TWK Agriculture Holdings (Pty) Ltd

Annual Report 2018

Contents

About us

Vision

Achieving sustainable growth together

Mission

Our mission is to deliver value-adding products and services to the Agricultural and related industries and to the communities in which we operate.

Our values

Growth

Committed to providing excellence and constantly exceeding previous efforts.

Strive

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

Renew

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

Sustain

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

Conserve

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

Develop

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

Strategy

TWK's strategy is based on the success of today with a focus on tomorrow which is why we focus on the creation and unlocking of value through optimisation of current assets and operations, making our clients our priority, as well as making investments required for TWK's sustainable growth over the longer term. Our strategy is in line with previous years and remains focused on cash generation and ongoing management of the core focus area.

In pursuit of sustainability, we continuously evaluate potential mergers, acquisitions or joint ventures with a view to unlock possible synergies. A strategic filter is applied to all potential investments with the aim of supplementing sustainability, generating a desired return and to complement the current cash and EBITDA generation. New projects, which include value-added products aimed at unlocking value for shareholders as well as adding value to producers, have already been identified and are in various stages of development and implementation.

The various performances of our business segments in 2018, their growth potential and our intention to expand determines the success of our strategic goals. Achieving our strategic goals of being the supplier of choice, the market of choice, the investor of choice as well as the employer of choice remains a priority in the coming year.

We will achieve our strategic goals by:

- placing our customers as a priority;
- further invest in the value chain of timber-related product production and to expand own plantations to secure supply;
- forming strategic alliances and improved logistics efficiencies;
- effective inventory management;
- the continuous investigation for mergers and acquisitions to capitalise on competence, buying power and synergy;
- focus on the business of emerging farmers;
- target of the irrigation areas for fertiliser sales;
- focus on the development of customer specific-needs credit products;
- improve utilisation of technology and fully exploit available resources;
- growing the small packaging product market in the grain division to increase margins; and
- increase the fuel station footprint.

Since TWK aims and strives to achieve its business goals, we have set various operational priorities to bring business goals in line with the interests of our clients and employees. It is aimed to ensure that our business is operated successfully, responsibly, taking into consideration the needs of people and also to contribute to our environment through social responsibility initiatives.

As TWK expands it product range and footprint, it also adheres to the business' main goal of delivering returns to its shareholders.

Chairman's report

Ludwig Meyer
Chairman

Dear Stakeholder

I'm pleased to report that the TWK Group delivered another record profit in 2018, adding to the consistently strong results we've achieved since the major restructuring of the group four years ago.

Revenue increased and strong earnings across the Group meant we delivered on our financial plan. The plan demonstrates continued discipline towards net debt to equity, profitability, cost management and return on investment.

Our performance in 2018 is our strongest on record. TWK's balance sheet has never been stronger and our business case, underpinned by our diversified income streams has never been better.

The tremendous growth that the Group has experienced over the past few years has been achieved amidst the backdrop of ongoing change, with numerous local and international political shocks, uncertain economic and financial conditions, extreme grain price fluctuations and gruelling droughts in certain parts of the country. The growth was achieved both organically and through acquisition and supported by TWK's diversified business model.

The investment decisions always have placed long term considerations ahead of short term concerns and have always been made for sustainable growth. The strategy of diversification has delivered very good results over the past few years and should promise well going forward.

The objectives for 2018 have remained aligned with the previous years to ensure consistency and continuity of approach and to ensure clear focus on TWK's ultimate strategic objectives.

During the period under review, all business segments once again increased profits and/or market share. Our financial performance reflects the core health of the business and the excellent positioning of our business units, geographic distribution, and the strength of multiple revenue streams, lowering risk and ensuring constant growth, even in challenging times.

Operating profit
up 1,98%

R343m

(2017: R336m)

Profit before tax
up 6,8%

R230m

(2017: R216m)

Earnings per share
up 24,44%

871,73c

(2017: 700,51c)

Our recently acquired subsidiary, BedRock Mining Support (Pty) Ltd, is integrated within the TWK Group and has had a successful year increasing throughput of timber and contributing a strong profit to the Group's results.

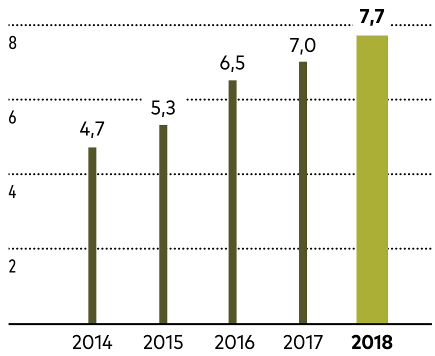
The profit of 2017 was improved upon with ease in 2018, and TWK Agriculture Holdings achieved a new record profit of R241 million before loyalty payments from continued operations, and paid a R10,7 million loyalty bonus to its customers. The total equity exceeds the R1,2 billion mark and profit before tax exceeds the R230 million mark. These milestones prove that the strategic plans for the Company are being realised.

Turnover increased by 9,4% from the previous year and represents a compound growth of 14,34% per year since 2013. Operating profit increased by 1,98% from the previous year and the earnings per share for the year ending 31 August 2018 are 871,73 cents per share, representing growth of 24,44%. 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.

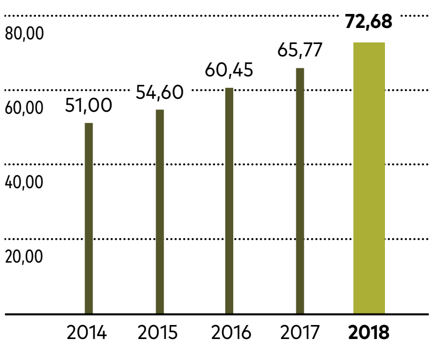
TWK's revenue continues to show a rising trend due to an increase in volume business, newly developed markets and the addition of business units and increased volumes of agricultural inputs.

The net asset value per share increased by almost 10% and stood on R72,68 per share at 31 August 2018.

Revenue (Rbn)



Net asset value per share (R)



TWK Agriculture Holdings (Pty) Ltd's share price increased further in the past year and stood at R36,00 per share on 31 August 2018 and TWK Investments Ltd at R17,80 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.

Chairman's report
continued

Corporate governance

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

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

In a climate of comprehensive and changing regulations, and in the context of ongoing growth, TWK focused on achieving an appropriate balance between the expectations of stakeholders of corporate governance and the need to deliver consistent and competitive financial returns.

Corporate governance in the Group extends beyond the mere compliance with codes, legislation and regulations. The Board of Directors and Management adopted sound corporate governance principles and appropriate governance structures and policies, and believe they have been included in our operations as a culture of sound corporate governance that is in line with the Group's business philosophy.

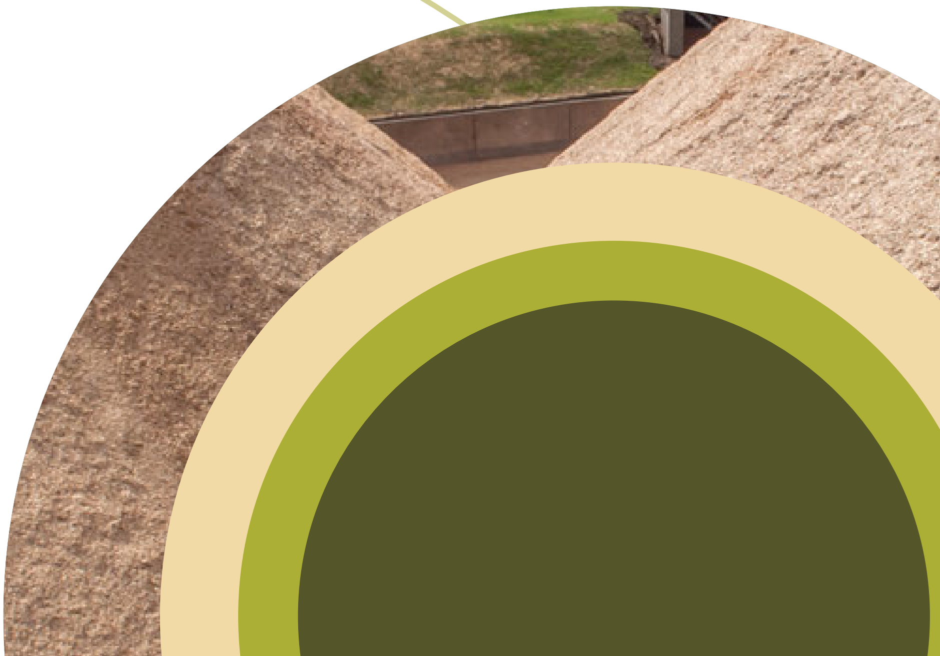
The directors are committed to the principles of good corporate governance as contained in the King IV guidelines.

The respective committees appointed by the Board, namely the Audit and Risk Committee, the Social and Ethics Committee as well as the Remuneration Committee, perform their duties conscientiously according to the respective mandates set out by the Board. In my view, the input of the committees is of an outstanding quality, and the members of the committees have the necessary knowledge and experience to perform their tasks admirably. The members of the Board are serious about the Group's affairs and attendance is excellent. Personal interests of directors and Management are reported and monitored.

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

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

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



Outlook for the year ahead

Looking ahead we are anticipating an improvement in the operating environment for our business units because of increased market penetration, increased business operations, improved margins and an increase in the demand for timber products. The challenging conditions associated with the severe drought also gives way to an improved environment. Furthermore, we will continue to focus on productivity, cost management and investments in the timber industry to increase our value adding proposition. The TWK business model provides a strong basis from where growth and value creation can be delivered. We continuously evaluate new business opportunities and are confident that TWK will deliver attractive results to our shareholders going forward.

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

TWK's extensive footprint, infrastructure, market share and expertise enable us not only to focus on maintaining and expanding existing businesses, but to include in our strategy specific targets for new additions with a focus on the agricultural value-chain.

We are very pleased with our 2018 performance, the strong financial position and the ongoing momentum in the organisation. We have the financial resources and capacity to ensure that the Company can build on the growth pattern, and to meet our customers' needs and to meet the growing demand for our products and services, in accordance with our high standards.

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

Acknowledgements

As Chairman of TWK I am proud of the achievements, diversification and growth of the Group over the past couple of years. With the assistance of a sound growth and expansion strategy implemented, as well as the successful acquisitions, TWK has to date grown into a diversified group with a presence in eight provinces of South Africa as well as in Swaziland. In tough trading conditions and competitive markets, it is these strategic acquisitions along with a well-established business and footprint that enables TWK to deliver growth to the top and bottom line.

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

I would also like to thank, on behalf of the Board, our 2 000 employees for their commitment to TWK and the executive team for their alignment behind our strategy and dedication that enables us to deliver on our promises.

We also want to thank you, our shareholders, for your continuing support, your confidence and above all for your trust. Rest assured that our passion for what we do will continue to generate the sustainable, profitable returns you rightfully expect from us.

To our customers, suppliers and business partners, I thank you for your continued support. We look forward to sharing our 2019 story with you next year.

We acknowledge the grace of our Heavenly Father without which our results and growth would not have been possible. To Him we ascribe all honour and gratitude for the blessings so generously poured out on us.

Ludwig Meyer
Chairman

Board of Directors

RL Meyer
Chairman

AS Myburgh
Managing Director

JS Stapelberg
Vice-chairman

CA du Toit
Director

JCN Wartington
Director

HW Küsel
Director

AC Hiestermann
Director

TI Ferreira
Director

JEW Fivaz
Financial Director

Senior Management

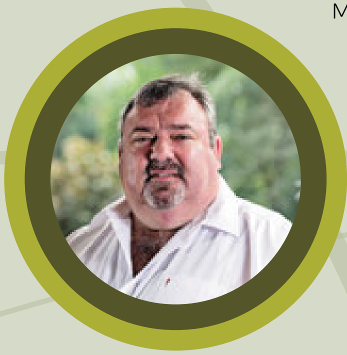
GS Grobler
Chief Executive Manager:
Financial Services

FJ Brauckmann
Chief Executive
Manager: Timber

LC Coetzer
Chief Executive
Manager: Trade

MJ Potgieter
Executive Manager:
Business Development
and Company Secretary

B de Klerk
Chief Executive
Manager: Grain



JFC Byleveldt
Managing Director:
TWK Motors (Pty) Ltd

WC Janse van Rensburg
Managing Director: Protea
Versoolwerke Ermelo (Pty) Ltd

D Kruger
Managing Director: Bedrock
Mining Support (Pty) Ltd

WJ van Zyl
Executive Manager:
Corporate Services

Managing Director's report

Financial performance

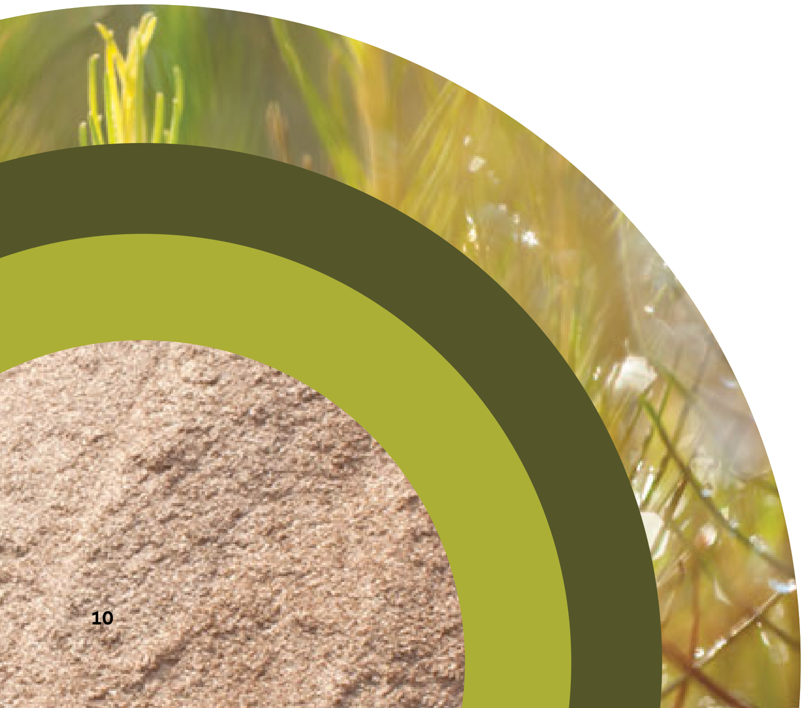
I am pleased to provide our shareholders with TWK's Annual Report for the financial year ending 31 August 2018.

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

Building a sustainable company requires consistent performance and cash generation over time as well as a strong balance sheet. TWK again managed to deliver on that in 2018. The consistent performance is evident in our key performance indicators.

Given the excellent performance, TWK could award, through the loyalty scheme, R10,7 million to clients for their loyal support.

Turnover increased by 9,4%, operating profit is 1,98% higher, profit before tax increased by 6,8%, return on equity increased from 11,6% to 13,46% against a goal of 17,6%. It is also pleasing to note our net cash from operating activities prior to financing costs, was R272 million and represents a 26% increase on the equivalent in 2017. As at 31 August 2018, our balance sheet was in a stronger position than the previous corresponding period. The net assets had increased by R169 million and we had net cash of R175 million, with a reasonable gearing of 119%. These positive outcomes are thanks to the careful following of strategy, further market penetration of our diversified product offering, improved effectiveness and the associated profit contributions from all divisions.



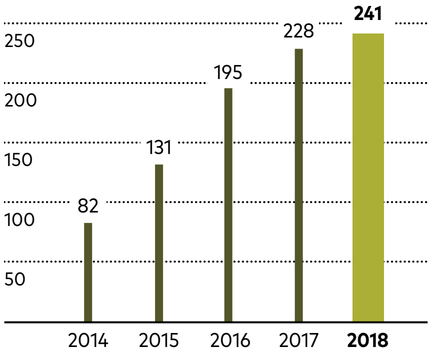
During the past year, TWK therefore continued to add building blocks for the future to promise long-term outcomes.

The TWK strategy is precisely planned and executed to identify additional growth potential and to carry it out on a sustainable basis. The desired outcomes were achieved, and TWK is well-positioned to continue this growth in 2019.

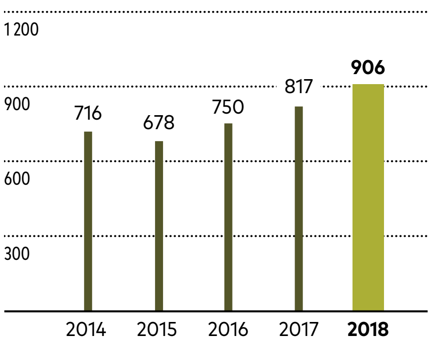
In order to continue building on our strategic vision of sustainably growing together, a healthy balance between borrowed and own capital is important. The debt-to-equity target for the TWK Group is 150% – 200%, and at year-end is at 119%. An important driving force for TWK is to maintain a healthy and stable financial platform in order to absorb unavoidable setbacks, to ensure sustainability and to create space for new opportunities. TWK's business model and growth is directly linked to the granting of credit facilities to producers, that have a direct connection with the credit needs of TWK. The growth in borrowed capital is therefore unavoidable, but the Board aims to maintain a healthy relationship, and in doing so, ensure a maximum return for shareholders. In order to realise this, we are pursuing the issuance of preference shares in TWK Investments Ltd. The addition of additional financiers is nearing implementation. TWK, therefore, has enough own capital and facilities to fund its short-term growth strategy and operational activities.

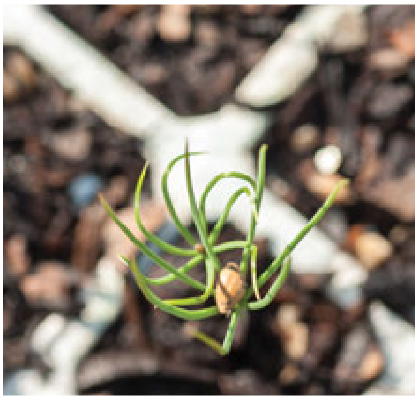
Once again, the shareholders' equity grew well this past year, and although share prices increased significantly over the last few years, the Board and Management are continuously pursuing new opportunities to unlock further value for shareholders.

Profit before loyalty scheme payment (Rm)



Shareholders' equity (Rm)





Sustainable

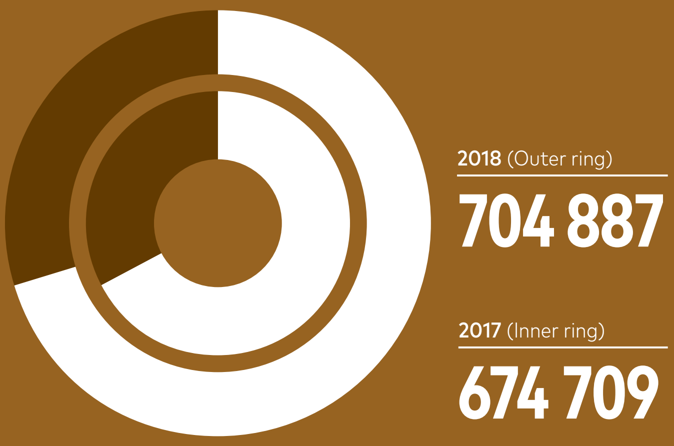
TWK delivers consistent and sustainable profit growth.

