TWK Investments Ltd

Integrated Report 2021

Our vision

Achieving sustainable growth together.

Our mission

Delivering value-added 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, employer, and 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 and employees.

CONTENTS

About this report

Scope

This integrated report covers the integrated financial performance, governance, environmental and social activities of the TWK Investments Group ("TWK", "the Group", "TWK Investments" or "the Company") for the year ended 31 August 2021 ("the year").

It aims to provide a balanced, understandable and comprehensive review of the businesses by reporting on the financial and non-financial performances of the Group. This Integrated Report deals with the opportunities, risks and material issues faced by the Group in the normal course of business.

This Integrated Report was prepared in accordance with IFRS, the requirements of the Companies Act, the principles of King IV™ and the International Integrated Reporting Framework of the International Integrated Reporting Council. Mention has been made where TWK has not complied with any prescriptions made by these bodies.

Materiality

The materiality of information, both financial and non-financial, has been considered when deciding which information to include in the Integrated Report.

The Integrated Report is intended to provide insight into issues identified as the most relevant and material to TWK and its stakeholder groups, that could potentially impact the Group as a going concern. Comprehensive information pertaining to stakeholder engagement and material issues relevant to the various stakeholder groups, has been included in this Report.

TWK previously only published an Annual Report. This is the first Integrated Report published by the Group.

Assurance

This Integrated Report as a whole has not been independently assured. As a result of there not being an approved standard on assurance, the Group has decided not to assure this report in its entirety until such a standard exists.

TWK has an Internal Audit Department which, together with the Audit and Risk Committee, assesses all internal and external assurances obtained and matches these to its identified risks.

This Integrated Report may contain certain forward-looking statements concerning the Group's strategy, financial conditions, growth plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties, and important factors that could materially influence the actual performance of the Group.

No assurance can therefore be given that these views will prove to be correct, and no representation or warranty, expressed or implied, is given as to the accuracy or completeness of such views.

The Annual Financial Statements have been audited by PKF Pretoria Incorporated, and the Independent Auditor's Report can be found in the Annual Financial Statements on page 86.

Integrated Report and other related documents

This Integrated Report for the year ended 31 August 2021 is published in various media.

The Integrated Report, the King IV™ Application Register and the Company's B-BBEE Certificate are available on the Group's website. For additional information and recent announcements, please visit TWK's website at www.twkagri.com.

Approval of the Integrated Report

The Board acknowledges its responsibility in ensuring the integrity of this Integrated Report.

The Board has applied its mind to the Integrated Report and in its opinion this report addresses the material issues and represents fairly the integrated performance of the TWK Group.

JS Stapelberg
Chairman

AS Myburgh
Managing Director

25 November 2021

Overview of TWK

OVERVIEW OF TWK

TWK at a glance

TWK Investments Ltd (TWK) is listed on the Cape Town Stock Exchange under the share code 4ATWK.

The TWK story started in 1940 when the Transvaal Wattle Growers Co-operative Agricultural Company Ltd was registered. In 2014, the company was restructured into its current form with TWK Agriculture Holdings (Pty) Ltd as the ultimate holding company and TWK Investments as the investment entity.

TWK is a diversified group of companies operating in the following segments:

Grain

The Grain division provides commodity strategic support and services to farmers. We focus on hedging and selling maize and soya beans at the best possible market prices, while the division also enables farmers to safely store and dry their grains at our HACCP and SAFEX registered silo's. Furthermore, we produce our own branded maize meal, animal feeds and supply it at retail, wholesale and farm level.

- Grain storage
- Grain marketing (Safex trading)
- Grain processing

Trade

Our network of retail stores offers customers a well-priced, comprehensive range of products dedicated to the agricultural sector. 30 retail branches are spread across the Mpumalanga and KwaZulu-Natal regions. Constantia fertiliser is part of our trade division and provides various fertiliser blends to our customers. These products are distributed throughout South Africa by our branch networks and our professional sales representatives.

Our mechanisation division primarily acts as a New Holland reseller in Mpumalanga and KwaZulu-Natal and offers various implements and mechanical solutions to the market.

- 29 Trade branches
- Constantia blending plants and fertiliser depots
- Mechanisation (including New Holland agencies)
- Gromor organic fertilisers

Roofspace

Roofspace Rental Group provides and maintains a solar solution to generate renewable electricity for tenants. We create an opportunity to safeguard tenants from any unwanted electricity cuts, assisting in creating a better, cleaner environment. Roofspace aims to provide longer lease terms, increase rental income and lower operations costs. We leverage our capital on energy-saving initiatives to altogether remove any landlord risks.

- Solar solutions
- Solar products

Timber

TWK ensures that our timber and that of our suppliers are delivered to local and international markets at competitive prices. Exports to international markets are done from TWK's chipping mill in Richards Bay. We provide multiple processed and unprocessed timber products, while cultivating **37 400** hectares of forestry plantations in South Africa and Eswatini.

- Forestry plantations
- Timber marketing
- Woodchip export facility, Richards Bay
- Treated timber plant
- Lumber and mining timber sawmills
- Charcoal production
- Timber and vegetable seedling nurseries
- Untreated timber products
- BedRock Mining Timber
- Logistics

Financial Services

The Financial Services division provides unique financing and insurance solutions to the agricultural and related industries. Our products and services have expanded over the years to complement the growth and development of the company's diverse client base and have service points in Mpumalanga, KwaZulu-Natal, Western and Eastern Cape, Free State and Gauteng.

- Seasonal credit facilities
- Monthly accounts
- Forestry loans
- Asset finance
- Personal and commercial insurance brokerage
- Crop insurance brokerage
- Agriculture insurance
- Plantation insurance
- Liability insurance
- Transit cover
- Medical aid
- Life insurance
- Wills and testaments
- Other specialised insurance products

Vehicles and Tyres

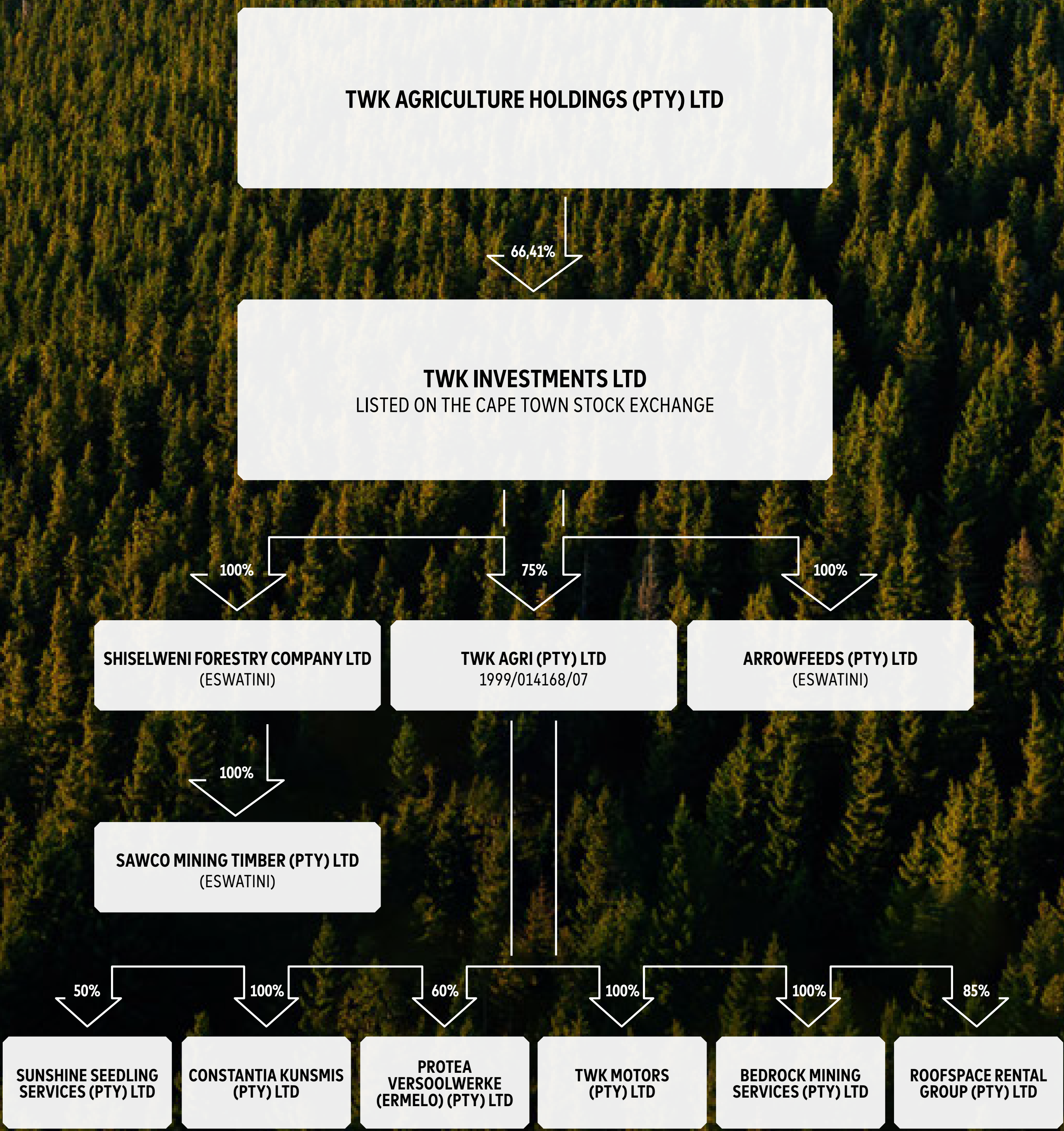
The TWK Motors division offers a wide range of vehicle related products and services.

This diversified division consists of various businesses units, with a number of represented brands. Vehicle dealerships and business units are based in Piet Retief, Ermelo and Standerton.

- 2 Toyota dealerships
- 2 Isuzu dealerships
- 2 Haval and GWM dealerships
- Hino dealership
- 5 Total fuel stations with fast food and convenience stores
- Perfect water
- 2 Tyre retreading factories
- 4 Tyre retail outlets

Abridged group structure

as at 31 August 2021



Shareholders are referred to the Listing Particulars dated 22 September 2021 where the additional information pertaining to the capital held by TWK and its subsidiaries can be viewed.

Our strategy

Stakeholders

Supplier of choice
Market of choice

STRIVE

Achieve sustainable growth with our customers and communities

Financial performance

Investment of choice

GROWTH

TWK's success comes through strong, sustainable growth in our diversified agriculture and adjacency businesses. It is sustained through the creation of shared value with the communities of customers we serve, our entrepreneurial spirit, commercial expertise, focused innovation, technology enablement and ongoing process optimisation

Process excellence

Supplier of choice
Market of choice

RENEW SUSTAIN CONSERVE

Based on managing and optimising process excellence and organisational effectiveness

People and transformation

Employer of choice

DEVELOP

Ensure that talented people and intelligent technology are the building blocks of our future success

GROWTH STRIVE RENEW SUSTAIN CONSERVE DEVELOP

A commitment to act responsibly and ethically. Deliver the best possible service to customers. Develop insights into unique needs. Collaborate to create shared value and cultivate loyal long-term relationships.

PILLAR 1 – Focus on customers

Provide customer-centric, innovative agribusiness products, services, markets and solutions to farmers, commercial customers and rural communities. Deliver through exceptional retail and commercial experiences.

PILLAR 2 – Optimise value chains

Optimise business models through increasing efficiency, productivity and value-add to ensure sustained competitiveness.

PILLAR 3 – Improve operational efficiencies

Increase shareholder value through prudent investment in a diversified portfolio of businesses that sustain long term growth including focus on own primary production.

PILLAR 4 – Optimise capital management

UTILISE digital technology to develop intelligent products, services and solutions.

ORGANICALLY DEVELOP a portfolio of innovative products, services and solutions to meet customers' current and future requirements.

DEVELOP holistic view of customers and transactions to ensure relationships and value are optimised over time.

IMPLEMENT sound strategic and operating disciplines to ensure governance, the transfer of learning and adoption of leading practice.

A **VIBRANT ECOSYSTEM** of partners, suppliers and people with the right competencies, mindset and resources, available in the right place at the right time.

TRANSFORM TWK to remain competitive and relevant in a fast-changing world – embrace diversity, inclusion and sustainable practices.

2021 HIGHLIGHTS

41,90%
Compound growth in share price per year since 2015

TOTAL EQUITY EXCEEDS
R1,72bn

TOTAL ASSETS WORTH
R5,51bn

R3,97bn
REVENUE: TRADE SEGMENT

R1,88bn
REVENUE: TIMBER SEGMENT

3 104
EMPLOYEES

TOTAL TWK WOODCHIP EXPORTS
360 000 tons

901 985 tons
TOTAL ROUND TIMBER MARKETED TO VARIOUS LOCAL MARKETS

12,04%

Compound annual growth in NAV per share since 2015

R46,36

NAV PER SHARE

121,75%

PROFIT BEFORE TAX INCREASE

R491m

OPERATING PROFIT UP 66,84%
(2020 | R294m)

EARNINGS PER SHARE FOR THE YEAR ENDING 31 AUGUST 2021

644,66 cents

PER SHARE, UP BY 100,83%

PROFIT BEFORE LOYALTY SCHEME PAYMENT

R363m

R8,86bn

REVENUE INCREASE OF 15,31%

OVERVIEW OF TWK

Chairman's report

JS Stapelberg
Chairman

I am proud to report that, despite the enormous and ongoing macroeconomic strain, TWK continued its growth trajectory during the year ended 31 August 2021.

2021 HIGHLIGHTS

R491m
OPERATING PROFIT (2020 | R294m)

66,84%
OPERATING PROFIT UP (2020 | DOWN 36,99%)

R623m
CASH GENERATION FROM OPERATIONS (2020 | R619m)

PROFIT BEFORE TAX (2020 | R159m)
R352m

PROFIT BEFORE TAX INCREASED BY
R193m

PROFIT BEFORE TAX UP (2020 | DOWN 43,08%)
121,75%

TOTAL CASH AT YEAR-END (2020 | R93m)
R236m

On exclusion of non-recurring income of R86 million and other non-operating losses of R36 million in the current year, profit before tax increased by R142 million from R159 million to R301 million and with R22 million when compared with the pre-COVID 2019 results.

Positive cash flows were generated from operations, and we continued to increase our market share by strengthening our product and services offering coupled with new acquisitions.

One should not forget the uncertainty, anxiety and turmoil that we have all experienced since the beginning of the COVID-19 pandemic. We faced economic, political, and social challenges and the global economy experienced the deepest downturn since the 2008 financial crisis. Looking back, I am proud of TWK's resilience and agility to tackle all the unknowns, sustaining operations, and progressing our major strategic objectives and growth projects and protecting our employees while doing so. I am proud of the opportunities we identified and took advantage of despite the pervasive uncertainty. Most importantly, I am proud of the way TWK, and its executive team stayed true to our values and how we did our best to look after the interests of all our stakeholders.

The increased demand in our key timber markets, excellent trading conditions, increased fertiliser volumes sold and the acquisition of the Sunshine Seedlings and Peak Timber businesses, supported both profit and growth. However, due to challenging market conditions in the Filling Station division, the results in the Motor and Tyres segment remained disappointing.

Except for the 2020 financial year, impacted by the pandemic and tough economic conditions, the TWK Group achieved year on year growth. Even though the 2020 financial year was disappointing we do not recognise it as a setback in the achievement of our goals and targets. The robust results of 2021, ethical leadership, and a drive to create sustainable shared value support my view. During the last couple of years, we began to unlock real value for our shareholders and create a distinctive and active company poised for future growth. TWK has invested in strategic growth opportunities, and we have also made acquisitions that complement our existing businesses, and diversify in quality revenue streams, all while staying focused on the needs of our producers.

While trading conditions improved which supported revenue and trading profit, cash generation also improved, albeit offset by repayment of loans and investments in new operations to stimulate sustainable growth.

Operating profit of R491 million, increase by 66,84% and profit before tax is up with 121,75% due to reasons mentioned above. The debt-to-equity ratio increased to 147,40% (2020: 145,85%) due to the acquisition of the Peak Timbers business.

Our focus on working capital and liquidity management has resulted in strong cash generation from operations at R623 million and cash at year-end of R236 million.

The Board is confident in the value of the quality income streams, the strength of the financial positions as well as the liquidity of the Company. It was thus possible to declare and to pay a constant dividend to shareholders. 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.

The net asset value per share increased by 8,24% and stood on R46,36 per share on 31 August 2021. TWK Agriculture Holdings (Pty) Ltd's share price increased further in the past year and stood at R46,00 per share as of 31 August 2021 and TWK Investments Ltd at R35,10 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 listing of the TWK Investments shares on the Cape Town Stock exchange on 30 September 2021 at a price of R35 already resulted in the desired outcome. The planned secondary listing on A2X promises to enhance the ability and liquidity to trade in TWK Investments' shares and position TWK strategically better to attract institutional investors, which is aligned with the growth prospects of TWK.

We are proud of our 2021 performance and the TWK Group have set very ambitious and specific targets for the next five years. The strong financial position, performances of recent years and the quality of the underlying income streams give the Board and Management the resources and confidence to pursue a range of investments primarily aimed at increasing scale which will enable us to reach our targets. 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, with a clear picture of what we are aiming for and to place the focuses and attention on hitting goals.

The Board's response to COVID-19

TWK's priority is to reduce the pressure posed by the COVID-19 pandemic on our employees, business operations and all stakeholders to ensure business continuity across the Group's operations.

Employees, service providers and contractors were trained on COVID-19 health and safety protocols in the workplace. Employees were supported with facemasks and hand sanitisers that were issued on a regular basis and daily screening and testing of all employees as well as additional hygiene processes were introduced successfully.

Employment conditions and work environments were adjusted across all operations, supported by extensive stakeholder management with the Department of Health, the Department of Employment, organised labour, and national, provincial, and local industry support structures, all of whom endorsed the successful implementation of our risk mitigation actions.

It is with great sadness that we report the passing of five employees due to the COVID-19 virus. Our thoughts and prayers remain with the families and friends.

Corporate governance

As noted above, TWK is fully committed to managing its business in a sustainable way and upholding the highest standards of ethics and corporate governance practices.

The Board of Directors is ultimately accountable for the performance of the Company, but considers the interests of shareholders and clients, as well as the legitimate requirements of employees, suppliers, regulators and community organisations. TWK appreciating that strategy, risk, performance and sustainability are inseparable. Our governance framework is based on the principles contained in the King IV Report on Corporate Governance for South Africa.

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.

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

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

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

Outlook for the year ahead

A volatile economy saw volatility across world markets, in part due to fear and uncertainty. What remains clear, however, is a healthy, sustainable and inclusive food system are critical to achieve the world's development needs. Agricultural development is one of the most powerful tools to end extreme poverty, boost shared prosperity, and feed the world. While uncertainty and unique challenges will remain, I am confident that the trajectory for our business is positive. The key to our success is a unique business model, quality of income streams, rapid response to a rapidly changing environment, overcome challenges with opportunities and a business practices based on ethical principles. 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.

Looking ahead we are anticipating a further improvement in the operating environment for our business units because of increased market penetration, increased business operations, increase in volumes, the impact of the business combinations and improved margins. There is also an increase in the demand for our timber products. Furthermore, we will continue to focus on productivity, cost management and investments in the timber industry and other business opportunities to increase our value adding proposition.

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

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

TWK's extensive footprint, infrastructure, market share and expertise 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 and fibre supply.

The excellent results of 2021, prospects for 2022, the availability of a reliable funding pool and the strategically positioning of our shares set the scene in the achievement of our strategic objectives and plans for continuous growth. 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.

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

Acknowledgements

I am encouraged by TWK's solid performance and look forward to seeing how our aggressive growth strategy, to shape a better future for our Group and our stakeholders, plays out.

Firstly, I want to thank our people who have shown incredible commitment and dedication during these turbulent times and have made many sacrifices, for which we are truly grateful. In addition, I want to acknowledge the support and wisdom of the Board. It is my privilege to serve as Chairman of a great Board that carries out its task with meticulous precision – for that, my sincere thanks.

I also want to thank our shareholders for their confidence amidst all the economic and political uncertainties. Rest assured that our passion for what we do will continue to generate the sustainable, profitable returns you rightfully expect from us.

I would like to extend my sincerest condolences to all who have lost loved ones during this time. Our thoughts and prayers are with you.

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

Johannes Stephanus Stapelberg
Chairman

OVERVIEW OF TWK

Managing Director's report

André Myburgh
Managing Director

Another year of growth for TWK

Our drive for a better tomorrow, the diversified business model and successful acquisitions helped us to deliver a strong performance and record results.

We had to navigate another year of challenging economic conditions and the impacts of the COVID-19 waves We foresee that COVID-19 will continue to be part of our lives for longer – depending on vaccination rollouts. The economic impact of COVID-19 on the South African economy as well as on growth and consumers will be with us longer than we would have anticipated. However, we are encouraged by the resilience of the agriculture and forestry sector and believe we are perfectly positioned in the Agri and Forestry sector. The Agri-sector was one of a few sectors of the economy to contribute to economic growth in the last 24 months.

Our Group once again showed resilience amid the economic conditions and reported record profitability and cash generation despite the impact of COVID-19.

The International Monetary Fund expects global economic growth to be around 4,9% in 2022. Consumer confidence indicators strengthened globally, with retail spending approaching pre-pandemic levels.

Although the economic recovery is expected to continue in 2022, output and employment will remain well below pre-pandemic levels until 2023.

The prices of commodities and industrial metals are high compared to prices in the pre-pandemic period. International fibre prices have also increased the last part of the financial year, but it is still well below pre-pandemic levels.

The recovery for South Africa will be slow, with the South African Reserve Bank predicting real economic growth of 5,3% for 2021 moderating to 1,7% in 2022. The economy suffered a further setback with the recent civil unrest and looting that also had a negative impact, although minimal, on some of our trade branches in KwaZulu-Natal.

TWK has experienced challenges at the ports through delays, theft of Transnet infrastructure, cyber-attacks, lack of maintenance and general inefficiency.

This is a stumbling block for our timber export and fertiliser import as well as the cost associated with the exports and imports. We will be looking at different options in the new year to work together with the ports to improve efficiencies and reduce costs.

The strategic acquisition of the Peak forestry assets in Eswatini were effectively implemented on 11 March 2021. Even though satisfactory cash flow profits were generated during the year the expectation is that the asset will generate a meaningful contribution due to increased sales volumes, synergies and cost savings.

The past year Eswatini, for the first time, experienced political unrest that also had an impact on the performances of TWK's businesses in Eswatini. We foresee that political unrest, will continue in 2022, depending on negotiations.

The acquisition of 51% of the shares in Sunshine Seedling Services at the beginning of the year, with an irrevocable right to acquire a further 49% of the shares in SSS over the next five years at agreed terms and financial ratios, has delivered satisfactory results for the first year as part of the TWK business.

These acquisitions give TWK scale, improve sustainability, diversity, unlock synergy and drive efficiencies.

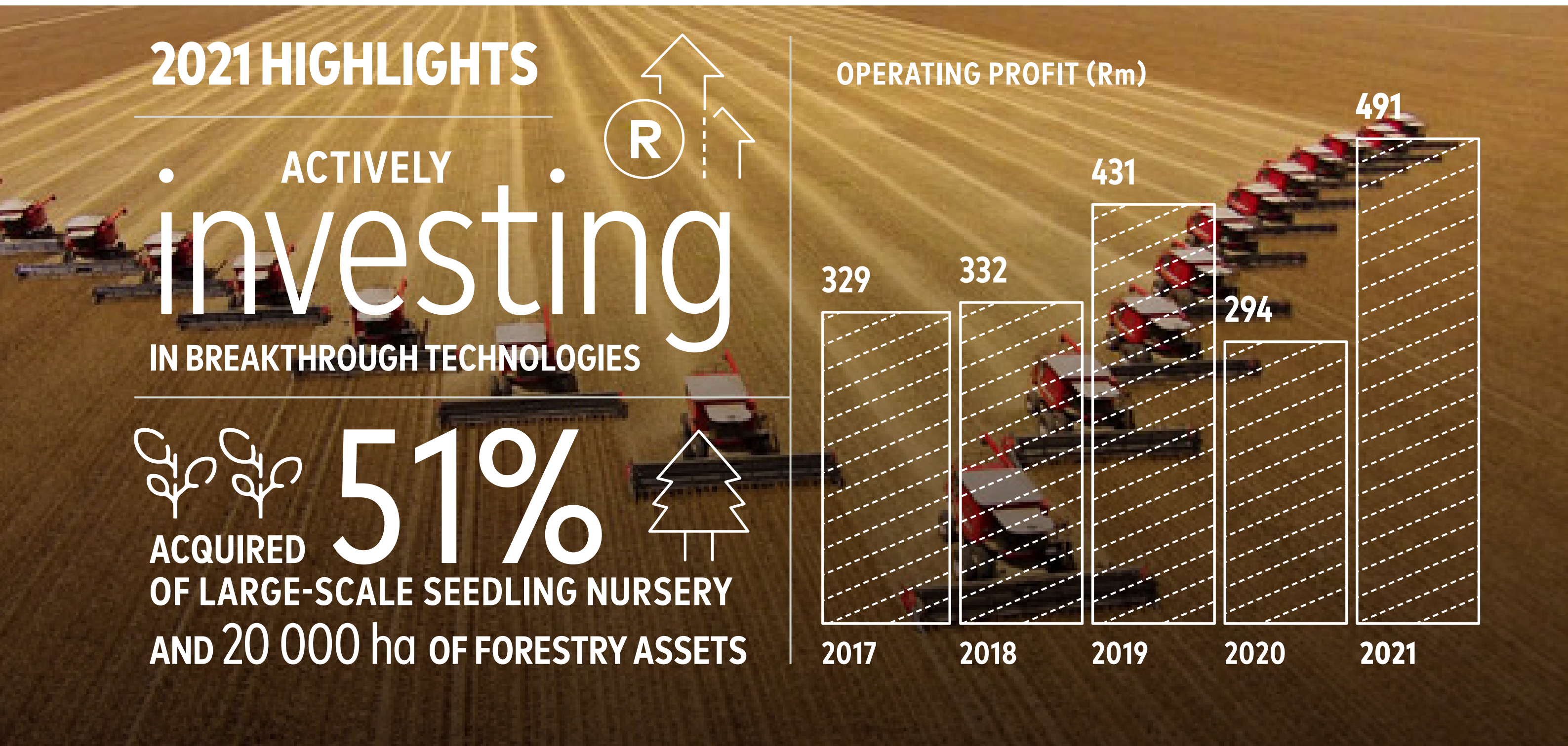
The TWK Group has shown good, consistent growth over the last 10 years with record financial performance year-on-year.

TWK benefited from low interest rates and the weakening of the rand.

The project of implementing a new IT system for the Group is on track for implementation on 1 September 2022. TWK believe in investing in the future and believe therefore to invest in the best and newest technology. The Project outcome is to improve data quality, enable a more connected and optimised business environment and improved reporting functionality.

Ethics is a priority on the agenda and is an integral part of the governance and management processes of TWK with the aim of cultivating an ethical organisational culture.

TWK is growing, adapting, and evolving in a continually shifting context.



Timber segment

During the year under review, **360 000** tonnes were exported compared to 390 000 tonnes in 2020.

Sales improved significantly in 2021 — compared to 2020, when COVID-19 had a negative impact on sales to all our markets.

The Timber Division reported revenue of R1,88 billion, an increase of 2,25% from R1,84 billion for the previous financial year primarily due to the better performance delivered by mining timber products and timber sales from own plantations.

In addition, the inclusion of the acquisitions concluded during the year also positively contributed to the strong set of results. As a result of the above, EBITDA increased by 119,67% from R125,57 million in August 2020 to R275,83 million.

The international demand for woodchip is increasing and it is expected to continue for years to come. International pulp prices have increased and is expected to increase even further during 2022.

Compared to 2020, when COVID-19 had a negative impact on sales to all our markets, this year's sales have improved, increasing by 27% to 901 985 tonnes.

TWK acquired a 51% interest in Sunshine Seedlings Service (Pty) Ltd (SSS) effective 1 September 2020. SSS is a large nursery business yielding some of the highest quality timber and vegetable seedlings in South Africa. SSS produces over 10 million forestry clones, 15 million forestry seedlings, 5 million essential oil seedlings as well as 42 million vegetable seedlings, annually. This business delivered a very satisfactory performance. The SSS acquisition contributed R32,63 million to EBITDA for the year under review.

The acquisition of some of the forestry assets of Peak Timbers Ltd and Peak Forest Products (Pty) Ltd by Shiselweni Forestry Company Ltd, a wholly owned subsidiary of TWK, was effective 11 March 2021. The transaction adds 26 752 hectares of land, 20 000 hectares of standing timber, buildings and a sawmill operation to the Group. The acquisition is aligned to the Company's strategy to increase its own fibre resources to ensure the sustainable supply of its existing markets. In addition, the increased scale will have cost benefits and provide a basis for future value-adding opportunities. The business performed in line with expectations.

BedRock, an integrated timber-based mine support subsidiary of TWK, reported a solid set of results and managed to increase their sales with 16% for the year under review. In February 2021, BedRock Mining Support (Pty) Ltd acquired 10% of its own shares from minority shareholders, resulting in BedRock now being a wholly owned subsidiary of TWK Agri (Pty) Ltd.

TWK owns and operates a world-class woodchip production and export facility in Richards Bay, with the capability of producing and exporting 900 000 tonnes of woodchips per annum. During the year under review, 360 000 tonnes were exported compared to 390 000 tonnes in 2020. TWK produces and exports high-quality woodchips to some of the largest pulp and paper producers in Japan, China and Spain. Due to the increase in pulping capacity increases in China and Chile and the positive impact of a weaker rand, the South African woodchip market will be favourably affected in future on the back of increased demand for packaging and sanitary products.

The solar system implemented at some of our sawmills continues to relieve the dependency on eSwatini power supply and the cost-saving and innovation initiatives have benefited the business.

The outlook for the 2022 financial year is positive and is expected to be stronger than 2021 as industries return to pre-COVID-19 levels and the export of woodchips increase.

EBITDA

R275,83m

EBITDA INCREASED BY

119,67%

TIMBER SALES (TONS)

901 985

TIMBER SALES INCREASED BY

27%

Retail and Mechanisation segment

Excellent trading conditions were experienced throughout all the segment's major operating divisions.

TWK increased its market share in tractor sales to 39% (August 2020: 36%) **in KwaZulu-Natal and 38%** (August 2020: 32%) **in Mpumalanga.**

TWK maintained its retail outlets at 29 (August 2020: 29). As at 31 August 2021, TWK had five fertiliser depots situated in KwaZulu-Natal, Mpumalanga, North West and eSwatini as well as five fertiliser blending facilities located in Mpumalanga, KwaZulu-Natal and the Western Cape. In addition, TWK owns one organic fertiliser production facility in KwaZulu-Natal.

Revenue increased by 17,66% from R3,37 billion (August 2020) to R3,96 billion as this segment reported one of its best results on record and exceeded its expectations. Excellent trading conditions were experienced throughout all the major operating divisions and increased fertiliser volumes sold have contributed to the increase of 151,20% in EBITDA to R156,15 million from R62,16 million (August 2020), with the EBITDA margin increasing to 3,94% from 1,84% (August 2020).

Mechanisation sales, through the New Holland agencies, increased significantly in KwaZulu-Natal and Mpumalanga, on the back of record crops reported in these regions. TWK also opened a new agency in Standerton that positively contributed to this operation's results. TWK, as a result, increased its market share in tractor sales to 39% (August 2020: 36%) in KwaZulu-Natal and 38% (August 2020: 32%) in Mpumalanga.

Retail gross profit was boosted by 2,1% due to the COVID-relief vouchers given to farmers and market share was gained from other Agri retailers.

The fertiliser business, Constantia Fertilizer, also reported an exceptionally strong performance on the back of effective buying strategies. Between June and July 2021, international fertiliser prices increased dramatically. Although the Rand exchange rate was more stable, there was a shortage of fertiliser. Constantia Fertilizer had enough stock to meet customer demand. Fertiliser sold for the year under review increased by 22,6% from 231 175 tonnes (August 2020) to 283 362 tonnes (August 2021).

Trading conditions for the 2022 financial year are expected to remain optimistic.

REVENUE

R3,96bn

REVENUE INCREASED BY

17,66%

FERTILISER SALES (TONS)

283 362

FERTILISER SALES INCREASED BY

22,6%

Grain segment

The Grain segment's revenue for the year ended 31 August 2021 is higher than the prior year, increasing by **33,65%** from R1 311,50 million (August 2020) to **R1 752,82 million.**

The higher grain prices together with good rainfall expectations across South Africa, bode well for TWK Grain.

The low carry-over soya bean stock in South Africa at the beginning of the soya season resulted in soya transported direct from farms to end-users, bypassing the grain silos to meet demand.

Maize was also taken directly from the farms to the harbour for the South African maize export programme. Given this, the Grain Storage business stored lower tonnage than the previous year, reporting a 2,8% decline in storage through-put. However, the Grain Marketing business increased their market share with additional tonnes marketed.

In South Africa and eSwatini, the grain mills and animal feed operation's performance were negatively impacted by higher maize prices.

Arrow Feeds, based in eSwatini, reported a decrease of 3,8% in volumes and an increase of 1,7% in revenue due to higher grain prices throughout the reporting period.

As a result of EBITDA marginally decreased by 6,01% from R49,92 million (August 2020) to R46,92 million, resulted in the EBITDA margin decreasing to 2,68% (August 2020: 3,81%).

The lower world grain stocks, especially in soya, are primarily due to China being an aggressive buyer of both maize and soya. This, together with the draught in the United States and South America, resulted in the Chicago Mercantile Exchange (CME) grain prizes increasing to almost record highs. However, the stronger rand countered some of these price hikes.

The main drivers of agricultural commodity prices are the result of the compound interactions among macroeconomic factors such as brent crude oil prices, crop size, exchange rates and the growing demand for food and agricultural productivity.

The higher grain prices together with good rainfall expectations across South Africa, bode well for TWK Grain. We are positive about the 2022 financial year as South Africa is expecting another year of large grain crops.

EBITDA
R46,92m

EBITDA DECREASED BY
6,01%

Increased
MARKET SHARE

REVENUE INCREASE OF
1,7%
FOR ARROW FEEDS (ESWATINI)

Financial Services segment

Revenue increased by **4,91%** from R173,54 million in August 2020 to **R182,06 million,** with EBITDA increasing by **124,90%** to **R88,12 million** from R39,18 million (August 2020).

