruments	19	—	2 376 098
Finance lease receivables	12	12 682 931	15 018 175
Current tax receivable		4 000 278	4 394 694
Cash and cash equivalents	20	132 609 474	177 724 096
		2 562 739 067	2 516 229 758
Non-current assets held for sale and assets of disposal Groups	21	87 172 446	—
Total assets		4 304 566 730	4 018 667 763

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2019 continued

Figures in Rand	Notes	2019	2018 Restated
Equity and liabilities			
Equity			
Equity attributable to equity holders of parent			
Share capital	22	754 981 683	767 088 245
Reserves		26 204 215	3 406 486
Retained income		528 427 522	391 956 322
		1 309 613 420	1 162 451 053
Non-controlling interest		41 995 042	21 331 283
		1 351 608 462	1 183 782 336
Liabilities			
Non-current liabilities			
Loans from Group companies	27	121 349 744	130 957 012
Other loans payable	28	1 207 880	4 777 031
Borrowings	29	462 610 479	436 303 628
Finance lease liabilities	30	2 772 209	4 060 913
Retirement benefit obligation	13	6 829 000	8 349 000
Deferred tax	14	208 107 231	184 343 706
		802 876 543	768 791 290
Current liabilities			
Trade and other payables	32	818 291 008	883 372 681
Loans from Group companies	27	108 315 992	11 772 077
Other loans payable	28	15 809 213	15 722 541
Borrowings	29	1 161 297 660	1 108 301 424
Derivative financial instruments	19	2 838 950	9 337 440
Finance lease liabilities	30	2 828 846	1 415 283
Contract liabilities	33	7 437 296	15 313 219
Current tax payable		18 761 764	8 999 860
Provisions	31	4 964 350	1 412 081
Dividend payable		3 792 100	5 610 079
Bank overdraft	20	5 744 546	4 837 452
		2 150 081 726	2 066 094 137
Total liabilities		2 952 958 269	2 834 885 427
Total equity and liabilities		4 304 566 730	4 018 667 763

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 AUGUST 2019

Figures in Rand	Notes	2019	2018 Restated
Continuing operations			
Revenue	34	7 753 007 355	7 463 662 309
Cost of sales	35	(6 403 591 459)	(6 160 139 404)
Gross profit		1 349 415 896	1 303 522 905
Other operating income	36	80 875 602	49 705 108
Other operating gains/(losses)	37	34 736 818	(22 203 711)
Other operating expenses		(1 033 948 208)	(999 281 414)
Operating profit	38	431 080 108	331 742 888
Investment income	39	8 343 515	7 277 116
Finance costs	40	(118 891 941)	(117 830 696)
Share of profit from associates	9	576 129	740 690
Other non-operating gains/(losses)	41	(41 222)	5 088 522
Profit before loyalty scheme payments		321 066 589	227 018 520
Loyalty scheme payments		(42 280 175)	(10 705 745)
Profit before tax		278 786 414	216 312 775
Taxation	42	(80 972 547)	(57 816 592)
Profit from continuing operations		197 813 867	158 496 183
Discontinued operations			
(Loss)/profit from discontinued operations	21	(6 013 884)	–
Profit for the year		191 799 983	158 496 183
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		815 000	532 000
Gains on property revaluation		40 367 530	10 473 382
Income tax relating to items that will not be reclassified		(2 353 103)	(2 343 066)
Total items that will not be reclassified to profit or loss		38 829 427	8 662 316
Items that may be reclassified to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		(16 586 450)	3 203 846
Income tax relating to items that may be reclassified		3 715 364	(717 662)
Total items that may be reclassified to profit or loss		(12 871 086)	2 486 184
Other comprehensive income for the year net of taxation	43	25 958 341	11 148 500
Total comprehensive income for the year		217 758 324	169 644 683
Profit attributable to:			
Owners of the parent:			
From continuing operations		164 913 345	140 360 164
From discontinued operations		(6 013 884)	–
		158 899 461	140 360 164
Non-controlling interest:			
From continuing operations		32 900 522	18 136 019
Total comprehensive income attributable to:			
Owners of the parent		184 849 745	151 508 664
Non-controlling interest		32 908 579	18 136 019
		217 758 324	169 644 683
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share (c)	44	494,30	434,46
Diluted earnings per share (c)	44	452,69	399,88

STATEMENT OF CHANGES IN EQUITY

AS AT 31 AUGUST 2019

Figures in Rand	Share capital	Treasury shares	Total share capital	Revaluation reserve	Reserve for investments at fair value through OCI
Balance at 1 September 2017	776 478 952	(2 334 619)	774 144 333	25 248 502	8 137 720
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	8 130 316	2 486 187
Total comprehensive income for the year	—	—	—	8 130 316	2 486 187
Change of ownership interest	—	—	—	—	—
Employees share option scheme	—	(7 056 088)	(7 056 088)	—	—
Business combinations	—	—	—	—	—
Transfer between reserves	—	—	—	(1 772 808)	—
Dividends	—	—	—	—	—
Total contributions by and distributions to owners of Group recognised directly in equity	—	(7 056 088)	(7 056 088)	(1 772 808)	—
Balance at 1 September 2018	776 478 952	(9 390 707)	767 088 245	31 606 010	10 623 907
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	38 014 427	(12 879 143)
Total comprehensive income for the year	—	—	—	38 014 427	(12 879 143)
Change of ownership interest	—	—	—	—	—
Employees share option scheme	—	(12 106 562)	(12 106 562)	—	—
Transfer between reserves	—	—	—	—	2 255 236
IFRS 9 expected credit loss adjustment	—	—	—	—	—
Dividends	—	—	—	—	—
Total contributions by and distributions to owners of Group recognised directly in equity	—	(12 106 562)	(12 106 562)	—	2 255 236
Balance at 31 August 2019	776 478 952	(21 497 269)	754 981 683	69 620 437	—
Notes	22	22	22	24 & 43	25 & 43

STATEMENT OF CHANGES IN EQUITY

AS AT 31 AUGUST 2019 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)	3 871 703	—	(2 766 486)	271 154 776	1 042 532 623	(9 917 560)	1 032 615 063
—	—	—	—	140 360 164	140 360 164	18 136 019	158 496 183
—	—	—	10 616 503	532 000	11 148 503	—	11 148 503
—	—	—	10 616 503	140 892 164	151 508 667	18 136 019	169 644 686
—	—	(3 115 887)	(3 115 887)	(4 820 731)	(7 936 618)	1 050 024	(6 886 594)
—	445 164	—	445 164	—	(6 610 924)	—	(6 610 924)
—	—	—	—	4 017 901	4 017 901	18 432 180	22 450 081
—	—	—	(1 772 808)	1 772 808	—	—	—
—	—	—	—	(21 060 596)	(21 060 596)	(6 369 380)	(27 429 976)
—	445 164	(3 115 887)	(4 443 531)	(20 090 618)	(31 590 237)	13 112 824	(18 477 413)
(40 024 411)	4 316 867	(3 115 887)	3 406 486	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)
(2 255 236)	—	—	—	—	—	—	—
—	—	—	—	(1 875 514)	(1 875 514)	—	(1 875 514)
—	—	—	—	(21 367 747)	(21 367 747)	(5 076 827)	(26 444 574)
(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
	23	26					

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

Figures in Rand	Notes	2019	2018
Cash flows from operating activities			
Cash generated from operations	45	463 407 935	474 815 050
Interest income		6 752 744	6 325 494
Dividends paid		(28 262 555)	(26 267 396)
Finance costs		(118 891 940)	(117 830 696)
Tax paid	46	(60 161 459)	(36 691 924)
Dividend income		1 590 771	951 623
Net cash from operating activities		264 435 496	301 302 151
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(184 344 354)	(129 286 549)
Sale of property, plant and equipment	5	19 323 766	9 082 122
Purchases of other intangible assets	7	(1 133 644)	(902 411)
Agency insurance rights acquired	7	(8 000 000)	(7 324 319)
Sale of other intangible assets	7	170 013	75 205
Business combinations		(10 020 240)	(1 203 818)
Finance lease receipts		13 148 658	8 697 999
Finance lease payments		(13 771 391)	–
Purchase of investments at fair value		(3 395 436)	–
Sale of investments at fair value		11 675 601	–
Purchase and establishment of biological assets	6	(182 766 849)	(240 799 741)
Non-current assets held for sale		–	5 236 187
Receipts from forestry and term loans		52 245 650	53 302 372
Advances on forestry and term loans		(56 453 540)	(40 237 793)
Net cash from investing activities		(363 321 766)	(343 360 748)
Cash flows from financing activities			
Advances from other financial liabilities		140 417 599	180 514 741
Repayment of other financial liabilities		(61 114 512)	(56 502 153)
Proceeds from other loans		1 402 998	9 855 416
Decrease in other loans		(6 893 001)	(9 813 524)
Proceeds from loans with Group companies		3 507 947	2 307 803
Repayment of Group loans		(12 349 915)	(15 639 035)
Purchase of own shares		(12 106 562)	(7 056 088)
Net cash from financing activities		52 864 554	103 667 160
Total cash movement for the year		(46 021 716)	61 608 563
Cash at the beginning of the year		172 886 644	111 278 081
Total cash at end of the year	20	126 864 928	172 886 644

ACCOUNTING POLICIES FOR THE YEAR ENDED 31 AUGUST 2019

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 71 of 2008 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 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, management is required 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 17 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 tangible assets 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.

Post-retirement medical benefit

Refer to note 13 for details regarding calculations and assumptions.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Share-based payments

Refer to note 23 for details regarding calculations and assumptions.

Biological assets

Refer to note 6 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, judgements 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.

Own plantations are measured on initial recognition at cost and at subsequent reporting dates at fair value less estimated costs to sell. The fair value of own plantations 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. Standing timber is measured on initial recognition and subsequent reporting date at cost.

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 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.

Livestock is measured on initial recognition and at subsequent reporting dates at fair value less estimated costs to sell.

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 it 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; 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.

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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 17).

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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 Company measures the loss allowance for trade and other receivables which do not contain a significant financing component at an amount equal to lifetime ECL. The loss allowance for all other trade and other receivables is measured at lifetime ECL when there has been a significant increase in credit risk since initial recognition. If the credit risk on these receivables has not increased significantly since initial recognition, then the loss allowance for those receivables is measured at 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 to trade and other receivables which do have a significant financing component, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a receivable being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a receivable or Group of receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information are obtained from economic expert reports and financial analysts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Definition of default

For purposes of internal credit risk management purposes, the Group consider that a default event has occurred if there is either a breach of financial covenants by the counterparty, or if internal or external information indicates that the counterparty is unlikely to pay its creditors in full (without taking collateral into account).

Irrespective of the above analysis, the Group considers that default has occurred when a receivable has been handed over for collection, unless there is reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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 17.

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 17) and the financial instruments and risk management note (note 54).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 18. 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 (and accumulated in equity in the reserve for valuation of investments), depending on their classification. Details of the valuation policies and processes are presented in note 18.

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).

Impairment

Investments in equity instruments are not subject to impairment provisions.

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 19).

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 10), other loans payable (note 11) and borrowings (note 29) 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 54 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. These are initially and subsequently recorded at amortised cost.

Bank overdrafts

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.11 Leases

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

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.

1.12 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.

1.13 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.14 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.

1.15 Share capital and equity

Ordinary shares are classified as 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.

