



TWK Investments Ltd

ADVANCE

MOVING FORWARD
WITH PURPOSE
INTEGRATED REPORT 2022



/ OUR VISION

Achieving sustainable growth together.

/ OUR MISSION

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

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/OUR VALUES

GROWTH

Committed to providing excellence and constantly exceeding previous efforts.

STRIVE

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

RENEW

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

SUSTAIN

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

CONSERVE

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

DEVELOP

Investing time, resources and knowledge in our youth and employees.

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OUR ACHIEVEMENTS

FINANCIAL HIGHLIGHTS

Revenue

R9,96bn

(2021: R8,45bn)

▲ 17,79%

EBITDA

R673,32m

(2021: R527,93m)

▲ 27,54%

Profit after tax

R362,86m

(2021: R256,02m)

▲ 41,73%

Return on
opening equity**18,47%**

(2021: 16,41%)

▲ 2,06%

HEPS

863,04c

(2021: 595,08c)

▲ 45,03%



Operating
profit margin

6,18%

(2021: 6,06%)

▲ 0,12%

Dividend

R1,50

(2021: R1,14)

▲ 31,58%

Share price
(31 Aug)

R51,50

(2021: R35,10)

▲ 46,72%

Price-earnings
ratio on HEPS

5,97

(2021: 5,90)

▲ 1,17%

Gearing ratio

145,9%

(2021: 147,4%)

▼ 1,47%

Cash from operating activities
before movement in working capital

R374,93m

(2021: R269,19m)

▲ 39,28%

Dividend yield on
opening market price

4,27%

(2021: 4,07%)

▲ 0,20%

BUILDING A STRONG FOUNDATION

TWK TIMELINE

2015**R5,3bn**
TURNOVER**R114m**
PROFIT BEFORE TAX**R771m**
NET ASSET VALUE**1 576**
EMPLOYEES**2016****R6,5bn**
TURNOVER**R159m**
PROFIT BEFORE TAX**R873m**
NET ASSET VALUE**1 756**
EMPLOYEES**2019****R7,8bn**
TURNOVER**R279m**
PROFIT BEFORE TAX**R1,4bn**
NET ASSET VALUE**1 914**
EMPLOYEES**2020****R7,7bn**
TURNOVER**R159m**
PROFIT BEFORE TAX**R1,4bn**
NET ASSET VALUE**1 988**
EMPLOYEES

2017

R7bn
TURNOVER

R205m
PROFIT BEFORE TAX

R1bn
NET ASSET VALUE

1 813
EMPLOYEES

2018

R7,7bn
TURNOVER

R216m
PROFIT BEFORE TAX

R1,2bn
NET ASSET VALUE

1 845
EMPLOYEES

2021

R8,4bn
TURNOVER

R386m
PROFIT BEFORE TAX

R1,7bn
NET ASSET VALUE

3 103
EMPLOYEES

2022

R9,9bn
TURNOVER

R497m
PROFIT BEFORE TAX

R2,0bn
NET ASSET VALUE

3 125
EMPLOYEES

HOW WE REPORT

/ABOUT THIS REPORT

SCOPE

This integrated report covers the integrated financial performance, governance, environmental and social activities of the TWK Investments Group ("TWK", "the Group", "TWK Investments" or "the Company") for the year ended 31 August 2022 ("the year").

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

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

MATERIALITY

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

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



ASSURANCE

The group's external auditor, PKF Pretoria Inc., conducted an independent audit of the group's consolidated annual financial statements. Other sections of the report, consisting of non-financial information, have not been subjected to an independent audit or review and have been compiled, based on internal records and information.

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

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

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

The Independent Auditor's Report can be found in the Annual Financial Statements on pages 91.

INTEGRATED REPORT AND OTHER RELATED DOCUMENTS

This Integrated Report for the year ended 31 August 2022 is published in various media and is available on the Group's website. For additional information and recent announcements, please visit TWK's website at www.twkagri.com.

APPROVAL OF THE INTEGRATED REPORT

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

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



Johannes Stephanus Stapelberg
Chairman

2 November 2022



André Myburgh
Managing Director

OVERVIEW OF TWK

TWK **IN 2022**



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OVERVIEW OF TWK

TWK AT A GLANCE

TWK INVESTMENTS LTD (TWK) IS LISTED ON THE CAPE TOWN STOCK EXCHANGE UNDER THE SHARE CODE 4ATWK.

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

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

GRAIN

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

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

RETAIL AND MECHANISATION

Our network of retail stores offers customers a well-priced, comprehensive range of products dedicated to the agricultural sector. 29 retail branches are spread across the Mpumalanga and KwaZulu-Natal regions. Constantia fertiliser is part of our trade division and provides various fertiliser blends to our customers. These products are distributed throughout South Africa by our branch networks and our professional sales representatives.

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

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

RENEWABLE ENERGY

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

- Solar solutions
- Solar products

TIMBER

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

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

FINANCIAL SERVICES

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

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

MOTORS AND TYRES

The TWK Motors division offers a wide range of vehicle related products and services. This diversified division consists of various business units with a number of represented brands. Vehicle dealerships and business units are based in Piet Retief, Ermelo and Standerton.

- 2 Toyota dealerships
- 2 Isuzu dealerships
- 2 Haval and GWM dealerships
- Hino dealership
- 3 Total fuel stations with fast food and convenience stores

OVERVIEW OF TWK

/ ABRIDGED GROUP STRUCTURE

AS AT 31 AUGUST 2022



OVERVIEW OF TWK

/OUR STRATEGY



STAKEHOLDERS

Supplier of choice
Market of choice



STRIVE

Achieve sustainable growth with our customers and communities.



FINANCIAL PERFORMANCE

Investment of choice



GROWTH

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



PROCESS EXCELLENCE

Supplier of choice
Market of choice



RENEW



SUSTAIN



CONSERVE

Based on managing and optimising process excellence and organisational effectiveness.



PEOPLE AND TRANSFORMATION

Employer of choice



DEVELOP

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

KEY VALUE DRIVERS



GROWTH



STRIVE



RENEW



SUSTAIN



CONSERVE



DEVELOP

PILLAR 1

Focus on customers

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

PILLAR 2

Optimise value chains

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

PILLAR 3

Improve operational efficiencies

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

PILLAR 4

Optimise capital management

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

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

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

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

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

A vibrant ecosystem of partners, suppliers and people with the right competencies, mindset and resources, available in the right place at the right time.

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

OVERVIEW OF TWK

/CHAIRMAN'S REPORT



A handwritten signature in black ink, appearing to read 'J. Stapelberg', is positioned to the right of the portrait.

Johannes Stephanus Stapelberg
Chairman

2013

Chairman
RL Meyer

2014

Chairman
RL Meyer

2015

Chairman
RL Meyer

2016

Chairman
RL Meyer

2017

Chairman
RL Meyer

I am pleased to report that TWK not only delivered a strong financial and operational performance in 2022 but also, once again, delivered a healthy growth in profitability in a year affected by the Ukraine crisis, load shedding and economic pressures. TWK also made good progress with regards to our strategic priorities. The strategic and performance progress would not have been possible without the strong cooperative culture of our people as well as the diversified business model of the Group.

While the direct effect of the Ukraine crisis was less significant on TWK than expected, market share gains, business additions, increased timber exports and price inflation contributed to positive revenue growth of 17,79% for the Group. Although the total tonnage fertilizer sold was more pronounced than general retail revenue due to the Ukraine crisis, the retail segment revenue grew by 27,76%. Fuel sales has still not recovered as the impact of higher fuel prices leads to market resistance. The Timber segment experienced an increase of 88.54% in export volumes given the strong wood chip demand from international customers as well as expanding TWK Timber's international offset market as a direct result of the Russian invasion. The Grain segment also delivered good growth. This resulted in overall growth of 45,03% in headline earnings per share.

In a particularly difficult economic landscape and everchanging environment we have aligned our thinking process to respond quickly and proactively to protect and enhance our operations and ensure sustainability. Our consistent approach to invest in profit enhancing and or value adding operations, improved operational efficiency and our high-quality assets is the reason we enjoy significant opportunities to grow value for all our stakeholders. In the same way as our long-term strategy has prepared us well for these growth opportunities, the competitive advantages enjoyed by our business have helped us to navigate the challenges of the past year.

The past financial year saw the first full year of the inclusion of the assets of Peak Timbers and the completion of the integration. The results thereof can be seen in the financial and operational performance of the Timber segment. The Group will enjoy the benefits of the increased volume of timber supply brought about by the increased demand for fibre.

TWK has delivered strongly against a backdrop of significant cost inflation, tight supply chains and the ongoing operational complexities, with underlying EBITDA of R673,3 million, up 27,54% on 2021. This industry leading performance builds on our strong track record of delivering value growth sustainably. The Board is confident in the value of the quality income streams, the strength of the financial positions as well as the liquidity of the company. Given our confidence in both the near and long-term positioning of the business, the Board has recommended a final 2022 dividend of R1,50 per share. This is an 31,58% increase on the 2021 total dividend. 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.

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

Except for the 2020 financial year, impacted by the pandemic and tough economic conditions, the TWK Group achieved year on year growth. The best on record results of 2022, ethical leadership, and a drive to create sustainable shared value, support my view. During the last couple of years, we began to unlock real value for our shareholders and create a distinctive and active company poised for future growth. TWK has invested in strategic growth opportunities, and we have also made acquisitions that complement our existing businesses, and diversify in quality revenue streams, all while staying focused on the needs of our producers.

Operating profit of R614,8 million, increased by 20,05% and profit before tax is up with 28,62%. The debt-to-equity ratio decreased to 145,9% (2021: 147,4%) despite the increased working capital requirement as a direct result of the growth of the business.

Our focus on working capital and liquidity management has resulted in strong cash generation from operations at R381,1 million.

The net asset value per share increased by 13,36% and stood on R52,55 per share on 31 August 2022. TWK Agriculture Holdings (Pty) Ltd's share price increased further in the past year and stood at 53,50 per share as of 31 August 2022 and TWK Investments Ltd at R51,50 per share. Although there is still a lot of value locked up in the shares, excellent growth has been experienced, and thus shareholders shared significantly in our success.

We are proud of our 2022 performance and the TWK Group have set very ambitious and specific targets for the next five years. The strong financial position, performances of recent years and the quality of the underlying income streams give the Board and Management the resources and confidence to pursue a range of investments primarily aimed at increasing scale which will enable us to reach our targets. The objective has been to not only improve financial performance over the short term but also to prepare the various divisions for sustainable future growth, with a clear picture of what we are aiming for and to place the focus and attention on achieving goals.

2018	2019	2020	2021	2022
Chairman RL Meyer	Chairman RL Meyer	Chairman JS Stapelberg	Chairman JS Stapelberg	Chairman JS Stapelberg



CHAIRMAN'S REPORT CONTINUED

CORPORATE GOVERNANCE

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

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

Through the Group's governance structures, the Board and the Executive drive policies that mitigate our legal and operational risk and ensure we have the necessary policies and programmes in place to address corruption and establish an ethical culture, because the success of an organisation is dependent on its culture and the people and talent within it.

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

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

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

OUTLOOK FOR THE YEAR AHEAD

To a certain extent, uncertainty and unique challenges is a real reality for every business and more so in the current circumstances in which we find ourselves. The key to our success is a unique business model, quality of income streams, rapid response to a rapidly changing environment, overcome challenges with opportunities and business practices based on ethical principles. The TWK business model provides a strong basis from where growth and value creation can be delivered. We continuously evaluate new business opportunities and are confident that TWK will deliver attractive results to our shareholders going forward.

Looking ahead we are anticipating a further improvement in the operating environment for our business units because of increased market penetration, increased business operations, increase in volumes and the sale of non-core and loss-making operations. There is especially an increase in the demand for our timber products. Furthermore, we will continue to focus on productivity, cost management and investments in the timber industry to increase our value adding proposition.

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 acquisitions and organic growth, with a focus on the agricultural value-chain and fibre supply.

The agricultural conditions in the areas in which we operate are mostly positive and the outlook remains encouraging. The agricultural sector forms a critical part in stimulating economic growth in the country, which should lead to much needed infrastructure improvements.

Given opportunities in the market and in line with our strategic objectives, we will accelerate our growth in value-added activities and assets to ensure sustainability. The Group's financial position continues to provide us with a certain level of flexibility to invest in new opportunities, particularly through disciplined capital allocation that strengthens our asset base. The rising interest rate environment will force TWK to re-evaluate its funding model in terms of the appropriate allocation of capital with optimal balance sheet management. TWK Agriculture Holdings owns approximately 66% of the shares in TWK Investments Ltd. This impacts the free float of the TWK Investments share trading, and liquidity levels remain low. The successful listing of TWK Investments on The Cape Town Stock exchange as well as the secondary listing on A2X, coupled with the TWK Holdings share's significant discount to NAV provides value unlocking opportunities to shareholders and opportunities for growth.

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

ACKNOWLEDGEMENTS

The dedication it takes to maintain focused in challenging conditions and report a record set of results testifies to an unwavering desire to win, combined with an energetic and focused management team and the people of TWK. In addition, I want to acknowledge the support and wisdom of the Board. It is my privilege to serve as Chairman of a great Board that carries out its task with meticulous precision – for that, my sincere thanks.

On behalf of the board, I would like to express our appreciation to our stakeholders. Our employees, shareholders, partners, loyal customers and suppliers – everything we do as TWK is to continue to create value for you and to serve you as best as we possibly can. We cannot thank you enough for your continued and valued support.

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

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



Johannes Stephanus Stapelberg
Chairman



OVERVIEW OF TWK

/MANAGING DIRECTOR'S REPORT



A handwritten signature in black ink.

André Myburgh
Managing Director

2007	2008	2009	2010	2011	2012	2013	2014
Managing Director PJ Du Plooy	Managing Director PJ Du Plooy	Managing Director PJ Du Plooy	Managing Director PJ Du Plooy	Managing Director PJ Du Plooy	Managing Director AS Myburgh	Managing Director AS Myburgh	Managing Director AS Myburgh



The war in Ukraine caused an enormous shock to the global economy, driving inflation even higher, and had a worldwide effect on commodity prices. Softwood lumber accounted for almost half of the export value for Belarus, Russia, and Ukraine in 2021. The disruption in trade has significantly impacted global markets because the three countries accounted for nearly 25% of worldwide lumber shipments last year.

Amidst this volatility and challenging business environment, the TWK Group achieved an exceptional operating performance. Demonstrating its resilience and benefit of having different income streams to be able to deliver a record set of financial results.

The financial year has started with much improved market conditions and is it very pleasing to see the strong contribution from all our business units, driven by generally higher selling prices, good cost control and a full year's contribution and synergies from the acquisitions made in the previous financial year. Our financial performance also benefited from higher international fibre prices and a weaker rand.

Most of the primary producers and farmers have experienced a very good financial year which resulted from huge harvests with higher prices, particularly in the grains and oilseeds industries that boosted farmers' incomes in those industries. Timber prices only started to increase in the last quarter of the financial year for timber farmers.

Logistical challenges continued due to infrastructure problems like the deterioration of road, rail, and harbour infrastructure that impact the business environment. The corruption and mismanagement at government level also have a direct effect on increased logistical and shipping costs for business.

THE TWK GROUP STRATEGY

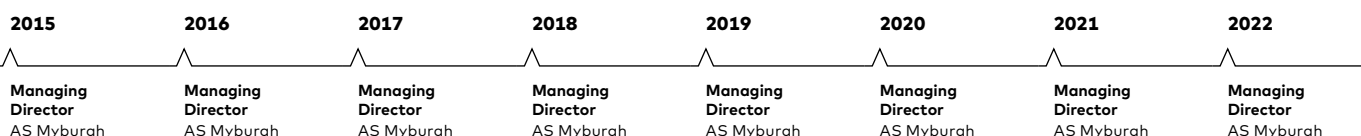
Acquisition-led growth remains a key component of our strategy, and we will continue to evaluate opportunities as they arise, we currently also see great opportunity for growth through value adding process and capital investments in our existing operations. Given the potential we have identified, we are investing to keep growing and to expand our reach and impact. Any growth opportunities will be executed through a disciplined capital allocation process to optimise risk-weighted returns.

It is therefore crucial for us to identify and understand our key sustainability markers within this global context. We have identified our key sustainability markers and licence to trade as:

- Guided by our strategy, we measure our progress holistically against our mission, we strive to be a trusted and sustainable organisation with an exciting future in Woodfibre and Agri products & services.

We also believe it has now become essential that we do business with the goal of having a positive impact in the world around us. Making a difference in South Africa and investing for the future.

By acting with integrity, we can balance our passion for performance and our commitment to achieving long-term shareholder value with the diverse needs of all our stakeholders.



MANAGING DIRECTOR'S REPORT

TIMBER SEGMENT



THE TIMBER DIVISION REPORTED REVENUE OF R2,19 BILLION, AN INCREASE OF 16,65% FROM THE R1,88 BILLION DELIVERED IN THE PRIOR YEAR ENDED AUGUST 2021.

This is primarily due to the improved sales performance in wood chip exports, lumber and treated pole products as well as timber sales. Sales to the mining sector were, however, significantly down on the prior year as a result of a three-month strike at one of BedRock's large gold mining customers. BedRock, a wholly owned subsidiary of TWK Agri (Pty) Ltd, supplies mining timber support products to the gold and platinum mining industries.

Total sales volumes improved substantially, increasing by 61,77% to 1 459 106 tonnes (August 2021: 901 985 tonnes) given the strong wood chip demand from international customers as well as expanding TWK Timber's international offset market.

TWK owns and operates a world-class woodchip production and export facility in Richards Bay, with the capability of producing and exporting 900 000 tonnes of woodchips per annum. During the year under review, 634 664 tonnes were exported from TWK's facility compared to 336 612 tonnes in the prior year, representing an 88,54% increase in export sales. The improvement was mainly the result of strong demand from pulp manufacturers in China, Japan and from new European customers, given the Russia/Ukraine crisis, as well as exports to new markets such as Indonesia, Spain and Portugal, with the latter two countries experiencing shortages on the back of the devastating fires at the start of their summer season. The inclusion of Peak Timbers' results, included for a full year, as well as those of Sunshine Seedlings Service (Pty) Ltd ("SSS"), also contributed to the strong performance.

International pulp is currently trading at record high prices, which is expected to continue for several months into 2023 as the demand for pulp and pulp-related products, including packaging, remains robust. The high prices are supported by the worldwide shortage of ships and containers as global logistics remain in flux. Logistic costs increased by well over 30% given high fuel prices and the shortages mentioned.

TWK's SSS shareholding, as at 31 August 2022, was 61%, with the remaining 39% of the shares to be purchased by TWK over the next three years.

Peak Plantations modernised its operations during the year, increasing production efficiencies by replacing harvesting and transport equipment with new equipment, and increasing sales volumes. Production capacity at Peak Plantations' operations are at planned levels. The Rocklands Sawmill, which forms part of Peak Plantations, is still in the process of being upgraded to a "wet off saw" mill and will be commissioned in October 2022. This will further enhance and increase revenue streams for the business unit in eSwatini.

EBITDA increased by 18,67% from R275,83 million (August 2021) to R327,33 million, with the EBITDA margin increasing from 14,67% (August 2021) to 14,93%.

The outlook for the 2023 financial year for this division remains very positive and it is expected that there will be an improvement on 2022's full year results. Overall strong demand for wood chips is expected to continue into the near future and will more than offset the high fuel prices in South Africa. As our timber resources are not located close to the end markets, high transport costs do, however, place margin pressure on our business. TWK Timber's key focus is to continue exploring innovative and value-added products to ensure sustainable growth for this division.

2016

TWK's first investment in BedRock Mining Support (Pty) Ltd.

2020

TWK's first investment in Sunshine Seedlings Services (Pty) Ltd.

2021

TWK's acquisition of Peak Timbers assets.



MANAGING DIRECTOR'S REPORT

RETAIL AND MECHANISATION SEGMENT



AT THE END OF AUGUST 2022, TWK'S RETAIL OUTLETS TOTALLED 29 (AUGUST 2021: 29), WITH FIVE FERTILISER DEPOTS SITUATED IN KWAZULU-NATAL, MPUMALANGA, NORTH WEST, EASTERN CAPE AND ESWATINI. TWK ALSO OWNS FIVE FERTILISER BLENDING FACILITIES LOCATED IN MPUMALANGA, KWAZULU-NATAL AND THE WESTERN CAPE. IN ADDITION, THE GROUP OWNS ONE ORGANIC FERTILISER PRODUCTION FACILITY IN KWAZULU-NATAL.

Revenue increased by 27,76% from R3,96 billion (August 2021) to R5,07 billion, with this segment reporting another record set of results owing to the excellent agricultural trading conditions. The main reasons for the solid revenue growth were the sharp increase in fertiliser product prices, which has more than offset the reduction in fertiliser sales volumes, and the increase in retail and mechanisation sales. The latter sales growth was driven by a noticeable increase of TWK's commercial farmers market share, especially in KwaZulu-Natal, as well as an increase in the emerging farmers market, albeit off a low base. Strong growth in mechanisation unit sales, as indicated below, also contributed to the sales growth reported.

The fertiliser business, Constantia Fertilisers, continued to build on the robust performance it delivered in the first six months of this financial year, reporting strong growth for the full year. Since September 2021, there have been a number of sharp increases in fertiliser prices, with prices only softening towards the end of Q1 2022. Since the beginning of Q2 2022 until the date of this report, the fertiliser market experienced severe price volatility in different imported raw materials like nitrogen, phosphates and potassium. Current prices, on average, are still 60% higher than at the end of August 2021. Soaring fertiliser prices were driven by a combination of factors, including surging production costs, supply disruptions caused by sanctions as result of the war in Ukraine, and export restrictions out of China as a result of Covid lockdowns.

Despite the 26,2% decrease in fertiliser sales from 283,362 tonnes (August 2021) to 208,955 tonnes (August 2022), strong margins were maintained throughout the financial year. The strong margins were achieved as a result of strategically purchased raw materials. The decrease in volumes were mainly due to farmers showing resistance to the high fertiliser prices, particularly those fertilisers containing potassium. They therefore either lowered application rates on the same type of crops as planted previously or switched to crops that require lower fertiliser application rates. In the case of the former option, this is unlikely to be a sustainable practice in the long term, and farmers are expected to return to normal application rates.

Mechanisation sales, through the New Holland agencies, increased significantly in KwaZulu-Natal and Mpumalanga as a result of record crops and crop prices reported in these regions. Mechanisation units — including tractors, construction vehicles and agricultural capital equipment — sold during the year under review increased by 37% to 210 units (August 2021: 153 units).

EBITDA increased by 51,61% to R230,10 million from R151,77 million (August 2021), with the EBITDA margin increasing to 4,54% from 3,83% (August 2021).

Retail and mechanisation trading conditions are expected to remain positive for the next six months as negative cost pressures are likely to be offset by high grain prices. The availability of imported agricultural equipment remains constrained as a result of global logistics challenges. The 2023 outlook for Constantia Fertilisers is that prices of both imported and locally manufactured fertilisers will reduce towards the beginning of Q4 2022 but are not expected to reach the lower prices seen during the middle of 2021. It is expected that farmers will increase their fertiliser application rates for the new planting season due to lower fertiliser prices and favourable grain prices.

2013

Start operations at Secunda fertiliser plant.

2014

Start operations at Wellington fertiliser plant.

MANAGING DIRECTOR'S REPORT

/ GRAIN SEGMENT





AS A RESULT OF LOWER GRAIN STORAGE IN THE SILO FACILITIES AND ANIMAL FEED SALES VOLUMES, THE GRAIN SEGMENT'S REVENUE FOR THE YEAR ENDED 31 AUGUST 2022 DECREASED MARGINALLY BY 0,46% FROM R1,75 BILLION (AUGUST 2021) TO R1,74 BILLION.

The decrease in volumes was offset by increased selling prices realised during the reporting period. Selling price increases were driven by higher average grain prices as well as recovering other variable cost hikes such as fuel and energy. EBITDA increased by 7,88% from R46,92 million (August 2021) to R50,62 million, with the EBITDA margin up to 2,9% (August 2021: 2,68%).

The Grain Storage business received less grain than in 2021, reporting a 17% decrease in tonnes stored overall. This was primarily due to crop yields being lower than those achieved in the 2020/2021 season as crops were impacted by excessively high rain fall in certain parts of the country during the growing season. This business was further affected by the robust export demand on the back of the Russia/Ukraine crisis, with farmers bypassing storage facilities (silos), and delivering their grain directly to the Durban Port for exports.

The floods in KwaZulu-Natal impacted rail infrastructure, placing pressure on the road transport sector, which in turn led to truck shortages and increasing logistics costs. This situation, exacerbated by high fuel prices, placed margin pressure on the Grain Marketing business.

The South African Grain Mill business, supplying white maize meal to food retailers, saw a shift towards smaller packaged products as consumer spend is being negatively impacted by growing inflationary pressures and increased interest rates.

Although high maize and soya prices negatively influenced the performance of the grain mill and animal feed operations, the outbreak of Foot-and-Mouth disease in cattle in April 2022 had a severe impact on the supply of animal feed to feed lots. However, this resulted in higher "chop" prices being achieved, which benefited TWK industries.

Arrow Feeds, based in eSwatini, reported a decrease of 10% in volumes, resulting in a decrease of 1% in revenue, a direct result of the average higher grain prices.

Agricultural commodity prices are the result of complex interactions between several macroeconomic factors including Brent crude oil prices, crop sizes, exchange rates, the growing demand for food, and agricultural productivity. The Russian/Ukraine crisis and higher agricultural input costs, including those of fertiliser and fuel, continue to keep grain prices, on average, higher. A global shortage of grain is already being evidenced as Ukraine, a large exporter, was unable to fully plant summer hectares.

The high rainfall at the beginning of the year bodes well for the 2022/2023 planting season. The Grain Storage and Grain Marketing businesses are likely to benefit from more people turning to maize meal as discretionary consumer spending pressure increases on the back of deteriorating macroeconomic conditions.



MANAGING DIRECTOR'S REPORT

FINANCIAL SERVICES SEGMENT

**2018**

Recognised short-term portfolio growth with acquisitions and establishment a footprint in Trichardt. Medical aid division established.