The Production Credit Book grew strongly by 24% to R543 million as at 28 February 2021
(29 February 2020: R438 million).

The Insurance Division reported a 23% growth in short-term insurance premiums, mainly due to new business generated during the year under review.

Furthermore, the short-term section of the Insurance Division extended its claim mandates, increasing profitability and resulting in a better customer experience when submitting claims.

The total crop insurance premium received decreased by 2,26% as a direct result of a 5% decrease in crop hectares insured. However, it was offset by an increase of 28,8% in total tree hectares insured over the financial year.

Restructuring the life insurance team and market penetration resulted in growing commission income by approximately 47% during the year under review.

The Medical Insurance Portfolio continued to show remarkable growth. Effective 1 August 2021, TWK acquired a brokerage focusing on medical insurance situated in Witbank. Commission revenue on the Medical Insurance Portfolio grew by 76,66% as a result of an increase of 103% in members during the financial year from 2 178 members as at 31 August 2020, to 4 423 members as at 31 August 2021.

On 31 August 2021, the Credit Division reported growth of 48,87%, mainly due to higher grain plantings, higher input costs for farmers as well as increased market penetration. As a result, the Production Credit Book grew strongly by 24% to R543 million as at 28 February 2021 (29 February 2020: R438 million). As at 31 August 2021, the Production Credit Book was R318 million (31 August 2020: R214 million) as farmers were able to settle their accounts as a result of benefiting from good crop yields and high grain prices. Production accounts handed over due to non-performing debt decreased by 18,17% for the year under review, notwithstanding the increase in the Production Credit Book. Furthermore, bad debts written off decreased from 0,75% to 0,33% of the total TWK debtors' portfolio.

Additionally, the book increased due to gaining 45 new clients on the back of the effective syndicate lending agreement with Standard Bank and FNB, which gives TWK access to sufficient funding for on-lending to producers without the risk of only one source of funding. TWK's risk monitoring system is effective and comprehensive to ensure that its credit risk is managed sufficiently.

The above increases were offset by a decline of 49,20% in bridging facilities compared to 31 August 2020 on the back of good yields and crop prices being achieved, resulting in the farmers being able to repay their bridging facilities. At year end, bridging facilities are at its lowest, peaking in January and February.

TOTAL TREE HECTARES INSURED INCREASED BY

28,8%

BAD DEBTS WRITTEN OFF DECREASED TO

0,33%

LIFE INSURANCE COMMISSION INCOME GREW BY

47%

MEDICAL INSURANCE PORTFOLIO GREW BY

103%

Motors and Tyres segment

The Motors and Tyres segment reported an increase in revenue of **8,27%** to **R1 060,65 million** (August 2020: R979,63 million).

Operating expenses were well controlled and less than the previous year, positively contributing to the final net results.

The segment revenue growth was mainly because of increased tyre sales and increased vehicle sales due to the inclusion of a new dealership branch for the year under review.

As a result of challenging market conditions, especially in the Filling Station division, EBITDA decreased by 25,83% from R32,18 million (August 2020) to R23,87 million, with the EBITDA margin weakening from 3,28% (August 2020) to 2,25%.

Motors

During the year under review, the Motors division reported a 50% increase in the overall number of vehicles sold, notwithstanding the ongoing shortage of new vehicles on the back of the world-wide semi-conductor crisis, as well as the shortage of used vehicles. Dealerships outperformed NAAMSA and delivered an increase in new vehicle sales of 65,56%. This was complemented by an increase of 26,58% in used vehicle sales. The Haval dealership performed exceptionally well.

Silo Panel Beaters was sold during the second half of the year.

The Filling Station division's petrol and diesel sales volumes decreased by 22,59% from 15 252 380 litres (August 2020) to 11 807 441 litres. This business was only trading at 80% capacity and making losses. TWK took a decision to sell its fossil fuel business.

Trading conditions are expected to remain challenging with the shortage of new and used vehicles set to continue for the 2022 financial year. Demand for services and parts should continue to increase. TWK dealerships continues to improve its client services and experiences to increase loyalty amongst existing clientele and to boost after-market services and parts sales.

Tyres

Protea Tyres reported improved results for the year under review.

Despite port congestion and unavailability of containers for imported tyres, specifically from China, because of post COVID-19 lockdown challenges, tyre sales volumes on new tyres increased by 16,41%.

The demand for re-treaded truck tyres stabilised and sales volumes increased by 1,30%.

Operating expenses were well controlled and less than the previous year, positively contributing to the final net results.

During the year Protea Tyres closed the non-profitable Piet Retief branch but managed to retain a footprint in the area by implementing service centres at key customers with fitters-on-site.

INCREASE IN NEW VEHICLE SALES

65,56%

INCREASE IN USED VEHICLE SALES

26,58%

INCREASE IN NEW TYRE SALES

16,41%

PETROL AND DIESEL SALES (LITRES)

11 807 441

OVERVIEW OF TWK
Managing Director's report continued

Renewable energy

TWK's strategy includes investing in renewable energy. Roofspace Rental Group (Roofspace), registered in South Africa and eSwatini, is an energy savings initiatives company that endeavours to reduce the electricity supply risk to its corporate clients by providing solar energy.

Roofspace's unique model aims to mitigate this risk by taking ownership of solar technologies and leveraging the shopping centre asset with a tangible, bankable, long-term lease. As an energy savings company (ESCO), Roofspace has developed a niche market position within Africa's shopping mall market.

Roofspace has signed lease contracts with four malls during the year under review and the Board has approved the lease agreements for nine additional malls. Roofspace has also entered into sole supplier agreements with two large property retailers and TWK is excited about the prospects of this venture going forward as it further diversifies the Group's revenue stream. Employing dynamic change to sustainable operations is a key attribute of the TWK Group.

From an environmental perspective, the 11,4MW of solar projects at the initial 13 shopping centres will offset approximately 19 000 tons of carbon emissions (CO_2e) per annum in the first year of operation.

For the year under review, revenue and EBITDA amounted to R3,41 million and R0,67 million, respectively, resulting in an EBITDA margin of 19,74%.

The new financial year

The TWK Group maintained its strategic course of growth in the 2021 financial year and the effectiveness of this strategy, as evidenced in the robust performance of the past year, places us in a strong position as we enter 2022. The future results will however be dependent on TWK's agility and its ability to reinvent to meet the future needs of clients.

TWK's focus on the next year will be the integration and optimisation of the recent acquisitions and successful delivery of the significant capital investment.

The EU and the rest of the world are seeking to implement urgent policy measures to combat the negative effects of climate change. In its 2030 climate target plan, the EU aims to reduce greenhouse gas emissions by 55% from 1990 levels. To that end, the EU has crafted the "Farm-to-Fork Strategy", a new approach that ensures that agriculture, fisheries, forestry, and the entire food system effectively contributes to achieving this target. Amplifying TWK's journey towards a greener economy. TWK is increasing its investment in renewable energy, in the new year, to reduce its carbon emissions and position itself to earn carbon credits.

We believe South Africa's agricultural sector will grow by over 6% this year after an already solid growth of 13,4% year-on-year in 2020. The continuous favourable weather conditions, strong fibre export activity, and potentially higher fibre prices will remain critical catalysts for growth in the near term.

The rising input costs – oil, herbicides, and fertiliser – could erode gains from the past year for farmers when embark on the 2021/22 production season. While there remains uncertainty about the commodity price trajectory, the expected La Niña and associated dryness it typically brings to South America could prove to be a significant global price supporting factor and, in turn, boost the South African agricultural commodities market and support our performance.

The Company will also continue its focus on opportunities for growth that will benefit all stakeholders.

While the new year will no doubt continue to present both challenges and opportunities, we are confident in the ability of the businesses to deliver sustainable growth again.

Acknowledgements

We are in the privileged position of reporting to have reached the highest financial summit to date. Despite of a challenging climb during a worldwide pandemic. It just shows that TWK does not stand back for any challenge.

TWK are driving a better tomorrow and the driving force behind TWK's climb is our committed team of employees and I want to thank them all. I also would like to express my gratitude to the executive management that made the climb possible. I thank my fellow directors for their active participation in setting TWK's strategy.

It is a great privilege to be part of the TWK team that is passionate to make TWK a successful business. We are very grateful that we been able to create and add value to all our stakeholders and want to express our gratitude for the way in which all our stakeholders support TWK.

Our gratitude is also expressed towards our Heavenly Father, for His blessings that we experience in our lives and business.

André Myburgh
Managing Director

ESG report

Governance

- Board of Directors
- Executive management
- The function and responsibilities of the Board
- The Board sub-committees
- Business risk report
- Stakeholder engagement
- How we create value for stakeholders
- Remuneration report

Social investments

- Social and Ethics Committee report
- Our people
- Our social involvement

Environmental initiatives

Governance

Board of Directors

AS Myburgh (50)
BCom (Law)
Managing Director
Joined TWK Group: 2009
Appointed in current position: 01.06.2012

JEW Fivaz (44)
B. Agric, B. Compt, MBA
Financial Director
Joined TWK Group: 2011
Appointed in current position: 01.05.2011

JS Stapelberg (59)
B. Eng Agricultural Engineering
Chairman
Board member of TWK Group entities since: 1997
Appointed Board member of TWK Investments since: 14.08.2013

TI Ferreira (45)
Diploma in Agriculture
Vice Chairman
Board member of TWK Group entities since: 2016
Appointed Board member of TWK Investments since: 11.02.2016

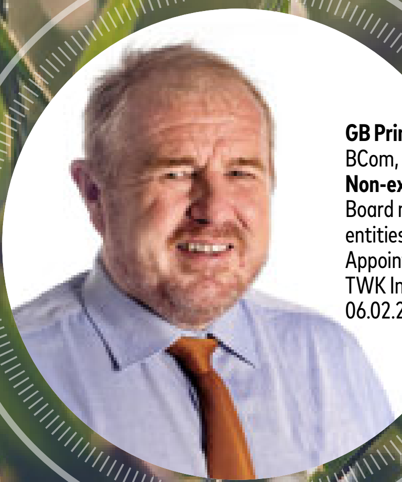
CA du Toit (68)
BComm, MBA
Lead Independent Non-executive Director
Board member of TWK Group entities since: 2012
Appointed Board member of TWK Investments since: 14.08.2013

Audit and Risk Committee
Social and Ethics Committee
Remuneration Committee
Nomination Committee
Committee Chairman

HJK Ferreira (66)
BCompt (Hons), CA(SA)
Independent
Non-executive Director
Board member of TWK Group entities since: 2017
Appointed Board member of TWK Investments since: 28.06.2017

HG Hiestermann (42)
Matric
Non-executive Director
Board member of TWK Group entities since: 2020
Appointed Board member of TWK Investments since: 05.03.2020

HW Küsel (60)
B. LLB
Non-executive Director
Board member of TWK Group entities since: 2012
Appointed Board member of TWK Investments since: 14.08.2013



GB Prinsloo (53)
BCom, LLB
Non-executive Director
Board member of TWK Group entities since: 2020
Appointed Board member of TWK Investments since: 06.02.2020

JCN Wartington (61)
Diploma In Agriculture (Plant Production), Diploma In Farming Implements Technology
Non-executive Director
Board member of TWK Group entities since: 2002
Appointed Board member of TWK Investments since: 14.08.2013

Executive management

FJ Brauckmann (57)
Chief Executive Manager: Timber
Joined TWK Group: 2008
Appointed to current position: 01.01.2012

LC Coetzer (63)
Managing Director: Constantia Kunsmis
Joined TWK Group: 2010
Appointed to current position: 01.09.2021

JG van Niekerk (40)
Executive Manager: Trade
Joined TWK Group: 2016
Appointed to current position: 01.09.2021

DP van Rensburg (36)
Executive Manager: Corporate Services
Joined TWK Group: 2014
Appointed to current position: 01.01.2020

GS Grobler (45)
Chief Executive Manager: Financial Services
Joined TWK Group: 2002
Appointed to current position: 10.10.2008

MJ Potgieter (42)
Executive Manager:
Business Development
and Company Secretary
Joined TWK Group: 2004
Appointed to current position:
27.08.2015

JFC Byleveldt (49)
Managing Director:
TWK Motors
Joined TWK Group: 2008
Appointed to current position:
06.10.2008

WJ van Zyl (37)
Managing Director: BedRock
and Executive Manager:
Manufactured Timber Products
Joined TWK Group: 2012
Appointed to current position:
01.01.2020

B de Klerk (62)
Executive Manager:
Grain
Joined TWK Group: 2014
Appointed to current position:
17.03.2014

The function and responsibilities of the Board

Commitment to corporate governance

The TWK Board is committed to responsible corporate citizenship and effective corporate governance. At is the cornerstone of the Group's philosophy is our commitment to the implementation of the Group's business with integrity, sustainability, equity and accountability. 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 the process of ensuring 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 being successfully implemented. The Board is satisfied that the Group complies, where practically possible, with the provisions and recommendations of the King Codes, with realisation that good corporate governance is a journey and not a destination.

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 their approach of continuously 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

The Board consists of ten members, of whom two serve in an executive capacity and the balance serve in a non-executive capacity and are elected by the Company's shareholders. The non-executive directors retire on a rotational basis after three years of service, in accordance with the applicable provisions of the Memorandum of Incorporation.

Mr. C.A. du Toit and Mr. H.J.K Ferreira are classified as independent directors and Mr. C.A. du Toit fulfils the role as lead independent director. Non-executive directors are nominated and elected by shareholders and provision is made for a transparent nomination process. Prior to election as director, nominated candidates are evaluated by the Nomination Committee for competence in terms of the Companies Act, good corporate principles and the Memorandum of Incorporation.

The Nomination Committee consists of three non-executive directors and makes recommendations to the Board and the shareholders. At the first meeting of the Board, held after each Annual General Meeting of shareholders, the directors elect from among them a chairman and vice-chairman. The chairman and vice-chairman are non-executive directors. There is a Board-approved decision-making framework which delegates certain powers to executive management.

There is a clear division of responsibilities at Board level. The Board delegates authority to the applicable committees to ensure that all issues of strategy, performance, resources and standards of conduct and responsible corporate governance are applied.

The Board is well-balanced, and the chairman's role is separate from that of the managing director. The chairman is responsible for leadership within the Board and facilitates constructive liaison between the Board, management, and stakeholders.

The managing director is primarily responsible for leadership and management in implementing strategy and operating the business. Although the Board maintains overall responsibility and effective control over the Company, the operation of the daily business of the Company is delegated to the managing director.

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

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

The 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 and transparently. 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.

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.

Evaluation of the Board

The Nomination Committee, assisted by the Company Secretary, carried out an evaluation of the Board, its committees and directors. The contributions of the directors to both the Board and the Board committees were evaluated and the effectiveness of the Board and its committees in carrying out their mandates was also assessed. It was concluded that the Board and its committees are operating effectively. The next evaluation of the effectiveness of the Board and its committees will be performed before the end of the 2022 financial year.

All the directors have contributed their time and skills to the functioning of the Board. The Board, as per recommendation from the Nomination Committee, recommends any director who is nominated for election or re-election at the Annual General Meeting as competent and dedicated to serving the Group and looking after the interests of the stakeholders.

Company Secretary

MJ Potgieter is the Company Secretary. The Company Secretary plays a vital role in the corporate governance of the Group. The Company Secretary is responsible to the Board for, inter alia, ensuring compliance with procedures and applicable statutes and regulations.

Board meeting attendance

DIRECTOR	21 OCT 20	26 NOV 20	18 FEB 21	07 APR 21	9 JUN 21	1 JUL 21	30 AUG 21
JS Stapelberg	✓	✓	✓	✓	✓	✓	✓
TI Ferreira	✓	✓	✓	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓	✗	✓	✓
HJK Ferreira	✓	✓	✓	✓	✓	✓	✓
HG Hiestermann	✓	✓	✓	✓	✓	✓	✓
HW Küsel	✓	✓	✗	✓	✓	✓	✓
GB Prinsloo	✓	✓	✓	✓	✓	✗	✓
JCN Wartington	✓	✓	✓	✓	✓	✓	✗
AS Myburgh	✓	✓	✓	✓	✓	✓	✓
JEW Fivaz	✓	✓	✓	✓	✓	✓	✓

To enable the Board to function effectively, all directors have full and timely access to information that may be relevant to the proper discharge of their duties. This includes information such as corporate announcements, investor communications and other developments which may affect the Group. This also includes access to management, where required.

The Remuneration Committee has conducted an evaluation of the Company Secretary's effectiveness, qualification and experience and ensured that he maintains an arms-length relationship with the Board. This evaluation will again be performed in the next financial year.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary's Certificate is set out on page 80 of the Integrated Report.

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, which requires that all employees and directors carry out their duties in a fair manner and act accordingly to customers, suppliers and other stakeholders to ensure a reputation of integrity and responsibility.

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

Closed period for trading 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 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 those risks are being 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.

Refer to the Risk Management Report set out on pages 40 to 48 of this Integrated Report.

Compliance with legislation

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

Transformation and Black Economic Empowerment (BEE)

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

The TWK Group's restructuring was implemented on 1 September 2014 and since then, the Vumbuka Trust, a broad-based black economic trust, holds a 25% shareholding in TWK Agri (Pty) Ltd. TWK Agri (Pty) Ltd currently has a Level 5 BEE-certificate that compares well in the industry.

Gender equality

TWK's policy and goal towards achieving gender equality is guided by a vision of fairness and acknowledges the principle that gender plays no part in merit, As such, we will actively manage our human resource development to ensure women and men have equal opportunity to participate in management at all levels.

TWK rejects any form of unfair discrimination based on gender in the Group.

GOVERNANCE
The function and responsibilities of the Board continued

Protection of Personal Information Act (POPIA)

The Group has implemented and monitors its compliance with the POPIA through its Internal compliance division. Mr. M.J. Potgieter is the Group's Information Officer.

Fraud hotline

Good corporate governance requires companies to implement mechanisms to combat theft, fraud, and other unethical practices. Amongst other initiatives, the fraud hotline acts as a tool to combat unethical behaviour.

The Group's fraud hotline is managed as an independent reporting mechanism in partnership with an experienced external service provider. Whistle-blowers can register tip-offs anonymously via telephone, fax, email, or via the service provider's website. The tip-offs are relayed to the Chief Financial Officer or the Audit and Risk Committee, depending on the nature of the tip-off.

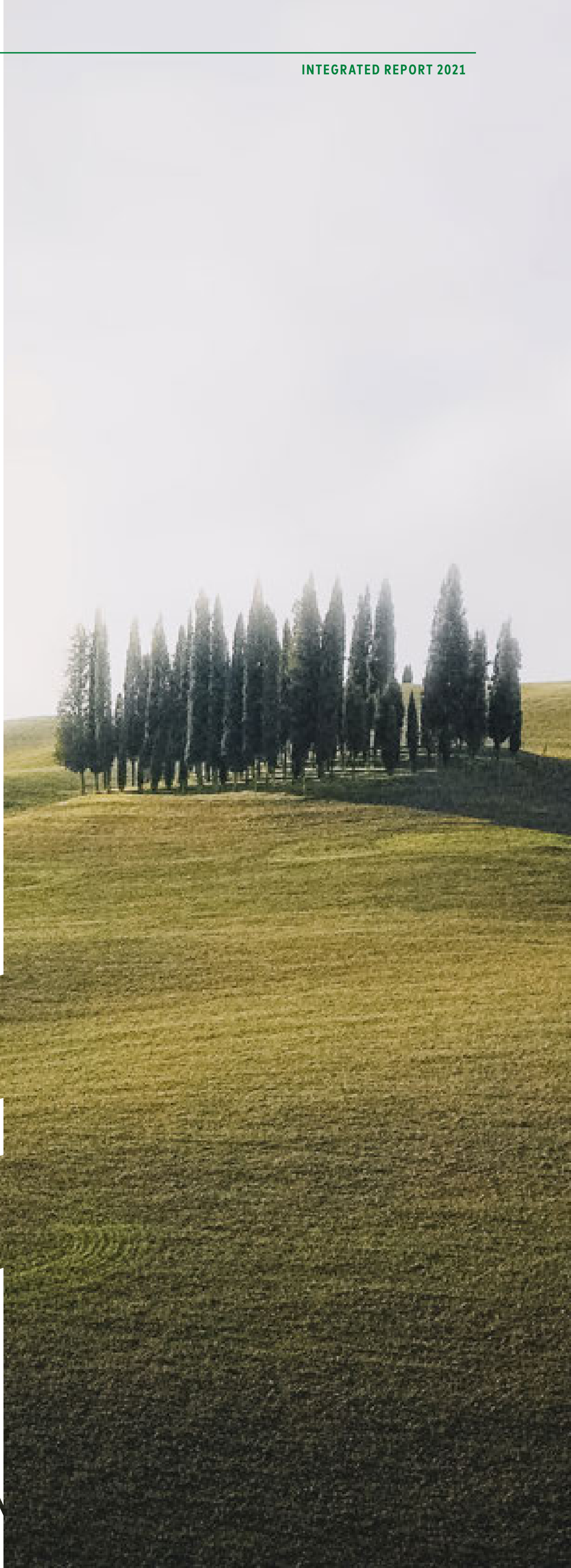
The hotline enforces the Group's approach of zero tolerance to crime, corruption, and unethical behaviour. From time-to-time, internal communication campaigns are undertaken to stimulate awareness of the hotline and to communicate a reporter's anonymity. A few tip-offs were received during the year. After appropriate investigation, there were found to be no significant reportable occurrences.

Insurance

The Group has comprehensive insurance programmes to protect it against a wide variety of insurable risks. The terms and levels of each type of cover are reviewed annually to ensure that satisfactory cover is in place and is reviewed by the Audit and Risk Committee.

Areas where the Group is not insured or under-insured are investigated and appropriately addressed. An important element of the insurance programme is certain retained (i.e. self-insured) risk, which is carefully monitored.

Efforts are made to identify, prevent, and mitigate uninsurable risks.



The Board sub-committees

The Board is assisted by the Audit and Risk Committee, the Social and Ethics Committee, the Remuneration Committee, and the Nomination Committee. These 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.

Board of Directors

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

Audit and Risk Committee

CHAIRMAN

HJK Ferreira

MEMBERS

CA du Toit, HG Hiestermann, GB Prinsloo

FOR FURTHER DETAILS ON THIS COMMITTEE REFER TO PAGES 82 OF THIS INTEGRATED REPORT.

Remuneration Committee

CHAIRMAN

CA du Toit

MEMBERS

JS Stapelberg, HJK Ferreira

FOR FURTHER DETAILS ON THIS COMMITTEE REFER TO PAGES 56 OF THIS INTEGRATED REPORT.

Social and Ethics Committee

CHAIRMAN

HW Küsel

MEMBERS

JS Stapelberg, TI Ferreira, CA du Toit, JCN Wartington

FOR FURTHER DETAILS ON THIS COMMITTEE REFER TO PAGES 58 OF THIS INTEGRATED REPORT.

Nomination Committee

CHAIRMAN

HJK Ferreira

MEMBERS

JS Stapelberg, CA du Toit

FOR FURTHER DETAILS ON THIS COMMITTEE REFER TO PAGES 36 OF THIS INTEGRATED REPORT.

Business risk report

Risk management methodology

Risk is an inherent part of any business and identifying and managing the risks specific to our business is critical to our long-term success, therefore the Group considers the management of business risks a high priority, with a focus on risks with a significant impact on the business and/or high probability of occurrence.

The Board is responsible for risk management and is supported by the Audit and Risk committee. The Audit and Risk committee met four times during the period under review to *inter alia* monitor and reports on the effectiveness of the risk identification, assessment, and management process. Our well-defined approach is also regularly reviewed by the Board to ensure that it remains relevant at all levels of the business, and dynamic to ensure we can be responsive to changing business conditions.

The Board has determined the Group's top risks, using a risk rating matrix which takes into consideration both the probability of the risk event occurring and the impact if the risk event occurs. The risk rating matrix is based on the residual risk after taking into consideration the internal control environment and related mitigation.

The implementation of risk management lies with management and staff and is committed to the following risk management action plan:

- Identifying the risk which the Group is exposed to.
- Identifying the most effective ways of eliminating or mitigating the risk exposure as far as reasonably practical.
- Insuring against catastrophic incidents and other losses beyond our self-insurance capacity

We apply an enterprise-wide risk management approach, involving all levels of management to identify risks. The senior management at each business unit is responsible for the development and implementation of a sound risk control programme based on the Group's risk control standards.

The integrity of the risk control program is regularly monitored by Internal Audit.

Risk management framework

BOARD
OVERALL RESPONSIBILITY FOR GROUP STRATEGY AND MANAGING RISK

↓

AUDIT AND RISK COMMITTEE
OVERSIGHT OF THE GROUP'S MATERIAL RISKS AND SUSTAINABILITY STRATEGY

↓

EXECUTIVE MANAGEMENT
OVERSIGHT OF THE GROUP'S MATERIAL RISKS AND IMPLEMENTATION OF THE GROUP'S STRATEGY

↓

INTERNAL RISK SUB-COMMITTEE
REVIEW AND MONITOR THE RISK MANAGEMENT ACTIONS PLANS, POLICIES AND PROCEDURES

↓

BUSINESS UNITS
RESPONSIBLE FOR RISK ASSESSMENT AND IMPLEMENTING OF RISK POLICIES AND PROCEDURES

Risk management process

TWK follows a systematic, cyclical risk management process, involving a series of steps from the identification of a risk to the analysis, evaluation and management of the risk, and finally to the monitoring of the measures taken in reaction to the risk.

The business units are required to conduct an annual, detailed review of their risks and compile a risk register which is reviewed and approved by the Internal Risk Committee. This process ensures that the various business units review the principal risks in their respective businesses. The Internal Risk Committee review the actions and controls implemented to mitigate the risks. The executive team and the Board analyse the main risks affecting the business and categorise each risk identified and evaluate it in terms of criteria as defined in the risk management methodology, including the potential impact of the risk on the Group and the expected probability of its occurrence.

Risk is then ranked utilising the residual risk status, this is the value of risk that the organisation is exposed to considering the inherent risk, reduced by the related controls which exist to manage that risk.

The effectiveness of the controls that are in place to manage the risk in question are reviewed and tested on a regular basis by Internal Audit. This is a measure of how well management perceives the identified controls to be working in effectively managing the risks.

Business risks

Risks that may potentially have the most significant impact on TWK's ability to achieve its strategic objectives, are described in more detail below.

THE GROUP'S STRATEGIC FOCUS AREAS ARE:

Customer focus

Improve operational efficiency

Optimisation of the value chains

Optimisation of capital management

THE RISKS ARE CATEGORISED IN THE FOLLOWING LEVELS:

STRATEGIC

FINANCIAL

OPERATIONAL

Major risks

1 ADVERSE POLITICAL CONDITIONS AND COUNTRY RISK

2 COMPETITION

3 INFORMATION TECHNOLOGY RISK

4 VOLATILE EXCHANGE RATES

5 WEATHER AND CLIMATE

6 THIRD-PARTY INFRASTRUCTURE

7 CREDIT RISK

8 VOLATILE COMMODITY PRICES

9 FIRES

10 REPUTATIONAL RISK

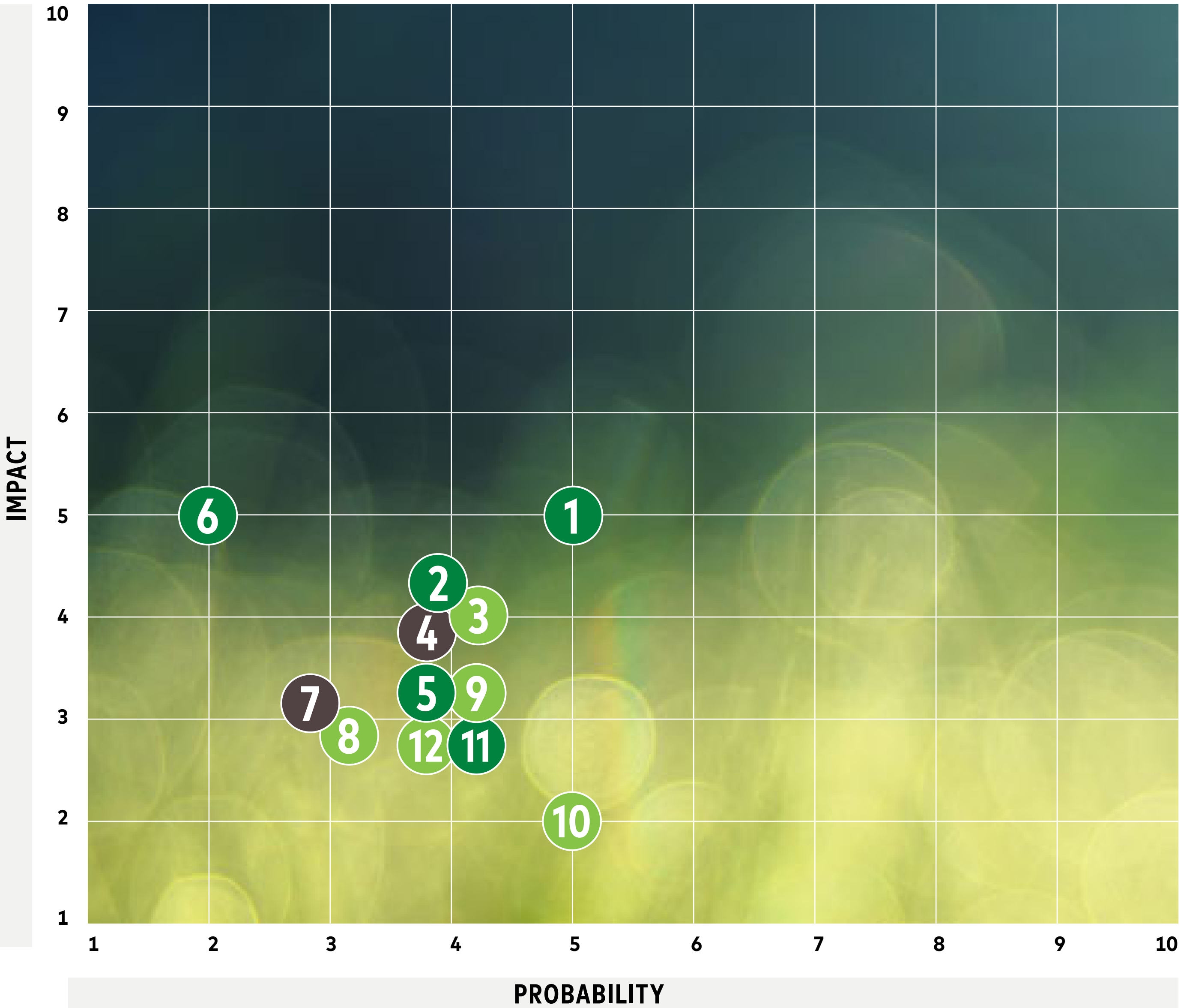
11 PANDEMIC

12 ATTRACTION AND RETENTION OF KEY SKILLS

GOVERNANCE

Business risk report continued

Inherent risk rating



1 ADVERSE POLITICAL CONDITIONS AND COUNTRY RISK

2 COMPETITION

3 INFORMATION TECHNOLOGY RISK

4 VOLATILE EXCHANGE RATES

5 WEATHER AND CLIMATE

6 THIRD-PARTY INFRASTRUCTURE

7 CREDIT RISK

8 VOLATILE COMMODITY PRICES

9 FIRES

10 REPUTATIONAL RISK

11 PANDEMIC

12 ATTRACTION AND RETENTION OF KEY SKILLS

1 ADVERSE POLITICAL CONDITIONS AND COUNTRY RISK

RESIDUAL RISK:

25

DESCRIPTION:

- Political uncertainty and the influence on the macro economy.
- The Group operates in South Africa and Eswatini with differing political, economic, and legal systems.
- Uncertainty over future business conditions leads to a lack of confidence in making investment decisions, which can influence future financial performance.
- Increased costs can be incurred through additional regulations or taxes, while the ability to execute strategic initiatives could be restricted, which may reduce profitability and affect future performance.
- The political uncertainty has a significant impact upon economic conditions, such as the cost of inputs and customer behaviour and the ability for TWK to carry out the daily activities. Operations may have to stop and service provision becomes impossible, which could lead to TWK having to adapt the investment, growth plans, and allocation of resources to deal with greater political uncertainty.
- Political instability can also result in civil unrest.

MITIGATION:

- As part of the mitigating action, TWK anticipates different political scenarios. The assessment of the level of the uncertainty enables TWK to rebalance the activities, identify opportunities and be ready to move forward under different scenarios.
- Active monitoring and regular formal and informal interaction with government, local communities, and business partners to assist us to remain well-informed of changes and new developments.
- Diversified business model.

2 COMPETITION

RESIDUAL RISK:

18

DESCRIPTION:

- Actions of a competitor to negatively impact the business of TWK.
- Competition risk describes the risk that growing competitive pressure will prevent the TWK Group from achieving its predicted margins and market share. The markets in which TWK operates are characterised by strong competition and are often price driven.
- This mainly affects the Retail and Mechanisation segment, where competition is fierce.
- Additional price risks arise during a declining economy which prompts some retailers and manufacturers to adopt more aggressive price strategies.

MITIGATION:

- TWK endorses a healthy competitive environment, which drives improvements such as cost reductions and quality improvements.
- TWK's unique Loyalty scheme program in which qualifying clients obtain TWK shares based on total business executed through TWK is an effective measure to retain clients.
- TWK continuously improve the value offering to suit the unique needs of the client.
- The diversified income streams are an effective mitigating strategy.
- The steps to mitigate the competition risk also include making its plants more efficient and securing low-cost sources of supply.
- The Group also continually evaluates its options for strengthening and consolidating its market position, in particular through the strategic expansion, and proactive cross-selling by the different operating segments.

GOVERNANCE
Business risk report continued

3 INFORMATION TECHNOLOGY RISK

RESIDUAL RISK:
17

DESCRIPTION:

- Business and production processes as well as the internal and external communications are increasingly dependent on IT systems.
- A significant technical disruption or failure of IT systems could severely impair many of our operations and production processes and could lead to plant shutdowns and an inability to meet customer needs.
- A loss of data and information confidentiality, integrity, or authenticity could lead to manipulation and/or the uncontrolled outflow of data and expertise.
- TWK Is currently implementing a new operational system which could lead to system interruptions or failure If systems migration Is not successful.