1.16 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.

1.17 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.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.18 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.

1.19 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.

1.20 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 administered by TWK.

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

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Income from contract fertiliser sales

For contract fertiliser sales the TWK Group recognise 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.

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.

1.21 Cost of sales

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

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 31 AUGUST 2019 continued

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.22 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

1.23 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.

1.24 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.

1.25 Comparative figures

Comparative figures are restated in the event of a change in accounting policy, prior period error or reclassification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2019

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 2018 as set out below:

Application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for the classification and measurement of financial assets and financial liabilities, the impairment for financial assets and general hedge accounting. Details of these new requirements as well as their impact on the Group's financial statements are described below.

The Group has applied IFRS 9 in full, retrospectively, by recognising the cumulative effect of the initial application of IFRS 9 as an adjustment to the opening balance of equity where necessary.

Classification and measurement of financial assets

The date of initial application is 1 September 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 1 September 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. Comparatives in relation to instruments that have not been derecognised as at 1 September 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Only instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost. All other instruments are subsequently measured at fair value through profit or loss, unless the Group has elected, where the option is available, for financial assets to be held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income.

Impairment of financial assets

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

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on instruments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

Classification and measurement of financial liabilities

One major change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

2. CHANGES IN ACCOUNTING POLICY CONTINUED

The directors reviewed and assessed the Group's existing financial instruments as at 1 September 2018 based on the facts and circumstances that existed at that date. Apart from above, the impact of the initial application of IFRS 9 can be summarised as follows:

Instrument	IAS 39	IFRS 9
Loans and receivables	Amortised cost less impairments	Amortised cost less expected credit losses
Available-for-sale financial instruments	Fair value through other comprehensive income	Fair value through other comprehensive income
Interest bearing loans and borrowings	Amortised cost less impairments	Amortised cost less expected credit losses
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss

The cumulative effect of the initial application of IFRS 9 has been accounted for as an adjustment to the opening balance of equity. The increase in the expected credit loss for the prior year resulted in a decrease of R1 875 514 in equity. The initial application also resulted in reclassifications as set out in note 53.

Annual improvements/amendments to IFRS

Amendments to IFRS 9: Prepayment features with negative compensation – This amendment relates to the classification of an instrument that permits the issuer (borrower) to prepay the instrument at an amount less than the unpaid capital and interest. These instruments may be measured at amortised cost or fair value through other comprehensive income.

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers – This amendment relates to amendments affecting separate identifiability of goods or services, agent/principal considerations, royalty/licensing arrangements.

The above mentioned improvements/amendments did not have a material impact on the financial statements.

Application of IFRS 15 Revenue from contracts with customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers and the related consequential amendments to other IFRSs. This standard provides that revenue to be recognised to depict the transfer of promised goods or services in terms of any contract with a customer. This standard introduces a 5-step approach to revenue recognition, with the effect that the focus on revenue recognition shifts from the timing of transfer of risks and rewards to the timing of transfer of the goods and services.

The Group has applied IFRS 15 with an initial date of application of 1 September 2018 in accordance with the fully retrospective transitional approach. The comparative information has therefore been restated.

The only material impact of IFRS 15 was an increase in contract liabilities and a subsequent decrease in trade and other payables. Refer to note 33:

Statement of financial position

Figures in Rand	2019	2018
Current liabilities		
Decrease in trade and other payables	(7 437 296)	(15 313 219)
Increase in contract liabilities	7 437 296	15 313 219
	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

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
→ Amendments to IFRS 9: Prepayment features with negative compensation	1 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy
→ IFRS 9: Financial Instruments	1 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy
→ IFRS 15: Revenue from Contracts with Custom	1 January 2018	The impact of the standard is set out in note 2 Changes in accounting policy
→ Amendments to IFRS 15: Clarifications to IFRS 15: Revenue from Contracts with Customers	1 January 2018	The impact of the standard is set out in note 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: Years beginning on or after	Expected impact
→ IFRS Practice Statement 2: Making material judgements	1 January 2020	Unlikely there will be a material impact
→ Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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
→ IAS 1: Presentation of Financial Statements – Disclosure initiative	1 January 2020	Unlikely there will be a material impact
→ IAS 8: 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 2021	Unlikely there will be a material impact
→ Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019	Unlikely there will be a material impact
→ Long-term Interests in Joint Ventures and Associates – Amendments to IAS 28	1 January 2019	Unlikely there will be a material impact
→ IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019	Unlikely there will be a material impact
→ IFRS 16: Leases	1 January 2019	Unlikely there will be a material impact

The application of IFRS 16 has been assessed and the expected impact is an increase in property, plant and equipment of R16 million and a subsequent increase in lease liabilities. The Group will apply IFRS 16 in accordance with the fully retrospective transitional approach, by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity where necessary. Additional disclosure will be required.

The Group is in the process of evaluating the effect of all other standards and interpretations, however no significant changes are anticipated. Therefore these standards and interpretations are not expected to have a significant impact on the Group's financial position or financial performance, however, additional disclosure may be required.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

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.

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 & 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 & 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.

Transactions within the Group take place on an arms length basis in a manner similar to transactions with third parties. The basis of accounting for any transactions between segments is accounted for based on the Group's accounting policies.

The segment information provided to the management is presented below.

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Operating profit	Profit before tax
2019					
Continuing operations					
Timber	3 612 769 598	(1 401 954 065)	2 210 815 533	274 461 695	242 234 372
Retail and mechanisation	4 742 002 201	(1 829 846 700)	2 912 155 501	32 019 672	9 565 485
Financial services	171 544 061	7 307 906	178 851 967	35 957 195	37 145 939
Grain	1 425 928 747	(79 824 839)	1 346 103 908	19 075 922	17 070 955
Motors and tyres	1 113 704 918	(16 147 947)	1 097 556 971	35 179 912	2 733 499
Corporate	49 605 945	(42 082 470)	7 523 475	34 385 712	(29 963 836)
Total	11 115 555 470	(3 362 548 115)	7 753 007 355	431 080 108	278 786 414
Reconciling items					
Discontinued operations					(6 013 884)
Taxation					(80 972 547)
Profit after tax and before discontinued operations					191 799 983
2018					
Continuing operations					
Timber	3 637 084 402	(1 146 687 521)	2 490 396 881	174 504 420	140 214 415
Retail and mechanisation	4 172 757 722	(1 326 959 593)	2 845 798 129	67 758 869	40 206 232
Financial services	149 462 008	(191 863)	149 270 145	32 502 523	30 966 047
Grain	1 081 298 675	(101 412 721)	979 885 954	23 089 262	15 701 174
Motors and tyres	1 062 046 092	(66 521 417)	995 524 675	19 417 768	11 398 858
Corporate	38 550 450	(35 763 925)	2 786 525	14 470 046	(22 173 951)
Total	10 141 199 349	(2 677 537 040)	7 463 662 309	331 742 888	216 312 775
Taxation					(57 816 592)
Profit for the year					158 496 183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

4. SEGMENTAL INFORMATION CONTINUED

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	Total assets	Total liabilities	Net assets
2019			
Continuing operations			
Timber	1 492 700 777	(1 152 307 800)	340 392 978
Retail and mechanisation	731 351 602	(552 727 487)	178 624 114
Financial services	861 470 046	(456 286 282)	405 183 763
Grain	221 700 899	(186 479 892)	35 221 007
Motors and tyres	388 850 882	(188 837 951)	200 012 931
Corporate	608 492 524	(416 318 856)	192 173 669
Total	4 304 566 730	(2 952 958 268)	1 351 608 462
2018			
Continuing operations			
Timber	1 360 881 723	(780 930 111)	579 951 612
Retail and mechanisation	924 794 968	(888 524 613)	36 270 355
Financial services	744 133 865	(379 434 892)	364 698 974
Grain	253 310 480	(209 965 041)	43 345 439
Motors and tyres	315 413 295	(238 633 854)	76 779 441
Corporate	420 133 432	(337 396 916)	82 736 515
Total	4 018 667 763	(2 834 885 427)	1 183 782 336

5. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand	2019			2018		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	613 378 841	(16 951 039)	596 427 802	598 022 968	(14 494 183)	583 528 785
Plant and machinery	329 245 342	(176 812 582)	152 432 760	288 675 855	(157 514 428)	131 161 427
Motor vehicles	95 322 780	(50 853 516)	44 469 264	88 417 850	(48 349 215)	40 068 635
Leasehold improvements	28 376 405	(1 132 326)	27 244 079	3 129 461	(3 090 115)	39 346
Structures	33 227 234	(6 419 577)	26 807 657	17 938 819	(2 499 809)	15 439 010
Total	1 099 550 602	(252 169 040)	847 381 562	996 184 953	(225 947 750)	770 237 203

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Classified as held for sale	Transfers	Revaluations
2019						
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	—
Total	770 237 203	180 640 701	(19 433 739)	(87 172 446)	(52 799)	40 367 531

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of property, plant and equipment continued

Figures in Rand	Borrowing costs capitalised	Depreciation	Impairment loss	Impaired and discontinued operations	Total
2019					
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
Total	3 703 653	(31 403 071)	(1 403 042)	(8 102 428)	847 381 562

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale reversal
2018					
Land and buildings	500 363 007	69 556 781	–	–	1 435 332
Plant and machinery	115 426 329	32 420 027	11 997 446	(7 148 575)	–
Motor vehicles	36 164 342	9 603 762	2 362 815	(1 846 408)	–
Leasehold improvements	118 998	–	–	–	–
Structures	14 354 932	1 576 247	–	–	–
Total	666 427 608	113 156 817	14 360 261	(8 994 983)	1 435 332

Figures in Rand	Borrowing cost capitalised	Revaluations	Depreciation	Total
2018				
Land and buildings	1 769 470	10 473 382	(69 187)	583 528 785
Plant and machinery	–	–	(21 533 800)	131 161 427
Motor vehicles	–	–	(6 215 876)	40 068 635
Leasehold improvements	–	–	(79 652)	39 346
Structures	–	–	(492 169)	15 439 010
Total	1 769 470	10 473 382	(28 390 684)	770 237 203

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.

Property, plant and equipment encumbered as security

Certain property, plant and equipment with a carrying value of R389 494 816 (2018: R355 712 339), have been pledged to secure borrowings. Refer to note 29.

Figures in Rand	2019	2018
Borrowing costs capitalised		
Borrowing costs capitalised to qualifying assets	3 703 653	1 769 470
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation (%)	10,25	10,25
Carrying value of capitalised leased assets		
Leasehold improvements	27 244 079	39 346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

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 2019. 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 capitalisation 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	2019	2018
Land and buildings	222 544 389	199 971 602

Capital commitments

The capital commitments of the Group are set out in note 49.

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.