2019

Acquisition of a short-term portfolio in White Rivier and extending our national footprint.

2020

Acquisition of 2 short-term portfolios and expanding our footprint to Marble Hall.

REVENUE INCREASED BY 21,03% FROM R182,06 MILLION IN AUGUST 2021 TO R220,33 MILLION, WITH EBITDA INCREASING BY 1,52% TO R89,46 MILLION FROM R88,12 MILLION (AUGUST 2021).

The Insurance Division reported an 8,73% growth in short-term insurance premium income for the period under review which resulted in growth in commission income of 11,02%. The short-term section of the Insurance Division focused on extending and increasing its mandates thus increasing profitability and resulting in a better customer experience when submitting claims. Two short-term portfolios were acquired with annual commission income of R3,3 million.

The total crop insurance premium increased by 4,87% which translated to a 2,6% increase in commission received. Even though the total hectares insured decreased by 3,23%, it was offset by an increase of 21,65% in total tree area insured. The total clients insured increased from 723 (August 2021) to 790 (August 2022).

The Medical Insurance Portfolio continued to show remarkable growth. Commission revenue on the Medical Insurance Portfolio grew by 41,75% as a result of an increase of 16,20% in members from 4,423 members as at 31 August 2021 to 5,140 members as at 31 August 2022.

The well-established Life Insurance business managed to grow its commission income by 44,07% for the year ended August 2022. Three investment portfolios were acquired within the current financial year, with a total portfolio value of R686 million, which contributed to the growth in commission income.

TWK Financial Services, in partnership with FutureGen, the Insurance Division of EUM (Pty) Ltd, acquired a funeral underwriting company. This business is one of only four funeral administration licensed Funeral Service Providers in the country. This acquisition added 101,165 clients to our data base.

On 31 August 2022, the **Credit Division** reported nett interest growth of 21,6%. The Production Credit Book grew strongly by 48,8% and peaked at R808,6 million during the 2021/2022 financial year (peak during the 2020/2021 financial year: R543,8 million). The Production Credit Book as at 31 August 2022 was R391 million (2021: R318 million). Production accounts handed over due to non-performing debt amounted to 0,57% (R4,6 million) of the total production book of which R2,5 million has already been collected subsequent to year end. Bad debts written off increased from 0,75% to 0,99% of the total TWK debtors' portfolio. This was a result of historical debt which was deemed irrecoverable.

Despite the significant increase in the Production Credit Book, bridging facilities declined by 0,51% compared to the previous year due to aggressive marketing strategies combined with the opportunities presented due to the Landbank cash flow challenges. Furthermore, great emphasis was placed on the quality of the credit book, supported by sound securities.

The Credit division is an important and integrated part of the TWK business model. Credit extended to clients can only be utilised to purchase products from the TWK Group.

2021

Acquisition of 5 portfolios (short-term and investments) extending our service network to Lydenburg, Vanderbijlpark and Pretoria.

2022

60% shareholding in Executive Underwriting Managers, (Funeral Insurance administrator); created an independently owned cell captive for TWK plantations; and a 48,8% growth on the Production credit book.

MANAGING DIRECTOR'S REPORT

/ MOTORS AND TYRES SEGMENT



THE MOTORS AND TYRES SEGMENT REPORTED AN INCREASE IN REVENUE OF 7,66% TO R711,51 MILLION (AUGUST 2021: R660,88 MILLION). DESPITE VEHICLE STOCK SHORTAGES AS A RESULT OF THE ONGOING WORLDWIDE SEMI-CONDUCTOR CRISIS, INCREASED VEHICLE SALES AND IMPROVED PROFIT MARGINS WERE REPORTED ACROSS THE DEALERSHIPS BUSINESS.

During the year under review, the Motors division reported a 26,29% increase in the overall number of vehicles sold, notwithstanding the ongoing shortage of new vehicles and used vehicles as well as the Amanzimtoti vehicle manufacturing plant being closed due to flood damage. The TWK Dealerships outperformed the average NAAMSA statistics as reported for the year ended August 2022, delivering an increase in new vehicle sales of 22,7%. A decrease of 3,1% in used vehicle sales was recorded. The Haval dealership continued to perform exceptionally well.

The segment reported lower fuel sales primarily due to record high fuel prices and the floods in KwaZulu-Natal that hampered the delivery of fuel. Petrol and diesel sales volumes decreased by 14,6% from 15,654,436 litres (August 2021) to 13,363,592 litres. TWK's decision to sell its fossil fuel business resulted in the disposal of its two Total filling stations situated in Carolina and Elukwatini, respectively.

Effective 31 August 2022, Protea Tyres was sold to the incumbent management team. The assets and liabilities attributable to these businesses, including the Wesselton Shopping Centre, which was sold in May 2022, have been classified as discontinued operations for the year ended August 2022. The Roofspace Rental Group, previously reported as the Renewable Energy segment, has also been classified as assets-held-for-sale. For comparative purposes and to provide a normalised view of the business going forward, only the results of the continued operations are reported on.

As a result of the sale of the various businesses within this segment, EBITDA decreased by 30,11% from R42,62 million (August 2021) to R29,79 million, with the EBITDA margin weakening from 6,45% (August 2021) to 4,19%.

Trading conditions are expected to remain challenging given the high fuel prices and higher interest rates. The motor industry will continue to be negatively impacted by the ongoing Russian/Ukraine crisis, with many vehicle manufacturers pausing production in factories across Europe as a result of parts shortages. Demand for services and parts will also remain under pressure as consumers delay the servicing of their vehicles and given the global parts shortages.



MANAGING DIRECTOR'S REPORT CONTINUED

THE NEW FINANCIAL YEAR

Economic growth in the world is expected to remain well below historical averages in the new financial year but we have identified the key trends relevant to our business across the macro environment and despite the risks and uncertainties of recent times, we believe these key trends are broadly favourable for our business and that the macroeconomic uncertainties related to geopolitical volatility within Europe. Persistently high global inflation may dampen consumer sentiment and discretionary spend in the short term, but we expect the favourable price levels and strong demand for our products to continue in the new financial year.

The supply and demand balance supported by supply-side constraint, continues. TWK is well-positioned to leverage key global industry trends in Timber supply-side. Geographically we are ideally placed for opportunities in Europe. Recent exchange rate movements provide although a clearly positive bias when considered for the Group as a whole.

The outlook for the business remains positive underpinned by the Group's diversified business model and culture of continuous improvement, we remain confident of continuing to deliver an industry-leading performance. Furthermore, the recently completed acquisitions, investments and disposals of non-performing assets should contribute meaningfully to our performance going forward. As such, we are confident of making further progress in the year ahead.

In the year ahead we will also explore ways to further improve the structure of the group and unlock value for shareholders. We are and will stay committed to delivering value to all our stakeholders.

The new year is starting favourable for our customers with good soil moisture levels and good commodity prices. The overall agriculture outlook is stable to positive. The danger for the new year lies in the rising inflation and interest rates. The much higher input costs will put additional financial pressure on producers with lower profitability than the last 2 years. The biggest risk is that commodity prices came down before harvesting. Debt levels should be managed very carefully. Most Agri-subsectors expect high volumes, but farm profitability will be under pressure due to high input cost.

For the livestock industry, the higher feed costs come at a time when the industry also faces the effects of foot-and-mouth disease, which has led to a ban on the movement of cattle domestically and exports to various markets, putting additional financial pressure on the industry.

The TWK diversify and integrated operating model provides agility and flexibility to manage the volatile agricultural environment which is characterised by many risks and potential disruptions.

We remain committed to allocating capital for growth, creating a greener future and always remember that we are here to create value for all our stakeholders. We aim to increase this value over the coming years on the back of the fast-growing businesses we are building.

We have passion and big ambitions and are clear on what we need to do to achieve them.



ACKNOWLEDGEMENTS

Our success is driven by our people. The strength and depth of our leadership team and the quality of our employees across the TWK Group play a fundamental role in our success. Their talent, knowledge, integrity, commitment and passion for performance shines through at all levels of the organisation. With people like this in our business, I have to be very optimistic about our future. On behalf of the executive team, I sincerely thank all our people for contributing to the success we have enjoyed in 2022.

We acknowledge the ongoing contribution of the Board, in the role they continue to play as we all work together to ensure a sustained and successful future for the Group and our stakeholders. I also want to acknowledge and thank Mr GB Prinsloo who resigned, during the year, from the Board for his contribution to the TWK Group.

Our successful year would not have been possible without the blessings of our Heavenly Father. All the glory belongs to Him. God bless.



André Myburgh
Managing Director

SUSTAINABLE GROWTH

/ESG REPORT





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GOVERNANCE

/ BOARD OF DIRECTORS



AS Myburgh (51)
BCom (Law)

Managing Director

Joined TWK Group: 2009
Appointed in current position:
01.06.2012



JEW Fivaz (45)
B.Agric, B.Compt, MBA

Financial Director

Joined TWK Group: 2011
Appointed in current position:
30.03.2017



JS Stapelberg (60)
B.Eng Agricultural Engineering



Chairman

Board member of TWK Group
entities since: 1997
Appointed Board member of TWK
Investments since: 14.08.2013



TI Ferreira (46)
Diploma in Agriculture



Vice Chairman

Board member of TWK Group entities since: 2016
Appointed Board member of TWK Investments since:
11.02.2016



CA du Toit (69)
BCom, MBA



Lead Independent Non-executive Director

Board member of TWK Group entities since: 2012
Appointed Board member of TWK Investments since:
14.08.2013

KEY

- Audit and Risk Committee ■ Social and Ethics Committee
- Remuneration Committee ■ Nomination Committee
- ▲ Committee Chairman



HJK Ferreira (67)
BCompt (Hons), CA(SA)



Independent Non-executive Director
Board member of TWK Group entities since: 2017
Appointed Board member of TWK Investments
since: 28.06.2017



HG Hiestermann (43)
Matric



Non-executive Director
Board member of TWK Group entities since: 2020
Appointed Board member of TWK Investments since:
05.03.2020



HW Küsel (61)
B.LLB



Non-executive Director
Board member of TWK Group entities since: 2012
Appointed Board member of TWK Investments since:
14.08.2013



WJ Steenkamp (51)
CA(SA), ACMA (UK)



Non-executive Director
Appointed Board member of TWK Investments since:
01.08.2022



JCN Wartington (62)
Diploma In Agriculture (Plant Production),
Diploma in Farming Implements Technology



Non-executive Director
Board member of TWK Group entities since: 2002
Appointed Board member of TWK Investments since:
14.08.2013

GOVERNANCE

**/EXECUTIVE
MANAGEMENT****FJ Brauckmann (58)****Chief Executive Manager: Timber**

Joined TWK Group: 2008

Appointed to current position: 01.01.2012

**LC Coetzer (64)****Managing Director: Constantia Kunsmis**

Joined TWK Group: 2010

Appointed to current position: 01.09.2021

**JG van Niekerk (41)****Executive Manager: Trade**

Joined TWK Group: 2016

Appointed to current position: 01.09.2021

**DP van Rensburg (37)****Executive Manager: Corporate Services**

Joined TWK Group: 2014

Appointed to current position: 01.01.2020

**GS Grobler (46)****Chief Executive Manager: Financial Services**

Joined TWK Group: 2002

Appointed to current position: 10.10.2008



MJ Potgieter (43)
Chief Risk Officer/Group Company Secretary
Joined TWK Group: 2004
Appointed to current position: 27.08.2015



JFC Byleveldt (50)
Managing Director: TWK Motors
Joined TWK Group: 2008
Appointed to current position: 06.10.2008



WJ van Zyl (38)
**Managing Director: BedRock and
Executive Manager: Manufactured Timber Products**
Joined TWK Group: 2012
Appointed to current position: 01.01.2020



B de Klerk (63)
Executive Manager: Grain
Joined TWK Group: 2014
Appointed to current position: 17.03.2014

GOVERNANCE

/THE FUNCTION AND RESPONSIBILITIES OF THE BOARD

COMMITMENT TO CORPORATE GOVERNANCE

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

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

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

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

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

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

THE BOARD

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

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

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

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

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

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

BOARD MEETING ATTENDANCE

Director	6 Oct 2021	25 Nov 2021	18 Jan 2022	17 Feb 2022	12 Apr 2022	22 Jun 2022	30 Aug 2022
JS Stapelberg	✓	✓	✓	✓	✓	✓	✓
TI Ferreira	✓	✓	✓	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓	✓	✓	✓
HJK Ferreira	✓	✓	✓	✓	✓	✓	✓
HG Hiestermann	✓	✓	✓	✓	✓	✓	✓
HW Küsel	✓	✓	✓	✓	✓	✓	✓
GB Prinsloo	✓	✓	✓	✓	✗	✗	✗
JCN Wartington	✓	✓	✓	✓	✓	✓	✓
WJ Steenkamp	✗	✗	✗	✗	✗	✗	✓
AS Myburgh	✓	✓	✓	✓	✓	✓	✓
JEW Fivaz	✓	✓	✓	✓	✓	✓	✓

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

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

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

Meetings of the Board and subcommittees are held in accordance with approved meeting procedures. The members of the Board are serious about the Group's affairs and attendance is excellent. Board meetings are held regularly as per the annual work plan, with additional meetings as may be necessary.

EVALUATION OF THE BOARD

The Board, assisted by the Company Secretary, carried out an evaluation of the Board, its committees and directors. The contributions of the directors to both the Board and the Board committees were evaluated and the effectiveness of the Board and its committees in carrying out their mandates was also assessed. It was concluded that the Board and its committees are operating effectively.

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

COMPANY SECRETARY

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

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

The Board has conducted an evaluation of the Company Secretary's effectiveness, qualification and experience and ensured that he maintains an arm's-length relationship with the Board.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary's Certificate is set out on page 85 of the Integrated Report.

ETHICAL CODE OF CONDUCT

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

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

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

CLOSED PERIOD FOR TRADING SHARES

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

THE FUNCTION AND RESPONSIBILITIES OF THE BOARD CONTINUED

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

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

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

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

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

Refer to the Risk Management Report set out on pages 42 to 50 of this Integrated Report.

COMPLIANCE WITH LEGISLATION

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

TRANSFORMATION AND BLACK ECONOMIC EMPOWERMENT (BEE)

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

GENDER EQUALITY

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

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

PROTECTION OF PERSONAL INFORMATION ACT (POPIA)

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

FRAUD HOTLINE

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

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

The hotline enforces the Group's approach of zero tolerance to crime, corruption, and unethical behaviour. From time-to-time, internal communication campaigns are undertaken to stimulate awareness of the hotline and to communicate a reporter's anonymity.

INSURANCE

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

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

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

TECHNOLOGY AND INFORMATION GOVERNANCE

The TWK Board provides support to the Executive Management to ensure that the TWK Group achieves its strategic Information and Communications Technology ("ICT") objectives. The Board oversees the results of management implementation of information systems, integrations, data analysis (reporting), preventative measures for cyber security and IT Infrastructure within the TWK Group.

The TWK IT Steerco takes responsibility for the implementation, governance, and risk management of these implementations. The IT Steerco gives feedback to the TWK Board and receives the necessary guidance from the Board. An independent service provider serves on the TWK IT Steerco to provide further assurance on the effectiveness of TWK's ICT implementations.

TWK's current focus is to provide an adaptable IT environment, that can address current and future business requirements with minimal delays and impact on the business. This IT environment will provide the TWK IT Team with the opportunity to manage and extract data to provide more business insight to TWK Management to unlock synergies. This will remain the core focus in the future.

GOVERNANCE

/THE BOARD SUB-COMMITTEES

The Board is assisted by the Audit and Risk Committee, the Social and Ethics Committee, the Remuneration Committee, and the Nomination Committee. These committees function in accordance with approved frameworks.

The chairpersons and members of the respective committees, with the exception of the Audit and Risk Committee elected by the shareholders, are elected by the Board according to their expertise in a particular area.

Board of Directors

JS Stapelberg
Non-executive director
(Chairman)

TI Ferreira
Non-executive director
(Vice-Chairman)

CA du Toit
Non-executive director

HJK Ferreira
Non-executive director

HG Hiestermann
Non-executive director

HW Küsel
Non-executive director

WJ Steenkamp
Non-executive director

JCN Wartington
Non-executive director

AS Myburgh
Managing Director

JEW Fivaz
Financial Director

Audit and Risk Committee

Chairman
HJK Ferreira

Members
CA du Toit, HG Hiestermann,
WJ Steenkamp

For further details on this committee refer to pages 87 of this integrated report

Remuneration Committee

Chairman
CA du Toit

Members
JS Stapelberg, HJK Ferreira

For further details on this committee refer to pages 58 of this integrated report

Social and Ethics Committee

Chairman
HW Küsel

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

For further details on this committee refer to pages 60 of this integrated report

Nomination Committee

Chairman
HJK Ferreira

Members
JS Stapelberg, CA du Toit

For further details on this committee refer to pages 38 of this integrated report

GOVERNANCE

/ BUSINESS RISK REPORT

RISK MANAGEMENT METHODOLOGY

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

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

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

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

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

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

The Chief Risk Officer oversees the risk management methodology and framework.

RISK MANAGEMENT FRAMEWORK

BOARD

Overall responsibility for Group strategy and managing risk



AUDIT AND RISK COMMITTEE

Oversight of the Group's material risks and sustainability strategy



EXECUTIVE MANAGEMENT

Oversight of the Group's material risks and implementation of the Group's strategy. Overseen by the Chief Risk Officer



INTERNAL RISK SUB-COMMITTEE

Review and monitor the risk management actions plans, policies and procedures



BUSINESS UNITS

Responsible for risk assessment and implementing of risk policies and procedures

RISK MANAGEMENT PROCESS

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

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

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

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

BUSINESS RISKS

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

THE GROUP'S STRATEGIC FOCUS AREAS ARE:



Customer focus



Improve operational efficiency

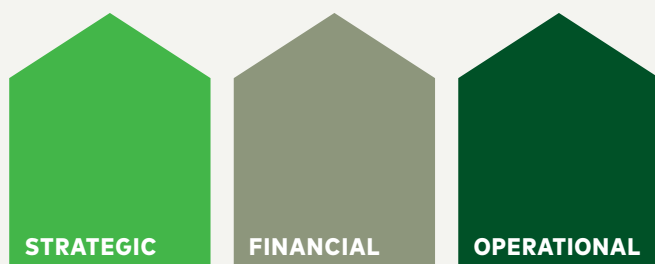


Optimisation of the value chains



Optimisation of capital management

THE RISKS ARE CATEGORISED IN THE FOLLOWING LEVELS:



MAJOR RISKS

01

POLITICAL AND ECONOMIC RISK



02

AVAILABILITY AND ALLOCATION OF CAPITAL



03

THIRD-PARTY INFRASTRUCTURE



04

INFORMATION TECHNOLOGY



05

COMPETITION



06

REPUTATIONAL RISK



07

WEATHER AND CLIMATE



08

VOLATILE COMMODITY PRICES



09

FIRES



10

CREDIT RISK



11

ATTRACTION AND RETENTION OF KEY SKILLS



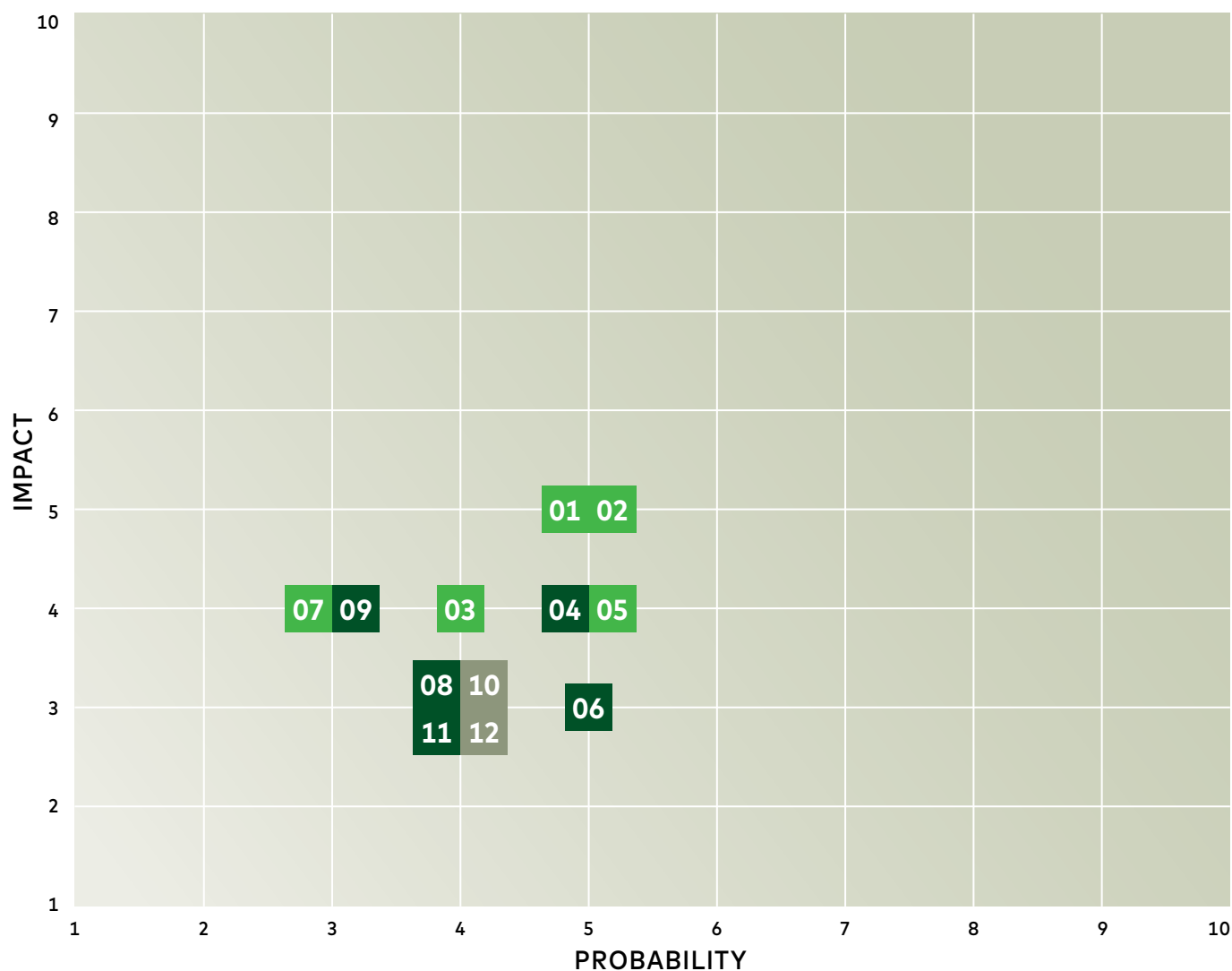
12

VOLATILE EXCHANGE RATES



BUSINESS RISK REPORT CONTINUED

INHERENT RISK RATING



01

POLITICAL AND
ECONOMIC RISK

05

COMPETITION

09

FIRES

02

AVAILABILITY
AND ALLOCATION
OF CAPITAL

06

REPUTATIONAL
RISK

10

CREDIT
RISK

03

THIRD-PARTY
INFRASTRUCTURE

07

WEATHER
AND CLIMATE

11

ATTRACTION
AND RETENTION
OF KEY SKILLS

04

INFORMATION
TECHNOLOGY

08

VOLATILE
COMMODITY
PRICES

12

VOLATILE
EXCHANGE
RATES

01 POLITICAL AND ECONOMIC RISK



RESIDUAL RISK:

13

DESCRIPTION:

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

- ▶ Political instability, poverty and high unemployment levels can result in civil unrest that can impact the business negatively.
- ▶ Business is subject to various regulatory requirements and policies.
- ▶ Amendments to land ownership rights could negatively impact the value of agricultural land.

MITIGATION:

- ▶ As part of the mitigating action, TWK anticipates different political scenarios. The assessment of the level of the uncertainty enables TWK to rebalance the activities, identify opportunities and be ready to move forward under different scenarios.
- ▶ Active monitoring and regular formal and informal engagement with government, local communities, and business partners to assist us to remain well-informed of changes and new developments.
- ▶ Remain up to date with legal and regulatory developments and implement actions to ensure compliance.
- ▶ Diversified business model in industries, geographies and customers.
- ▶ Support of industry business associations advocating and facilitating favourable business environments.

02 AVAILABILITY AND ALLOCATION OF CAPITAL



RESIDUAL RISK:

8

DESCRIPTION:

- ▶ Availability of sufficient own and borrowed capital to fund growth opportunities including potential business investments and/or acquisitions and operational working capital requirements.
- ▶ Maintaining a healthy balance between own and borrowed capital.
- ▶ Readiness to act quickly when the right opportunities may present itself.
- ▶ Optimal allocation of capital in a diversified group of businesses to achieve the best long-term outcome for stakeholders.

MITIGATION:

- ▶ Implementation of strategic actions to increase the appetite of equity investors to invest in the TWK group;
- ▶ Optimise group structure to improve investor appetite, the free float and liquidity of listed shares.
- ▶ TWK has excellent relationships with several large commercial banks.
- ▶ TWK uses a unique syndicated financing model with participation by different large commercial banks. This enables the group to benefit from a diversified base of financiers given the respective financiers' risk appetite that may be different or change from time to time.
- ▶ Current consistent financial performance of the group increase investor and lender appetite.
- ▶ Strategic long term capital allocation.
- ▶ Proactive management of cash flows, working capital, and covenant levels.

BUSINESS RISK REPORT CONTINUED

03 THIRD-PARTY INFRASTRUCTURE



RESIDUAL RISK:

6

DESCRIPTION:

- ▶ Disruption of logistical supply chains due to third-party infrastructure and related factors.
- ▶ TWK exports woodchips to customers through the Richards Bay export channel that is owned and operated by Transnet. We require a stable rail and port infrastructure network that operates reliably at design capacities.
- ▶ Inability of national energy supplier to provide consistent and sufficient electrical supply.
- ▶ Ageing public infrastructure (rail, roads, and basic services) without required re-investment and maintenance negatively impacts the reliability and efficiency thereof.
- ▶ An adverse impact on logistical capabilities and failure to supply electricity pose a business continuity risk. Unavailability of key infrastructure affects delivery of products to customers and impacts revenue.
- ▶ Geographies (rural) where the group operate are especially impacted by degrading municipal infrastructure (electricity, water, roads, sewerage).
- ▶ Increased costs of ensuring own sustainability in an environment where infrastructure and services cannot be relied upon.