Value

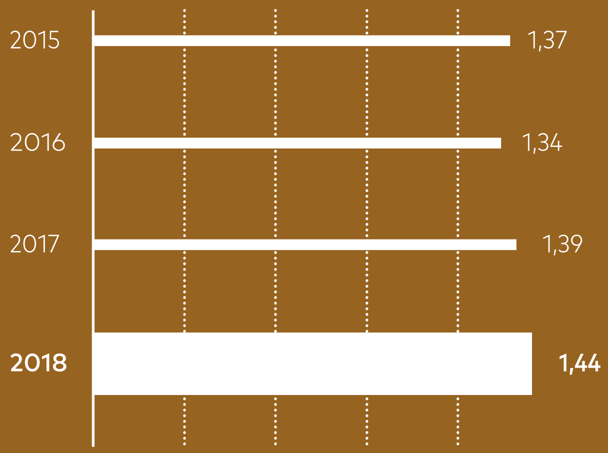
Creating value for all stakeholders in an ethical manner.

Timber segment.

TWK wood chip exports (tons)



Total tonnage of round timber marketed to various local markets (million tons)



Timber segment

TWK markets and sells approximately 1,45 million tons of round timber annually to various markets which represents approximately 10% of the South African total round timber market.

Favourable market conditions in the Timber division prevailed during the period under review. Despite lower than expected sales in the local markets, higher volumes were exported to the international markets. There is a growing demand for TWK wood chips in the export market and it is expected that the export volumes will increase in the coming year with a concomitant increase in the price of exported chips.

The investment in BedRock Mining Support (Pty) Ltd delivered the desired results during the year despite the closure of various mine shafts which decreased sales volumes of mine timber. As a result of the desired performance, TWK exercised its right to acquire an additional shareholding of approximately 5% in BedRock during the year. The investment improves the marketing of fibre to peak markets and increases TWK's product diversification in the value added segment. It is envisaged that this will unlock additional synergies in the future.

The saw-timber market remained under severe financial pressure during the first half of the year due to high saw-block prices and resistance against price increases in the plank market. The plank market, however, improved during the third quarter.

Upgrades at the SAWCO mill, including a boiler and kilns, were completed during the period which increased the quality of timber. The improved quality led to SABS certification which not only improved the marketing of the planks but also reduced stock levels.

We are again grateful to report that TWK suffered no material losses due to fire. Through the implementation of best practice forestry management principles, good relationships and the outstanding service of employees, the risk was restricted to the minimum.

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

The Silulu Royal Forestry Project, a collaboration agreement between Shiselweni Forestry Company and Royal Silulu Holdings, which aims to develop approximately 25 000 hectares of new plantations and other agricultural farming activities in Eswatini (Swaziland), was implemented during the year. The project will secure sustainable timber provision and will unlock further value adding opportunities for TWK. The aim is to establish approximately 2 500 hectares of trees and 250 hectares of maize in the coming year.

In order to promote effectiveness and logistics, TWK has implemented load scheduling systems which control and manage unloading times at Richards Bay Chip mills. The in-house development of the internet-based scheduling system was challenging, but we are sincerely grateful to our employees who developed and implemented these. A Transport Management System that will manage TWK's overall logistics requirements, will also be implemented. It is envisaged that these systems will lead to material cost savings.

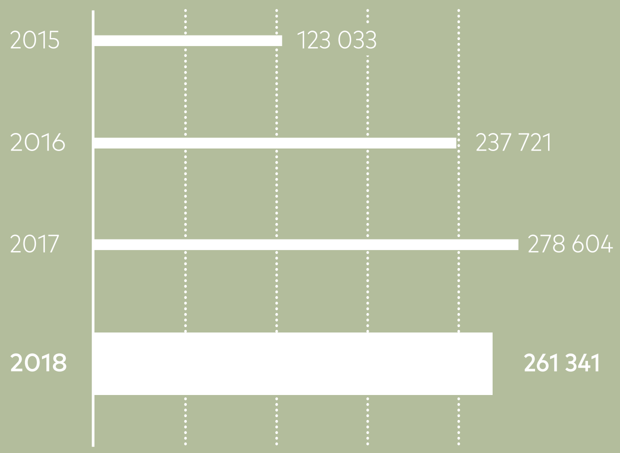
During the year, the TWK South African plantations again received FSC and ISO 14001 certification. Progress on the development of the PEFC (Programme for the Endorsement of Forest Certification) system went according to plan and will be rolled out to timber growers in the coming year. The certification system considers South African conditions in order to ensure the sustainability of the forestry industry.

TWK would like to thank our timber growers for their continued support and effort to help create a sustainable market environment. It is a privilege for TWK, through our loyalty scheme, to award TWK shares, which increase in value and earn a dividend, to our loyal contractors.

Trade segment.

Segment revenue (Rbn)

Total tonnage fertiliser sold (tons)



Trade segment

The Trade segment produces a variety of agricultural products to producers and the general public. TWK operates 27 retail outlets that are strategically positioned in Mpumalanga, KwaZulu-Natal and Swaziland.

During the past financial year, climatic conditions fluctuated across the operational area of TWK's Trade segment. Although conditions in the Western Cape improved, the drought persisted. The Western Cape only experienced rainfall later in the season. KwaZulu-Natal also experienced droughts at the beginning of the financial year but enjoyed good rainfall later in the season. The Mpumalanga area experienced average to above-average rainfall which yielded good grain harvests. Lower grain prices, however, necessitated some clients to store their grain in anticipation of higher prices.

Notwithstanding the above, the Trade segment showed an increase in turnover compared to the previous year. The increase in turnover is attributable to organic growth and improved market conditions. The higher turnover as well as the implementation of effective cost management had the desired effect on the segment's net profit.

During the period under review, a strategy was implemented to market tractors and combines under one single trademark, being that of New Holland. The strategy's more focused approach led to an increase in market share as well as a higher contribution to net profit.

The further expansion of the Constantia Fertiliser business during the year through the opening of the Umlaas Road Fertiliser plant as well as the continued focus on costs and effective stock management led to Constantia Fertiliser realising a higher net profit despite lower turnover compared to the previous financial year.

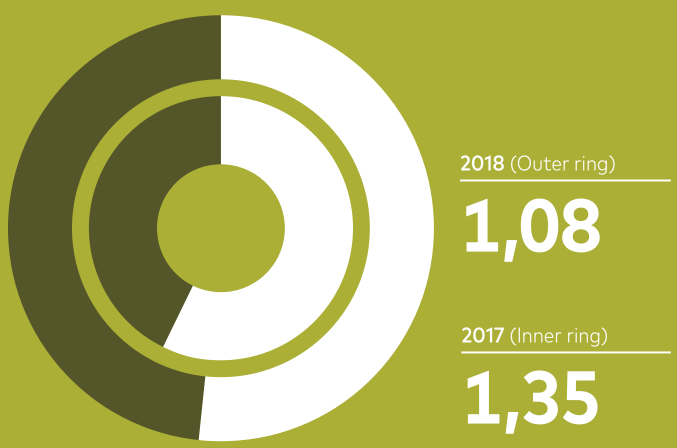
During the year, TWK increased its shareholding in Gromor from 40% to 52,5%. The company is currently in a growth and consolidation phase and it is expected that the business will yield a healthy return on investment going forward. Gromor supplies organic and fertiliser products on a national basis to companies such as Massmart, Shoprite and Pick n Pay who support the strategy to function on a national basis.

Management is of the view that the different aspects of the segment is well established after earlier rationalisation of branches and businesses, as well as the expansion of the fertiliser business on a national basis. These actions will assist the segment to continuously deliver good returns on investment going forward.

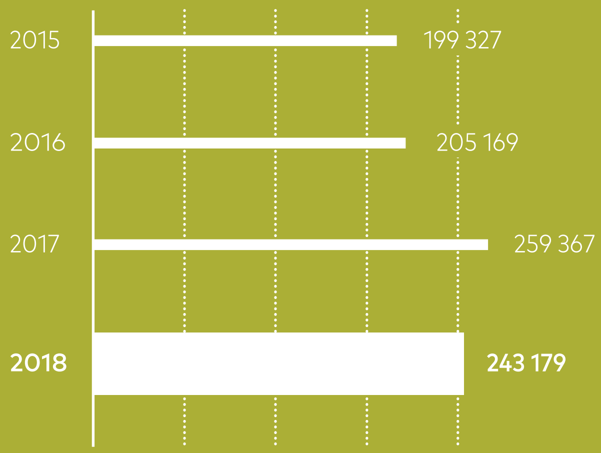
Overall, our retail business is in a positive position. It is also pleasing to note that our marketing efforts, the rationalisation of outlets and the expansion of the fertiliser business on a national basis delivered strong results.

Grain segment.

Grain segment revenue (Rbn)



Total tonnage of grain marketed (tons)



Grain segment

The Grain segment specialises in the storage, processing and marketing of grain. TWK produces its own trademark maize and animal feed that is retail, wholesale and locally marketed.

During the period under review, the grain market experienced high carry-forward stock due to the previous year's record maize harvest. This resulted in export parity maize prices. The maize harvest for 2017/2018 was approximately 13 million tons compared to the record soy bean harvest of more than 1,5 million tons.

The TWK grain silos carried forward a considerable amount of grain stock during the period under review which had a positive impact on the results. The quality of maize received was better than that of the previous year. Producers in TWK's operational area planted more soy beans and less maize. This had a negative impact on the total grain takings due to the drastic difference between the returns per hectare of maize and soy beans. We expect that producers will plant more maize in the coming year as the price difference between soy beans and maize contracts.

The operations in Swaziland achieved excellent results during the past year. The production of maize meal and animal feed at the same site increases productivity and restricts costs.

The Animal Feed factory in Mkondo delivered poor results for the book year, mainly due to the severe reduction in production volumes. The operations will continue in collaboration with Barnlab and it is expected that effectiveness and productivity will increase due to capital expenses and consequently become profitable.

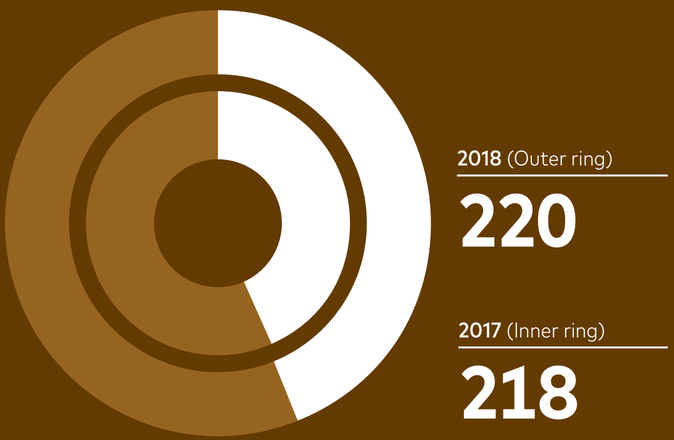
The Maize mills at Mkondo delivered excellent results mainly due to lower maize prices and higher volumes. The impaired exchange rate, however, caused maize prices to increase with approximately R300 per ton over the past six months. Consumers are under severe pressure as a result of fuel price increases and higher VAT. Our markets are currently under pressure but flour prices are expected to rise.

Grain Marketing experienced an outstanding year as a result of higher volumes and excellent service to our producers.

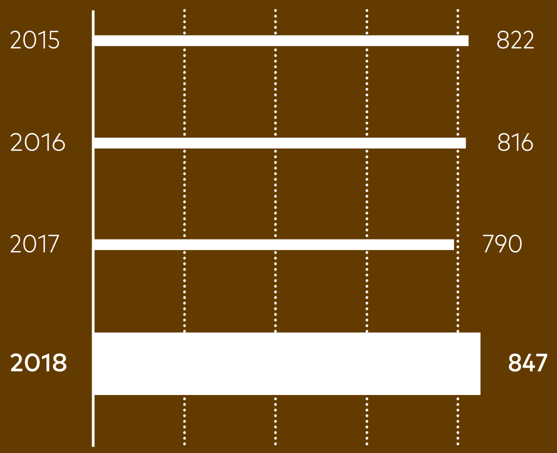
Overall, the Grain segment performed well in the past year. We expect the results to be repeated in the coming year. Good rainfall has been experienced over the eastern summer grain regions and farmers are actively planting.

Financial services segment.

Total crop insurance premiums (Rm)



Total debtors book (Rm)



Financial services segment

Insurance division

Growth in the South African Insurance industry came under pressure during the period under review as a result of economic factors, weather conditions, unemployment and inflation.

Despite this, TWK was able to grow its footprint with approximately 7% in hectares insured. The price conflict between various insurers as well as rising competition placed pressure on the harvest Insurance division.

Notwithstanding the difficult market conditions, changes in legislature and pressure on mandate fees, growth occurred in the short-term portfolio. TWK successfully added two insurance books during the year in support of profitability.

The Life Insurance portfolio was able to expand through the addition of various new brokers as well as a new branch office. A fully-fledged medical division was added to the Insurance division which makes it possible for the division to cover all insurance aspects in support of a full service to any client.

The Insurance division focused on dynamic and modern insurance products to our agricultural producers during the past year. There is ongoing focus on solutions for the changing and wide-ranging needs of clients.

A diversified balance is achieved between short-term, harvest, medical and life products.

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

The main focus will remain on the utilisation of new technologies to simplify processes, pursue new opportunities in the market and unlock available resources.

Credit division

The Credit division delivered an excellent performance during the period under review despite numerous challenges.

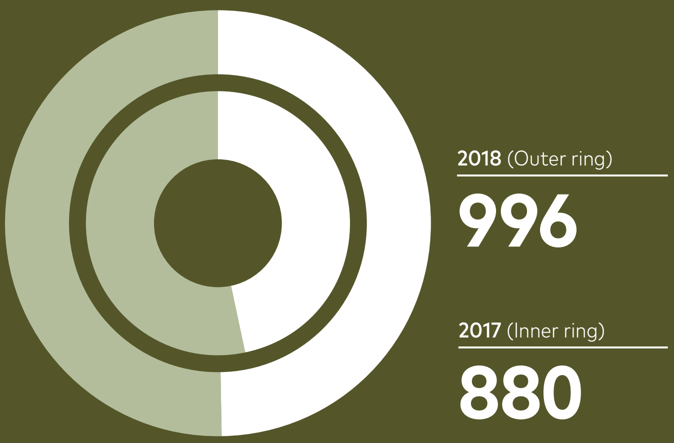
Season facilities showed strong growth during the year. Despite the effects of the drought and depressing economic conditions in the previous season, TWK was able to limit bridging facilities to a minimum. Farmers who were affected by these circumstances were assisted with alternative long-term solutions without any additional credit risks to TWK.

Term lending and asset financing showed substantial growth by not only achieving first-year targets in the period under review but also second-year targets.

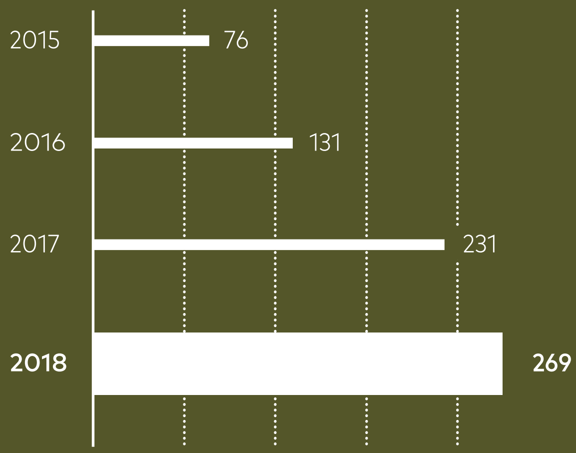
In order to produce competitively and successfully, we realise that our clients and producers need access to competitive credit that is adaptable for unique circumstances. Through applying our effective credit policy that limits credit risk, but still supports growth, the Credit division was able to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

Vehicles and tyres segment.

Vehicle and tyres segment revenue (Rm)



Filling station revenue (Rm)



Vehicles and tyres segment

The extremely difficult economic conditions had a significant impact, especially on new vehicle sales. Although more vehicles were sold in the period due to both market penetration and the addition of the Isuzu agency to the Group, gross profits remained under severe pressure, with a concomitant decrease in the net results.

The filling stations delivered good results for the year. The additional filling station in Piet Retief opened in June 2018. The development of two filling stations in Ermelo as well as a shopping centre is ongoing and it is expected that these investments will contribute to the segment's growth and profitability.

The results of the Tyre division were disappointing due to the loss of key accounts in the transport and tyre industry, mainly due to bad debts and liquidations.

Trading circumstances are still volatile because of Eskom and the Coal Transporter's contract not being finalised.

We are currently exploring new promising markets in the industry which promise to increase sales volumes and support profitability for the Tyre segment.

Managing Director's report
continued

Strategy

TWK's strategy is based on the success of today with a focus on tomorrow which is why we focus on the creation and unlocking of value through optimisation of current assets and operations, making our clients our priority, as well as making investments required for TWK's sustainable growth over the longer term. Our strategy is in line with previous years and remains focused on cash generation and ongoing management of the core focus area.

In pursuit of sustainability, we continuously evaluate potential mergers, acquisitions or joint ventures with a view to unlock possible synergies. A strategic filter is applied to all potential investments with the aim of supplementing sustainability, generating a desired return and to complement the current cash and EBITDA generation. New projects, which include value-added products aimed at unlocking value for shareholders as well as adding value to producers, have already been identified and are in various stages of development and implementation.

The various performances of our business segments in 2018, their growth potential and our intention to expand determines the success of our strategic goals. Achieving our strategic goals of being the supplier of choice, the market of choice, the investor of choice as well as the employer of choice remains a priority in the coming year.

We will achieve our strategic goals by:

- placing our customers as a priority;
- further invest in the value chain of timber-related product production and to expand own plantations to secure supply;
- forming strategic alliances and improved logistics efficiencies;
- effective inventory management;
- the continuous investigation for mergers and acquisitions to capitalise on competence, buying power and synergy;
- focus on the business of emerging farmers;
- target of the irrigation areas for fertiliser sales;
- focus on the development of customer specific-needs credit products;
- improve utilisation of technology and fully exploit available resources;
- growing the small packaging product market in the grain division to increase margins; and
- increase the fuel station footprint.

Since TWK aims and strives to achieve its business goals, we have set various operational priorities to bring business goals in line with the interests of our clients and employees. It is aimed to ensure that our business is operated successfully, responsibly, taking into consideration the needs of people and also to contribute to our environment through social responsibility initiatives.

As TWK expands it product range and footprint, it also adheres to the business' main goal of delivering returns to its shareholders.

The future

Following on our successful attempts to optimise the capital structure, we are well-positioned going forward and remain focused on our strategy to ensure total shareholders' returns in a sustainable and responsible manner. Through our strong cash flow generation and financial position we are well-positioned to capitalise on new opportunities. We are confident of our ability to deliver a differentiated value proposition for investors.