6. BIOLOGICAL ASSETS

Figures in Rand	2019 Carrying value	2018 Carrying value
Forestry assets	765 447 057	683 983 726
Livestock	4 866 784	4 384 724
Total	770 313 841	688 368 450
Immature (Classified as non-current assets)	393 774 918	337 717 454
Mature (Classified as current assets)	376 538 923	350 650 996
	770 313 841	688 368 450

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	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
2019						
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
	688 368 450	177 838 076	(168 528 485)	26 800 806	45 834 994	770 313 841

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
2018						
Forestry assets	549 181 537	313 883 090	(217 298 866)	11 680 600	26 537 365	683 983 726
Livestock	3 707 250	172 450	—	505 024	—	4 384 724
	552 888 787	314 055 540	(217 298 866)	12 185 624	26 537 365	688 368 450

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

6. BIOLOGICAL ASSETS CONTINUED

Non-financial information

	Pine	Eucalyptus	Wattle	Total
2019				
Hectares of each forestry asset				
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)
Balance as at 31 August 2019	4 162	7 407	2 352	13 921
2018				
Balance as at 31 August 2017	3 967	7 611	2 171	13 749
Planted during the year	163	604	193	960
Harvested during the year	(63)	(759)	(223)	(1 045)
Balance as at 31 August 2018	4 067	7 456	2 141	13 664

	Cattle	Horses	Total
2019			
Livestock			
Balance as 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)
Balance as at 31 August 2019	908	1	909
2018			
Balance as at 31 August 2017	740	1	741
Due to acquisitions	125	–	125
Due to births	147	–	147
Due to death	(13)	–	(13)
Due to sale	(138)	–	(138)
Balance as at 31 August 2018	861	1	862

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 13 921 (2018: 13 664) 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 892 (2018: 1 714) hectares of tree plantations of which the Group has only the marketing rights. During the year the Group harvested approximately 585 755 (2018: 572 728) 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.

At 31 August 2019 livestock comprised of 908 cattle and 1 horse (2018: 861 cattle and 1 horse).

Pledged as security

Plantations with a carrying value of R243 280 442 (2018: R231 495 413) have been pledged to secure borrowings. Refer to note 29.

Methods and assumptions used in determining fair value

Forestry assets

Own plantations are measured on initial recognition at cost and at subsequent reporting dates 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

6. BIOLOGICAL ASSETS CONTINUED

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 14,89% if the estimated timber prices per tonne were 10% higher/(lower).
- The estimated weighted average yields per hectare is 145,87 ton (2018: 147,70 ton) The estimated fair value would increase/(decrease) by 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 35,85% (2018: 38,79%). The estimated fair value would increase/(decrease) by 4,39% if the estimated harvest and transportation costs were 10% lower/(higher).

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.

7. GOODWILL AND INTANGIBLE ASSETS

Figures in Rand	2019			2018		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	605 080	(15 832)	589 248	562 720	(32 762)	529 958
Sole distributor rights	3 000 000	–	3 000 000	3 000 000	–	3 000 000
Computer software	9 409 654	(5 652 827)	3 756 827	8 490 765	(4 757 800)	3 732 965
Goodwill	134 993 225	–	134 993 225	134 993 225	–	134 993 225
Agency insurance rights	22 865 410	–	22 865 410	14 865 410	–	14 865 410
Total	170 873 369	(5 668 659)	165 204 710	161 912 120	(4 790 562)	157 121 558

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

7. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Reconciliation of goodwill and intangible assets

Figures in Rand	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
2019						
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	134 993 225	—	—	—	—	134 993 225
Agency insurance rights	14 865 410	8 000 000	—	—	—	22 865 410
	157 121 558	9 133 643	(170 013)	52 800	(933 278)	165 204 710

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
2018						
Patents, trademarks and other rights	544 560	22 790	—	(37 392)	—	529 958
Sole distributor rights	3 000 000	—	—	—	—	3 000 000
Computer software	3 778 373	902 411	—	(37 813)	(910 006)	3 732 965
Goodwill	99 628 213	—	35 365 012	—	—	134 993 225
Agency insurance rights	13 760 296	1 105 114	—	—	—	14 865 410
	120 711 442	2 030 315	35 365 012	(75 205)	(910 006)	157 121 558

Pledged as security

Computer software with a carrying value of R3 756 827 (2018: R3 732 965), have been pledged to secure borrowings. Refer to notes 29.

Other information

During 2017, the Group acquired a 50,004% interests in Bedrock Mining Support (Pty) Ltd. The total goodwill of R35 041 043 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed of the acquired business. Previously Bedrock Mining Support (Pty) Ltd acquired the business of SMT Mining (Pty) Ltd. The total goodwill of R44 155 460 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed of the acquired business. Subsequently the Group acquired an additional 5,002% in 2018 and 10% in 2019 which was treated as a change in ownership interest. Refer to note 8.

During the previous year the Group also acquired the insurance agency rights of Lanique Makelaars. The goodwill of R1 105 114 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed.

The Group also acquired 100% of the issued share capital in the previous year of Machrie Short Term (Pty) Ltd, with an interest in short term insurance. The interest was acquired to further expand the insurance business of the Group. The goodwill of R3 425 431 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. Refer to note 8.

During the previous year, the Group also acquired an additional 12,5% of the issued share capital of Gromor (Pty) Ltd which was previously accounted for as an investment in associate in terms of IAS 28, with an interest in the manufacturing and distribution of fertilizer. The goodwill of R31 939 578 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. Refer to note 8.

During the current year the Group acquired the insurance agency rights of Platorand Makelaars. The agency insurance rights of R8 000 000 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed.

Review of useful life assessment and impairment

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 four 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 five years cashflow forecasts was used.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

7. GOODWILL AND INTANGIBLE ASSETS CONTINUED

Figures in Rand

	2019	2018
Intangible assets with indefinite lives:		
Agency Insurance rights	22 865 410	14 865 410
Goodwill relating to the trade business unit	39 796 723	39 866 722
Goodwill relating to the timber business unit	79 196 503	79 196 503
Goodwill relating to the fuel and oil business unit	16 000 000	16 000 000

The following assumptions were used in the calculation:

Growth rate	6,00%
Discount rate	14,65%

The forecasted cashflows 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.

8. INTERESTS IN SUBSIDIARIES

Name of company	Held by	Country of incorporation	% holding 2019	% holding 2018
Silo Autobody (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	61,00	66,67
The Lionsriver Farmers Exchange (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	60,00	60,00
Die Kilo Bemerkingskorporasie (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Constantia Kunsmis (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Rothman Motors (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	100,00	80,00
TWK Insurance Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
TWK Motors (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Protea Versoolwerke Ermelo (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	60,00	60,00
TWK Rekenardienste (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Lydenburg Saagmeule (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Bedrock Mining Support (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	65,006	55,006
Protea Tyres Kimberley (Pty) Ltd	Protea Versoolwerke Ermelo (Pty) Ltd	South Africa	59,00	59,00
Machrie Korttermyn (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Gromor (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	South Africa	52,50	52,50
Farmyard Organics (Pty) Ltd	Gromor (Pty) Ltd	South Africa	100,00	100,00
Arrowfeeds (Pty) Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
Canyon Springs Investments 140 (Pty) Ltd	TWK Investments Ltd	South Africa	50,00	50,00
Castle Walk Property Investments (Pty) Ltd	TWK Investments Ltd	South Africa	100,00	100,00
Shiselweni Forestry Company Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
TWK Agri (Pty) Ltd	TWK Investments Ltd	South Africa	75,00	75,00
TWK Swaziland (Pty) Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
Nhlangano Timber Company (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
Olmacs (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
SAWCO Mining Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
SAWCO Treated Timbers (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	50,00	50,00

During the current year, the Group acquired an additional 10% of the issued share capital of Bedrock Mining Support (Pty) Ltd.

The Group also decided to purchase an additional 20% of the issued shares of Rothman Motors (Pty) Ltd at R1 per share.

During the 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

8. INTERESTS IN SUBSIDIARIES CONTINUED

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 29.

Shiselweni Forestry Company Ltd signed a suretyship limited to an amount of R250 000 000 for the Standard Bank overdraft facility. Refer to notes 20 and 29.

The Group's rights and title to the equity shares held in Bedrock Mining Support (Pty) Ltd have been pledged to secure borrowings of Bedrock Mining Support (Pty) Ltd. Refer to note 29.

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.

Business combinations

Bedrock Mining Support (Pty) Ltd

During the year, the Group acquired an additional 10% (2018: 5,002%) 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 R2 131 528 (2018: R2 987 969). 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 26.

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

Figures in Rand	2019	2018
Total assets	135 032 542	160 999 435
Total liabilities	(53 362 933)	(105 786 680)
Net identifiable assets	81 669 609	55 212 755
Net identifiable assets acquired at an additional 10% (2018: 5,002%)	8 166 956	2 761 742
Less: Consideration paid	(10 298 484)	(5 749 711)
Change of ownership interest	(2 131 528)	(2 987 969)

Lydenburg Sawmills (Pty) Ltd

During the prior year, the Group acquired an additional 50% of the issued share capital of Lydenburg Sawmills (Pty) Ltd, with an interest in the processing of timber. 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 and liabilities assumed of the acquired business at the date of acquisition amounted to R103 984 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 26.

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

Figures in Rand	2019
Total assets	39 452 639
Total liabilities	(48 959 808)
Net identifiable assets	(9 507 169)
Net identifiable assets acquired at an additional 50%	2 396 017
Less: Consideration paid	(2 500 000)
Change of ownership interest	(103 984)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

8. INTERESTS IN SUBSIDIARIES CONTINUED

Machrie Korttermyn (Edms) Bpk

During the prior year, the Group acquired 100% of the issued share capital of Machrie Korttermyn (Pty) Ltd, with an interest in short term insurance. The interest was acquired to further expand the insurance business of the Group. The excess of the cost of the acquisition 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 R3 425 431.

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

Figures in Rand	2019	2018
Total assets		40 703
Total liabilities		(18 591)
Net identifiable assets acquired		22 112
Less: Non-controlling interest's share		—
Less: Consideration paid		(3 447 543)
Goodwill		(3 425 431)

Gromor (Pty) Ltd

The Group previously held 40% of the issued share capital of Gromor (Pty) Ltd, with an interest in the manufacturing and distribution of fertilizer, and was accounted for as an investment in associate in terms of IAS 28. In the previous year the Group first acquired an additional 10% of the issued share capital to further expand the fertilizer business of the Group, and at acquisition date, the consideration paid by the Group was less than the fair value of the Company and a gain on bargain purchase to the amount of R1 686 436 have been included in other operating income. Refer to note 36.

During the prior year, the Group also acquired an additional 12,5% of the issued share capital of Gromor (Pty) Ltd. The excess of the cost of the acquisition 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 R31 939 578.

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

Figures in Rand	2019	2018
Total assets		42 933 843
Total liabilities		(38 009 061)
Net identifiable assets acquired		4 924 782
Less: Fair value at acquisition date		(36 864 360)
Goodwill		(31 939 578)

Rothman Motors (Pty) Ltd

During the year, the Group acquired an additional 20% (2018: 10%) 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.

In the current year, 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 26.

Figures in Rand	2019	2018
Total assets		46 088 842
Total liabilities		(48 900 327)
Net identifiable assets acquired		(2 811 485)
Net identifiable assets acquired at an additional 20%		(562 297)
Less: Consideration paid		(20)
Change on ownership interest		(562 317)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

8. INTERESTS IN SUBSIDIARIES CONTINUED

Silo Autobody (Pty) Ltd

During the 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 26.