MITIGATION:

- ▶ Ongoing engagement with role players to optimise the logistical chains.
- ▶ Improved operational flexibility at our operations. Improved operating parameters and planning.
- ▶ Optimised loading, reduced loading variability and improved turnaround.
- ▶ Investment in backup energy solutions at critical business operations.

04 INFORMATION TECHNOLOGY



RESIDUAL RISK:

6

DESCRIPTION:

- ▶ Business and production processes as well as the internal and external communications are increasingly dependent on IT systems.
- ▶ A significant technical disruption or failure of IT systems could severely impair many of our operations and production processes and could lead to plant shutdowns and an inability to meet customer needs.
- ▶ A loss of data and information confidentiality, integrity, or authenticity could lead to manipulation and/or the uncontrolled outflow of data and expertise.
- ▶ Cybersecurity attacks and risks increasing.
- ▶ TWK is evolving its operational IT systems which could lead to unplanned system interruptions.
- ▶ Customer expectation for improved access to customer transaction data.

MITIGATION:

- ▶ Technical precautions such as data recovery and continuity plans are defined and continuously updated.
- ▶ TWK have measures in place to counter for information confidentiality and integrity.
- ▶ Redundant network communication channels exist for most operational business locations.
- ▶ IT Steerco with added independent skills overseeing the group's ICT strategy.
- ▶ Management responsible for Information Technology specifically focuses on system upgrades or migrations and ensure that it is well planned with contingency plans.
- ▶ The IT security strategy for the Group is designed to guarantee optimum protection.

05 COMPETITION



RESIDUAL RISK:

6

DESCRIPTION:

- Actions of a competitor to negatively impact the business of TWK.
- Competition risk describes the risk that growing competitive pressure will prevent the TWK Group from achieving its predicted margins and market share. The markets in which TWK operates are characterised by strong competition and are often price driven.
- This mainly affects the Retail and Mechanisation segment, where competition is fierce.

MITIGATION:

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

06 REPUTATION RISK



RESIDUAL RISK:

5

DESCRIPTION:

- All stakeholders of TWK form an integral part of the success of the Group. Failure to successfully manage the relationships with all stakeholders could disrupt our operations and adversely impact the Group's reputation.
- Fines could be imposed by authorities for non-compliance.
- Unexpected occurrences can lead to reputational risk enhanced by communication channels like social media.
- As a growing group of businesses with the number of stakeholders and public interest increasing, reputation risk increases accordingly.

MITIGATION:

- Zero tolerance in relation the group's ethical standards.
- Ethics risk assessments and formal ethics strategy implementation.
- Internal compliance department's commitment to identify any gaps and implement corrective action.
- Training and compliance program for relevant employees and Directors.
- Engagement with stakeholders.
- Transparent management of any reputation risk occurrences.

BUSINESS RISK REPORT CONTINUED

07 WEATHER AND CLIMATE



RESIDUAL RISK:

4

DESCRIPTION:

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

MITIGATION:

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

08 VOLATILE COMMODITY PRICES



RESIDUAL RISK:

4

DESCRIPTION:

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

MITIGATION:

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

09 FIRES



RESIDUAL RISK:

4

DESCRIPTION:

- ▶ TWK manages a significant amount of plantation assets which consist of own plantations as well as plantations where TWK has marketing rights.
- ▶ Severe fires can have a substantial financial impact and disrupt long-term planning.

MITIGATION:

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

10 CREDIT RISK



RESIDUAL RISK:

4

DESCRIPTION:

- ▶ Credit risks arise from the possibility that the value of receivables or other financial assets of the TWK Group may be impaired because counterparties cannot meet their payment or other performance obligations.
- ▶ Increase in agricultural input costs and commodity prices increase the customer's requirements for credit.

MITIGATION:

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

BUSINESS RISK REPORT CONTINUED

11 ATTRACTION AND RETENTION OF KEY SKILLS



RESIDUAL RISK:

4

DESCRIPTION:

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

MITIGATION:

- ▶ Appropriate employee recruitment and development measures.
- ▶ Active promotion of the benefits of working for TWK through comprehensive human resources marketing, including an employer branding campaign through the "Employer of Choice" initiative.
- ▶ Our core values and culture play an integral part of the initiative.
- ▶ Our human resources policies are based on the principles regarding our position on human rights, ethics, and our corporate values.
- ▶ Essential elements include competitive compensation containing short-term and long-term performance-related components.
- ▶ TWK invests in its personnel through an extensive range of training and development opportunities, monitor and manage succession planning, with focus on internal promotions.
- ▶ Socio-economic development in rural towns and communities in which employees are residents.

12 VOLATILE EXCHANGE RATES



RESIDUAL RISK:

3

DESCRIPTION:

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

MITIGATION:

- ▶ Hedging of exchange rates is utilised for both exports and imports.
- ▶ Continuous monitoring of exchange rate movements and sensitivities, and evaluation of the impact of exchange variances on our results.
- ▶ Regular review of our prices and monitoring of import and export flows.
- ▶ TWK can respond to currency fluctuations by adjusting raw material selling prices and commodity purchasing prices accordingly.

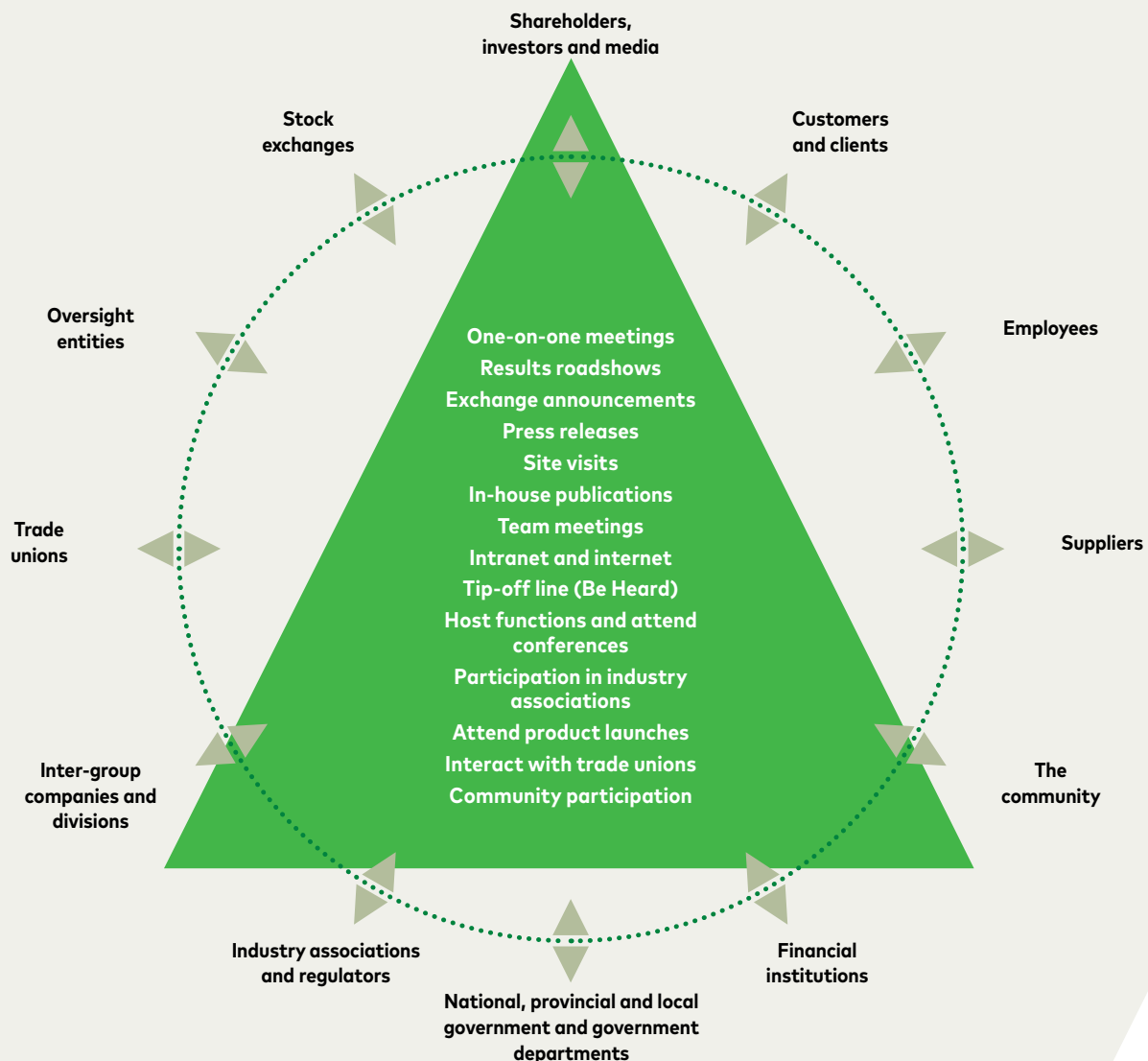


GOVERNANCE

/STAKEHOLDER ENGAGEMENT

TWK is committed to open, constructive and transparent communication with stakeholders. The Group constantly communicates with stakeholders and strives to engage in a practical, constructive and transparent manner.

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



2013

Shares started trading OTC.

2017

TWK Investments listed on ZAR X.

2021

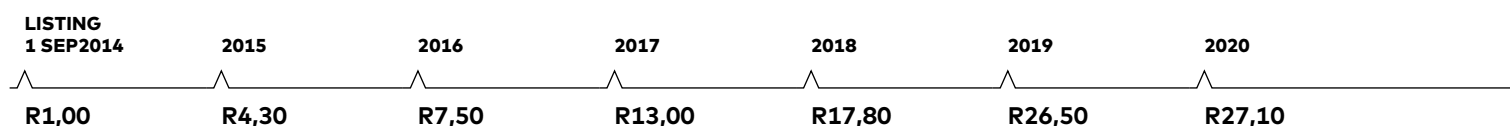
TWK Investments listed on CTSE and secondary listing on A2X.

Stakeholder group	Importance of stakeholder	Communication channels
Shareholders, investors and media	Shareholders and potential investors are essential to the Group as providers of financial capital as well as determining the true value of the share price. The media are important as the publishers of articles and information about the Group. TWK strives to be an "Investment of Choice".	<p>The Group engages with these stakeholders as follows:</p> <ul style="list-style-type: none"> ▶ Annual general meetings ▶ Results presentations and roadshows ▶ Exchange news service announcements ▶ Press releases ▶ Engagements with potential investors ▶ Investor relations information on the TWK website ▶ Interviews with journalists, both financial and trade ▶ Relevant engagement with co-investors in subsidiaries
Customers and clients	Customers and clients are important stakeholders for the success of the Group. The Group has customers and clients who range from large corporations to individual customers and clients. TWK strives to be the "Supplier of Choice" to its customers.	<p>The Group engages with these stakeholders on various levels including the following:</p> <ul style="list-style-type: none"> ▶ Regular one-on-one meetings at the customer's site as applicable ▶ Engagements at TWK branches/businesses ▶ Frequent electronic communication as applicable ▶ Appropriate customer functions (e.g. farmers' days) ▶ TWK Radius magazine ▶ TWK website ▶ TWK social media communication
Employees	Engagement with employees is critical to the success of the Group. TWK strives to be an "Employer of Choice".	<p>The Group engages employees through the following media:</p> <ul style="list-style-type: none"> ▶ Communication from the Managing Director ▶ Communication from relevant Divisional Managers ▶ Communication from Corporate Services including Human Resources ▶ Induction sessions ▶ Team meetings ▶ One-on-one meetings ▶ Safety and environmental meetings ▶ Toolbox talks ▶ Employee achievement and service awards ▶ Performance management meetings ▶ TWK Intranet ▶ Email communication ▶ TWK notice boards ▶ Tip-off hotline
Suppliers	Suppliers are important stakeholders as they are the providers of products and services that the Group requires to service its customers and in its value-adding processing facilities. TWK strives to be a "Market of Choice".	<p>Group engagement with these stakeholders varies and includes elements of the following:</p> <ul style="list-style-type: none"> ▶ Regular one-on-one meetings with key suppliers ▶ Farmers' days and industry feedback sessions ▶ Attendance at dealer conferences, product launches ▶ TWK supplier information days, functions and awards ▶ TWK Radius magazine

STAKEHOLDER ENGAGEMENT CONTINUED

Stakeholder group	Importance of stakeholder	Communication channels
The community	The community is a key stakeholder seeing that both the Group and the employees are directly impacted by the communities in which the Group operates and employees live in. TWK's vision includes a statement to make a difference in the communities in which it operates.	<p>The Group's engagement with the communities includes contributions towards initiatives in respect of fund raising, donations and services within various communities.</p> <ul style="list-style-type: none"> ▸ Donations and sponsorships ▸ Community marketing events ▸ Frequent community liaison and support of communities that neighbour TWK farms ▸ Social media communication ▸ Participation in local forums e.g. business chambers
Financial institutions	The financial institutions are important stakeholders as they provide funding for on-lending purposes, the acquisition of assets and/or investments, as well as working capital finance.	<p>The Group engages with them as follows:</p> <ul style="list-style-type: none"> ▸ Regular interaction by the CEO and CFO ▸ Regular submission of reports as per financing agreements
National, provincial and local government and government departments	All levels of government are important stakeholders as they set the regulatory environment within which the Group operates, provide infrastructure and collect taxes.	<p>Group engagement with these stakeholders varies and includes elements of the following:</p> <ul style="list-style-type: none"> ▸ Regular engagement with relevant local governments where the group operates; ▸ Regular engagement with relevant government departments, e.g. Labour, Rural Development and Agriculture, Minerals and Energy ▸ Consultation and participation in public forums
Industry associations and regulators	Industry associations and regulators are important stakeholders as they provide a forum to discuss and address industry wide issues and enable the industry to make representations to government. Industry regulators are important as they provide legal frameworks to operate within.	<p>Group engagement with these organisations is mainly through active membership and reporting.</p> <ul style="list-style-type: none"> ▸ AGBIZ membership and engagement ▸ Engagement with and support of commodity and industry-related associations ▸ FSCA/NCA reporting as required ▸ Engagement with industry funders regarding collaboration/funding initiatives
Inter-group companies and divisions	Inter-group companies and divisions are important stakeholders as TWK is a diversified business. Finance, Financial Services, and Corporate Services division provide internal services. Divisions are actively encouraged to support inter-group businesses.	<p>The Group's engagement with inter-group companies and divisions include:</p> <ul style="list-style-type: none"> ▸ Executive and Senior Manager meetings and collaboration ▸ Internal marketing ▸ Employee functions and training sessions ▸ Cross attendance of divisional meetings

SHARE PRICE AS ON 31 AUG:



Stakeholder group	Importance of stakeholder	Communication channels
Trade unions	Trade unions are important stakeholders in that they represent a percentage of the workers employed by the Group.	Engagement with these stakeholders includes: <ul style="list-style-type: none"> ▶ One-on-one meetings when required ▶ Participation in the bargaining unit in respect of wage negotiations
Oversight entities	Oversight entities are important stakeholders as they provide statutory and operational assurance. These stakeholders include the external auditors and component auditors, internal audit, financiers and industry- specific entities.	The Group's engagement with oversight entities include: <ul style="list-style-type: none"> ▶ Direct engagement with Executive Management, the Audit and Risk Committee, and the Board as applicable ▶ Direct engagement with relevant TWK employees in performing the oversight duties
Stock exchanges	The Cape Town Stock Exchange and the A2X Stock Exchange are important stakeholders as TWK Investments' securities are listed on these exchanges.	The Group engages with the stock exchanges as follows: <ul style="list-style-type: none"> ▶ Submissions in terms of Listing Requirements ▶ Direct engagement with Appointed Advisor



SHARE PRICE AS ON 31 AUG:

2021	2022
R35,25	R51,50

GOVERNANCE

HOW WE CREATE VALUE FOR STAKEHOLDERS

2022 total value created R10 091m

Income from sale of goods

R9 642m

(2021: R8 172m)

Income from commissions received

R130m

(2021: R116m)

Other operating income

R108m

(2021: R94m)

Income from services rendered

R93m

(2021: R94m)

Interest received (trading)

R90m

(2021: R69m)

All other gains and income

R28m

(2021: R133m)

OUR SUPPLIERS

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



Total procurement spent 2022

R9 362m

(2021: R7 675m)

OUR CUSTOMERS

Servicing our customers is the reason for our existence.

Agricultural clients are rewarded through the innovative TWK Loyalty Scheme.



Value of loyalty scheme awards

R15,1m

(2021: R10,8m)

OUR EMPLOYEES

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

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

TWK currently supports

34 employees
to further their tertiary education



Total employee costs

R634m

(2021: R576m)



Total skills development expenditure

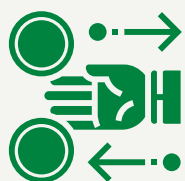
R4,78m

(2021: R2,44m)

OUR SHAREHOLDERS

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

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



**Total comprehensive income
attributable to owners of the parent**

R304m

(2021: R238m)

**Dividend per
share (Rands)**

(Declared post
year-end)

2022

1,50

2021

1,14

2020

0,65

2019

0,90

2018

0,75

OUR FINANCIERS

TWK values its relationship with its major financiers.



Finance cost

R185m

(2021: R139m)

GOVERNMENT



Current tax for the year

R103m

(2021: R71m)

OUR COMMUNITIES

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



**Total spend on
community initiatives**

R3,2m

(2021: R2,7m)

PAYE

R104m

(2021: R95m)

GOVERNANCE

/REMUNERATION REPORT

INTRODUCTION

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

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

REMCO

Chairperson	CA du Toit
Members	JS Stapelberg, HJK Ferreira
Independence	The majority of Remco members are independent non-executive directors
Secretary	MJ Potgieter
Role and function	Remco considers the Remuneration Policy of the Group with the assistance and guidance of independent external consultants, where necessary, to determine market-related remuneration levels.
Responsibilities	<ul style="list-style-type: none"> Reviews the Exco performance, at appropriate intervals, to motivate employees to perform to required standards and to retain their services by offering and maintaining market-related remuneration in line with their performance. Remuneration is linked to corporate and individual performance. Ensures that the executive directors' remuneration mix, in respect of "guaranteed pay" and "variable pay", is appropriate, so as to align the directors' interests with those of shareholders. Assesses succession planning at executive and senior management levels. The Managing Director, in consultation with Remco, is responsible for ensuring that adequate succession plans are in place. Approves the remuneration of senior management who are members of Exco reporting to the Managing Director and receives the details of remuneration of the managers who report to the members of the Exco. Adjustments to directors' and Exco members' total remuneration are recommended to the Board for individual approval.
Assurance	Remco is governed by the good corporate governance principles and the Group's value statement. The members of Remco hereby confirm that they were diligent in exercising their duties of care and skill and that they have taken reasonable steps to ensure that they performed their duties in accordance with the Remco mandate.

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

ACTIVITIES UNDERTAKEN BY REMCO DURING THE YEAR

The committee met once during the year under review, on 6 October 2021, with all members in attendance. Remco reviewed the Remuneration Policy to ensure that it is aligned with applicable regulation and remuneration principles contained in the Group's value statement as well as corporate governance guidelines, and with input received from shareholders.

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

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

SECTION A: REMUNERATION POLICY

OBJECTIVES OF THE REMUNERATION POLICY

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

The Group Remuneration Policy is designed to:

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

KEY PRINCIPLES OF THE REMUNERATION POLICY

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

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

This benchmark aims to:

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

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

REMUNERATION STRUCTURE

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

Remuneration structure possibilities consist of the following:

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

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

SALARY INCREASES AND SALARY REVIEWS

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

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

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

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

VARIABLE PAY (STI)

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

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

LONG-TERM INCENTIVES (LTI)

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

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

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

DIRECTORS' SERVICE CONTRACTS

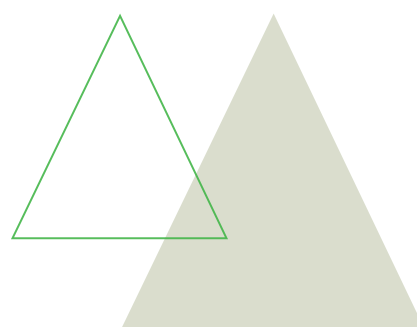
The Managing Director's contract is valid until 31 December 2024 and the Financial Director's contract is valid until 31 December 2025.

NON-EXECUTIVE AND EXECUTIVE DIRECTORS' REMUNERATION

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

Non-executive director	Remuneration	Travel and accommodation expenses
CA du Toit	395 697	18 398
HW Küsel	322 259	19 720
JS Stapelberg	550 100	443
JCN Wartington	276 646	13 754
TI Ferreira	367 417	12 344
HJK Ferreira	436 300	20 553
GB Prinsloo	193 056	4 387
HG Hiesterkamp	293 066	12 167
WJ Steenkamp	25 002	—

Executive director	Remuneration	Short-term incentive	Equity-settled share-based payments vested	(Fuel excluded in remuneration)
AS Myburgh	4 790 582	3 530 000	2 727 200	91 489
JEW Fivaz	3 274 658	2 365 000	1 584 540	94 255



SOCIAL INVESTMENTS

/SOCIAL AND ETHICS COMMITTEE REPORT

THE PURPOSE OF THE REPORT BY THE SOCIAL AND ETHICS COMMITTEE IS TO REPORT ON HOW THE COMMITTEE PERFORMED ITS RESPONSIBILITIES AS DEFINED FOR THE FINANCIAL YEAR ENDED 31 AUGUST 2022.

COMPOSITION

The committee consists of at least three members who are directors or prescribed officers of the Company, and at least one member who is not involved in the day-to-day management of the Company. During the period under review, the committee consisted of five non-executive directors, namely HW Küsel, CA du Toit, TI Ferreira, JS Stapelberg and JCN Wartington.

The Managing Director and other members of Executive Management also attend meetings.

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

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

OBJECTIVES AND RESPONSIBILITIES

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

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

1. Social and economic development, including the Group's goals in terms of:
 - a) the ten principles of the United Nations Global Compact Principles;
 - b) the Organisation for Economic Co-operation and Development's recommendations on corruption;
 - c) the Employment Equity Act; and
 - d) the Broad-Based Black Economic Empowerment Act.

2. Good corporate citizenship, including promoting equality, preventing unfair discrimination, reducing corruption, developing the community in which the Group operates, and recording sponsorships, donations and charity expenses.
3. The environment, health and public safety, including the impact of business activities, products or services.
4. Relationships with consumers, including company advertisements, public relations and compliance with consumer protection laws.

TWK Agri (Pty) Ltd currently has a Level 6 BEE rating. The preferential procurement component of the BEE-scorecard remains a challenge due to the nature of TWK's business with significant purchases from large generic suppliers that are not majority black owned.

GOOD CORPORATE CITIZENSHIP

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

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

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

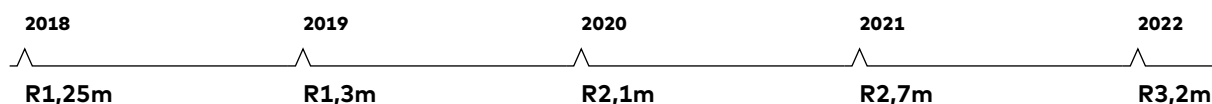
THE ENVIRONMENT, HEALTH AND PUBLIC SAFETY

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

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

Electricity and water savings are also constantly being addressed and new green energy initiatives are implemented annually.

TOTAL SPENT ON COMMUNITY INITIATIVES:



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

CONSUMERS AND CUSTOMERS

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

LABOUR RELATIONS

At TWK our workforce is one of our most valuable assets. For this reason TWK, striving to be an employer of choice, focuses on creating an environment that optimises labour relationships.

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

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

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

ORGANISATIONAL ETHICS

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

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

The Company has engaged with The Ethics Institute to assist with the management of organisational ethics. An anonymous ethics risk assessment, facilitated by The Ethics Institute was conducted during the year. Participation by staff was excellent.

The ethics risk assessment indicated that a very healthy ethical culture exists within the TWK group. A formal ethics strategy has been finalised with the main focus areas including the creation of more ethics awareness, promotion of discussions on ethics (ethics talk) and ensuring buy-in to ethical standards throughout the different occupational levels in the organisation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

The ESG Committee is a management committee that consolidates the various initiatives related to ESG in the TWK Group. It performs its duties in terms of a formal adopted framework and report, and it makes recommendations to Executive Management as well as the Social and Ethics Committee.