MITIGATION:

- Technical precautions such as data recovery and continuity plans are defined and continuously updated.
- TWK have measures in place to counter for information confidentiality and integrity.
- Redundant network communication channels exist for certain branches.
- TWK is implementing a world class IT solution supported by industry leaders.
- Management responsible for Information Technology specifically focuses on system upgrades or migrations and ensure that it is well planned with contingency plans.
- The IT security strategy for the Group is designed to guarantee optimum protection.

4 VOLATILE EXCHANGE RATES

RESIDUAL RISK:
13

DESCRIPTION:

- Exchange rate risk relates to the possibility that changes in currency exchange rates may affect the value of the TWK assets or financial transactions.
- TWK is exposed to the effect of changes in foreign currency rates as an exporter of woodchips and importer of raw material especially fertiliser.

MITIGATION:

- Hedging is utilised for exports and imports.
- Continuous monitoring of exchange rate movements and sensitivities, and evaluation of the impact of exchange variances on our results.
- Regular review of our prices and monitoring of import and export flows.
- TWK can respond to adverse currency fluctuations by increasing selling prices or increasing exports where competitiveness improves as the local currency weaken.
- We are maximising the timber product sold to customers to take advantage of the higher index prices for high-value products.
- Continuous focus on cost savings and production efficiency improvements help to protect margins and improve cash flow.

5 WEATHER AND CLIMATE

RESIDUAL RISK:

12

DESCRIPTION:

- Climate change is one of the significant challenges of our era.
- Potential loss of stakeholder confidence leading to negative impact on value, cash flow and profitability.
- Operational disruption in the event of extreme weather events.
- TWK and our producer clients is reliant on favourable weather conditions for sustainable timber and agricultural related production.

MITIGATION:

- Diversified business model and wide geographical area in which we operate mitigate the risk.
- TWK's operations which include the plantations are located in the high rainfall area of South Africa and Eswatini.
- Development of timber species which require less water and more resistant to diseases.
- The drive to replace plastic packaging with low carbon, renewable fibre creating significant opportunities for TWK as a major role player in the timber industry.

6 THIRD-PARTY INFRASTRUCTURE

RESIDUAL RISK:

11

DESCRIPTION:

- TWK exports woodchips to customers through the Richards Bay export channel that is owned and operated by Transnet. We require a stable rail and port infrastructure network that operates reliably at design capacities.
- Ageing infrastructure for example Eskom requires significant maintenance to improve reliability and efficiency and maintain capacity.
- An adverse impact on logistical capabilities and failure to supply electricity pose a business continuity risk. Unavailability of key infrastructure affects delivery of products to customers and impacts revenue.

MITIGATION:

- Ongoing engagement with role players to optimise the channel throughput.
- Improved operational flexibility at our operations.
- Improved operating parameters and planning.
- Optimised loading, reduced loading variability and improved turnaround.

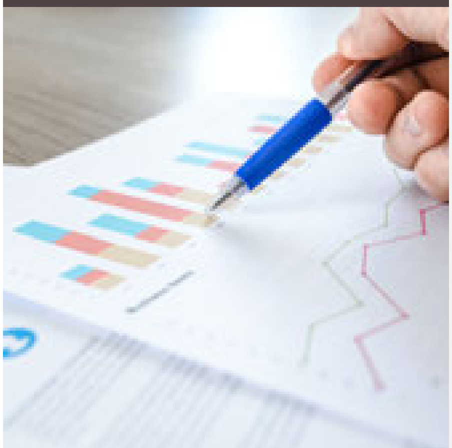
GOVERNANCE

Business risk report continued

7 CREDIT RISK

RESIDUAL RISK:

11



DESCRIPTION:

- Credit risks arise from the possibility that the value of receivables or other financial assets of the TWK Group may be impaired because counterparties cannot meet their payment or other performance obligations.

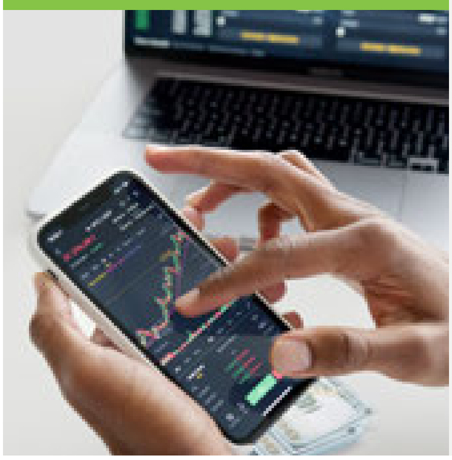
MITIGATION:

- To manage credit risks from receivables, a dedicated Credit Division regularly analyse customers' creditworthiness and set credit limits on a centralised basis.
- Continuous customer engagements from relationship managers on a decentralised basis.
- Receivables consist of many clients, spread over a wide geographical area and operates in different sectors.
- Appropriate credit policies and risk evaluation processes coupled with appropriate securities and utilisation of credit insurance where applicable.

8 VOLATILE COMMODITY PRICES

RESIDUAL RISK:

11



DESCRIPTION:

- The raw material we use include significant amounts of wood, grain, and urea, meaning access to sustainable sources of these raw materials at competitive prices is essential to our operations.
- The prices for many of these raw materials generally fluctuate in correlation with global commodity cycles.
- Force majeure events can influence raw material supply and pricing, directly affecting the market production and supply balance.

MITIGATION:

- The Group uses derivative instruments to manage and hedge exposure to grain price risk.
- We are committed to acquiring our raw materials from sustainable and responsible sources.
- Only strategic and reliable suppliers of critical raw materials are used.
- Increase own supply of timber.
- Adjustment of prices to markets or customers in line with commodity price movements.

9 FIRES

RESIDUAL RISK:

11

DESCRIPTION:

- TWK manages approximately 36 900 hectares of plantations which consist of own plantations as well as plantations where we have marketing rights.
- Severe fires can have a substantial financial impact.

MITIGATION:

- Effective fire management plans and processes.
- Effective detection technology.
- Planting of different species less prone to burning in strategic areas.
- Quick response time and air support.
- Good relationship with organised structures, neighbours and communities.
- Insurance.

10 REPUTATIONAL RISK

RESIDUAL RISK:

11

DESCRIPTION:

- All stakeholders of TWK form an integral part of the success of the Group. Failure to successfully manage the relationships with all stakeholders could disrupt our operations and adversely impact the Group's reputation.
- Fines imposed by authorities for non-compliance.

MITIGATION:

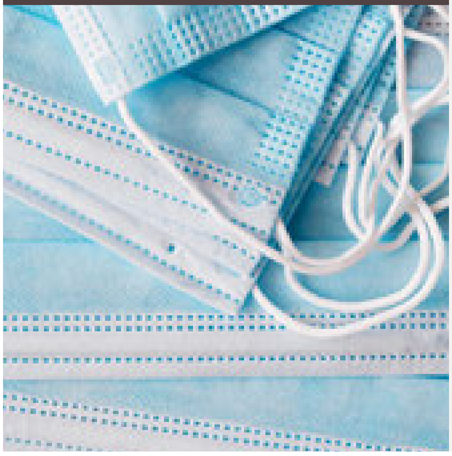
- Zero tolerance toward the Code of conduct and ethics policy.
- The internal compliance department are committed to identify any gaps and implement corrective action.
- Training and compliance program for relevant employees and Directors.
- Engagement with stakeholders.

GOVERNANCE
Business risk report continued

11 PANDEMIC

RESIDUAL RISK:

10



DESCRIPTION:

- A large-scale outbreak of infectious disease causing significant economic, social, and political disruption and impacting the wellness of our people and communities and resulting in interruption to normal operations.
- Health and wellbeing of our people.
- A pandemic may cause TWK to experience labour, supply chain and operational interruptions as well as an impact on social stability and customer behaviour.
- Short-term fiscal shocks and longer-term negative shocks to economic growth impacting demand and/or reduced prices for commodities and products produced and marketed.
- Pandemic mitigation measures cause significant social and economic disruption.

MITIGATION:

- Preventative measures to stop the spread of the infectious disease.
- Site emergency response plans, business continuity and crisis management plans.
- Ongoing mental health and employee fatigue awareness and engagement.
- In the event of a pandemic, the Pandemic task team led by the SHEQ Manager, is activated at an early stage to direct the Group's response, prioritising the well-being of our people, their families, and regulatory requirements.
- Delay non-critical capital expenditure and strict working capital management.

12 ATTRACTION AND RETENTION OF KEY SKILLS

RESIDUAL RISK:

10

DESCRIPTION:

- Skilled and dedicated employees are essential for the success of TWK. TWK operates in certain rural and remote areas and in extremely competitive markets. If we are unable to recruit adequately skilled employees in these areas and retain them within TWK, this could have significant adverse consequences for the Group's future development.
- The ability of TWK to attract, retain and develop a skilled and committed workforce is a critical component for the effective execution of our strategy and to ensure sustainability. Access to the right skills, particularly management and technical skills is critical to support performance and growth of our business.

MITIGATION:

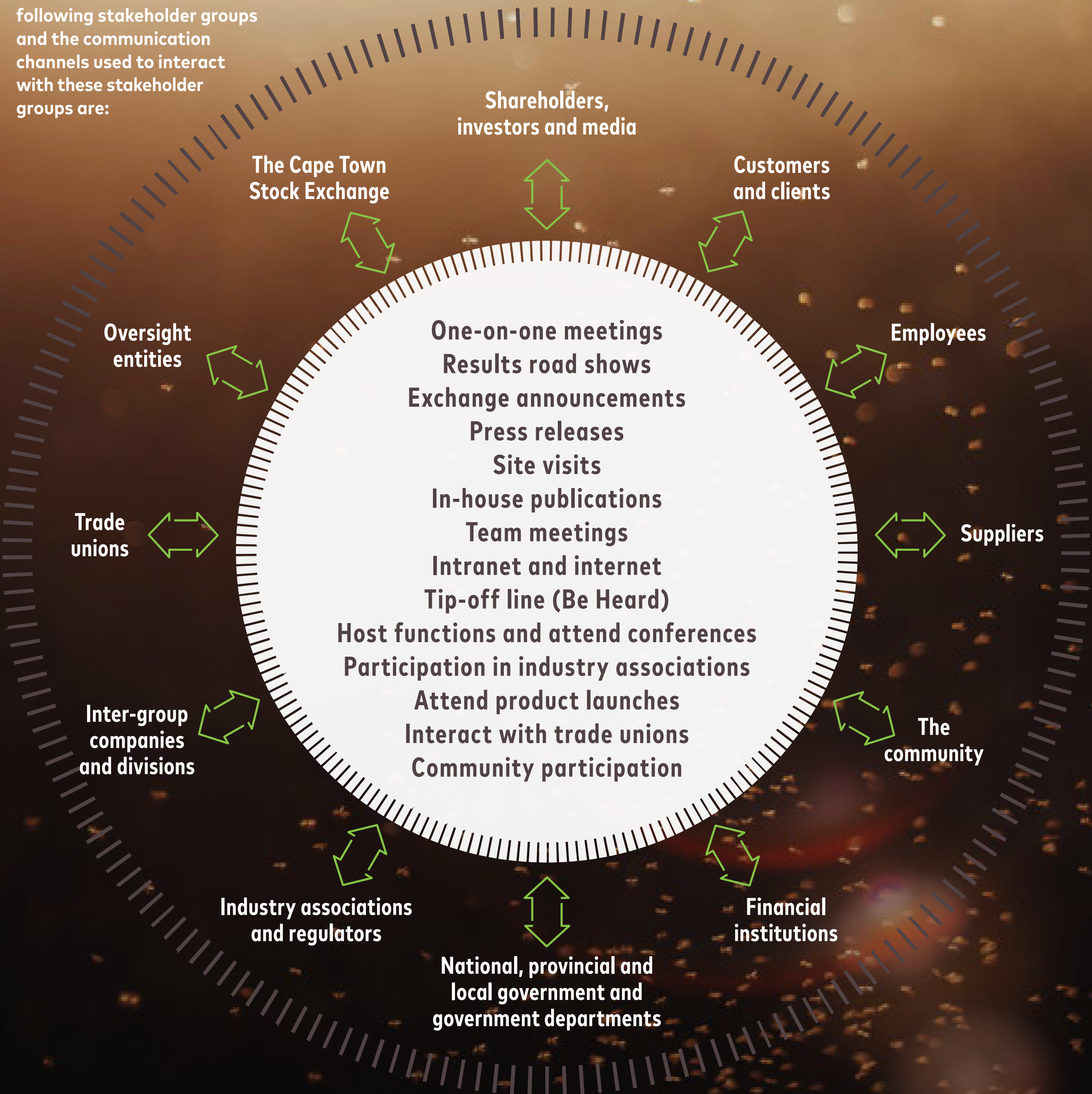
- TWK has introduced appropriate employee recruitment and development measures.
- We aim to convince current and potential employees of the advantages of working for TWK through comprehensive human resources marketing, including an employer branding campaign through the "Employer of Choice" initiative.
- Our core values and culture play an integral part of the initiative.
- Our human resources policies are based on the principles regarding our position on human rights, the Corporate Compliance Policy, and our corporate values.
- Essential elements include competitive compensation containing performance-related components.
- TWK invests in its personnel through an extensive range of training and development opportunities, monitor and manage succession planning, with focus on internal promotions.

Stakeholder engagement

TWK is committed to open, constructive and transparent communication with stakeholders. The Group constantly communicates with stakeholders and strives to engage in a practical, constructive and transparent manner. Key stakeholders were identified by the internal ESG Committee and other operational structures.

The Board considers the reasonable interests and expectations of stakeholders on the basis of: **"What is in the best interest of the Group?"** Stakeholders are also considered when assessing the materiality of issues. TWK believes that open and transparent communication with stakeholders is important and uses many avenues to do this on a regular basis.

TWK has identified the following stakeholder groups and the communication channels used to interact with these stakeholder groups are:



STAKEHOLDER GROUP	IMPORTANCE OF STAKEHOLDER	COMMUNICATION CHANNELS
Shareholders, investors and media	Shareholders and potential investors are essential to the Group as providers of financial capital as well as determining the true value of the share price. The media are important as the publishers of articles and information about the Group. TWK strived to be an "investments of choice".	The Group engages with these stakeholders as follows: • Annual general meetings • Results presentations and roadshows • Exchange news service announcements • Press releases • Engagements with potential investors • Investor relations information on the TWK website • Interviews with journalists, both financial and trade • Relevant engagement with co-investors in subsidiaries
Customers and clients	Customers and clients are important stakeholders for the success of the Group. The Group has customers and clients who range from large corporations to individual customers and clients. TWK strives to be the "supplier of choice" to its customers.	The Group engages with these stakeholders on various levels including the following: • Regular one-on-one meetings at the customer's site as applicable • Engagements at TWK branches/businesses • Frequent electronic communication as applicable • Appropriate customer functions (e.g. farmers' days) • TWK Radius magazine • TWK website • TWK social media communication
Employees	Engagement with employees is critical to the success of the Group. TWK strives to be an "employer of choice".	The Group engages employees through the following media: • Communication from the Managing Director • Communication from relevant Divisional Managers • Communication from Corporate Services including Human Resources • TWK roadshows • Induction sessions • Team meetings • One-on-one meetings • Safety and environmental meetings • Employee achievement and service awards • Performance management meetings • TWK Communicator • Email communication • TWK notice boards • Tip-off hotline (Be Heard)
Suppliers	Suppliers are important stakeholders as they are the providers of products and services that the Group requires to service its customers and in its value-adding processing facilities. TWK strives to be a "market of choice".	Group engagement with these stakeholders varies and includes elements of the following: • Regular one-on-one meetings with key suppliers • Farmers' days and industry feedback sessions; • Attendance at dealer conferences, product launches • TWK supplier information days, functions and awards • TWK Radius magazine

GOVERNANCE
Stakeholder engagement continued

STAKEHOLDER GROUP	IMPORTANCE OF STAKEHOLDER	COMMUNICATION CHANNELS
The community	The community is a key stakeholder seeing that both the Group and the employees are directly impacted by the communities in which the Group operates and employees live in. TWK's vision includes a statement to make a difference in the communities in which it operates.	The Group's engagement with the communities includes contributions towards initiatives in respect of fund raising, donations and services within various communities. ▸ Donations and sponsorships ▸ Community marketing events ▸ Frequent community liaison and support of communities that neighbour TWK farms ▸ Formal ▸ Social media communication
Financial institutions	The financial institutions are important stakeholders as they provide funding for on-lending purposes, the acquisition of assets and/or investments, as well as working capital finance.	The Group engages with them as follows: ▸ Regular interaction by the CEO and CFO ▸ Regular submission of reports as per financing agreements
National, provincial and local government and government departments	All levels of government are important stakeholders as they set the regulatory environment within which the Group operates, provide infrastructure and collect taxes.	Group engagement with these stakeholders varies and includes elements of the following: ▸ Regular engagement with relevant local governments where the group operates; ▸ Regular engagement with relevant government departments, e.g. Labour, Rural Development and Agriculture, Minerals and Energy ▸ Consultation and participation in public forums
Industry associations and regulators	Industry associations and regulators are important stakeholders as they provide a forum to discuss and address industry wide issues and enable the industry to make representations to government. Industry regulators are important as they provide legal frameworks to operate within.	Group engagement with these organisations is mainly through active membership and reporting. ▸ AGBIZ membership and engagement ▸ Engagement with and support of commodity and industry-related associations ▸ FSCA/NCA reporting as required ▸ Engagement with industry funders regarding collaboration/funding initiatives
Inter-group companies and divisions	Inter-group companies and divisions are important stakeholders as TWK is a diversified business. Finance, Financial Services, and Corporate Services division provide internal services. Divisions are actively encouraged to support inter-group businesses.	The Group's engagement with inter-group companies and divisions include: ▸ Executive and Senior Manager meetings and collaboration ▸ Internal marketing ▸ Employee functions and training sessions

STAKEHOLDER GROUP	IMPORTANCE OF STAKEHOLDER	COMMUNICATION CHANNELS
Trade unions	Trade unions are important stakeholders in that they represent a percentage of the workers employed by the Group.	Engagement with these stakeholders includes: ‣ One-on-one meetings when required ‣ Participation in the bargaining unit in respect of wage negotiations
Oversight entities	Oversight entities are important stakeholders as they provide statutory and operational assurance. These stakeholders include the external auditors and component auditors, internal audit, financiers and industry-specific entities.	The Group's engagement with oversight entities include: ‣ Direct engagement with Executive Management, the Audit and Risk Committee, and the Board as applicable ‣ Direct engagement with relevant TWK employees in performing the oversight duties
The Cape Town Stock Exchange	The Cape Town Stock Exchange is an important stakeholder as TWK Investments' securities are listed on this exchange.	The Group engages with Cape Town Stock Exchange as follows: ‣ Submissions in terms of Listing Requirements

How we create value for stakeholders

Achieving sustainable growth TOGETHER

2021 TOTAL VALUE CREATED R9 084m

R8 567m INCOME FROM SALE OF GOODS	**R116m** INCOME FROM COMMISSIONS RECEIVED	**R104m** OTHER OPERATING INCOME
R103m INCOME FROM SERVICES RENDERED	**R69m** INTEREST RECEIVED (TRADING)	**R125m** ALL OTHER GAINS AND INCOME

OUR SUPPLIERS

The TWK Group provides a market and a distribution network to a large number of suppliers including primary producers of commodities and trade and commercial suppliers.

R8 673m
TOTAL PROCUREMENT SPENT 2021
(2020 | R6 967m)

OUR CUSTOMERS

TWK STRIVES TO BE THE ***Supplier of Choice***

Servicing our customers is the reason for our existence.

Agricultural clients are rewarded through the innovative TWK Loyalty Scheme.

R10,8m
VALUE OF LOYALTY SCHEME AWARDS 2021
(2020 | R13,4m)

** Loyalty Scheme based on prior year company performance.*

OUR EMPLOYEES

TWK STRIVES TO BE AN ***Employer of Choice***

We value our employees as one of the most important assets of the TWK Group.

Servicing the agriculture industry – we provide jobs in rural communities.

TWK currently supports **42 EMPLOYEES** to further their tertiary education.

R647m
TOTAL EMPLOYEE COSTS 2021
(2020 | R488m)

R5,9m
TOTAL SKILLS DEVELOPMENT EXPENDITURE 2021
(2020 | R5,6m)

OUR SHAREHOLDERS

TWK STRIVES TO BE AN ***Investment of Choice***

Investors in TWK have enjoyed extremely good returns through capital appreciation of the share price and dividends paid.

TWK Investments Limited listed on the Cape Town Stock Exchange on 30 September 2021.

R238m

TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT 2021 (2020 | R90m)

Dividends per share (Rands)
(DECLARED POST YEAR-END)

2021	2020	2019	2018	2017
1,14	0,65	0,90	0,75	0,60

OUR FINANCIERS

TWK values its relationship with its major financiers.

R107m

FINANCE COSTS 2021
(2020 | R105m)

GOVERNMENT

R72m

CURRENT TAX FOR THE YEAR 2021
(2020 | R48m)

R95m

PAYE 2021

OUR COMMUNITIES

Making a difference in the communities in which we operate – that is part of our core vision.

R2,7m

TOTAL SPENT ON COMMUNITY INITIATIVES 2021 (2020 | R2,1m)

GOVERNANCE

Remuneration report

Introduction

TWK's remuneration philosophy is set to support and reinforce the achievement of the TWK vision and mission. TWK aims to ensure that the TWK Group remunerate our employees fairly and reasonably.

The Remuneration Committee (Remco) of TWK is accountable for the remuneration policy and practices within the TWK Group. Remco ensures that the remuneration levels are sufficient to attract, retain and motivate all levels of employees who contribute to the realisation of the Group's vision.

Remco

CHAIRPERSON	**CA du Toit**
MEMBERS	**JS Stapelberg, HJK Ferreira**
INDEPENDENCE	The majority of Remco members are independent non-executive directors
SECRETARY	**MJ Potgieter**
ROLE AND FUNCTION	Remco considers the Remuneration Policy of the Group with the assistance and guidance of independent external consultants, where necessary, to determine market-related remuneration levels.
RESPONSIBILITIES	‣ Reviews the Exco performance, at appropriate intervals, to motivate employees to perform to required standards and to retain their services by offering and maintaining market-related remuneration in line with their performance. Remuneration is linked to corporate and individual performance. ‣ Ensures that the executive directors' remuneration mix, in respect of "guaranteed pay" and "variable pay", is appropriate, so as to align the directors' interests with those of shareholders. ‣ Assesses succession planning at executive and senior management levels. The Managing Director, in consultation with Remco, is responsible for ensuring that adequate succession plans are in place. ‣ Approves the remuneration of senior management who are members of Exco reporting to the Managing Director and receives the details of remuneration of the managers who report to the members of the Exco. ‣ Adjustments to directors' and Exco members' total remuneration are recommended to the Board for individual approval.
ASSURANCE	Remco is governed by the good corporate governance principles and the Group's value statement. The members of Remco hereby confirm that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Remco mandate.

In keeping with good corporate governance practices, the Managing Director attends meetings by invitation only and is not entitled to vote. The Managing Director does not participate in discussions regarding his own remuneration.

Activities undertaken by Remco during the year

During the year under review, Remco reviewed the Remuneration Policy to ensure that it is aligned with applicable regulation and remuneration principles contained in the Group's value statement as well as corporate governance guidelines, and with input received from shareholders.

The Remuneration Report was aligned to King IV™ Principles to articulate and demonstrate the link between strategy, value creation, performance and remuneration.

Remco also reviewed the remuneration packages and structure of executive directors to ensure that they are competitive in the relevant market and are aligned with shareholders' interest as well as with the TWK Group's strategy and performance.

Section A: Remuneration Policy

Objectives of the Remuneration Policy

The overriding objective of the Group Remuneration Policy is to ensure that the TWK Group remunerate employees fairly and reasonably.

The Group Remuneration Policy is designed to:

- Support and reinforce the achievement of TWK's vision and mission.
- Attract, retain, and reward staff who contribute to the realisation of TWK's vision.
- Ensure internal equity and fairness in and between the various pay categories with reference to equal pay for work of equal value.
- Ensure that staff costs are within the budget set by the Remuneration Committee and are sustainable.

Key principles of the Remuneration Policy

All positions in the TWK Group have been graded by the Job Evaluation Committee, in conjunction with Deloitte. The Peromnes® evaluation method was applied to grade positions. Every Job Title in TWK has been aligned to the Job Title Code of REMWEB® to ensure credible, consistent data for benchmarking remuneration.

To establish a leading position as a sustainable agriculture company, TWK Agri must be able to attract talented employees while being attractive to people as a good career option. It is thus imperative to have an appropriate benchmark to measure TWK Agri's remuneration levels.

This benchmark aims to:

- be achievable;
- maintain competitiveness in remuneration;
- be reasonably foreseen to be affordable i.e. sustainable;
- be measured against reliable and comparable data.

TWK Agri uses the National Remuneration Guide by Deloitte and the Peromnes® Graded Tables as its benchmark. The benchmark for remuneration considers the 50th percentile of the REMWEB® market, including the variations in province and industry.

Remuneration structure

TWK's remuneration structure is based on a remuneration structure, which consists of a basic salary and benefits.

Remuneration structure possibilities consist of the following:

- Basic salary paid monthly in arrears, with statutory deductions such as PAYE, UIF and SDL.
- Provident Fund and death/disability cover is compulsory within the company to all employees at the percentage of the basic salary indicated on the letter of appointment.
- Employment Bonus payable (pro-rata) in December each year should the employee be employed during December.
- Vehicle allowance or company provided vehicle (only if applicable).
- A fuel card (only if applicable).
- A company cell phone and a suitable contract / or cell phone allowance (only if applicable).
- Commission structures (only if applicable).

Remuneration structures may differ from one division to another, between occupational levels, entities and/or affiliated companies.

Salary increases and salary reviews

The range of salary increases per occupational level are determined annually by the Committee (Remco), through wage negotiations with unions or based on the minimum prescribed increases from Collective Bargaining councils. Remco considers the following factors when determining the approved increase percentages:

- Actual CPI for 12-month period ending August of each year.
- Average predicted increases per Occupational Level as determined by Deloitte and Remchannel surveys.
- Percentage of budgeted target achieved by the TWK Group.
- Proximity from the benchmarked salary (50th percentile of the REMWEB® benchmark).

Salary adjustments are awarded from time to time to ensure that an individual employee is adequately compensated for the job that they do and/or their knowledge or skills relative to the market value of that job and/or knowledge or skills. Adjustments are made to ensure that no employee is de-incentivised to perform.

All salary increases are subject to the approval of the relevant Executive Manager and must be submitted and actioned in accordance with the processes and procedures established by the Group approvals framework.

Variable pay (STI)

Variable pay refers to remuneration which is not guaranteed to the employee, of which payment is dependent on the achievement of criteria at a segment and a collective business level, based on a reasonable return on capital for the financial year. Employees' variable pay is in the form of a discretionary profit share bonus, with the aim to attract and retain talented employees and to reward employees for substantial performances. The committee (Remco) determines the total profit share value based on set criteria, before presentation to the Board of Directors for approval.

Variable pay is also paid in the form of commission and is applicable to employees in sales positions.

Long-term incentives (LTI)

The Group's LTI programme is the TWK Agri share options incentive scheme. Key employees within the Group are eligible to participate in the scheme.

The scheme supports the principle of aligning management and shareholder interests. Executive directors and key employees participate in the TWK Agri Group's share option incentive scheme, which is designed to recognise the contributions of key employees to the growth in the value of the Group's equity, and to retain key employees.

Within the limits imposed by the Company's shareholders, options are allocated to the employees in proportion to their contribution to the business, as reflected by the Company's performance. The options, which are allocated at a price approved by Remco, as defined in the TWK Agri share option incentive scheme policy and the applicable CTSE listings requirements, invests in the defined periods and are exercisable immediately as defined in Section 8C of the Income Tax act.

Directors' service contracts

The Managing Director's contract has been renewed for period 1 January 2022 to 31 December 2024 and the Financial Director's contract is for period 1 January 2020 to 31 December 2022. The Board has recommended the reappointment of Mr JEW Fivaz as Financial Director of the Company for another three-year period from 1 January 2023 to 31 December 2025. As per the Company's MOI, the appointment will be tabled for approval at the forthcoming Annual General Meeting.

Non-executive and executive directors' remuneration

The remuneration, short term incentives, equity share based payments and travel costs for TWK Agri's non-executive and executive directors are listed below:

NON-EXECUTIVE DIRECTOR	TERMINATION DATE	REMUNERATION	TRAVEL AND ACCOMMODATION EXPENSES
CA du Toit		376 402	15 776
HW Küsel		306 546	10 066
JS Stapelberg		523 276	7 700
JCN Wartington		263 156	13 320
TI Ferreira		349 501	13 083
HJK Ferreira		415 019	79 274
GB Prinsloo		278 776	11 082
HG Hiestermann		278 776	9 376

EXECUTIVE DIRECTOR	REMUNERATION	SHORT-TERM INCENTIVE	EQUITY-SETTLED SHARE-BASED PAYMENTS VESTED	(FUEL EXCLUDED IN REMUNERATION)
AS Myburgh	4 431 676	281 336	2 008 640	107 528
JEW Fivaz	3 106 177	183 778	1 089 930	70 620

Social investments

Social and Ethics Committee report

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 ended 31 August 2021.

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 five non-executive directors, namely HW Küsel, CA du Toit, TI Ferreira, JS Stapelberg and JCN Wartington.

The managing director and other members of Executive Management also attend meetings.

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

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

Objectives and responsibilities

The committee performs its statutory obligations as prescribed in the Companies Act (Regulation 43), as well as additional non-statutory functions as per the recommended practices of the King IVTM 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 Group's goals 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 Group 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 Group's status in terms of the International Labour Relations Act;
   b) Organisation's protocol for an acceptable workplace and working conditions; and
   c) the Group'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.

Social and economic development

TWK continuously contributes to the development of the communities in which our 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 funding partnership with the Jobs Fund has come to an end during the financial year with all contractual obligations being met.

The Employment Equity Act

TWK reports annually to the Department of Labour on the progress of objectives and targets contained in TWK's Employment Equity Plan.

Equal representation on the various occupational levels of the labour force receives adequate planning and attention, and is represented by members of the various equity committees.

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

Broad-based black economic empowerment

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

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

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

TWK Agri (Pty) Ltd currently has a Level 5 BEE rating which compares well in the agriculture industry.

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 our 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 them in an efficient and responsible way, and implementing sound environmental practices in all our business operations. We will restrain from doing business with third parties who do not go about their business in an environmentally responsible way.

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

Special attention is given to health and safety issues in the workplace to ensure a healthy workforce, a safe environment for our employees and a work environment in which our operations can be maintained and improved. Compliance with the Occupational Health and Safety Act is managed through health and safety committees and regular internal audits from the H and S department. The safety of our employees is of paramount importance and training is provided to emergency workers, fire-fighters, and forklift and machine operators on an ongoing basis. Where applicable, employees are continuously sent for medical observation. The Health and Safety division played an important role during the COVID-19 pandemic, assisting with the implementation and monitoring of required procedures and practices.

Consumers and customers

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

Labour relations

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

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

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

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

Organisational ethics

A code of ethics, describing the principles according to which TWK operates its businesses, is signed by all Board members and employees.

TWK strives to maintain sound relationships with all stakeholders and is fully committed to the ethical principles of equity, accountability, transparency, and social responsibility.

The Company has entered into an engagement with The Ethics Institute to assist with the management of organisations ethics. Phase A and B of the Intervention that will be implemented during the following year entail a training programme and ethics risk assessment.

ESG

During the year under review, a management committee (the ESG Committee) has been brought to life. The members of the committee are representatives from different TWK divisions and internal structures that deal with issues related to ESG.

The Committee performs its duties in terms of a formal adopted framework and report, and it makes recommendations to Executive Management as well as the Social and Ethics Committee.

The Committee is of the opinion that the TWK Group maintains a high level of compliance in terms of broad sustainability principles and international best practice standards.

On behalf of the Social and Ethics Committee,

HW Küsel
Chairperson of the Social and Ethics Committee
25 November 2021

Our people

Introduction

TWK Agri's long-term sustainability rests on the ability to attract, develop and retain universally competitive employees who are engaged in our organisational culture.

Current strategies and initiatives focus on driving operational excellence, continuous improvement, employee development and skills training.

Performance outputs are measured and linked to the Group Remuneration Policy for purpose remuneration and reward structures, which also allows for employee participation as shareholders.

Our integrated human resources approach enables our employees to achieve a good quality of life for themselves and their families, supported by opportunities to develop to their full potential.

COVID-19

The lock down regulations that have been in place since March 2020, due to the novel coronavirus pandemic had an enormous impact on our people, our communities and employment practices.

Thoughtful consideration had to be applied to ensure the health and safety of our employees as a priority.

Our cross-functional management teams worked tirelessly within all operations to implement the required risk mitigation strategies in terms of policy, protocols, training, communication and employee support.

All employees, service providers and contractors were trained on COVID-19 health and safety protocols in the workplace. Daily screening and testing of all employees, track and traceability systems, additional protective equipment, sanitisers and additional hygiene processes were introduced successfully. Employees were supported with facemasks and hand sanitisers that were issued on a regular basis.

The diagram below is one example of a COVID-19 response leaflet distributed to all operational units, to familiarise employees with the related protocols.

Employment conditions and work environments were adjusted across all operations, supported by extensive stakeholder management with the Department of Health, the Department of Employment, organised labour, and national, provincial, and local industry support structures, all of whom endorsed the successful implementation of our risk mitigation actions. New technology was introduced to enable flexible working arrangements for support teams.

We salute our employees for adapting to the "new normal" and we are immensely proud of what we achieved.

Among TWK employees, there were 212 reported cases of employees that tested positive for COVID-19, and six COVID-related fatalities from March 2020 – August 2021.