South African agriculture is known for fluctuating agricultural conditions and severe droughts. However, TWK's business model and operations have a number of risk mitigating levers to soften challenges and risks. These levers include, amongst others, the following:

- **Diversified client base:**
  TWK has loyal clients that vary from corporate, grain producers, timber producers, milk producers and vegetable producers, who stretch out over a wide geographical area and also include foreign clients.
- **Operational effectiveness:**
  Through the application of best-practice, overhead costs are effectively managed and, where possible, fixed costs are limited to a minimum in order to quickly adapt to changing circumstances. Production capacity is utilised to the maximum and, where required, steps for improvement are taken to increase efficiencies.
- **Broad spectrum suppliers:**
  TWK makes use of a broad spectrum of suppliers to improve bargaining power and to ensure delivery.
- **Product diversification:**
  TWK offers a wide variety of products and services to its clients, and has strong diversified business segments, and thus income stream diversification is ensured.
- **Limited market risk:**
  TWK makes use of appropriate hedging contracts in order to limit exposure to commodity or exchange rate risks.
- **Quality of management:**
  Succession planning is a priority and enjoys ongoing attention. The quality of the Board and executive management is at an exemplary level and is underlined by historical success stories.

TWK's budget and forecast for the coming three years still show a rising trend, and I am convinced that TWK has the determination, experience and energy to build on the successes.

Acknowledgements

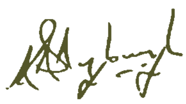
Another successful year can be added to TWK's history book. Not only did we deliver the best results to date but also achieved it in a responsible manner and expanded our social responsibility.

The improved performance of the Group is the result of a concerted team effort and I thank my fellow directors, executive team and all our staff for their continued support and commitment over the past year. It is truly a great privilege to be part of this innovative and dynamic team of which every member is committed with heart and soul to each decision, challenge and milestone achieved.

The producer remains the core reason for our existence and I would like to thank every loyal producer for their support and contribution to the success of TWK.

Relationships with our external stakeholders are critical for the sustainability of the business and I thank our shareholders, customers, suppliers and business associates for their engagement and support over the past year.

The greatest thanks to our Heavenly Father for another year of growth and another exceptional year of blessing in which we could live and work for His glory.



André Myburgh
Managing Director

Corporate governance report

Commitment to corporate governance

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

The Group's corporate best practices as contained in its Memorandum of Association, 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 ensures that this deviation is warranted and in the best interest of TWK and all its stakeholders.

The basic principles and practical application of the King Codes are in place throughout the Group, and are successfully implemented. The Board is satisfied that the Group complies, where practically possible, with the provisions and recommendations of the King Codes.

During the period under review, the directors received training on the application of the King IV Codes and adopted the new Codes, and are currently developing the reporting framework for full disclosure in the future.

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

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

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

The Board of Directors (Board)

The Board consists of ten members, of whom eight serve in a non-executive capacity and were elected by the Company's shareholders. These directors retire on a rotation basis after three years, in accordance with the applicable provisions of the Memorandum of Incorporation. Two of the eight non-executive directors are independent directors.

Non-executive directors are nominated and elected by shareholders and provision is made for a transparent rotation process. Prior to election as director, nominated candidates are judged 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 may, in turn, make recommendations and nominate proposals. 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. The role of the chairman is separated from that of the managing director. There is a Board-approved decision-making framework which delegates certain powers to management.

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

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

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

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

All the directors are members of the Institute of Directors of South Africa. Courses and conferences of interest are attended to keep abreast with new legislation and developments affecting the Company.

Non-executive directors are remunerated according to the findings of Deloitte and the industry as a whole.

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

Corporate governance report
continued

Attendance at Board meetings

	3 Oct 2017	30 Nov 2017	25 Jan 2018	28 Feb 2018	25 Apr 2018	11 Jun 2018	29 Aug 2018
RL Meyer (Chairman)	✓	✓	✓	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓	✓	✓	✓
AC Hiestermann	✓	✓	✓	✓	✓	✓	✓
HW Küsel	✓	✓	✓	✓	✓	✓	✓
AS Myburgh (Managing Director)	✓	✓	✓	✓	✓	×	✓
JS Stapelberg (Vice-chairman)	✓	✓	×	✓	✓	✓	✓
JCN Wartington	✓	✓	✓	✓	✓	✓	✓
JEW Fivaz (Financial Director)	✓	✓	✓	✓	✓	✓	✓
TI Ferreira	✓	✓	✓	✓	✓	×	✓

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

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 on a quarterly basis, or as necessary. During the period under review, seven scheduled Board meetings were held.

Ethical code of conduct

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

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

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

Closed period for trading of shares

The Group maintains a closed period for the trading of shares for a period that precedes the publication of the annual financial results and during certain strategic transactions and related matters.

During such a closed period, no director or staff member may enter into any transaction related to TWK shares.

Internal control systems and risk management

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

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

Continued focus on IT management and an IT disaster recovery process has already been established.

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

Internal audit

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

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

Sustainability

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

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

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

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

Reporting controls

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

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

Going concern

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

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

Compliance with legislation

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

Human resources and remuneration policy

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

TWK is committed to creating and maintaining an environment that provides equal opportunities for all employees.

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

The Executive Committee is appointed by the Board to assist, inter alia, the Board to carry out its responsibilities with regards to the remuneration policy and the remuneration of staff.

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

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

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

Black economic empowerment (BEE)

TWK, in principle, supports BEE that fits into the Group's business strategies and takes into account the importance of meaningful empowerment for sustainable growth.

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

Community involvement

TWK remains deeply involved in previously disadvantaged communities who gained ground through the land reform process, particularly with regards to the support and development of black emerging farmers.

RL Meyer
Chairman

AS Myburgh
Managing Director

Report from the Social and Ethics Committee

HW Küsel
Chairman: Social and Ethics Committee

The purpose of the Report by the Social and Ethics Committee is to report on how the committee performed its responsibilities as defined for the financial year ending 31 August 2018.

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 three non-executive directors, namely HW Küsel, TI Ferreira and JCN Wartington. The managing director and other members of the Executive Board also attend meetings.

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

The committee meets at least twice a year, and further meetings may be requested if deemed necessary. Attendance of meetings during the reporting period was as follows:

Objectives and responsibilities

The committee performs its statutory obligations as prescribed in the Companies Act 71 of 2008 (Regulation 43) and its responsibilities delegated by the Board.

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

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

Report

Social and economic development

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

TWK's Enterprise Development Department specifically focuses on giving 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 a similar purpose.

The Employment Equity Act

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

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

Broad-based black economic empowerment

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

Attendance at Social and Ethics Committee meetings

	28 Feb 2018	29 Aug 2018
HW Küsel	✓	✓
TI Ferreira	✓	✓
JCN Wartington	✓	✓

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

Following implementation of the BEE transaction on 01 September 2014, the Vumbuka Trust (a broad-based black economic empowerment trust) holds 25% of the shareholding in TWK Agri (Pty) Ltd.

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

The new BEE codes present significant challenges to the TWK Group, although not unique to TWK.

Good corporate citizenship

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

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.

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. One of these contributions is in the form of sponsorships and donations to different institutions. All sponsorships, donations and charity expenses are recorded.

The environment, health and public safety

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

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

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

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

Consumers and customers

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

Labour relations

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

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

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

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

HW Küsel
Chairman: Social and Ethics Committee

Directors' responsibilities and approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control, established by the Group, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

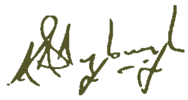
The directors are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 August 2019 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditor and their report is presented on pages 36 to 37.

The financial statements have been prepared on the going concern basis, were approved by the Board of Directors on 30 November 2018 and were signed on their behalf by:

RL Meyer
Chairman



AS Myburgh
Managing Director

AS Myburgh
Managing Director

RL Meyer
Chairman

Statement by the Secretary

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

MJ Potgieter
Company Secretary

Piet Retief
30 November 2018

Directors' report

1. Overview of activities

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

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

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

2. Financial results and prospects

The Group achieved a profit before tax of R230 million (2017: R215 million).

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

3. Going concern

After consideration of the current financial position and existing credit facilities of the Company and its subsidiaries, as well as the budgets and cash flow projections for the financial year ending 31 August 2019, the Board has satisfied itself that the Company is a going concern and that it complies with the solvency and liquidity requirements of the Companies Act. The financial statements have therefore been prepared on a going concern basis.

4. Events after the reporting period

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

5. Interest of directors in contracts

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

6. Authorised and issued share capital

Refer to note 20 of the financial statements for detail on the movement in the issued share capital.

The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act 71 of 2008. As this general authority remains valid only until the next AGM, the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares under the control of the directors until the next AGM.

7. Borrowing powers

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

8. Dividends

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

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

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

Directors' report
continued

Authorised shares

	2018 Number of shares	2017 Number of shares
Non par-value ordinary shares	**50 000 000**	50 000 000

Issued shares

	2018 R	2017 R	2018 Number of shares	2017 Number of shares
Non par-value ordinary shares	**27 699 970**	27 699 970	**13 550 000**	13 550 000

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

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

9. Directors

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

RL Meyer (Chairman)

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

10. Secretary

The Company Secretary is MJ Potgieter.

Business address:

11 De Wet Street

Piet Retief

2380

11. Interest in subsidiaries and other financial assets

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

12. Auditors

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

13. Special resolutions

The following special resolutions were passed at a general meeting of shareholders on 25 January 2018:

- General authority to buy back shares; and
- Authorisation to issue shares to directors and/or designated officers and/or related parties.

Audit and Risk Committee report

CA du Toit
Chairman: Audit and Risk Committee

The Audit and Risk Committee is an established statutory committee of TWK in terms of the Companies Act, 2008 and as a committee of the Board in respect of all other duties assigned to it by the Board.

Composition

The committee consists of at least three non-executive directors, appointed by the shareholders on the recommendation of the Board. The committee meets at least twice a year as per the mandate and assignment to the committee. The managing director, chief financial officer, 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, of which the chairman was independent.

The committee met three times during the period under review.

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

The external auditors of the Company are PKF Pretoria Inc., headed by Retief Smith. The auditors regularly attend the Audit and Risk Committee meetings and are independent of the Company.

Mandate and responsibilities

In terms of its mandate, the following is expected of the committee:

1. Recommendation regarding the appointment of an independent external auditor in accordance with the provisions of the Companies Act;
2. Approval of fees payable to auditors and the terms and conditions of the appointment;
3. Consideration of any non-audit work by such auditors, and determining whether the provision of such services will materially affect their independence;
4. Receiving and handling any concerns or complaints regarding accounting practices, internal audit work and internal financial control in an appropriate manner;
5. Reporting to the Board on matters relating to accounting policies, financial controls, financial records and financial reporting;
6. Consideration of the independence and effectiveness of the external auditors;
7. Evaluation of the annual audit plan;
8. Consideration and review of the financial statements, accounting practices, policies and procedures, as well as the effectiveness of internal financial controls;
9. 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;
10. Monitoring compliance with applicable legislation and regulatory aspects;
11. Evaluation of the effectiveness of management information and internal control systems;
12. 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; and
13. 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.

Report

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. After consultation with the executive management, the committee approved the letter of appointment, conditions, audit plan and fees payable to the external auditor.

Audit and Risk Committee report
continued

Attendance at Audit and Risk Committee meetings

	30 Nov 2017	25 Feb 2018	28 Aug 2018
CA du Toit	✓	✓	✓
RL Meyer	✓	✓	✓
AC Hiestermann	✓	✓	✓
JS Stapelberg	✓	✓	✓

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

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. 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 2018 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.

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.

The committee evaluated the accounting policies and financial statements for the period ending 31 August 2018 and believes that the Group has complied with the requirements of the Companies Act, 2008, as well as International Financial Reporting Standards (IFRS). 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.

In addition, the committee carried out all other duties in terms of its mandate.

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.

CA du Toit
Chairman: Audit and Risk Committee

Independent auditor's report

To the Shareholders of
TWK Agriculture Holdings (Pty) Ltd

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TWK Agriculture Holdings (Pty) Ltd & its' Subsidiaries, set out on pages 38 to 95 which comprise the statement of financial position as at 31 August 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at 31 August 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting and the requirements of the Companies Act 71 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 consolidated 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report and Audit- & Risk Committee Report as required by the Companies Act 71 of 2008 and the Chairman's Report, Managing Director's Report, Corporate Governance Report, Social & Ethics Report and the Statement by the Secretary, which we obtained prior to the date of this report. 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 on the other information obtained prior to the date of this auditor's report, 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 misstatement, 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.

PKF
Chartered Accountants
& Business Advisers

Independent auditor's report continued

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.

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

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

PKF Pretoria Inc

PR Smith
Director

PKF Pretoria Incorporated
Registered Auditor

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

30 November 2018

Statement of Financial Position
as at 31 August 2018

Figures in Rand	Notes	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	4	**881 878 021**	777 813 972
Biological assets	5	**337 717 454**	307 247 522
Goodwill and Intangible assets	6	**157 121 558**	120 711 442
Investments in associates	8	**856 494**	12 517 096
Loans to Group companies	9	**17 160 974**	15 053 325
Other financial assets	11	**119 358 666**	171 774 592
Finance lease receivables	12	**9 007 437**	14 122 989
Deferred tax	15	**81 566 061**	73 548 791
		1 604 666 665	1 492 789 729
Current assets			
Biological assets	5	**350 650 996**	245 641 265
Inventories	16	**967 805 523**	810 689 429
Other loans receivable	10	**333**	333
Trade and other receivables	17	**958 060 911**	858 767 107
Other financial assets	11	**42 740 914**	9 498 376
Finance lease receivables	12	**15 018 175**	15 327 742
Current tax receivable		**20 173 977**	12 249 844
Cash and cash equivalents	18	**180 165 999**	114 549 714
		2 534 616 828	2 066 723 810
Non-current assets held for sale and assets of disposal Groups	19	**4 000 000**	10 085 332
Total assets		**4 143 283 493**	3 569 598 871
Equity and liabilities			
Equity			
Share capital	20	**10 001 816**	10 001 816
Reserves		**451 775 419**	449 408 104
Retained income		**443 752 445**	357 771 541
Own equity		**905 529 680**	817 181 461
Non-controlling interest		**385 368 200**	305 209 277
		1 290 897 880	1 122 390 738
Liabilities			
Non-current liabilities			
Other loans payable	10	**4 777 031**	9 743 584
Other financial liabilities	24	**540 018 284**	628 015 248
Finance lease liabilities	25	**4 060 913**	1 466 911
Retirement benefit obligation	13	**8 349 000**	9 564 000
Deferred tax	15	**260 553 499**	220 519 079
		817 758 727	869 308 822
Current liabilities			
Trade and other payables	28	**856 137 994**	627 987 400
Other loans payable	10	**15 722 541**	10 714 096
Other financial liabilities	24	**1 146 630 038**	929 029 169
Finance lease liabilities	25	**1 415 283**	736 405
Current tax payable		**1 338 189**	1 631 312
Provisions	26	**1 412 081**	880 311
Dividend payable	29	**7 133 308**	6 526 073
Bank overdraft	18	**4 837 452**	394 545
		2 034 626 886	1 577 899 311
Total liabilities		**2 852 385 613**	2 447 208 133
Total equity and liabilities		**4 143 283 493**	3 569 598 871

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 August 2018

Figures in Rand	Notes	2018	2017
Continuing operations			
Revenue	30	**7 676 225 077**	7 016 890 054
Cost of sales	31	**(6 371 893 240)**	(5 959 328 542)
Gross profit		**1 304 331 837**	1 057 561 512
Other operating income	32	**51 160 049**	54 738 645
Other operating gains/(losses)	33	**(23 506 735)**	33 725 757
Other operating expenses		**(989 046 850)**	(809 747 536)
Operating profit	34	**342 938 301**	336 278 378
Investment income	35	**5 733 516**	5 283 360
Finance costs	36	**(113 411 436)**	(128 677 027)
Share of profit from associates	8	**740 690**	1 917 051
Other non-operating gains/(losses)	37	**5 088 522**	12 849 778
Profit before loyalty scheme payments		**241 089 593**	227 651 540
Loyalty scheme payments	44	**(10 705 745)**	(11 945 443)
Profit before taxation		**230 383 848**	215 706 097
Taxation	38	**(60 890 753)**	(62 256 678)
Profit from continuing operations		**169 493 095**	153 449 419
Discontinued operations			
(Loss)/profit from discontinued operations	19	**–**	(9 444 765)
Profit for the year		**169 493 095**	144 004 654
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability/asset		**532 000**	(4 206 991)
Gains on property revaluation		**10 584 327**	19 026 873
Income tax relating to items that will not be reclassified		**(2 367 916)**	(4 280 762)
Total items that will not be reclassified to profit or loss		**8 748 411**	10 539 120
Items that may be reclassified to profit or loss:			
Available-for-sale financial assets adjustments		**1 311 946**	8 178 434
Income tax relating to items that may be reclassified		**(293 876)**	(1 831 969)
Total items that may be reclassified to profit or loss		**1 018 070**	6 346 465
Other comprehensive income for the year net of taxation	39	**9 766 481**	16 885 585
Total comprehensive income for the year		**179 259 576**	160 890 239
Profit attributable to:			
Owners of the parent:			
From continuing operations		**108 613 144**	96 483 389
From discontinued operations		**–**	(9 444 765)
		108 613 144	87 038 624
Non-controlling interest:			
From continuing operations		**60 879 951**	56 966 030
Total comprehensive income attributable to:			
Owners of the parent		**115 956 000**	101 162 674
Non-controlling interest		**63 303 576**	59 727 565
		179 259 576	160 890 239
Earnings per share			
From continuing and discontinued operations			
Basic earnings per share (c)	40	**871,73**	700,51
Diluted earnings per share (c)	40	**801,57**	642,35
From continuing operations			
Basic earnings per share (c)	40	**871,73**	776,50
Diluted earnings per share (c)	40	**801,57**	712,05
From discontinued operations			
Basic (loss)/earnings per share (c)	40	**–**	(76,01)
Diluted loss per share (c)	40	**–**	(69,70)

Statement of Changes in Equity
as at 31 August 2018

Figures in Rand	Share capital	Revaluation reserve	Fair value adjustment assets-available-for-sale reserve
Balance at 1 September 2016	9 518 816	325 243 773	27 459 797
Profit for the year	–	–	–
Other comprehensive income	–	11 815 076	6 515 966
Total comprehensive income for the year	–	11 815 076	6 515 966
Issue of shares	483 000	–	–
Employees share option scheme	–	–	–
Transfer between reserves	–	(635 211)	–
Dividends	–	–	–
Changes in ownership interest	–	–	–
Business combinations	–	–	–
Total contributions by and distributions to owners of group recognised directly in equity	483 000	(635 211)	–
Balance at 1 September 2017	10 001 816	336 423 638	33 975 763
Profit for the year	–	–	–
Other comprehensive income	–	6 218 872	591 974
Total comprehensive income for the year	–	6 218 872	591 974
Change of ownership interest	–	–	–
Employees share option scheme	–	–	–
Business combinations	–	–	–
Transfer between reserves	–	(1 772 808)	–
Dividends	–	–	–
Total contributions by and distributions to owners of group recognised directly in equity	–	(1 772 808)	–
Balance at 31 August 2018	**10 001 816**	**340 869 702**	**34 567 737**
Notes	20	22 & 39	23 & 39