Figures in Rand	2019	2018
Total assets		12 342 418
Total liabilities		(13 926 758)
Net identifiable assets acquired		(1 584 340)
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
2019						
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	124 125 670
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
Total	1 397 191 971	3 434 241 393	4 831 433 364	1 037 136 865	2 929 443 823	3 966 580 688
2018						
Constantia Kunsmis (Pty) Ltd	45 412 797	297 562 529	342 975 326	22 488 835	292 186 667	314 675 502
TWK Motors (Pty) Ltd	33 408 648	126 569 807	159 978 455	4 380 068	99 704 413	104 084 481
Protea Versoolwerke Ermelo (Pty) Ltd	21 943 866	48 301 788	70 245 654	2 826 709	21 764 766	24 591 475
Bedrock Mining Support (Pty) Ltd	62 255 006	101 994 428	164 249 435	14 623 718	78 950 338	93 574 056
TWK Agri (Pty) Ltd	485 803 748	2 222 346 729	2 708 150 477	768 989 785	1 862 874 506	2 631 864 291
Shiselweni Forestry Company Ltd	466 703 744	216 145 831	682 849 575	125 439 706	126 815 389	252 255 095
Gromor Group (Pty) Ltd	16 480 251	47 454 792	63 935 043	24 276 561	37 928 512	62 205 073
Lionsriver Farmers Exchange (Pty) Ltd	51 170 038	11 373 796	62 543 834	—	56 874 800	56 874 800
SAWCO Mining Timber (Pty) Ltd	32 288 023	35 421 748	67 709 771	10 937 786	35 052 200	45 989 986
Total	1 215 466 121	3 107 171 448	4 322 637 569	973 963 168	2 612 151 591	3 586 114 759

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

8. 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
2019						
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)
Total	9 023 126 604	219 741 758	(60 574 579)	159 167 179	19 998 885	179 166 064
2018						
Constantia Kunsmis (Pty) Ltd	762 285 195	12 322 127	(2 170 080)	10 152 047	—	10 152 047
TWK Motors (Pty) Ltd	522 809 466	5 809 358	(1 492 400)	4 316 958	3 034 866	7 351 824
Protea Versoolwerke Ermelo (Pty) Ltd	132 260 703	733 894	(210 828)	523 066	47 988	571 054
Bedrock Mining Support (Pty) Ltd	425 387 712	38 142 532	(10 679 909)	27 462 623	—	27 462 623
TWK Agri (Pty) Ltd	5 997 076 613	82 540 673	(20 042 295)	62 498 378	8 838 273	71 336 652
Shiselweni Forestry Company Ltd	103 348 305	24 662 704	(6 851 470)	17 811 234	3 173 135	20 984 369
Gromor Group (Pty) Ltd	85 198 803	(4 027 669)	923 691	(3 103 978)	—	(3 103 978)
Lionsriver Farmers Exchange (Pty) Ltd	185 865 079	4 531 082	(1 275 081)	3 256 001	—	3 256 001
SAWCO Mining Timber (Pty) Ltd	99 290 645	4 385 670	(1 206 472)	3 179 198	—	3 179 198
Total	8 313 522 521	169 100 371	(43 004 844)	126 095 527	15 094 262	141 189 790

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.

The goodwill have been tested for impairment and the headroom was sufficient.

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	00,000	—	—
Constantia Kunsmis (Pty) Ltd	Manufacturing and distribution of fertilizer	00,000	—	—
Shiselweni Forestry Company Ltd	Growing of timber and other related operations	00,000	—	—
Protea Versoolwerke (Ermelo) (Pty) Ltd	Retreading of tyres as well as the sale and installation of new tyres, batteries, shocks and exhausts	40,000	1 252 458	19 514 130
TWK Agri (Pty) Ltd	Agricultural products and services	25,000	23 049 563	(28 281 789)
Bedrock Mining Support (Pty) Ltd	Timber-based underground support to South African mines	34,994	3 813 219	27 986 461
Gromor (Pty) Ltd	Manufacturing and distribution of organic fertilizer	47,500	(258 608)	15 697 689
Lionsriver Farmers Exchange (Pty) Ltd	Fuel service stations including convenience stores, food outlets and related business	40,000	(902 390)	1 365 223
SAWCO Treated Timber Products (Pty) Ltd	Timber treating and related products	50,000	1 019 538	550 617

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

9. INVESTMENTS IN ASSOCIATES

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

Name of company	% ownership interest 2019	% ownership interest 2018	Carrying amount 2019	Carrying amount 2018
Henleo 1080 (Pty) Ltd	45,00	45,00	1 432 630	856 494
African Collateral Management (Pty) Ltd	45,00	40,00	—	—
Silulu Forestry Company (Pty) Ltd	45,00	—	450	—
			1 433 080	856 494

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) Ltd 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 Eswatini 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
2019			
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
2018			
Henleo 1080 (Pty) Ltd	23 781 798	2 346 655	2 346 655
African Collateral Management (Pty) Ltd	2 132 875	957 411	957 411
	25 914 673	3 304 066	3 304 066

Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2019					
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
2018					
Henleo 1080 (Pty) Ltd	25 821 171	7 173 609	30 348 970	742 490	1 903 320
African Collateral Management (Pty) Ltd	9 975 350	1 375 065	10 381 308	1 378 946	(409 839)
	35 796 521	8 548 674	40 730 278	2 121 436	1 493 481

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

9. INVESTMENTS IN ASSOCIATES CONTINUED

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
2019				
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
2018				
Henleo 1080 (Pty) Ltd	1 903 320	856 494	—	856 494
African Collateral Management (Pty) Ltd	(409 839)	(163 936)	163 936	—
	1 493 481	692 558	163 936	856 494

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
2019				
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
2018				
Henleo 1080 (Pty) Ltd	45	—	856 449	856 494
African Collateral Management (Pty) Ltd	—	48	(48)	—
Gromor (Pty) Ltd	12 517 051	(12 401 340)	(115 711)	—
	12 517 096	(12 401 292)	740 690	856 494

10. LOANS TO GROUP COMPANIES

Associates

Figures in Rand	2019	2018
Henleo 1080 (Pty) Ltd	9 973 337	13 301 646
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 reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
African Collateral Management (Pty) Ltd	4 269 715	3 859 328
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. A subordination agreement to the amount of R810 000 has been signed in favour of other creditors of African Collateral Management (Pty) Ltd.		
	14 243 052	17 160 974

The basis of accounting applicable to loans to group companies is at amortised cost.

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	2019	2018
Non-current assets	14 243 052	17 160 974

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

10. LOANS TO GROUP COMPANIES CONTINUED

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 17 for guidance on how expected credit losses is calculated.

Expected credit losses

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
Stage 1	14 243 052	0,00	—

Exposure to interest rate risk

Refer to note 54 financial instruments and financial risk management for details of interest rate risk management for group loans receivable.

Fair value of group loans receivable

The fair value of group loans receivable approximates its fair value because terms and conditions are at arms length.

11. OTHER LOANS RECEIVABLE

Figures in Rand	2019	2018
Gibela Trade and Invest (Pty) Ltd	2 007 524	—
The unsecured loan from Gromor (Pty) Ltd carries no interest and is repayable on demand with a reasonable payment term of at least 18 months.		
Jo-Ann Trust	—	333
The unsecured loan from Silo Autobody (Pty) Ltd bears no interest and is repayable on demand.		
	2 007 524	333
Split between non-current and current portions		
Non-current assets	2 007 524	—
Current assets	—	333
	2 007 524	333

Exposure to credit risk

Refer to note 54, financial instruments and financial risk management, for details of liquidity risk management for group loans receivable.

Fair value of other loans receivable

Other loans receivable approximates its fair value.

12. FINANCE LEASE RECEIVABLES

Figures in Rand	2019	2018
Gross investment in the lease due		
— within one year	17 690 778	16 865 256
— in second to fifth year inclusive	10 095 611	9 621 131
Gross investment in the leases	27 786 389	26 486 387
Less: Unearned finance income	(3 013 185)	(2 460 775)
Net investment in the lease	24 773 204	24 025 612
Non-current assets	12 090 273	9 007 437
Current assets	12 682 931	15 018 175
	24 773 204	24 025 612

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 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

12. FINANCE LEASE RECEIVABLES CONTINUED

Exposure to credit risk

Finance lease receivables inherently exposes the Group to credit risk, being the risk that the Group 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 17 for guidance on how expected credit losses is calculated.

Expected credit losses

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2019			
Stage 2	R Nil	0,41	—
2018			
Stage 2	R Nil	0,41	—

Exposure to interest rate risk

Refer to note 54 financial instruments and financial risk management for details of interest rate risk management for finance lease receivables.

13. 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 2019. 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 16 (2018: 17).

Carrying value

Figures in Rand	2019	2018
Present value of the defined medical benefit obligation	(6 829 000)	(8 349 000)

The fair value of plan assets includes:

Movements for the year

Figures in Rand	2019	2018
Opening balance	(8 349 000)	(9 564 000)
Actuarial gains and losses	815 000	532 000
Benefits paid on behalf of members	1 320 000	1 350 000
Interest costs	(615 000)	(667 000)
	(6 829 000)	(8 349 000)

Key assumptions used

The liability as at 31 August 2019 takes into account mortality tables as required by IAS 19 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	2019	2018
Discount rates used (%)	9,50	8,00
Expected rate of return on assets (%)	5,50	6,50
Mortality post-retirement table used	PA90	PA90

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

13. RETIREMENT BENEFITS CONTINUED

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	2019	2018
Increase of 1%	283 000	400 689
Decrease of 1%	(265 000)	(400 689)

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	2019	2018
Increase of 1%	280 000	387 000
Decrease of 1%	(304 000)	(426 000)

14. DEFERRED TAX

Deferred tax liability

Figures in Rand	2019	2018
Property plant and equipment	(13 986 322)	(11 565 815)
Revaluation of land and buildings	(7 914 899)	(8 639 985)
Biological assets	(184 217 023)	(158 822 870)
Investments	(1 988 987)	(5 315 036)
Total deferred tax liability	(208 107 231)	(184 343 706)

Deferred tax asset

Figures in Rand	2019	2018
Accruals and provisions	27 907 449	24 922 621
Income received in advance	618 706	2 813 557
Deferred tax balance from temporary differences other than unused tax losses	28 526 155	27 736 178
Tax losses available for set off against future taxable income	51 384 405	35 617 935
Total deferred tax asset	79 910 560	63 354 113

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	2019	2018
Deferred tax liability	(60 054 098)	(57 011 056)
Deferred tax asset	43 629 193	33 960 776
Total net deferred tax liability	(16 424 905)	(23 050 280)

The deferred tax relating to Eswatini companies is as follows:

Figures in Rand	2019	2018
Deferred tax liability	(148 053 133)	(127 901 402)
Deferred tax asset	36 293 101	29 962 092
Total net deferred tax liability	(111 760 032)	(97 939 310)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

14. DEFERRED TAX CONTINUED

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

Figures in Rand	2019	2018
Deferred tax liability	(208 107 231)	(184 343 706)
Deferred tax asset	79 910 560	63 354 113
Total net deferred tax liability	(128 196 671)	(120 989 593)

Reconciliation of deferred tax asset/(liability)

Figures in Rand	2019	2018
At beginning of year	(120 989 593)	(115 088 622)
Increases (decrease) in tax loss available for set off against future taxable income	15 766 470	10 328 383
Temporary difference on property, plant and equipment	(2 420 505)	(4 896 634)
Temporary difference on revaluation of land and buildings	725 086	(2 343 066)
Temporary difference on accruals and provisions	789 975	1 966 259
Temporary difference on fair value adjustment on investments	3 326 049	(717 663)
Temporary difference movement on biological assets	(25 394 153)	(10 238 250)
	(128 196 671)	(120 989 593)

15. INVENTORIES

Figures in Rand	2019	2018
Raw materials	28 919 371	27 067 390
Work in progress	942 025	617 540
Finished goods	659 528 485	651 439 300
Agricultural products	324 361 183	299 485 246
	1 013 751 064	978 609 476
Inventories (write-downs)	(8 642 674)	(10 803 953)
	1 005 108 390	967 805 523

Inventory pledged as security

Inventory with a carrying value of R817 091 252 (2018: R778 706 857) have been pledged to secure borrowings granted to the Group as set out in note 29.