COVID-19 fatalities

It is with great sadness that we report the passing of five employees due to the COVID-19 virus. The employees not only left a hole in their divisions, but in the hearts of so many TWK employees. Our thoughts and prayers remain with the families of these employees:

Thys Marais (Insurance)
Neels Nel (Insurance)
Margaret Smit (Finance)
Arnold Otto (Constantia)
Philomon Mzinyane (SFC)

TOTAL POSITIVE TESTS
190 cases
SINCE SEPTEMBER 2020

HIGHEST MONTHLY CASES
66 cases
IN AUGUST 2021

Direct contact to a positive case management

DIRECT CONTACT TO A POSITIVE CASE

Self-isolate for a period of 10 days after last contact

Monitor self for possible symptoms

If symptoms appear – contact doctor or clinic, and go for COVID-19 test if required

Negative result	Positive result
Continue to self-isolate for 10 days after last contact	Self-isolation at home or government quarantine site for 10 days
Return to work	Return to work, continue with self-monitoring for 7 days

Definition of "close contact"

Close contact means that you had face-to-face contact within 1 metre without a face mask/shield, are consciously aware of direct contact or were in a closed space for more than 15 minutes with a person with COVID-19. This contact happened while the person with COVID-19 was still "infectious", i.e. from two days before to 14 days after their symptoms began.

You are not in "close contact" if:

- *You have not had close contact with a positive person;*
- *You are a contact of a contact (you are not personally the close contact);*
- *You wore the required PPE and did not spend a prolonged period of time in a closed space with a positive person.*

Permanent and temporary employees

We are grateful that employment numbers indicate an increase for the year. This is a result of skills sourced, together with the acquisition of majority shareholding in business units. The majority shareholding in business units include Sunshine Seedling Services, BedRock Mining Support and Peak Timbers.

TWK Agri's total workforce 2021 vs 2020

	2021	2020
EXECUTIVE MANAGEMENT	11	11
MANAGERIAL	242	222
SKILLED	342	288
SEMI-SKILLED	1 023	709
UNSKILLED	1 261	730
TEMPORARY EMPLOYEES	224	27
TOTAL	3 104	1 988

New appointments 2021 vs 2020

APPOINTMENTS	2021	2020
Corporate services	35	31
Financial services	39	27
Grain	44	36
Timber	658	49
Trade	132	124
TWK Motors	112	90
Total	1 020	357

Terminations 2021 vs 2020

TERMINATIONS	2021	2020
Corporate services	26	21
Financial services	17	3
Grain	25	21
Timber	123	30
Trade	28	116
TWK Motors	150	157
Total	369	348

The attrition rate amongst permanent employees for 2021 was 15,25% (compared to 17,75% in 2020).

SOCIAL INVESTMENTS
Our people continued

Broad-Based Black Economic Empowerment (B-BBEE)

We support and are committed to the concept of B-BBEE and promote social and economic inclusivity and diversity in our business approach. We do this responsibly, ethically, with growth and sustainability in mind. Promulgated amendments to the Agri B-BBEE scorecard, with an increased focus on enterprise and supplier development remains a challenge in the agriculture sector, since it requires the development of black-owned and black women-owned preferred suppliers over the medium- to long-term.

TWK is currently a level five B-BBEE Contributor with full points for Enterprise Development, Supplier Development and Socio-economic Development.

Gender and race equality

TWK's policy and goal towards achieving gender and race equality is guided by a vision of fairness and acknowledges the principle that gender and race play no part in merit. TWK rejects any form of unfair discrimination based on gender or race in the Group.

TWK will actively manage its human resources to ensure women and men of all races have equal opportunity to participate at all levels. This is achieved through policies, procedures and engagement platforms within human resources structures, employment equity and training.

TWK's female: male ratio was 28%: 72% in 2021 (2020: 36%:64%) and saw a decline in females in relation to males due to the newly acquired business units.

The TWK employee base comprises of the following race groups within the different segments:

DIVISION	AFRICAN	COLOURED	INDIAN	WHITE	TOTAL
Corporate Services	32	4	6	100	142
Financial Services	39	2	2	137	180
Grain	166	0	0	28	194
Timber	1 491	5	3	87	1 586
Trade	293	18	20	217	548
TWK Motors	317	11	9	117	454
Total	2 338	40	40	686	3 104

Gender-based violence

The TWK Agri group promotes gender equality and takes a strong stance against gender-based violence. It is for this reason that the group decided to partake in initiatives to assist victims of gender-based violence.

As part of our Nelson Mandela Day initiative, TWK assisted Grip House and Safehouse with much needed infrastructure changes and basic goods as pictured to the right. We believe that this is the start of a relationship that will last for years.

Nelson Mandela Day initiatives

GRIP House, Piet Retief

One of TWK's Mandela Day projects was to support the GRIP House in Piet Retief with much-needed food supplies and a new roof for their carport.

Since 2000 GRIP has provided healing and support to over 25 000 survivors of sexual assault and domestic violence. As the struggle against sexual and gender-based violence continues, GRIP's services have become even more essential to our community.

We applaud their efforts in supporting and housing the families affected by gender-based violence.




Safehouse

TWK's second initiative for this year's Mandela Day was to support a safehouse based in a rural area to protect and shelter abused children.

The host of the safehouse acts as the children's guardian until such time which they can provide a safe haven for the children in need.

There are currently six children being cared for in this safehouse, where the host works closely with the local municipality to provide safety for these children. TWK Agri made a contribution to the children through food items and day-to-day toiletries.



Value creation for and training of employees

Employee upliftment

We are committed to facilitate skills training and our submissions of skills development plans and implementation against targets to the various SETAs have ensured maximum benefit in skills development levies and claims submitted.

Our integrated training and development framework is focussed on delivering competency and compliance in the following areas:

- Induction and on-boarding for new employees;
- Legal certification training for machine operators, drivers and health and safety practitioners;
- Technical skills training in highly specialised niche operations;
- Leadership development programmes.

We have a study loan policy which provides employees with financial assistance to further their academic qualifications in line with current and future position requirements.

42 EMPLOYEES

Currently supported by TWK Agri to further their tertiary education

36 EMPLOYEES

Supported with various courses relating to their job specifications e.g.. Insurance

R5 991 727

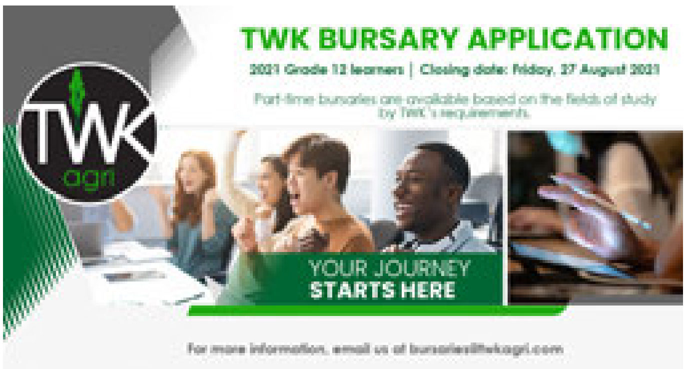
The Group's total spend on skills development for the year

7 BURSARY HOLDERS AND **13** APPRENTICES SUPPORTED BY TWK AGRI

418 EMPLOYEES

Completed online courses on TWK Agri's online training platform

The images below display some of the training initiatives promoted by the TWK training department.



TWK's investment in employee skills development reaped great rewards, with many employees being promoted to new roles within the TWK Group as indicated below:

Employee promotions within the TWK group

SEGMENT	2021	2020
Corporate services	7	3
Financial services	13	1
Grain	2	8
Timber	3	6
Trade	27	23
TWK Motors	17	19
Total	69	60

Yes4Youth Initiative

TWK decided to play our part to address the high unemployment rate In South Africa, by supporting the Yes4Youth Initiative.

The TWK Agri group appointed 28 candidates on a 12-month contract at various business units to gain work experience and provide them with a better opportunity for full-time employment with TWK or another organisation.

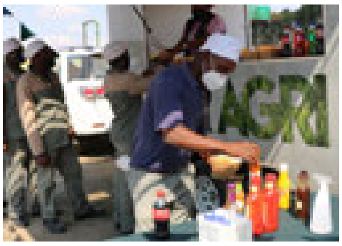
SOCIAL INVESTMENTS

Our people continued

Employee relations

Our employees endured many hardships during the recent financial year within the COVID-19 pandemic. Consequently, the TWK Executive Management team decided to visit more than 65 business units to thank employees for their resilience during uncertain times. A new initiative of the 'Employees' employee of the year' for each business unit was launched and will continue to encourage our workforce to live out the TWK Values (Growth, Strive, Renew, Sustain, Conserve, Develop).

The images below capture some of the interactions between management and the workforce during the TWK Roadshow this year.



Health and safety

Our approach

The safety and wellbeing of our employees are the responsibility of everyone at TWK, and it is a value we drive in all operations. Our health and safety management systems conform to all applicable in-country legislation.

Senior managers are legally appointed within each operation and are responsible for occupational health and safety and are committed to providing the necessary financial and human resources to ensure that safety objectives are implemented, monitored and maintained:

- Compliance: Adherence to all applicable health and safety legislation, standards, frameworks and best practice relevant to the Group.
- Risk assessment: Continually evaluate and mitigate health and safety risks within the Group. Internal and independent external audits are conducted on a regular basis.
- Risk mitigation: Identification of workplace hazards and the provision of the required safety equipment, procedures and training to employees to mitigate against accidents, injuries and diseases.
- Training and awareness: Promote awareness and sense of responsibility among employees through effective health and safety communication, training and consultation with all levels of employees, contractors and other stakeholders directly affected by our activities and processes.
- Commitment: Integrated comprehensive management systems which ensure accountability for employees' wellbeing.
- Continual improvement: Periodic review of the relevance and appropriateness of the above endeavours to ensure continual improvement in relation to health and safety.

TWK aims to minimise and prevent any occupational health risks, injuries and accidents. The incidents per segment are indicated below.

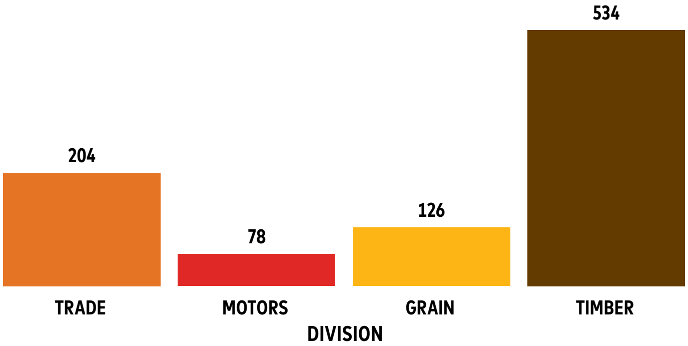
TWK Agri aims to minimise and prevent any occupational health risks, injuries and accidents. The incidents per segment are indicated below.

FATALITIES	2021	2020
TRADE	0	0
TIMBER	0	0
GRAIN	0	0
MOTORS & TYRES	0	0
CORPORATE SERVICES	0	0
CASES OF MEDICAL TREATMENT		
TRADE	14	11
TIMBER	45	9
GRAIN	3	4
MOTORS & TYRES	8	8
CORPORATE SERVICES	4	4

DISABLING INJURIES	2021	2020
TRADE	0	0
TIMBER	0	0
GRAIN	0	0
MOTORS & TYRES	0	0
CORPORATE SERVICES	0	0
RECORDABLE INJURIES		
TRADE	14	11
TIMBER	45	9
GRAIN	3	4
MOTORS & TYRES	8	8
CORPORATE SERVICES	4	4

The number of medical tests done per segment as stipulated In the Occupational Health and Safety Act are indicated below:

Number of medicals done in 2020-2021



The Department of Labour conducted various audits during the year, and contravention notices were issued at some of the business units. The increase in contravention notices issued by the Department of Labour directly relates to the limited visits to business units by TWK's Health and Safety Department during the COVID lockdown period.

The contravention notices received immediate attention and problems were rectified with the help of the Health & Safety department.

Department of Labour inspections from 2019-2021

DIVISION	2019	2020	2021
Corporate Services	0	1	1
Financial Services	2	2	4
Grain	0	1	1
Timber	0	0	0
Trade	4	11	13
TWK Motors	5	6	13
Total	11	21	32

Contravention Notices issued by the Department of Labour between 2019-2021

DIVISION	2019	2020	2021
Corporate Services	0	0	0
Financial Services	0	0	0
Grain	0	0	1
Timber	0	0	0
Trade	0	0	3
TWK Motors	0	0	4
Total	0	0	8

Wellness programme

Our employee wellness programme, known as Healthy Habits, promotes a healthy lifestyle among our employees. The Healthy Habits wellness programme seeks to enhance the physical and mental health of our employees. In the new financial year, the programme will expand to educate our employees about financial wellness.

The TWK Employee Wellness Programme, which is managed by the Human Resources division, has been offered to our employees for the past three years. Through wellness days, proactive employees participate voluntarily, and the programme is recognised as one of the industry's most successful health and wellness programmes.

The images below reflect some of the benefits that the TWK Healthy Habits members enjoy:

Human rights and Code of Ethics

Human rights are central to our legitimacy and are addressed in our Code of Ethics.

The principles embedded in TWK's ethical codes include:

- Respecting and obeying the laws and the authorities in the countries in which we operate;
- respecting our stakeholders;
- acting fairly; and
- being honest.

Breaches are addressed through the applicable legal system, internal procedures and through the "Tip-Offs Anonymous" system. Employees may use established grievance procedures and they may also seek trade union or industry assistance.

All incidents reported through "Tip-Offs Anonymous" are investigated by internal audit and appropriate action is taken in terms of the relevant policies and disciplinary procedures.

"Tip-Offs Anonymous" data

NUMBER OF CALLS RECEIVED		NUMBER OF REPORTS GENERATED	
2021	2020	**2021**	2020
4	8	4	8

NUMBER OF REPORTS INVESTIGATED		NUMBER OF CONVICTIONS	
2021	2020	**2021**	2020
4	8	0	0

We apply a "zero tolerance" approach towards fraud and corruption and protect employees who raise concerns relating to fraud and corruption from victimisation.

The following alleged offences were reported to the "Tip-Offs Anonymous" line:

Alleged offences data

THEFT	
2021	2020
0	0

HUMAN RESOURCE INFRINGEMENTS		FRAUD	
2021	2020	**2021**	2020
3	7	0	0

UNETHICAL BEHAVIOUR		CUSTOMER COMPLAINTS	
2021	2020	**2021**	2020
1	1	0	0

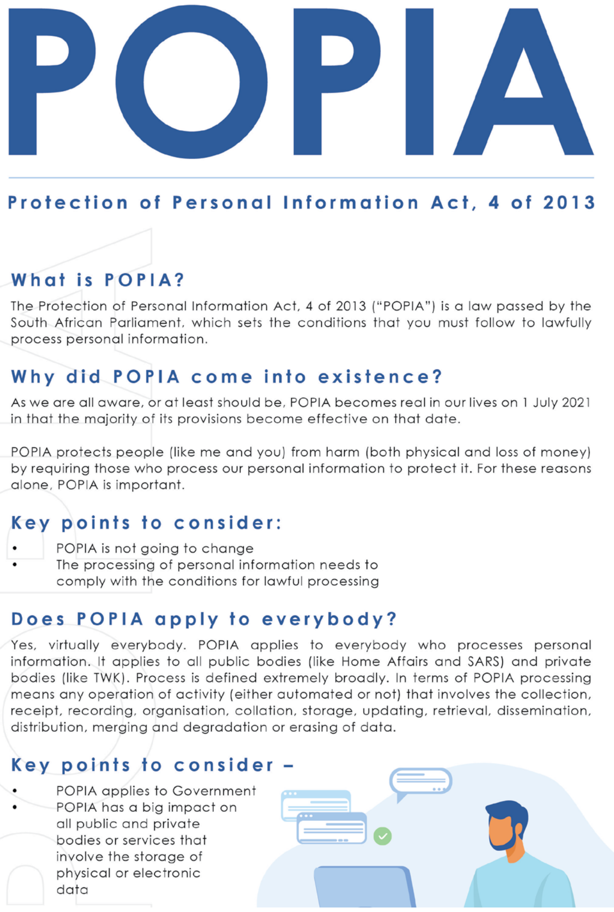
SOCIAL INVESTMENTS
Our people continued

Customer privacy

TWK took various measures to ensure compliance with the Protection of Personal Information Act, 3 of 2013 as implemented on the 1st of July 2021.

An Information Officer was appointed and assessments to determine POPIA related risks were conducted across all business units. Employees were made aware of POPIA compliance through informative summaries that were distributed on a weekly basis.

TWK clients were issued with consent forms to ensure that their personal Information would be used for its original purpose. In addition, the TWK IT team introduced additional protective software to ensure the safety of the organisation's data and its use.



POPIA

Protection of Personal Information Act, 4 of 2013

What is POPIA?

The Protection of Personal Information Act, 4 of 2013 ("POPIA") is a law passed by the South African Parliament, which sets the conditions that you must follow to lawfully process personal information.

Why did POPIA come into existence?

As we are all aware, or at least should be, POPIA becomes real in our lives on 1 July 2021 in that the majority of its provisions become effective on that date.

POPIA protects people (like me and you) from harm (both physical and loss of money) by requiring those who process our personal information to protect it. For these reasons alone, POPIA is important.

Key points to consider:

- POPIA is not going to change
- The processing of personal information needs to comply with the conditions for lawful processing

Does POPIA apply to everybody?

Yes, virtually everybody. POPIA applies to everybody who processes personal information. It applies to all public bodies (like Home Affairs and SARS) and private bodies (like TWK). Process is defined extremely broadly. In terms of POPIA processing means any operation of activity (either automated or not) that involves the collection, receipt, recording, organisation, collation, storage, updating, retrieval, dissemination, distribution, merging and degradation or erasing of data.

Key points to consider –

- POPIA applies to Government
- POPIA has a big impact on all public and private bodies or services that involve the storage of physical or electronic data

Innovation

As part of the strategy of TWK Agri, the group seeks to utilise new technology to provide integrated products and solutions and to gain a competitive advantage.

As a result, the current operating system, which has been in use for the past 36 years, will be replaced with a Microsoft Dynamics 365 solution. The project for the new system implementation started on the 1st of March 2021, with a proposed go-live date of 01 September 2022.

TWK Management believes that this new technology will unlock synergies within the TWK Group, as well as providing the Group with holistic understandings of TWK customers, to provide more comprehensive products and services.

SOCIAL INVESTMENTS

Our social involvement

The TWK Agri Group not only seeks to provide value adding products and services to the communities in which we operate, but we seek to make a difference in the lives of all stakeholders within our communities.

The TWK Agri Group is involved in various projects and sponsorships to assist our communities. Some of the projects that have featured in the financial year include: a KwaZulu-Natal food drive in support of those who did not have access to basic needs as a result of the looting in the province; an initiative where blankets were handed to homeless citizens during the cold winter months; fund raising for various charities and other organisations within our communities; and many other sponsorships and projects.

CAPTIONS
(clockwise, from top left)

TWK donates much needed computer equipment to CMR, Piet Retief; TWK supports paediatric care Africa; The trade – and Isuzu branches in Ermelo handed out blankets to homeless people as part of TWK's blanket initiative; TWK employees in great spirit during the superhero golf day, which generated R170 000 for various charities; TWK in support of the medical staff at the Piet Retief private hospital; Supporting our employees that did not have access to basic goods during the lootings in KwaZulu-Natal.

Environmental initiatives

We are dependent on the environment for critical resources to sustain business operations. Being embedded in the agricultural industry in South Africa means that TWK is deeply aware of how dependent we are on the environment.

We also know that climatic events, such as heat waves, droughts and floods can negatively impact business operations. At the same time, we understand that through our business activities, we can impact the environment either negatively or positively.

Consequently, TWK acknowledges that our responsibility to the environment extends beyond legal and regulatory requirements, and that it makes business sense. Business sustainability is about doing all that is necessary in the short- to-medium term in return for a sustainable business in the long-term, while also being involved in efforts to protect and improve both the work environment and the broader environment with which we interact.

Biodiversity conservation

(Including fresh water)

TWK's regular biomonitoring, veld condition assessments as well as fauna and flora surveys of the landholdings assist in our biodiversity conservation management. This helps to identify possible rare and endangered species so that appropriate protection and conservation measures can be put in place.

47 496 ha

FORESTRY LAND OWNED BY TWK IN SOUTH AFRICA AND ESWATINI

10 875 ha

MANAGED BY TWK ON A LEASE OR MANAGEMENT AGREEMENT

32 117 ha
Planted

18 080 ha
Non-afforested areas managed as conservation areas

3 184 ha
Classified as HCV are included in the conservation area

2 515 tons

CO_2 OFFSET IN 2020/2021 FROM A GENERATION OF

2 441 486 kWh

Energy management

TWK started to implement measures to encourage the use of alternative energy sources in 2016.

Additionally, we make use of timber offcuts to generate heat for our processing plants at SAWCO Pine Mill as well as our treating plant in Eswatini.

1 876 tons

CO_2 OFFSET IN 2019/2020 FROM A GENERATION OF

1 823 746 kWh

Environmental regulation and certification

FSC® CERTIFIED PLANTATIONS IN Eswatini and South Africa

In South Africa we are currently in the process of verifying **Existing Legal Water** use with the Department of Water Affairs and Sanitation. All timber procured to our processing plants have to adhere to the **TWK Due Diligence System (DDS) that comply to the FSC® standard**

MKONDO GRAIN MILL
ISO 22000:2018 CERTIFIED
FOOD SAFETY ASSESSMENT STANDARDS MET
MANAGED ACCORDING TO
SANS 10049:2019 and ISO/TS 22002

SAWCO pine mill is FSC® certified and audited annually

The Group is committed to environmental regulatory and legislative compliance prescribed in South Africa and Eswatini

TWK SUNSHINE SEEDLINGS CERTIFIED
ISO 9001:2015

Richards Bay Chip Mill and the timber depots at Mkondo and Vryheid are included in the TWK CoC certificate

TWK CURRENTLY MANAGE Three Forest Management Certificates COMPRISING A TOTAL OF 58 371 ha

AS WELL AS Two FSC® Controlled Wood certificates

Mkondo and Panbult silos are registered at the Department of Agriculture, Land Reform and Rural Development (DALRRD) as a Food Business Operator (FBO)

THIRTEEN HCV
Registered and managed on the TWK Group landholdings. Sites are regularly evaluated by the Eswatini Environmental Authority

STTP plant is managed according to approved **Eswatini Environmental Authority Environmental Management Plan**

ALL TOTAL GARAGES have an **Environmental Impact Assessment** approved before a retail licence can be issued

ENVIRONMENTAL INITIATIVES

Air quality

Air quality Is managed at our Mkondo Grain processing plant. External assessments are done every 24 months and air quality including counts of carbon dioxide and carbon monoxide, as well as temperature and humidity are monitored.

Cultural heritage

Currently the only culture sites are gravesites on our landholdings. All grave sites are protected, and their related communities have free access to sites.

Deforestation

All timber production is from commercial plantations planted with exotic trees (these are Acacia, Pinus and Eucalyptus). No indigenous forests are harvested. Rather, TWK ensures that all Indigenous plantations are protected and managed as areas of High Conservation Value (HCV).

Fire management

TWK has a well-managed Fire Protection Plan for all landholdings. TWK are members of the Mkondo and Mpuluze Fire Protection Associations and we work with all our neighbours and communities to assist in the prevention of fires.

Total number of uncontrolled fires for the last two seasons

NORTHERN FARMS	2021	2020	ha loss 2021
	1	1	0
SOUTHERN FARMS	**2021**	**2020**	**ha loss 2021**
	1	3	0
SFC NHLANGANO	**2021**	**2020**	**ha loss 2021**
	105	17	34
SFC PEAK TIMBERS	**2021**	**2020**	**ha loss 2021**
	84	191	190

Greenhouse gas emissions and climate change (Including research)

TWK's plantations are registered with the Department of Environment, Forestry and Fisheries to monitor greenhouse gas emissions. The plantations are currently operating below the threshold for Carbon Tax submissions.

TWK is also a co-founder of a research platform to facilitate climate modelling and sustainability resource availability for all forestry stakeholders. This aims to reduce risk and improve adaptation/ mitigation strategies in relation to climate change. This research is done by the University of the Witwatersrand's Global Change Institute.

Hazardous substances (Including chemical use)

TWK is an area member of the Timber Industry Pesticides Working Group (TIPWG). Only chemicals approved by TIPWG are used on forestry operations. The total pesticide and herbicide use are monitored and audited annually by external auditors during the FSC audit, and in turn published annually on the FSC web page.

Only approved chemicals as per standard are used at the TWK Grain division. Chemical use is also audited by external auditors annually.

All flammable liquid storing facilities have been registered at the relevant Local Authority.

All hazardous waste (florescent lights, oil, hazardous containers) is removed by a registered Hazardous Waste transporter and Waste Management Company

An average of 3921 litres of oil per month is collected by Toyota service stations and sent to certified oil recyclers.

Chemical list

ACTIVE INGREDIENT	GLYPHOSATE	TRICLOPYR	PICLORAM	DIMETHYLAMINE
SFC	9 996 ℓ	121 ℓ	0	0
Peak Timbers	15 801 ℓ	5 588 ℓ	2 640 ℓ	906 ℓ
Farms	2 490 ℓ	105 ℓ	0	0
S Farms	2 594 ℓ	74 ℓ	127 ℓ	0

Pollution prevention

All wash bays at TWK motors, Total filling stations, TWK farms and processing plants are equipped with separator tanks to collect potential contaminating substances.

These facilities are regularly cleaned, and all waste is collected for safe disposal. Pollution management forms part of the TWK Health and Safety system.

Soil and groundwater

Soil erosion is a risk in forestry operations. All forestry operations are evaluated and then managed through TWK Forestry procedures.

Procedures are set up to mitigate the impact of forestry on the environment. Procedures for mitigating operations include fire protection, roads, land preparation, weed control and harvesting. Erosion is one of the elements audited annually during the FSC external audits.

Waste management

All sites handling non-domestic waste have a waste management procedure. Waste is classified as follows:

Non-hazardous waste | Only disposed of in a permitted disposable site

Hazardous waste | Can only be removed by a registered hazardous waste contractor with a waste removal manifesto. All records are kept.

Medical waste | Stored in a medical waste box and disposed at a registered medical facility.

Tyres | Tyres are returned to the supplier

Water management

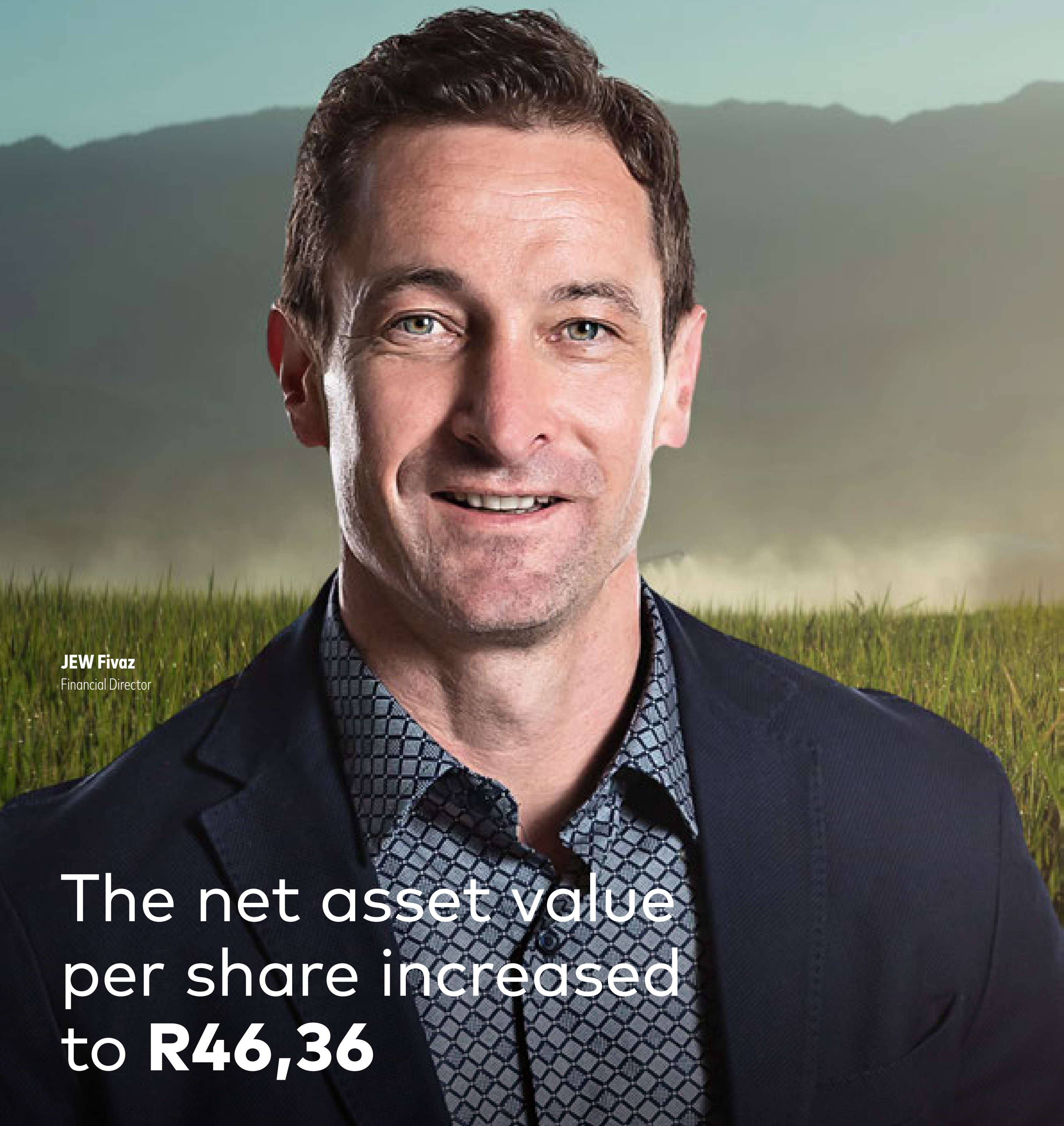
All non-municipal sites use water from registered boreholes. Water is tested for human consumption safety.

SOLAR INFRASTRUCTURE AT SAWCO ESWATINI

Annual financial statements

ANNUAL FINANCIAL STATEMENTS

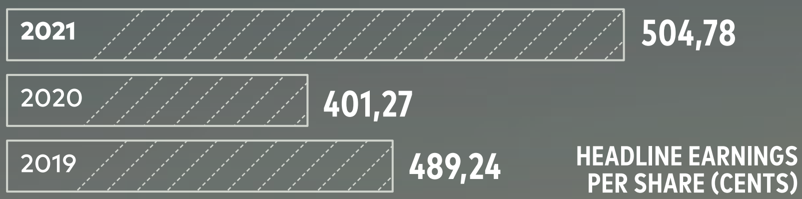
Report by the Financial Director



JEW Fivaz
Financial Director

The net asset value per share increased to **R46,36**

KEY METRICS



R491m
OPERATING PROFIT
(2020 | R294m)

16,41%
RETURN ON EQUITY
(2020 | 7,75%)

R528m
EBITDA
(2020 | R331m)

R8,86bn
GROUP REVENUE
(2020 | R7,68bn)

up 25,79%
HEADLINE EARNINGS
(2020 | DOWN BY 31,35%)

Introduction

Our financial performance is key to delivery on our purpose, vision, and strategy. The optimisation of capital management is in particular relevant from a financial perspective. Governance of our financial performance and reporting is overseen and monitored by the Audit Committee, on behalf of the Board.

The 2021 financial year is the best on record in terms of profitability despite the ongoing pandemic and its impacts. It underlines the effectiveness and importance of our diversified business model and pave the way for stronger growth prospects.

Preservation of a robust balance sheet, strong cash generation, disciplined cost control and the investment in strategic business opportunities were the key features of the Group during the year under review. Initially, at the onset of the pandemic, our focus shifted to ensuring sufficient liquidity to secure our operations financially, to meet payment obligations and to cover any likely contingencies. As the pandemic and related events unfolded and it became clear that we had more than sufficient liquidity, we resumed our focus on our growth strategy without losing sight of our core business and capital management.

By year-end 2021, we were in a net cash position of R236 million compared to R93 million which was supported by strong cash flow generation as well as a recovery in earnings.

The Group returned to the pre-COVID profit growth curve as lockdowns eased, global economic activity resumed and increase in timber volume sales. Profitability was also supported by business combinations during the year. The Group EBITDA is R528 million, which was a substantial increase on the prior year of R331 million, and also an increase of 25% when compared to the pre-COVID EBITDA of 2019.

Highlights for the year included the recovery of profitability in the Timber segment and the Retail segment. The performance delivered by mining timber products and timber sales from own plantations supported sales in the timber markets which increased by 27%. The profitability in the Retail segment was supported by excellent trading conditions, increased fertiliser volumes sold and significantly increased sales through the New Holland agencies.

In line with our strategy the Group sought growth opportunities and acquired certain of the assets and business operations of Peak Timbers in Eswatini for a purchase consideration of R577,1 million. This resulted in the recognition of a bargain purchase gain of R85,7 million. The integration of Peak and the onboarding of employees were successfully completed on 11 March 2021. At the end of 2021, Peak delivered R156 million in turnover since acquisition and R19 million in profit. By leveraging TWK's existing forestry capabilities and market access, costs will be dramatically reduced and sales volume increased on the back of higher demand for timber products. These are all positive signs that point to a strong performance from this business as we move into 2022.

Special items for the year included R16 million of goodwill impairments related to weak fuel market conditions. In addition, there was impairments on assets held for sale of R19,9 million of which R7 million relates to the Tyres division and R12,9 million to the fuel land and buildings. As part of our path to maintain a sustainable capital structure for the business and grow profits, we have focused on exiting non-performing and non-core businesses. It was therefore decided to dispose of certain assets in The Motors and Tyres segment.

The Group's focus on quality of earnings and continual improvement resulted in a significant improvement in gross profit, EBITDA and operating profit margins. We have simultaneously focused on doing good business with the requisite margins that ultimately deliver shareholder value.

The improvement in market conditions and resultant substantial recovery of operating profitability translated to a profit before tax for the period of R352 million compared to R159 million for the 2020 financial year and R279 million for the pre-COVID 2019 year.

ANNUAL FINANCIAL STATEMENTS
Report by the Financial Director continued

This is an indication that our culture of doing good business is paying off. Return on opening equity has increased from 7,75% in 2020 to 16,41% in 2021 and operating margins have increased from 3,83% in 2020 to 5,57% in 2021.

In the 2021 financial year revenue is up by 15,31%, profit before tax is up by 121,75% and headline earnings per share is up by 25,79% to 504,78c. Having cash on hand remains one of the focal areas within TWK from a financial perspective, and enables us to execute on our strategic goals.

This resulted in the net asset value per share of TWK Investments to increase from to R42,85 in 2020 to R46,36 in 2021.