Statement of Changes in Equity
as at 31 August 2018 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
75 137 000	–	–	427 840 570	312 786 991	750 146 376	196 182 674	946 329 051
–	–	–	–	87 038 624	87 038 624	56 966 030	144 004 654
–	–	–	18 331 042	(4 206 991)	14 124 051	2 761 535	16 885 586
–	–	–	18 331 042	82 831 633	101 162 675	59 727 565	160 890 240
–	–	–	–	–	483 000	–	483 000
–	3 871 703	–	3 871 703	2 172 656	6 044 359	–	6 044 359
–	–	–	(635 211)	635 211	–	–	–
–	–	–	–	(7 941 770)	(7 941 770)	(13 466 296)	(21 408 066)
–	–	–	–	(32 713 180)	(32 713 180)	41 805 253	9 092 073
–	–	–	–	–	–	20 960 082	20 960 082
–	3 871 703	–	3 236 492	(37 847 083)	(34 127 591)	49 299 039	15 171 448
75 137 000	3 871 703	–	449 408 104	357 771 541	817 181 461	305 209 277	1 122 390 738
–	–	–	–	108 613 144	108 613 144	60 879 951	169 493 095
–	–	–	6 810 846	532 000	7 342 846	2 423 625	9 766 471
–	–	–	6 810 846	109 145 144	115 955 990	63 303 576	179 259 566
–	–	(3 115 887)	(3 115 887)	(15 332 354)	(18 448 241)	11 409 787	(7 038 454)
–	445 164	–	445 164	–	445 164	–	445 164
–	–	–	–	4 151 297	4 151 297	18 432 180	22 583 477
–	–	–	(1 772 808)	1 772 808	–	–	–
–	–	–	–	(13 755 991)	(13 755 991)	(12 986 620)	(26 742 611)
–	445 164	(3 115 887)	(4 443 531)	(23 164 240)	(27 607 771)	16 855 347	(10 752 424)
75 137 000	**4 316 867**	**(3 115 887)**	**451 775 419**	**443 752 445**	**905 529 680**	**385 368 200**	**1 290 897 880**
	21						

Statement of Cash Flows
as at 31 August 2018

Figures in Rand	Notes	2018	2017
Cash flows from operating activities			
Cash generated from operations	41	**324 424 569**	277 761 637
Interest income		**2 492 769**	1 544 157
Dividends paid		**(26 135 376)**	(16 821 318)
Dividend income		**601 677**	915 564
Finance costs		**(113 411 436)**	(128 677 020)
Tax paid	42	**(37 090 859)**	(46 936 357)
Cash flows of held for sale/discontinued operations		**7 665 599**	–
Net cash from operating activities		**158 546 943**	87 786 663
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(129 443 499)**	(68 451 763)
Sale of property, plant and equipment	4	**9 082 122**	23 262 405
Purchase of other intangible assets	6	**(902 411)**	(3 615 519)
Goodwill payments	6	**(7 476 179)**	(52 356 832)
Sale of other intangible assets	6	**75 205**	481 720
Business combinations	7	**(1 203 818)**	–
Movement in investments (incl. subs and assoc.)		**–**	(1 320 057)
Loans to Group companies repaid		**1 751 679**	(15 680 058)
Loans advanced to Group companies		**(3 859 328)**	(10 600 009)
Purchase of biological assets	5	**(340 592 905)**	(336 821 727)
Sale of biological assets	5	**217 298 866**	284 629 656
Forward contracts		**6 488 328**	(4 998 376)
Net cash from investing activities		**(248 781 941)**	(185 470 560)
Cash flows from financing activities			
Advances from other financial liabilities		**197 998 357**	1 080 103 821
Repayment of other financial liabilities		**(68 394 452)**	(1 012 268 398)
Proceeds from other loans		**9 855 417**	9 105 224
Decrease of other loans		**(9 813 524)**	(9 134 133)
Finance lease receipts		**8 697 999**	6 119 279
Finance lease payments		**–**	(1 063 199)
Repayment from customers on forestry and term loans		**13 064 579**	48 625 205
Advances made on forestry and term loans to customers		**–**	(42 649 610)
Net cash from financing activities		**151 408 376**	78 838 189
Total cash movement for the year		**61 173 378**	(18 845 708)
Cash at the beginning of the year		**114 155 169**	133 000 877
Total cash at end of the year	18	**175 328 547**	114 155 169

Accounting Policies

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 Agriculture Holdings (Pty) Ltd have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and with those requirements of the Companies Act 71 of 2008 of South Africa. The consolidated annual financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

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

The consolidated annual financial statements are presented in South African Rands. The accounting policies adopted in the preparation of the financial statements is consistent with the policies applied in the previous financial year, except for the adoption of new standards and interpretations as set out in note 3.1.

1.2 Segmental reporting

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

The basis of segmental reporting has been set out in note 2.

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, where applicable, the same accounting policies as the holding company.

All inter-group transactions, balances, income and expenses 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.

Accounting Policies
continued

1. Significant accounting policies continued

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 net identifiable assets acquired and liabilities assumed 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.

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.

All associates have, where applicable, the same financial year end and accounting policies as the Group. For associates with different year ends, the Group uses independently reviewed 12-month management accounts in the preparation of the consolidated financial statements.

1.4 Significant judgements and sources of estimation uncertainty

In the preparation of consolidated annual financial statements, Management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement 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. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and loans and receivables is calculated on an individual basis based on historical loss ratios for the specific debtor.

Allowance for slow moving, damaged and obsolete inventory

Management has made estimates of the selling price and direct cost to sell on certain inventory older than 12 months to determine its net realisable value. The write downs are included in the operating profit note.

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 used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

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

Accounting Policies
continued

1. Significant accounting policies continued

Available-for-sale financial assets

The Group follows the guidance of IAS 39 to determine when an available for sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Post-retirement medical benefit

Refer to note 13 for details regarding calculations and assumptions.

Share-based payments

Refer to note 21 for details regarding calculations and assumptions.

Biological assets

Refer to note 5 for details regarding calculations and assumptions.

Property, plant and equipment

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

1.5 Biological assets

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

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

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

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

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

1.6 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 associated with the item will flow to the Group; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service 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.

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

Land and buildings is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

1. Significant accounting policies continued

When an item of property, plant and equipment 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.

Any 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. The decrease is recognised in other comprehensive income to the extent of any credit balance existing 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 property, plant and equipment is transferred directly to retained income when the asset is derecognised.

The depreciable amount of property, 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.

Improvements to leasehold properties are written off over the period of the lease agreement.

The useful life and residual value of 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.

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 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.

1.7 Goodwill and intangible assets

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

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

An intangible asset is recognised when:

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

Goodwill and intangible assets are initially recognised at cost.

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

- it is technically feasible to complete the asset so that it will be available for use or sale.
- 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.

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.

Accounting Policies
continued

1. Significant accounting policies continued

1.8 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Available for sale financial assets
- Financial liabilities at fair value through profit or loss
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss include dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the Group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost.

Available for sale financial assets are subsequently measured at fair value.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Interest on available for sale financial assets calculated using the effective interest rate method is recognised in profit or loss as part of other income.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In this case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Accounting Policies
continued

1. Significant accounting policies continued

Fair value determination

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

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

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is 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.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

Loans to/(from) Group companies

These include loans to and from holding companies, fellow subsidiaries, subsidiaries and associates and are recognised initially at fair value plus direct transaction costs.

Loans to Group companies are classified as loans and receivables.

Loans from Group companies are classified as financial liabilities measured at amortised cost.

Accounting Policies
continued

1. Significant accounting policies continued

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially recorded at fair value and subsequently recorded at amortised cost.

Bank overdraft and borrowings

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

Derivatives

Commodity term contracts (futures)

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. In terms of IAS 39, it is recorded at fair value, where the Group has a long history of net finalisation (either with the other party or to participate in other off setting contracts).

Foreign currency

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts, are initially measured at fair value on the contract date, and are re measured to fair value at subsequent reporting dates.

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 and loss in the year in which the difference occurs. The profit or loss are included under other operating gains and losses.

1.9 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.

Accounting Policies
continued

1. Significant accounting policies continued

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 all deductible temporary differences 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.

1.10 Leases

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

Finance leases — lessor

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

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

Finance leases — lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases — lessor

Operating lease income is recognised as an income on a straight line basis over the lease term. The difference between the amounts recognised as income and the contractual payments are recognised as an operating lease asset which arises due to future escalation in amounts payable implicit in these agreements.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

Operating leases — lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability which arises due to future escalation in amounts payable implicit in these agreements.

The liability is not discounted.

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

1. Significant accounting policies continued

1.11 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.

1.12 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 held for sale (or disposal groups) are measured at the lower of their carrying amount and fair value less costs to sell.

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

1.13 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 tests 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.

1.14 Share capital and equity

Ordinary shares are classified as equity.

Ordinary shares in TWK Agriculture Holdings (Pty) Ltd which have been acquired by the TWK Customer Loyalty Scheme Trust and TWK Motors (Pty) Ltd, 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.

1.15 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.

Accounting Policies
continued

1. Significant accounting policies continued

1.16 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.

Valuations are conducted on an annual basis and any gain or loss are recognised in profit or loss.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

1.17 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.

Transactions are classified as contingencies where the Group's obligation depends on uncertain future events. Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46 to the annual financial statements.

1.18 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.

Accounting Policies
continued

1. Significant accounting policies continued

1.19 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Income from sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. Stage of completion is determined by the proportion of costs incurred to date to the total estimated costs of the transaction.

Finance income

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividend income

Dividends are recognised, in profit or loss, when the Group's right to receive payment has been established.

1.20 Cost of sales

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

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

Accounting Policies
continued

1. Significant accounting policies continued

1.21 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.

1.22 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.

1.23 Loyalty scheme payments

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

1.24 Comparative figures

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

Notes to the Group Consolidated Annual Financial Statements

2. Segmental information

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

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

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

Segmental revenue and results

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

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

The segment information provided to the management is presented below:

	Revenue			Separately disclosable items				
Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Earnings before items listed	Depreciation and amortisation	Interest expense	Income from equity-accounted investments	Earnings before tax
2018								
Continuing operations								
Timber	**3 637 084 402**	**(934 933 681)**	**2 702 150 721**	**196 732 971**	**(12 368 298)**	**(35 949 905)**	**–**	**148 414 768**
Retail and mechanisation	**4 172 757 722**	**(1 326 959 593)**	**2 845 798 129**	**70 919 406**	**(5 343 394)**	**(28 289 297)**	**740 690**	**38 027 405**
Financial services	**143 432 211**	**(191 863)**	**143 240 348**	**27 675 019**	**(392 479)**	**(1 536 473)**	**–**	**25 746 067**
Grain	**1 081 298 675**	**(101 412 721)**	**979 885 954**	**27 469 289**	**(4 107 185)**	**(7 388 087)**	**–**	**15 974 016**
Motors and tyres	**1 062 088 261**	**(66 521 417)**	**995 566 844**	**23 199 182**	**(4 382 226)**	**(8 018 910)**	**–**	**10 798 047**
Corporate	**45 096 895**	**(35 513 811)**	**9 583 084**	**26 372 860**	**(2 720 550)**	**(32 228 764)**	**–**	**(8 576 425)**
Total	**10 141 758 166**	**(2 465 533 086)**	**7 676 225 080**	**372 368 727**	**(29 314 132)**	**(113 411 436)**	**740 690**	**230 383 848**
Reconciling items								
Taxation								**(60 890 753)**
Profit for the year								**169 493 095**
2017								
Continuing operations								
Timber	3 056 056 586	(670 851 568)	2 385 205 018	185 902 934	(12 769 532)	(41 742 892)	–	131 390 509
Retail and mechanisation	3 858 072 658	(1 293 188 836)	2 564 883 822	57 965 185	(3 138 301)	(27 111 855)	1 917 051	29 632 080
Financial services	139 925 072	39 811	139 964 883	31 702 541	(388 469)	(1 033 677)	–	30 280 395
Grain	1 357 343 384	(323 472 730)	1 033 870 654	20 115 973	(4 018 789)	(8 575 309)	–	7 521 875
Motors and tyres	887 568 330	(6 846 204)	880 722 126	16 823 347	(3 725 093)	(9 088 334)	–	4 009 920
Corporate	38 798 674	(26 555 123)	12 243 551	56 682 954	(2 686 674)	(41 124 960)	–	12 871 318
Total	9 337 764 704	(2 320 874 650)	7 016 890 054	369 192 934	(26 726 858)	(128 677 027)	1 917 051	215 706 097
Reconciling items								
Discontinued operations								(9 444 765)
Taxation								(62 256 678)
Profit for the year								144 004 654

Notes to the Group Consolidated Annual Financial Statements
continued

2. Segmental information continued

Segment assets and liabilities

Segment assets and liabilities are measured in a manner consistent with that of the annual financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the asset and liability.

The table below provides information on segment assets and liabilities as well as a reconciliation to total assets and liabilities as per the statement of financial position.

Figures in Rand	Total assets	Total liabilities	Net assets
2018			
Continuing operations			
Timber	**1 468 008 285**	**(1 092 840 467)**	**375 167 817**
Retail and mechanisation	**924 853 750**	**(817 480 230)**	**107 373 520**
Financial services	**744 133 865**	**(329 782 477)**	**414 351 388**
Grain	**253 310 484**	**(191 698 403)**	**61 612 081**
Motors and tyres	**291 903 279**	**(212 863 898)**	**79 039 381**
Corporate	**461 073 835**	**(207 720 139)**	**253 353 696**
Total	**4 143 283 498**	**(2 852 385 614)**	**1 290 897 883**
2017			
Continuing operations			
Timber	1 404 841 382	(854 813 408)	550 027 974
Retail and mechanisation	837 046 221	(819 536 712)	17 509 509
Financial services	654 321 464	(360 295 164)	294 026 300
Grain	193 578 886	(147 702 080)	45 876 806
Motors and tyres	211 315 807	(189 876 334)	21 439 473
Corporate	268 495 112	(74 984 436)	193 510 676
Total	3 569 598 872	(2 447 208 134)	1 122 390 738

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

The accounting policies adopted in the preparation of the consolidated financial statements is consistent with the policies followed in the previous year, except for the adoption of new standards and interpretations effective as from 1 September 2017 as set out below:

Standard/Interpretation	
Amendments to IFRS 12: Disclosure initiative	Disclosure of interest in other entities.
Amendments to IAS 7: Disclosure initiative	Additional disclosure required about liabilities arising from financing activities.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	Assessing whether taxable temporary differences will be available to utilise deductible temporary differences against ring fencing in tax laws.

The expected impact of the above standards and interpretations are expected to be not material.

Notes to the Group Consolidated Annual Financial Statements
continued

3. New standards and interpretations continued

3.2 Standards and interpretations not yet effective

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

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact:
Amendments to IFRS 9: Prepayment features with negative compensation	1 January 2018	Not material
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	Not material
IFRS 17: Insurance Contracts	1 January 2021	Not material
IFRIC 23: Uncertainty over Income Tax Treatments	1 January 2019	Not material
IFRS 16: Leases	1 January 2019	Not material
IFRS 9: Financial Instruments	1 January 2018	Not material
IFRS 15: Revenue from Contracts with Customers	1 January 2018	Not material
Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	Not material
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018	Not material

The impact of IFRS 9 and IFRS 15 was evaluated. The new standards does not have a significant effect, except for disclosure, which will only be disclosed in the August 2019 financial statements.

Changes will be done retrospectively with the cumulative effect of applying IFRS 9 and IFRS 15 recognised at the date of initial application with an adjustment to the opening balance of retained earnings for contracts not yet completed at the commencement of the year in which the standard is applied.

4. Property, plant and equipment

	2018			2017		
Figures in Rand	**Cost or revaluation**	**Accumulated depreciation**	**Carrying value**	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	**700 146 830**	**(14 702 838)**	**685 443 992**	616 887 721	(14 762 014)	602 125 707
Plant and machinery	**288 766 786**	**(157 536 261)**	**131 230 525**	245 452 526	(129 959 073)	115 493 453
Motor vehicles	**88 417 850**	**(48 349 215)**	**40 068 635**	93 704 695	(57 540 353)	36 164 342
Leasehold improvements	**3 129 461**	**(3 090 115)**	**39 346**	3 129 461	(3 010 463)	118 998
Structures	**28 565 393**	**(3 469 870)**	**25 095 523**	26 889 095	(2 977 623)	23 911 472
Total	**1 109 026 320**	**(227 148 299)**	**881 878 021**	986 063 498	(208 249 526)	777 813 972

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale reversal	Borrowing cost capitalised	Revaluations	Depreciation	Total
2018									
Land and buildings	**602 125 707**	**69 598 343**	**–**	**–**	**1 435 332**	**1 769 470**	**10 584 327**	**(69 187)**	**685 443 992**
Plant and machinery	**115 493 453**	**32 435 443**	**11 997 446**	**(7 148 575)**	**–**	**–**	**–**	**(21 547 242)**	**131 230 525**
Motor vehicles	**36 164 342**	**9 603 762**	**2 362 815**	**(1 846 408)**	**–**	**–**	**–**	**(6 215 876)**	**40 068 635**
Leasehold improvements	**118 998**	**–**	**–**	**–**	**–**	**–**	**–**	**(79 652)**	**39 346**
Structures	**23 911 472**	**1 676 220**	**–**	**–**	**–**	**–**	**–**	**(492 169)**	**25 095 523**
	777 813 972	**113 313 768**	**14 360 261**	**(8 994 983)**	**1 435 332**	**1 769 470**	**10 584 327**	**(28 404 126)**	**881 878 021**
2017									
Land and buildings	579 432 704	19 102 839	2 084 684	(13 217 984)	(4 185 332)	120 878	19 026 873	(238 955)	602 125 707
Plant and machinery	104 146 572	30 785 623	4 750 573	(5 944 411)	–	–	–	(18 244 904)	115 493 453
Motor vehicles	31 976 187	10 939 305	3 101 652	(3 132 496)	–	–	–	(6 720 306)	36 164 342
Leasehold improvements	387 628	–	–	–	–	–	–	(268 630)	118 998
Structures	16 766 473	7 538 706	–	–	–	–	–	(393 707)	23 911 472
	732 709 564	**68 366 473**	**9 936 909**	**(22 294 891)**	**(4 185 332)**	**120 878**	**19 026 873**	**(25 866 502)**	**777 813 972**

4. Property, plant and equipment continued

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.

Depreciation is calculated to write off the asset's cost amount over its estimated useful life to its estimated residual value.

Depreciation on leasehold improvements is calculated to write off the cost amount over the term of the leases.

The useful life and residual values are reviewed annually and adjusted if appropriate. The evaluation regarding the useful life and residual values of assets 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 property, plant and equipment are within the following intervals:

Land	Not depreciated
Buildings and structures	20 to 50 years
Plant and machinery	4 to 22 years
Motor vehicles	6 years
Leasehold improvements	Over term of lease

Property, plant and equipment encumbered as security

Property, plant and equipment with a carrying value of R355 712 339 (2017: R350 603 603), have been pledged to secure borrowings. Refer to note 24.

Figures in Rand	**2018**	2017
Borrowing costs capitalised		
Borrowing costs capitalised to qualifying assets	**1 769 470**	120 878
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation (%)	**10,25**	10,25
Carrying value of capitalised leased assets		
Motor vehicles	**–**	634 056
Leasehold improvements	**39 346**	118 998
	39 346	753 054

Revaluations

Every year the directors evaluate whether there is an indication that the carrying value of an item of land and buildings differ materially from the estimated market value. When there is an indication of such a change in fair value, the item is revalued by an independent valuer. All items of land and buildings are revalued at least every four years.