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.

16. LOANS RECEIVABLE

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

Figures in Rand	2019	2018
Forestry and term loans	104 985 717	100 766 404
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	(5 727)	(7 220)
	104 979 990	100 759 184
Split between non-current and current portions		
Non-current assets	78 199 427	60 394 368
Current assets	26 780 563	40 364 816
Total in loans receivable before provisions	104 979 990	100 759 184

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

16. LOANS RECEIVABLE CONTINUED

Loans pledged as security

The loans with a carrying value of R104 979 990 (2018: R100 759 184) have been pledged to secure borrowings by the Group's parent, TWK Agriculture Holdings (Pty) Ltd. Refer to note 29.

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 17 for guidance on how expected credit losses is calculated.

Expected credit losses

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2019			
Stage 2	1 385 464	0,41	5 727
Total	1 385 464		5 727
2018			
Stage 2	1 746 882	0,41	7 220
Total	1 746 882		7 220

Exposure to interest rate risk

Refer to note 54 for details of interest rate risk management for investments in loans receivable.

17. TRADE AND OTHER RECEIVABLES

Figures in Rand	2019	2018
Financial instruments:		
Trade receivables	891 436 044	847 946 176
Loss allowance	(13 736 173)	(5 416 445)
Trade receivables at amortised cost	877 699 871	842 529 731
Deposits	2 317 689	2 041 650
Other receivable	28 735 322	28 397 782
Non-financial instruments:		
VAT	90 859 353	80 675 344
Employee costs in advance	176 281	74 682
Prepayments	5 229 992	4 175 838
Total trade and other receivables	1 005 018 508	957 895 027
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	908 752 882	872 969 163
Non-financial instruments	96 265 626	84 925 864
	1 005 018 508	957 895 027

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 R716 302 339 (2018: R619 499 810) have been pledged to secure the borrowings as set out in note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

17. 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.

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. The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above less securities held by the Group. 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, taking into account 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 by applying the simplified approach which is presented by IFRS 9.

Refer to note 54 for detail of credit risk management.

Impairment is determined on the following basis for the below financial assets:

→ Trade receivables

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. Impairment losses recognised reflect the expected losses over the life of the instrument.

→ Term and other loans

Term and other loans represents debtors for financing of loans granted over varying terms of up to 120 months. A provision for impairment is made over the lifetime of the loan.

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 grade 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 based on share credit risk characteristics and the days past due.

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

$$\text{Impairment} = \text{Total book} \times \text{probability of Default \% (PD\%)} \times \text{Loss Given Default \% (LGD\%)}$$

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
2019			
Stage 1	136 206 597	0,11	149 827
Stage 2	20 394 437	1,10	225 069
Stage 3	14 064 198	95,00	13 361 277
Total	170 665 232		13 736 173
2018			
Stage 1	188 065 407	0,11	206 872
Stage 2	13 255 496	2,06	301 858
Stage 3	7 146 238	95,00	6 788 926
Total	208 467 141		7 297 656

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

17. TRADE AND OTHER RECEIVABLES CONTINUED

Figures in Rand	2019	2018
Specific impairment		
Opening balance	(5 416 445)	(4 377 725)
Decrease/(increase) in provision during the year	(12 672 786)	(3 178 880)
Amounts written of as uncollectable	5 928 867	2 140 160
Closing balance	(12 153 143)	(5 416 445)
Portfolio impairment		
Opening balance	(1 572 229)	–
Decrease/(increase) in provision during the year	(3 580)	(1 572 229)
Closing balance	(1 575 809)	(1 572 229)

The cumulative effect of the initial application of IFRS 9 has been accounted for as an adjustment to the opening balance of equity. The increase in the expected credit loss for the prior year resulted in an decrease of R1 875 514 in equity.

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.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired.

Reconciliation of loss allowances

The loss allowance on trade and other receivables is R13 736 173 the details of which are as follows. The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

Figures in Rand	2019	2018
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	(7 297 656)	(4 377 725)
Adjustments upon application of IFRS 9	–	(1 875 514)
Provision for impairment	(12 367 384)	(3 184 577)
Amounts written of as uncollectable	5 928 867	2 140 160
Closing balance	(13 736 173)	(7 297 656)

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.

18. 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.

In the prior year the Group had designated equity investments as available-for-sale where management intended to hold them for the long term. Refer to note 53.

Figures in Rand	2019	2018
Equity investments at fair value through other comprehensive income:		
Unlisted shares	60 410 111	86 588 404
	60 410 111	86 588 404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

18. INVESTMENTS AT FAIR VALUE CONTINUED

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 Versoolwerke (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.

Figures in Rand	2019 Fair value	2019 Dividends received	2018 Fair value	2018 Dividends received
TWK Agriculture Holdings shares held by TWK Motors (Pty) Ltd	24 163 072	751 014	23 510 016	600 812
Nexor 875 (Pty) Ltd shares held by Protea Versoolwerke Ermelo (Pty) Ltd	323 045	—	297 089	—
TWK Agriculture Holdings shares held by TWK Group Customer Loyalty Scheme Trust	6 157 688	503 111	15 749 532	—
BKB Limited shares held by TWK Investments Ltd	36 800	4 680	27 600	—
NTE Company (Pty) Ltd shares held by TWK Investments Ltd	27 844 751	308 796	43 891 944	308 796
UCL Company (Pty) Ltd shares held by a nominee of TWK Investments Ltd	1 884 755	23 170	3 112 223	42 015
Total	60 410 111	1 590 771	86 588 404	951 623

Reconciliation of investments at fair value

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Total
2019					
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
	86 588 404	3 395 436	(17 898 128)	(11 675 601)	60 410 111
2018					
Unlisted Shares – TWK Agriculture Holdings held by TWK Motors (Pty) Ltd	21 550 848	—	1 959 168	—	23 510 016
Unlisted shares – Nexcor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	235 249	—	61 840	—	297 089
Unlisted shares – TWK Agriculture Holdings (Pty) Ltd – Held by TWK Group Customer Loyalty Scheme Trust	14 154 901	9 914 688	1 721 640	(10 041 697)	15 749 532
BKB Limited held by TWK Investments Ltd	24 196	—	3 404	—	27 600
NTE Company (Pty) Ltd held by TWK Investments Ltd	42 956 507	—	935 437	—	43 891 944
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	2 868 226	—	243 997	—	3 112 223
	81 789 927	9 914 688	4 925 486	(10 041 697)	86 588 404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

18. INVESTMENTS AT FAIR VALUE CONTINUED

Figures in Rand	2019	2018
Number of shares in unlisted companies		
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	166 424	471 830
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
	4 767 738	5 073 144

19. DERIVATIVE FINANCIAL INSTRUMENTS

Figures in Rand	2019	2018
Hedging derivatives		
Commodity forward contracts	(2 838 950)	2 376 098
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.		
US-dollar forward contracts	–	(9 337 440)
The Group's US-dollar forward contracts relate to cash flows that are expected to occur during the period September – December 2018.		
Split between non-current and current portions		
Current assets	–	2 376 098
Current liabilities	(2 838 950)	(9 337 440)
	(2 838 950)	(6 961 342)

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

Refer to note 54 Financial instruments and risk management for further details.

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2019	2018
Cash on hand	479 109	1 496 625
Bank balances	112 154 404	158 551 253
Short-term deposits	18 379 324	14 285 458
Deposit call account	19 671	18 476
Other cash and cash equivalents	1 576 966	3 372 284
Bank overdraft	(5 744 546)	(4 837 452)
	126 864 928	172 886 644
Current assets	132 609 474	177 724 096
Current liabilities	(5 744 546)	(4 837 452)
	126 864 928	172 886 644

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

20. CASH AND CASH EQUIVALENTS CONTINUED

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 (2018: R290 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 first 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 29.

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

21. DISCONTINUED OPERATIONS, DISPOSAL GROUPS AND NON-CURRENT ASSETS HELD FOR SALE

During the current year, the Group made a decision to discontinue the sawmill operation in Lydenburg (Pty) Ltd due to a undesirable return on capital and not being strategic in nature.

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

Profit and loss

Figures in Rand	2019	2018
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	(8 102 428)	—
Tax thereon	2 259 743	—
	(6 013 884)	—

Non-current assets held for sale

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 and equipment relating to the Wesselson Mall as held for sale due to an undesirable return on capital and not being strategic in nature.

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

Fair value of assets held for sale

Figures in Rand	2019	2018
Property, plant and equipment	64 828 094	—
Leasehold property	22 344 352	—
	87 172 446	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

22. SHARE CAPITAL

Authorised

100 000 000 (2018: 100 000 000) No par-value ordinary shares
 1 (2018: 1) "A" no par-value preference share
 50 000 000 (2018: 50 000 000) "B" no par-value preference shares

Figures in Rand	2019	2018
Issued		
32 146 091 (2018: 32 307 135) no par-value ordinary shares	754 981 683	767 088 245
Reconciliation of ordinary share movement (number of shares):		
Non par-value ordinary shares	35 100 993	35 100 993
Less: Treasury shares	(2 954 902)	(2 793 858)
	32 146 091	32 307 135
Reconciliation of ordinary share capital (value of shares):		
No par-value ordinary shares	776 478 952	776 478 952
Less: Treasury shares at cost	(21 497 269)	(9 390 707)
	754 981 683	767 088 245
Reconciliation of treasury shares at cost:		
Opening balance	(9 390 707)	(2 334 619)
Shares options and loyalty scheme shares taken up	3 142 221	900 289
Shares bought by the intergroup entities at market value	(15 248 783)	(7 956 377)
	(21 497 269)	(9 390 707)
Reconciliation of class A preference share movement (number of shares):		
Balance at the beginning of the year	1	1
Less: Treasury shares	(1)	(1)
	—	—
Reconciliation of class A preference share capital (value of shares):		
No par-value preference shares	1	1
Less: Treasury shares at cost	(1)	(1)
	—	—

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.

23. 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 is 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 R2 099 211 (2018: R2 526 119). The accumulated equity-settled reserve amounts to R4 881 559 (2018: R4 316 867).

	LTI2	LTI3	LTI4	LTI5
Key assumptions used:				
Discount rate	8,34%	8,72%	8,97%	7,62%
Dividend yield	5,00%	5,00%	5,00%	5,00%
Share volatility	75,00%	60,00%	50,00%	75,00%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

23. SHARE-BASED PAYMENTS CONTINUED

Share-based payment reserve

Figures in Rand	2019	2018
Opening balance	4 316 867	3 871 703
Expense recognised for the period	2 099 211	2 526 119
Vesting during the period/rights awarded	(1 584 519)	(2 080 955)
Equity settled share based payment reserve	4 831 559	4 316 867

Three allocations of these share-based payments were made since inception. The first on 1 September 2014 (LT11), the second on 13 October 2015 (LT12), the third on 12 October 2016 (LT13), the fourth on 2 October 2017 and the fifth on 22 October 2018.