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

Revenue growth

Revenue is up due to improved market conditions, increased volume in timber sales and business combinations. We expect a rapid growth in revenue during 2022 as revenue from Peak materialise and an improvement in the woodchip export markets. We will increase quality revenue by optimising existing operations, increasing product offerings and expanding our footprint through acquisitions.

Operating profit growth

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

Return on total assets

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

Return on equity

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

Consistent HEPS growth

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

Five-year review

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

FIGURES IN RAND	2021	2020	2019	2018	2017
Revenue	**8 855 974 149**	7 680 067 366	7 753 007 355	7 463 662 309	7 005 465 597
Operating profit	**491 019 623**	294 299 346	431 080 108	331 742 888	329 069 511
EBITDA	**527 566 517**	330 949 466	422 745 720	363 444 161	351 475 277
Finance cost	**106 761 309**	105 086 386	118 891 941	117 830 697	129 197 231
Interest cover – EBITDA (times)	**4,94**	3,15	3,56	3,08	2,72
Net profit after tax	**256 023 165**	108 371 589	191 799 983	158 496 182	138 418 435
Total assets	**5 513 684 332**	4 438 317 576	4 304 566 731	4 018 667 763	3 459 517 970
Return on total assets – EBIT (%)	**8,32**	5,94	9,24	8,31	9,66
Current ratio	**1,13**	1,19	1,19	1,22	1,31
Gearing ratio (%)	**147,4**	145,8	130,5	131,3	147,7
Headline earnings per share (cent)	**504,78**	401,3	489,2	405,5	439,0
Return on opening equity	**16,41**	7,75	13,67	13,46	12,47
Price earnings	**5,44**	8,72	5,36	4,10	3,54
Dividend per share (declared post year-end)	**1,14**	0,65	0,90	0,75	0,60
Net asset value per share	**46,36**	42,83	40,74	35,98	33,06
Market cap 31 August	**1 279 991 911**	885 249 792	851 871 412	575 067 003	409 919 198

Financial performance

The following review of the Group's financial performance for the year ended 31 August 2021 focuses on the key line items of the statements of comprehensive income and financial position which management considers material to the Group's performance.

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

Revenue

Group revenue increased by 15,31% to R8,86 billion (2020: R7,68 billion). Revenue in the retail segments increased by 17,66% due to higher volumes and prices of fertiliser sold, the additions of mechanisation branches and better trading conditions. Revenue in the Timber segment increased by 2,25% due to increase sales in mining timber products, increase sales from own plantations and the additions of Peak and Sunshine Seedlings supported sales in the timber segment. The woodchip export volume was slightly lower but was partial offset by a weaker rand.

Operating expenditure

The Group's operating expenses increased by 5,49%. The addition of Peak Timbers and Sunshine Seedlings resulted in an increase in R83 million of operating expenses. Operating expenditure as a percentage of turnover was 11,82% (2020: 12,92%) and is in line with our commitment to maintain disciplined around expenditure and improve operational efficiency.

Operating profit

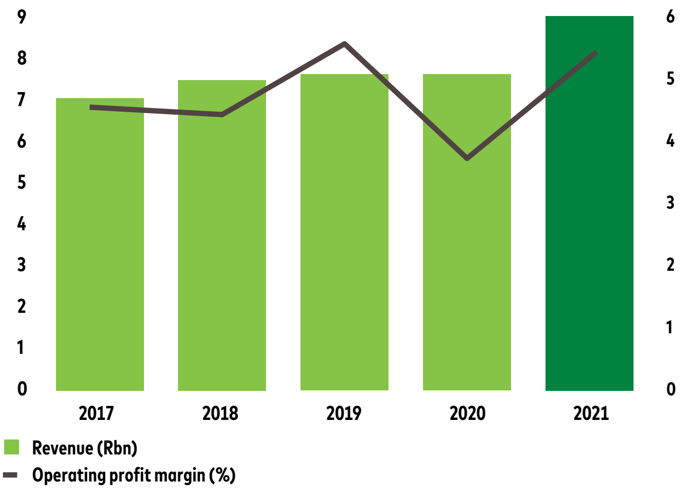
Operating profit increased by 66,84% to R491 million (2020: R294 million) as the Trade and Timber segment experienced improvements in sales and operational efficiency.

Even though a slight decrease in gross profit margin to 15,14% (2020: 15,90%), due to increased competition and lower woodchip export volumes, the operating profit increase as a direct result of an increase of revenue, diligent cost management and business combinations.

The Group operating margin strengthened to 5,54% from 3,83% due to reasons mentioned above.

The Group results were negatively affected by the impairments of R16 million on goodwill and R20 million on assets held for sale. Due to the past year's depressed performance and forecasted profit expectations for the Fuel division, management interrogated the valuations of the intangible assets and properties and as a result wrote down these assets in line with IFRS.

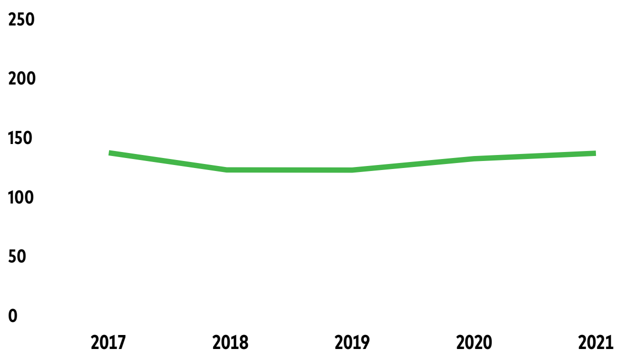
Operating profit margin



Statement of financial position

The ratio of shareholders interest to total assets increase slightly to 31,24% (2020: 30,55%) and the gearing level increased to 147% at year-end (2020: 146%). The increase in the gearing level was due to the acquisition of the Peak assets with total long-term debt of R470,6 million and a bridging facility repayable on 28 February 2022. Although the level is still comfortably within our internal thresholds with sufficient headroom available to meet the coming year's requirements, the level will decrease with the planned capital raise by means of a share issue to partially fund the Peak transaction.

Gearing level



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. During the year the portion of the Landbank's participation in the syndicated revolving credit facility with Standard Bank and First National Bank was moved to Standard Bank. Therefore, the liquidity problem of the Landbank poses no risk to TWK. Subsequent to year-end ABSA also approved credit lines for TWK whereby ABSA will also participate in the syndicated revolving credit facility with Standard Bank and First National Bank. The term loans of the Land Bank will also be replaced by term loans from ABSA as a reliable and cost-effective source.

The ratio of current assets to current liabilities at year-end was consistent at 1,13 times (2020: 1,19 times), indicating that working capital remains adequately funded and closely monitored. The continued financial discipline includes a sharp focus on working capital management as part of overall liquidity management. While we have continued to manage collection closely in the current economic climate, the net investment in working capital has increased to R2,032 billion at the end of the year from R2,027 billion in 2020, which is still within our expected range. Although well managed with quality security in place we have seen an increase in our credit risk with our expected credit loss provisions increasing from R14,5 million in 2020 to R31,9 million in 2021 as a result of the current economic climate.

The disposals of the held for sale assets will reduce debt and enhance capital structure. Once these are concluded, the cash of approximately R151 million from the sales is expected to flow before the end of the 2022 calendar year.

Inventory

Inventory was tightly managed and Group inventory days was consistent at 44 days. Inventory levels were 5,83% lower, which is substantially below the rate of sales growth.

ANNUAL FINANCIAL STATEMENTS
Report by the Financial Director continued

Trade and other receivables

Trade receivables continued to be well managed. The stratification of the client base relative to credit extended is at 99,3% between R1 and R5 000 000. The seasonal facilities were higher at 31 August 2021 when compared to the previous year, as well as the average utilisation during the peak season, resulting in good interest earnings. The total bridging facilities decreased to R51,1 million from R65,2 million. Unfortunately, the tough economic times led to higher than normal handed over facilities. There was a slight decline in handed over facilities from R70,1 million to R69,4 million. Securities are held to mitigate risk where appropriate and we believe we are suitably provided for when considering the health of the debtors' book. Low levels of bad debt written off were still maintained, and the bad debt ratio was 0,33% for the Group's total debtors' book.

Cash and capital management

Net cash from operating activities increased slightly to R442,2 million. Cash resources were offset against repayments of loans.

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

Capital is mainly allocated to production facilities extended to producers, inventory, capital projects, working capital for expansion and for merger and acquisitions. Additions to property, plant and equipment was R349 million. The addition of the Peak Timbers assets and Sunshine Seedlings assets into the TWK Group, represented R112 million of this increase, and R144 million represented the asset for share transaction between TWK Investments and TWK Holdings. The increase of R518 million in biological assets was due to the acquisition of the Peak Timber assets.

Own equity increased by R337 million, while long- and short-term loans increased by R605 million. Long-term borrowings increased by R471 million to fund the Peak Timber acquisition. The short-term borrowings increased by R67 million to fund the increase in production facilities extended to producers. The unutilised short-term facility of R706 million (2020: R774 million) ensures adequate liquidity.

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

Accounting policies and estimates

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

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

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

Audit report

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

Looking ahead

We've proven our resilience to succeed in the 'new normal' and we will continue to do so as we work to accelerate our growth journey.

One of the key focus areas for TWK is to create sustainable shareholder value. The aims of the ZARX listing of TWK Investments Limited in 2017 were to unlock shareholder value and to create liquidity for the share. Although traded volumes have increased significantly and the share price trading at a lower discount to net asset value, the lack of liquidity remains a challenge, as well as the sustainability of ZARX. Therefore, the Board resolved to delist from ZARX and list on the innovative Cape Town Stock exchange on 30 September 2021 with a planned secondary listing on A2X on or about 30 November 2021.

The principal reasons for the CTSE Listing, as a primary listing, coupled with a secondary listing on A2X, is likely to enhance the ability and liquidity to trade in TWK Shares, position the Company strategically better to attract institutional investors and promote the Company's ability to raise capital and list equity and debt.

The Group has begun the 2022 financial year with great energy, and we remain focused on our strategy and our common purpose which makes us stronger and more resilient. The targets that we have set are aggressive but achievable through disciplined execution and collaboration among all key stakeholders. The recent addition of Sunshine Seedlings Services (Pty) Ltd and the acquisition of some of the forestry assets of Peak Timbers, will support quality earnings and cash generation.

We continue to focus on good, ethical and sustainable business at the right margins while continuing to focus on our liquidity and working capital management.

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

Macroeconomic conditions in most of the segments in which we operate are likely to improve in 2022 with continued changing customer needs. In response, we have prioritising our investment in Information Technology which will enable improved reporting functionality, improve data quality, optimised discussion making and improved information to clients and suppliers.

Appreciation

The past year has demonstrated TWK's ability to remain resilient and execute on our strategic objectives.

I would like to thank all the employees of TWK for their diligence and commitment to the success of TWK especially during this unprecedented time in which the Group achieved record profits. I am truly grateful for the commitment and support received from the finance team in preparing and delivering our 2021 result. I also extend my appreciation to the executive management team for their passion and drive to win, and to my fellow Board members for their sound advice and valued guidance.

JEW Fivaz
Financial Director

Preparation of the annual financial statements

The consolidated financial statements have been prepared by Louis-Jacques Avenant (CA) SA under the supervision of E Fivaz – Group financial director.

Statement by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, TWK has, in respect of the financial year ended 31 August 2021, lodged with CIPC all returns and notices required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up to date.

MJ Potgieter
Company Secretary

25 November 2021

Directors' responsibilities and approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. In conducting this responsibility they rely on the information, assessments and estimates of management. The fair presentation and integrity of the Company and Group financial statements are also evaluated on the basis of accounting systems and internal financial control measures which are monitored on an ongoing basis during the financial period.

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. Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS), the IFRS Interpretations Committee interpretations, the requirements of the Companies Act (No. 71 of 2008), as amended, the SAICA Financial Reporting Guide issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council. These financial statements incorporate accounting policies that have been consistently applied to all periods presented and are consistent with those applied in the previous financial year.

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 Board of Directors will continue to monitor the impact of the COVID-19 pandemic on the company's operations and its financial position. The impact of COVID-19 has been limited to certain areas of the business and has not materially impacted the Group results. Liquidity has remained positive and no relaxation of covenants or additional facilities have been required due to the impact of the pandemic. Revenue has largely recovered and the business is performing in line with expectation. The balance sheet of TWK remained strong with continued focused on disciplined cash management.

The directors have reviewed the Group's cash flow forecast for the year to 31 August 2022 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. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results the Group achieved. Based on the Group and Company financial statements, the present position of the Company and the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Company and Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the Group and Company financial statements.

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 86 to 89. The auditors had unrestricted access to all financial records and related information, minutes of shareholders, directors and Board committee meetings. The directors are of the opinion that all submissions and management declarations presented to the auditors were correct, valid and relevant.

The directors are aware of their responsibilities in terms of the CTSE listings requirements and confirm TWK complies with these requirements.

The financial statements have been prepared on the going concern basis, were approved by the Board of Directors on 25 November 2021 and were signed on their behalf by:

JS Stapelberg
Chairman

AS Myburgh
Managing Director

Audit and Risk Committee report

This report is provided by the Audit and Risk Committee for the financial year ended 31 August 2021.

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

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

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

During the period under review, the committee consisted of four non-executive directors, two of whom are independent.

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 four times during the period under review.

MEMBER	21 OCT 2020	26 NOV 2020	7 APR 2021	30 AUG 2021
HJK Ferreira	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓
HG Hiestermann	✓	✓	✓	✓
GB Prinsloo	✓	✓	✓	✓

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

The responsibilities of the audit committee are set out in a formal charter which is revised regularly by the Board. In terms of the charter, 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. Satisfied itself of the suitability, independence, effectiveness and the quality of the external auditors and its audit partner;
3. Recommendation regarding the appointment of an independent external auditor (including the audit partner) in accordance with the provisions of the Companies Act;
4. Approval of fees payable to auditors and the terms and conditions of the appointment;
5. Consideration of any non-audit work by such auditors, and determining whether the provision of such services will materially affect their independence;
6. Review the Audit Committee charter to be in line with the recommendations of King IV;
7. Held separate meetings with management and the external and internal auditors to discuss relevant matters;
8. Receiving and handling any concerns or complaints regarding accounting practices, internal audit work and internal financial control in an appropriate manner;
9. Consider incidents reported on the whistle-blowing platform and monitor actions taken;
10. Reporting to the Board on matters relating to accounting policies, financial controls, financial records and financial reporting;
11. Evaluation of the annual audit plan;
12. Review and recommend for adoption by the Board the Group's consolidated interim results for the six months ended 28 February 2021 and the consolidated annual financial statements for the year ended 31 August 2021;
13. Consideration and review of the accounting practices, policies and procedures, as well as the effectiveness of internal financial controls;
14. Ensure that the financial planning, management and reporting of the business is conducted in accordance with the applicable accounting policies and international financial reporting standards;
15. Monitoring compliance with applicable legislation and regulatory aspects;
16. Evaluation of the effectiveness of management information and internal control systems;

17. Ensure that the internal control function is effective and that the internal auditor has unrestricted access to the chairman of the Audit and Risk Committee and the chairman of the Board;
18. Confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
19. 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;
20. Consider the skills and capacity of the finance function in general and the financial director in particular;
21. Recommending the interim and annual financial statements to the Board for approval;
22. Considered the Group's liquidity and solvency;
23. Ensure risk management is integrated into business operations;
24. Perform an assessment of risks and opportunities emanating from the triple context within which the Group operates with reference to the capitals that the Group uses and affects;
25. Ensure risk management assessments are conducted on a continuous basis;
26. Ensure that management considers and implements appropriate risk responses; and
27. Ensure risk management reporting in the annual report is comprehensive and relevant.

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 2021 financial year and, in addition, after considering information and explanations provided by management and discussions with the external auditor about the results of their audit, the committee believes that the TWK Group's internal financial control system is effective and provides a basis for preparing reliable financial statements.

External audit

The external auditors of the Company are PKF Pretoria Inc., headed by Mr Brendan Robinson. 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 2021 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 chief financial officer and finance function

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

Financial statements

The committee evaluated the accounting policies and financial statements for the period ending 31 August 2021 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 2021 financial year and that its report to shareholders has been approved by the Board.

HJK Ferreira
Chairman: Audit and Risk Committee

ANNUAL FINANCIAL STATEMENTS

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 grain products;
- Supply of agricultural inputs;
- Trade activities;
- Solar energy;
- Financial and agricultural services; and
- Credit extension.

With its strategic footprint, infrastructure, facilities and client network, it follows a differentiated market approach.

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

2. Financial results

The Group achieved a profit before tax of R352 million (2020: R159 million) and total assets increased to R5,5 billion (2020: R4,4 billion).

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, the managing director's report and the financial 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 2022, 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 matters or circumstances that occurred between the end of the financial year and the date on which the financial statements were approved that have not been dealt with in the Group and Company financial statements and which may have a significant influence on the activities of the Group and Company or results of those activities.

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. 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.

7. Dividends

Dividends already been declared and paid to shareholders during the 12 months is 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, 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 pay-out of profits to its shareholders based on normal growth goals and dividend cover guidelines of four times in any of the forms of compensation mentioned above.

8. Directors

Full details of the directors appear in the integrated report.

9. Directors' interests

The directors' interest in shares of the company appear in the integrated report.

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 proposed resolution to appoint the auditors will be submitted at the forthcoming annual general meeting.

13. 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 subject to 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.

ANNUAL FINANCIAL STATEMENTS

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 90 to 158, which comprise the consolidated Statements of Financial Position as at 31 August 2021, 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 2021, and its consolidated financial performance and consolidated cash flows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT
Valuation of Biological Assets As disclosed in note 7, the consolidated financial statements includes Biological Assets. The Group recognises biological assets of R1,296bn as at 31 August 2021. Biological assets comprise planted wattle, eucalyptus and pine trees. Biological assets are required to be measured in accordance with IAS 41 *Agriculture*. The Group therefore measures its biological assets at fair value less cost to sell with any gains or losses recognised through profit or loss. Refer to accounting policy 1.6 for further details on the valuation method. The biological assets received significant attention from senior personnel within the audit team. Executive management of TWK Investments Limited and its subsidiaries was directly involved in the assumptions, estimation and judgements made. The Group determines the fair value of biological assets using the discounted cash flow method. This method is complex, highly judgemental, and subject to significant assumptions. These assumptions include unobservable inputs which results in the fair value measurement being categorised as a Level 3 within the Fair value Hierarchy in terms of IFRS 13 — *Fair Value Measurement*. The most significant of these assumptions applied in the discounted cash flow model includes: 1. Determination of a discount rate which is calculated as a an after tax weighted average cost of capital (WACC); 2. Determination of the Mean Annual Increment (MAI) and expected yields per log specie; 3. Determination of the sales prices per ton based on the current and future expected market prices per log specie; 4. Determination of the operations costs and costs to harvest and sell, based on the costs per ton of the forest management and harvesting activities. The valuation of biological assets is considered to be a key audit matter due to the significant assumptions, judgements and estimations required which include: ‣ The valuation being subject to complexity, significant judgement and assumptions made by management; ‣ The magnitude of the balance in relation to the consolidated financial position.	Our audit included the following procedures to address the key audit matter: We evaluated management's representations relating to the valuation techniques and fair presentation of the biological assets. We evaluated the fair value methodology against criteria in IAS 41 *Agriculture* and IFRS 13 *Fair Value Measurement*. We critically evaluated the appropriateness and consistency of the significant assumptions and judgements applied by management by performing the following procedures: ‣ We independently calculated the WACC using external data sources. We found management's discount rate to be within the range of our calculation We recalculated the biological assets value at year end by applying management's WACC to the cash flows over the expected periods of the cash flows; ‣ We assessed the valuation calculation for arithmetical accuracy. We assessed the reasonableness of the underlying data used in the cash flow model which include: ‣ The projected MAI and yield rates that the existing plantations are predicted to produce, by comparing the projected information to historic yield rates of the Group; ‣ The sales prices per ton based on the current and future expected market prices per specie, by comparing the projected information to historic sales prices adjusted for inflationary increases; ‣ The cost of harvest and operational costs of the forest management activities, by comparing the projected information to historic costs adjusted for inflationary cost increases; ‣ Evaluating the adequacy of the financial statement's disclosures, including disclosures of the key assumptions, judgements and sensitivities to confirm compliance with IAS 41 and IFRS 13. Based on the results of our work performed, we accepted management's MAI and projected yield volumes, sales prices, cost of harvest and operation costs.

ANNUAL FINANCIAL STATEMENTS
Independent auditor's report continued

KEY AUDIT MATTER	HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT
Allowance for expected credit losses against trade and other receivables and loans receivable. As disclosed in note 16 and 17, the consolidated financial statements includes loans receivable and trade and other receivables. The Group recognises loans receivable of R140,3m and trade and other receivables of R1,073bn as at 31 August 2021. The Group recognised a R31,9m provision for expected credit losses against the loans and trade receivables. The determination of the expected credit loss (ECL) allowance on loans and trade receivables that have not been handed over to legal, requires estimation of the probability of default (PD) and the loss given default (LGD). Both assumptions are significant inputs into the ECL model and have a significant impact on the calculation of the allowance. When determining the PD management has identified an external source with reference to similar portfolios as reference point for the forward looking information. To measure the ECL, loans and trade receivables have been grouped based on shared credit risk characteristics. When determining the LGD, management considers the quality and expected realisation value of securities held for customers. Customers that have been handed over to legal are provided for based on the exposure to credit risk and the quality and expected realisation value of securities held for the specific customer. The expected losses is considered to be a key audit matter due to the significant assumptions, judgements and estimations required which include: • The valuation being subject to complexity, significant judgement and assumptions made by management; • The magnitude of the loans and trade receivables balance in relation to the consolidated financial position.	Our audit included the following procedures to address the key audit matter: We obtained an understanding, evaluating the design, and tested the operating effectiveness of the controls related to the credit application process, including securities offered against the credit applied for, and the credit limits assigned to each customer. We independently calculated an allowance for expected credit losses by recalculating the probability of default (PD) and the loss given default (LGD) assumptions using inputs and assumptions tested during the audit, and compared the result to management's allowance. We compared historical actual losses to expected losses as an indication of the historic appropriateness of the forward looking assumptions applied by management in determining the expected credit losses. Our procedures to assess the probability of default (PD), includes: • Comparing the estimated loss rate to external sources of loss rates; • Assessing the type of portfolios for which management obtained loss rates externally, to similar external sources to determine whether the type of asset portfolio used in management's calculation is appropriate; • Assessing the shared credit risk characteristics of each group into which management has grouped the loans and trade receivables. Our procedures to test the loss given default (LGD), includes: • Selecting a sample of customer and tested the existence and contractual value of the securities held by inspecting that the security is formally registered in favour of the Group; • Selecting the value of the security to the value of the loan or receivable as at 31 August 2021; • Recalculating the total exposure to credit risk taking the value of the security and of the loan or receivable into account. Our procedures relating to customers handed over to legal council include the selection of a sample of customers and testing the following: • Inspecting the contractual value of the securities held by inspecting that the security is formally registered in favour of the Group; • Comparing the value of the security to the value of the loan or receivable as at 31 August 2021; • Recalculating the total exposure to credit risk taking the value of the security and of the loan or receivable into account. We assessed the adequacy of the presentation and disclosures made in notes 16 and 17 to the consolidated financial statements on judgements and estimates made in the allowance for expected credit losses.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "TWK Investments Ltd Integrated Report 2021" which includes the Directors' Report, the Audit and Risk Committee Report as required by the Companies Act 71 of 2008 and the Chairman's Report, Managing Director's Report, Report by the Financial Director, Corporate Governance Report, Social and Ethics Committee Report and the Statement by the Secretary. The other information does not include the consolidated 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.

Auditor's 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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 Limited for 11 years.

PKF PRETORIA INC.

PKF Pretoria Incorporated

Director: Brendan Robinson

Registered Auditor

25 November 2021

PKF
Chartered Accountants
& Business Advisers

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

Figures in Rand	Notes	2021	2020
Assets			
Non-current assets			
Property, plant and equipment	5	**1 115 979 402**	845 275 912
Right-of-use assets	6	**103 133 202**	145 475 267
Biological assets	7	**1 021 402 910**	435 561 003
Intangible assets	8	**185 630 259**	162 411 122
Investments in associates	10	**8 031 028**	3 715 802
Loans to group companies	11	**13 775 901**	13 080 221
Loans receivable	16	**109 504 921**	83 388 199
Investments at fair value	18	**67 246 377**	58 268 587
Finance lease receivables	12	**11 297 751**	7 220 095
Deferred tax	14	**114 614 676**	98 770 082
		2 750 616 427	1 853 166 290
Current assets			
Biological assets	7	**275 265 531**	284 824 553
Inventories	15	**907 998 270**	964 194 542
Loans receivable	16	**30 835 156**	47 939 577
Trade and other receivables	17	**1 123 661 413**	1 063 463 928
Finance lease receivables	12	**5 538 889**	12 224 647
Current tax receivable		**26 840 776**	19 006 898
Cash and cash equivalents	20	**241 982 277**	108 829 846
		2 612 122 312	2 500 483 991
Non-current assets held for sale and assets of disposal groups	21	**150 945 593**	84 667 295
Total assets		**5 513 684 332**	4 438 317 576
Equity and liabilities			
Capital and reserves			
Share capital	22	**847 181 446**	724 529 060
Reserves		**43 778 581**	28 244 061
Retained income		**799 573 657**	601 274 181
Equity attributable to shareholders of the company		**1 690 533 684**	1 354 047 302
Non-controlling interest		**32 044 546**	1 995 511
Total equity		**1 722 578 230**	1 356 042 813
Liabilities			
Non-current liabilities			
Loans from group companies	26	**85 400 000**	105 483 112
Other loans payable	27	**16 490**	445 003
Borrowings	28	**1 031 323 824**	545 187 336
Lease liabilities	6	**85 319 683**	108 197 321
Retirement benefit obligation	13	**5 096 000**	5 959 000
Deferred tax	14	**278 474 080**	224 288 717
		1 485 630 077	989 560 489
Current liabilities			
Trade and other payables	30	**938 120 408**	837 969 783
Loans from group companies	26	**24 400 000**	13 071 129
Other loans payable	27	**7 100 696**	9 410 157
Borrowings	28	**1 279 081 220**	1 153 013 636
Derivative financial instruments	19	**5 111 166**	3 482 164
Lease liabilities	6	**26 476 972**	42 980 467
Contract Liabilities	31	**2 665 572**	2 298 169
Current tax payable		**9 256 946**	201 365
Provisions	29	**6 881 173**	5 418 034
Dividend payable		**119 484**	8 898 853
Bank overdraft	20	**6 262 388**	15 970 517
		2 305 476 025	2 092 714 274
Total liabilities		**3 791 106 102**	3 082 274 763
Total equity and liabilities		**5 513 684 332**	4 438 317 576

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2021

Figures in Rand	Notes	2021	2020
Continuing operations			
Revenue		**8 787 301 319**	7 610 408 736
Finance income		**68 672 830**	69 658 630
Total revenue	32	**8 855 974 149**	7 680 067 366
Cost of sales	33	**(7 515 186 216)**	(6 459 269 768)
Gross profit		**1 340 787 933**	1 220 797 598
Other operating income	34	**104 011 037**	60 085 134
Other operating gains	35	**93 215 008**	5 930 025
Other operating expenses		**(1 046 994 355)**	(992 513 411)
Operating profit	36	**491 019 623**	294 299 346
Investment income	37	**10 005 032**	6 397 902
Finance costs	38	**(106 761 309)**	(105 086 386)
Share of profit from associates	10	**4 315 226**	2 282 723
Other non-operating losses	39	**(35 883 955)**	(25 781 766)
Profit before loyalty scheme payments		**362 694 617**	172 111 819
Loyalty scheme payments	46	**(10 806 461)**	(13 427 396)
Profit before taxation		**351 888 156**	158 684 423
Taxation	40	**(94 654 672)**	(50 196 434)
Profit from continuing operations		**257 233 484**	108 487 989
Discontinued operations			
(Loss)/profit from discontinued operations	21	**(1 210 319)**	(116 400)
Profit for the year		**256 023 165**	108 371 589
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability		**490 000**	259 000
Gains/(losses) on property revaluation		**12 183 808**	(11 486 930)
Income tax relating to items that will not be reclassified		**(1 725 158)**	2 496 351
Total items that will not be reclassified to profit or loss		**10 948 650**	(8 731 579)
Items that may be reclassified to profit or loss:			
Changes in fair value of equity investments at fair value through other comprehensive income		**4 616 924**	(3 581 240)
Income tax relating to items that may be reclassified		**586 140**	698 602
Total items that may be reclassified to profit or loss		**5 203 064**	(2 882 638)
Other comprehensive income for the year net of taxation	41	**16 151 714**	(11 614 217)
Total comprehensive income for the year		**272 174 879**	96 757 372
Profit attributable to:			
Owners of the parent:			
From continuing operations		**223 393 342**	101 602 651
From discontinued operations		**(1 210 319)**	(116 400)
		222 183 023	101 486 251
Non-controlling interest:			
From continuing operations		**33 840 142**	6 885 338
Total comprehensive income attributable to:			
Owners of the parent		**238 418 092**	90 201 576
Non-controlling interest		**33 756 787**	6 555 796
		272 174 879	96 757 372

Earnings per share

From continuing and discontinued operations			
Basic earnings per share (c)	42	**644,66**	321,00
Diluted earnings per share (c)	42	**601,30**	294,92

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021

Figures in Rand	Share capital	Treasury shares	Total share capital	Revaluation reserve	Reserve for investments at fair value through OCI
Balance at 1 September 2019	776 478 952	(21 497 269)	754 981 683	69 620 437	(2 255 237)
Profit for the year	–	–	–	–	–
Other comprehensive income	–	–	–	(8 650 906)	(2 892 768)
Total comprehensive income for the year	–	–	–	(8 650 906)	(2 892 768)
Shares bought back	(18 255 260)	(12 197 362)	(30 452 622)	–	–
Share based payments	–	–	–	–	–
Shares bought back	–	–	–	–	–
Dividends	–	–	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	(18 255 260)	(12 197 362)	(30 452 622)	–	–
Balance at 1 September 2020	758 223 692	(33 694 631)	724 529 061	60 969 531	(5 148 005)
Profit for the year	–	–	–	–	–
Other comprehensive income	–	–	–	10 542 005	5 203 064
Total comprehensive income for the year	–	–	–	10 542 005	5 203 064
Issue of shares	136 210 304	–	136 210 304	–	–
Transfer between reserves	–	–	–	–	–
Shares bought back	(10 231 658)	(3 326 260)	(13 557 918)	–	–
Share-based payments	–	–	–	–	–
Dividends	–	–	–	–	–
Change of ownership interest	–	–	–	–	–
Total contributions by and distributions to owners of company recognised directly in equity	125 978 646	(3 326 260)	122 652 386	–	–
Balance at 31 August 2021	**884 202 338**	**(37 020 891)**	**847 181 447**	**71 511 536**	**55 059**
Note(s)	22	22	22	24	18

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

Restructuring reserve	Share-based payments reserve	Change of ownership reserve	Total reserves	Retained income	Total attributable to equity holders of the Group	Non-controlling interest	Total equity
(40 024 411)	4 831 559	(5 968 134)	26 204 214	528 427 522	1 309 613 419	41 995 042	1 351 608 461
–	–	–	–	101 486 251	101 486 251	6 885 338	108 371 589
–	–	–	(11 543 674)	259 000	(11 284 674)	(329 542)	(11 614 216)
–	–	–	(11 543 674)	101 745 251	90 201 577	6 555 796	96 757 373
–	–	–	–	–	(30 452 622)	–	(30 452 622)
–	(983 664)	–	(983 664)	–	(983 664)	–	(983 664)
–	–	14 567 185	14 567 185	–	14 567 185	(35 950 048)	(21 382 863)
–	–	–	–	(28 898 592)	(28 898 592)	(10 605 279)	(39 503 871)
–	(983 664)	14 567 185	13 583 521	(28 898 592)	(45 767 693)	(46 555 327)	(92 323 020)
(40 024 411)	3 847 895	8 599 051	28 244 061	601 274 181	1 354 047 303	1 995 511	1 356 042 811
–	–	–	–	222 183 023	222 183 023	33 840 142	256 023 165
–	–	–	15 745 069	490 000	16 235 069	(83 355)	16 151 714
–	–	–	15 745 069	222 673 023	238 418 092	33 756 787	272 174 879
–	–	–	–	–	136 210 304	–	136 210 304
–	–	–	–	(1 011 038)	(1 011 038)	1 011 038	–
–	–	–	–	–	(13 557 918)	–	(13 557 918)
–	508 367	–	508 367	–	508 367	–	508 367
–	–	–	–	(23 362 509)	(23 362 509)	(1 982 500)	(25 345 009)
–	–	(718 918)	(718 918)	–	(718 918)	(2 736 290)	(3 455 208)
–	508 367	(718 918)	(210 551)	(24 373 547)	98 068 288	(3 707 752)	94 360 536
(40 024 411)	**4 356 262**	**7 880 133**	**43 778 579**	**799 573 657**	**1 690 533 683**	**32 044 546**	**1 722 578 229**
	23	25					

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021

Figures in Rand	Notes	2021	2020
Cash flows from operating activities			
Cash generated from operations	43	622 709 055	619 112 432
Interest income		6 746 090	4 880 602
Finance costs		(134 512 241)	(105 086 386)
Tax paid	44	(56 220 819)	(81 612 677)
Dividend income		3 508 167	1 517 300
Net cash from operating activities		442 230 252	438 811 271
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(87 888 673)	(112 656 853)
Sale of property, plant and equipment	5	3 360 314	62 021 658
Purchases of other intangible assets	8	(9 779 903)	(2 248 665)
Agency insurance rights acquired	8	(2 442 520)	(14 210 857)
Sale of other intangible assets	8	–	110 416
Consideration paid for business combinations		(101 456 055)	(21 382 863)
Receipts from finance lease receivables		8 962 441	14 557 265
Advances to finance lease receivables		(3 811 287)	(9 228 803)
Purchase of investments at fair value		–	(6 313 251)
Sale of investments at fair value		672 175	5 415 734
Purchase and establishment of biological assets	7	(140 356 197)	(223 115 790)
Post retirement benefits actually paid		(988 000)	–
Receipts from forestry and term loans		37 622 336	46 647 566
Advances on forestry and term loans		(46 634 637)	(72 995 352)
Net cash from investing activities		(339 634 250)	(333 399 795)
Cash flows from financing activities			
Advances from other financial liabilities		347 022 842	365 627 896
Repayment of other financial liabilities		(211 014 042)	(291 335 062)
Proceeds from other loans		2 707	4 225 882
Decrease in other loans		(58 667)	(9 380 291)
Dividends paid		(35 941 878)	(34 397 118)
Lease liability payment		(33 632 809)	(33 757 096)
Proceeds from loans with group companies		4 014 432	70 289 415
Repayment of group loans		(13 464 354)	(139 417 075)
Purchase of own shares		(13 557 918)	(30 452 622)
Net cash from financing activities		43 370 313	(22 096 994)
Total cash movement for the year		147 055 152	(22 096 995)
Cash at the beginning of the year		92 859 329	126 864 928
Effect of exchange rate movement on cash balances		(4 194 592)	(11 908 605)
Total cash at end of the year	20	235 719 889	92 859 329

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies

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

1.1 Basis of preparation

The consolidated annual financial statements of the TWK Investments Ltd Group have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these financial statements and the Companies Act of South Africa. The Group consolidated annual financial statements have been prepared on the historical cost basis, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

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. All subsidiaries use uniform accounting policies.