The last valuation on selected assets was on 31 August 2018. 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. The valuations were performed using the capitalised income approach and the surplus was credited to other comprehensive income and is shown in reserves in shareholder equity.

Any decrease in an asset's carrying amount as a result of revaluation, is recognised in profit or loss in the current period. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Figures in Rand	**2018**	2017
Land and buildings	**240 349 488**	205 277 065

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.

5. Biological assets

Figures in Rand	**Carrying value 2018**	Carrying value 2017
Forestry assets	**683 983 726**	549 181 537
Livestock	**4 384 724**	3 707 250
Total	**688 368 450**	552 888 787
Immature (Classified as non-current assets)	**337 717 454**	307 247 522
Mature (Classified as current assets)	**350 650 996**	245 641 265
	688 368 450	552 888 787

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

Reconciliation of biological assets

Figures in Rand	Opening balance	Additions due to planted and purchased	Decreases due to harvest/sales	Disposals	Gains/(losses) arising from changes in fair value	Total
2018						
Forestry assets	**549 181 537**	**340 420 455**	**(210 012 264)**	**(7 286 602)**	**11 680 600**	**683 983 726**
Livestock	**3 707 250**	**172 450**	**–**	**–**	**505 024**	**4 384 724**
	552 888 787	**340 592 905**	**(210 012 264)**	**(7 286 602)**	**12 185 624**	**688 368 450**
2017						
Forestry assets	486 179 930	336 530 427	(284 304 456)		10 775 636	549 181 537
Livestock	3 830 550	291 300	(325 200)		(89 400)	3 707 250
	490 010 480	336 821 727	(284 629 656)		10 686 236	552 888 787

Non-financial information

	Pine	Eucalyptus	Wattle	Total
2018				
Hectares				
Balance as at 31 August 2017	**3 967**	**7 611**	**2 171**	**13 749**
Planted during the year	**163**	**604**	**193**	**960**
Harvested during the year	**(63)**	**(759)**	**(223)**	**(1 045)**
Balance as at 31 August 2018	**4 067**	**7 456**	**2 141**	**13 664**
2017				
Balance as at 31 August 2016	3 801	7 990	2 130	13 921
Planted during the year	295	845	412	1 552
Harvested during the year	(133)	(1 272)	(374)	(1 779)
Adjustment measurements	4	48	3	55
Balance as at 31 August 2017	3 967	7 611	2 171	13 749

5. Biological assets continued

	Cattle	Horses	Goats	Total
2018				
Livestock				
Balance as at 31 August 2017	**740**	**1**		**741**
Due to acquisitions	**125**	**–**		**125**
Due to births	**147**	**–**		**147**
Due to death	**(13)**	**–**		**(13)**
Due to sale	**(138)**	**–**		**(138)**
Balance as at 31 August 2018	**861**	**1**		**862**
2017				
Balance as at 31 August 2016	676	2	211	889
Due to acquisitions	11	–	–	11
Due to births	107	–	5	112
Due to death	(26)	(1)	(96)	(123)
Due to sale	(28)	–	(120)	(148)
Balance as at 31 August 2017	740	1	–	741

Own plantations and standing timber comprised approximately of 15 378 (2017: 14 174) hectares of tree plantations on land that the Group owns and rents, which range from newly established plantations to plantations that are approximately 24 years old. During the year the Group harvested approximately 572 728 (2017: 491 558) 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.

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

At 31 August 2018 livestock comprised of 861 cattle and 1 horse (2017: 740 cattle and 1 horse).

Pledged as security

Plantations with a carrying value of R231 495 413 (2017: R134 441 638) have been pledged to secure borrowings of R100 000 000 of the holding company, TWK Agriculture Holdings (Pty) Ltd.

Methods and assumptions used in determining fair value

Plantations are stated at fair value less estimated cost to sell at the harvesting stage and is a level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 fair value measurement and consistent with prior years. Biological assets are measured on initial recognition at cost and at subsequent reporting dates at fair value less estimated costs to sell by using the Faustmann formula.

The fair value of standing timber at matured date, being the age at which it becomes marketable, is based on the market price of the estimated recoverable timber volumes, net of harvesting and transportation costs. The fair value of younger standing timber is based on the present value of the net cash flows expected to be generated by the plantations at maturity, in its most relevant market, and includes the potential additional biological transformation and related risks associated with the asset. The net selling price is based on third party transactions and is influenced by the species, relevant market, maturity profile and location of timber. Any gain or loss arising from changes in the fair value of biological assets are included in profit or loss.

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

The detail of significant unobservable inputs for standing timber and livestock is as follows:

Standing timber

- The future standing timber market prices per tonne is based on the estimated weighted average price per tonne of the different species for their relevant market. The estimated fair value would increase/(decrease) if the estimated timber prices per tonne were higher/(lower).
- The estimated weighted average yields per hectare is 147,70 ton (2017: 135,99 ton) The estimated fair value would increase/(decrease) if the estimated yield per hectare were higher/(lower).
- The estimated weighted average harvest and transportation costs per tonne as a percentage of selling price is 38,79% (2017: 42,06%). The estimated fair value would increase/(decrease) if the estimated harvest and transportation costs were lower/(higher).
- The estimated risk adjusted rate derived from the Faustmann formula tables is 4,90% (2017: 4,93%). The estimated fair value would increase/(decrease) if the estimated risk adjusted discount rate were higher/(lower).

Notes to the Group Consolidated Annual Financial Statements
continued

5. 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.

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.

6. Goodwill and Intangible assets

	2018			2017		
Figures in Rand	**Cost**	**Accumulated amortisation**	**Carrying value**	Cost	Accumulated amortisation	Carrying value
Patents, trademarks and other rights	**492 720**	**(32 762)**	**459 958**	507 322	(32 762)	474 560
Sole distributor rights	**3 000 000**	**–**	**3 000 000**	3 000 000	–	3 000 000
Computer software	**8 490 765**	**(4 757 800)**	**3 732 965**	7 649 122	(3 870 749)	3 778 373
Goodwill	**149 928 635**	**–**	**149 928 635**	113 458 509	–	113 458 509
Total	**161 912 120**	**(4 790 562)**	**157 121 558**	124 614 953	(3 903 511)	120 711 442

Reconciliation of goodwill and intangible assets

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Amortisation	Total
2018						
Patents, trademarks and other rights	**474 560**	**22 790**	**–**	**(37 392)**	**–**	**459 958**
Sole distributor rights	**3 000 000**	**–**	**–**	**–**	**–**	**3 000 000**
Computer software	**3 778 373**	**902 411**	**–**	**(37 813)**	**(910 006)**	**3 732 965**
Goodwill	**113 458 509**	**1 105 117**	**35 365 009**	**–**	**–**	**149 928 635**
Total	**120 711 442**	**2 030 318**	**35 365 009**	**(75 205)**	**(910 006)**	**157 121 558**
2017						
Patents, trademarks and other rights	184 168	290 392	–	–	–	474 560
Sole distributor rights	3 000 000	–	–	–	–	3 000 000
Computer software	1 795 323	3 325 129	–	(481 722)	(860 357)	3 778 373
Goodwill	16 946 217	17 315 789	79 196 503	–	–	113 458 509
Total	21 925 708	20 931 310	79 196 503	(481 722)	(860 357)	120 711 442

The useful life and residual values of computer software are reviewed at the beginning of each reporting period and adjusted if appropriate. The estimated useful life of computer software is 4 years.

Notes to the Group Consolidated Annual Financial Statements
continued

6. Goodwill and Intangible assets continued

Pledged as security

Computer software with a carrying value of R3 732 965 (2017: R3 778 373), have been pledged to secure borrowings. Refer to note 24.

Other information

During the previous year the Group acquired the insurance agency rights of FFG Ermelo (Pty) Ltd. The goodwill of R1 315 789 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed.

During the previous year the Group also acquired the business, collectively the Total filling station situated at Elukwatini and the Total filling station, including the Food outlet and Bonjour situated at Carolina. The total goodwill of R16 000 000 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired businesses and liabilities assumed.

The additions through business combinations in the previous year refer to the acquisition of Bedrock Mining Support (Pty) Ltd. During the previous year the Group acquired a 50,004% interest in Bedrock Mining Support (Pty) Ltd. The total goodwill of R35 041 043 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. Previously Bedrock Mining Support (Pty) Ltd also acquired the business of SMT Mining (Pty) Ltd. The total goodwill of R44 155 460 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. During the current year, the Group acquired and additional 5,002% interest in Bedrock Mining Support (Pty) Ltd. Refer to note 7.

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

The Group also acquired 100% of the issued share capital of Machrie Short Term (Pty) Ltd, with an interest in short term insurance. The interest was acquired to further expand the insurance business of the Group. The goodwill of R3 425 431 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. Refer to note 7.

The Group also acquired an additional 12,5% of the issued share capital of Gromor (Pty) Ltd which was previously accounted for as an investment in associate in terms of IAS 28, with an interest in the manufacturing and distribution of fertilizer. The goodwill of R31 939 578 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets of the acquired business and liabilities assumed. Refer to note 7.

Review of useful life assessment and impairment

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

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. Management review Goodwill and Intangible assets regularly to determine whether events and circumstances continue to support an indefinite useful life and review for impairment by comparing its recoverable amount to its carrying amount.

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

Figures in Rand	**2018**	2017
Intangible assets with indefinite lives:		
Goodwill relating to the insurance business unit	**10 790 941**	6 260 396
Goodwill relating to the trade business unit	**35 353 746**	3 254 168
Goodwill relating to the timber business unit (Refer to note 7)	**79 196 503**	79 196 503
Goodwill relating to the fuel and oil business unit	**16 000 000**	16 000 000

The following assumptions were used in the calculation:

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

The forecasted cash flows are based on actual results and assumptions regarding own strategies and market development. The discount rate reflects 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 Group Consolidated Annual Financial Statements
continued

7. Interests in subsidiaries

Name of company	Held by	Country of incorporation	**% holding 2018**	% holding 2017
Direct interest				
TWK Investments Ltd	TWK Agriculture Holdings (Pty) Ltd	South Africa	**59,60**	59,60
Indirect interest				
Silo Autobody (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	**66,67**	66,67
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	**80,00**	70,00
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**	50,00
Bedrock Mining Support (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	**55,006**	50,004
Protea Tyres Kimberley (Pty) Ltd	Protea Versoolwerke Ermelo (Pty) Ltd	South Africa	**59,00**	59,00
Machrie (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	**100,00**	–
Gromor (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	South Africa	**52,50**	–
Arrowfeeds (Pty) Ltd	TWK Investments Ltd	Swaziland	**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	Swaziland	**100,00**	100,00
TWK Agri (Pty) Ltd	TWK Investments Ltd	South Africa	**75,00**	75,00
TWK Swaziland (Pty) Ltd	TWK Investments Ltd	Swaziland	**100,00**	100,00
Nhlangano Timber Company (Pty) Ltd	Shiselweni Forestry Company Ltd	Swaziland	**100,00**	100,00
Olmacs (Pty) Ltd	Shiselweni Forestry Company Ltd	Swaziland	**100,00**	100,00
SAWCO Mining Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	Swaziland	**100,00**	100,00
SAWCO Treated Timbers (Pty) Ltd	Shiselweni Forestry Company Ltd	Swaziland	**50,00**	50,00
Farmyard Organics (Pty) Ltd	Gromor (Pty) Ltd	South Africa	**100,00**	–

During the prior year, the Group decided to sell 7,34% (587 shares) of the shares held in Protea Versoolwerke Ermelo (Pty) Ltd previously held at R5 000 per share. The net gain on the shares sold amounted to R2 787 864 and is included in other operating gains.

During the prior year, the Group also disposed of its investments in one of its subsidiaries, Maluti Milling (Pty) Ltd. On 31 August 2017 a sale of share transaction was concluded. Refer to note 19.

Subsidiaries pledged as security

TWK Investments Ltd and TWK Agriculture Holdings (Pty) Ltd signed unlimited suretyship as guarantee for the loan facilities granted by the Land Bank. Refer to note 24.

Shiselweni Forestry Company Ltd signed a suretyship limited to an amount of R250 000 000 for the Standard Bank overdraft facility. Refer to note 18.

The Group's rights and title to the security shares held in Bedrock Mining Support (Pty) Ltd have been pledged to secure borrowings of Bedrock Mining Support (Pty) Ltd. Refer to note 24.

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 Bank to the ultimate holding company TWK Agriculture Holdings (Pty) Ltd.

Notes to the Group Consolidated Annual Financial Statements
continued

7. Interests in subsidiaries continued

Business combinations

During the current year, the Group acquired an additional 5,002% of the issued share capital of Bedrock Mining Support (Pty) Ltd, a manufacturer of timber based mining support products. The interest was acquired to further expand the timber business of the Group. The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition and liabilities assumed amounted to R2 987 969 and have been accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements).

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

Figures in Rand	2018
Total assets	**164 249 435**
Total liabilities	**(81 574 056)**
Net identifiable assets	**82 675 379**
Net identifiable assets acquired at an additional 5,002%	**2 761 742**
Less: Consideration paid	**(5 749 711)**
Change of ownership interest	**(2 987 969)**

During the current year, the Group also acquired an additional 50% of the issued share capital of Lydenburg Sawmills (Pty) Ltd, with an interest in the processing of timber. The interest was acquired to further expand the timber business of the Group. The excess of the cost of the acquisition of the additional shareholding over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition and liabilities assumed amounted to R103 984 and have been accounted for as a change in ownership interest directly in equity in accordance with IFRS 10 (Consolidated Financial Statements).

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

Figures in Rand	2018
Total assets	**39 452 639**
Total liabilities	**(48 959 808)**
Net identifiable assets	**(9 507 169)**
Net identifiable assets acquired at an additional 50%	**2 396 017**
Less: Consideration paid	**(2 500 000)**
Change of ownership interest	**(103 984)**

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

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

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

Notes to the Group Consolidated Annual Financial Statements
continued

7. Interests in subsidiaries continued

During the current year, the Group acquired an additional 12,5% of the issued share capital of Gromor (Pty) Ltd which was previously accounted for as an investment in associate in terms of IAS28, with an interest in the manufacturing and distribution of fertilizer. The interest was acquired to further expand the fertilizer business of the Group. The excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition and liabilities assumed amounted to R31 939 578.

The measurement of the non-controlling interest, and its resultant impacts on the determination of goodwill based on the fair values of assets acquired and liabilities assumed is illustrated below:

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

At acquisition date, the consideration paid by the Group was less than the fair value of the company and a gain on bargain purchase to the amount of R1 686 436 have been included in other operating income. Refer to note 32.

The Group also acquired an additional 10% of the issued share capital of Rothman Motors (Pty) Ltd during the current year, with an interest in the sale of motor vehicles and related services. The interest was acquired to further expand the Motors and Tyres business of the Group. A gain on bargain purchase to the amount of R28 273 has been included in other operating income. Refer to note 32.

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 where applicable.

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

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
2018						
Constantia Kunsmis (Pty) Ltd	**45 412 797**	**297 562 529**	**342 975 326**	**22 488 835**	**292 186 667**	**314 675 502**
TWK Motors (Pty) Ltd	**33 408 648**	**126 569 807**	**159 978 455**	**4 380 068**	**99 704 413**	**104 084 481**
Protea Versoolwerke Ermelo (Pty) Ltd	**20 789 963**	**48 301 788**	**69 091 751**	**1 672 806**	**21 764 766**	**23 437 572**
Bedrock Mining Support (Pty) Ltd	**62 255 006**	**101 944 428**	**164 199 434**	**14 623 718**	**78 950 338**	**93 574 056**
TWK Agri (Pty) Ltd	**464 652 055**	**2 238 124 488**	**2 702 776 543**	**742 210 679**	**1 884 279 678**	**2 626 490 357**
Siselweni Forestry Company Ltd	**466 703 744**	**216 151 436**	**682 855 180**	**125 439 706**	**126 820 991**	**252 260 697**
Gromor (Pty) Ltd	**12 416 377**	**46 686 894**	**59 103 271**	**19 241 933**	**38 384 867**	**57 626 800**
TWK Investments Ltd	**1 500 246 390**	**32 472 735**	**1 532 719 125**	**301 800 359**	**24 049 812**	**325 850 171**
Total	**2 605 884 980**	**3 107 814 105**	**5 713 699 085**	**1 231 858 104**	**2 566 141 532**	**3 797 999 636**
2017						
Constantia Kunsmis (Pty) Ltd	34 723 766	234 180 216	268 903 982	22 991 863	227 764 342	250 756 205
TWK Motors (Pty) Ltd	30 359 144	65 256 364	95 615 508	3 559 442	43 513 916	47 073 358
Protea Versoolwerke Ermelo (Pty) Ltd	20 804 324	54 587 106	75 391 430	1 781 407	27 820 395	29 601 802
Bedrock Mining Support (Pty) Ltd	55 727 603	84 709 022	140 436 625	20 466 911	64 756 958	85 223 869
TWK Agri (Pty) Ltd	480 515 773	1 711 995 184	2 192 510 957	764 882 909	1 380 644 420	2 145 527 329
Shiselweni Forestry Company Ltd	390 176 491	202 865 823	593 042 314	90 899 682	109 905 889	200 805 571
TWK Investments Ltd	1 428 109 374	31 944 097	1 460 053 471	316 322 062	23 989 249	340 311 311
Total	2 440 416 475	2 385 537 812	4 825 954 287	1 220 904 276	1 878 395 169	3 099 299 445

Notes to the Group Consolidated Annual Financial Statements
continued

7. Interests in subsidiaries continued

Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit/(loss) before tax	Tax expense	Profit/(loss)	Other comprehensive income	Total comprehensive income
2018						
Constantia Kunsmis (Pty) Ltd	**762 285 195**	**12 322 127**	**(2 170 080)**	**10 152 047**	**–**	**10 152 047**
TWK Motors (Pty) Ltd	**514 179 902**	**5 809 358**	**(1 492 400)**	**4 316 958**	**3 034 866**	**7 351 824**
Protea Versoolwerke Ermelo (Pty) Ltd	**132 260 575**	**733 894**	**(210 828)**	**523 066**	**47 988**	**571 054**
Bedrock Mining Support (Pty) Ltd	**425 387 712**	**38 142 532**	**(10 679 909)**	**27 462 623**	**–**	**27 462 623**
TWK Agri (Pty) Ltd	**5 997 076 613**	**82 540 673**	**(20 042 295)**	**62 498 378**	**8 838 273**	**71 336 651**
Siselweni Forestry Company Ltd	**103 348 305**	**24 662 704**	**(6 851 470)**	**17 811 234**	**3 173 135**	**20 984 369**
Gromor (Pty) Ltd	**85 348 404**	**(3 306 053)**	**(255 251)**	**(3 561 304)**	**–**	**(3 561 304)**
TWK Investments Ltd	**26 490 574**	**99 467 638**	**(12 380 440)**	**87 087 198**	**21 100 190**	**108 187 388**
Total	**8 046 377 280**	**260 372 873**	**(54 082 673)**	**206 290 200**	**36 194 452**	**242 484 652**
2017						
Constantia Kunsmis (Pty) Ltd	768 952 563	18 266 144	(4 627 382)	13 638 762	–	13 638 762
TWK Motors (Pty) Ltd	493 373 440	6 763 795	(1 732 720)	5 031 075	(6 458 115)	(1 427 040)
Protea Versoolwerke Ermelo (Pty) Ltd	176 147 439	3 951 482	(1 125 470)	2 826 012	2 885 890	5 711 902
Bedrock Mining Support (Pty) Ltd	396 774 185	36 800 222	(10 447 377)	26 352 844	–	26 352 844
TWK Agri (Pty) Ltd	5 734 724 109	34 942 948	(10 221 591)	24 698 880	17 477 952	42 176 832
Siselweni Forestry Company Ltd	112 918 962	37 129 615	(10 270 651)	26 858 964	–	26 858 964
TWK Investments Ltd	23 836 742	128 845 175	(17 607 957)	111 237 218	32 045 363	143 282 581
Total	7 706 727 440	266 699 381	(56 033 148)	210 643 755	45 951 090	256 594 845

Nature of business and non-controlling information of material subsidiaries

Name of company	Nature of business	Proportion of non-controlling interest and their voting rights %	Non-controlling interest result for the year R	Accumulated non-controlling interest R
TWK Motors (Pty) Ltd	Sale of motor vehicles and related services	00,000	–	–
Constantia Kunsmis (Pty) Ltd	Manufacturing and distribution of fertilizer	00,000	–	–
Shiselweni Forestry Company Ltd	Growing of timber and other related operations	00,000	–	–
Protea Versoolwerke (Ermelo) (Pty) Ltd	Retreading of tyres as well as the sale and installation of new tyres, batteries, shocks and exhausts	40,000	(54 180)	18 261 672
TWK Agri (Pty) Ltd	Agricultural services	25,000	6 253 028	(51 331 352)
Bedrock Mining Support (Pty) Ltd	Timber-based underground support to South African mines	44,994	4 195 510	31 799 680
Gromor (Pty) Ltd	Manufacturing and distribution of fertilizer	47,500	15 956 270	15 956 270
TWK Investments Ltd	Property and investment holding company	31,420	48 910 079	364 036 916

8. Investments in associates

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

Name of company	Held by	**% ownership interest 2018**	% ownership interest 2017	**Carrying amount 2018**	Carrying amount 2017
Henleo 1080 (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	**45,00**	45,00	**856 494**	45
African Collateral Management (Pty) Ltd	TWK Agri (Pty) Ltd	**40,00**	–	**–**	–
Gromor (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	**–**	40,00	**–**	12 517 051
				856 494	12 517 096

8. Investments in associates continued

The percentage ownership interest of the above associates is equal to the percentage voting rights, and the Group has significant influence over these companies.