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

On behalf of the Social and Ethics Committee,



HW Küsel

Chairperson of the Social and Ethics Committee



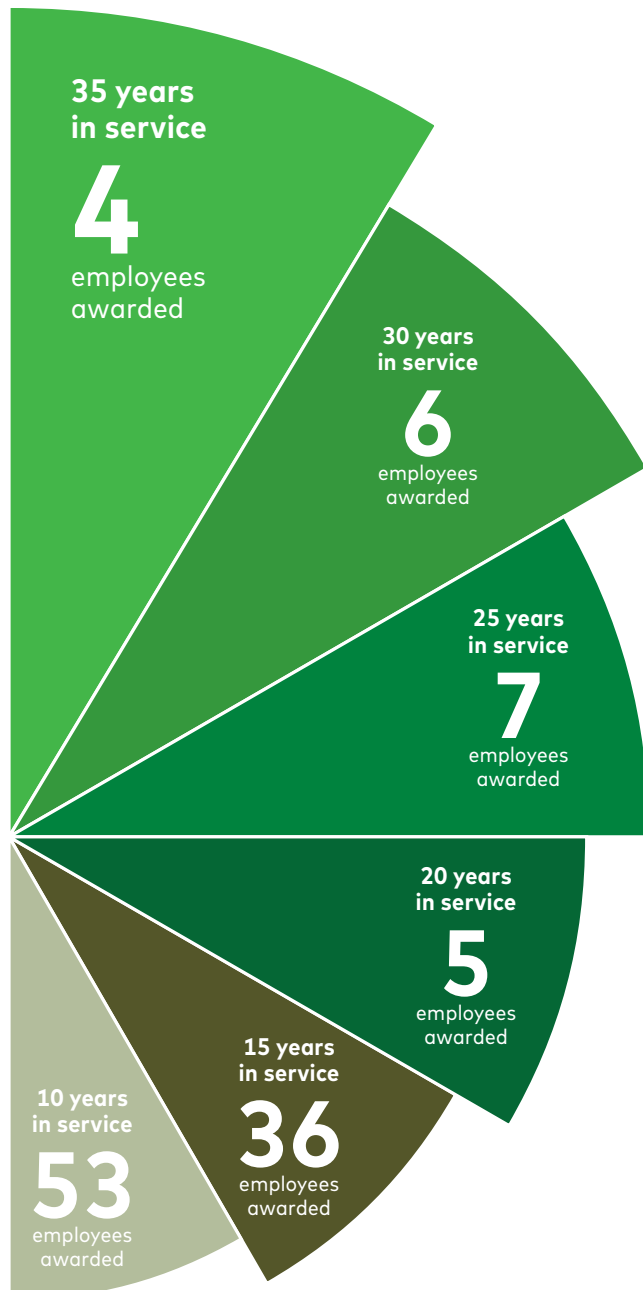
SOCIAL INVESTMENTS

/OUR PEOPLE

At TWK Agri we acknowledge the value of our biggest asset, our employees. We strive to create a healthy working environment and company culture, while promoting the importance of a healthy work-life balance. The average length of service of our existing workforce is 5,59 years, a statistic that we pride ourselves on.

LONG SERVICE AWARDS OF EMPLOYEES

111 Employees received Long Service Awards in 2022 for 10 years or more service within the TWK Group, as shown in the diagram below:



TWK employees enjoying the annual personnel function.

STAFF RETENTION

We have been able to relocate staff from closed retail outlets to other retail outlets. Harding, Hendrina and Midas employees were transferred to alternative retail outlets, with little to no impact on their livelihoods.

New appointments 2021 vs 2022

	2021	2022
Corporate Services	35	17
Financial Services	39	55
Grain	44	37
Timber	658	224
Retail and Mechanisation	132	101
Motors and Tyres	112	64
Total	1 020	498

Terminations 2021 vs 2022

	2021	2022
Corporate Services	26	25
Financial Services	17	22
Grain	25	40
Timber	123	298
Retail and Mechanisation	28	86
Motors and Tyres	150	90
Total	369	571

The attrition rate amongst permanent employees for 2022 was 18,04% (compared to 15,25% in 2021).

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE)

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

TWK is currently a Level 6 B-BBEE Contributor with full points for the Enterprise Development and Supplier Development sub-components as well as the Socio-economic Development element.

PERMANENT AND TEMPORARY EMPLOYEES

Employee numbers remained stable throughout the year.

TWK Agri's total workforce (2021 vs 2022)

Executive Management

11
(2021: 11)

Managerial

277
(2021: 242)

Skilled

390
(2021: 342)

Semi-skilled

1 002
(2021: 1 023)

Unskilled

1 213
(2021: 1 261)

Temporary employees

232
(2021: 224)



OUR PEOPLE CONTINUED

GENDER AND RACE EQUALITY

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

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

The table below indicates the number of females per segment that were promoted to a higher Occupational Level during 2022.

Females promoted in 2022

Segment	Female promotions
Corporate Services	1
Financial Services	13
Motors and Tyres	5
Timber	1
Retail and Mechanisation	5
Total	25

The TWK employee base, as shown in the table below, comprises of the following race groups within the different segments:

TWK race groups 2022

Segment	African	Coloured	Indian	White	Total
Corporate Services	36	4	4	94	138
Financial Services	49	2	4	157	212
Grain	169	1	0	32	202
Timber	1 498	5	5	110	1 618
Retail and Mechanisation	316	18	17	219	570
Motors and Tyres	256	14	7	108	385
Total	2 310	44	37	720	3 125

NUMBER OF EMPLOYEES:

2013	2014	2015	2016	2017
1 849	1 865	1 576	1 756	1 813



TWK IS PARTICULARLY PROUD OF FEMALE EMPLOYEES WHO SHOW GREAT PROMISE AND GROWTH IN THEIR PROSPECTIVE CAREERS AT TWK.

NWABISA LANGA

Certification Manager at TWK Agri

Nwabisa Langa grew up in the rural areas of the Eastern Cape where agriculture and forestry are the sources of employment. She became passionate about environmental sustainability in Forestry. Her love for the environment and the sustainability of its products led her to complete studies in natural resources.

In her current role at TWK, she has been instrumental in certification and compliance. "My responsibilities as a Certification Manager at TWK Agri include Managing three FSC® Forest Management Certificates in RSA, two in Eswatini, two FSC® COC certificates, overseeing ISO 14001 Management Systems in TWK Plantations and Woodchip Mill and ISO 9001 Management Systems at TWK Sunshine Seedlings Nursery," says Nwabisa.

Nwabisa was nominated for the Women in Forestry awards by the 'She is Forestry' organisation.

Nwabisa is honoured with the award for her efforts in:

- ▶ establishing and structuring a flexible mechanism between operations and strategic sphere that collectively ensures adherence to all applicable statutory and compliance regulations.
- ▶ in the division in terms of certifications since her jurisdiction in terms of responsibilities in certification and compliance is not only limited to timber production but also includes agriculture and value adding in the sector.
- ▶ being instrumental in the company's integrated report (2021) and the establishment and incorporation of the ESG framework.
- ▶ being instrumental in Eswatini's timber sector where she was a part of the team that incorporated FSC® National Risk Assessment (2018).



Nwabisa Langa

NUMBER OF EMPLOYEES:

2018	2019	2020	2021	2022
1 845	1 914	1 988	3 103	3 125

OUR PEOPLE CONTINUED

GENDER-BASED VIOLENCE

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

In demonstrating the awareness, we held a Fun Run on 16 June 2022 where all the proceeds of the event went to GRIP House in Piet Retief, a centre focussed on individuals harmed by gender-based violence.

The TWK Agri fun run to support the fight against Gender Violence



NELSON MANDELA DAY INITIATIVES

As part of our Nelson Mandela Day initiative, TWK personnel commemorated Nelson Mandela's legacy of fighting poverty, promoting peace and urging reconciliation, by supporting those in need.

TWK personnel in Piet Retief visited **CMR, a Christian-based NGO** rendering services to families and children in need. TWK supported them with non-perishable food items, cleaning products and fresh vegetables. Mkondo Mill also supplied CMR with bags of maize meal to support families in need.

Uzwelo Children's Home is a faith-based home that takes care of children from disadvantaged backgrounds by bringing hope to their lives. TWK also supported this institution with non-perishable food items, cleaning products, fresh vegetables, and maize meal from Mkondo Mill. In addition, the TWK personnel engaged in fun activities with the children of Uzwelo Home.

In Nelspruit, TWK Insurance went to **Uthando House Orphanage** and supplied them with much-needed school bags for all the children, along with some sweet treats and non-perishable food items.

Our Ermelo branches supported **CYCC Ermelo** with giftbags filled with toiletries and a sweet treat. The children in need range from infants to youth, aged 18. Sausage rolls were also prepared and handed out on the day.

The Christian Welfare Service was supported in Pietermaritzburg with sausage rolls and cold drinks prepared by TWK employees.

Lastly, in Howick, our Trade branch paid a visit to the **Sunfield Home**, making their morning special with some tea and cake.



CREATING VALUE BY TRAINING EMPLOYEES

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

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

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

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



The TWK Bursary advertisement for 2022

YES4YOUTH INITIATIVE

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

The TWK Agri group appointed 28 candidates on a 12-month contract at various business units to gain work experience and provide them with a better opportunity for full-time employment with TWK or another organisation. 23 Unemployed employees completed the initiative and a total of 18 employees were absorbed and are now permanently employed in the TWK Group, as shown in the table below.

YES Candidates absorbed per segment

Segment	No. of YES Candidates absorbed
Corporate Services	2
Financial Services	4
Motors and Tyres	1
Retail and Mechanisation	11
Total	18



18 Yes candidates received full-time employment within the TWK Group

OUR PEOPLE CONTINUED

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

Employee promotions within the TWK Group

Segment	2021	2022
Corporate Services	7	3
Financial Services	13	11
Grain	2	7
Timber	3	7
Retail and Mechanisation	27	23
Motors and Tyres	17	9
Total	69	60

EMPLOYEE RELATIONS

The TWK Industrial Relations showed positive signs with fewer disciplinary hearing and actions taken against employees, when compared to the 2021 financial year as shown below.

The comparison of industrial relation matters between 2021 and 2022

	2021	2022
Disciplinary hearings	258	187
Incapacity due to illness	24	8
Poor work performance	14	1
Dismissals due to misconduct	53	47
Voluntary termination agreements	62	43
Matters referred to CCMA/DRC/CMAC	9	10
No. of employees retrenched	20	14

HEALTH AND SAFETY

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

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

Compliance: Adherence to all applicable health and safety legislation, standards, frameworks and best practice relevant to the Group.

Risk assessment: Continually evaluate and mitigate health and safety risks within the Group. Internal and independent external audits are conducted on a regular basis.

Risk mitigation: Identification of workplace hazards and the provision of the required safety equipment, procedures and training to employees to mitigate against accidents, injuries and diseases.

Training and awareness: Promote awareness and sense of responsibility among employees through effective health and safety communication, training and consultation with all levels of employees, contractors and other stakeholders directly affected by our activities and processes.

Commitment: Integrated comprehensive management systems which ensure accountability for employees' wellbeing.

Continual improvement: Periodic review of the relevance and appropriateness of the above endeavours to ensure continual improvement in relation to health and safety.

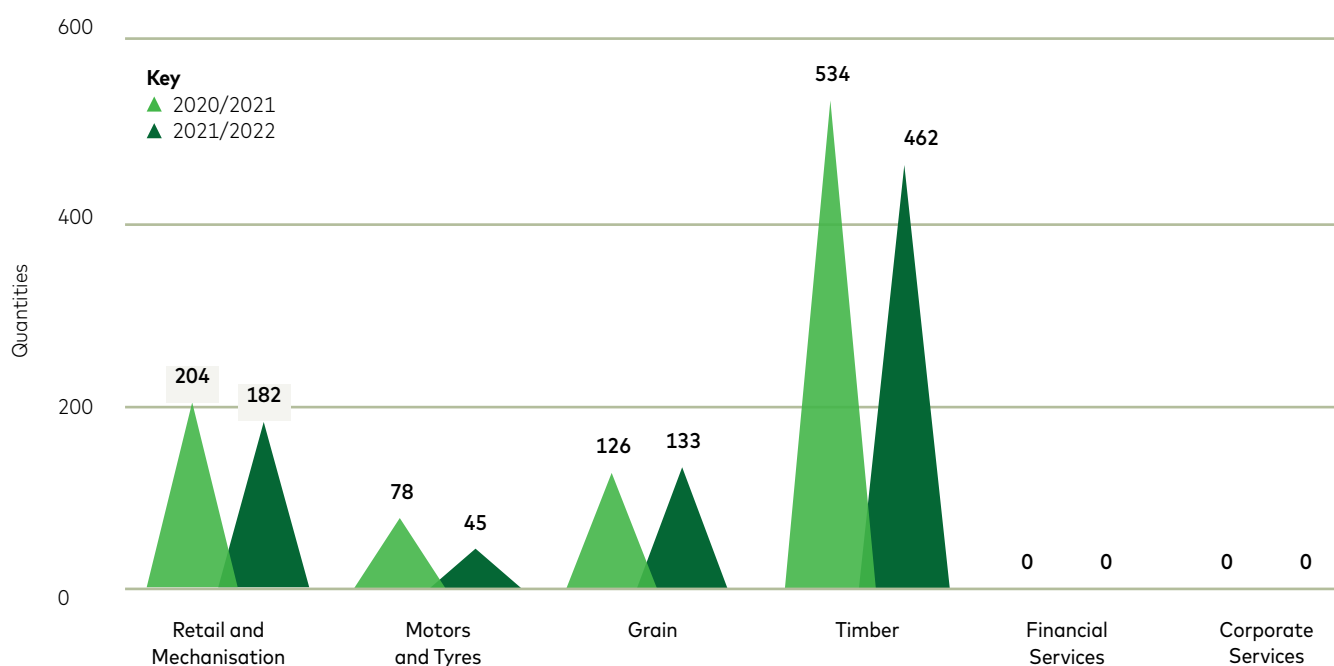
TWK aims to minimise and prevent any occupational health risks, injuries and accidents. The incidents per segment are indicated below.

Fatalities, disabling injuries and injuries on duty (2020 – 2022)

Fatalities	2020	2021	2022
Retail and Mechanisation	0	0	0
Timber	0	0	0
Grain	0	0	0
Motor and Tyres	0	0	0
Corporate Services	0	0	0
Financial Services	0	0	0
Disabling injuries	2020	2021	2022
Retail and Mechanisation	0	0	0
Timber	0	0	0
Grain	0	0	0
Motor and Tyres	0	0	0
Corporate Services	0	0	0
Financial Services	0	0	0
Recordable injuries	2020	2021	2022
Retail and Mechanisation	11	14	21
Timber	9	45	48
Grain	4	3	0
Motor and Tyres	8	8	3
Corporate Services	4	4	0
Financial Services	0	0	0

The number of medical tests done per segment as stipulated in the Occupational Health and Safety Act are indicated in the graph below.

Number of medicals done in 2021 – 2022



Inspections from the Department of Labour increased significantly during the financial year, this is due to the cross-provincial inspections that were also concluded by the Department of Labour. The contravention notices issued by the Department of Labour increased exponentially.

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

Department of Labour inspections from 2019 – 2022

Segment	2020	2021	2022
Corporate Services	2	2	1
Financial Services	2	4	9
Grain	1	1	3
Timber	0	0	4
Retail and Mechanisation	11	13	22
Motors and Tyres	6	13	8
Total	21	32	47

Contravention Notices issued by the Department of Labour between 2019 – 2022

Segment	2020	2021	2022
Corporate Services	0	0	1
Financial Services	0	0	1
Grain	0	1	0
Timber	0	0	0
Retail and Mechanisation	0	3	6
Motors and Tyres	0	4	13
Total	0	8	21

OUR PEOPLE CONTINUED

THE TWK WELLNESS PROGRAMME

Our employee wellness programme, known as Healthy Habits, promotes a healthy lifestyle among our employees. The Healthy Habits wellness programme seeks to enhance the physical and mental wellbeing of our employees and the benefits of the programme are enjoyed by employees across all occupational levels.

Some of the challenges and benefits enjoyed by Healthy Habits members



HEALTHY MINDS

TWK acquired the assistance of a life coach to communicate the importance of a healthy mind and positive thinking among our workforce.

HUMAN RIGHTS AND CODE OF ETHICS

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

The principles embedded in TWK's ethical codes include:

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

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

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

Communication from the life coach that was distributed to TWK employees

"TIP-OFFS ANONYMOUS" DATA



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

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

ALLEGED OFFENCES DATA



CUSTOMER PRIVACY

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

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

TWK employees received online POPIA training and assessment. Policies and procedures were implemented and compliance thereto constantly monitored.

IT INFRASTRUCTURE AND SECURITY

Our IT infrastructure and cyber security have significantly changed this past financial year. TWK Agri currently uses updated and industry-leading protection on all its network lines. With the new infrastructure in place, branches can work faster and more efficiently on their transactions.

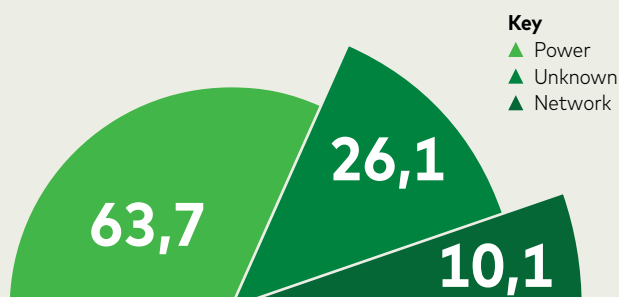
TWK AGRI'S NETWORK AVAILABILITY ACROSS ALL BUSINESS UNITS

Network availability – office hours (%)



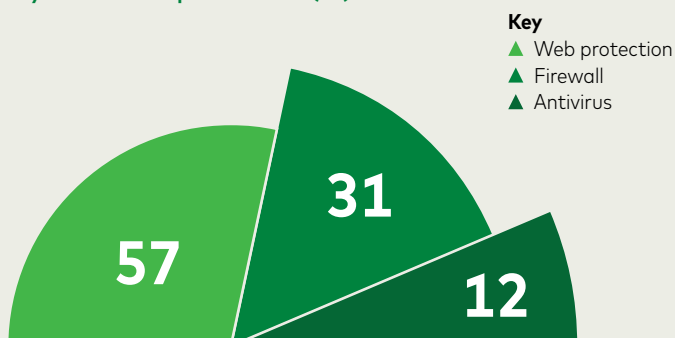
REASONS FOR NETWORK DOWNTIME

Network downtime causes – office hours (%)



CYBER ATTACKS BLOCKED BY FIREWALL, WEB PROTECTION AND ANTIVIRUS

Cyber attack protection (%)



SOCIAL INVESTMENTS

/OUR SOCIAL INVOLVEMENT

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

From 1 Sept 2021 to 31 Aug 2022, an amount of R3 288 055 has been spent on sponsorships and donations. Below are a few of the beneficiaries of this year's sponsorships and donations. The TWK Agri Group is involved in various projects and sponsorships to assist our communities. Some of the projects that have featured in the financial year include:

TWK Exco Mountain Bike League



Uzwelo Children's Home



TWK High Goal Polo-Cross event



PROMOTING RURAL SAFETY

TWK partnered with local communities and security companies to erect CCTV cameras in strategic areas, to make our communities a safer environment.



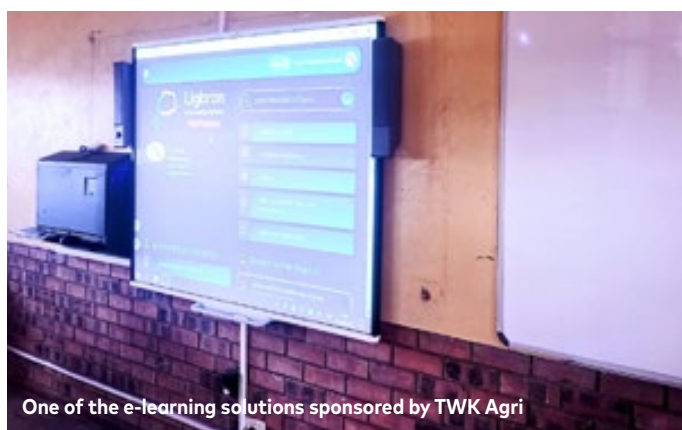
Security cameras funded by TWK Agri, to provide a safer environment for our communities

EDUCATING OUR YOUTH

TWK is proudly supporting the Ligbron e-Learning Project where various schools have been identified to receive the Ligbron e-Learning system. Scholars from Grade 8-12 will be able to join Ligbron's Math and Science classes, this includes:

- ▶ Complete lessons on all topics
- ▶ Video lessons on all topics
- ▶ Questions and answers for each topic

Positive results are already seen, with significant improvement in learners' pass rates.



One of the e-learning solutions sponsored by TWK Agri



A learner taking part in an interactive e-learning class

SOCIAL MEDIA AND ONLINE PRESENCE

TWK enjoyed significant growth in the number of visits to our website, as well as positive growth in our social media following.

Website visits for TWK Agri from 1 Sep 2021 – 31 Aug 2022



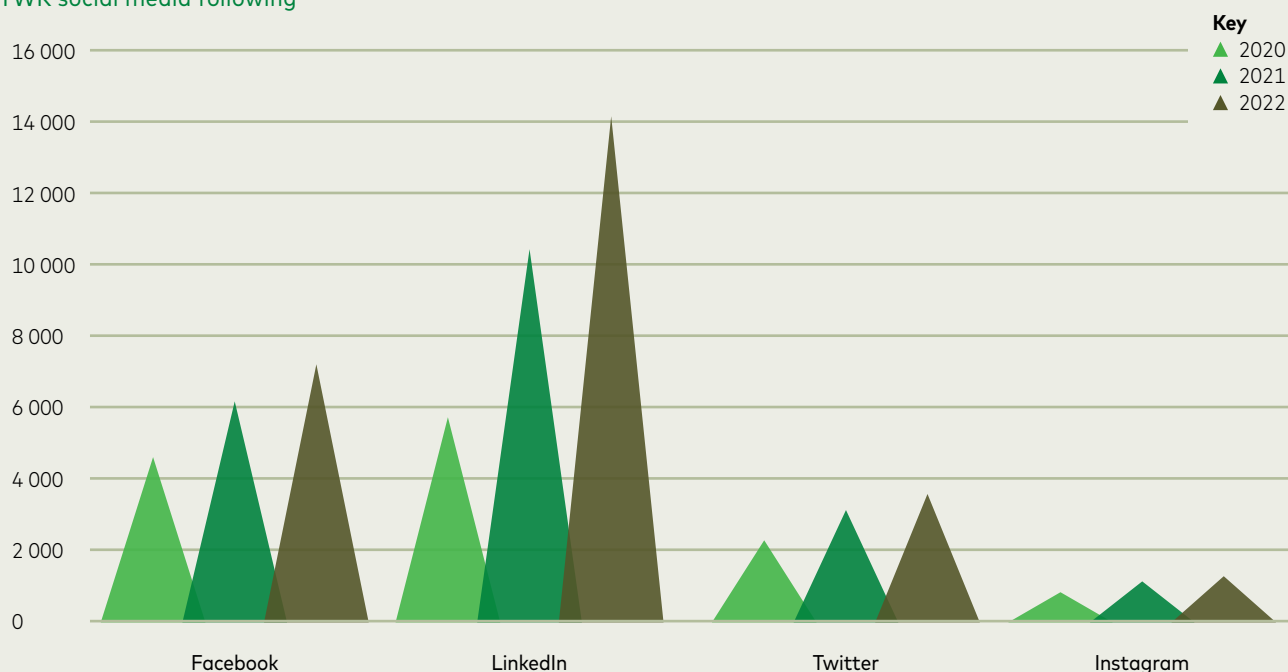
Most users find TWK's site via Google Search, where most visitors are from South Africa.

Social platforms for TWK Agri from 1 Sep 2021 – 31 Aug 2022



TWK's increase in social media following 2020-2022

TWK social media following



OUR GROWING IMPACT

/ENVIRONMENTAL INITIATIVES

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

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

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

ENVIRONMENT MANAGEMENT SYSTEM

The entire forestry division is managed according to the **Environment, Quality and Safety** system.



1. Environment



2. Quality



3. Safety



All divisions with an Environmental impact have a **monitoring system** to evaluate their impact and to mitigate high risk impacts.



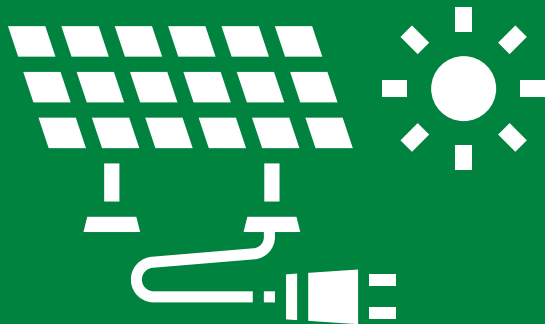
ENVIRONMENT MANAGEMENT PLAN

The divisions with a high impact on the Environment have **Environmental Management Plans** with annual evaluation and third party auditing.

ENERGY MANAGEMENT

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

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



1 592 778 kWh

Energy generated from solar installations

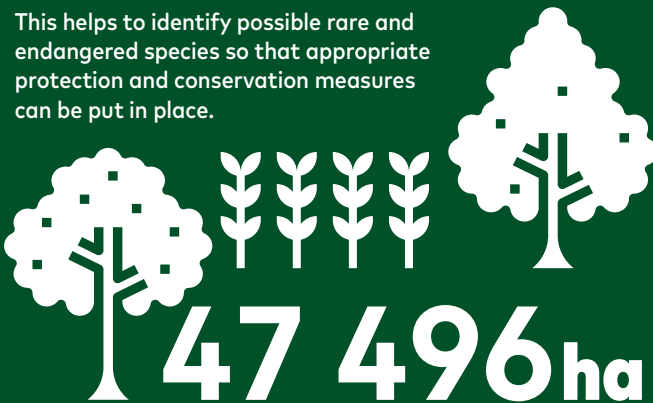
1 672 tons
of offset CO₂

BIODIVERSITY CONSERVATION (INCLUDING FRESH WATER)



TWK's regular biomonitoring, veld condition assessments as well as fauna and flora surveys of the landholdings assist in our biodiversity conservation management.

This helps to identify possible rare and endangered species so that appropriate protection and conservation measures can be put in place.



Forestry land owned by TWK
in South Africa and Eswatini



Managed by TWK on lease
or management agreement



Non-afforested areas managed as
conservation areas

32 117 ha
Planted



Classified as HCV are
included in the conservation area

ENVIRONMENTAL REGULATION AND CERTIFICATION

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



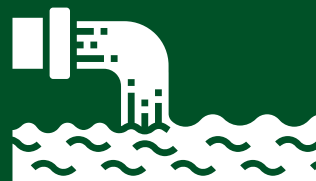
FSC® certified plantations in
Eswatini and South Africa

SAWCO pine mill is FSC® certified and audited annually

SAWCO pine mill is also certified SANS 1288:2020, SANS 1783-1:2018, SANS 1783-2:2013 and SANS 1783-4:2012

Mkondo and Panbult silos are certified under the PPECB. Mkhondo grain mill is certified ISO 22000:2018. It is also certified under the Food safety assessment standards, managed according to SANS 10049:2019 and ISO/TS 22002

Sunshine Seedlings are ISO 9001 (2015) certified and certified at the Seedling Growers Association of South Africa.