1.2 Segmental reporting

The Group determines and presents operating segments based on the information that is internally provided to the Group's senior management, Executive Committee and the Board.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and in which it may incur expenses.

Segment results that are reported to the decision makers include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets, head office expenses and income tax, and allocated to the Corporate segment.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

1.4 Investments in associates

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

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

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

Trade receivables

The Group assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. Refer to note 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 of tangible assets and are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 29 of the financial statements.

Deferred tax asset

Deferred tax assets is recognised for all unused tax losses to the extend 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.

Share-based payments

Refer to note 23 for details regarding calculations and assumptions.

Biological assets

Refer to note 7 for details regarding calculations and assumptions.

Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

1.6 Biological assets

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

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

Biological assets excludes bearer plants, which are included in the property, plant and equipment. Forestry assets consists of own plantations and plantations bought on a standing timber basis.

Forestry assets as well as Seedlings are measured on initial recognition and at subsequent reporting dates at fair value less costs to sell and is a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 Fair Value Measurement.

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.

The group uses the income approach in determining fair value of plantations as it believes that this method yields the most appropriate valuation. In arriving at plantation fair values, the key inputs are market prices, costs to sell, discount rates, and volume and growth estimations. Of these key inputs, discount rates and the volume and growth estimations are key assumptions that have significant estimation and judgement. All changes in fair value are recognised in profit or loss in the period in which they arise. The impact that changes in market prices, costs to sell, discount rates, and volume and growth assumptions may have on the calculated fair value on plantations is disclosed in the notes to the annual financial statements.

1.7 Property, plant and equipment

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

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

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

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

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

Bearer plants are included in property, plant and equipment. Bearer plants are living plants which are used in the production or supply of agricultural produce and are expected to bear produce for more than one period. They only qualify as bearer plants if there is only a remote likelihood of them being sold as agricultural produce.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

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	3 to 6 years
Bearer plants	5 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 allocated to cash-generating units for the purpose of impairment assessment. The allocation is made to those cash- generating units or groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

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

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

- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

The useful life and residual values of computer software are reviewed at the beginning of each reporting period and adjusted if appropriate. The evaluation regarding the useful lives and residual values of computer software can only be established with certainty when the item of asset near the end of their useful life. The estimated useful life of computer software are 4 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

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 receivable

Classification

Loans receivable are classified as financial assets at amortised cost 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 group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable 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.

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 group 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 group 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 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 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 group'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 group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

Impairment

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

Measurement and recognition of expected credit losses

The group 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 36).

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 49).

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.

Recognition and measurement

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

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income, depending on their classification. Details of the valuation policies and processes are presented in note 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 37).

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 11), other loans payable (note 29) and borrowings (note 28) are classified as financial liabilities subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

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 38.)

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 49 for details of risk exposure and management thereof.

Trade and other payables

Trade and other payables (note 30), 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.

Cash and cash equivalents are measured at amortised cost.

Bank overdrafts

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

Fair value determination

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

1.10 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.11 Leases

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

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

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

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

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the group recognises the lease payments as an operating expense (note 36) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

Lease liability

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

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

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

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

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

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 38).

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

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

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

Right-of-use assets

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

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

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

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

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

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. This policy note applies to all leases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

1. Significant accounting policies continued

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sub-lease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

Finance leases

Amounts due from lessees are recognised from commencement date at an amount equal to the group net investment in the lease. They are presented as lease receivables (note 12) on the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be receivable by the group from the lessee, a party related to the lessee or a third party unrelated to the group under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option;
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The group recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognised on finance leases is included in investment income in profit or loss (note 37).

The group applies the impairment provisions of IFRS 9 to lease receivables. Refer to the accounting policy for trade and other receivables as lease receivables are impaired on a consistent basis with that accounting policy.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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.

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

Consideration paid or received shall be recognised directly in equity.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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
- Income from contract fertiliser sales
- 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 cause 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

Sale of agricultural products and produce

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.

Sale and servicing of farming equipment

The TWK Group supplies New Holland Farming equipment, which include a warranty.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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.

Sale of motor vehicles, tyres, related items, fuel and servicing of motors vehicles

The TWK Group owns a variety of Motor dealerships where revenue is generated through the sale and servicing of vehicles and trucks, which includes a warranty.

The warranty is provided by the product supplier and administered by the TWK Group. As the warranty obligation is on the product supplier, TWK Group does not recognise any provision for the cost involved with this liability.

The Group also own tyre fitment centres where revenue is earned through the sale and fitment of tyres along with other ancillary services related to the sale of tyres.

Lastly, the Group also owns filling stations where revenue is earned through the sale of fuel and related products.

Sale, storage and handling of grain related products

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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.

2. Changes in accounting policy

The accounting policy adopted in the preparation of the Group annual financial statements is consistent with the policy followed in the preparation of the Group's annual financial statements for the previous financial year. No new standards have been adopted during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

3. New standards and interpretations

3.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 September 2021 or later periods:

Standard/interpretation	Effective date: Years beginning on or after	Expected impact
‣ Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2099	Unlikely there will be a material impact
‣ Classification of Liabilities as Current or Non-Current — Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
‣ IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact
‣ Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
‣ Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
‣ Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
‣ Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
‣ Onerous Contracts — Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
‣ Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact
‣ Interest Rate Benchmark Reform — Phase 2: Amendments to IFRS 4	1 January 2021	Unlikely there will be a material impact
‣ Interest Rate Benchmark Reform — Phase 2: Amendments to IFRS 7	1 January 2021	Unlikely there will be a material impact
‣ Interest Rate Benchmark Reform — Phase 2: Amendments to IFRS 9	1 January 2021	Unlikely there will be a material impact
‣ Interest Rate Benchmark Reform — Phase 2: Amendments to IFRS 16	1 January 2021	Unlikely there will be a material impact
‣ Interest Rate Benchmark Reform — Phase 2: Amendments to IAS 39	1 January 2021	

The amendment to IFRS 4 provides a temporary exemption, allowing insurers to apply IAS 39 rather than IFRS 9. The exemption only applies in certain circumstances and only for annual periods beginning before 1 January 2021.

The exemption also introduces an "overlay approach" in specific circumstances. This approach requires the insurer to reclassify an amount between other comprehensive income and profit or loss. This results in the profit or loss for designated financial assets being the same as if the insurer had applied IAS 39 rather than IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

The amendment now specifies the treatment of vesting and non-vesting conditions with regards to cash-settled share-based payment transactions. The treatment is essentially similar to the treatment of such conditions for equity-settled share-based payment transactions. That is, non-market vesting conditions are taken into consideration when estimating the number of awards which are expected to vest (and which ultimately vest), while market conditions and other non-vesting conditions are taken into consideration when determining the fair value of the share based payment liability, both initially and subsequently.

The amendment also provides for share-based payment transactions with a net settlement feature for withholding tax obligations. Essentially, where the entity is required to withhold part of the equity instruments equal to the tax obligation, the entity is required to account for the payment to tax authorities as a reduction in equity, except to the extent that the payment exceeds the fair value of the equity instruments withheld at net settlement date. The entity should also disclose the amount that it expects to transfer to tax authorities in terms of such transactions.

The amendment further provides guidance in terms of modifications which convert cash-settled share-based payment transactions to equity -settled share-based payment transactions. For such modifications, the equity-settled share based payment transaction is measured by reference to the fair value of the equity instruments granted at modification date, to the extent to which goods or services have been received. The liability for cash-settled share based payment transactions is derecognised on the modification date. Any difference between the two is recognised immediately in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2018.

The company expects to adopt the amendment for the first time in the 2019 financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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, with the associated cost to develop considered excessive.

These reportable segments are set out below:

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

Segmental revenue and results

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

The segment information provided to the management is presented below:

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation	Operating profit
2021						
Continuing operations						
Timber	**3 085 830 540**	**(1 205 938 886)**	**1 879 891 654**	**275 826 624**	**(19 818 486)**	**256 008 138**
Retail and mechanisation	**6 214 268 933**	**(2 249 400 403)**	**3 964 868 530**	**156 151 584**	**(23 575 937)**	**128 176 453**
Financial services	**182 747 883**	**(691 855)**	**182 056 028**	**88 118 937**	**(1 881 154)**	**86 237 783**
Grain	**1 807 943 676**	**(55 122 154)**	**1 752 821 522**	**46 923 721**	**(4 934 981)**	**41 988 740**
Motors and tyres	**1 078 499 855**	**(17 847 499)**	**1 060 652 356**	**23 869 492**	**(10 065 416)**	**13 804 077**
Corporate	**68 107 098**	**(55 837 747)**	**12 269 351**	**(29 243 415)**	**(6 065 047)**	**(35 308 462)**
Renewable energy	**4 254 631**	**(839 923)**	**3 414 708**	**673 895**	**(561 001)**	**112 894**
Total	**12 441 652 616**	**(3 585 678 467)**	**8 855 974 149**	**562 320 838**	**(66 902 022)**	**491 019 623**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

4. Segmental information continued

Figures in Rand	Investment income	Impairment and other non-cash items	Interest expense	Income from equity-accounted investments	Profit before loyalty scheme payments and tax
2021					
Continuing operations					
Timber	**1 126 019**	**–**	**(43 068 022)**	**1 212 003**	**215 278 138**
Retail and mechanisation	**2 283 076**	**–**	**(12 361 892)**	**3 103 223**	**121 200 860**
Financial services	**420 878**	**–**	**(42 969 886)**	**–**	**43 688 775**
Grain	**206 878**	**–**	**(5 354 942)**	**–**	**36 840 676**
Motors and tyres	**2 756 544**	**(28 910 679)**	**(15 838 725)**	**–**	**(28 188 783)**
Corporate	**3 211 637**	**(6 973 276)**	**12 453 062**	**–**	**(26 617 039)**
Renewable energy	**–**	**–**	**379 096**	**–**	**491 990**
Total	**10 005 032**	**(35 883 955)**	**(106 761 309)**	**4 315 226**	**362 694 617**
Reconciling items					
Discontinued operations					**(1 210 319)**
Loyalty scheme payments					**(10 806 461)**
Taxation					**(94 654 672)**
Profit after discontinued operations, loyalty scheme payments and tax					**256 023 165**

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation	Operating profit
2020						
Continuing operations						
Timber	2 923 814 271	(1 085 216 260)	1 838 598 011	125 565 954	(15 529 592)	110 036 362
Retail and mechanisation	5 477 627 958	(2 107 954 990)	3 369 672 968	62 162 361	(27 792 736)	34 369 625
Financial services	180 947 079	(7 407 138)	173 539 941	39 181 694	(2 309 046)	36 872 648
Grain	1 386 182 624	(74 682 580)	1 311 500 044	49 922 698	(5 773 109)	44 149 589
Motors and tyres	990 507 493	(10 880 709)	979 626 784	32 180 302	(13 008 444)	19 171 858
Corporate	56 589 943	(49 460 325)	7 129 618	53 409 601	(3 710 337)	49 699 264
Total	11 015 669 371	(3 335 602 002)	7 680 067 366	362 422 610	(68 123 264)	294 299 346

Figures in Rand	Investment income	Other non-cash items	Interest expense	Income from equity-accounted investments	Profit before loyalty scheme payments and tax
2020					
Continuing operations					
Timber	1 097 939	–	(2 863 664)	1 818 379	110 089 016
Retail and mechanisation	1 389 411	(23 129 120)	(25 029 612)	464 344	(11 935 351)
Financial services	857 836	–	(356 656)	–	37 373 829
Grain	1 095 418	–	(3 146 570)	–	42 098 438
Motors and tyres	900 452	–	(39 230 131)	–	(19 157 821)
Corporate	1 056 846	(2 652 646)	(34 459 753)	–	13 643 708
Total	6 397 902	(25 781 766)	(105 086 386)	2 282 723	172 111 819
Discontinued operations					(116 400)
Loyalty scheme payments					(13 427 396)
Taxation					(50 196 434)
Profit for the year					108 371 589

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 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	Capital expenditure*	Total assets	Total liabilities	Net assets
2021				
Continuing operations				
Timber	**196 969 852**	**2 186 842 663**	**(1 440 131 399)**	**746 711 265**
Retail and mechanisation	**9 631 276**	**800 905 064**	**(722 315 667)**	**78 589 397**
Financial Services	**3 580 780**	**955 903 298**	**(933 096 366)**	**22 806 932**
Grain	**2 662 214**	**265 530 410**	**(205 160 598)**	**60 369 812**
Motors and tyres	**2 151 401**	**261 047 868**	**(235 342 075)**	**25 705 793**
Corporate	**161 135 475**	**1 011 927 553**	**(231 900 675)**	**780 026 877**
Renewable energy	**13 874 940**	**31 527 476**	**(23 159 322)**	**8 368 154**
Total	**390 005 938**	**5 513 684 332**	**(3 791 106 102)**	**1 722 578 230**

Figures in Rand	Capital expenditure*	Total assets	Total liabilities	Net assets
2020				
Continuing operations				
Timber	20 255 754	1 404 134 962	(966 028 267)	438 106 695
Retail and mechanisation	16 991 588	741 943 032	(615 917 271)	126 025 761
Financial services	15 529 622	991 421 724	(504 060 040)	487 361 684
Grain	4 899 320	331 402 768	(293 764 545)	37 638 223
Motors and tyres	36 896 711	382 927 697	(213 298 858)	169 628 839
Corporate	34 543 380	586 487 393	(489 205 782)	97 281 611
Total	129 116 375	4 438 317 576	(3 082 274 763)	1 356 042 813

* *Capital expenditure relates to PPE and intangible assets.*

5. Property, plant and equipment

	2021			2020		
Figures in Rand	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Bearer plants	**3 674 455**	**(1 278 012)**	**2 396 443**	–	–	–
Land and buildings	**881 378 420**	**(19 210 624)**	**862 167 796**	646 758 849	(19 246 357)	627 512 492
Motor vehicles	**124 194 812**	**(63 930 254)**	**60 264 558**	111 537 913	(60 686 032)	50 851 881
Plant and machinery	**310 997 175**	**(181 717 314)**	**129 279 861**	307 967 422	(172 299 076)	135 668 346
Structures	**68 732 604**	**(6 861 860)**	**61 870 744**	36 550 399	(5 307 206)	31 243 193
Total	**1 388 977 466**	**(272 998 064)**	**1 115 979 402**	1 102 814 583	(257 538 672)	845 275 912

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

5. Property, plant and equipment continued

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale
2021					
Land and buildings	**627 512 492**	**162 565 645**	**98 185 439**	**–**	**(37 694 820)**
Motor vehicles	**50 851 881**	**21 089 374**	**2 663 094**	**(3 402 345)**	**(1 771 415)**
Plant and machinery	**135 668 346**	**19 372 369**	**7 825 327**	**(4 003 243)**	**(4 813 569)**
Bearer plants	**–**	**–**	**3 216 120**	**–**	**–**
Structures	**31 243 193**	**34 148 070**	**–**	**(130 821)**	**(2 392 565)**
Total	**845 275 912**	**237 175 458**	**111 889 980**	**(7 536 409)**	**(46 672 369)**

Figures in Rand	Transfers	Revaluations	Depreciation	Impairment loss	Total
2021					
Land and buildings	**(546 674)**	**12 183 808**	**(38 094)**	**–**	**862 167 796**
Plant and machinery	**–**	**–**	**(9 166 031)**	**–**	**60 264 558**
Motor vehicles	**(455 746)**	**–**	**(23 968 985)**	**(344 638)**	**129 279 861**
Leasehold improvements	**–**	**–**	**(819 677)**	**–**	**2 396 443**
Structures	**1 002 420**	**–**	**(1 999 553)**	**–**	**61 870 744**
Total	**–**	**12 183 808**	**(35 992 340)**	**(344 638)**	**1 115 979 402**

Figures in Rand	Opening balance	Additions	Disposals	Transfers	Revaluations
2020					
Land and buildings	597 577 762	46 914 395	–	(5 388 801)	(11 486 930)
Leasehold improvements	27 244 079	416 186	(26 677 377)	–	–
Motor vehicles	46 744 122	18 933 860	(6 324 304)	1 241 860	–
Plant and machinery	141 502 001	37 823 023	(27 811 297)	8 354 065	–
Structures	34 313 597	8 569 389	(405 345)	(9 438 108)	(415 235)
Total	847 381 561	112 656 853	(61 218 323)	(5 230 984)	(11 902 165)

Figures in Rand	Depreciation	Impairment loss	Total
2020			
Land and buildings	(103 934)	–	627 512 492
Leasehold improvements	(982 888)	–	–
Motor vehicles	(9 743 657)	–	50 851 881
Plant and machinery	(22 569 380)	(1 630 066)	135 668 346
Structures	(1 381 105)	–	31 243 193
Total	(34 780 964)	(1 630 066)	845 275 912

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

5. Property, plant and equipment continued

Property, plant and equipment encumbered as security

Certain property, plant and equipment with a carrying value of R527 334 129 (2020: R378 965 932), have been pledged to secure borrowings. Refer to note 30.

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 2021. Valuations were performed by independent valuers, Mr C Winckler and Mr W Winckler of Valuers Africa (Pty) Ltd. The valuers are registered professional valuers 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.

Additional information relating to revalued Land and buildings included in the Group's Property, Plant and Equipment:

Figures in Rand	2021	2020
Carrying value of land and buildings if measured under the cost model	**261 305 228**	224 298 861
Fair value of land and buildings as currently measured under the fair value model	**774 637 676**	552 885 785

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. Right-of-use assets and lease liabilities

The company leases several assets, including land, buildings and motor vehicles. The average lease term is:

Buildings	7 years
Motor vehicles	4 years

The group also has certain leases with lease terms of 12 months or less and leases of low value. The group applies the recognition exemption for these leases. The company has the option to purchase the vehicles at a nominal amount on completion of the lease term.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Reconciliation of movement on right-of-use assets

Figures in Rand	Opening balance	Additions	Disposals	Transfers to held for sale	Remeasure-ment	Depreciation	Total
2021							
Buildings	**132 676 793**	**26 154 170**	**(46 726 456)**	**–**	**5 601 294**	**(23 245 563)**	**94 460 238**
Motor vehicles	**12 798 474**	**3 057 978**	**–**	**(1 675 112)**	**171 382**	**(5 679 758)**	**8 672 964**
Total	**145 475 267**	**29 282 728**	**(46 726 456)**	**(1 675 112)**	**5 772 676**	**(28 925 321)**	**103 133 202**

Disposals primarily relate to buildings previously owned by TWK Agriculture Holdings (Pty) Ltd, that have been sold to TWK Investments Limited during the current financial year.

Figures in Rand	Adoption of IFRS 16	Disposals	Transfers to held for sale	Remeasure-ment	Depreciation	Total
2020						
Buildings	180 502 702	(27 526 900)	–	6 565 460	(26 864 469)	132 676 793
Motor vehicles	20 608 521	–	(1 372 393)	(1 242 443)	(5 195 211)	12 798 474
Total	201 111 223	(27 526 900)	(1 372 393)	5 323 017	(32 059 680)	145 475 267

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

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

Lease liabilities

Reconciliation of movement on lease liabilities

Figures in Rand	Opening balance	Additions	Interest	Disposals	Transfers	Remeasure-ment	Payments	Total
2021								
Buildings	**137 871 571**	**27 071 837**	**7 140 757**	**(45 858 516)**	**–**	**3 825 297**	**(27 144 987)**	**102 905 959**
Motor vehicles	**13 306 217**	**3 057 978**	**635 005**	**(135 532)**	**(1 753 372)**	**81 727**	**(6 301 327)**	**8 890 696**
Total	**151 177 788**	**30 129 815**	**7 775 762**	**(45 994 048)**	**(1 753 372)**	**3 907 024**	**(33 446 314)**	**111 796 655**

Figures in Rand	Adoption of IFRS 16	Interest	Disposals	Remeasure-ment	Payments	Total
2020						
Buildings	180 502 702	12 391 405	(28 471 435)	6 737 352	(33 288 453)	137 871 571
Motor vehicles	20 608 520	1 931 565	(1 229 957)	(1 368 025)	(6 635 886)	13 306 217
Total	201 111 222	14 322 970	(29 701 392)	5 369 327	(39 924 339)	151 177 788

The maturity analysis of lease liabilities is as follows:

Figures in Rand	2021	2020
Within one year	**26 476 972**	42 980 467
Two to five years	**42 325 710**	71 944 765
More than five years	**42 993 973**	36 252 556
Total	**111 796 655**	151 177 788

7. Biological assets

Figures in Rand	2021 Carrying value	2020 Carrying value
Forestry assets	**1 270 398 715**	714 981 052
Seedlings	**19 539 092**	–
Livestock	**6 730 634**	5 404 503
Total	**1 296 668 441**	720 385 555
Immature (classified as non-current assets)	**1 021 402 910**	435 561 003
Mature (classified as current assets)	**275 265 531**	284 824 553
	1 296 668 441	720 385 556

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.

All seedlings are classified as current assets as they are expected to be sold within 1 year.

Reconciliation of biological assets

Figures in Rand	Opening balance	Additions due to planted and purchased	Additions through business combinations	Decreases due to harvest/sales	Disposals	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
2021								
Forestry assets	**714 981 053**	**140 356 197**	**500 904 028**	**(118 975 332)**	**–**	**(2 736 273)**	**35 869 042**	**1 270 398 715**
Livestock	**5 404 503**	**–**	**–**	**–**	**(1 071 159)**	**2 397 290**	**–**	**6 730 634**
Seedlings	**–**	**–**	**17 216 983**	**–**	**–**	**2 322 109**	**–**	**19 539 092**
	720 385 556	**140 356 198**	**518 121 011**	**(118 975 332)**	**(1 071 159)**	**1 983 126**	**35 869 042**	**1 296 668 441**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

7. Biological assets continued

Figures in Rand	Opening balance	Additions due to planted and purchased	Decreases due to harvest/sales	Disposals	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
2020							
Forestry assets	765 447 058	164 986 299	(158 660 600)	(103 988 006)	(10 067 156)	57 263 458	714 981 053
Livestock	4 866 784	–	(101 443)	(328 314)	967 476	–	5 404 503
	770 313 841	164 986 299	(158 762 043)	(104 316 320)	(9 099 680)	57 263 458	720 385 556

Non-financial information

	Pine	Eucalyptus	Wattle	Total
2021				
Hectares of each forestry asset				
Balance as at 31 August 2020	**4 234**	**7 258**	**2 406**	**13 898**
Planted during the year	**205**	**542**	**317**	**1 064**
Harvested during the year	**(96)**	**(1 296)**	**(172)**	**(1 564)**
Adjustment measurement	**(28)**	**31**	**(65)**	**(63)**
Additions through business combinations	**1 469**	**17 312**	**–**	**18 781**
Balance as at 31 August 2021	**5 784**	**23 847**	**2 486**	**32 117**
2020				
Hectares of each forestry asset				
Balance as at 31 August 2019	4 162	7 407	2 352	13 921
Planted during the year	221	500	242	963
Harvested during the year	(145)	(656)	(192)	(993)
Adjustment measurements	(4)	8	5	9
Balance as at 31 August 2020	4 234	7 258	2 352	13 900

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 on a standing timber basis.

Own plantations comprised of approximately 32 117 (2020: 13 900) 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 4246 (2020: 56) hectares of tree plantations of which the Group has only the marketing rights. During the year the Group harvested approximately 302 499 (2020: 407 504) tonnes of timber on land that the group owns, as well as plantations bought on a standing timber basis.

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

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

Pledged as security

Plantations with a carrying value of R667 107 542 (2020: R148 618 229) have been pledged to secure borrowings. Refer to note 28.

Methods and assumptions used in determining fair value

Forestry assets are measured at fair value less costs 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 which is consistent with the prior year.

The group uses the income approach in determining fair value of Plantations. The approach makes use of market prices and cost to sell, discount rate as well as volume and growth estimates as key inputs.

Market prices and costs to sell

The fair value is derived by using market prices less costs to sell. Costs to sell include all costs associated with getting the harvested agricultural produce to the market, including harvesting, loading, transport and allocated fixed overheads. The net selling price is influenced by the species, maturity profile and location of timber. Mature timber that is expected to be felled within 12 months from the end of the reporting period is valued using current market prices less costs to sell. Such timber is expected to be used in the short term and, consequently, current market prices are considered an appropriate reflection of fair value. Selling prices is adjusted with an expected increase at date of maturity for younger timber.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

7. Biological assets continued

Discount rate

The fair value of the biological assets has been calculated using a after tax discount rate. The Cost of equity derivations is incorporated within Weighted Average Cost of Capital (WACC), along with the cost of debt, to reflect the blended cost of both equity and debt capital.

The cost of capital derivations is determined by using an appropriate risk-free rate, determined Beta and adjusted with a risk premium.

The cost of debt is the cost of funds attributable to the assets. The discount rate used is the applicable real after tax discount rate.

Volume and growth estimations

The group focuses on good forestry techniques which include ensuring that the rotation of plantations is met with adequate planting activities for future harvesting. The age threshold used for quantifying immature timber is dependent on the rotation period of the specific timber. Trees are generally felled at the optimum age when ready for intended use. The group has projected growth estimation over the period of rotation based on historical data which is representative of the species and sites on which trees are grown. Periodic adjustments are made to existing models for new genetic material. Volume and growth assumptions are used in determining standing tons at valuation date.

The fair value of plantations has been calculated using a real after tax discount rate of 9,55%. The group currently values approximately 5 222 597 million tons of timber using market prices and costs to sell that are in line with industry norms. The average annual growth is measured at approximately 14,62 tons of timber per hectare while immature timber comprise approximately 25 748 hectares of plantations. As changes to market prices, costs to sell, the discount rate, and volume and growth assumptions applied in the valuation of plantations may impact the calculated fair value, the group has calculated the sensitivity of a change in each of these assumptions as tabled below:

	%	R
Market price changes		
1% increase in market prices	1,97	24 781 825
1% decrease in market prices	(1,97)	(24 871 825)
Discount rate		
1% increase in discount rate	4,82	60 880 085
1% decrease in discount rate	(4,82)	(60 880 085)
Growth assumptions		
1% increase in growth rate	0,097	12 309 088
1% decrease in growth rate	(0,097)	(12 309 088)
Harvest and transportation cost		
1% increase in costs	(1,3)	(16 429 438)
1% decrease in cost	1,3	16 429 438

Seedlings

Seedlings are measured at fair value less costs to sell based on the age of the seedlings and is a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 Fair Value Measurement which is consistent with the prior year.

The company uses the income approach in determining fair value of seedlings. The approach makes use of market prices and cost to sell as well as volume and growth estimates as key inputs.

Market prices and costs to sell

The fair value is derived by using market prices less costs to sell. Costs to sell include all costs associated with getting the harvested agricultural produce to the market, including harvesting, loading, transport and allocated fixed overheads.

The net selling price is influenced by the species and maturity of seedlings. All seedlings are expected to be sold within 12 months from the end of the reporting period and are therefore valued using current market prices less costs to sell. As seedlings are expected to be sold in the short term, current market prices are considered an appropriate reflection of fair value. Selling prices are adjusted for the maturity of the seedlings.

Volume and growth estimations

The age of seedlings has been determined by the order or sow date of the seedlings, to determine their maturity. As changes to market prices, costs to sell, volume and growth assumptions applied in the valuation of seedlings may impact the calculated fair value, the company has calculated the sensitivity of a change in each of these assumptions as tabled below:

	%	R
Market price changes		
1% increase in market prices	1,01	198 030
1% decrease in market prices	(1,01)	(198 030)
Growth assumptions		
1% increase in growth rate	1,38	270 341
1% decrease in growth rate	(1,38)	(270 341)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

7. Biological assets continued

Livestock

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

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

Risk management strategy related to biological assets

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

Regulatory and environmental risk

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

Supply and demand risk

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

Climate and other risks

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

8. Intangible assets

	2021			2020		
Figures in Rand	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	**539 290**	**(15 832)**	**523 458**	505 290	(15 832)	489 458
Sole distributor rights	**3 000 000**	**–**	**3 000 000**	3 000 000	–	3 000 000
Computer software	**26 174 193**	**(8 588 092)**	**17 586 101**	16 765 519	(6 784 227)	9 981 292
Goodwill	**117 144 770**	**–**	**117 144 770**	104 006 962	–	104 006 962
Agency insurance rights	**47 375 930**	**–**	**47 375 930**	44 933 410	–	44 933 410
Total	**194 234 183**	**(8 603 924)**	**185 630 259**	169 211 181	(6 800 059)	162 411 122

Reconciliation of intangible assets

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Impairment loss	Total
2021							
Patents, trademarks and other rights	**489 458**	**34 000**	**–**	**–**	**–**	**–**	**523 458**
Sole distributor rights	**3 000 000**	**–**	**–**	**–**	**–**	**–**	**3 000 000**
Computer software	**9 981 292**	**9 745 903**	**–**	**(156 732)**	**(1 984 362)**	**–**	**17 586 101**
Goodwill	**104 006 962**	**–**	**29 137 808**	**–**	**–**	**(16 000 000)**	**117 144 770**
Agency insurance rights	**44 933 410**	**2 442 520**	**–**	**–**	**–**	**–**	**47 375 930**
	162 411 122	**12 222 423**	**29 137 808**	**(156 732)**	**(1 984 362)**	**(16 000 000)**	**185 630 259**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

8. Intangible assets continued

Figures in Rand	Opening balance	Additions	Disposals	Transfers	Amortisation	Impairment loss	Total
2020							
Patents, trademarks and other rights	589 248	–	(99 790)	–	–	–	489 458
Sole distributor rights	3 000 000	–	–	–	–	–	3 000 000
Computer software	3 756 827	2 248 665	(10 626)	5 230 984	(1 244 558)	–	9 981 292
Goodwill	127 136 082	–	–	–	–	(23 129 120)	104 006 962
Agency insurance rights	30 722 554	14 210 856	–	–	–	–	44 933 410
	165 204 711	16 459 521	(110 416)	5 230 984	(1 244 558)	(23 129 120)	162 411 122

Other information
During the year the Group acquired the insurance agency rights to the value of R2 442 520 to further expand the insurance business.

During the prior year, the Group acquired agency insurance rights to the value of R14 210 856.

During the year the Group acquired 51% interest in Sunshine Seedlings Services (Pty) Ltd. The total goodwill of R29 137 808 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. Refer to note 9.

Review of useful life assessment and impairment
During the year the Goodwill relating to the fuel business unit was impaired. The value of the impairment was R16 000 000. The impairment is due to a decline in fuel sales and based on the discounted future cash flow expected to be generated by the business unit for the next 5 years.

During the prior year, a portion of the Goodwill relating to the acquisition of Gromor (Pty) Ltd was impaired. The value of the impairment was R23 129 120 and based on the discounted future cash flow expected to be generated by the business for the next 5 years. The impairment is included in other non-operating gains and losses. Refer note 39.

Amortisation is calculated to write off computer software's carrying amount over its estimated useful life to its estimated residual value. The useful life and residual values are reviewed at the beginning of each reporting period and adjusted if appropriate.

The evaluation regarding the useful life and residual values of computer software can only be established with certainty when the item of asset near the end of their useful life. The estimated useful lives of items of computer software is 4 years.

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

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

Research and development expenditure expensed during the year:

Figures in Rand	2021	2020
Intangible assets with indefinite lives:		
Agency Insurance rights	**47 899 388**	45 422 868
Goodwill relating to the trade business unit	**11 810 458**	11 810 458
Goodwill relating to the timber business unit	**108 334 312**	79 196 503
Goodwill relating to the fuel business unit	**–**	16 000 000

The following assumptions were used in the calculation:

Discount rate 13,97%

Using the budget as base data, growth was increased by 0% for the fuel business unit, 5% for the timber business unit and 4% for the insurance and trade business units.

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

9. Interests in subsidiaries

Name of Company	Held by	Country of incorporation and principal operation	% holding 2021	% holding 2020
Silo Autobody (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	**100,00**	61,00
The Lionsriver Farmers Exchange (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	**60,00**	60,00
Die Kilo Bemarkingskorporasie (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**	100,00
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 Rekenaardienste (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	**100,00**	90,00
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	**100,00**	100,00
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 Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	**100,00**	100,00
Fidessure Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	**100,00**	100,00
Roofspace Rental Group (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	**85,00**	75,00
Sunshine Seedlings Services (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	**51,00**	–

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

During the current year the Group acquired 51% of the issued share capital of Sunshine Seedlings Services (Pty) Ltd.

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 28.

Shiselweni Forestry Company Ltd signed a suretyship limited to an amount of R250 000 000 for the Standard Bank overdraft facility. Refer to notes 28 and 20.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

9. Interests in subsidiaries continued

Business combinations

New business combinations during 2021 impacted the Group's profit and revenue numbers as follows:

Revenue:	R229 258 480
Profit:	R44 253 376

BedRock Mining Support (Pty) Ltd

During the previous year, the Group acquired an additional 24,996% of the issued share capital of BedRock Mining Support (Pty) Ltd, a manufacturer of timber-based mining support products. The interest was acquired to further expand the timber business of the Group. The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition and liabilities assumed amounted to R1 505 549. 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 25.