Share option group

Figures in Rand	LT12	LT13	LT14	LT15
Outstanding at the beginning of the year	769 450	688 160	775 000	–
Granted during the year	–	–	–	749 740
Vesting during the period	(349 750)	(215 050)	(155 000)	–
Outstanding shares at year-end	419 700	473 110	620 000	749 740
Grant date	13 October 2015	12 October 2016	2 October 2017	22 October 2018
Share price at grant date	R4,40	R8,70	R13,00	R17,90
Exercise price	R1,10	R4,11	R8,48	R13,88
End date of contractual life	2 January 2020	2 January 2021	2 January 2022	2 January 2023

Share-based payments awarded to executive directors:

Figures in Rand	Shares vested		Options outstanding	Value of benefit	
	2019	2018		2019	2018
AS Myburgh	100 000	184 000	296 000	393 100	242 160
JEW Fivaz	51 000	92 000	162 000	201 070	121 080
				594 170	363 240

24. 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	2019	2018
Fair value balance at the beginning of the year	31 606 010	25 248 502
Fair value adjustment for the year	40 367 530	10 473 382
Transfers directly to equity	–	(1 772 808)
Deferred taxation	(2 353 103)	(2 343 066)
	69 620 437	31 606 010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

25. RESERVE FOR INVESTMENTS AT FAIR VALUE THROUGH OCI

The reserves represents fair value changes on financial assets as indicated in note 18 (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	2019	2018
Financial assets at fair value through OCI at the beginning of the year	10 623 907	8 137 720
Fair value adjustment for the year	(16 586 450)	3 203 849
Attributable to non-controlling interest holders	(8 057)	—
Deferred taxation	3 715 364	(717 662)
Transfer to restructuring reserve	2 255 236	—
	—	10 623 907

26. 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	2019	2018
Reserve relating to the timber business unit	(5 223 481)	(3 091 953)
Reserve relating to the trade business unit	(23 934)	(23 934)
Reserve relating to the fuel and oil business unit	(720 719)	—
	(5 968 134)	(3 115 887)

27. LOANS FROM GROUP COMPANIES

Holding company

Figures in Rand	2019	2018
TWK Agriculture Holdings (Pty) Ltd	17 302 532	22 395 755
The unsecured loan bears interest at a prime linked rate. The loan is payable in monthly instalments of R612 551 over a remaining period of 33 months.		
TWK Agriculture Holdings (Pty) Ltd	113 666 667	120 333 334
The unsecured loan with a residual value of R94 500 000 carries interest at a rate linked to the prime rate and shall be repayable in monthly instalments of R404 283 over a remaining period of 47 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.		
	229 665 736	142 729 089
The basis of accounting applicable to loans to group companies is at amortised cost.		
Split between non-current and current portions		
Non-current liabilities	121 349 744	130 957 012
Current liabilities	108 315 992	11 772 077
	229 665 736	142 729 089

Exposure to liquidity risk

Refer to note 54 financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to currency risk

All group company loans are denominated in South African Rand and therefore the Group is not exposed to any currency risk.

Exposure to interest rate risk

Refer to note 54 Financial instruments and financial risk management for details of interest rate risk management for group loans payable.

Fair value of group loans payable

The fair value of group loans payable approximates its fair value because terms and conditions are at arms length.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

28. OTHER LOANS PAYABLE

Figures in Rand	2019	2018
Gibela Trade and Invest (Pty) Ltd	–	2 903 607
The unsecured loan to Gromor (Pty) Ltd carries no interest and is repayable as and when future profits arise from operations.		
Loans – Gromor (Pty) Ltd	3 209 000	3 310 500
The unsecured loans to the members of Gromor (Pty) Ltd carries no interest and is repayable as and when future profits arise from operations.		
SD Zwane	7 182 618	6 400 000
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Treated Timber Products (Pty) Ltd	5 376 583	4 756 204
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Buurman Trust	1 248 892	2 004 261
The unsecured loan bears interest at a prime linked rate and is repayable in monthly instalments over the remaining period of 172 months.		
Chris Rothman Trust	–	1 125 000
The unsecured loan carries no interest and is repayable on demand.		
	17 017 093	20 499 572
Split between non-current and current portions		
Non-current liabilities	1 207 880	4 777 031
Current liabilities	15 809 213	15 722 541
	17 017 093	20 499 572

Exposure to liquidity risk

Refer to note 54 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 54 Financial instruments and financial risk management for details of interest rate risk management for other loans payable.

Fair value of other loans payable

Other loans payable approximates its fair value.

29. BORROWINGS

Held at amortised cost

Figures in Rand	2019	2018
Secured		
Standard Bank of South Africa: Term Loan	216 400 000	233 200 000
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 equal monthly capital instalments of R1 400 000 plus interest with a residual amount of R199 600 000, payable on 31 December 2020.		
Land and Agricultural Bank of South Africa: Revolving loan facility	466 359 294	397 811 910
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), are bonded in security to the Security SPV. The loan bears interest at the prime link rate. The loan is repayable on 30 November 2019 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	466 385 000	397 825 000
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 30 November 2019 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

29. BORROWINGS CONTINUED

Held at amortised cost continued

Figures in Rand	2019	2018
Land and Agricultural Bank of South Africa: Revolving loan facility	79 996 966	79 998 202
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 2019 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	49 068 139	48 986 944
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 five years from the month following the month in which the first advance was made. No interest is payable on the loan.		
Rand Merchant Bank	95 653 248	116 066 435
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	19 000 000
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 first 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, and is repayable over the next year.		
Land and Agricultural Bank of South Africa: Term Loan	225 331 579	243 261 842
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 December 2020. 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	5 981 369	6 300 000
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.		
Nedbank Limited Term loan: Gromor (Pty) Ltd	1 503 524	2 154 719
The facility is secured by plant, equipment and machinery, bears interest at a prime linked rate and is repayable in monthly instalments of R54 193 (2018: R11 428) over a remaining period of 32 months (2018: 44 months). In the current year the terms and conditions has been renegotiated.		
CNHI Capital	3 229 020	—
The facility is secured by plant and equipment, bears interest at prime-linked rate and is repayable in yearly instalments of R1 696 632 over a remaining period of 22 months.		
	1 623 908 139	1 544 605 052
Split between non-current and current portions		
Non-current liabilities	462 610 479	436 303 628
Current liabilities	1 161 297 660	1 108 301 424
	1 623 908 139	1 544 605 052

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 2,3:1;
- 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 1:1.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

29. BORROWINGS CONTINUED

Exposure to liquidity risk

Refer to note 54 Financial instruments and financial risk management for details of liquidity risk exposure and management.

Exposure to interest rate risk

Refer to note 54 for details of interest rate risk management.

Fair value of borrowings

The carrying value of borrowings approximates the fair value thereof.

30. LEASE LIABILITIES

Figures in Rand	2019	2018
Minimum lease payments due		
– within one year	2 828 846	1 415 283
– in second to fifth year inclusive	2 772 209	4 060 913
Present value of minimum lease payments	5 601 055	5 476 196
Non-current liabilities	2 772 209	4 060 913
Current liabilities	2 828 846	1 415 283
	5 601 055	5 476 196

The finance leases bear interest at a prime linked rate and have total monthly instalments of R219 793 (2018: R219 291).

31. PROVISIONS

Reconciliation of provisions

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
2019				
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
2018				
Provisions	676 453	285 871	(165 936)	796 388
Share-based payments	203 858	411 835	–	615 693
	880 311	697 706	(165 936)	1 412 081

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 23).

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

2 January 2020	R 960 445
2 January 2021	R 948 115
2 January 2022	R1 053 364
2 January 2023	R1 116 016
	R4 077 940

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

32. TRADE AND OTHER PAYABLES

Figures in Rand	2019	2018
Financial instruments:		
Trade payables	604 024 071	700 039 964
Current account: Holding Company	28 933 988	32 796 294
Other accrued expenses	13 032 355	17 449 051
Deposits received	470 114	1 130 864
Other payables	94 586 241	59 157 981
Non-financial instruments:		
Accrued leave and bonus	72 103 423	69 221 402
VAT	4 470 097	2 853 540
Operating lease payables	670 732	723 585
	818 291 009	883 372 681

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.

33. CONTRACT LIABILITIES

Figures in Rand	2019	2018
Summary of contract liabilities		
Supply of fertilizer products	5 865 485	13 034 205
Storage and handling of grain	1 571 811	2 279 014
	7 437 296	15 313 219

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	2019	2018
Revenue from contracts with customers		
Sale of goods	7 523 685 737	7 264 746 880
Rendering of services	50 286 536	48 872 516
Commissions received	88 465 405	77 902 613
	7 662 437 678	7 391 522 009
Revenue other than from contracts with customers		
Rental income	976 922	1 203 099
Interest received (trading)	89 592 755	70 937 201
	90 569 677	72 140 300
	7 753 007 355	7 463 662 309

35. COST OF SALES

Figures in Rand	2019	2018
Sale of goods	6 402 500 205	6 160 077 701
Rendering of services	13 434 335	11 240 808
Discount received	(12 343 081)	(11 179 105)
	6 403 591 459	6 160 139 404

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

36. OTHER OPERATING INCOME

Figures in Rand		2019	2018
Administration and management fees received		3 683 794	2 897 029
Commissions received		1 614 454	409 045
Rental income		4 217 546	2 161 281
Bad debts recovered		803 565	106 332
Recoveries		4 641 768	3 287 157
Gain on bargain purchase in a business combination		—	1 714 709
Interest received		821 199	738
Insurance claims		5 046 581	3 809 783
Other income		48 646 046	23 018 447
Rebates received		7 352 469	7 477 602
Government grants		4 048 180	4 822 985
		80 875 602	49 705 108

37. OTHER OPERATING GAINS

Figures in Rand	Notes	2019	2018
Gains/(losses) on disposals, scrapings and settlements			
Property, plant and equipment	5	(68 751)	5 097 228
Foreign exchange gains/(losses)			
Net foreign exchange gains/(losses)		9 356 299	(43 558 992)
Fair value gains/(losses)			
Biological assets	6	26 760 949	12 185 625
Investment in associates	9	—	2 344 404
Unlisted shares — Held by the TWK Group Customer Loyalty Scheme Trust		(1 311 679)	1 728 024
		25 449 270	16 258 053
Total other operating gains/(losses)		34 736 818	(22 203 711)

38. OPERATING PROFIT

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

Figures in Rand		2019	2018
Auditor's remuneration — external			
Audit fees		3 155 301	2 792 769
Expenses		386 271	299 502
		3 541 572	3 092 271
Employee costs			
Salaries, wages, bonuses and other benefits		501 325 524	459 426 934
Equity settled share-based payments		2 099 211	2 526 119
Total employee costs		503 424 735	461 953 053
Leases			
Operating lease charges			
Premises		56 652 337	49 439 314
Motor vehicles		6 327 254	6 655 072
Equipment		9 827 054	10 117 424
		72 850 484	66 211 810
Depreciation and amortisation			
Depreciation of property, plant and equipment		31 403 072	28 390 684
Amortisation of intangible assets		601 456	910 006
Total depreciation and amortisation		32 004 528	29 300 690
Impairments and other losses			
Property, plant and equipment		1 403 042	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