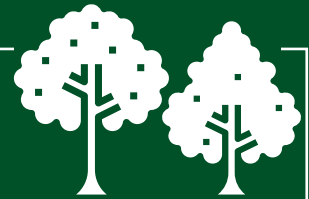


In South Africa we are currently in the process of verifying existing legal water use with the Department of Water Affairs and Sanitation.

All timber procured to our processing plants have to adhere to the TWK Due Diligence System (DDS) that comply to the FSC® standard.



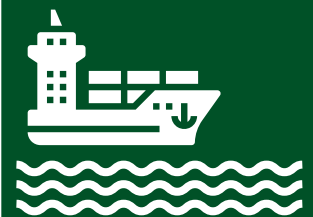
All Total garages have an **Environmental Impact Assessment approved** before a retail licence can be issued.



3 Forest Management Certificates of



58 371 ha
and **TWO FSC® Chain of Custody Certificates.**



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



STTP plant is managed according to approved Eswatini Environmental Authority Environmental Management Plan and is also **SANS 754 certified.**

ENVIRONMENTAL REPORT CONTINUED

ENVIRONMENTAL REGULATION
AND CERTIFICATION CONTINUED

Air quality

is monitored at **Mkondo Grain processing plant**.



External assessments
are done every

24 months...



and air quality including
**counts of carbon
dioxide and carbon
monoxide**, as well
as temperature and
humidity are monitored.



Greenhouse gas emissions
and climate change
(Including research)

TWK's plantations are registered
with the Department of Environment,
Forestry and Fisheries to monitor
greenhouse gas emissions.



TWK is also a member of a research
platform to facilitate climate modelling
and sustainability resource availability
for all forestry stakeholders. This aims
to reduce risk and improve adaptation/
mitigation strategies in relation to
climate change.

This research is done by the University
of the Witwatersrand's Global Change
Institute.





Fire management

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



34
uncontrolled fires

with a loss of **203ha**

	Quantity fires			ha loss
	2022	2021	2020	2022
Northern farms				
	0	1	1	0
Southern farms				
	0	1	3	0
SFC Nhlango				
	17	105	17	9
SFC Peak Timbers				
	17	84	191	194



Cultural heritage

Currently the only culture
sites are grave sites on our
landholdings.

All grave sites are protected,
and their related communities
have free access to sites.



Deforestation

All timber production is
from commercial plantations
planted with exotic trees
(these are Acacia, Pinus
and Eucalyptus).

No indigenous forests are
harvested. Rather, TWK
ensures that all indigenous
trees are protected and
managed as areas of High
Conservation Value (HCV).

Hazardous substances (Including chemical use)



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



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

On average:

3 900ℓ

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



All flammable liquid storing facilities have been registered at the relevant Local Authority. All hazardous waste (fluorescent lights, oil, hazardous containers) is removed by a registered hazardous waste transporter and Waste Management Company.

Chemical list

	Glyphosate	Triclopyr	Picloram	Dimethylamine
Northern farms	920ℓ	25ℓ	0	0
Southern farms	1753ℓ	221ℓ	0	37
SFC Nhlango	9 313ℓ	121ℓ	0	0
SFC Peak Timbers	16 433ℓ	5 653ℓ	0	0



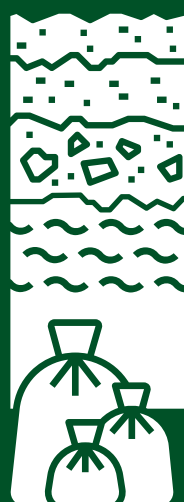
Water management

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

Pollution prevention

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

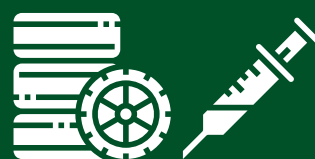
These facilities are regularly cleaned, and all waste is collected for safe disposal. Pollution management forms part of the TWK Health and Safety system.



Soil and groundwater

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

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



Waste management

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

Non-hazardous waste

Only disposed of in a permitted disposal site.

Hazardous waste

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

Medical waste

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

Tyres

Tyres are returned to the supplier.

Pollution abatement and testing

TWK Motors and TWK Timber generate wastewater at their processing plants.

These effluents are effectively managed at wash bays with silt and oil tape.

Procedures are in place for possible hazardous wastes that can be generated.

Noise emission is tested, procedures are in place and the applicable PPE is provided to all processing plants. Internal and external audits are done and procedures are in place to mitigate noise.



Resource efficiency

All timber productions are monitored and records are kept for the use of energy and natural resources as per FSC® certification standards.

Registers and regulations

Legal registers maintained to track records of compliance.

OUR FINANCIALS EXPLAINED

ANNUAL FINANCIAL STATEMENTS





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ANNUAL FINANCIAL STATEMENTS

/REPORT BY THE FINANCIAL DIRECTOR



A stylized, handwritten signature in black ink, consisting of the letters 'J' and 'F' intertwined.

JEW FIVAZ
Financial Director



INTRODUCTION

The new financial year started with abundant uncertainties in the sector as well as in the local and global economy. Disruptions in supply chains, the Russian invasion of Ukraine as well as uncertainty on the recovery from COVID or possible new waves, made for difficult forecasting and planning during the 2022 financial year. Our disciplined approach, focused strategy and business model ensured success even in unpredictable times. Throughout the year there was an emphasis on working capital management and the improvement of operational efficiencies. Liquidity management is always a focus area and therefore the Group successfully replaced the long-term Landbank debt with favourable long-term facilities from ABSA.

TWK achieved another year of financial success with the 2022 financial year not only the best on record but substantially outperformed the previous record realised in 2021. It underlines the effectiveness and importance of our diversified business model and pave the way for stronger growth prospects.

Building on a robust balance sheet, market penetration, disciplined cost control, the investment in strategic business opportunities and the divestment of non-performing and non-core assets were the key features of the Group during the year under review. TWK continued with the growth strategy with a focus on our core business, without losing sight on capital management.

By year-end 2022, we were in a net cash position of R218 million compared to R236 million which was supported by strong cash earnings but offset by an increase in trade receivables and inventory levels at year-end. Net cash from operating activities decreased by 80,18% to R85 million (2021: R427 million), as a direct result of an increase in both trade receivables and inventory levels. Stock levels at the woodchip export facility, grain silos and mechanisation were higher in preparation for the new agricultural season. Having cash on hand remains one of the focal areas within TWK from a financial perspective, and enables us to execute on our strategic goals.

The profit curve continues to show exceptional growth supported by an increase in timber exports and strong margins in the fertiliser business. The profitability in the Timber segment was supported by an increase of 88,54% in export volumes and an increase in timber sales from own plantations supported by the full year inclusion of the assets of Peak Timbers acquired in March 2021. The performance delivered in the Retail segment was supported by excellent trading conditions and strong margins realised in the fertiliser business backed by effective and strategic purchases of raw materials. The Group EBITDA is R673 million, which represents a substantial increase on the prior year of R528 million. These are all positive signs that point to a strong performance from the segments as we move into 2023.

As part of our path to maintain a sustainable capital structure for the business and continue to grow profits, we have focused on exiting non-performing and non-core businesses. It was therefore decided to dispose of certain assets in especially The Motors and Tyres segment. During the year the Group disposed of the shares held in Protea Versoosolwerke as well as the business operations of Carolina and Elukwatini fuelling stations and the Wesselton Mall situated in Ermelo. It was also resolved to dispose of the business operations of Wesselton and Welgekozen fuelling stations. Furthermore, the board made the decision to dispose the assets of Roofspace Rental Group which form part of the Renewable energy segment. The funds realised from selling the Roofspace assets will also be utilised to expand solar energy at own facilities.

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

The favourable market conditions translated to a profit for the period of R363 million compared to R256 million for the 2021 financial year. Gross profit margins have increased from 15,1% in 2021 to 16,55% in 2022 and operating margins have increased from 6,08% in 2021 to 6,18% in 2022.

In the 2022 financial year revenue is up by 17,79%, profit before tax is up by 28,62% and headline earnings per share grew by 45,03% from 595,08 cents to 863,04 cents. This resulted in the net asset value per share of TWK Investments to increase from R46,36 in 2021 to R52,55 in 2022.

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

REVENUE GROWTH

Revenue is up due to favourable market conditions, increased volume in timber sales, drastic increase in fertiliser prices and market penetration. We expect a further growth in revenue during 2023 because of increased woodchip export. We will increase quality revenue by optimising existing operations, increasing product offerings, and expanding our footprint through acquisitions.

OPERATING PROFIT GROWTH

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

RETURN ON TOTAL ASSETS

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

REPORT BY THE FINANCIAL DIRECTOR CONTINUED

FIVE-YEAR REVIEW

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

Figures in Rand	2022	2021 Restated*	2020	2019	2018
Revenue	9 956 349 069	8 452 786 297	7 680 067 366	7 753 007 355	7 463 662 309
Operating profit	614 809 077	512 140 038	294 299 346	431 080 108	331 742 888
EBITDA	673 315 237	527 934 435	330 949 466	422 745 720	363 444 161
Net profit after tax	362 860 414	256 023 167	108 371 589	191 799 983	158 496 182
Total assets	6 253 072 354	5 441 558 147	4 438 317 576	4 304 566 731	4 018 667 763
Return on total assets — EBIT (%)	9,75	8,99	5,94	9,24	8,31
Current ratio	1,09	1,13	1,19	1,19	1,22
Gearing ratio (%)	145,9	147,4	145,8	130,5	131,3
Headline earnings per share (cents)	863,04	595,08	401,27	489,24	405,53
Return on opening equity (%)	18,47	16,41	7,75	13,67	13,46
Price earnings	6,05	5,44	8,72	5,36	4,10
Dividend per share (declared post year-end)	1,50	1,14	0,65	0,90	0,75
Net asset value per share	52,55	46,36	42,83	40,74	35,98
Market cap 31 August	1 882 345 858	1 279 991 911	885 249 792	851 871 412	575 067 003

* The prior year comparatives have been restated for the effect of the reclassification of discontinued operations. Refer to note 21 of the Financial Statements.

RETURN ON EQUITY

Shareholders rightfully expect consistent returns on capital provided. We believe that return on equity is a true bottom-line profitability indicator and therefore strive to invest in opportunities that will yield returns above our internal rate of return threshold. Investments that do not yield the desired returns are closely monitored and, where necessary, corrective actions are taken. The optimal allocation of capital in a diversified group of businesses to achieve the best long-term return for shareholders is a key priority.

CONSISTENT HEPS GROWTH

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

FINANCIAL PERFORMANCE

The following review of the Group's financial performance for the year ended 31 August 2022 focuses on the key line items of the statements of comprehensive income and financial position which management considers material to the Group's performance.

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

REVENUE

Group revenue increased by 17,79% to R9,96 billion (2021: R8,45 billion). Revenue in the trade segments increased by 27,76% due to higher prices of fertiliser sold, market penetration and better trading conditions. Revenue in the Timber segment increased by 16,65% due to increased sales in the woodchip export market and increased sales from own plantations. The woodchip export revenue was also supported by the weaker Rand.

OPERATING EXPENDITURE

The Group's operating expenses increased by 22,27%. Operating expenditure as a percentage of turnover was 11,79% (2021: 11,36%) and is in line with our commitment to maintain disciplined expense management and to improve operational efficiency.

OPERATING PROFIT

Operating profit increased by 20,05% to R615 million (2021: R512 million) as the Retail & Mechanisation and Timber segment experienced exceptional growth in sales and operational efficiency. Operating profit were negatively impacted by an increase in the provision for credit loss in the Financial services segment and the continued pressure on the sales of fuel in the Motors and Tyres segment.

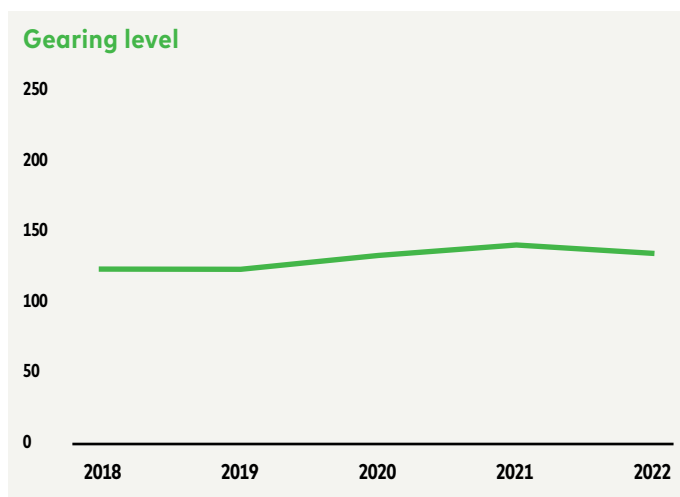
The increase in total gross profit margin to 16,55% (2021: 15,10%) driven by market conditions and diligent cost management had a positive impact on operating profit.

The Group operating margin strengthened to 6,18% from 6,06% due to reasons mentioned above.



STATEMENT OF FINANCIAL POSITION

The ratio of shareholders' interest to total assets improved further to 30,72% (2021: 31,07%) and the gearing level decreased to 145,9% at year-end (2021: 147,4%). The increase in trade receivables and inventory had a direct impact on the gearing level. The expansion of the renewable energy segment also contributed to an increase in the gearing level. The level is still comfortably within our internal thresholds with sufficient headroom available to meet the coming year's requirements.



We aim to manage our cost of capital by maintaining an appropriate capital structure, with a balance between equity and debt. The primary sources of the Group's net debt include long-term borrowings and a syndicated revolving credit facility, financing from various banks, thus providing us with access to diverse sources of debt financing with varying debt maturities. During the year The Group settled the Landbank long-term debt and was replaced with a favourable long-term ABSA facility. ABSA also subscribed to the syndicated revolving credit facility with Standard Bank and First National Bank.

The ratio of current assets to current liabilities at year-end was consistent at 1,09 times (2021: 1,13 times), indicating that working capital remains adequately funded and closely monitored. The continued financial discipline includes a sharp focus on working capital management as part of overall liquidity management. While we have continued to manage collection closely in the current economic climate, the net investment in working capital has increased to R1,49 billion at the end of the year from R1,09 billion in 2021, which is still within our expected range. Although well managed with quality security in place we have seen an increase in our credit risk with our expected credit loss provisions increasing from R31,9 million in 2021 to R52,5 million in 2022.

The disposals of the held for sale assets will reduce debt and enhance the capital structure. Once these are concluded, the cash of approximately R150 million from the sales is expected to flow before the end of the 2023 calendar year.

INVENTORY

Inventory was tightly managed and Group inventory days was consistent at 69 days. Inventory levels were 33% higher, which is in line with the rate of sales growth. Inventory levels were also higher at year-end in preparation for the new season.

TRADE AND OTHER RECEIVABLES

Trade receivables continued to be well managed. The stratification of the client base relative to credit extended is at 93,2% between R1 and R5 000 000. The average utilisation during peak season as well as the balance of seasonal facilities on 31 August 2022 were higher than the previous year, resulting in good interest earnings. The total bridging facilities increased to R70,1 million from R53,4 million. There was also a slight decrease in handed over facilities from R55,0 million to R53,1 million. Securities are held to mitigate risk where appropriate and we believe we are suitably provided for when considering the health of the debtors' book. Low levels of bad debt permanently written off were still maintained, and the bad debt ratio was 0,99% for the Group's total debtors' book.

CASH AND CAPITAL MANAGEMENT

Net cash from operating activities before taking working capital movement into account increased by R170 million to R554 million. Cash resources were offset against investing activities and working capital requirements.

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

Capital is mainly allocated to production facilities extended to producers, inventory, capital projects, working capital for expansion and for mergers and acquisitions. Additions to Property, plant and equipment was R222 million.

Own equity increased by R230 million, while long and short-term borrowings increased by R324 million. The short-term borrowings increased by R489 million to fund the increase in production facilities extended to producers, current accounts, and inventory. The unutilised short-term facility of R280 million (2021: R706 million) ensures adequate liquidity.

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

REPORT BY THE FINANCIAL DIRECTOR CONTINUED

ACCOUNTING POLICIES AND ESTIMATES

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

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

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

AUDIT REPORT

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

LOOKING AHEAD

We have proven our ability to succeed within the sector in which we operate and are capable to adapt and move forward with our strategic objectives.

One of the key focus areas for TWK is to create sustainable shareholder value. TWK Investments listed on the innovative Cape Town Stock exchange on 30 September 2021 with a secondary listing on A2X on 30 November 2021. Although traded volumes have increased significantly and the share price is trading at a lower discount to net asset value, we will continue to look for innovative ways to unlock shareholder value, attract a broader shareholder base and increase liquidity.

The new financial year begun with the same momentum, and we experience a strong demand for our products and services especially exports of woodchips. The targets that we have set are aggressive but achievable through disciplined execution and collaboration among all key stakeholders. We remain focused on our strategy and will continue to evaluate the return on investments and will act in the appropriate manner where desired results is not achieved.

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

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

Our investment in Information Technology remains a priority, which will enable improved reporting functionality, improve data quality, optimised decision making and improved information to clients and suppliers.

APPRECIATION

I would like to congratulate all the employees of TWK in achieving the best results on record and continue to demonstrate diligence and commitment to the success. I am truly grateful for the commitment and support received from the finance team in preparing and delivering our 2022 result in a record time. I also extend my appreciation to the executive management team for their passion and drive to win, and to my fellow Board members for their sound advice and valued guidance.

My gratitude towards Standard Bank, ABSA and FNB for their continued support and understanding of our business needs.



JEW Fivaz
Financial Director

ANNUAL FINANCIAL STATEMENTS

/ PREPARATION OF THE ANNUAL FINANCIAL STATEMENTS

The consolidated financial statements have been prepared by Louis-Jacques Avenant CA(SA) under the supervision of JEW Fivaz — Group Financial Director.

/ STATEMENT BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that, to the best of my knowledge and belief, TWK has, in respect of the financial year ended 31 August 2022, lodged with CIPC all returns and notices required of a public company in terms of the Companies Act, and that all such returns and notices are true, correct and up to date.



MJ Potgieter
Company Secretary

ANNUAL FINANCIAL STATEMENTS

/DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control, established by the Group, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is beyond reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements that are free from material misstatements, whether due to fraud or error. 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 2023 and, in light of this review and the current financial position, they are satisfied that the Group has access to adequate resources to continue in operational existence for the foreseeable future. Management is comfortable to conclude that the business will continue as a going concern and is very satisfied with the results of the Group.

Based on the Group and Company financial statements, the present position of the Company and the Group, budgets for the coming year and available financing facilities, the directors have no reason to believe that the Company and Group will not be a going concern. The going concern principle is therefore accepted and applied in the preparation of the Group and Company financial statements.

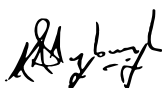
The external auditor is responsible for independently auditing and reporting on the Group's financial statements. The financial statements have been examined by the Group's external auditor and their report is presented on pages 91 to 95. The auditors had unrestricted access to all financial records and related information, minutes of shareholders, directors and Board committee meetings. The directors are of the opinion that all submissions and management declarations presented to the auditors were correct, valid and relevant.

The Directors hereby confirm that: (a) the Group Annual Financial Statements set out on pages 96 to 163 fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS; (b) no facts have been omitted or untrue statements made that would make the Group Annual Financial Statements false or misleading; (c) internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the Group Annual Financial Statements; and (d) the internal financial controls are adequate and effective and can be relied upon in compiling the Group Annual Financial Statements.

The financial statements have been prepared on the going concern basis, were approved by the Board of Directors on 2 November 2022 and were signed on their behalf by:



JS Stapelberg
Chairman



AS Myburgh
Managing Director

ANNUAL FINANCIAL STATEMENTS

/AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Audit and Risk Committee for the financial year ended 31 August 2022.

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

COMPOSITION

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

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

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

The membership of the committee comprises of four non-executive directors, two of whom are independent. Since 1 August 2022 three directors are independent. GB Prinsloo resigned as director on 25 April 2022 and WJ Steenkamp was appointed as director on 1 August 2022.

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

The committee met four times during the period under review.

Director	6 Oct 2021	25 Nov 2021	12 Apr 2022	30 Aug 2022
HJK Ferreira	✓	✓	✓	✓
CA du Toit	✓	✓	✓	✓
HG Hiestermann	✓	✓	✓	✓
GB Prinsloo	✓	✓	✗	✓
WJ Steenkamp	✓	✓	✓	✓

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

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

MANDATE DELEGATED BY THE BOARD

The responsibilities of the audit committee are set out in a formal charter which is revised regularly by the Board. In terms of the charter, the following is expected of the committee:

1. Performing its statutory duties as prescribed by the Companies Act, with specific reference to the audit quality, audited independence and financial policies and reporting concerns;
2. Satisfied itself of the suitability, independence, effectiveness and the quality of the external auditors and its audit partner;
3. Recommendation regarding the appointment of an independent external auditor (including the audit partner) in accordance with the provisions of the Companies Act;
4. Approval of fees payable to auditors and the terms and conditions of the appointment;
5. Consideration of any non-audit work by such auditors, and determining whether the provision of such services will materially affect their independence;
6. Review the Audit Committee charter to be in line with the recommendations of King IV;
7. Held separate meetings with management and the external and internal auditors to discuss relevant matters;
8. Receiving and handling any concerns or complaints regarding accounting practices, internal audit work and internal financial control in an appropriate manner;
9. Consider incidents reported on the whistle-blowing platform and monitor actions taken;
10. Reporting to the Board on matters relating to accounting policies, financial controls, financial records and financial reporting;
11. Evaluation of the annual audit plan;
12. Review and recommend for adoption by the Board the Group's consolidated interim results for the six months ended 28 February 2022 and the consolidated annual financial statements for the year ended 31 August 2022;
13. Consideration and review of the accounting practices, policies and procedures, as well as the effectiveness of internal financial controls;
14. Ensure that the financial planning, management and reporting of the business is conducted in accordance with the applicable accounting policies and international financial reporting standards;
15. Monitoring compliance with applicable legislation and regulatory aspects;
16. Evaluation of the effectiveness of management information and internal control systems;
17. Ensure that the internal control function is effective and that the internal auditor has unrestricted access to the chairman of the Audit and Risk Committee and the chairman of the Board;
18. Confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
19. Granting assistance to the Board in order to ensure that the business implements an effective risk management policy and plan and risk disclosure is complete, timely and relevant;
20. Consider the skills and capacity of the finance function in general and the financial director in particular;
21. Recommending the interim and annual financial statements to the Board for approval;

AUDIT AND RISK COMMITTEE REPORT CONTINUED

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

INTERNAL FINANCIAL CONTROLS

Based on the results of the formally documented review of the design, implementation and effectiveness of the TWK Group's internal financial control system conducted by the internal audit function during the 2022 financial year and, in addition, after considering information and explanations provided by management and discussions with the external auditor about the results of their audit, the committee believes that the TWK Group's internal financial control system is effective and provides a basis for preparing reliable financial statements.

EXTERNAL AUDIT

The external auditors of the Company are PKF Pretoria Inc., headed by Mr Brendan Robinson. The auditors regularly attend the Audit and Risk Committee meetings.

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

The committee in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2022 financial year.

The committee approved the terms regarding the non-audit services by the external auditor, and the nature and scope of the non-audit services that may be provided by the external auditor. No material non-audit services were provided by the external auditors during the year under review.

INTERNAL AUDIT

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

The Internal audit is responsible for the following:

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

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

- Oversee the functioning of the internal audit department;
- Satisfy itself of the competence of the internal auditors and adequacy of internal audit resources;
- Approve the annual internal audit plan;
- Reviewing the functioning of the internal audit programme and department to ensure co-ordination between the internal and external auditor; and

- Ensure the internal audit function is subject to independent quality review as appropriate.

The internal auditor has unrestricted access to the chairman of the Audit and Risk Committee and the chairman of the Board.

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

EVALUATION OF CHIEF FINANCIAL OFFICER AND FINANCE FUNCTION

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

ANNUAL INTEGRATED REPORT AND THE GROUP ANNUAL FINANCIAL STATEMENTS

The committee has evaluated the Annual Integrated Report, incorporating the Group Annual Financial Statements, for the period ending 31 August 2022 and believes that the Group has complied with the requirements of the Companies Act, 2008, as well as International Financial Reporting Standards (IFRS) in all material respects. The committee is also satisfied that the financial statements reflect the position of the Company and Group correctly, that all factors that may have an impact on the integrity of the report have been taken into account, and that the reporting of risk management, as included in this report, is complete and applicable.


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

The committee has therefore recommended the Annual Integrated Report and the Group Annual Financial Statements for approval to the board. The board subsequently approved the report and the Group Financial Statements, which will be open for discussion at the Annual General Meeting.

Based on the results of the formal documented review of the group's system of internal controls for the year, which was performed by the internal audit function and the CEO and CFO internal control confirmation, nothing has come to the attention of the committee to indicate that the internal financial controls were not operating effectively.

APPROVAL OF THE AUDIT AND RISK COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the 2022 financial year and that its report to shareholders has been approved by the board.



HJK Ferreira

Chairman: Audit and Risk Committee

ANNUAL FINANCIAL STATEMENTS

/DIRECTORS' REPORT

The Directors have pleasure in presenting their report for the year ended August 2022.

1. OVERVIEW OF ACTIVITIES

TWK is involved in agricultural services and is incorporated and domiciled in the Republic of South Africa. The activities of the Company, its subsidiaries and associates are as follows:

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

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

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

2. FINANCIAL RESULTS

The Group achieved a profit for the year of R363 million (2021: R256 million) and total assets increased to R6,3 billion (2021: R5,4 billion).

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

3. GOING CONCERN

After consideration of the current financial position and existing credit facilities of the Company and its subsidiaries, as well as the budgets and cash flow projections for the financial year ending 31 August 2023, the Board has satisfied itself that the Company is a going concern and that it complies with the solvency and liquidity requirements of the Companies Act. The financial statements have therefore been prepared on a going concern basis.

4. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of matters or circumstances that occurred between the end of the financial year and the date on which the financial statements were approved that have not been dealt with in the Group and Company financial statements and which may have a significant influence on the activities of the Group and Company or results of those activities.