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

Figures in Rand	2021	2020
Total assets	–	156 441 531
Total liabilities	–	(76 921 441)
Net identifiable assets	–	79 520 090
Net identifiable assets acquired at an additional 24,996% (2019: 10,00%)	–	19 875 251
Less: Consideration paid	–	(21 380 800)
Change of ownership interest	–	(1 505 549)

Sawco Treated Timber Products (Pty) Ltd

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

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

Figures in Rand	2020
Total assets	21 433 918
Total liabilities	–
Net identifiable assets	21 433 918
Net identifiable assets acquired at an additional 50%	375 045
Less: Consideration paid	–
Change of ownership interest	375 045

Gromor (Pty) Ltd

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

9. Interests in subsidiaries continued

Peak Timbers

On 11 March 2020 the Group acquired certain assets from Peak Timbers (Pty) Ltd and Peak Forest Products (Pty) Ltd, as a going concern for a cash consideration of R577 100 000. The business comprise sawmilling,land and forestry assets. A bargain purchase was recognised as a result of the net assets purchased at fair value exceeding the consideration paid.

Figures in Rand	2021	2020
Fair value of assets acquired and liabilities assumed		
Property, plant and equipment	108 254 430	–
Property, plant and equipment subject to land subdivision	53 956 39	–
Biological assets: forestry assets	500 904 028	–
Inventories	5 600 762	–
	688 715 614	–
Less: Trade and other payables	(5 867 935)	–
Net identifiable assets acquired	662 847 679	–
Less: Consideration paid	(577 100 000)	–
Gain on a bargain purchase in a business combination included in other operating gains	85 747 679	–

The transaction adds 26 752 ha of land and 20 000 ha of forestry assets. The acquisition will increase and diversify the earnings of the Group. The transaction was funded by long-term loans of R470 500 000 and a temporary short term facility of R28 436 036 to be re-paid by 28 February 2021. Land with a total value of R53 956 394 is subject to subdivision before transfer and registration.

Sunshine Seedlings Services (Pty) Ltd

On 1 September 2020 the group acquired a 51% controlling share in Sunshine Seedling Services (Pty) Ltd.

The excess of the cost of the acquisition of the 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 R29 137 709 and have been accounted for as Goodwill.

Figures in Rand	2021	2020
Total assets	41 567 407	–
Total liabilities	(28 525 361)	–
Net identifiable assets acquired	13 042 046	–
Less: Non-controlling interest in net identifiable assets on date of acquisition	(6 390 505)	–
Net identifiable asset acquired attributable to the parent	6 651 541	–
Less: Consideration paid	(35 789 250)	–
Goodwill recognised on date of acquisition by controlling shareholder	(29 137 709)	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

9. Interests in subsidiaries continued

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
2021						
Constantia Kunsmis (Pty) Ltd	**73 533 371**	**503 331 025**	**576 864 396**	**41 659 923**	**485 180 085**	**526 840 008**
TWK Motors (Pty) Ltd	**48 680 675**	**92 740 512**	**141 421 187**	**6 508 503**	**79 221 761**	**85 730 264**
Protea Versoolwerke Ermelo (Pty) Ltd	**19 673 391**	**48 236 409**	**67 909 800**	**2 941 206**	**17 853 857**	**20 795 063**
BedRock Mining Support (Pty) Ltd	**49 896 463**	**136 894 730**	**186 791 193**	**–**	**68 805 896**	**68 805 896**
TWK Agri (Pty) Ltd	**1 337 217 808**	**2 519 527 636**	**3 856 745 444**	**1 555 785 001**	**2 045 729 228**	**3 601 514 229**
Shiselweni Forestry Company Ltd	**1 288 440 767**	**291 901 954**	**1 580 342 721**	**658 514 916**	**313 170 537**	**971 685 453**
Gromor Group (Pty) Ltd	**16 232 297**	**14 297 606**	**30 529 903**	**24 615 262**	**24 782 269**	**49 397 531**
Lionsriver Farmers Exchange (Pty) Ltd	**51 758 193**	**101 615 510**	**153 373 703**	**28 196 999**	**160 040 760**	**188 237 759**
SAWCO Mining Timber (Pty) Ltd	**37 329 714**	**52 207 456**	**89 537 170**	**9 171 368**	**66 726 717**	**75 898 085**
Sunshine Seedling Service (Pty) Ltd	**14 670 800**	**53 854 709**	**68 525 509**	**18 190 418**	**17 950 688**	**36 141 106**
SAWCO Treated Timber (Pty) Ltd	**4 858 241**	**15 250 286**	**20 108 527**	**123 200**	**20 532 628**	**20 655 828**
Total	**2 942 291 720**	**3 829 857 833**	**6 772 149 553**	**2 345 706 796**	**3 299 994 426**	**5 645 701 222**
2020						
Constantia Kunsmis (Pty) Ltd	55 829 514	419 591 093	475 420 607	27 696 439	446 277 460	473 973 899
TWK Motors (Pty) Ltd	54 070 398	116 801 104	170 871 502	14 910 326	91 679 327	106 589 653
Protea Versoolwerke Ermelo (Pty) Ltd	27 241 302	46 840 609	74 081 911	4 663 564	21 535 367	26 198 931
BedRock Mining Support (Pty) Ltd	61 713 933	97 241 250	158 955 183	7 252 116	71 608 924	78 861 040
TWK Agri (Pty) Ltd	699 154 325	2 274 208 046	2 973 362 371	882 682 934	1 883 814 083	2 766 497 017
Shiselweni Forestry Company Ltd	602 149 797	262 332 436	864 482 233	158 437 583	185 652 811	344 090 394
Gromor Group (Pty) Ltd	37 115 474	29 992 711	67 108 185	50 421 155	28 069 903	78 491 058
Lionsriver Farmers Exchange (Pty) Ltd	78 637 362	95 686 401	174 323 763	29 058 852	153 387 383	182 446 235
SAWCO Mining Timber (Pty) Ltd	41 058 176	24 960 528	66 018 704	10 193 711	45 031 789	55 225 500
SAWCO Treated Timber (Pty) Ltd	3 856 205	20 957 775	24 813 980	102 354	23 961 537	24 063 891
Total	1 660 826 486	3 388 611 953	5 049 438 439	1 185 419 034	2 951 018 584	4 136 437 618

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
2021						
Constantia Kunsmis (Pty) Ltd	**1 724 090 254**	**60 054 282**	**(15 957 062)**	**44 097 220**	**4 480 460**	**48 577 680**
TWK Motors (Pty) Ltd	**668 335 264**	**(16 363 188)**	**5 053 306**	**(11 309 882)**	**2 718 956**	**(8 590 926)**
Protea Versoolwerke Ermelo (Pty) Ltd	**144 654 380**	**3 077 001**	**(853 771)**	**2 223 230**	**(2 991 474)**	**(768 244)**
BedRock Mining Support (Pty) Ltd	**470 602 446**	**63 636 692**	**(17 379 335)**	**45 257 357**	**2 930 447**	**48 187 804**
TWK Agri (Pty) Ltd	**7 307 559 338**	**39 167 155**	**(5 988 260)**	**33 178 895**	**66 959 941**	**100 138 854**
Shiselweni Forestry Company Ltd	**217 958 486**	**118 958 453**	**(32 880 906)**	**86 077 547**	**–**	**86 077 547**
Gromor Group (Pty) Ltd	**59 882 254**	**(10 395 492)**	**(964 484)**	**2 845 881**	**–**	**2 845 881**
Lionsriver Farmers Exchange (Pty) Ltd	**226 314 331**	**(40 052 589)**	**10 427 475**	**(29 625 114)**	**2 883 531**	**(26 741 583)**
SAWCO Mining Timber (Pty) Ltd	**80 156 768**	**(10 112 318)**	**2 774 838**	**(7 337 480)**	**–**	**(7 337 480)**
Sunshine Seedling Service (Pty) Ltd	**72 964 653**	**27 286 990**	**(7 944 633)**	**19 342 357**	**–**	**19 342 357**
SAWCO Treated Timber (Pty) Ltd	**40 583 266**	**(1 751 209)**	**453 818**	**(1 297 391)**	**–**	**(1 297 391)**
Total	**11 013 101 440**	**233 505 777**	**(63 259 014)**	**183 452 620**	**76 981 861**	**260 434 499**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

9. Interests in subsidiaries continued

Figures in Rand	Revenue	Profit/(loss) before tax	Tax expense	Profit/(loss)	Other comprehensive income	Total comprehensive income
2020						
Constantia Kunsmis (Pty) Ltd	1 306 470 533	4 787 525	(1 222 558)	(1 663 549)	(12 676 208)	(14 339 757)
TWK Motors (Pty) Ltd	502 795 738	2 062 914	(310 865)	1 752 049	1 520 314	3 272 363
Protea Versoolwerke Ermelo (Pty) Ltd	135 642 194	183 022	555 434	738 456	(823 855)	(85 399)
BedRock Mining Support (Pty) Ltd	396 614 698	34 435 232	(9 692 748)	24 742 484	–	24 742 484
TWK Agri (Pty) Ltd	6 287 870 909	141 014 580	(32 001 908)	109 012 672	4 252 112	113 264 784
Shiselweni Forestry Company Ltd	126 919 758	28 667 239	(7 264 106)	21 403 133	–	21 403 133
Gromor Group (Pty) Ltd	62 801 530	(17 756 915)	4 971 935	(12 784 980)	–	(12 784 980)
Lionsriver Farmers Exchange (Pty) Ltd	282 623 023	(16 280 976)	4 743 984	(11 536 992)	–	(11 536 992)
SAWCO Mining Timber (Pty) Ltd	80 156 768	(10 112 318)	2 774 838	(7 337 480)	–	(7 337 480)
SAWCO Treated Timber (Pty) Ltd	17 613 810	(483 490)	132 959	(350 531)	–	(350 531)
Total	9 199 508 961	166 516 813	(37 313 035)	123 975 262	(7 727 637)	116 247 625

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	n/a	n/a	n/a
Constantia Kunsmis (Pty) Ltd	Manufacturing and distribution of fertilizer	n/a	n/a	n/a
Shiselweni Forestry Company Ltd	Growing of timber and other related operations	n/a	n/a	n/a
Protea Versoolwerke (Ermelo) (Pty) Ltd	Retreading of tyres as well as the sale and installation of new tyres, batteries, shocks and exhausts	40,000	889 292	18 845 894
TWK Agri (Pty) Ltd	Agricultural products and services	25,000	29 692 956	2 551 463
BedRock Mining Support (Pty) Ltd	Timber-based underground support to South African mines	n/a	n/a	n/a
Sunshine Seedlings Services (Pty) Ltd	Production and marketing of agricultural products	49,000	9 477 757	15 868 261
Lionsriver Farmers Exchange (Pty) Ltd	Fuel service stations including convenience stores, food outlets and related business	40,000	(11 849 646)	(13 945 622)

10. Investments in associates

he following table lists all of the associates in the company:

Name of Company	**% ownership interest 2021**	% ownership interest 2020	**Carrying amount 2021**	Carrying amount 2020
Henleo 1080 (Pty) Ltd	**45,00**	45,00	**5 000 196**	1 896 973
African Collateral Management (Pty) Ltd	**45,00**	45,00	**–**	–
Silulu Forestry Company (Pty) Ltd	**45,00**	45,00	**3 030 832**	1 818 829
			8 031 028	3 715 802

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

10. Investments in associates continued

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

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

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

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

Summarised financial information of material associates

Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit/(loss) from continuing operations	Total comprehensive income
2021			
Henleo 1080 (Pty) Ltd	**9 298 155**	**3 059 277**	**3 059 277**
African Collateral Management (Pty) Ltd	**9 174 676**	**363 329**	**363 329**
Silulu Forestry Company (Pty) Ltd	**3 199 144**	**2 693 340**	**2 693 340**
	21 671 975	**6 115 946**	**6 115 946**
2020			
Henleo 1080 (Pty) Ltd	16 583 207	1 031 875	1 031 875
African Collateral Management (Pty) Ltd	2 468 894	(2 132 237)	(2 132 237)
Silulu Forestry Company (Pty) Ltd	2 753 660	3 846 750	3 846 750
	21 805 761	2 746 388	2 746 388

Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2021					
Henleo 1080 (Pty) Ltd	**28 924 550**	**3 776 219**	**19 465 600**	**2 123 621**	**11 111 548**
African Collateral Management (Pty) Ltd	**12 355 639**	**2 071 396**	**15 656 958**	**1 742 600**	**(2 972 523)**
Silulu Forestry Company (Pty) Ltd	**35 582 686**	**4 655 874**	**7 572 540**	**25 930 837**	**6 735 183**
	76 862 875	**10 503 489**	**42 695 098**	**29 797 058**	**14 874 208**
2020					
Henleo 1080 (Pty) Ltd	15 843 242	6 457 529	17 294 305	790 970	4 215 496
African Collateral Management (Pty) Ltd	12 046 292	1 375 923	15 910 357	1 031 807	(3 519 949)
Silulu Forestry Company (Pty) Ltd	25 471 874	2 438 313	5 197 554	18 670 789	4 041 844
	53 361 408	10 271 765	38 402 216	20 493 566	4 737 391

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

10. 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
2021				
Henleo 1080 (Pty) Ltd	**11 111 548**	**5 000 197**	**–**	**5 000 197**
African Collateral Management (Pty) Ltd	**(2 972 523)**	**(1 337 635)**	**1 337 635**	**–**
Silulu Forestry Company (Pty) Ltd	**6 735 183**	**3 030 832**	**–**	**3 030 832**
	14 874 208	**6 693 394**	**1 337 635**	**8 031 029**
2020				
Henleo 1080 (Pty) Ltd	4 215 496	1 896 973	–	1 896 973
African Collateral Management (Pty) Ltd	(3 519 949)	(1 583 977)	1 583 977	–
Silulu Forestry Company (Pty) Ltd	4 041 844	1 818 829	–	1 818 829
	4 737 391	2 131 825	1 583 977	3 715 802

Reconciliation of movement in investments in associates

Figures in Rand	Investment at beginning of year	Share of profit	Investment at end of year
2021			
Henleo 1080 (Pty) Ltd	**1 896 973**	**3 103 223**	**5 000 196**
Silulu Forestry Company (Pty) Ltd	**1 818 829**	**1 212 003**	**3 030 832**
	3 715 802	**4 315 226**	**8 031 028**
2020			
Henleo 1080 (Pty) Ltd	1 432 629	464 344	1 896 973
Silulu Forestry Company (Pty) Ltd	450	1 818 379	1 818 829
	1 433 079	2 282 723	3 715 802

11. Loans to Group companies

Associates

Figures in Rand	2021	2020
Henleo 1080 (Pty) Ltd	**7 660 254**	7 143 828
Subject to the availability of funds of the company, the loans shall be repaid from time to time as agreed between the Company and all its Shareholders with reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
African Collateral Management (Pty) Ltd	**6 115 647**	5 936 393
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.		
	13 775 901	13 080 221

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	2021	2020
Non-current assets	**13 775 901**	13 080 221

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

11. 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.

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

Fair value of group loans receivable

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

12. Finance lease receivables

Figures in Rand	2021	2020
Maturity analysis of lease payments receivable		
— within one year	**6 024 658**	12 933 951
— in second to fifth year inclusive	**11 840 189**	7 814 705
Gross investment in leases	**17 864 847**	20 748 656
Less: Unearned interest income	**(1 028 207)**	(1 303 914)
Net investment in the lease	**16 836 640**	19 444 742
Non-current assets	**11 297 751**	7 220 095
Current assets	**5 538 889**	12 224 647
	16 836 640	19 444 742

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 28).

Exposure to credit risk

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

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained in all cases. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Finance lease receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 17 for guidance on how expected credit losses is calculated.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

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 2021. 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 10 (2020: 12).

Carrying value

Figures in Rand	**2021**	2020
Present value of the defined benefit obligation-wholly unfunded	**(5 096 000)**	(5 959 000)

The fair value of plan assets includes:

Movements for the year

Figures in Rand	**2021**	2020
Opening balance	**(5 959 000)**	(6 829 000)
Actuarial gains and losses	**490 000**	259 000
Benefits paid on behalf of members	**988 000**	1 203 000
Interest cost	**(615 000)**	(592 000)
	(5 096 000)	(5 959 000)

Key assumptions used

The liability as at 31 August 2021 takes into account mortality tables as required by IAS19 and the calculation is based on the current value of expected medical aid contributions by taking into account assumptions described below. All former employees who qualify to form part of this scheme are retired. The valuation does not include an accrued service factor in the calculation of the liability value of current employees as they do not qualify for the scheme.

Figures in Rand	**2021**	2020
Discount rates used (%)	**11,25**	11,25
Healthcare inflation rate (%)	**8,75**	8,00
Mortality tables	**PA(90)**	PA(90)

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	**2021**	2020
Increase of 1%	**(216 000)**	(257 000)
Decrease of 1%	**202 000**	240 000

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

Figures in Rand	**2021**	2020
Increase of 1%	**216 000**	254 000
Decrease of 1%	**(235 000)**	(277 000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

14. Deferred tax

Deferred tax liability

Figures in Rand	2021	2020
Property plant and equipment	**(13 896 439)**	(14 647 706)
Revaluation of land and buildings	**(14 510 484)**	(4 806 629)
IFRS 16 Leases	**–**	(1 814 414)
Biological assets	**(249 529 851)**	(201 281 609)
Prepayments	**(537 306)**	(29 856)
Investments	**–**	(1 708 503)
Total deferred tax liability	**(278 474 080)**	(224 288 717)

Deferred tax asset

Figures in Rand	2021	2020
Fair Value Adjustments on Investments	**1 216 293**	–
Accruals and provisions	**40 884 288**	25 185 109
Income received in advance	**1 860 855**	449 255
IFRS 16 Leases	**1 757 027**	–
Deferred tax balance from temporary differences other than unused tax losses	**45 718 463**	25 634 364
Tax losses available for set off against future tax income	**68 896 213**	73 135 718
	114 614 676	98 770 082
Total deferred tax asset	**114 614 676**	98 770 082

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	2021	2020
Deferred tax liability	**(82 652 447)**	(59 714 349)
Deferred tax asset	**69 069 960**	50 557 360
Total net deferred tax liability	**(13 582 487)**	(9 156 989)

The deferred tax relating to Eswatini companies is as follows:

Figures in Rand	2021	2020
Deferred tax liability	**(195 821 633)**	(161 051 450)
Deferred tax asset	**45 544 717**	44 689 806
Total net deferred tax liability	**(150 276 916)**	(116 361 644)

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

Figures in Rand	2021	2020
Deferred tax liability	**(278 474 080)**	(224 288 717)
Deferred tax asset	**114 614 676**	98 770 082
Total net deferred tax liability	**(163 859 404)**	(125 518 635)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

14. Deferred tax continued

Reconciliation of deferred tax asset/(liability)

Figures in Rand	2021	2020
At beginning of year	**(125 518 635)**	(128 196 671)
Increases/(decrease) in tax loss available for set off against future taxable income — gross of valuation allowance	**(4 239 506)**	21 751 312
Taxable/(deductible) temporary difference on IFRS 16 Leases	**3 571 441**	(1 814 414)
Taxable/(deductible) temporary difference movement on PPE	**751 266**	(661 384)
Temporary difference on revaluation of land and buildings	**(9 703 853)**	3 108 270
Taxable/(deductible) temporary difference on Accruals and Provisions	**15 699 178**	(2 891 790)
Taxable/(deductible) temporary difference on Fair Value Adjustments on Investments	**2 924 797**	250 628
Taxable/(deductible) temporary difference on Biological Assets	**(48 248 242)**	(17 064 586)
Taxable/(deductible) temporary difference on Income Received in Advance	**1 411 600**	—
Taxable/(deductible) temporary difference on Prepayments	**(507 450)**	—
	(163 859 404)	(125 518 635)

15. Inventories

Figures in Rand	2021	2020
Inventories at fair value	**157 191 999**	222 635 119
Raw materials	**48 712 295**	24 789 110
Work in progress	**535 113**	1 096 161
Finished goods	**437 345 136**	455 909 533
Agricultural products	**269 432 144**	270 204 330
	913 216 687	974 634 253
Inventories (write-downs)	**(5 218 417)**	(10 439 772)
	907 998 270	964 194 542

Inventory pledged as security

Inventory with a carrying value of R739 320 552 (2020: R796 938 842) have been pledge to secure borrowings granted to the group as set out in note 28.

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

16. Loans receivable

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

Figures in Rand	2021	2020
Forestry and term loans	**140 436 449**	131 423 786
The loans represents loans and receivables granted over a period between 5 and 10 years to clients which are repayable in monthly or annual instalments. The group holds collateral as security.		
Loss allowance	**(96 372)**	(96 010)
	140 340 077	131 327 775
Split between non-current and current portions		
Non-current assets	**109 504 921**	83 388 199
Current assets	**30 835 156**	47 939 577
Total in loans receivable before provisions	**140 340 077**	131 327 776

Loans pledged as security

The loans with a carrying value of R140 340 077 (2020: R131 327 775) have been pledged to secure borrowings by the group's parent, TWK Agriculture Holdings (Pty) Ltd. Refer to note 28.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

16. Loans receivable continued

Exposure to credit risk

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

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

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

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

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

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

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

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

Stage 3: loans that are credit-impaired

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

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

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

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

Loss allowance

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2021			
Stage 1	**25 185 708**	**0,08**	**20 150**
Stage 2	**7 577 328**	**1,01**	**76 222**
Stage 3	**0**	**85,00**	**0**
Total	**32 763 036**		**96 372**
2020			
Stage 1	22 704 525	0,38	86 277
Stage 2	675 927	1,44	9 733
Stage 3	0	85,00	0
Total	23 380 452		96 010

Exposure to interest rate risk

Refer to note 49 for details of interest rate risk management for investments in loans receivable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

17. Trade and other receivables

Figures in Rand	2021	2020
Financial instruments:		
Trade receivables	**1 033 637 003**	971 025 338
Loss allowance	**(31 852 116)**	(14 524 139)
Trade receivables at amortised cost	**1 001 784 887**	956 501 199
Deposits	**4 066 183**	3 488 779
Current account: Holding company	**5 092 437**	–
Other receivable	**30 586 734**	27 248 502
Non-financial instruments:		
VAT	**66 271 045**	66 825 473
Employee costs in advance	**175 227**	788 180
Prepayments	**15 684 900**	8 611 795
Total trade and other receivables	**1 123 661 413**	1 063 463 928
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	**1 041 530 241**	987 238 480
Non-financial instruments	**82 131 172**	76 225 448
	1 123 661 413	1 063 463 928

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 R853 940 344 (2020: R823 010 684) have been pledged to secure the borrowings as set out in note 28.

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

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 and determined on the following basis:

The payment period of production accounts and current accounts must be settled within 12 months and therefore no lifetime expected credit losses are necessary.

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

The provision matrix has been developed by making use of TWK's internal risk rating 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

17. Trade and other receivables continued

The different categories in trade debtors are defined as follows:

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

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

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

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

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

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

Company

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2021			
Stage 1	**257 187 599**	**0,09**	**240 377**
Stage 2	**98 744 822**	**6,33**	**6 245 999**
Stage 3	**28 740 227**	**88,26**	**25 365 740**
Total	**384 672 648**		**31 852 116**
2020			
Stage 1	106 019 203	0,11	116 621
Stage 2	33 711 618	1,01	340 019
Stage 3	16 549 999	85,00	14 067 499
Total	156 280 820		14 524 139

Figures in Rand	2021	2020
Specific impairment		
Opening balance	**(11 799 999)**	(12 153 143)
Decrease/(increase) in provision during the year	**(19 066 240)**	(8 033 758)
Amounts written off	**5 500 499**	8 394 123
Closing balance	**(25 365 740)**	(11 799 999)
Portfolio impairment		
Opening balance	**(2 724 141)**	(1 575 809)
Remeasurement of loss allowance	**(3 762 235)**	(1 148 332)
	(6 486 376)	(2 724 141)
Total loss allowance	**(31 852 116)**	(14 524 140)

In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

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.

Figures in Rand	2021	2020
Equity investments at fair value through other comprehensive income:		
Unlisted shares	**67 246 377**	58 268 587
	67 246 377	58 268 587

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 share price used was R9.
- 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 price earning ratio used is 5,25.
- 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. The share price used was R46.

Equity investments at fair value through other comprehensive income

Investments held at reporting date

Figures in Rand	2021 Fair value	2021 Dividends received	2020 Fair value	2020 Dividends received
TWK Agriculture Holdings shares held by TWK Motors (Pty) Ltd	**30 040 576**	**698 770**	26 122 240	907 748
Nexor 875 (Pty) Ltd shares held by Protea Versoolwerke Ermelo (Pty) Ltd	**–**	**–**	355 684	–
TWK Agriculture Holdings shares held by TWK Group Customer Loyalty Scheme Trust	**11 635 943**	**217 000**	6 895 492	362 729
BKB Limited shares held by TWK Investments Ltd	**20 700**	**–**	27 600	3 797
NTE Company (Pty) Ltd shares held by TWK Investments Ltd	**22 684 819**	**205 864**	22 482 978	309 076
UCL Company (Pty) Ltd shares held by a nominee of TWK Investments Ltd	**1 344 339**	**–**	1 884 755	25 890
York Timbers Limited	**1 520 000**	**–**	499 838	–
Total	**67 246 377**	**1 121 634**	58 268 587	1 609 240

Reconciliation of investments at fair value

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Shares transfer to non-current assets held for sale	Total
2021						
Unlisted shares – TWK Agriculture Holdings – Held by TWK Motors (Pty) Ltd	**26 122 240**	**–**	**3 918 336**	**–**	**–**	**30 040 576**
Unlisted shares – Nexor 875 (Pty) Ltd – Held by Protea Versoolwerke Ermelo (Pty) Ltd	**355 684**	**–**	**129 436**	**–**	**(485 120)**	**–**
Unlisted shares – York Timbers Limited – Held by Castle Walk Properties Investments (Pty) Ltd	**499 838**	**–**	**1 336 652**	**(316 490)**	**–**	**1 520 000**
Unlisted shares – TWK Agriculture Holdings (Pty) Ltd – Held by TWK Group Customer Loyalty Scheme Trust	**6 895 492**	**15 745 685**	**(422 025)**	**(10 583 209)**	**–**	**11 635 943**
Unlisted shares – BKB Limited – Held by TWK Investments Ltd	**27 600**	**–**	**(6 900)**	**–**	**–**	**20 700**
Unlisted shares – NTE Company (Pty) Ltd – Held by TWK Investments Ltd	**22 482 978**	**–**	**201 841**	**–**	**–**	**22 684 819**
Unlisted shares – UCL Company (Pty) Ltd – Held by a nominee of TWK Investments Ltd	**1 884 755**	**–**	**(540 416)**	**–**	**–**	**1 344 339**
	58 268 587	**15 745 685**	**4 616 924**	**(10 899 699)**	**(485 115)**	**67 246 377**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

18. Investments at fair value continued

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Total
2020					
Unlisted shares – TWK Agriculture Holdings – Held by TWK Motors (Pty) Ltd	24 163 072	–	1 959 168	–	26 122 240
Unlisted shares – Nexor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	323 039	–	32 640	–	355 684
Unlisted shares – TWK Agriculture Holdings (Pty) Ltd – Held by TWK Group Customer Loyalty Scheme Trust	6 157 688	5 813 413	340 125	(5 415 734)	6 895 492
Unlisted shares – BKB Limited held by TWK Investments Ltd	36 800	–	(9 200)	–	27 600
Unlisted shares – NTE Company (Pty) Ltd held by TWK Investments Ltd	27 844 751	–	(5 361 773)	–	22 482 978
Unlisted shares – UCL Company (Pty) Ltd – Held by a nominee of TWK Investments Ltd	1 884 755	–	–	–	1 884 755
Unlisted shares – York Timbers Limited – Held by Castle Walk Properties Investments (Pty) Ltd	–	499 838	–	–	499 838
	60 410 105	6 313 251	(3 039 040)	(5 415 734)	58 268 587

Number of Shares in unlisted companies

Figures in Rand	2021	2020
TWK Agriculture Holdings (Pty) Ltd – Held by TWK Motors (Pty) Ltd	**653 056**	653 056
Nexor 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	**287 615**	224 122
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
York Timbers Limited	**400 000**	549 273
	5 288 929	5 374 709

19. Derivative financial instruments

Figures in Rand	2021	2020
Hedging derivatives		
Commodity forward contracts	**(5 111 166)**	(3 482 164)
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. Commodity forward contracts is classified as current liabilities.		

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

20. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	2021	2020
Cash on hand	**688 767**	645 550
Bank balances	**211 947 158**	80 204 349
Short-term deposits	**27 052 950**	25 768 600
Deposit call account	**465 945**	20 349
Other cash and cash equivalents	**1 827 457**	2 185 165
Bank overdraft	**(6 262 388)**	(15 970 517)
	235 719 889	92 853 496
Current assets	**241 982 277**	108 829 846
Current liabilities	**(6 262 388)**	(15 970 517)
	235 719 889	92 859 329

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 (2020: R340 000 000) and is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee company (Pty) Ltd (RF). TWK Agri (Pty) Ltd and Constantia (Pty) Ltd indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for performing their indemnity obligation to the Security SPV, cessions over debtors month accounts is bonded in security to the Security SPV.

The banking facilities of BedRock Mining Support (Pty) Ltd which includes the Term loans of BedRock 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 28.

Subsequent to year-end the BedRock banking facility and term loan was paid up and closed.

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 classify Protea Versoolwerke (Ermelo) (Pty) Ltd as held for sale due to advanced negotiations relating to the sale of the said subsidiary. The operation forms part of the Motors and Tyres segment.

In addition, The Protea Fitment Centre in Piet Retief has been disclosed as a discontinued operation due to lower than expected return on capital, as indicated in the profit and loss disclosure below.

Furthermore, the group also decided to reclassify three commercial properties as held for sale due to the properties no longer serving a strategic purpose in the group's property portfolio. These properties forms part of the Corporate segment.

In the Retail and Mechanisation segment, the Pietermaritzburg trade depot was closed due to a lower than expected return on capital. The Pietermaritzburg trade branch still remains open and will continue to service clients in the area. The Nylstroom fertiliser depot was closed after careful strategic considerations about the future profitability of the area and branch.

The financial performance of the discontinued operations for the last 12 months:

Profit and loss

Figures in Rand	2021	2020
Revenue	**22 474 604**	–
Expenses	**(23 684 923)**	–
Net loss before tax	**(1 210 319)**	(116 400)
Net loss after tax	**(1 210 319)**	–
	(1 210 319)	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

21. Discontinued operations, disposal groups and non-current assets held for sale continued

Non-current assets held for sale

Figures in Rand	2021	2020
Non-current assets	**132 444 128**	62 273 014
Current assets	**18 501 465**	–
Leasehold property	**–**	22 394 281
Total assets	**150 945 593**	84 667 295

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

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

22. Share capital

Figures in Rand	2021	2020
Authorised		
100 000 000 (2020: 100 000 000) no par-value ordinary shares		
1 (2020: 1) "A" no par-value preference share		
50 000 000 (2020: 50 000 000) "B" no par-value preference shares		
Issued		
36 467 006 (2020: 31 616 064) no par-value ordinary shares	**847 181 446**	724 529 060
Reconciliation of number of shares issued:		
Non par-value ordinary shares	**38 951 986**	34 411 553
Less: Treasury shares	**(2 484 980)**	(2 795 489)
	36 467 006	31 616 064
Reconciliation of value of shares issued:		
Non par-value ordinary shares	**884 202 338**	758 223 692
Less: Treasury shares at cost	**(37 020 892)**	(33 694 632)
	847 181 446	724 529 060
Reconciliation of number of shares issued:		
Opening balance	**31 616 064**	32 146 091
Share bought back and cancelled	**(346 505)**	(689 440)
Treasury share movement	**310 509**	159 413
Issue of shares – ordinary shares	**4 886 938**	–
	36 467 006	31 616 064
Reconciliation of class A preference share (number of shares):		
No par-value preference shares	**1**	1
Less: Treasury shares	**(1)**	(1)
	–	–
Reconciliation of class A preference share (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.

The shares bought back and cancelled during 2021 and 2020 were reacquired in the open market through the order book of the exchange, and in terms of the general authority granted by special resolution of the shareholders. The terms of the Reacquisition Programme and result thereof were communicated to shareholders via appropriate exchange news service announcements.

The shares issued in 2021 relate to the shareholder approved asset-for-share transaction between TWK Agriculture Holdings (Pty) Ltd and TWK Investments Ltd, in which TWK Investments Ltd acquired two properties from TWK Agriculture Holdings (Pty) Ltd with consideration thereof an issue of ordinary shares. The detailed information of the asset-for-share transaction and implementation thereof were communication to shareholders in appropriate notices and exchange news service announcements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

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 reviewed 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 732 751 (2020: R1 920 886). The accumulated equity-settled reserve amounts to R4 356 262 (2020: R3 847 894).

	LTI3	LTI4	LTI5	LTI6	LTI7
Key assumptions used (%)					
Discount rate	8,72	8,97	7,62	7,22	7,29
Dividend yield	5,00	5,00	5,00	5,00	5,00
Share volatility	60,00	50,00	75,00	41,00	38,70

Share-based payment reserve

Figures in Rand	2021	2020
Opening balance	**3 847 894**	4 831 559
Expense recognised for the period	**2 732 751**	1 920 886
Vesting during the period/rights awarded	**(2 224 383)**	(2 904 551)
Equity settled shared based payment reserve	**4 356 262**	3 847 894

Share option group

Figures in Rand	LTI3	LTI4	LTI5	LTI6	LTI7	Total
Outstanding at the beginning of the year	258 060	426 250	599 792	749 740	–	918 501
Granted during the period	–	–	–	–	733 000	749 740
Vesting during the period	(258 060)	(193 750)	(187 435)	(148 449)	–	(440 968)
Outstanding at end of year	–	232 500	412 357	749 740	733 000	1 227 273
Grant date	12 Oct 2016	2 Oct 2017	22 Oct 2018	17 Oct 2019	20 Oct 2020	
Share price at grant date	R8,70	R13,00	R17,90	R28,70	R30,50	
Exercise price	R4,11	R8,48	R13,88	R17,92	R26,17	
End date of contractual life	2 Jan 2021	2 Jan 2022	2 Jan 2023	2 Jan 2024	2 Jan 2025	

Share-based payments awarded to executive directors:

	Shares vested			**Value of benefit at grant date**	
Figures in Rand	**2021**	2020	Options outstanding	**2021**	2020
AS Myburgh	**106 000**	125 000	371 000	**594 340**	496 100
JEW Fivaz	**58 750**	70 750	216 250	**334 430**	278 240
				928 770	774 340

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

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	2021	2020
Fair value balance at beginning of the year	**60 969 531**	69 620 436
Fair value adjustment for the year	**12 267 163**	(11 049 207)
Deferred taxation	**(1 725 158)**	2 398 302
	71 511 537	60 969 531

25. 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	2021	2020
Reserves relating to the timber business unit	**(6 675 406)**	(6 353 987)
Reserves relating to the trade business unit	**15 673 756**	15 673 756
Reserves relating to the fuel and oil business unit	**(720 718)**	(720 718)
	7 880 133	8 599 051

26. Loans from group companies

Holding company

Figures in Rand	2021	2020
TWK Agriculture Holdings (Pty) Ltd	**109 800 000**	11 554 241
The unsecured loan bears interest at a prime linked rate +1%. The loan will be payable in monthly instalments of R2 033 333 over a remaining period of 52 months.		
TWK Agriculture Holdings (Pty) Ltd	**–**	107 000 000
The unsecured loan with a residual value of R84 000 000 carries interest at a rate linked to the prime rate. The loan was repaid during the year.		