Henleo 1080 (Pty) Ltd is incorporated in South Africa with interest in the manufacturing and distribution of fertilizer. The issued share capital of Henleo 1080 (Pty) Ltd is R100. No dividends have been declared or paid by Henleo 1080 (Pty) during the current or previous year.

On 1 April 2018, the Group acquired 40% of the issued share capital of African Collateral Management (Pty) Ltd, which 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. At year end, the Group's share of losses exceeded it's interest in the company and the loss recognised in the Group is equivalent to the value of the Group's share in the associate.

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

During the current year, the Group acquired an additional 12,5% of the issued share capital of Gromor (Pty) Ltd and obtained control over the entity. Refer to note 7.

Summarised financial information of material associates

The information disclosed reflects the amounts presented in the annual financial statements of the relevant associates and not the Group's share of those amounts.

Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit from continuing operations	Total comprehensive income
2018			
Henleo 1080 (Pty) Ltd	**23 781 798**	**2 346 655**	**2 346 655**
African Collateral Management (Pty) Ltd	**2 132 875**	**957 411**	**957 411**
	25 914 673	**3 304 066**	**3 304 066**
2017			
Henleo 1080 (Pty) Ltd	16 105 887	1 232 684	1 232 684
Gromor (Pty) Ltd	83 146 036	4 792 628	4 792 628
	99 251 923	6 025 312	6 025 312

Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2018					
Henleo 1080 (Pty) Ltd	**25 821 171**	**7 173 609**	**30 348 970**	**742 490**	**1 903 320**
African Collateral Management (Pty) Ltd	**9 975 350**	**1 375 065**	**10 381 308**	**1 378 946**	**(409 839)**
	35 796 521	**8 548 674**	**40 730 278**	**2 121 436**	**1 493 481**
2017					
Henleo 1080 (Pty) Ltd	30 030 421	3 471 195	33 742 059	185 131	(425 574)
Gromor (Pty) Ltd	10 175 095	32 416 301	8 956 621	28 420 715	5 214 060
	40 205 516	35 887 496	42 698 680	28 605 846	4 788 486

Reconciliation of net assets to equity-accounted investments in associates

Figures in Rand	Total net assets	Interest in associate at % ownership	Investment in associate
2018			
Henleo 1080 (Pty) Ltd	**1 903 320**	**856 494**	**856 494**
African Collateral Management (Pty) Ltd	**(409 839)**	**(48)**	**(48)**
	1 493 481	**856 446**	**856 446**
2017			
Henleo 1080 (Pty) Ltd	(425 574)	–	–
Gromor (Pty) Ltd	5 214 060	2 085 624	2 085 624
	4 788 486	2 085 624	2 085 624

Notes to the Group Consolidated Annual Financial Statements
continued

8. Investments in associates continued

Reconciliation of movement in investments in associates

Figures in Rand	Investment at beginning of year	Acquisitions/ disposals	Share of profit	Investment at end of year
2018				
Henleo 1080 (Pty) Ltd	**45**	**–**	**856 449**	**856 494**
African Collateral Management (Pty) Ltd	**–**	**48**	**(48)**	**–**
Gromor (Pty) Ltd	**12 517 051**	**(12 401 340)**	**(115 711)**	**–**
	12 517 096	**(12 401 292)**	**740 690**	**856 494**
2017				
Henleo 1080 (Pty) Ltd	36	9	–	45
Gromor (Pty) Ltd	–	10 600 000	1 917 051	12 517 051
	36	10 600 009	1 917 051	12 517 096

Associates with different reporting dates

The year ends of Henleo 1080 (Pty) Ltd and African Collateral Management (Pty) Ltd is 28 February and 31 March respectively. The financial information above is based on independently reviewed 12-month management accounts of both entities.

9. Loans to/(from) Group companies

Associates

Figures in Rand	2018	2017
Henleo 1080 (Pty) Ltd	**13 301 646**	15 053 325
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. The unsecured loan bears interest at a prime linked rate.		
African Collateral Management (Pty) Ltd	**3 859 328**	–
Subject to the availability of funds of the company, the loan shall be repaid from time to time as agreed between the Company and all its Shareholders. The unsecured loan bears interest at prime rate +2%.		
	17 160 974	15 053 325

Fair value of loans to and from Group companies

Loans to/(from) Group companies at amortised cost approximate its fair value because terms and conditions are at arm's length.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. Refer to note 49 for credit risk information.

Notes to the Group Consolidated Annual Financial Statements
continued

10. Other loans receivable/(payable)

Figures in Rand	2018	2017
Gibela Trade and Invest (Pty) Ltd	**(2 903 607)**	–
The unsecured loan to Gromor (Pty) Ltd carries no interest and is repayable as and when future profits arise from operations.		
Palkor (Pty) Ltd	**–**	(7 149 651)
The unsecured loan to Lydenburg Sagmeule (Pty) Ltd carries no interest and is repayable as and when future profits arise from operations.		
SD Zwane	**(6 400 000)**	(6 400 000)
The unsecured loan to Lionsriver Farmers Exchange (Pty) Ltd, bears interest at a prime linked rate and is repayable on demand.		
Treated Timber Products (Pty) Ltd	**(4 756 204)**	(4 247 419)
The unsecured loan to SAWCO Treated Timber Products (Pty) Ltd, bears interest at a prime linked rate and is repayable on demand.		
Members loans – Gromor (Pty) Ltd	**(3 310 500)**	–
The unsecured loans to the members of Gromor (Pty) Ltd carries no interest and is repayable as and when future profits arise from operations.		
Buurman Trust	**(2 004 261)**	(2 660 610)
The unsecured loan to Canyon Springs Investments 140 (Pty) Ltd carries interest at a prime linked rate and is repayable in monthly instalments over the remaining period of 184 months.		
Jo-Ann Trust	**333**	333
The unsecured loan from Silo Autobody (Pty) Ltd bears no interest and is repayable on demand.		
Chris Rothman Trust	**(1 125 000)**	–
The unsecured loan to Rothman Motors (Pty) Ltd carries no interest and is repayable on demand.		
	(20 499 239)	(20 457 347)
Current assets	**333**	333
Non-current liabilities	**(4 777 031)**	(9 743 584)
Current liabilities	**(15 722 541)**	(10 714 096)
	(20 499 239)	(20 457 347)

Fair value of other loans payable

Other loans receivable/(payable) at amortised cost approximate its fair value. The fair values of other financial instruments were determined by assessing the future cash flows to be derived or paid from these instruments, as well as considering fair discount rates where applicable.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. Refer to note 49 for credit risk information.

11. Other financial assets

Figures in Rand	2018	2017
At fair value through profit or loss — held for trading		
Commodity forward contracts	**2 376 098**	–
The forward purchase contracts represents contracts with producers for the procurement of physical commodities in the future. The forward sale contracts represent contracts with millers and other clients. It is against Group policy to have speculative positions.		
US-dollar forward contracts	**–**	4 998 376
The Group's US dollar forward contracts relate to cash flows that are expected to occur during the period September to December 2017. The forward contracts represents contracts with financial institutions for the hedging of export and import transactions. Foreign exchange contracts are concluded for specific transactions to hedge against fluctuations in exchange rates. It is against Group policy to have speculative positions.		
	2 376 098	4 998 376
Available-for-sale		
Unlisted shares	**58 957 078**	57 645 131
Loans and receivables		
Forestry and term loans	**100 766 404**	118 629 461
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 maximum exposure to credit risk at the reporting date is the fair value of the loans mentioned above. The Group hold collateral as security. The loans with a carrying value of R100 766 404 (2017: R118 245 467) have been pledged to secure borrowings by the Group's parent, TWK Agriculture Holdings (Pty) Ltd. Refer to note 24.		
Total other financial assets	**162 099 580**	181 272 968
Non-current assets		
Available-for-sale	**58 957 078**	57 645 131
Loans and receivables	**60 401 588**	114 129 461
	119 358 666	171 774 592
Current assets		
At fair value through profit or loss — held for trading	**2 376 098**	4 998 376
Loans and receivables	**40 364 816**	4 500 000
	42 740 914	9 498 376
	162 099 580	181 272 968

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value which approximates to their carrying amounts. The fair value measurement of Forestry and Term loans have been categorised as Level 3, forward contracts as Level 1, and unlisted shares as Level 3 in terms of the fair value measurement hierarchy. The fair values of other financial instruments were determined by assessing the future cash flows to be derived or paid from these instruments, as well as considering fair discount rates where applicable.

The unlisted shares held by TWK Motors (Pty) Ltd and TWK Group Customer Loyalty Scheme Trust are measured at fair value based on the market share price.

The unlisted shares held by TWK Investments Ltd and Protea Versoolwerke Ermelo (Pty) Ltd are measured based on the interest the Group holds in the unlisted company's assets and liabilities, fairly valued at year-end.

Notes to the Group Consolidated Annual Financial Statements continued

11. Other financial assets continued

Reconciliation of unlisted shares at fair value

Figures in Rand	Opening balance	Purchases	Gains or (losses) in other comprehensive income	Total
2018				
Unlisted shares				
Nexor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	**235 249**		**61 840**	**297 089**
BKB Limited held by TWK Investments Ltd	**24 196**		**3 404**	**27 600**
NTE Company (Pty) Ltd held by TWK Investments Ltd	**42 956 507**		**935 437**	**43 891 944**
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	**2 868 226**		**243 997**	**3 112 223**
Swaziland Meat Industries (Pty) Ltd held by TWK Agriculture Holdings (Pty) Ltd	**11 560 953**		**67 269**	**11 628 222**
	57 645 131		**1 311 947**	**58 957 078**
2017				
Nexor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	–	6	235 243	235 249
BKB Limited held by TWK Investments Ltd	24 955	–	(759)	24 196
NTE Company (Pty) Ltd held by TWK Investments Ltd	35 430 655	–	7 525 852	42 956 507
UCL Company (Pty) Ltd held by a nominee of TWK Investments Ltd	2 471 909	–	396 317	2 868 226
Swaziland Meat Industries (Pty) Ltd held by TWK Agriculture Holdings (Pty) Ltd	11 539 173	–	21 780	11 560 953
	49 466 692	6	8 178 433	57 645 131

Number of Shares in unlisted companies

Figures in Rand	2018	2017
Nexor 875 (Pty) Ltd held by Protea Versoolwerke Ermelo (Pty) Ltd	**6**	6
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
Swaziland Meat Industries (Pty) Ltd held by TWK Agriculture Holdings (Pty) Ltd	**800 000**	800 000
	4 748 258	4 748 258

Notes to the Group Consolidated Annual Financial Statements
continued

12. Finance lease receivables

Gross investment in the lease due

Figures in Rand	2018	2017
— within one year	**16 865 256**	17 277 970
— in second to fifth year inclusive	**9 621 131**	17 890 358
	26 486 387	35 168 328
Gross value of minimum lease payments receivable	**26 486 387**	35 168 328
Less: Unearned finance income	**(2 460 775)**	(5 717 597)
Present value of minimum lease payments receivable	**24 025 612**	29 450 731
Non-current assets	**9 007 437**	14 122 989
Current assets	**15 018 175**	15 327 742
	24 025 612	29 450 731

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 24).

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 2018. 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 22 (2017: 24).

Carrying value

Figures in Rand	2018	2017
Present value of the defined medical benefit obligation	**(8 349 000)**	(9 564 000)

Movements for the year

Figures in Rand	2018	2017
Opening balance	**(9 564 000)**	(6 089 009)
Actuarial gains and losses	**532 000**	(4 206 991)
Benefits paid by members	**1 350 000**	1 371 000
Interest costs	**(667 000)**	(639 000)
	(8 349 000)	(9 564 000)

Key assumptions used

The liability as at Friday, 31 August 2018 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	2018	2017
Discount rates used (%)	**8,00**	7,50
Expected rate of return on assets (%)	**6,50**	6,25
Expected rate of return on reimbursement rights	**PA90**	PA90

Notes to the Group Consolidated Annual Financial Statements
continued

13. Retirement benefits continued

Sensitivity analysis

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

Figures in Rand	2018	2017
Increase of 1%	**400 689**	459 000
Decrease of 1%	**(400 689)**	(459 000)

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	2018	2017
Increase of 1%	**387 000**	455 000
Decrease of 1%	**(426 000)**	(500 000)

14. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

Figures in Rand	Loans and receivables	Fair value through profit or loss	Available-for-sale	Total
2018				
Loans to Group companies	**17 160 974**	**–**	**–**	**17 160 974**
Other loans receivable	**333**	**–**	**–**	**333**
Trade and other receivables	**873 111 401**	**–**	**–**	**873 111 401**
Forestry and term loans	**100 766 404**	**–**	**–**	**100 766 404**
Finance lease receivable	**24 025 612**	**–**	**–**	**24 025 612**
Other financial assets	**–**	**2 376 098**	**58 957 078**	**61 333 176**
Cash and cash equivalents	**180 165 999**	**–**	**–**	**180 165 999**
	1 195 230 723	**2 376 098**	**58 957 078**	**1 256 563 899**
2017				
Loans to Group companies	15 053 325	–	–	15 053 325
Other loans receivable	333	–	–	333
Trade and other receivables	786 406 462	–	–	786 406 462
Forestry and term loans	118 629 461	–	–	118 629 461
Finance lease receivable	29 450 731	–	–	29 450 731
Other financial assets	–	4 998 376	57 645 131	62 643 507
Cash and cash equivalents	114 549 714	–	–	114 549 714
	1 064 090 026	4 998 376	57 645 131	1 126 733 533

Notes to the Group Consolidated Annual Financial Statements
continued

15. Deferred tax

Deferred tax liability

Figures in Rand	2018	2017
Property, plant and equipment	**(24 609 646)**	(20 113 763)
Revaluation of land and buildings	**(35 383 988)**	(33 040 922)
Biological assets	**(189 489 719)**	(155 810 515)
Investments	**(11 070 146)**	(11 553 879)
Total deferred tax liability	**(260 553 499)**	(220 519 079)

Deferred tax asset

Figures in Rand	2018	2017
Accruals and provisions	**24 827 098**	24 996 274
Income received in advance	**2 813 557**	678 122
Deferred tax balance from temporary differences other than unused tax losses	**27 640 655**	25 674 396
Tax losses available for set off against future taxable income	**53 925 406**	47 874 395
Total deferred tax asset	**81 566 061**	73 548 791

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

The deferred tax relating to South Africa is as follows:

Figures in Rand	2018	2017
Deferred tax liability	**(145 731 500)**	(114 014 871)
Deferred tax asset	**64 683 375**	57 277 045
Total deferred tax liability	**(81 048 125)**	(56 737 826)

The deferred tax relating to Swaziland is as follows:

Figures in Rand	2018	2017
Deferred tax liability	**(127 961 451)**	(117 702 069)
Deferred tax asset	**30 022 141**	27 469 608
Total deferred tax liability	**(97 939 310)**	(90 232 461)

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

Figures in Rand	2018	2017
Deferred tax liability	**(260 553 499)**	(220 519 079)
Deferred tax asset	**81 566 061**	73 548 791
Total deferred tax liability	**(178 987 438)**	(146 970 288)

Reconciliation of deferred tax asset/(liability)

Figures in Rand	2018	2017
At beginning of year	**(146 970 288)**	(112 246 134)
Decrease in tax loss available for set off against future taxable income — gross of valuation allowance	**6 051 011**	(8 342 967)
Temporary difference on property, plant and equipment	**(6 838 949)**	(4 222 442)
Temporary difference on accruals and provisions	**1 966 259**	2 785 286
Temporary difference on fair value adjustment on investments	**483 733**	(1 961 234)
Temporary difference movement on biological assets	**(33 679 204)**	(22 982 797)
	(178 987 438)	(146 970 288)

16. Inventories

Figures in Rand	2018	2017
Raw materials	**27 067 390**	5 360 112
Work in progress	**617 540**	1 113 344
Finished goods	**651 439 300**	581 048 109
Agricultural products	**299 485 246**	233 707 996
	978 609 476	821 229 561
Inventories (write-downs)	**(10 803 953)**	(10 540 132)
	967 805 523	810 689 429

Inventory pledged as security

Inventory with a carrying value of R635 213 125 (2017: R675 484 621) have been pledged to secure borrowings granted to the Group as set out in note 24.

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.

17. Trade and other receivables

Figures in Rand	2018	2017
Trade receivables	**842 671 969**	757 845 191
Employee costs in advance	**74 682**	73 672
Prepayments	**4 175 838**	3 550 964
Deposits	**2 041 650**	724 839
Value added tax receivable	**80 698 990**	68 736 009
Other receivable	**28 397 782**	27 836 432
	958 060 911	858 767 107

Trade receivables consist mainly of production accounts and current accounts.