5. INTEREST OF DIRECTORS IN CONTRACTS

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

6. BORROWING POWERS

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

7. DIVIDENDS

Dividends already been declared and paid to shareholders during the 12 months are set out in the attached statement of changes in equity after approval has been granted by the Board in this regard. Dividends are recommended and approved by the Board of Directors, based on the financial year-end statements. TWK is of the opinion that there will be continued payment of dividends, although no assurance can be given that dividends will be paid in the future or in respect of the amounts to be paid from year to year. The payment of future dividends will depend on the Board's ongoing evaluation of TWK's earnings, after providing for long-term growth, cash and debt resources, and reserves available for payment of a dividend based on the evaluation of the going concern and other factors. Taking into consideration the goals, as set out in the strategic plans of the Company, the Board has the flexibility to determine the most fitting allocation of profits to shareholders, as well as deciding on the specific intervals at which dividends must be paid and, if applicable, on the payment of interim dividends. Within the framework of the above flexibility, the Board also has the discretion to determine the form or combination of the distribution, for example cash, share dividend or the buyback of shares. Notwithstanding the aforementioned, the Company's general policy will be, in the absence of conditions that require a deviation, to maintain the pay-out of profits to its shareholders based on normal growth goals and working towards a dividend cover of four times in any of the forms of compensation mentioned above.

8. DIRECTORS

Full details of the directors appear in the integrated report.

9. DIRECTORS' INTERESTS

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

10. DIRECTORS' LIABILITIES

Directors and executive officers of the group are covered by directors' and officers' liability insurance.

DIRECTORS' REPORT CONTINUED

11. SECRETARY

The Company Secretary is MJ Potgieter.

Business address:

11 De Wet Street
Piet Retief
2380

12. 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.

13. 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.

14. AUTHORISED AND ISSUED SHARE CAPITAL

Refer to note 22 of the financial statements for detail on the movement in the issued share capital. The unissued ordinary shares are the subject of a general authority granted to the directors in terms of section 38 of the Companies Act 71 of 2008. As this general authority remains valid only until the next AGM, the shareholders will be asked at that meeting to consider an ordinary resolution placing the said unissued ordinary shares under the control of the directors until the next AGM.

ANNUAL FINANCIAL STATEMENTS

/INDEPENDENT AUDITOR'S REPORT

PKF Pretoria Incorporated



Independent Auditor's report

To the Shareholders of TWK Investments Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TWK Investments Limited and its subsidiaries set out on pages 96 to 163, which comprise the consolidated Statements of Financial Position as at 31 August 2022, and the consolidated Statement of Profit or Loss and Other Comprehensive Income, the consolidated Statement of Changes in Equity and the consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant account policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of TWK Investments and its subsidiaries as at 31 August 2022, and its consolidated financial performance and consolidated cashflows for the year ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

Basis for Opinion

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

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

Key Audit Matters

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

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Private Bag X35 | Lynnwood Ridge | South Africa, 0040

Members: PR Smith – B Robinson

PKF Pretoria is a member firm of PKF South Africa Inc. PKF South Africa Inc. is a family of legally independent firms in South Africa and is a member firm of the PKF International Limited family of legally independent firms. PKF South Africa Inc. itself does not provide services to clients and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms. PKF in South Africa practise as separate legal entities in Eastern Cape, Free State, Gauteng, KwaZulu-Natal and Western Cape.

PKF PRETORIA INC.

INDEPENDENT AUDITOR'S REPORT CONTINUED



Key audit matter	How the key audit matter was addressed in the audit
<p>Valuation of Biological Assets – Forestry asset</p> <p>As disclosed in note 7, the consolidated financial statements includes Biological Assets. The Group recognises forestry assets included in the biological assets of R1,426bn as at 31 August 2022</p> <p>Biological assets comprise planted wattle, eucalyptus and pine trees.</p> <p>Biological assets are required to be measured in accordance with IAS 41 <i>Agriculture</i>. The Group therefore measures its biological assets at fair value less cost to sell with any gains or losses recognised through profit or loss. Refer to accounting policy 1.6 for further details on the valuation method.</p> <p>The biological assets received significant attention from senior personnel within the audit team. Executive management of TWK Investments Limited and its subsidiaries was directly involved in the assumptions, estimation and judgements made.</p> <p>The Group determines the fair value of biological assets using the discounted cash flow method. This method is complex, highly judgemental, and subject to significant assumptions. These assumptions include unobservable inputs which results in the fair value measurement being categorised as a Level 3 within the Fair value Hierarchy in terms of IFRS 13 - <i>Fair Value Measurement</i>.</p> <p>The most significant of these assumptions applied in the discounted cash flow model includes:</p> <ol style="list-style-type: none"> 1. Determination of a discount rate which is calculated as a an after tax weighted average cost of capital ("WACC"); 2. Determination of the Mean Annual Increment (MAI) and expected yields per log specie; 3. Determination of the sales prices per ton based on the current and future expected market prices per log specie; 4. Determination of the operations costs and costs to harvest and sell, based on the costs per ton of the forest management and harvesting activities. <p>The valuation of biological assets is considered to be a key audit matter due to the significant assumptions, judgements and estimations required which include:</p> <ul style="list-style-type: none"> - The valuation being subject to complexity, significant judgement and assumptions made by management; - The magnitude of the balance in relation to the consolidated financial position. 	<p>Our audit included the following procedures to address the key audit matter:</p> <p>We evaluated management's representations relating to the valuation techniques and fair presentation of the biological assets.</p> <p>We evaluated the fair value methodology against criteria in IAS 41 <i>Agriculture</i> and IFRS 13 <i>Fair Value Measurement</i>.</p> <p>We critically evaluated the appropriateness and consistency of the significant assumptions and judgements applied by management by performing the following procedures:</p> <ul style="list-style-type: none"> - We independently calculated the WACC using external data sources. We found management's discount rate to be within the range of our calculation We recalculated the forestry assets value at year end by applying management's WACC to the cash flows over the expected periods of the cash flows; - We assessed the valuation calculation for arithmetical accuracy. <p>We assessed the reasonableness of the underlying data used in the cash flow model which include:</p> <ul style="list-style-type: none"> - The projected MAI and yield rates that the existing plantations are predicted to produce, by comparing the projected information to historic yield rates of the Group; - The sales prices per ton based on the current and future expected market prices per specie, by comparing the projected information to historic sales prices adjusted for inflationary increases; - The cost of harvest and operational costs of the forest management activities, by comparing the projected information to historic costs adjusted for inflationary cost increases; - Evaluating the adequacy of the financial statement's disclosures, including disclosures of the key assumptions, judgements and sensitivities to confirm compliance with IAS 41 and IFRS 13. <p>Based on the results of our work performed, we accepted management's MAI and projected yield volumes, sales prices, cost of harvest and operation costs.</p>

PKF PRETORIA INC.



Key audit matter	How the key audit matter was addressed in the audit
<p>Allowance for expected credit losses against trade and other receivables and loans receivable.</p> <p>As disclosed in note 16 and 17, the consolidated financial statements includes loans receivable and trade and other receivables. The Group recognises loans receivable of R113,3mn and trade and other receivables of R1,269bn as at 31 August 2022. The Group recognised a R52.6mn provision for expected credit losses against the loans and trade receivables.</p> <p>The determination of the expected credit loss (ECL) allowance on loans and trade receivables that have not been handed over to legal, requires estimation of the probability of default (PD) and the loss given default (LGD). Both assumptions are significant inputs into the ECL model and have a significant impact on the calculation of the allowance.</p> <p>When determining the PD management has identified an external source with reference to similar portfolios as reference point for the forward looking information. To measure the ECL, loans and trade receivables have been grouped based on shared credit risk characteristics.</p> <p>When determining the LGD, management considers the quality and expected realisation value of securities held for customers.</p> <p>Customers that have been handed over to legal are provided for based on the exposure to credit risk and the quality and expected realisation value of securities held for the specific customer.</p> <p>The expected losses is considered to be a key audit matter due to the significant assumptions, judgements and estimations required which include:</p> <ul style="list-style-type: none"> - The valuation being subject to complexity, significant judgement and assumptions made by management; - The magnitude of the loans and trade receivables balance in relation to the consolidated financial position. 	<p>Our audit included the following procedures to address the key audit matter:</p> <p>We obtained an understanding, evaluating the design, and tested the operating effectiveness of the controls related to the credit application process, including securities offered against the credit applied for, and the credit limits assigned to each customer.</p> <p>We independently calculated an allowance for expected credit losses by recalculating the probability of default (PD) and the loss given default (LGD) assumptions using inputs and assumptions tested during the audit, and compared the result to management's allowance.</p> <p>We compared historical actual losses to expected losses as an indication of the historic appropriateness of the forward looking assumptions applied by management in determining the expected credit losses.</p> <p>Our procedures to assess the probability of default (PD), includes:</p> <ul style="list-style-type: none"> - Comparing the estimated loss rate to external sources of loss rates; - Assessing the type of portfolios for which management obtained loss rates externally, to similar external sources to determine whether the type of asset portfolio used in management's calculation is appropriate; - Assessing the shared credit risk characteristics of each group into which management has grouped the loans and trade receivables. <p>Our procedures to test the loss given default (LGD), includes:</p> <ul style="list-style-type: none"> - Selecting a sample of customer and tested the existence and contractual value of the securities held by inspecting that the security is formally registered in favour of the Group; - Comparing the value of the security to the value of the loan or receivable as at 31 August 2022; - Recalculating the total exposure to credit risk taking the value of the security and the value of the loan or receivable into consideration. <p>Our procedures relating to customers handed over to legal council include the selection of a sample of customers and testing the following:</p> <ul style="list-style-type: none"> - Inspecting the contractual value of the securities held by inspecting that the security is formally registered in favour of the Group; - Comparing the value of the security to the value of the loan or receivable as at 31 August 2022; - Recalculating the total exposure to credit risk taking the value of the security and the value of the loan or receivable into consideration. <p>We assessed the adequacy of the presentation and disclosures made in notes 16 and 17 to the consolidated financial statements on judgements and estimates made in the allowance for expected credit losses</p>

PKF PRETORIA INC.

INDEPENDENT AUDITOR'S REPORT CONTINUED



Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "TWK Investments Ltd Integrated Report 2022" which includes the Chairman's Report, Managing Director's Report, Corporate Governance Report, Social & Ethics Committee Report, Report by the Financial Director, Statement by the Company Secretary, Audit & Risk Committee Report and the Directors' Report as required by the Companies Act 71 of 2008. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

PKF PRETORIA INC.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PKF Pretoria Incorporated has been the auditor of TWK Investments Limited for 12 years.

PKF PRETORIA INC.

PKF Pretoria Incorporated

**Director : Brendan Robinson
Registered Auditor**

8 November 2022

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2022

Figures in Rand	Notes	2022	2021 *
Assets			
Non-current assets			
Property, plant and equipment	5	1 200 014 533	1 115 979 402
Right-of-use assets	6	69 734 306	103 133 202
Biological assets	7	1 133 353 031	1 021 402 910
Goodwill and intangible assets	8	199 081 390	185 630 259
Investments in associates	10	10 896 546	8 031 028
Loans to associate companies	11	11 259 666	13 775 901
Loans receivable	16	79 027 829	109 504 921
Investments at fair value	18	48 517 098	67 246 377
Finance lease receivables	12	11 007 356	11 297 751
Deferred tax asset	14	35 810 818	42 345 742
		2 798 702 573	2 678 347 493
Current assets			
Biological assets	7	319 224 705	275 265 531
Inventories	15	1 256 486 645	907 998 270
Loans receivable	16	34 296 655	30 835 156
Trade and other receivables	17	1 314 932 358	1 123 661 413
Derivative financial instruments	19	9 202 622	142 749
Finance lease receivables	12	8 458 672	5 538 889
Current tax receivable		33 375 334	26 840 776
Cash and cash equivalents	20	218 219 222	241 982 277
		3 194 196 213	2 612 265 061
Non-current assets held for sale and assets of disposal groups	21	260 173 568	150 945 593
Total assets		6 253 072 354	5 441 558 147
Equity and liabilities			
Capital and reserves			
Share capital	22	835 420 378	847 181 446
Reserves		12 791 145	43 778 581
Retained income		1 072 620 548	799 573 659
Own equity		1 920 832 071	1 690 533 686
Non-controlling interest		67 120 774	32 044 546
Total equity		1 987 952 845	1 722 578 232
Liabilities			
Non-current liabilities			
Loans from group companies	26	61 000 000	85 400 000
Other loans payable	27	1 041 661	16 490
Borrowings	28	809 827 554	1 031 323 824
Lease liabilities	6	50 348 509	85 319 683
Retirement benefit obligation	13	4 585 000	5 096 000
Deferred tax liabilities	14	234 790 295	206 205 146
		1 161 593 019	1 413 361 143
Current liabilities			
Trade and other payables	30	1 086 241 609	938 120 408
Loans from group companies	26	24 400 000	24 400 000
Other loans payable	27	1 009 644	7 100 696
Borrowings	28	1 764 308 117	1 279 081 220
Derivative financial instruments	19	16 224 000	5 253 915
Lease liabilities	6	24 212 163	26 476 972
Contract liabilities	31	1 353 726	2 665 572
Current tax payable		1 749 772	9 256 944
Provisions	29	8 456 961	6 881 173
Dividend payable		119 484	119 484
Bank overdraft	20	106 192	6 262 388
		2 928 181 668	2 305 618 772
Liabilities of disposal groups	21	175 344 822	—
Total liabilities		4 265 119 509	3 718 979 915
Total equity and liabilities		6 253 072 354	5 441 558 147

* The prior year comparatives have been restated for the effect of the reclassification of discontinued operations. Refer to note 21.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2022

Figures in Rand	Notes	2022	2021*
Continuing operations			
Revenue		9 866 670 970	8 384 115 867
Finance income		89 678 099	68 670 430
Total revenue	32	9 956 349 069	8 452 786 297
Cost of sales	33	(8 308 898 819)	(7 176 638 793)
Gross profit		1 647 450 250	1 276 147 504
Other operating income	34	107 648 670	93 936 745
Other operating gains	35	33 420 429	101 952 224
Other operating expenses		(1 173 710 272)	(959 896 435)
Operating profit	36	614 809 077	512 140 038
Investment income	37	4 851 018	8 966 052
Finance costs	38	(105 900 012)	(102 588 051)
Share of profit from associates		2 865 517	4 315 226
Other non-operating losses	39	(4 600 062)	(25 683 657)
Profit before loyalty scheme payments		512 025 538	397 149 608
Loyalty scheme payments		(15 123 477)	(10 806 461)
Profit before taxation		496 902 061	386 343 147
Taxation	40	(134 303 703)	(99 195 846)
Profit from continuing operations		362 598 358	287 147 301
Discontinued operations			
(Loss)/profit from discontinued operations	21	262 056	(31 124 134)
Profit for the year		362 860 414	256 023 167
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurements on net defined benefit liability		252 152	490 000
(Losses)/gains on property revaluation		(4 510 987)	12 183 808
Changes in fair value of equity investments at fair value through other comprehensive income		(9 247 673)	4 616 924
Income tax relating to items that will not be reclassified		4 673 185	(1 139 018)
Total items that will not be reclassified to profit or loss		(8 833 323)	16 151 714
Other comprehensive income for the year net of taxation	41	(8 833 323)	16 151 714
Total comprehensive income for the year		354 027 091	272 174 881
Profit attributable to:			
Owners of the parent:			
From continuing operations		311 963 668	253 307 159
From discontinued operations		262 056	(31 124 134)
		312 225 724	222 183 025
Non-controlling interest:			
From continuing operations		50 634 690	33 840 142
Total comprehensive income attributable to:			
Owners of the parent		304 545 605	238 418 094
Non-controlling interest		49 481 486	33 756 787
		354 027 091	272 174 881

Earnings per share

From continuing operations

Basic earnings per share (c)	42	850,39	734,97
Diluted earnings per share (c)	42	798,14	685,53
Headline earnings per share (c)	42	863,04	595,08

From discontinued operations

Basic earnings/(loss) per share (c)	42	0,71	(90,31)
Diluted earnings/(loss) per share (c)	42	0,67	(84,23)

* The prior year comparatives have been restated for the effect of the reclassification of discontinued operations. Refer to note 21.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2022

Figures in Rand	Share capital	Treasury shares	Total share capital	Revaluation reserve	Restructuring reserve
Balance at 1 September 2020	758 223 692	(33 694 632)	724 529 060	60 969 532	(40 024 411)
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	10 542 005	—
Total comprehensive income for the year	—	—	—	10 542 005	—
Issue of shares	136 210 304	—	136 210 304	—	—
Shares bought back	(10 231 658)	(3 326 260)	(13 557 918)	—	—
Transfer between reserves	—	—	—	—	—
Share-based payments	—	—	—	—	—
Dividends	—	—	—	—	—
Changes in ownership interest	—	—	—	—	—
Total contributions by and distributions to owners of company recognised directly in equity	125 978 646	(3 326 260)	122 652 386	—	—
Balance at 1 September 2021	884 202 338	(37 020 892)	847 181 446	71 511 537	(40 024 411)
Profit for the year	—	—	—	—	—
Other comprehensive income	—	—	—	(2 304 391)	—
Total comprehensive income for the year	—	—	—	(2 304 391)	—
Shares bought back	—	(11 761 068)	(11 761 068)	—	—
Transfer between reserves	—	—	—	(22 357 478)	(1 703 112)
Interest in subsidiaries sold	—	—	—	—	—
Share-based payments	—	—	—	—	—
Dividends	—	—	—	—	—
Changes in ownership interest	—	—	—	—	—
Business combinations	—	—	—	—	—
Total contributions by and distributions to owners of company recognised directly in equity	—	(11 761 068)	(11 761 068)	(22 357 478)	(1 703 112)
Balance at 31 August 2022	884 202 338	(48 781 960)	835 420 380	46 849 668	(41 727 523)
Note(s)	22	22	22	24 and 41	41

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

Share-based payments reserve	Reserve for investments at fair value through OCI	Change of ownership reserve	Total reserves	Retained income	Total attributable to equity holders of the Group/ Company	Non-controlling interest	Total equity
3 847 895	(5 148 005)	8 599 051	28 244 062	601 274 181	1 354 047 303	1 995 511	1 356 042 814
—	—	—	—	222 183 025	222 183 025	33 840 142	256 023 167
—	—	—	15 745 069	490 000	16 235 069	(83 355)	16 151 714
—	5 203 064	—	15 745 069	222 673 025	238 418 094	33 756 787	272 174 881
—	—	—	—	—	136 210 304	—	136 210 304
—	—	—	—	—	(13 557 918)	—	(13 557 918)
—	—	—	—	(1 011 038)	(1 011 038)	1 011 038	—
508 367	—	—	508 367	—	508 367	—	508 367
—	—	—	—	(23 362 509)	(23 362 509)	(1 982 500)	(25 345 009)
—	—	(718 917)	(718 917)	—	(718 917)	(2 736 290)	(3 455 207)
508 367	—	(718 917)	(210 550)	(24 373 547)	98 068 289	(3 707 752)	94 360 537
4 356 262	55 059	7 880 134	43 778 581	799 573 659	1 690 533 686	32 044 546	1 722 578 232
—	—	—	—	312 225 724	312 225 724	50 634 690	362 860 414
—	(5 627 882)	—	(7 932 273)	252 152	(7 680 121)	(1 153 204)	(8 833 325)
—	(5 627 882)	—	(7 932 273)	312 477 876	304 545 603	49 481 486	354 027 089
—	—	—	—	—	(11 761 068)	—	(11 761 068)
—	7 359 537	—	(16 701 053)	2 276 905	(14 424 148)	14 424 148	—
—	—	—	—	—	—	(19 695 033)	(19 695 033)
1 199 642	—	—	1 199 642	—	1 199 642	—	1 199 642
—	—	—	—	(41 707 892)	(41 707 892)	(9 199 118)	(50 907 010)
—	—	(7 553 752)	(7 553 752)	—	(7 553 752)	(3 105 837)	(10 659 589)
—	—	—	—	—	—	3 170 582	3 170 582
1 199 642	7 359 537	(7 553 752)	(23 055 163)	(39 430 276)	(74 246 507)	(14 405 258)	(88 651 765)
5 555 904	1 786 714	326 382	12 791 145	1 072 620 548	1 920 832 071	67 120 774	1 987 952 845
23		25		41		9	

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2022

Figures in Rand	Notes	2022	2021 *
Cash flows from operating activities			
Cash generated from operations	43	381 105 966	616 632 353
Income tax paid	44	(116 552 637)	(59 169 950)
Finance costs		(184 705 653)	(139 114 586)
Interest income		3 436 719	5 333 347
Dividend income		1 414 299	3 710 326
Net cash from operating activities		84 698 694	427 391 490
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(221 722 409)	(87 148 403)
Sale of property, plant and equipment	5	26 717 907	3 245 673
Consideration paid for business combinations		(21 036 742)	(98 191 185)
Purchase of other intangible assets	8	(92 074)	(9 779 903)
Agency insurance rights acquired	8	(13 536 111)	(2 442 520)
Sale of other intangible assets	8	194 234	156 732
Receipts from finance lease receivables	12	11 120 222	8 962 441
Advances to finance lease receivables		(11 901 142)	(3 811 287)
Purchase of investments at fair value		(2 485 966)	(15 745 685)
Sale of investments at fair value		11 872 788	10 899 699
Purchase and establishment of biological assets	7	(203 239 349)	(140 356 197)
Post retirement benefits paid		(787 848)	(988 000)
Receipts from forestry and term loans		93 784 526	41 082 780
Advances on forestry and term loans		(56 848 892)	(38 530 293)
Proceeds from non-current assets held for sale		57 083 776	—
Net cash from investing activities		(330 877 080)	(332 646 150)
Cash flows from financing activities			
Advances from other financial liabilities		709 786 057	331 609 921
Repayment of other financial liabilities		(366 831 843)	(180 381 640)
Proceeds from other loans		1 330 347	2 661
Repayment of other loans		(6 418 542)	(556 738)
Lease liability payments		(34 690 907)	(33 446 314)
Dividends paid	45	(50 906 299)	(35 941 878)
Proceeds from loans from group companies		2 516 235	—
Repayment of group loans		(24 400 000)	(15 419 854)
Purchase of owns shares		(11 761 068)	(13 557 918)
Net cash from financing activities		218 623 980	52 308 240
Total cash movement for the year		(27 554 407)	147 053 580
Cash at the beginning of the year		235 719 889	92 859 329
Effect of exchange rate movement on cash balances		9 947 547	(4 193 020)
Total cash at end of the year	20	218 113 030	235 719 889

* The prior year comparatives have been restated for the effect of the reclassification of discontinued operations. Refer to note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022

1. SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

The consolidated financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated financial statements and the Companies Act of South Africa, as amended.

The consolidated financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the Group's functional currency.

These accounting policies are consistent with the previous period.

1.2 Segmental reporting

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

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

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

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

1.3 Consolidation

Basis of consolidation

Subsidiaries

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

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

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

The Group treats transactions with non-controlling interests, that do not result in a loss of control, as transactions with equity owners of the Group. 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. 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.

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

Business combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Any contingent consideration is included in the cost of the business combination at fair value as at the date of acquisition. Subsequent changes to the assets, liability or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions of IFRS 3 Business combinations are recognised at their fair values at acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current assets Held For Sale and Discontinued Operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the acquiree's assets and liabilities are reassessed in terms of classification and are reclassified where the classification is inappropriate for Group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree. If, in the case of a bargain purchase, the result of this formula is negative, then the difference is recognised directly in profit or loss.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 Investments in associates

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

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

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

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

1.5 Significant judgements and sources of estimation uncertainty

The preparation of the consolidated annual financial statements requires management to make estimates and assumptions that affect the amounts represented in the consolidated 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. Refer to note 17 for details regarding the impairment of trade receivables.

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

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

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

Impairment testing

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

Property, plant and equipment

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

Biological assets

Refer to note 7 for details regarding calculations and assumptions.

Provisions

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

Deferred tax asset

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Post-retirement medical benefit

Refer to note 13 for details regarding calculations and assumptions.

Share-based payments

Refer to note 23 for details regarding calculations and assumptions.

1.6 Biological assets

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

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

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

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

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

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

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

1.7 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

Buildings and structures	20 to 50 years
Plant and machinery	4 to 22 years
Motor vehicles	3 to 6 years
Bearer plants	5 years

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

1.8 Goodwill and intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, of the acquired business at the date of acquisition, and liabilities assumed.

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

1.9 Financial instruments

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

Financial assets which are equity instruments:

- ▶ Designated as at fair value through other comprehensive income.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost

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

Loans receivable

Classification

Loans receivable are classified as financial assets at amortised cost when both of the following conditions are met:

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

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

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

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 17).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables, and prepayments. The amount of expected credit losses is updated at each reporting date.

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

Measurement and recognition of expected credit losses

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 17.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 36).

Credit risk

Details of credit risk are included in the trade and other receivables note (note 17) and the financial instruments and risk management note (note 50).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 18. They are classified as mandatorily at fair value through profit or loss. As an exception to this classification, the Group may make an irrevocable election, on an instrument by instrument basis, and on initial recognition, to designate certain investments in equity instruments as at fair value through other comprehensive income.

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

Recognition and measurement

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

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised either in profit or loss or in other comprehensive income, depending on their classification. Details of the valuation policies and processes are presented in note 18.

Dividends received on equity investments are recognised in profit or loss when the Group's right to received the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in investment income (note 37).

Non-hedging derivatives

Classification

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

The Group participates in various over-the-counter (OTC) future buying and selling contracts for the buying and selling of commodities. Although certain contracts are covered by the physical provision or delivery during normal business activities, OTC-contracts are regarded as a financial instrument. (Note 19)

Recognition and measurement

Derivatives are recognised when the Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Transactions in foreign currencies are translated to the functional currency of the Group at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rates of exchange ruling at the reporting date. Any foreign exchange differences are recognised in profit or loss in the year in which the difference occurs. The profit or loss are included under other operating gains and losses (note 35).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Borrowings and loans from related parties

Classification

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

Recognition and measurement

Borrowings and loans from related parties are recognised when the group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 38.)