39. INVESTMENT INCOME

Figures in Rand	2019	2018
Dividend income		
Group entities:		
Holding company received by Intergroup Trust	503 111	—
Equity instruments at fair value through other comprehensive income:		
Unlisted investments – Local	1 087 660	951 623
Total dividend income	1 590 771	951 623
Interest income		
From investments in financial assets:		
Bank and other cash	1 795 342	1 268 105
Other receivables	201 512	245 857
Other financial assets	3 584 199	3 413 210
Loans to group companies:		
Associates	1 171 691	1 398 321
Total interest income	6 752 744	6 325 493
Total investment income	8 343 515	7 277 116

40. FINANCE COSTS

Figures in Rand	2019	2018
Holding company	24 014 562	15 506 635
Trade and other payables	198 789	16 103
Borrowings	140 513 184	128 386 023
Total finance costs	164 726 535	143 908 761
Less: Capitalised to qualifying assets	(45 834 594)	(26 537 365)
Total finance costs expensed	118 891 941	117 371 396

41. OTHER NON-OPERATING GAINS

Figures in Rand	Notes	2019	2018
Gains/(losses) on disposals, scrappings or settlements			
Other financial assets		(380 110)	5 088 522
Investments in subsidiaries	8	338 888	—
		(41 222)	5 088 522

42. TAXATION

Major components of the tax expense

Figures in Rand	2019	2018
Current		
Local income tax – current period	87 444 938	52 844 806
Foreign income tax – current period	1 990 715	2 336 519
	89 435 653	55 181 325
Deferred		
Originating and reversing temporary differences	(23 026 338)	(4 382 494)
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	158 833	—
Foreign originating and reversing temporary differences	14 404 399	7 017 761
	(8 463 106)	2 635 267
	80 972 547	57 816 592

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

42. TAXATION CONTINUED

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

%	2019	2018
Applicable tax rate	28,00	28,00
Disallowable charges	(2,63)	(1,62)
Dividends received	(0,35)	(0,28)
Profit from equity accounted investments	(0,27)	(0,30)
Capital gains tax	(1,20)	(0,62)
Prior year adjustments	7,70	0,69
Other	(1,50)	0,90
Eswatini tax rate lower than standard rate	0,03	0,16
	29,78	26,93

43. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

Figures in Rand	Gross	Tax	Net before noncontrolling interest	Noncontrolling interest	Net
2019					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	815 000	–	815 000	–	815 000
Movements on revaluation					
Gains/(losses) on property revaluation	40 367 530	(2 353 103)	38 014 427	–	38 014 427
Total items that will not be reclassified to profit/(loss)	41 182 530	(2 353 103)	38 829 427	–	38 829 427
Items that may be reclassified to profit/(loss)					
Changes in fair value of equity investments at fair value through other comprehensive income					
Losses arising during the year	(16 586 450)	3 715 364	(12 871 086)	(8 057)	(12 879 143)
Total	24 596 080	1 362 261	25 958 341	(8 057)	25 950 284
2018					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	532 000	–			532 000
Movements on revaluation					
Gains on property revaluation	10 473 382	(2 343 066)			8 130 316
Total items that will not be reclassified to profit/(loss)	11 005 382	(2 343 066)			8 130 316
Items that may be reclassified to profit/(loss)					
Changes in fair value of equity investments at fair value through other comprehensive income					
Gains arising during the year	3 203 846	(717 662)			2 486 184
	3 203 846	(717 662)			2 486 184
Total	14 209 228	(3 060 728)			11 148 503

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

44. EARNINGS PER SHARE

Figures in Rand	2019	2018
Basic earnings per share		
From continuing operations (c per share)	494,30	434,46
Reconciliation of profit or loss for the year to basic earnings		
Profit for the year	191 799 983	158 496 183
Adjusted for:		
Non-controlling interest	(32 900 522)	(18 136 019)
Consolidated profit attributable to the owners of the parent	158 899 461	140 360 164
Total number of shares issued at year-end	32 146 091	32 307 135
Basic earnings per share (c)	494,30	434,46

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	2019	2018
Diluted earnings per share		
From continuing operations (c per share)	469,82	399,88
From discontinued operations (c per share)	(17,13)	—
	452,69	399,88

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	2019	2018
Reconciliation of basic earnings to earnings used to determine diluted earnings per share		
Basic earnings	494,30	434,46
Adjusted for:		
Shares held by Intergroup Trust to be distributed to customers and personnel	(41,61)	(34,58)
	452,69	399,88
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		
Weighted average number of ordinary shares used for basic earnings per share	32 146 091	32 307 135
Adjusted for:		
Shares held by Intergroup Trust to be distributed to customers and personnel	2 954 902	2 793 858
	35 100 993	35 100 993

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

45. CASH GENERATED FROM OPERATIONS

Figures in Rand	2019	2018
Profit before taxation	278 786 414	216 312 775
Adjustments for:		
Depreciation and amortisation	32 336 349	29 300 690
Losses/(gains) on disposals, scrappings and settlements of assets and liabilities	109 973	(87 139)
Income from equity accounted investments	(576 129)	(740 690)
Dividend income	(1 590 771)	(951 623)
Interest income	(6 752 744)	(6 325 494)
Finance costs	118 891 941	117 830 696
Fair value gains	(25 489 585)	(13 836 460)
Impairment losses	1 403 042	–
Movements in retirement benefit assets and liabilities	(705 000)	(683 000)
Share-based treasury share payments	3 976 939	445 164
Movement in provisions	90 022	531 770
Inventory write-downs	8 642 674	–
Expected credit loss allowance	6 441 630	–
Changes in working capital:		
Inventories	(45 945 541)	(157 379 915)
Trade and other receivables	(55 450 101)	(95 406 178)
Derivative financial instruments	(4 122 392)	(379 519)
Biological assets	127 622 263	117 505 702
Trade and other payables	33 614 874	268 678 271
Contract liabilities	(7 875 923)	–
	463 407 935	474 815 050

46. TAX PAID

Figures in Rand	2019	2018
Balance at beginning of the year	(18 855 787)	10 618 532
Current tax for the year recognised in profit or loss	(56 087 158)	(28 474 669)
Balance at end of the year	14 761 486	(18 835 787)
	(60 161 459)	(36 691 924)

47. DIVIDENDS PAID

Figures in Rand	2019	2018
Balance at beginning of the year	(5 610 079)	(4 447 499)
Dividends	(26 444 574)	(27 429 977)
Balance at end of the year	3 792 100	5 610 079
	(28 262 553)	(26 267 397)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

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	2019	2018
Already contracted for but not provided for		
– Property, plant and equipment	35 070 499	120 269 663
– Business combinations	–	12 000 000
	35 070 499	132 269 663

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	2019	2018
Not yet contracted for and authorised by directors		
– Property, plant and equipment	126 500 490	83 642 769
	126 500 490	83 642 769

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.

Operating leases – as lessee (expense)

Figures in Rand	2019	2018
Minimum lease payments due		
– within one year	33 064 445	30 058 586
– in second to fifth year inclusive	69 071 932	62 792 665
	102 136 377	92 851 251

Operating lease payments represent management's estimate of rental payable by the Group for certain of its office properties, motor vehicles and equipment. No contingent rent is payable.

50. CONTINGENCIES

The Company had contingent liabilities at year end in respect of:

- The board approved the acquisition of 90% of the shareholding of Bedrock Mining Support (Pty) Ltd over a period of 4 years. The main business of Bedrock Mining Support (Pty) Ltd is to supply timber-based underground support to South African Mines. At the effective date of the acquisition 50,004% has been acquired and the balance of the purchase price will be calculated at a price earnings ratio of 4 times the profit after tax of the previous year. During the current year, the Group acquired an additional 10% (2018: 5,002%) of the issued share capital of Bedrock Mining Support (Pty) Ltd. It is expected that TWK Agri (Pty) Ltd will exercise its call option to purchase an additional 25% of issued shares in Bedrock Mining Support (Pty) Ltd during August 2020. The purchase consideration will be approximately R16 570 000.
- TWK Investments Group provided a general surety to the Land and Agricultural Bank and Standard Bank for the borrowings of TWK Agriculture Holdings (Pty) Ltd. The facility outstanding by TWK Agriculture Holdings (Pty) Ltd at year-end amounted to R100 000 000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

51. RELATED PARTIES

Relationships

Holding company	TWK Agriculture Holdings (Pty) Ltd
Subsidiaries	Refer to note 8
Associates	Refer to note 9
Members of key management	Executive and Non-executive Directors and related businesses

Related party balances

Figures in Rand	2019	2018
Loan accounts – Owing (to)/by related parties		
TWK Agriculture Holdings (Pty) Ltd	130 969 198	142 729 089
Amounts included in trade receivable/(trade payable) regarding related parties		
Directors and related businesses	22 875 186	17 631 342
TWK Agriculture Holdings (Pty) Ltd	–	437 052
Amounts included in trade payables regarding related parties		
TWK Agriculture Holdings (Pty) Ltd	(14 236 135)	(1 076 854)

Related party transactions

Figures in Rand	2019	2018
Interest paid to/(received from) related parties		
Interest received from directors and related businesses	(1 729 452)	(2 835 787)
Interest paid to holding company	2 243 307	2 776 207
Purchases from/(sales to) related parties		
Purchases from directors and related businesses	114 218 386	178 093 681
Sales to directors and related businesses	(16 688 272)	(2 758 516)
Purchases from holding company	–	55 722
Sales from holding company	–	171 035
Rent paid to/(received from) related parties		
TWK Agriculture Holdings (Pty) Ltd	12 510 362	11 998 574

Total number of shares held by the directors and related shareholders in which they have declared a personal financial interest

Figures in Rand	Direct		Indirect		Related trust*	
	Shares	%	Shares	%	Shares	%
Non-executive						
RL Meyer	–	0,00	280 610	0,80	–	0,00
JS Stapelberg	–	0,00	2 725	0,01	289 392	0,82
TI Ferreira	–	0,00	15 518	0,04	22 149	0,06
HJK Ferreira	–	0,00	–	0,00	–	0,00
CA du Toit	–	0,00	–	0,00	–	0,00
AC Hiestermann	11 000	0,03	102 983	0,29	18 141	0,05
HW Kusel	33 847	0,10	43 871	0,12	–	0,00
JCN Warrington	500	0,00	600	0,00	5 587	0,02
Executive						
AS Myburgh	839 946	2,39	64 189	0,18	306 478	0,87
JEW Fivaz	556 250	1,58	–	0,00	–	0,00
Subtotal for Directors	1 441 543	4,11	510 496	1,45	641 747	1,83
Other shareholders	33 659 450	95,89				
Total	35 100 993	100,00				

* Excluding trusteeship in TWK Agri Aandele Aansporings Trust and TWK Customer Loyalty Scheme Trust.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

52. PRIOR PERIOD ERRORS

During the 2019 financial year, management of TWK Agri (Pty) Ltd, a subsidiary of the company, procured the service of a tax consulting firm to investigate the application of Schedule 1, Paragraph 14 of the South African Income Tax Act relating to the deductibility of plantations.

The investigation identified that the cost of plantations purchased at the end of the 2018 financial year were not deductible in full due to a limitation that was incorrectly interpreted. This resulted in an overstatement of the net deferred tax liability and a corresponding overstatement of tax receivable and a understatement of the income tax payable line on the balance sheet.