Split between non-current and current portions		
Non-current liabilities	**85 400 000**	105 483 112
Current liabilities	**24 400 000**	13 071 129
	109 800 000	118 554 241

Fair value of group loans payable

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

27. Other loans payable

Figures in Rand	2021	2020
Roofspace Rental Group (Pty) Ltd	**16 490**	25 324
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Gromor (Pty) Ltd	**700 696**	700 696
The unsecured loans to members of Gromor (Pty) Ltd is interest free and have no fixed terms of repayment. No arrangement have been made for the repayment of the loans within the next 12 months.		
SD Zwane	**6 400 000**	6 447 126
The unsecured loan does not bear interest (2020: prime + 1%) and is repayable on demand.		
Buurman Trust	**–**	488 980
The unsecured loan bears interest at a prime linked rate and was repaid during the year.		
The Nandi Trust	**1 096 517**	1 096 517
The unsecured loan bears interest at prime rate less 4,5% and is repayable on demand, or as and when cash is available.		
Stony's Tyres	**1 096 517**	1 096 517
The unsecured loan bears interest at prime rate less 4,5% and is repayable on demand, or as and when cash is available.		
Loans held for sale — The Nandi Trust and Stony's Tyres loans	**(2 193 034)**	–
	7 117 186	9 855 160
Split between non-current and current portions		
Non-current liabilities	**16 490**	445 003
Current liabilities	**7 100 696**	9 410 157
	7 117 186	9 855 160

Fair value of shareholder loans payable

Other loans payable approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

28. Borrowings

Held at amortised cost

Figures in Rand	2021	2020
Secured		
Standard Bank of South Africa: Term Loan	182 800 000	199 600 000
The facility is secured by a first continuing covering mortgage bond over the immovable property and notarial general bond to the maximum of R25 000 000 over the movable assets (wood chips and wood logs) of Shiselweni Forestry Company Limited, A fellow subsidiary of the company. The loan carries interest at a prime linked rate with monthly capital instalments of R1 400 000 plus interest with a residual amount of R144 400 0000, payable on 31 December 2024.		
Land and Agricultural Bank of South Africa: Revolving loan facility	–	327 415 437
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of TWK Agri (Pty) Ltd and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), are bonded in security to the Security SPV. The loan bears interest at the prime link rate. Land and Agricultural bank of South Africa does no longer from part of the syndicated loan agreement with Standard Bank and FNB.		
Standard Bank of South Africa: Revolving loan facility	706 648 387	327 445 733
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of the company and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime link rate.		
The loan is repayable on 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Land and Agricultural Bank of South Africa: Revolving loan facility	–	99 909 763
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 was repaid in full.		
Land and Agricultural Bank of South Africa: Revolving loan facility	50 318 109	50 318 139
The loan was granted to the company for the financing of loans to emerging farmers for production credit and establishment finance. The loan has a final repayment date of 5 years from the month following the month in which the first advance was made. The loan is repayable on 30 June 2023. No interest is payable on the loan.		
Rand Merchant Bank	155 446 642	205 531 626
The revolving loan facility is secured by cessions over inventory (refer to note 13) and the loan bear interest at a prime-linked rate.		
Land and Agricultural Bank of South Africa: Term Loan	244 563 298	258 582 134
The loan bears interest at a prime linked rate. The loan has a residual value of R208 000 000,00 and is payable on 31 August 2023. The facility is secured by a guarantee issued by the Security SPV Guarantor TWK Guarantee Company (Pty) Ltd (RF). TWK indemnify the security SPV against all claims in terms of the SPV guarantee. As security for TWK performing their indemnity obligation to the security SPV, term loans (refer to note 16) and fixed property (refer to note 5) is bonded in security to the Security SPV.		
Standard Bank Term Loan: BedRock Mining Support (Pty) Ltd	–	5 380 637
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. The loan was settled during the year.		
First National Bank: Revolving loan facility	142 521 051	132 113 965
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 5 and 7), cessions over inventory of the company and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 6), certain debtors (refer to note 17) and finance lease receivables (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime link rate.		
The loan is repayable on 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

28. Borrowings continued

Figures in Rand	2021	2020
First National Bank: Term loan	**63 963 569**	52 001 680
The facility is secured by property of TWK Investments Limited. The loan bears interest at a prime linked rate. The loan has a residual value of R60 000 000 and is repayable on 31 December 2022.		
Standard Bank of South Africa: Term Loan	**425 000 000**	–
The loan bears interest at a prime linked rate and is repayable over a remaining period of 120 months. The facility is secured by a bond over certain fixed property (refer to note 5) and plantations (refer to note 7).		
First National Bank	**–**	13 477 609
The facility was unsecured, and bore interest at a prime linked rate. The facility was repaid during September 2020.		
Land and Agricultural Bank of South Africa: Term Loan	**95 833 874**	–
The loan bears interest at a prime linked rate. The loan has a residual value of R80 000 000 and is payable on 31 August 2023. As security for TWK performing their indemnity obligation to the security SPV, Plantation loans (refer to note 17), shares in Protea Versoolwerke Ermelo (Pty) Ltd and Castle Walk Properties Investments (Pty) Ltd (refer to note 9) and fixed property (refer to note 5) is bonded in security to the Security SPV.		
Standard Bank: Term loan	**7 670 068**	9 404 697
The credit facility bears interest at a prime linked rate and the repayment of loan is monthly in arrears over a period of 108 months.		
Nedbank Bank: Term loan	**–**	1 090 980
The facility is secured by unencumbered moveable assets of the group. The loan carries interest at a prime linked rate and is repayable in monthly instalments of R17 877 over a remaining period of 48 months.		
CNHI Capital	**–**	1 392 862
The facility is secured, bears interest at prime-linked rate and is repayable in the next 12 months. The loan was settled during the year.		
Standard Bank of South Africa	**12 178 562**	14 535 710
The loan is secured by fixed assets owned by the Group bears interest at a prime linked rate, with monthly instalments payable over a remaining period of 62 months.		
CNHI Capital	**3 830 394**	–
The facility is unsecured, bears interest at prime-linked rate and is repayable in yearly instalments of R1 696 632 over a remaining period of 22 months.		
First National Bank: Term Loan	**24 192 699**	–
The loan bears interest at a prime linked rate and is repayable over a period of 118 months . 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, certain fixed property (refer to note 5) is bonded in security to the security SPV.		
First National Bank: Term Loan	**45 666 805**	–
The loan bears interest at a prime linked rate and is repayable over a remaining period of 119 months. The facility is secured by a bond over certain fixed property (refer to note 5). TWK Agriculture Holdings (Pty) Ltd provided a limited guarantee of R45 500 000 for the loan.		
Standard Bank of South Africa: Term Loan	**6 336 102**	–
The long-term loan is secured by certain movable assets and bears interest at a prime linked rate.		
First National Bank: Revolving loan facility	**114 999 448**	–
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 31 December 2021 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Standard Bank of South Africa	**28 436 036**	–
The loan bears interest at a prime linked rate and is repayable on or before 28 February 2022.		
	2 310 405 044	1 698 200 972
Split between non-current and current portions		
Non-current liabilities	**1 031 323 824**	545 187 336
Current liabilities	**1 279 081 220**	1 153 013 636
	2 310 405 044	1 698 200 972

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

28. Borrowings continued

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

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

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

Fair value of borrowings

The carrying value of borrowings approximates the fair value thereof.

29. Provisions

Reconciliation of provisions

Figures in Rand	Opening balance	Additions	Utilised during the year	Held for sale	Total
2021					
Provisions	**960 331**	**169 306**	**–**	**(228 400)**	**901 237**
Share-based payments	**4 457 703**	**3 944 387**	**(2 422 154)**	**–**	**5 979 936**
	5 418 034	**4 113 693**	**(2 422 154)**	**(228 400)**	**6 881 173**

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
2020				
Provisions	886 410	73 921	–	960 331
Share-based payments	4 077 940	12 236 889	(11 857 126)	4 457 703
	4 964 350	12 310 810	(11 857 126)	5 418 034

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 2022	R449 960
2 January 2023	R1 789 945
2 January 2024	R2 169 341
2 January 2025	R1 570 690
	R5 979 936

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

30. Trade and other payables

Figures in Rand	2021	2020
Financial instruments:		
Trade payables	727 219 572	555 954 517
Current account: Holding Company	2 316 455	91 759 510
Other accrued expenses	–	13 900 956
Deposits received	799 471	606 976
Other payables	103 593 940	107 898 599
Non-financial instruments:		
Accrued leave and bonus	100 659 612	52 820 789
VAT	3 531 358	15 028 436
	938 120 408	837 969 783

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.

31. Contract liabilities

Summary of contract liabilities

Figures in Rand	2021	2020
Storage and handling of grain	2 665 572	2 298 169

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.

32. Revenue

Figures in Rand	2021	2020
Revenue from contracts with customers		
Sale of goods	8 567 382 222	7 459 021 770
Rendering of services	102 610 298	48 984 901
Commissions received	116 084 393	101 363 993
	8 786 076 913	7 609 370 664
Revenue other than from contracts with customers		
Rental Income	1 224 406	1 037 024
Interest received (trading)	68 672 830	69 659 678
	69 897 236	70 696 702
	8 855 974 149	7 680 067 366

33. Cost of sales

Figures in Rand	2021	2020
Sale of goods	7 378 758 918	6 447 443 619
Rendering of services	94 988 030	14 956 632
Discount received	(3 608 700)	(4 034 312)
Manufactured goods:		
Employee costs	44 022 213	–
Depreciation and impairment	1 025 755	903 829
	7 515 186 216	6 459 269 768

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

34. Other operating income

Figures in Rand	2021	2020
Administration fees received	**7 488 914**	3 493 771
Commissions received	**1 949 104**	2 937 657
Rental income	**2 868 105**	6 400 314
Bad debts recovered	**182 829**	184 021
Recoveries	**10 452 744**	6 379 546
Interest received	**747 713**	47 322
Insurance claims	**25 248 410**	2 023 048
Other income	**39 664 049**	28 610 059
Rebates received	**11 126 628**	4 812 694
Government grants	**4 282 541**	5 196 702
	104 011 037	60 085 134

35. Other operating gains

Figures in Rand	Notes	2021	2020
Gains/(losses) on disposals, scrappings and settlements			
Property, plant and equipment	5	**(4 290 736)**	(29 970 291)
Lease remeasurement	6	**(5 082 183)**	785 750
Lease liability		**–**	28 268 475
		(9 372 919)	(916 066)
Foreign exchange gains/(losses)			
Net foreign exchange gains		**16 336 862**	17 470 301
Fair value gains/(losses)			
Biological assets	7	**(414 164)**	(10 067 156)
Investment in associates		**–**	39 058
Investment in subsidiaries	9	**(1 164 507)**	–
Bargain purchase on business combination		**85 747 679**	–
Financial liabilities designated as at fair value through profit or loss		**2 082 057**	–
Unlisted shares – Held by TWK Group Customer Loyalty Scheme Trust		**–**	(596 112)
		86 251 065	(10 624 210)
Total other operating gains/(losses)		**93 215 008**	5 930 025

36. Operating profit

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

Figures in Rand	2021	2020
Auditor's remuneration – external		
Audit fees	**3 385 103**	3 547 202
Expenses	**139 942**	297 315
	3 525 045	3 844 517
Employee costs		
Salaries, wages, bonuses and other benefits	**597 426 141**	485 297 071
Equity settled share-based payments	**6 021 530**	2 716 569
Total employee costs	**603 447 671**	488 013 640
Leases		
Operating lease charges		
Premises	**24 151 084**	35 448 139
Motor vehicles	**4 891 824**	2 407 388
Equipment	**6 079 408**	7 830 692
	35 122 316	45 686 219

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

36. Operating profit continued

Figures in Rand	2021	2020
Depreciation and amortisation		
Depreciation of property, plant and equipment	**35 992 339**	34 780 964
Depreciation of right-of-use assets	**32 150 670**	32 206 963
Amortisation of intangible assets	**1 984 362**	1 244 558
Total depreciation and amortisation	**70 127 371**	68 232 485
Less: Depreciation included in cost of merchandise sold and inventories	**(1 025 755)**	(903 829)
Total depreciation and amortisation expensed	**69 101 616**	67 328 656
Impairments and other losses/(gains)		
Property, plant and equipment	**344 638**	1 630 066
Trade receivables	**3 784 135**	1 148 332
Inventories	**(5 471 294)**	1 797 037
	(1 342 521)	4 575 435

37. Investment income

Figures in Rand	2021	2020
Dividend income		
Group entities:		
TWK Agriculture Holdings (Pty) Ltd	**1 814 397**	300 388
Equity instruments at fair value through profit or loss:		
Unlisted investments — Local	**1 895 929**	1 216 912
Total dividend income	**3 710 326**	1 517 300
Interest income		
Shareholders	**80 276**	–
From investments in financial assets:		
Bank and other cash	**698 830**	622 983
Other receivables	**1 272 104**	150 469
Other financial assets	**3 727 069**	3 336 659
Loans to group companies:		
Associates	**516 427**	770 491
Total interest income	**6 294 706**	4 880 602
Total investment income	**10 005 032**	6 397 902

38. Finance costs

Figures in Rand	2021	2020
Holding company	**8 394 492**	12 540 021
Trade and other payables	**325 381**	235 477
Lease liabilities	**7 732 959**	14 113 423
Borrowings	**126 177 519**	135 460 923
Total finance costs	**142 630 351**	162 349 844
Less: Capitalised to qualifying assets	**(35 869 042)**	(57 263 458)
Total finance costs expensed	**106 761 309**	105 086 986

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

39. Other non-operating losses

Figures in Rand	2021	2020
Gains/(losses) on disposals, scrappings or settlements		
Other financial assets	**(2 083 657)**	(2 237 411)
Fair value gains/(losses)		
Assets held for sale	**(19 910 679)**	–
Investment property	**2 110 381**	(415 235)
Impairment of goodwill	**(16 000 000)**	(23 129 120)
	(33 800 298)	(23 544 355)
Total other non-operating losses	**(35 883 955)**	(25 781 766)

40. Taxation

Major components of the tax expense

Figures in Rand	2021	2020
Current		
Local income tax – current period	**70 392 305**	45 189 787
Foreign income tax – current period	**1 896 832**	2 855 871
	72 289 137	48 045 658
Deferred		
Originating and reversing temporary differences	**22 781 747**	(5 300 515)
Benefit of unrecognised tax loss/tax credit/temporary difference used to reduce deferred tax expense	**(10 678)**	103 025
Foreign originating and reversing temporary differences	**(405 534)**	7 348 266
	22 365 535	2 150 776
	94 654 672	50 196 434

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

%	2021	2020
Applicable tax rate	**28,00**	28,00
Impairment of goodwill	**1,27**	4,13
Dividend received	**(0,31)**	(0,21)
Profit from equity-accounted investments	**(0,25)**	(0,46)
Capital gains tax	**(0,84)**	–
Dividends withholdings tax	**(0,25)**	–
Other	**(0,72)**	0,20
Eswatini tax rate lower than standard rate	**–**	(0,03)
	26,90	31,63

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

41. Other comprehensive income

Components of other comprehensive income

Figures in Rand	Gross	Tax	Net before non-controlling interest	Non-controlling interest	Net
2021					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	**490 000**	**–**	**490 000**	**–**	**490 000**
Movements on revaluation					
Gains/(losses) on property revaluation	**12 183 808**	**(1 725 158)**	**10 458 650**	**83 355**	**10 542 005**
Total items that will not be reclassified to profit/(loss)	**12 673 808**	**(1 725 158)**	**10 948 650**	**83 355**	**11 032 005**
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	**4 616 924**	**586 140**	**5 203 064**	**-**	**5 203 064**
Total	**17 290 732**	**(1 139 018)**	**16 151 714**	**83 355**	**16 235 069**
2020					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	259 000	–	259 000	–	259 000
Movements on revaluation					
Gains on property revaluation	(11 486 930)	2 496 351	(8 990 579)	339 673	(8 650 906)
Total items that will not be reclassified to profit/(loss)	(11 227 930)	2 496 351	(8 731 579)	339 673	(8 391 906)
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	(3 581 240)	698 602	(2 882 638)	(10 131)	(2 892 769)
	(3 581 240)	698 602	(2 882 638)	(10 131)	(2 892 768)
Total	(14 809 170)	3 194 953	(11 614 217)	329 542	(11 284 674)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

42. Earnings and dividends per share

Figures in Rand	2021	2020
Basic earnings per share (based on weighted average number of shares)		
From continuing operations (c per share)	**648,17**	321,37
From discontinued operations (c per share)	**(3,51)**	(0,37)
	644,66	321,00
Reconciliation of profit or loss for the year to basic earnings		
Profit for the year	**256 023 165**	108 371 589
Adjusted for:		
Non-controlling interest	**(33 840 142)**	(6 885 338)
	222 183 023	101 486 251
	34 465 244	31 616 064
Basic earnings per share (c) (based on weighted average number of shares)	**644,66**	321,00

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	2021	2020
Diluted earnings per share		
From continuing operations (c per share)	**604,58**	295,26
From discontinued operations (c per share)	**(3,28)**	(0,34)
	601,30	294,92

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	2021	2020
Reconciliation of basic earnings to earnings used to determine diluted earnings per share		
Basic earnings	**644,66**	321,00
Adjusted for:		
Shares held by intergroup trust to be distributed to customers and personnel	**(43,36)**	(26,08)
	601,30	294,92
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	**34 465 244**	31 616 064
Adjusted for:		
Shares held by intergroup trust to be distributed to customers and personnel	**2 484 980**	2 795 489
	36 950 224	34 411 553

Dividends per share

Figures in Rand	2021	2020
65 cents per share (2020: 90 cents)	**25 318 791,00**	30 970 397,00

Dividends payable are not accounted for until they have been declared by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

43. Cash generated from operations

Figures in Rand	2021	2020
Profit before taxation	**325 196 454**	158 684 423
Adjustments for:		
Depreciation and amortisation	**66 902 022**	68 123 264
Losses on disposals, scrappings and settlements of assets and liabilities	**4 332 827**	1 701 816
Income from equity-accounted investments	**(4 315 226)**	(2 282 723)
Dividend income	**(3 508 167)**	(1 517 300)
Interest income	**(7 940 073)**	(4 880 602)
Finance costs	**106 418 961**	105 086 386
Fair value adjustments	**(7 735 775)**	10 067 156
Impairment losses	**344 638**	1 630 066
Impairment of goodwill	**16 000 000**	23 129 120
Movements in retirement benefit assets and liabilities	**615 000**	(611 000)
Movement in provisions	**1 971 506**	(529 981)
Right-of-use assets and lease liabilities non-cash movements	**(1 635 226)**	–
Movement in contract assets/liabilities	**367 403**	(5 139 127)
Movement in derivative liabilities	**1 629 002**	643 214
Gain from a bargain purchase	**(85 747 679)**	–
Provision for inventory write-downs	**(2 784 862)**	1 797 037
Expected credit loss allowance	**9 807 865**	787 966
Loss from discontinued operations	**1 210 319**	(116 400)
Changes in working capital:		
Inventories	**63 172 650**	39 116 811
Trade and other receivables	**(84 180 828)**	(59 233 386)
Biological assets	**120 046 491**	262 976 919
Trade and other payables	**102 541 753**	19 678 773
	622 709 055	619 112 432

44. Tax paid

Figures in Rand	2021	2020
Balance at beginning of the year	**18 805 533**	(14 761 486)
Current tax for the year recognised in profit or loss	**(72 289 137)**	(48 045 658)
Balance at end of the year	**(17 583 830)**	(18 805 533)
	(71 067 434)	(81 612 677)

45. Dividends paid

Figures in Rand	2021	2020
Balance at beginning of the year	**(8 898 853)**	(3 792 100)
Dividends	**(25 345 009)**	(39 503 871)
Balance at end of the year	**119 484**	8 898 853
	(34 124 378)	(34 397 118)

46. 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 2021 CONTINUED

47. 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	2021	2020
Already contracted for but not provided for		
— Property, plant and equipment	63 426 367	2 230 123
	63 426 367	2 230 123

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	2021	2020
Not yet contracted for and authorised by directors		
— Property, plant and equipment	158 784 234	82 847 767
	158 784 234	82 847 767

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.

48. Related parties

Relationships	
Holding Company	TWK Agriculture Holdings (Pty) Ltd
Subsidiaries	Refer to note 9
Associates	Refer to note 10
Members of key management	Executive and non-executive directors and related businesses

Related party balances

Figures in Rand	2021	2020
Loan accounts — Owing to/by related parties		
TWK Agriculture Holdings (Pty) Ltd	109 800 000	118 554 241
Amounts included in trade receivable regarding related parties		
Directors and related businesses	46 438 981	43 206 376
Amounts included in trade payables regarding related parties		
TWK Agriculture Holdings (Pty) Ltd	(1 854 122)	(14 236 135)
Related party transactions		
Interest paid to/(received from) related parties		
Interest received from directors and related businesses	(4 734 188)	(3 620 735)
Interest paid to directors and related businesses	108 449	–
Interest paid to holding company	5 095 156	1 474 412
Purchases from/(sales to) related parties		
Purchases from directors and related businesses	147 861 715	130 911 966
Sales to directors and related businesses	(13 536 957)	(56 323 768)
TWK Agriculture Holdings (Pty) Ltd	268 976	–
Rent paid to/(received from) related parties		
TWK Agriculture Holdings (Pty) Ltd	–	110 040

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

48. Related parties continued

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

	Direct		Indirect		Related trust*	
	Shares	%	Shares	%	Shares	%
Non-executive						
GB Prinsloo	–	0,00	619	0,00	–	0,00
JS Stapelberg	–	0,00	–	0,00	410 087	1,19
TI Ferreira	–	0,00	17 184	0,05	26 582	0,08
HJK Ferreira	–	0,00	–	0,00	–	0,00
CA du Toit	–	0,00	–	0,00	–	0,00
HG Hiestermann	51 500	0,15	205 186	0,60	–	0,00
HW Küsel	33 847	0,10	49 903	0,15	–	0,00
JCN Wartington	500	0,00	664	0,00	6 171	0,02
Executive						
AS Myburgh	792 890	2,30	49 521	0,14	315 000	0,92
JEW Fivaz	305 172	0,89	1 328	0,00	–	0,00
Subtotal for directors	1 183 909	3,04	324 405	0,83	757 840	1,95
Other shareholders	37 768 077	96,96				
Total	38 951 986	100,00				

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

49. Financial instruments and risk management

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk and the Group's exposure to these financial risks.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management in close co- operation with the group's operating units, through identifying, evaluating and hedging financial risk where needed.

In combination with the audit committee, the Boards have conducted a robust assessment of the principal risks to which TWK is exposed and they are satisfied that the Group has effective systems and controls in place to manage its principal risks.

The Board of Directors has overall responsibility for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Group's executives are responsible for developing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group. Top risks are identified through an enterprise risk management process, whereby the top risks are identified, assessed, quantified and prioritised. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board has an Audit and Risk Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures. The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The Group monitors its forecast financial position on a regular basis. The Group's executive members meet regularly and consider financial performance and cash flow projections, taking into consideration market conditions and new developments.

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary. The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous reporting period.

Financial risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks as financial risks are anticipated to be ongoing due to the strategy and business model of the group. The top risks are identified through the enterprise risk management process.

TWK's financial risks are as follows:

- liquidity risk;
- market risk (including interest rate, price risk and currency risk); and
- credit risk.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

49. Financial instruments and risk management continued

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, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised and unutilised borrowing facilities are monitored. Consequently the Group ensure that sufficient borrowing facilities are available to exceed projected peak borrowings.

The Group's management of liquidity and funding includes:

- monitoring forecast cash flows and establishing the level of liquid facilities necessary on a daily basis;
- ensuring that adequate unutilised borrowings facilities are maintained;
- development and maintenance of a syndicated funding structure;
- repayments of long-term borrowings are structured so as to match the expected cash flows from the operations to which they relate;
- monitoring statement of financial position liquidity ratios against internal requirements; and
- maintaining liquidity and funding contingency plans.

The Group utilises the credit facilities of various banking institutions and takes into account the maturity dates of its various assets and funds its activities by obtaining a balance between the optimal financing mechanism and the different financing products, which include bank overdrafts, short-term loans, long-term loans, commodity finance, finance lease and other creditors. The Group has been able to operate within these facilities and based on the growth forecast and committed credit facilities the trend is expected to continue.

Borrowing disclosed in note 28 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.

The Group tends to have significant fluctuations in short term borrowings due to the seasonal nature of the agricultural business. The group have sufficient borrowings facilities to exceed projected peak borrowings. The group's unutilised borrowing facilities are as follow:

Figures in Rand	2021	2020
Total short-term facilities	**1 561 000 000**	1 561 000 000
Utilised at year-end	**(855 431 826)**	(786 975 135)
Unutilised at year-end	**705 568 174**	774 024 865

Figures in Rand	Less than 1 year	More than 1 year	2 to 5 years	More than 5 years	Total
At 31 August 2021					
Borrowings	**1 279 081 220**	**416 622 699**	**240 652 241**	**374 048 884**	**2 310 405 044**
Trade and other payables	**833 929 437**	**–**	**–**	**–**	**833 929 437**
Lease liabilities	**26 476 972**	**18 084 441**	**24 241 269**	**42 993 973**	**111 796 655**
At 31 August 2020					
Borrowings	1 153 013 636	44 016 412	313 079 356	188 091 568	1 698 200 972
Trade and other payables	770 120 556	–	–	–	770 120 556
Lease liabilities	42 980 467	29 180 538	42 764 227	36 252 556	155 177 788

Any part of the revolving loan facilities disclosed in note 28 which is repaid, may be reborrowed. TWK may in its sole discretion extend the final repayment date of 31 December 2021 by written request.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

49. Financial instruments and risk management continued

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	2021	2020
Interest-bearing liabilities	**2 385 518 458**	1 927 470 022
Interest-bearing assets	**632 738 411**	582 231 029
Net interest-bearing liabilities	**1 752 780 047**	1 345 238 993
Half a percentage point increase in interest rates	**8 763 900**	6 726 195
Half a percentage point decrease in interest rates	**(8 763 900)**	(6 726 195)

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 2021 amounted to R14,67 (31 August 2020: R16,95). The Swaziland Emalangeni and South African Rand were at par.

The following information present the sensitivity to an increase or decrease in respective to the USD on the total revenue on exports.

Figures in Rand	2021	2020
Total revenue on exports	**549 612 547**	699 659 174
50c increase in exchange rate	**18 587 873**	20 638 914
50c decrease in exchange rate	**(18 587 873)**	(20 638 914)

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	2021	2020
Trade and other receivables	**29 131 344**	78 056 864
Trade and other payables	**169 559 940**	–

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

49. Financial instruments and risk management continued

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.

The different internal risk rating in trade debtors are defined as follows:

- Performing – Clients with an excellent credit history, financial position, cash flow and repayment ability.
- Increased risk – Client with good repayment ability and security without any indicator of non-performance, but without a strong financial position and balance sheet. TWK don't have a long term relationship or credit history with the client.
- Underperforming – Clients with payments being overdue for a short period of time, but with stable financial position and good securities in place.
- High risk – Clients with payments being overdue for a longer period of time, but with stable financial position and good securities in place.
- Non performing – Clients with history of non performing and financial distress.
- Default – Mostly accounts that have been handed over to the attorneys for collections. The concentration across the different internal risk rating is as follows:

Category (%)	Performing	Increased risk	Under-performing	High risk	Non-performing	Default
Risk	67,50	15,46	3,16	0,57	6,36	6,95

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

49. Financial instruments and risk management continued

The table below illustrates the stratification of the clients base relative to credit extended:

	Exposure to the book (%)	
	2021	2020
R1 – R500 000	93,38	93,68
R500 001 – R1 250 000	2,95	3,17
R1 250 001 – R5 000 000	2,97	2,65
R5 000 001 – R8 000 000	0,31	0,28
R8 000 001 – R12 000 000	0,13	0,06
Above R12 000 000	0,26	0,17

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

Portfolio impairment = Total book x Probability of Default % x (PD%) x Loss Given Default % (LGD%). The Group has identified a comprehensive Probability of Default rating of an external source with reference to similar portfolios as reference point for forward looking information. The Loss Given Default is calculated as the Gross exposure, by decreasing the total debtor balance by the security value held or ceded to the Group.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. The internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor. To measure the expected credit losses. trade receivables have been grouped in categories based on shared characteristics. Refer to note 18. Trade and other receivables for the details regarding categories.

The default rate of bad debt written off was 0,33% in 2021, 0,64% in 2020, 048% in 2019, 0,20% in 2018 and 0,26% in 2017. This also lowers the credit risk as the history shows that the provision raised would be sufficient based on the trend of bad debt written off over the past few years.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 28, cash and cash equivalents disclosed in note 20, 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	**2021**	2020
Total equity	**1 722 578 230**	1 356 042 815
Interest-bearing liabilities less cash	**2 385 518 458**	1 834 610 693
Subtotal	**4 108 096 688**	3 190 653 508
Calculated rate (times)	**1,38**	1,35
Calculated rate (%)	**138,00**	135,00
Target band (%)	**120 – 200**	120 – 200

50. Events after the reporting period

Subsequent to year-end ABSA also approved credit lines for TWK whereby ABSA will also participate in the syndicated revolving credit facility with Standard Bank and First National Bank. The term loans of Landbank will also be replaced with term loans from ABSA.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021 CONTINUED

51. Directors' emoluments

Figures in Rand	Travelling and accommodation expenses	Remuneration	Short-term incentives	Long-term incentives
2021				
CA du Toit	**15 776**	**376 402**	**–**	**–**
TI Ferreira	**13 083**	**349 501**	**–**	**–**
HW Küsel	**10 066**	**306 546**	**–**	**–**
AS Myburgh	**204 960**	**4 178 331**	**555 457**	**2 008 640**
JS Stapelberg	**7 700**	**523 275**	**–**	**–**
JCN Wartington	**13 320**	**263 156**	**–**	**–**
HJK Ferreira	**79 274**	**415 019**	**–**	**–**
GB Prinsloo	**11 082**	**278 776**	**–**	**–**
HG Hiestermann	**9 376**	**278 776**	**–**	**–**
JEW Fivaz	**250 620**	**2 766 681**	**364 732**	**1 089 930**
Subtotal	**615 256**	**9 736 463**	**920 189**	**3 098 570**
2020				
CA du Toit	11 990	331 589	–	–
TI Ferreira	3 964	278 659	–	–
AC Hiestermann	–	32 682	–	–
HW Küsel	4 930	270 024	–	–
RL Meyer	7 577	207 000	–	–
AS Myburgh	243 228	3 662 662	3 471 952	3 438 600
JS Stapelberg	3 283	400 183	–	–
JCN Wartington	4 881	231 804	–	–
HJL Ferreira	13 915	365 574	–	–
GB Prinsloo	1 035	138 480	–	–
HG Hiestermann	–	138 480	–	–
JEW Fivaz	262 521	2 422 078	2 303 760	1 780 065
Subtotal	557 324	8 479 217	5 775 712	5 218 665

SHAREHOLDERS' ANALYSIS
FOR THE YEAR ENDED 31 AUGUST 2021

Through an analysis of the combined share register, and pursuant to the provisions of section 56 of the Companies Act, prepared the following shareholder statistics have been prepared as at 31 August 2021:

Shareholder spread	Number of shareholdings	% of total shareholding	Number of shares	% of issued capital
1 – 1 000 shares	247	33,07	118 090	0,30
1 001 – 10 000 shares	338	45,25	1 089 330	2,80
10 001 – 100 000 shares	138	18,47	4 039 029	10,37
100 000 – 1 000 000 shares	22	2,95	5 508 289	14,14
1 000 001 shares and more	2	0,27	28 197 248	72,39
Total	747	100,00	38 951 986	100,00

Shareholder spread	Number of shareholdings	% of total shareholding	Number of shares	% of issued capital
Holding company	1	0,13	25 868 380	66,41
Treasury shares	3	0,40	2 484 980	6,38
Non-executive Directors and related	9	1,20	612 742	1,57
Executive Directors and related	3	0,40	1 413 062	3,63
Executive Management and related	11	1,47	1 883 747	4,84
TWK Group Employees	51	6,83	682 407	1,75
Retail investors	669	89,56	6 006 668	15,42
Total	747	100,00	38 951 986	100,00

Beneficial shareholders with a holding, directly and indirectly, greater than 5% of shares in issue

	Number of shares	% of issued capital
TWK Agri Aandele Aansporings Trust	2 328 868	5,98
TWK Agriculture Holdings (Pty) Ltd	25 868 380	66,41

Total number of shareholders	747
Total number of shares in issue	38 951 986

General information

Company
TWK Investments Ltd and its subsidiaries

Country of incorporation and domicile
South Africa

Nature of business and principal activities
TWK focuses on the supply of agricultural and related services, as well as input resources, and on providing market access for agricultural products.

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

Registered office
11 De Wet Street
Piet Retief
2380

Business address
11 De Wet Street
Piet Retief
2380

Postal address
PO Box 128
Piet Retief
2380

Bankers
First National Bank of South Africa
The Land and Agricultural Development Bank of South Africa (Land Bank)

Auditors
PKF Pretoria Incorporated

Secretary
MJ Potgieter

Company registration number
1997/012251/06

Income tax number
9142004671

Level of assurance
These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Published
25 November 2021

SIGIL DESIGN BUREAU

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