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 50 for details of risk exposure and management thereof.

Trade and other payables

Trade and other payables (note 30), excluding VAT and amounts received in advance, are classified as financial liabilities initially measured at fair value, and subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are measured at amortised cost.

Bank overdrafts

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

Fair value determination

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

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

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

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

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

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

Level 1: Represents those assets which are measured using unadjusted quoted prices in active markets for identical assets or liabilities that the Group can access at measurement date.

Level 2: Inputs other than quoted prices that are observable for the assets either directly (as prices) or indirectly (derived from prices)

Level 3: Applies inputs which are not based on observable market data.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.10 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

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

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

Tax expenses

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

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

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

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

1.11 Leases

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

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

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

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

Group as lessee

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

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

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

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

Lease liability

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 36).

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

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

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

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

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

Right-of-use assets

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

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

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

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

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

Depreciation starts at the commencement date of a lease.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Group as lessor

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

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

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

Finance leases

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

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

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

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

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

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

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

1.12 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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

1.13 Non-current assets held for sale

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.14 Impairment of assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the Group also test goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.15 Share capital and equity

Ordinary shares are classified as equity.

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

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

1.16 Share-based payments

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

1.17 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

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

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

Defined benefit plans

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.18 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

1.19 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Group will comply with the conditions attaching to them; and
- the grants will be received.

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

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

1.20 Revenue recognition

The Group recognises revenue from the following major sources:

- Sale of agricultural products and produce
- Sale and servicing of farming equipment
- Income from contract fertiliser sales
- Sale, storage and handling of grain related products
- Sale of motor vehicles, tyres, related items, fuel and servicing of motor vehicles
- Commission income
- Financial income

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

Revenue from contracts with customers

Sale of agricultural products and produce

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

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

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

Sale and servicing of farming equipment

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

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

The warranty is provided by the product supplier and administered by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Income from contract fertiliser sales

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

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

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

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

The Group also owned tyre fitment centres where revenue is earned through the sale and fitment of tyres along with other ancillary services related to the sale of tyres. The tyre fitment centres has been sold effective 31 August 2022.

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

Storage and handling of grain related products

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

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

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

Commission income

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

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

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

Financial income

Financial income comprise of interest income and dividend income.

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

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

Interest accrues daily and is recognised on a monthly basis.

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

1.21 Cost of sales

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

1. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.22 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

1.23 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- ▶ foreign currency monetary items are translated using the closing rate;
- ▶ non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- ▶ non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.24 Loyalty scheme payments

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

2. CHANGES IN ACCOUNTING POLICY

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Group's accounting periods beginning on or after 01 September 2022 or later periods:

Standard/interpretation	Effective date: Years beginning on or after	Expected impact
▶ Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Unknown	Unlikely there will be a material impact
▶ Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023	Unlikely there will be a material impact
▶ Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023	Unlikely there will be a material impact
▶ Definition of accounting estimates: Amendments to IAS 8	1 January 2023	Unlikely there will be a material impact
▶ Classification of Liabilities as Current or Non-Current – Amendment to IAS 1	1 January 2023	Unlikely there will be a material impact
▶ IFRS 17 Insurance Contracts	1 January 2023	Unlikely there will be a material impact
▶ Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 1	1 January 2022	Unlikely there will be a material impact
▶ Reference to the Conceptual Framework: Amendments to IFRS 3	1 January 2022	Unlikely there will be a material impact
▶ Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 9	1 January 2022	Unlikely there will be a material impact
▶ Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	1 January 2022	Unlikely there will be a material impact
▶ Onerous Contracts – Cost of Fulfilling a Contract: Amendments to IAS 37	1 January 2022	Unlikely there will be a material impact
▶ Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IAS 41	1 January 2022	Unlikely there will be a material impact

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

4. SEGMENTAL INFORMATION

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

The reportable segments are divided into business units based on the products and services offered and the economic sector in which they operate. The geographical area in which the operating segments operate are of secondary concern, with the associated cost to develop considered excessively.

These reportable segments, as well as the products and services from which each of them derives revenue, 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.
Renewable energy	Supply of electricity via solar energy. The underlying business of the segment has been classified as held for sale in the current year.
Corporate	Head office services, information technology, human resources, properties, corporate marketing, internal audit, Group financing and Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

4. SEGMENTAL INFORMATION CONTINUED

Segmental revenue and results

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

The segment information provided to Management is presented below:

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation *	Operating profit
2022						
Continuing operations						
Timber	2 379 678 017	(186 833 382)	2 192 844 635	327 332 732	(18 590 455)	308 742 277
Retail and mechanisation	8 694 931 893	(3 629 261 770)	5 065 670 123	230 098 839	(23 108 314)	206 990 525
Financial services	222 274 525	(1 940 845)	220 333 680	89 455 997	(1 875 611)	87 580 386
Grain	2 059 732 909	(314 969 840)	1 744 763 069	50 623 578	(4 461 254)	46 162 324
Motors and tyres	717 410 571	(5 895 824)	711 514 747	29 782 857	(4 021 961)	25 760 896
Corporate	86 281 548	(65 058 733)	21 222 815	(56 944 716)	(3 483 215)	(60 427 331)
Total	14 160 309 463	(4 203 960 394)	9 956 349 069	670 349 887	(55 540 810)	614 809 077

* An amount of R7 099 798 has been reclassified to discontinued operations and does not form part of the segment detail.

Figures in Rand	Investment income	Impairment and other non-cash items	Interest expense	Income from equity-accounted investments	Profit before loyalty scheme payments and tax
2022					
Continuing operations					
Timber	1 102 290	(19 665)	(50 777 522)	—	259 047 380
Retail and mechanisation	653 352	—	(23 073 207)	2 865 517	187 436 187
Financial services	557 001	—	(52 062 798)	—	36 074 589
Grain	1 018 763	—	(6 544 717)	—	40 636 370
Motors and tyres	1 143 764	—	(3 378 947)	—	23 525 713
Corporate	375 848	(4 580 397)	29 937 179	—	(34 694 701)
Total	4 851 018	(4 600 062)	(105 900 012)	2 865 517	512 025 538
Reconciling items					
Discontinued operations**					262 056
Loyalty scheme payments					(15 123 477)
Taxation					(134 303 703)
Profit after discontinued operations, loyalty scheme payments and tax					362 860 414

** The value reported under Discontinued Operations have been isolated from the main segments before taking into account intercompany eliminations, as follows:

Figures in Rand	2022
Timber	2 721 422
Motors and tyres	(848 399)
Retail and mechanisation	(1 267 532)
Renewable energy	(343 435)
Total	262 056

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

4. SEGMENTAL INFORMATION CONTINUED

Figures in Rand	Total segment revenue	Inter-segment revenue	Revenue from external customers	Profit before depreciation and amortisation	Depreciation and amortisation	Operating profit
2021						
Continuing operations						
Timber	3 085 830 540	(1 205 938 886)	1 879 891 654	275 826 624	(19 818 486)	256 008 138
Retail and mechanisation	6 214 268 933	(2 249 400 403)	3 964 868 530	151 766 140	(23 575 937)	128 190 203
Financial services	182 747 883	(691 855)	182 056 028	88 118 937	(1 881 154)	86 237 783
Grain	1 807 943 676	(55 122 154)	1 752 821 522	46 923 721	(4 934 981)	41 988 740
Motors and tyres	679 566 634	(18 687 422)	660 879 212	42 616 621	(7 592 985)	35 023 636
Corporate	68 107 098	(55 837 747)	12 269 351	(29 243 415)	(6 065 047)	(35 308 462)
Total	12 038 464 764	(3 585 678 467)	8 452 786 297	576 008 628	(63 868 590)	512 140 038

Figures in Rand	Investment income	Impairment and other non-cash items	Interest expense	Income from equity-accounted investments	Profit before loyalty scheme payments and tax
2021					
Continuing operations					
Timber	1 126 019	—	(43 068 022)	1 212 003	215 278 138
Retail and mechanisation	2 283 076	—	(12 361 892)	3 103 223	121 214 610
Financial services	420 878	—	(42 969 886)	—	43 688 775
Grain	206 878	—	(5 354 942)	—	36 840 676
Motors and tyres	1 717 564	(18 710 381)	(11 286 371)	—	6 744 447
Corporate	3 211 637	(6 973 276)	12 453 062	—	(26 617 038)
Total	8 966 052	(25 683 657)	(102 588 051)	4 315 226	397 149 608
Reconciling items					
Discontinued operations*					(31 124 134)
Loyalty scheme payments					(10 806 461)
Taxation					(99 195 846)
Profit after discontinued operations, loyalty scheme payments and tax					256 023 167

* The value reported under Discontinued Operations have been isolated from the main segments before taking into account intercompany eliminations, as follows:

Figures in Rand	2021
Motors and tyres	(31 537 585)
Retail and mechanisation	35 356
Renewable energy	378 095
Total	(31 124 134)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

4. SEGMENTAL INFORMATION CONTINUED

Segment assets and liabilities

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

Figures in Rand	Capital expenditure	Total assets	Total liabilities	Net assets
2022				
Continuing operations				
Timber	116 559 239	2 551 186 890	(1 617 331 693)	933 855 197
Retail and mechanisation	10 271 215	1 081 401 412	(897 773 511)	183 627 901
Financial Services	28 567 505	1 090 889 983	(1 053 216 403)	37 673 580
Grain	7 340 840	364 694 001	(295 010 586)	69 683 415
Motors and tyres	2 727 625	175 541 244	(126 361 688)	49 179 556
Renewable energy	52 989 808	191 897 754	(171 628 067)	20 269 687
Corporate	26 201 548	797 461 070	(103 797 561)	693 663 509
Total	244 657 780	6 253 072 354	(4 265 119 509)	1 987 952 845
2021				
Continuing operations				
Timber	196 969 852	2 105 331 961	(1 356 349 189)	748 982 772
Retail and mechanisation	9 631 276	800 058 924	(721 469 527)	78 589 397
Financial services	3 580 780	955 903 298	(933 096 366)	22 806 932
Grain	2 662 214	265 056 350	(204 686 538)	60 369 812
Motors and tyres	2 151 401	260 215 508	(234 509 715)	25 705 793
Renewable energy	13 874 940	31 527 476	(23 205 834)	8 321 642
Corporate	161 555 205	1 023 464 630	(245 662 746)	777 801 884
Total	390 425 668	5 441 558 147	(3 718 979 915)	1 722 578 232

5. PROPERTY, PLANT AND EQUIPMENT

	2022			2021		
Figures in Rand	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Land and buildings	954 367 786	(15 750 115)	938 617 671	881 378 420	(19 210 624)	862 167 796
Plant and machinery	334 426 577	(192 425 110)	142 001 467	310 997 175	(181 717 314)	129 279 861
Motor vehicles	148 716 180	(72 296 748)	76 419 432	124 194 812	(63 930 254)	60 264 558
Bearer plants	3 081 732	(969 265)	2 112 467	3 674 455	(1 278 012)	2 396 443
Structures	48 791 397	(7 927 901)	40 863 496	68 732 604	(6 861 860)	61 870 744
Total	1 489 383 672	(289 369 139)	1 200 014 533	1 388 977 466	(272 998 064)	1 115 979 402

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Reconciliation of property, plant and equipment

Figures in Rand	Opening balance	Additions	Disposals	Classified as held for sale	Transfers
2022					
Land and buildings	862 167 796	85 191 202	(1 834 905)	(800 000)	(1 014 209)
Plant and machinery	129 279 861	49 925 808	(13 921 050)	(216 404)	1 531 982
Motor vehicles	60 264 558	30 250 768	(4 632 820)	—	—
Bearer plants	2 396 443	1 043 285	(339 539)	—	—
Structures	61 870 744	55 311 346	(47 405)	(75 207 400)	(517 773)
Total	1 115 979 402	221 722 409	(20 775 719)	(76 223 804)	—

Figures in Rand	Revaluations	Borrowing cost capitalised	Depreciation	Impairment loss	Total
2022					
Land and buildings	(4 510 987)	—	(581 226)	—	938 617 671
Plant and machinery	—	—	(20 540 498)	(4 058 232)	142 001 467
Motor vehicles	—	—	(9 463 074)	—	76 419 432
Bearer plants	—	—	(174 673)	(813 049)	2 112 467
Structures	—	1 022 192	(1 568 208)	—	40 863 496
Total	(4 510 987)	1 022 192	(32 327 679)	(4 871 281)	1 200 014 533

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale *
2021					
Land and buildings	627 512 492	162 565 644	98 185 439	—	(37 694 820)
Plant and machinery	135 668 346	19 372 369	7 825 327	(4 003 243)	(7 365 570)
Motor vehicles	50 851 881	21 089 374	2 663 094	(3 402 345)	(1 967 845)
Bearer plants	—	—	3 216 120	—	—
Structures	31 243 193	34 148 069	—	(130 821)	(3 022 204)
Total	845 275 912	237 175 456	111 889 980	(7 536 409)	(50 050 439)

Figures in Rand	Transfers	Revaluations	Depreciation *	Total
2021				
Land and buildings	(546 674)	12 183 808	(38 093)	862 167 796
Plant and machinery	(455 746)	—	(21 761 622)	129 279 861
Motor vehicles	—	—	(8 969 601)	60 264 558
Bearer plants	—	—	(819 677)	2 396 443
Structures	1 002 420	—	(1 369 914)	61 870 744
Total	—	12 183 808	(32 958 907)	1 115 979 402

* The prior year comparatives have been restated for the effect of the reclassification of discontinued operations. Refer to note 21.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

5. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Property, plant and equipment encumbered as security

Certain property, plant and equipment with a carrying value of R703 532 796 (2021: R635 588 258), have been pledged to secure borrowings. Refer to note 28.

Revaluations

Land and buildings are carried at fair value. On a yearly basis, the Directors evaluate on a critical basis, after all known market factors are taken into consideration, if there is any indication of a material increase or decrease on an individual basis of all land and buildings. If such indication exist, the identified land and buildings are valued by an external independent valuer.

However, land and buildings are valued at least quadrennial by external independent valuers. A rotation schedule applies to identify properties falling due for revaluation. The board would also include other properties for valuation, sooner than required, if indicators exist that requires the same.

The last valuation on selected assets was on 31 August 2022. Valuations were performed by independent valuers, Mr. C. Winckler and Mr. W. Winckler of Valuers Africa (Pty) Ltd. The valuers are registered professional valuers and are not connected to the Group.

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

Valuation reports utilised vacancy and capitalisation rates ranging from:

Capitalisation rate	10% to 14%
Vacancy rate	1,67% to 12%

Sensitivity analysis

As changes to the capitalisation — and vacancy rates may impact the calculated fair value, the effect of an increase of 1% and the effect of a decrease of 1% in the capitalisation — and vacancy rates, on the calculated fair value, is as follows:

Figures in Rand	2022		2021	
	1%	-1%	1%	-1%
1% change in capitalisation rate	(9 392 706)	11 254 443	(12 106 335)	14 452 336
1% change in vacancy rate	210 359	(210 359)	787 840	(787 840)
	(9 182 347)	11 044 084	(11 318 495)	13 664 496

The carrying value of the revalued assets under the cost model, excluding the assets classified as held for sale, would have been:

Figures in Rand	2022	2021
Land and buildings	512 304 274	428 797 831

Fair value information

The fair value measurement of Land and Buildings have been categorised as a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13, which is consistent with the prior year.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

Buildings	7 years
Motor vehicles	4 years
Equipment	5 years

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES CONTINUED

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

Reconciliation of movement on right-of-use assets

Figures in Rand	Opening balance	Additions	Termination/ cancellation of leases	Classified as held for sale	Remeasure- ment	Depreciation	Total
2022							
Buildings	94 460 238	111 997 316	(23 700 627)	(99 727 085)	(4 858 115)	(23 759 191)	54 412 536
Motor vehicles	8 672 964	7 354 951	(3 403 848)	—	916 593	(4 107 983)	9 432 677
Equipment	—	6 615 402	—	—	—	(726 309)	5 889 093
	103 133 202	125 967 669	(27 104 475)	(99 727 085)	(3 941 522)	(28 593 483)	69 734 306
2021							
Buildings	132 676 793	26 154 170	(46 726 456)	—	5 601 294	(23 245 563)	94 460 238
Motor vehicles	12 798 475	3 057 977	—	(1 675 112)	171 382	(5 679 758)	8 672 964
	145 475 268	29 212 147	(46 726 456)	(1 675 112)	5 772 676	(28 925 321)	103 133 202

Lease liabilities

Reconciliation of movement on lease liabilities

Figures in Rand	Opening balance	Additions	Interest	Termination/ cancellation of leases	Remeasure- ment	Payments	Classified as held for sale	Total
2022								
Buildings	102 905 959	111 997 317	11 947 174	(28 175 841)	(4 199 586)	(29 246 871)	(104 654 094)	60 574 058
Motor vehicles	8 890 696	7 354 951	658 579	(3 474 424)	(870 840)	(4 590 803)	—	7 968 159
Equipment	—	6 615 401	256 288	—	—	(853 234)	—	6 018 455
Total	111 796 655	125 967 669	12 862 041	(31 650 265)	(5 070 426)	(34 690 908)	(104 654 094)	74 560 672
Figures in Rand	Adoption of IFRS 16	Additions	Interest	Termination/ cancellation of leases	Transfers	Remeasure- ment	Payments	Total
2021								
Buildings	137 871 571	27 071 837	7 140 757	(45 858 516)	—	3 825 297	(27 144 987)	102 905 959
Motor vehicles	13 306 217	3 057 978	635 005	(135 532)	(1 753 372)	81 727	(6 301 327)	8 890 696
Total	151 177 788	30 129 815	7 775 762	(45 994 048)	(1 753 372)	3 907 024	(33 446 314)	111 796 655

The maturity analysis of lease liabilities is as follows:

Figures in Rand	2022	2021
Within one year	24 212 163	26 476 972
Two to five years	43 381 696	42 325 710
More than five years	6 966 813	42 993 973
Total	74 560 672	111 796 655

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

7. BIOLOGICAL ASSETS

Figures in Rand	Carrying value	
	2022	2021
Forestry assets	1 425 914 491	1 270 398 715
Seedlings	20 114 389	19 539 092
Livestock	6 548 855	6 730 634
Total	1 452 577 735	1 296 668 441
Immature (classified as non-current assets)	1 133 353 031	1 021 402 910
Mature (classified as current assets)	319 224 705	275 265 531
	1 452 577 736	1 296 668 441

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

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

Reconciliation of biological assets

Figures in Rand	Opening balance	Additions due to planted and purchased	Decreases due to harvest/sales	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
2022						
Forestry assets	1 270 398 715	195 968 555	(153 011 200)	27 656 599	84 901 823	1 425 914 492
Livestock	6 730 634	—	(1 534 572)	1 352 793	—	6 548 855
Seedlings	19 539 092	7 270 794	(6 425 069)	(270 428)	—	20 114 389
	1 296 668 441	203 239 349	(160 970 841)	28 738 964	84 901 823	1 452 577 736

Figures in Rand	Opening balance	Additions due to planted and purchased	Additions through business combinations	Decreases due to harvest/sales	Gains/(losses) arising from changes in fair value	Borrowing cost capitalised	Total
2021							
Forestry assets	714 981 052	140 356 199	500 904 028	(118 975 333)	(2 736 273)	35 869 042	1 270 398 715
Livestock	5 404 503	—	—	(1 071 159)	2 397 290	—	6 730 634
Seedlings	—	2 397 290	17 216 983	—	(75 181)	—	19 539 092
	720 385 555	142 753 489	518 121 011	(120 046 492)	(414 164)	35 869 042	1 296 668 441

Non-financial information

	Pine	Eucalyptus	Wattle	Total
2022				
Hectares of each own plantation				
Balance as at 31 August 2021	5 784	23 847	2 486	32 117
Planted during the year	254	2 919	345	3 520
Harvested during the year	(29)	(2 449)	(235)	(2 713)
Adjusted measurement	(13)	14	21	22
Delineations and fire	(50)	(224)	(47)	(322)
Balance as at 31 August 2022	5 946	24 107	2 570	32 624
2021				
Hectares of each forestry asset				
Balance as at 31 August 2020	4 234	7 258	2 406	13 898
Planted during the year	205	542	317	1 064
Harvested during the year	(96)	(1 296)	(172)	(1 564)
Adjusted measurement	(28)	31	(65)	(63)
Additions through business combinations	1 469	17 312	—	18 781
Balance as at 31 August 2021	5 784	23 847	2 486	32 117

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

7. BIOLOGICAL ASSETS CONTINUED

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

Own plantations comprised of 32 624 (2021: 32 117) hectares of tree plantations on land that the Group owns which range from newly established plantations to plantations that are approximately 24 years old. Standing timber comprised of approximately 29,5 (2021: 45,50) hectares of tree plantations of which the Group has only the marketing rights. During the year the Group harvested approximately 470 756 (2021: 302 499) tonnes of timber on land that the Group owns, as well as plantations bought on a standing timber basis.

The Group 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.

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

Pledged as security

Plantations with a carrying value of R727 534 086 (2021: R667 107 542) have been pledged to secure borrowings. Refer to note 28.

Own plantations

Methods and assumptions used in determining fair value

Own plantations are measured at fair value less costs to sell at the harvesting stage and is a Level 3 measure in terms of the fair value measurement hierarchy as established by IFRS 13 Fair Value Measurement, which is consistent with the prior year. Standing timber are measured at cost.

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

Market prices and costs to sell

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

Discount rate

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

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

The cost of debt is the cost of funds attributable to the assets.

The discount rate used is the applicable real after tax discount rate.

Volume and growth estimations

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

The fair value of plantations has been calculated using a real after tax discount rate of 9,38% (2021: 9,55%). The Group currently values approximately 7 026 639 (2021: 5 222 597) tons of timber using market prices and costs to sell that are in line with industry norms. The average annual growth is measured at approximately 12,18 (2021: 14,62) tons of timber per hectare while immature timber comprise approximately 25 834 (2021: 25 748) hectares of plantations. As changes to market prices, costs to sell, the discount rate, and volume and growth assumptions applied in the valuation of plantations may impact the calculated fair value, the Group has calculated the sensitivity of a change in each of these assumptions as tabled below:

	%	R
Market price changes		
1% increase in market prices	3,72	53 000 902
1% decrease in market prices	(3,72)	(53 000 902)
Discount rate		
1% increase in discount rate	2,25	(32 017 213)
1% decrease in discount rate	(2,53)	36 124 868
Growth assumptions		
1% increase in growth rate	1,73	24 632 984
1% decrease in growth rate	(1,73)	(24 632 984)
Harvest and transportation cost		
1% increase in costs	(1,46)	(20 795 734)
1% decrease in cost	1,46	20 795 734

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

7. BIOLOGICAL ASSETS CONTINUED

Seedlings

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

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

Market prices and costs to sell

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

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

Volume and growth estimations

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

	%	Changes in fair value (R)
Market price changes		
1% increase in market prices	1,00	201 639
1% decrease in market prices	(1,00)	(201 639)
Growth assumptions		
1% increase in growth rate	1,17	235 478
1% decrease in growth rate	(1,17)	(235 478)

Livestock

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

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

Risk management strategy related to biological assets

The Group is exposed to the following risks relating to biological assets:

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

8. GOODWILL AND INTANGIBLE ASSETS

Figures in Rand	2022			2021		
	Cost/ valuation	Accumulated amortisation	Carrying value	Cost/ valuation	Accumulated amortisation	Carrying value
Patents and trademarks	200 000	(15 832)	184 168	539 290	(15 832)	523 458
Sole distributor rights	3 000 000	—	3 000 000	3 000 000	—	3 000 000
Computer software	18 755 026	(10 221 801)	8 533 225	26 174 193	(8 588 092)	17 586 101
Goodwill	117 144 769	—	117 144 769	117 144 770	—	117 144 769
Agency insurance rights	70 219 228	—	70 219 228	47 375 931	—	47 375 931
Total	209 319 023	(10 237 633)	199 081 390	194 234 184	(8 603 924)	185 630 259

Reconciliation of intangible assets

Figures in Rand	Opening balance	Additions	Additions through business combinations	Disposals	Classified as held for sale	Amortisation	Impairment loss	Total
2022								
Patents and trademarks	523 458	—	—	(194 234)	(145 056)	—	—	184 168
Sole distributor rights	3 000 000	—	—	—	—	—	—	3 000 000
Computer software	17 586 101	92 074	—	—	—	(1 719 446)	(7 425 504)	8 533 225
Goodwill	117 144 770	—	—	—	—	—	—	117 144 770
Agency insurance rights	47 375 930	13 536 111	9 307 186	—	—	—	—	70 219 227
	185 630 259	13 628 185	9 307 186	(194 234)	(145 056)	(1 719 446)	(7 425 504)	199 081 390

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

Other information

During the year the Group acquired insurance agency rights to the value of R13 536 111 to further expand the insurance business. During the current year, the Group also acquired 60% interest in Executive Underwriting Managers (Pty) Ltd. The total insurance agency rights of R9 307 186 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed of the acquired business. Refer to note 9.

During the prior year the Group acquired insurance agency rights to the value of R2 442 520.

During the prior year, the Group acquired 51% interest in Sunshine Seedlings Services (Pty) Ltd. The total goodwill of R29 137 808 represents the excess of the cost of the acquisition over the fair value of the net identifiable assets and liabilities assumed of the acquired business. During the current year, the Group acquired an additional 10% interest and has been treated as a change in ownership interest. Refer to note 9.