The incorrect classification of the deferred tax and income tax receivable/payable lines in the previous year's financial statements represents a prior period accounting error which must be corrected.

Consequently, TWK Agri (Pty) Ltd shall adjust all comparative amounts presented in the current periods' financial statements affected by the accounting error.

The correction of the error(s) results in adjustments as follows:

Figures in Rand	2018 Reported	Adjustment	2018 Adjusted
Statement of financial position			
Deferred tax asset	70 640 057	(7 285 944)	63 354 113
Current tax receivable	20 173 977	(15 779 283)	4 394 694
Deferred tax liability	(215 070 604)	30 726 898	(184 343 706)
Current tax payable	(1 338 189)	(7 661 671)	(8 999 860)

53. COMPARATIVE FIGURES

The following tables summarise the material impacts resulting from the changes in accounting policies in the Group's consolidated statement of comprehensive income and consolidated statement of financial position. The effect of the restatement is purely attributable to the adoption of the new accounting standard IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, and other improvements.

Figures in Rand	2018 Reported	Adjustment	2018 Adjusted
Statement of financial position			
Effects of IFRS 9			
Other non-current financial assets	146 989 992	(146 989 992)	–
Investments at fair value	–	86 588 404	86 588 404
Non-current loans receivable	–	60 394 368	60 400 064
Other current financial assets	42 740 914	(42 740 914)	–
Current derivatives	–	2 376 098	2 376 098
Current loans receivable	–	40 364 816	40 364 816
Other non-current financial liabilities	(436 303 628)	436 303 628	–
Non-current borrowings	–	(436 303 628)	(436 303 628)
Other current financial liabilities	(1 117 638 864)	1 117 638 864	–
Current borrowings	–	(1 108 301 424)	(1 108 301 424)
Current derivatives	–	(9 337 440)	(9 337 440)
Trade and other receivables	957 887 806	7 220	957 895 027
Effects of IFRS 15			
Trade and other payables	(898 685 899)	15 313 218	(883 372 681)
Contract liabilities	–	(15 313 218)	(15 313 218)
Other improvements			
Revenue	7 675 416 146	(211 753 837)	7 463 662 309
Cost of sales	(6 371 893 241)	211 753 837	(6 160 139 404)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

54. 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 cooperation 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 and marketable securities, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Borrowing disclosed in note 29 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
At 31 August 2019		
Borrowings	148 556 400	493 064 619
Trade and other payables	818 291 009	—
Finance lease obligations	2 828 846	2 772 209
At 31 August 2018		
Borrowings	34 133 333	442 328 509
Trade and other payables	883 372 681	—
Finance lease obligations	1 415 283	4 060 913

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	2019	2018
Interest-bearing liabilities	1 827 123 884	1 660 294 358
Interest-bearing assets	671 896 443	604 062 489
Net interest-bearing liabilities	1 155 627 441	1 056 231 869
Half a percentage point increase in interest rates	4 158 819	3 802 435
Half a percentage point decrease in interest rates	(4 158 819)	(3 802 435)

Furthermore, the Group typically manages interest rate risk through risk-adjusted excess spread, where asset yields are sufficient to absorb movements in interest rates.

(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 2019 amounted to R15,19 (31 August 2018: R14,65). The Eswatini 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	2019	2018
Total revenue on exports	1 061 722 605	924 833 507
Half a percentage point increase in exchange rate	34 948 078	32 681 082
Half a percentage point decrease in exchange rate	(34 948 078)	(32 681 082)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

54. 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	2019	2018
Trade and other receivables	–	1 015 993
Trade and other payables	31 751 829	76 111 835

(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 2019 continued

54. 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	71,80%	18,30%	2,58%	1,16%	0,00%	6,16%

The table below illustrates the stratification of the clients base relative to credit extended and balances in arrears:

Figures in Rand	Exposure to the book	Arrears
R1 – R500 000	16,46%	9,20%
R500 001 – R1 250 000	13,73%	6,11%
R1 250 001 – R5 000 000	33,29%	5,38%
R5 000 001 – R8 000 000	12,15%	2,18%
R8 000 001 – R12 000 000	10,71%	0,00%
Above R12 000 000	6,28%	4,45%
Legal clients	7,39%	72,67%

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.

The TWK Group grouped trade and other receivables and Loans into the following categories that reflects changes in credit risk since initial recognition for impairment purposes as follows:

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

Debtors where there have not been a significant increase in credit risk since initial recognition. For the portfolio impairment assessment the debtors are not individually assessed but debtors with similar credit risk characteristics are grouped. The Performing internal risk rating is aligned to this group.

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

Debtors whose credit risk have increase significantly since initial recognition as well as debtors with repayment terms longer than 12 months without any sign of default. The debtors with repayment terms longer than 12 months without any sign of default is categorised in this group because the simplified approach according to IFRS 9 is applied. For the portfolio impairment assessment debtors are not individually considered, but debtors with similar credit risks and characteristics are grouped together and assessed for impairment. These debtors have not been handed over to the legal department for collections but there is an indicator of impairment due to accounts in arrears. The Increased risk, Underperforming, High Risk and the Non-Performing internal risk rating is aligned to this group.

Stage 3: financial assets that are credit-impaired

Debtors whose credit risk have increased significantly since initial recognition. These debtors is handed over to the legal department for recovery. The specific impairment represent 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 exist. The Default internal risk rating is aligned to this group.

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. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019 continued

54. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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 liabilities disclosed in note 20 (Bank overdraft), 27, 28, 29, 30 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	2019	2018
Total equity	1 351 608 462	1 183 782 336
Interest bearing liabilities less cash	1 764 037 619	1 554 758 656
Subtotal	3 115 646 081	2 378 540 992
Calculated rate (times)	1,30	1,31
Calculated rate (%)	130	131
Target band (%)	120 – 200%	120 – 200%

55. DIRECTORS EMOLUMENTS

Figures in Rand	Travelling and accommodation expenses	Remuneration	Short-term incentives
2019			
CA du Toit	18 635	353 792	–
TI Ferreira	8 203	236 017	–
AC Hiestermann	17 008	250 467	–
HW Kusel	14 248	274 550	–
RL Meyer	37 659	484 175	–
AS Myburgh	144 622	4 203 777	2 840 000
JS Stapelberg	6 433	328 050	–
JCN Wartington	10 993	236 017	–
HJK Ferreira	61 193	358 533	–
JEW Fivaz	96 043	2 785 080	1 970 000
Subtotal	415 038	9 510 458	4 810 000
2018			
CA du Toit	19 424	354 425	–
TI Ferreira	12 909	220 633	–
AC Hiestermann	17 009	235 562	–
HW Kusel	18 488	255 705	–
RL Meyer	26 937	455 042	–
AS Myburgh	133 376	3 927 185	2 686 819
JS Stapelberg	2 787	308 547	–
JCN Wartington	18 103	220 633	–
HJK Ferreira	55 756	316 573	–
JEW Fivaz	69 817	2 575 818	1 860 304
Subtotal	374 606	8 870 123	4 547 123

GENERAL INFORMATION

COMPANY

TWK Agriculture Holdings (Pty) 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

RL Meyer (Chairman)
JS Stapelberg (Vice Chairman)
AS Myburgh (Managing Director)
CA du Toit
TI Ferreira
JEW Fivaz (Financial Director)
AC Hiestermann
HW Küsel
JCN Warrington

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.

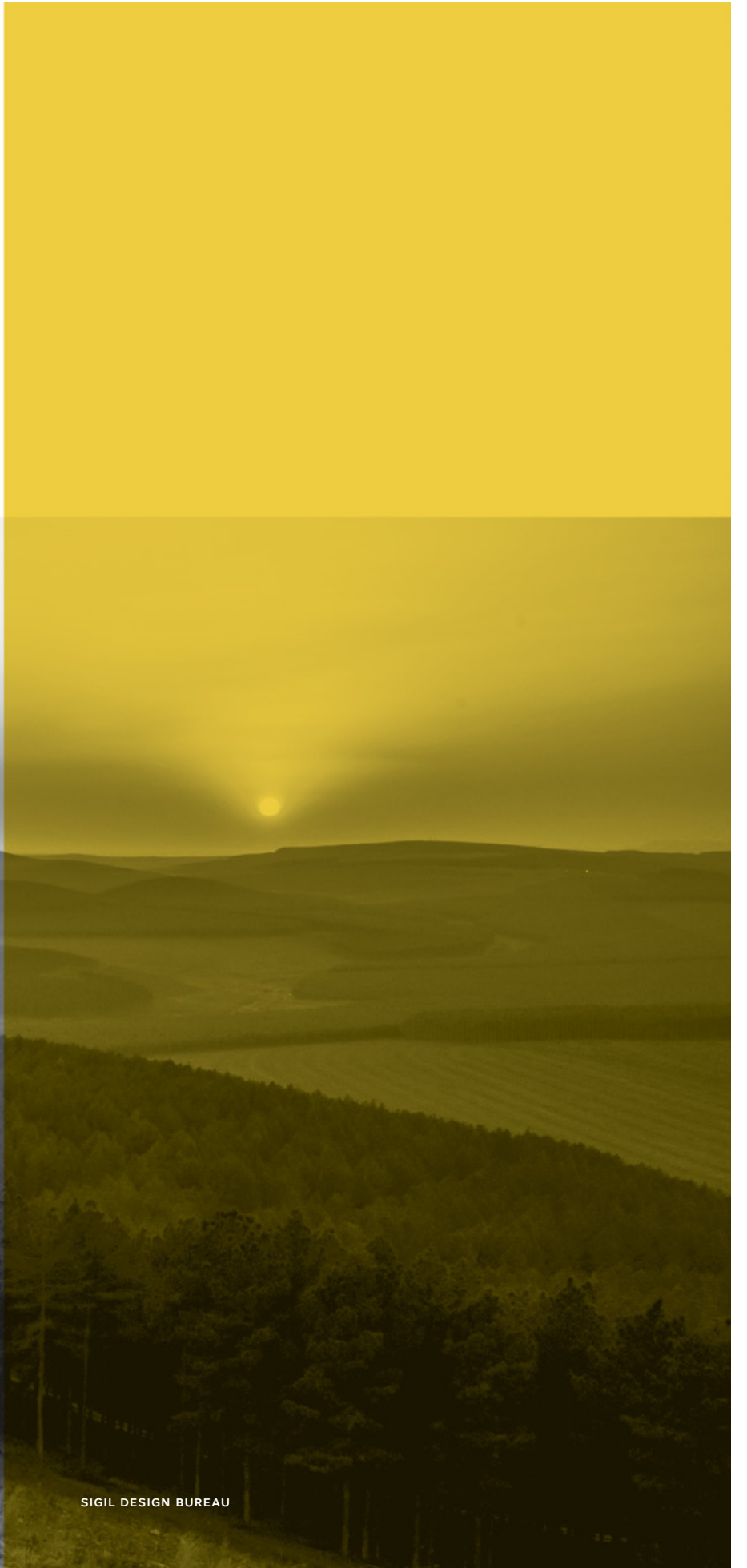
PREPARED BY

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

28 November 2019







T: +27 (0)17 824 1000

F: +27 (0)17 824 1077

E: twk@twkagri.com

twkagri.com