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

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

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.

Trade and other receivables pledged as security

Trade receivables with a carrying value of R619 499 810 (2017: R479 301 865) have been pledged to secure the borrowings as set out in note 24.

Trade and other receivables past due but not impaired

On 31 August 2018 trade and other receivables of R44 130 447 (2017: R44 192 448) were past due but not considered to be impaired. These relate to a number of independent customers for whom there is no recent history in default. The Group held R23 386 388 (2017: R26 113 800) in terms of mortgage bonds, notarial covering bonds, general guarantees and cessions on crops as security for these past due accounts. Credit Guarantee insurance cover is purchased on a portion of the debtors book to compensate for possible non-payment.

The ageing of amounts past due but not impaired is as follows:

Figures in Rand	2018	2017
1 month past due	**22 350 047**	19 096 201
2 months past due	**3 638 321**	9 542 245
3 months past due	**18 142 079**	15 554 002
Total	**44 130 447**	44 192 448

17. Trade and other receivables continued

Trade and other receivables impaired

The impairment objective is to recognise expected losses in respect of trade and other receivables for which there have been significant increases in credit risk. The provision for impairment is based on an individual basis after considering all reasonable facts. The factors that influence management's estimates and judgement include payment default, non compliance with agreements, insolvency, financial problems and poor financial ratios. The provision is based on the exposure and the estimation of the quality and expected realisation of securities held for the specific customer.

As of 31 August 2018, trade and other receivables of R2 568 569 (2017: R1 892 282) were impaired and provided for.

The amount of the provision was R4 806 134 as of 31 August 2018 (2017: R4 377 725)

Reconciliation of provision for impairment of trade and other receivables

Figures in Rand	**2018**	2017
Opening balance	**(4 377 725)**	(5 536 598)
Provision for impairment	**(2 568 569)**	(1 892 282)
Amounts written off as uncollectable	**2 140 160**	3 051 155
	(4 806 134)	(4 377 725)

The creation and release of provision for impaired receivables have been included in operating expenses in profit or loss. The objective of the impairment is to recognise expected credit losses of which there have been significant increase in credit risk since initial recognition on an individual basis. The individual impairment of trade receivables is in respect of debtors who could possibly not settle their debts from current activities.

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.

18. Cash and cash equivalents

Cash and cash equivalents consist of:

Figures in Rand	**2018**	2017
Cash on hand	**1 496 625**	384 965
Bank balances	**160 963 540**	84 547 763
Short-term deposits	**14 315 074**	10 844 807
Deposit call account	**18 476**	16 994 776
Other cash and cash equivalents	**3 372 284**	1 777 403
Bank overdraft	**(4 837 452)**	(394 545)
	175 328 547	114 155 169
Current assets	**180 165 999**	114 549 714
Current liabilities	**(4 837 452)**	(394 545)
	175 328 547	114 155 169

Cash and cash equivalents pledged as collateral

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 R290 000 000 (2017: R290 000 000) and is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee company (Pty) Ltd (RF). TWK Agri (Pty) Ltd and Constantia (Pty) Ltd indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for performing their indemnity obligation to the Security SPV, cessions over debtors month accounts is bonded in security to the Security SPV.

The call account deposit of R16 952 511 in 2017 served as security for a guarantee issued by First National Bank Limited to the contractor Ric Hansen Projects (Pty) Ltd for the new granular bagging facility in Umlaas Road Pietermaritzburg. The project was completed during 2018 and the guarantee was cancelled.

18. Cash and cash equivalents continued

The banking facilities which includes the Term loans of Bedrock Mining Support (Pty) Ltd are secured by cessions of book debt, a special notarial bond over all plant and equipment, a general notarial bond over all moveable assets including inventory, a 1st bond over property, a negative pledge over qualifying assets as well as rights and title to the security shares, a restricted cession over reversionary right claims and a limited guarantee by Platau Investment Holdings (Pty) Ltd. Refer to note 24.

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

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

During the previous year, the Group decided to dispose of its investment in one of its subsidiaries, Maluti Milling (Pty) Ltd. On 31 August 2017 a sale of share transaction was concluded.

Financial performance information of Maluti Milling (Pty) Ltd for the 12 months:

Profit and loss

Figures in Rand	**2018**	2017
Revenue	–	62 219 205
Expenses	–	(71 663 961)
Net profit before tax	–	(9 444 756)
Tax	–	2 513 026
	–	(6 931 730)

Assets and liabilities of Maluti Milling (Pty) Ltd

Carrying amounts of assets and liabilities at date of sale:

Figures in Rand	**2018**	2017
Non-current assets held for sale	–	
Non-current assets	–	13 520 358
Current assets	–	10 996 266
Total assets	–	24 516 624
Assets of disposal groups		
Non-current liabilities	–	(40 874 043)
Current liabilities	–	(2 184 656)
Total liabilities	–	(43 058 699)
Net asset value	–	(18 542 075)
Liabilities of disposal groups		
Realisation with sale	–	1
Non-controlling interest	–	(9 092 072)
Less: Net asset value	–	18 542 075
Profit on sale of subsidiary	–	9 450 004

Non-current assets held for sale

During the previous year the directors made a decision to reclassify certain Land and Buildings as Assets held for sale due to an undesirable return on capital and not being strategic in nature. During the current year, the property has been sold. Refer to note 33. A register containing the information is available for inspection at the registered office of the Group.

Assets held for sale

Figures in Rand	**2018**	2017
Land and buildings	**4 000 000**	10 085 332

Notes to the Group Consolidated Annual Financial Statements
continued

20. Share capital

Authorised

50 000 000 (2017: 50 000 000) No par-value ordinary shares

Figures in Rand	2018	2017
Issued		
12 459 457 (2017: 12 425 114) no par-value ordinary shares	**10 001 816**	10 001 816
Reconciliation of ordinary share movement:		
No par value ordinary shares	**13 550 000**	13 062 070
Shares issued to TWK Group Customer Loyalty Scheme Trust	**–**	487 930
	13 550 000	13 550 000
Less: Treasury shares	**(1 090 543)**	(1 124 886)
	12 459 457	12 425 114
Reconciliation of ordinary share capital:		
No par-value ordinary shares	**27 699 970**	27 699 970
Shares held by subsidiaries	**(17 698 154)**	(17 698 154)
	10 001 816	10 001 816

Certain rights, preferences and restrictions are attached to the shares as described in the TWK Agriculture Holdings (Pty) Ltd Memorandum of Incorporation.

The total issued shares are 13 550 000 (2017: 13 550 000). At year end, TWK Motors (Pty) Ltd, an indirect subsidiary of the Company, held 653 056 (2017: 653 056) shares and the TWK Group Customer Loyalty Scheme Trust held 437 487 (2017: 471 830) shares in TWK Agriculture Holdings (Pty) Ltd.

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

The scheme is treated as an equity-settled scheme. The scheme is valued at the reporting date in terms of IFRS 2 by using the Black-Scholes model.

The total expense recognised for the year amounts to R2 526 119 (2017: R2 420 831). The accumulated equity-settled reserve amounts to R4 316 867 (2017: R3 871 703).

	LTI1	LTI2	LTI3	LTI4
Key assumptions used:				
Discount rate	8,15%	8,34%	8,72%	8,97%
Dividend yield	5,00%	5,00%	5,00%	5,00%
Volatility	72,00%	75,00%	60,00%	50,00%

Share-based payment reserve

Figures in Rand	2018	2017
Opening balance	**3 871 703**	–
Previous periods	**–**	3 191 992
Expense recognised for the period	**2 526 119**	2 420 831
Rights awarded	**(2 080 955)**	(1 741 120)
Equity-settled share-based payment reserve	**4 316 867**	3 871 703

Notes to the Group Consolidated Annual Financial Statements
continued

21. Share-based payments continued

Figures in Rand	LTI1	LTI2	LTI3	LTI4
Outstanding at the beginning of the period	819 000	1 119 200	860 200	–
Granted during the period	–	–	–	775 000
Vesting during the period	(819 000)	(349 750)	(172 040)	–
Outstanding shares at year-end	–	769 450	688 160	775 000
Grant date	1 September 2014	13 October 2015	12 October 2016	2 October 2017
Share price at grant date	R1,00	R4,40	R8,70	R13,00
Exercise price	R1,00	R1,10	R4,11	R8,48
End date of contractual life	15 January 2018	2 January 2020	2 January 2021	2 January 2022

22. 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 4.

Figures in Rand	**2018**	2017
Fair value balance at the beginning of the year	**336 423 638**	325 243 773
Fair value adjustment for the year	**10 584 317**	19 026 873
Attributable to non-controlling interest holders	**(1 997 529)**	(2 931 035)
Transfers directly to equity	**(1 772 808)**	(635 211)
Deferred taxation	**(2 367 916)**	(4 280 762)
	340 869 702	336 423 638

During the prior year Weston Timbers (Pty) Ltd and Piet Retief Trekkers (Pty) Ltd have been deregistered and therefore the revaluation reserve has been transferred directly to equity.

During the current year, the Group disposed of a portion of Erf 1417, Greytown. The revaluation reserve have therefore been transferred directly to equity.

23. Fair value adjustment assets-available-for-sale reserve

The reserves represents fair value changes on available-for-sale financial assets as indicated in note 11 (Investments in Unlisted Shares). The fair value reserve comprises the cumulative net change in the fair value of the available for sale financial assets until the assets are derecognised or impaired.

Figures in Rand	**2018**	2017
Fair value balance at the beginning of the year	**33 975 763**	27 459 797
Fair value adjustment for the year	**1 311 946**	8 178 434
Movement due to non-controlling interest holders	**(426 096)**	169 502
Deferred taxation	**(293 876)**	(1 831 970)
	34 567 737	33 975 763

24. Other financial liabilities

Figures in Rand	**2018**	2017
At fair value through profit/(loss)		
Commodity forward contracts	**–**	1 400 833
The forward purchase contracts represents contracts with producers for the procurement of physical commodities in the future. The forward sale contracts represent contracts with millers and other clients. It is against Group policy to have speculative positions.		
US-dollar forward contracts	**23 422 045**	–
The Group's US dollar forward contracts relate to cash flows that are expected to occur during the period September – December 2018.		
	23 422 045	1 400 833

24. Other financial liabilities continued

Figures in Rand	2018	2017
Held at amortised cost		
Land and Agricultural Bank of South Africa: Revolving loan facility	**397 811 910**	375 315 000
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 4 and 6), cessions over inventory (refer to note 13), standing timber (refer to note 5), 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 a prime-linked rate. The loan is repayable on 31 August 2019 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Standard Bank of South Africa: Revolving loan facility	**397 825 000**	375 315 000
The facility is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee Company (Pty) Ltd RF). TWK indemnify the security SPV against all claims in terms of the SPV Guarantee. As security for TWK performing their indemnity obligations to the Security SPV, mortgage and notarial bonds over plant and equipment and computer software (refer to note 4 and 6), cessions over inventory (refer to note 16), standing timber (refer to note 5), 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 a prime-linked rate. The loan is repayable on 31 August 2019 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
Land and Agricultural Bank of South Africa: Revolving loan facility	**79 998 202**	80 000 000
The facility is secured by a guarantee issued by the Security SPV Guarantor, TWK Guarantee Company (Pty) Ltd (RF). TWK indemnify the security SPV against all claims in terms of the SPV guarantee. As security for TWK performing their indemnity obligation to the security SPV, own plantations (refer to note 5) is bonded in security to the Security SPV. The loan bears interest at a prime-linked rate. The loan is repayable on 31 August 2019 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.		
First National Bank	**23 122 666**	24 500 000
The loan bears interest at a prime linked rate. The loan is repayable in monthly instalments over a remaining period of 108 months.		
Land and Agricultural Bank of South Africa: Revolving loan facility	**48 986 944**	25 550 900
The loan is 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. No interest is payable on the loan.		
Land and Agricultural Bank of South Africa	**93 764 955**	100 000 000
The loan bears interest at a prime-linked rate. The loan is repayable in monthly instalments over a remaining period of 24 months, with a residual value of R80 000 000.		
Standard Bank of South Africa: Term loan	**233 200 000**	250 000 000
The facility is secured by 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 and is repayable in 24 equal monthly capital instalments of R1 400 000 plus interest with a residual amount of R199 600 000.		
Rand Merchant Bank	**116 066 435**	33 348 170
The revolving loan facility is secured by cessions over inventory (refer to note 13) and the loan bears interest at a prime-linked rate.		
Standard Bank Term loan: Bedrock Mining Support (Pty) Ltd	**19 000 000**	29 000 000
The facility is secured by a unrestricted cession of book debt, a special notarial bond over all plant and equipment, a general notarial bond over all moveable assets including inventory, a first bond over property, and a negative pledge over qualifying assets as well as rights and title to the security shares of Bedrock Mining Support (Pty) Ltd. The loan bears interest at a JIBAR-linked rate, and is repayable over a remaining period of 2 years.		
Land and Agriculture Bank of South Africa: Term loan	**243 261 842**	260 000 000
The loan bears interest at a prime linked rate. The loan is repayable in monthly instalments over a remaining period of 36 months with a residual value of R208 000 000,00. 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 11) and fixed property (refer to note 4) is bonded in security to the Security SPV.		

24. Other financial liabilities continued

Figures in Rand	2018	2017
ABSA Bank	**1 733 604**	2 614 514
The mortgage bonds are secured by certain property, plant and equipment, with a carrying amount of R4 000 000 which have been classified as held for sale. The loans will be repaid as soon as the property have been sold.		
Standard Bank Term loan: Bedrock Mining Support (Pty) Ltd	**6 300 000**	–
The facility is secured by a restricted cession of book debt, a restricted cession of reversionary right claims of Bedrock Mining Support (Pty) Ltd and a limited guarantee by Platau Investment Holdings (Pty) Ltd, as well as security shares held in Bedrock Mining Support (Pty) Ltd by Platau Investment Holdings (Pty) Ltd.		
Nedbank Limited Term loan: Gromor (Pty) Ltd	**2 154 719**	–
The facility is secured by plant and machinery, carries interest at a prime-linked rate and is repayable in monthly instalments of R11 428 over a remaining period of 44 months.		
	1 663 226 277	1 555 643 584
	1 686 648 322	1 557 044 417

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

The Land Bank and Standard Bank facilities is further limited to the following loan conditions (covenants):

- 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%;
- Debt service cover ratio with regards to long-term debt principal of greater than or equal to 1,1;
- Security cover ratio of greater than 1 to 1.

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

Figures in Rand	2018	2017
Non-current liabilities		
At amortised cost	**540 018 284**	628 015 248
Current liabilities		
Fair value through profit or loss	**23 422 045**	1 400 833
At amortised cost	**1 123 207 993**	927 628 336
	1 146 630 038	929 029 169
	1 686 648 322	1 557 044 417

The carrying amount of financial liabilities approximates the fair value thereof. The fair value measurement of commodity forward contracts have been categorised as Level 1 in terms of the fair value measurement hierarchy.

25. Finance lease liabilities

Figures in Rand	2018	2017
Minimum lease payments due		
— within one year	**1 415 283**	736 405
— in second to fifth year inclusive	**4 060 913**	1 466 911
	5 476 196	2 203 316
Present value of minimum lease payments	**5 476 196**	2 203 316
Non-current liabilities	**4 060 913**	1 466 911
Current liabilities	**1 415 283**	736 405
	5 476 196	2 203 316

The finance leases bear interest at a prime-linked rate and have total monthly instalments of R219 291 (2017: R 79 044).

Notes to the Group Consolidated Annual Financial Statements
continued

26. Provisions

Reconciliation of provisions

Figures in Rand	Opening balance	Additions	Utilised during the year	Total
2018				
Provisions	**676 453**	**285 871**	**(165 936)**	**796 388**
Share-based payments	**203 858**	**411 835**	**–**	**615 693**
	880 311	**697 706**	**(165 936)**	**1 412 081**
2017				
Provisions	528 885	147 568	–	676 453
Share-based payments	–	203 858	–	203 858
	528 885	351 426	–	880 311

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

2 January 2019	R270 898
2 January 2020	R212 520
2 January 2021	R95 468
2 January 2022	R36 806
	R615 693

27. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

Figures in Rand	Financial liabilities at amortised cost	Fair value through profit or loss — held for trading	Total
2018			
Other loans payable	**20 499 572**	**–**	**20 499 572**
Finance lease liabilities	**5 476 196**	**–**	**5 476 196**
Other financial liabilities	**1 663 226 277**	**23 422 045**	**1 686 648 322**
Trade and other payables	**837 788 284**	**–**	**837 788 284**
Bank overdraft	**4 837 452**	**–**	**4 837 452**
	2 531 827 781	**23 422 045**	**2 555 249 826**
2017			
Other loans payable	20 457 680	–	20 457 680
Finance lease liabilities	2 203 316	–	2 203 316
Other financial liabilities	1 555 643 534	1 400 883	1 557 044 417
Trade and other payables	622 014 724	–	622 014 724
Bank overdraft	394 545	–	394 545
	2 200 713 799	1 400 883	2 202 114 682

Notes to the Group Consolidated Annual Financial Statements
continued

28. Trade and other payables

Figures in Rand	**2018**	2017
Trade payables	**699 089 472**	485 310 589
Amounts received in advance	**15 313 219**	4 706 293
Value added tax	**3 036 491**	1 266 383
Accrued expenses	**86 670 451**	63 293 362
Operating lease payables	**723 585**	797 453
Deposits received	**1 214 139**	1 651 327
Other payables	**50 090 637**	70 961 993
	856 137 994	627 987 400

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.

29. Dividend payable

The dividends already declared and paid to shareholders during the period are as reflected in the Statement of Changes in Equity.

30. Revenue

Figures in Rand	**2018**	2017
Sale of goods	**7 481 992 431**	6 839 941 281
Rendering of services	**48 872 388**	41 205 648
Rental income	**1 969 861**	1 898 971
Interest received (trading)	**70 979 498**	69 994 872
Commissions received	**77 902 613**	70 350 780
Discount allowed	**(5 491 714)**	(6 501 498)
	7 676 225 077	7 016 890 054

The rental income derived from rental to external parties which is based on yearly rental contracts.

31. Cost of sales

Figures in Rand	**2018**	2017
Sale of goods	**6 376 633 277**	5 971 072 426
Rendering of services	**11 240 808**	10 797 902
Discount received	**(15 980 845)**	(22 541 786)
	6 371 893 240	5 959 328 542

Notes to the Group Consolidated Annual Financial Statements
continued

32. Other operating income

Figures in Rand	2018	2017
Administration and management fees received	**2 696 953**	5 354 191
Commissions received	**409 045**	629 715
Rental income	**2 172 579**	1 271 179
Bad debts recovered	**154 007**	402 736
Recoveries	**2 260 928**	12 339 271
Gain on bargain purchase in a business combination	**1 714 709**	–
Insurance claims	**3 809 783**	1 454 503
Other income	**23 684 343**	27 550 990
Rebates received	**7 477 602**	71 367
Railage Income	**1 957 115**	1 676 464
Government grants	**4 822 985**	3 988 229
	51 160 049	54 738 645

33. Other operating gains

Figures in Rand	2018	2017
Gains/(losses) on disposals, scrappings and settlements		
Property, plant and equipment	**5 522 228**	967 514
Foreign exchange gains/(losses)		
Net foreign exchange (losses)/gains	**(43 558 992)**	21 096 935
Fair value gains/(losses)		
Biological assets	**12 185 625**	10 686 236
Investment property	**–**	975 072
Investment in associates	**2 344 404**	–
	14 530 029	11 661 308
Total other operating gains/(losses)	**(23 506 735)**	33 725 757

34. Operating profit

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

Figures in Rand	Notes	2018	2017
Auditor's remuneration — external			
Audit fees		**2 875 269**	2 710 719
Expenses		**299 502**	487 697
		3 174 771	3 198 416
Employee costs			
Salaries, wages, bonuses and other benefits		**459 426 933**	401 460 657
Equity settled share-based payments	21	**2 526 119**	2 420 831
Total employee costs		**461 953 052**	403 881 488
Leases			
Operating lease charges			
Premises		**37 612 244**	39 501 135
Motor vehicles		**6 655 072**	6 247 742
Equipment		**10 117 424**	5 085 247
		54 384 740	50 834 124
Depreciation and amortisation			
Depreciation of property, plant and equipment		**28 404 126**	25 866 502
Amortisation of intangible assets		**910 006**	860 359
Total depreciation and amortisation		**29 314 132**	26 726 861
Impairments and other losses			
Loans written off		**–**	12 888 334

Notes to the Group Consolidated Annual Financial Statements
continued

35. Investment income

Figures in Rand	Notes	2018	2017
Dividend income			
From investments in financial assets classified as available for sale:			
Unlisted investments — Local		**427 811**	915 564
Interest income			
From investments in financial assets:			
Bank and other cash		**1 076 653**	1 254 957
Loans and receivables at amortised cost		**191 995**	–
Other receivables		**736 921**	180 799
Other financial assets		**1 901 815**	1 568 812
From loans to Group and other related parties:			
Associates		**1 398 321**	1 363 228
Total interest income		**5 305 705**	4 367 796
Total investment income		**5 733 516**	5 283 360

36. Finance costs

Figures in Rand	2018	2017
Trade and other payables	**17 749**	16 338
Finance leases	**–**	3 720
Borrowings	**113 393 687**	128 656 962
Total finance costs	**113 411 436**	128 677 020

37. Other non-operating gains

Figures in Rand	Notes	2018	2017
Gains/(losses) on disposals, scrappings or settlements			
Other financial assets		**5 088 522**	611 910
Investments in subsidiaries	19	**–**	12 237 868
		5 088 522	12 849 778
Total other non-operating gains/(losses)		**5 088 522**	12 849 778

38. Taxation

Major components of the tax expense

Figures in Rand	2018	2017
Current		
Local income tax — current period	**27 817 416**	36 554 277
Foreign income tax —current period	**3 145 345**	1 761 553
	30 962 761	38 315 830
Deferred		
Originating and reversing temporary differences	**22 221 144**	11 485 023
Foreign originating and reversing temporary differences	**7 706 848**	12 455 825
	29 927 992	23 940 848
	60 890 753	62 256 678

38. Taxation continued

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

%	2018	2017
Applicable tax rate	**28,00**	28,00
Disallowable charges	**(1,51)**	(1,50)
Dividends received	**(0,26)**	(0,37)
Profit from equity-accounted investments	**(0,28)**	(0,93)
Capital gains tax	**0,73**	3,93
Prior year adjustments	**0,65**	0,90
Security transfer tax	**–**	0,25
Other	**(0,52)**	(0,35)
Swaziland tax rate lower than standard rate	**0,15**	0,25
	26,96	30,18

39. Other comprehensive income

Components of other comprehensive income

Figures in Rand	Gross	Tax	Net before non-controlling interest	Non-controlling interest	Net
2018					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	**532 000**	**–**	**532 000**	**–**	**532 000**
Movements on revaluation					
Gains/(losses) on property revaluation	**10 584 327**	**(2 367 916)**	**8 216 411**	**(1 997 529)**	**6 218 882**
Total items that will not be reclassified to profit/(loss)	**11 116 317**	**(2 367 916)**	**8 748 411**	**(1 997 529)**	**6 750 872**
Items that may be reclassified to profit/(loss)					
Available-for-sale financial assets adjustments					
Gains/(losses) arising during the year	**1 311 946**	**(293 876)**	**1 018 070**	**(426 096)**	**591 974**
	1 311 946	**(293 876)**	**1 018 070**	**(426 096)**	**591 974**
Total	**13 280 455**	**(2 661 792)**	**9 766 481**	**(2 423 625)**	**7 342 856**
2017					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	(4 206 991)	–	(4 206 991)	–	(4 206 991)
Movements on revaluation					
Gains on property revaluation	19 026 873	(4 280 762)	14 746 111	(2 931 035)	11 815 076
Total items that will not be reclassified to profit/(loss)	14 819 882	(4 280 762)	10 539 120	(2 931 035)	7 608 085
Items that may be reclassified to profit/(loss)					
Available-for-sale financial assets adjustments					
Gains arising during the year	8 178 438	(1 831 969)	6 346 469	169 500	6 515 969
Total	22 998 320	(6 112 731)	16 885 589	(2 761 535)	14 124 054

40. Earnings per share

Figures in Rand	2018	2017
Basic earnings per share		
From continuing operations (c per share)	**871,73**	776,52
From discontinued operations (c per share)	**–**	(76,01)
	871,73	700,51
Reconciliation of profit or loss for the year to basic earnings		
Profit for the year	**169 493 095**	144 004 654
Adjusted for:		
Non-controlling interest	**(60 879 951)**	(56 966 030)
Consolidated profit attributable to the owners of the holding company	**108 613 144**	87 038 624
Total number of shares issued at year-end	**12 459 457**	12 425 114
Basic earnings per share (c)	**871,73**	700,51

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 weighted average 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	2018	2017
Diluted earnings per share		
From continuing operations (c per share)	**801,57**	712,05
From discontinued operations (c per share)	**–**	(69,70)
	801,57	642,35

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	2018	2017
Reconciliation of basic earnings to earnings used to determine diluted earnings per share		
Basic earnings	**871,73**	700,51
Adjusted for:		
Shares held by Intergroup Trust to be distributed to customers	**(70,16)**	(58,16)
	801,57	642,35
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	**12 459 457**	12 425 114
Adjusted for:		
Shares held by Intergroup Trust to be distributed to customers	**1 090 543**	1 124 886
	13 550 000	13 550 000

Notes to the Group Consolidated Annual Financial Statements
continued

41. Cash generated from operations

Figures in Rand	2018	2017
Profit before taxation	**230 383 848**	215 706 097
Adjustments for:		
Depreciation and amortisation	**29 314 132**	26 726 859
Gains on disposals, scrappings and settlements of assets and liabilities	**(87 139)**	(967 514)
Income from equity-accounted investments	**(740 690)**	(1 917 051)
Dividend income	**(601 677)**	(915 564)
Interest income	**(2 492 769)**	(1 544 157)
Finance costs	**113 411 436**	128 677 020
Fair value gains	**(15 858 849)**	(10 686 236)
Gain on bargain purchase in a business combination	**–**	(975 072)
Impairment losses	**–**	12 888 334
Profit/(loss) from discontinued operations	**–**	(9 444 765)
Movements in retirement benefit assets and liabilities	**(683 000)**	(732 000)
Movement of provisions	**531 770**	1 205 075
Share-based treasury share payments	**578 559**	2 420 831
Consolidation of inter-group trusts	**–**	2 655 655
Cash flow with sale of subsidiaries	**–**	9 627 502
Changes in working capital:		
Inventories	**(157 379 915)**	(8 711 522)
Trade and other receivables	**(99 722 213)**	(101 913 045)
Forward contracts	**(379 519)**	–
Trade and other payables	**228 150 595**	15 661 190
	324 424 569	277 761 637

42. Tax paid

Figures in Rand	2018	2017
Balance at beginning of the year	**10 618 532**	1 998 005
Current tax for the year recognised in profit or loss	**(30 962 761)**	(28 005 140)
Balance at end of the year	**(18 835 788)**	(10 618 532)
	(39 180 017)	(36 625 667)

43. Dividends paid

Figures in Rand	2018	2017
Balance at beginning of the year	**(6 526 073)**	(1 939 326)
Dividends	**(26 742 611)**	(21 408 064)
Balance at end of the year	**7 133 308**	6 526 073
	(26 135 376)	(16 821 317)

44. Loyalty Scheme payments

The TWK Loyalty Scheme was implemented to incentivise clients to do 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 Group Consolidated Annual Financial Statements
continued

45. 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	2018	2017
Already contracted for but not provided for		
— Property, plant and equipment	**120 269 663**	58 959 979
— Business combinations	**12 000 000**	–
	132 269 663	58 959 979

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	2018	2017
Not yet contracted and authorised by directors		
— Property, plant and equipment	**8 009 500**	83 732 769
— Land and buildings	**142 000 000**	–
	150 009 500	83 732 769

Capital commitments are based on the budget approved by the Board. Major capital projects require further approval before they commence and will be financed by available bank facilities, retained profits, mortgage facilities or existing cash resources

Operating leases — as lessee (expense)

Figures in Rand	2018	2017
Minimum lease payments due		
— within one year	**18 639 679**	16 945 163
— in second to fifth year inclusive	**63 106 651**	57 369 683
	81 746 330	74 314 846

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

46. Contingencies

The company had contingent liabilities at year-end in respect of:

- The board approved the acquisition of 90% of the shareholding of Bedrock Mining Support (Pty) Ltd over a period of 4 years. The main business of Bedrock Mining Support (Pty) Ltd is to supply timber based underground support to South African Miners. At the effective date of the acquisition, 50,004% has been acquired and the balance of the purchase price will be calculated at a price earnings ratio of 4 times the profit after tax of the previous year. During the current year, the Group acquired an additional 5,002% of the issued share capital of Bedrock Mining Support (Pty) Ltd
- TWK Investments Group provided a general surety to Landbank and Standard Bank for the borrowings of TWK Agriculture Holdings (Pty) Ltd. The facility outstanding by TWK Agriculture Holdings (Pty) Ltd at year end amount to R100 000 000.

Notes to the Group Consolidated Annual Financial Statements
continued

47. Related parties

Relationships	
Subsidiaries	Refer to note 7
Associates	Refer to note 8
Members of key management	Executive and Non-executive Directors

Related party balances

Figures in Rand	**2018**	2017
Amounts included in Trade receivable regarding related parties		
Directors	**17 631 342**	2 250 960

Related party transactions

Figures in Rand	**2018**	2017
Interest paid to/(received from) related parties		
Interest received from directors	**(2 835 787)**	(2 494 283)
Interest paid to directors	**–**	189 798
Purchases from/(sales to) related parties		
Purchases from directors	**178 093 681**	59 433 086
Sales to directors	**(2 758 516)**	(7 686 875)

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

	Direct		Indirect		Related trust*	
Figures in Rand	Shares	%	Shares	%	Shares	%
Non-executive						
RL Meyer	138 540	1,02	321 445	2,37	–	0,00
JS Stapelberg	–	0,00	–	0,00	260 145	1,92
TI Ferreira	–	0,00	22 876	0,17	13 018	0,10
HJK Ferreira	–	0,00	–	0,00	–	0,00
CA du Toit	–	0,00	–	0,00	–	0,00
AC Hiestermann	22 000	0,16	143 944	1,06	–	0,00
HW Kusel	51 847	0,38	–	0,00	–	0,00
JCN Wartington	1 000	0,01	27	0,00	–	0,00
Executive						
AS Myburgh	–	0,00	83 819	0,62	–	0,00
JEW Fivaz	–	0,00	–	0,00	–	0,00
Subtotal for Directors	213 387	1,57	572 111	4,22	273 163	2,02
Other shareholders	13 336 613	98,43				
Total	13 550 000	100,00				

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

48. Comparative figures

Certain comparative figures have been reclassified in the prior year as part of a project by management to enhance the information reported in its annual financial statements.

The effects of the reclassification were as follows:

Figures in Rand	2017 Reported	Adjustment	2017 Adjusted
Statement of financial position			
Deferred tax asset	–	73 548 791	73 548 791
Deferred tax liability	(146 970 288)	(73 548 791)	(220 519 079)
Profit or loss			
Revenue	7 009 062 576	7 827 478	7 016 890 054
Other income	65 389 756	(10 651 117)	54 385 065
Finance income	2 459 721	2 823 639	5 283 360

49. Risk management

The Group's activities expose it to a variety of financial risks: market risk (including interest rate, price risk and currency risk), credit risk and liquidity risk.

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. Furthermore, quantitative disclosures are included throughout these consolidated annual financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. 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, to set appropriate risk limits and controls and to monitor risks and adherence to limits. 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 a Risk Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The 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 senior managers and executive members meet regularly and consider cash flow projections for the following 12 months in detail, taking into consideration the impact of market conditions.

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.

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 10, 24 and 25, cash and cash equivalents disclosed in note 19, 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	**2018**	2017
Total equity	**1 290 897 880**	1 122 390 738
Interest-bearing liabilities less cash	**1 537 295 543**	1 465 550 244
Subtotal	**2 828 193 423**	2 587 940 982
Calculated rate (times)	**1,19**	1,31
Calculated rate (%)	**119,09**	130,57
Target band (%)	**150 – 200**	150 – 200

All covenant targets were met at year end and no breaches were identified.

The debt to equity ratio is calculated as the interest-bearing liabilities less cash divided by equity. Total capital is calculated by equity as shown in the statement of financial position plus interest-bearing debt. The interest-bearing liabilities is reduced by cash and cash equivalents.

The company's strategy is to maintain a gearing ratio of between 150% to 200%.

Notes to the Group Consolidated Annual Financial Statements
continued

49. Risk management continued

The Group is required by the loan agreement of the Land Bank and Standard Bank to maintain a debt to equity ratio on a Group level of maximum 250%. The Group complied with the imposed capital requirement.

The TWK Group manages its capital (being the capital and reserves attributable to the Group's equity holders) in terms of a centralised model, where capital utilisation by the divisions or subsidiaries are evaluated by the central treasury division.

New projects are evaluated and approved on an individual basis.

The Board's goal is to maintain a strong capital base so as to maintain confidence to sustain future development of the business and to comply with externally imposed capital requirements. There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The Group's activities expose it to a variety of financial risks: (a) liquidity risk, (b) market risk (including (i) interest rate risk, (ii) currency risk and (iii) price risk) and (c) credit risk.

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. Management is responsible for the Group's risk management in line with principles for overall risk management provided by the board of directors. 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. Written policies cover specific areas such as foreign exchange risk, credit risk and use of derivative financial instruments.

a) Liquidity risk

Liquidity risk is the risk that the Group has insufficient financial resources to meet its obligations as and when they fall due or that such resources will only be available at excessive costs. The risk arises from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund liquid asset positions cannot be obtained for the expected terms when required.

Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. 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.

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 borrowing facilities are maintained;
- 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, 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.

Financial liabilities disclosed in note 24 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 financial liabilities (excluding revolving loan facilities) into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Figures in Rand	Less than 1 year	Between 1 and 2 years
At 31 August 2018		
Borrowings	**24 819 256**	**718 442 586**
Trade and other payables	**856 137 994**	**–**
Finance lease obligations	**1 415 283**	**4 060 913**
At 31 August 2017		
Borrowings	40 800 000	569 200 000
Trade and other payables	627 987 400	–
Finance lease obligations	736 405	1 466 911

49. 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	**2018**	2017
Interest-bearing liabilities	**1 537 295 543**	1 465 550 244
Interest-earning assets	**999 247 497**	905 925 383
Net interest-bearing liabilities	**550 686 313**	559 624 861
Half a percentage point increase in interest rates	**2 690 240**	2 798 124
Half a percentage point decrease in interest rates	**(2 690 240)**	(2 798 124)

(ii) Currency risk

The Group imports and exports products and is exposed to currency risk arising from various currency exposures, mainly the US Dollar. Currency risk arises when imports and exports of products realise at another exchange rate as the one at which the order took place for imports or at which the sale took place for exports. 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 spot rate as at 31 August 2018 amounted to R14,65.

Figures in Rand	**2018**	2017
Total revenue on imports	**924 833 507**	899 100 916
Half a rand increase in the Dollar exchange rate	**32 681 082**	33 434 892
Half a rand decrease in the Dollar exchange rate	**(32 681 082)**	(33 434 892)

The total amounts included in trade and other receivables and trade and other payables as at 31 August are as follows:

Figures in Rand	**2018**	2017
Trade and other receivables	**1 015 993**	1 178 715
Trade and other payables	**76 111 835**	18 045 041

(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.

49. 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 mitigant of credit risk. Seasonal loans are usually secured by a combination of mortgage bonds, notarial bonds over moveable assets and a cession of crops.

Loans and receivables are treated as impaired as soon as there is objective evidence that an impairment loss has been incurred. The criteria used to determine that there is such objective evidence include:

- cash flow difficulties experienced by the customer;
- overdue contractual payments; and
- breach of loan covenants or conditions

The carrying amount of financial assets, less security and credit guarantee, represents the maximum credit exposure.

Notes to the Group Consolidated Annual Financial Statements
continued

50. Directors emoluments

Figures in Rand	Fees/salaries	Short-term incentives	Total
2018		**–**	
CA du Toit	**354 425**	**–**	**354 425**
TI Ferreira	**220 633**	**–**	**220 633**
AC Hiestermann	**235 562**	**–**	**235 562**
HW Kusel	**255 705**	**–**	**255 705**
RL Meyer	**455 042**	**–**	**455 042**
AS Myburgh	**3 927 185**	**2 686 819**	**6 614 004**
JS Stapelberg	**308 547**	**–**	**308 547**
JCN Wartington	**220 633**	**–**	**220 633**
JEW Fivaz	**2 575 818**	**1 860 304**	**4 436 122**
Total	**8 553 550**	**4 547 123**	**13 100 673**
2017			
CA du Toit	330 810	–	330 810
TI Ferreira	204 400	–	204 400
AC Hiestermann	131 610	–	131 610
HW Kusel	237 090	–	237 090
RL Meyer	425 510	–	425 510
AS Myburgh	3 706 496	2 525 502	6 231 998
JS Stapelberg	261 660	–	261 660
JCN Wartington	204 400	–	204 400
HA Ziervogel	116 800	–	116 800
JEW Fivaz	2 395 328	1 690 509	4 085 837
Total	8 014 104	4 216 011	12 230 115

General information

Company

TWK Agriculture Holdings (Pty) Ltd
and its subsidiaries

Country of incorporation and domicile

South Africa

Nature of business and principal activities

TWK focuses on the supply of agricultural and related services, as well as input resources, and on providing market access for agricultural products.

Directors

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

Registered office

11 De Wet Street
Piet Retief
2380

Business address

11 De Wet Street
Piet Retief
2380

Postal address

PO Box 128
Piet Retief
2380

Bankers

The Land and Agricultural Development Bank of South Africa (Land Bank) and Standard Bank of South Africa Limited

Auditors

PKF Pretoria Incorporated

Secretary

MJ Potgieter

Company registration number

1997/003334/07

Income tax number

9475026713

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Prepared by

The financial statements were prepared internally by the Group Financial Manager, Mr M Lyuken CA(SA), under the supervision of the financial director, Mr JEW Fivaz.

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