Review of useful life assessment and impairment

During the prior year, the goodwill relating to the fuel business unit was impaired. The value of the impairment was R16 000 000. The impairment is due to a decline in fuel sales and based on the discounted future cash flow expected to be generated by the business unit for the next 5 years. The impairment has been included in other non-operating losses. Refer to note 39.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

8. GOODWILL AND INTANGIBLE ASSETS CONTINUED

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

Figures in Rand	2022	2021
Intangible assets with indefinite lives is allocated to the following cash generating units:		
Agency insurance rights to the insurance business unit	70 548 452	47 899 388
Goodwill relating to the trade business unit	8 810 458	8 810 458
Goodwill relating to the timber business unit	108 334 312	108 334 312
Sole distributor rights to the trade business unit	3 000 000	3 000 000

The following assumptions were used in the value in use calculation:

Discount rate 13,47%

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

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

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

9. INTERESTS IN SUBSIDIARIES

Name of company	Held by	Country of incorporation and principal operation	% holding 2022	% holding 2021
TWK Autospares (Pty) Ltd — previously Silo Autobody (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	100,00	100,00
The Lionsriver Farmers Exchange (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	100,00	60,00
Die Kilo Bemerkingskorporasie (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Constantia Kunsmis (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Rothman Motors (Pty) Ltd	TWK Motors (Pty) Ltd	South Africa	100,00	100,00
TWK Insurance Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
TWK Motors (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Protea Versoolwerke Ermelo (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	—	60,00
TWK Rekenardienste (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Lydenburg Saagmeule (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
BedRock Mining Support (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Protea Tyres Kimberley (Pty) Ltd	Protea Versoolwerke Ermelo (Pty) Ltd	South Africa	—	59,00
Machrie Korttermyn (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Gromor (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	South Africa	100,00	100,00
Farmyard Organics (Pty) Ltd	Gromor (Pty) Ltd	South Africa	100,00	100,00
Arrowfeeds (Pty) Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
Canyon Springs Investments 140 (Pty) Ltd	TWK Investments Ltd	South Africa	50,00	50,00
Castle Walk Property Investments (Pty) Ltd	TWK Investments Ltd	South Africa	100,00	100,00
Shiselweni Forestry Company Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
TWK Agri (Pty) Ltd	TWK Investments Ltd	South Africa	75,00	75,00
TWK Swaziland (Pty) Ltd	TWK Investments Ltd	Eswatini	100,00	100,00
Nhlangano Timber Company (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
Olmacs (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
SAWCO Mining Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
SAWCO Treated Timber (Pty) Ltd	Shiselweni Forestry Company Ltd	Eswatini	100,00	100,00
Fidessure Brokers (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	100,00	100,00
Roofspace Rental Group (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	85,00	85,00
Sunshine Seedling Services (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	61,00	51,00
Executive Underwriting Managers (Pty) Ltd	TWK Agri (Pty) Ltd	South Africa	60,00	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

9. INTERESTS IN SUBSIDIARIES CONTINUED

During the current year, the Group acquired 60% of the issued share capital of Executive Underwriting Managers (Pty) Ltd.

During the current year the Group also acquired an additional 10% of the issued share capital of Sunshine Seedlings Services (Pty) Ltd.

During the year the Group decided to sell its shares held in Protea Versoolwerke Ermelo (Pty) Ltd. On 31 August 2022 a sale of share transaction was concluded. Refer to note 21. During the prior year, the Group acquired an additional 10% of the issued share capital of BedRock Mining Support (Pty) Ltd.

Subsidiaries pledged as security

TWK Agriculture Holdings (Pty) Ltd, TWK Investments Ltd and TWK Agri (Pty) Ltd signed unlimited suretyship as guarantee for the loan facilities granted by the lenders. Refer to note 28.

Shiselweni Forestry Company Ltd signed a suretyship limited to an amount of R250 000 000 for the Standard Bank overdraft facility. Refer to note 20 and 28.

The shares of Castle Walk Property Investments (Pty) Ltd serves as security for the loan facilities granted by ABSA Bank to TWK Investments Ltd.

Business combinations

New business combinations during 2022 impacted the Group's profit and revenue numbers as follows:

Revenue: R5 199 034 (2021: R229 258 480)

Profit before tax: R1 652 727 (2021: R44 253 376)

Peak Timbers

During the previous year (11 March 2021) the Group acquired certain assets from Peak Timbers (Pty) Ltd and Peak Forest Products (Pty) Ltd, as a going concern for a total consideration of R577 100 000. The business comprise sawmilling, land and forestry assets. A bargain purchase was recognised as a result of the net assets purchased at fair value exceeding the consideration paid.

Fair value of assets acquired and liabilities assumed:

Figures in Rand	2021
Property, plant and equipment	162 210 824
Biological assets: Forestry assets	500 904 028
Inventories	5 600 762
	668 715 614
Less: Trade and other payables	(5 867 935)
Net identifiable assets acquired	662 847 679
Less: Consideration paid	(577 100 000)
Gain on a bargain purchase in a business combination included in other operating gains	85 747 679

The bargain purchase has been included in other operating gains in the statement of comprehensive income. The transaction resulted in a gain mainly due to significant fair value adjustments on Biological assets recognised at acquisition date.

The transaction added 26 752 ha of land and 20 000 ha of forestry assets. The acquisition have increased and diversified the earnings of the Group. The transaction was funded by long-term loans of R470 500 000 and a temporary short term facility of R54 399 979 that was repaid by 31 August 2022. The temporary facility was repaid with operating cashflow.

Sunshine Seedling Services (Pty) Ltd

On 1 September 2020 the Group acquired 51% controlling share in Sunshine Seedling Services (Pty) Ltd. On 1 September 2021, the Group acquired an additional 10% shareholding in Sunshine Seedling Services (Pty) Ltd. The acquisition was funded from operating cashflow.

The excess of the cost of the acquisition of the shareholding over the fair value of the group's share of the net identifiable assets and liabilities assumed of the acquired business at the date of acquisition amounted to R7 553 752 (2021: R29 137 709) and have been accounted for as a change in ownership interest (2021: Goodwill). The Group has the irrevocable right to acquire a further 39% of the shares in Sunshine Seedling Services (Pty) Ltd over the next 4 years at agreed terms and financial ratios.

The estimate of the range for the outstanding 39% of the shares is between R31,5 million an R38,5 million.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

9. INTERESTS IN SUBSIDIARIES CONTINUED

Fair value of assets acquired and liabilities assumed:

Figures in Rand	2022	2021
Property, plant and equipment	6 798 606	6 570 303
Right-of-use assets	6 176 951	—
Biological assets	19 539 092	14 048 970
Inventories	13 715 404	6 178 457
Trade and other receivables	5 157 229	5 370 773
Cash and cash equivalents	11 627 816	7 132 832
Other current assets	1 747 966	2 266 072
Total assets	64 763 064	41 567 407
Borrowings and other loans	(4 381 533)	(3 648 663)
Lease liabilities	(4 395 664)	(93 671)
Deferred tax	(7 902 479)	(4 526 529)
Trade and other payables	(14 537 797)	(10 184 524)
Other current liabilities	(2 969 275)	(10 071 974)
Total liabilities	(34 186 748)	(28 525 361)
Net identifiable assets acquired	30 576 316	13 042 046
Less: Non-controlling interest in net identifiable assets on date of acquisition	(12 363 563)	(6 390 505)
Net identifiable assets acquired attributable to the parent	18 212 753	6 651 541
Less: Consideration paid	(10 659 001)	(35 789 250)
Change of ownership interest (2021: Goodwill) recognised on date of acquisition by controlling shareholder	7 553 752	(29 137 709)

The fair value of trade and other receivables acquired of R5 157 229 (2021: R5 370 773) included a provision of R3 602 200 (2021: R1 053 305) which was not expected to be collected.

Executive Underwriting Managers (Pty) Ltd

On 1 June 2022 the Group acquired a 60% controlling share in Executive Underwriting Managers (Pty) Ltd.

The excess of the cost of the acquisition of the shareholding over the fair value of the Group's share of the net identifiable assets and liabilities assumed of the acquired business at the date of acquisition amounted to R0.

Fair value of assets acquired and liabilities assumed:

Figures in Rand	2022
Property, plant and equipment	217 959
Deferred tax	56 717
Trade and other receivables	2 605 866
Cash and cash equivalents	6 313 949
Agency insurance rights	9 307 186
Total assets	18 501 677
Trade and other payables	(2 747 914)
Other current liabilities	(2 206 028)
Total liabilities	(4 953 942)
Net identifiable assets acquired	13 547 735
Less: Non-controlling interest in net identifiable assets on date of acquisition	(1 847 735)
Net identifiable assets acquired attributable to the parent	11 700 000
Less: Cash consideration paid	(11 700 000)
Bargain purchase	—

The acquisition was funded from operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

9. INTERESTS IN SUBSIDIARIES CONTINUED

Summarised financial information of material subsidiaries disclosed on a standalone basis (ie. before intergroup eliminations)

Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Total assets	Non-current liabilities	Current liabilities	Total liabilities
2022						
Constantia Kunsmis (Pty) Ltd	106 684 288	685 155 179	791 839 467	83 993 979	581 226 615	665 220 594
TWK Motors (Pty) Ltd	65 010 433	62 847 044	127 857 477	21 075 618	57 536 896	78 612 514
BedRock Mining Support (Pty) Ltd	80 044 165	114 726 054	194 770 219	976 655	69 338 213	70 314 868
TWK Agri (Pty) Ltd	1 502 712 516	3 087 886 697	4 590 599 213	1 208 950 708	3 013 473 378	4 222 424 086
Shiselweni Forestry Company Ltd	1 410 698 733	384 255 993	1 794 954 726	667 010 616	434 043 522	1 101 054 138
Gromor (Pty) Ltd	13 941 585	10 101 610	24 043 195	22 999 345	19 967 324	42 966 669
Lionsriver Farmers Exchange (Pty) Ltd	5 795 773	60 930 040	66 725 813	—	83 675 495	83 675 495
SAWCO Mining Timber (Pty) Ltd	50 974 791	52 623 685	103 598 476	7 469 423	88 185 104	95 654 527
SAWCO Treated Timber (Pty) Ltd	4 950 745	30 782 122	35 732 867	—	36 993 163	36 993 163
Sunshine Seedling Services (Pty) Ltd	17 225 388	48 347 973	65 573 361	18 541 280	15 964 451	34 505 731
Executive Underwriting Managers (Pty) Ltd	4 057 983	11 114 179	15 172 162	2 624 298	7 386 338	10 010 636
Total	3 262 096 400	4 548 770 576	7 810 866 976	2 033 641 922	4 407 790 499	6 441 432 421
2021						
Constantia Kunsmis (Pty) Ltd	73 533 371	503 331 025	576 864 396	41 659 923	485 180 085	526 840 008
TWK Motors (Pty) Ltd	49 093 959	92 087 786	141 181 745	5 912 457	79 413 339	85 325 796
Protea Versoolwerke Ermelo (Pty) Ltd	19 673 391	48 236 409	67 909 800	2 941 206	17 853 857	20 795 063
BedRock Mining Support (Pty) Ltd	49 896 463	136 899 022	186 795 485	—	68 810 149	68 810 149
TWK Agri (Pty) Ltd	1 341 969 636	2 492 240 943	3 834 210 579	1 453 598 973	2 125 380 382	3 578 979 355
Shiselweni Forestry Company Ltd	1 287 770 778	290 384 064	1 578 154 842	658 514 916	313 170 540	971 685 456
Gromor (Pty) Ltd	16 232 297	14 209 887	30 442 184	24 615 262	24 694 550	49 309 812
Lionsriver Farmers Exchange (Pty) Ltd	47 278 193	101 615 510	148 893 703	28 196 999	160 040 760	188 237 759
SAWCO Mining Timber (Pty) Ltd	37 329 714	53 682 108	91 011 822	9 817 245	67 555 492	77 372 737
SAWCO Treated Timber (Pty) Ltd	4 858 241	15 250 286	20 108 527	123 200	20 532 628	20 655 828
Sunshine Seedling Services (Pty) Ltd	12 975 557	51 787 507	64 763 064	16 679 676	17 507 072	34 186 748
Total	2 940 611 600	3 799 724 547	6 740 336 147	2 242 059 857	3 380 138 854	5 622 198 711

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
2022						
Constantia Kunsmis (Pty) Ltd	2 740 360 132	105 745 754	(29 151 269)	76 594 485	—	76 594 485
TWK Motors (Pty) Ltd	711 793 271	(10 557 480)	(105 545)	(10 662 934)	4 051 948	(6 610 986)
BedRock Mining Support (Pty) Ltd	391 412 099	11 640 511	(2 240 049)	9 400 462	(2 930 447)	6 470 015
TWK Agri (Pty) Ltd	9 122 696 251	160 866 934	(45 674 977)	115 191 957	36 751 754	151 943 711
Shiselweni Forestry Company Ltd	399 762 241	120 083 227	(32 652 025)	87 431 202	—	87 431 202
Gromor (Pty) Ltd	131 728 691	1 164 317	(1 026 602)	137 715	—	137 715
Lionsriver Farmers Exchange (Pty) Ltd	243 464 726	31 190 914	(5 913 011)	25 277 903	(2 883 531)	22 394 372
SAWCO Mining Timber (Pty) Ltd	216 805 716	(7 537 629)	1 842 493	(5 695 136)	—	(5 695 136)
SAWCO Treated Timber (Pty) Ltd	29 965 984	12 582	(725 577)	(712 995)	—	(712 995)
Sunshine Seedling Services (Pty) Ltd	73 873 488	18 022 956	(4 924 642)	13 098 314	—	13 098 314
Executive Underwriting Managers (Pty) Ltd	5 199 034	1 652 728	(479 226)	1 173 502	—	1 173 502
Total	14 067 061 633	432 284 814	(121 050 430)	311 234 475	34 989 724	346 224 199

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

9. INTERESTS IN SUBSIDIARIES CONTINUED

Figures in Rand	Revenue	Profit/(loss) before tax	Tax expense	Profit/(loss)	Other comprehensive income	Total comprehensive income
2021						
Constantia Kunsmis (Pty) Ltd	1 724 090 254	60 054 282	(15 957 062)	44 097 220	4 480 460	48 577 680
TWK Motors (Pty) Ltd	668 335 264	(16 363 188)	5 474 252	(10 888 936)	2 463 036	(8 425 900)
Protea Versoolwerke Ermelo (Pty) Ltd	144 654 380	3 077 001	(853 771)	2 223 230	(2 991 474)	(768 244)
BedRock Mining Support (Pty) Ltd	431 963 814	62 599 408	(17 368 894)	45 257 361	2 930 447	48 187 808
TWK Agri (Pty) Ltd	7 117 366 096	39 167 174	(5 988 260)	33 178 914	66 959 941	100 138 855
Shiselweni Forestry Company Ltd	217 958 486	118 958 453	(32 880 906)	86 077 547	—	86 077 547
Gromor (Pty) Ltd	59 882 254	(10 395 492)	2 910 737	(7 484 755)	—	(7 484 755)
Lionsriver Farmers Exchange (Pty) Ltd	167 208 623	(15 070 996)	5 947 475	(34 105 114)	2 883 531	(31 221 583)
SAWCO Mining Timber (Pty) Ltd	156 267 168	3 810 365	(964 484)	2 845 881	—	2 845 881
SAWCO Treated Timber (Pty) Ltd	40 583 266	(1 751 209)	453 818	(1 297 391)	—	(1 297 391)
Sunshine Seedling Services (Pty) Ltd	72 964 653	24 938 359	(6 927 816)	18 010 543	—	18 010 543
Total	10 801 274 258	269 024 157	(66 154 911)	177 914 500	76 725 941	254 640 441

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

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

Nature of business and non-controlling information of subsidiaries

Company	Nature of business	Proportion of non-controlling interest and their voting rights %	Non-controlling interest result for the year R	Accumulated non-controlling interest R
TWK Motors (Pty) Ltd	Sale of motor vehicles and related services	n/a	n/a	n/a
Constantia Kunsmis (Pty) Ltd	Manufacturing and distribution of fertilizer	n/a	n/a	n/a
Shiselweni Forestry Company Ltd	Growing of timber and other related operations	n/a	n/a	n/a
SAWCO Mining Timber (Pty) Ltd	Production and supply of timber related products	n/a	n/a	n/a
TWK Agri (Pty) Ltd	Agricultural products and services	25	38 981 971	41 533 435
BedRock Mining Support (Pty) Ltd	Timber-based underground support to South African mines	n/a	n/a	n/a
Sunshine Seedling Services (Pty) Ltd	Production and marketing of agricultural products	39	(2 496 484)	12 719 186
Lionsriver Farmers Exchange (Pty) Ltd	Fuel service stations including convenience stores, food outlets and related business	n/a	(2 456 574)	n/a
Executive Underwriting Managers (Pty) Ltd	Funeral insurance and underwriters	40	2 064 610	2 064 610
Canyon Springs Investments 140 (Pty) Ltd	Rental of property	50	(81 683)	8 024 911
Roofspace Rental Group (Pty) Ltd	Supply of electricity via solar energy	15	1 536 329	2 778 632

A total dividend of R6 152 516 (2021: R0) was paid to the non-controlling shareholders of Sunshine Seedling Services (Pty) Ltd and R89 291 (2021: R0) to the non-controlling shareholders of Protea Versoolwerke Ermelo (Pty) Ltd.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

10. INVESTMENTS IN ASSOCIATES

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

Name of Company	Held by	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
Henleo 1080 (Pty) Ltd	Constantia Kunsmis (Pty) Ltd	45,00	45,00	7 865 714	5 000 196
Silulu Forestry Company (Pty) Ltd	Shiselweni Forestry Company Ltd	45,00	45,00	3 030 832	3 030 832
African Collateral Management (Pty) Ltd	TWK Agri (Pty) Ltd	45,00	45,00	—	—
				10 896 546	8 031 028

The percentage ownership interest of the above associates is equal to the percentage voting rights.

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

African Collateral Management (Pty) Ltd is incorporated in South Africa with an interest in grain storage. The interest was acquired to further expand the grain business of the TWK Group. The issued share capital of African Collateral Management (Pty) Ltd is R120. No dividends have been declared or paid by African Collateral Management (Pty) Ltd during the year. The financial year-end of African Collateral Management (Pty) Ltd is 31 March. The financial information above is based on 12 month management accounts.

Silulu Royal Forestry Company (Pty) Ltd is incorporated in Eswatini with an interest in agricultural activities. The interest was acquired to further expand the timber business of the TWK Group. The issued share capital of Silulu Royal Forestry Company (Pty) Ltd is R100. No dividends have been declared or paid by Silulu Royal Forestry Company (Pty) Ltd during the year. The financial year-end of Silulu Royal Forestry Company (Pty) Ltd is 31 August. The financial information above is based on 12 month audited financial statements.

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

Summarised financial information of material associates

Summarised statement of profit or loss and other comprehensive income

Figures in Rand	Revenue	Profit/(loss) from continuing operations	Total comprehensive income
2022			
Henleo 1080 (Pty) Ltd	10 569 562	2 544 504	2 544 504
Silulu Forestry Company (Pty) Ltd	3 199 144	2 693 340	2 693 340
African Collateral Management (Pty) Ltd	11 194 666	1 239 121	1 239 121
	24 963 372	6 476 965	6 476 965
2021			
Henleo 1080 (Pty) Ltd	9 298 155	3 059 277	3 059 277
Silulu Forestry Company (Pty) Ltd	3 199 144	2 693 340	2 693 340
African Collateral Management (Pty) Ltd	9 174 676	363 329	363 329
	21 671 975	6 115 946	6 115 946

Summarised statement of financial position

Figures in Rand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Total net assets
2022					
Henleo 1080 (Pty) Ltd	28 602 977	4 875 240	15 669 948	328 905	17 479 364
Silulu Forestry Company (Pty) Ltd	35 582 686	4 655 874	7 572 540	25 930 837	6 735 183
African Collateral Management (Pty) Ltd	11 217 916	2 665 264	14 428 112	1 124 899	(1 669 831)
	75 403 579	12 196 378	37 670 600	27 384 641	22 544 716
2021					
Henleo 1080 (Pty) Ltd	28 924 550	3 776 219	19 465 600	2 123 621	11 111 548
Silulu Forestry Company (Pty) Ltd	35 582 686	4 655 874	7 572 540	25 930 837	6 735 183
African Collateral Management (Pty) Ltd	12 355 639	2 071 396	15 656 958	1 742 600	(2 972 523)
	76 862 875	10 503 489	42 695 098	29 797 058	14 874 208

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

10. INVESTMENTS IN ASSOCIATES CONTINUED

Reconciliation of net assets to equity-accounted investments in associates

Figures in Rand	Total net assets	Interest in associate at % ownership	Accumulated unrecognised losses	Investment in associate
2022				
Henleo 1080 (Pty) Ltd	17 479 364	7 865 714	—	7 865 714
Silulu Forestry Company (Pty) Ltd	6 735 183	3 030 832	—	3 030 832
African Collateral Management (Pty) Ltd	(1 669 831)	(751 424)	751 424	—
	22 544 716	10 145 122	751 424	10 896 546
2021				
Henleo 1080 (Pty) Ltd	11 111 548	5 000 196	—	5 000 196
Silulu Forestry Company (Pty) Ltd	6 735 183	3 030 832	—	3 030 832
African Collateral Management (Pty) Ltd	(2 972 523)	(1 337 635)	1 337 635	—
	14 874 208	6 693 393	1 337 635	8 031 028

Reconciliation of movement in investments in associates

Figures in Rand	Investment at beginning of year	Share of profit	Investment at end of year
2022			
Henleo 1080 (Pty) Ltd	5 000 196	2 865 518	7 865 714
Silulu Forestry Company (Pty) Ltd	3 030 832	—	3 030 832
	8 031 028	2 865 518	10 896 546
2021			
Henleo 1080 (Pty) Ltd	1 896 973	3 103 223	5 000 196
Silulu Forestry Company (Pty) Ltd	1 818 829	1 212 003	3 030 832
	3 715 802	4 315 226	8 031 028

11. LOANS TO ASSOCIATE COMPANIES

Associates

Figures in Rand	2022	2021
Henleo 1080 (Pty) Ltd	5 368 866	7 660 254
Subject to the availability of funds of the Company, the loans shall be repaid from time to time as agreed between the Company and all its Shareholders with reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
African Collateral Management (Pty) Ltd	5 890 800	6 115 647
Subject to the availability of funds of the Company, the loan shall be repaid from time to time as agreed between the Company and all its Shareholders with reasonable terms of at least 18 months. The unsecured loan bears interest at a prime linked rate.		
	11 259 666	13 775 901

Split between non-current and current portions

Figures in Rand	2022	2021
Non-current assets	11 259 666	13 775 901

Exposure to credit risk

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 17 for guidance on how expected credit losses is calculated.

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

Fair value of group loans receivable

The carrying value of group loans receivable approximates its fair value, with only impairment adjustments effected where applicable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

12. FINANCE LEASE RECEIVABLES

Figures in Rand

	2022	2021
Maturity analysis of lease payments receivable		
— within one year	10 295 012	6 024 658
— in second to fifth year inclusive	14 775 621	11 840 189
Gross investment in leases	25 070 633	17 864 847
Less: Unearned interest income	(4 255 544)	(1 028 207)
Present value of minimum lease payments receivable	20 815 089	16 836 640
Less: Loss allowance	(1 349 061)	—
Net investment in the lease	19 466 028	16 836 640
Non-current assets	11 007 356	11 297 751
Current assets	8 458 672	5 538 889
	19 466 028	16 836 640

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

The carrying value of finance lease receivables have been pledged to secure borrowings (see note 28).

Expected credit losses

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

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable counterparties with consistent payment histories. Credit risk is mitigate by holding the leased assets as collateral. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Finance lease receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 17 for guidance on how expected credit losses is calculated.

Finance lease receivables are classified into the following categories:

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2022			
Stage 1	6 927 673	0,06	4 157
Stage 2	—	31,07	—
Stage 3	1 582 240	85,00	1 344 904
Total	8 509 913		1 349 061

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 2022. 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 9 (2021: 10).

Carrying value

Figures in Rand	2022	2021
Present value of the defined medical benefit obligation	(4 585 000)	(5 096 000)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

13. RETIREMENT BENEFITS CONTINUED

Movements for the year

Figures in Rand	2022	2021
Opening balance	(5 096 000)	(5 959 000)
Actuarial gains and losses	252 152	490 000
Benefits paid on behalf of members	787 848	988 000
Interest cost	(529 000)	(615 000)
	(4 585 000)	(5 096 000)

Key assumptions used

The liability as at 31 August 2022 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	2022	2021
Mortality tables	PA(90)	PA(90)
Discount rates used (%)	12,50	11,25
Healthcare inflation rate (%)	9,75	8,75

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	2022	2021
Increase of 1%	(184 000)	(216 000)
Decrease of 1%	172 000	202 000

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	2022	2021
Increase of 1%	184 000	216 000
Decrease of 1%	(201 000)	(235 000)

14. DEFERRED TAX

Deferred tax liability

Figures in Rand	2022	2021
Property plant and equipment	(26 363 500)	(13 896 439)
Revaluation of land and buildings	(13 035 949)	(14 510 485)
Prepayments	(4 874 306)	(537 306)
Biological assets	(302 783 410)	(249 529 851)
Total deferred tax liability	(347 057 165)	(278 474 081)

Deferred tax asset

Figures in Rand	2022	2021
Fair value adjustments on investments	7 844 928	1 216 293
Income received in advance	916 073	1 860 855
Accruals and provisions	48 417 333	40 884 288
Right of use assets	3 556 053	1 757 027
Deferred tax balance from temporary differences other than unused tax losses	60 734 387	45 718 463
Tax losses available for set off against future tax income	87 343 301	68 896 213
	148 077 688	114 614 676
Total deferred tax asset	148 077 688	114 614 676

The deferred tax assets and the deferred tax liability consist of income tax in South Africa and Eswatini and therefore relates to different jurisdictions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

14. DEFERRED TAX CONTINUED

The deferred tax relating to the South African companies is as follows:

Figures in Rand	2022	2021
Deferred tax liability	(107 387 655)	(82 652 447)
Deferred tax asset	89 577 546	69 069 960
Total net deferred tax liability	(17 810 109)	(13 582 487)

The deferred tax relating to Eswatini companies is as follows:

Figures in Rand	2022	2021
Deferred tax liability	(258 974 817)	(195 821 633)
Deferred tax asset	77 805 449	45 544 717
Total net deferred tax liability	(181 169 368)	(150 276 916)

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

Figures in Rand	2022	2021
Deferred tax liability	(234 790 295)	(206 205 146)
Deferred tax asset	35 810 818	42 345 742
Total net deferred tax liability	(198 979 477)	(163 859 404)

It should be noted that this summary disclosure has been prepared in accordance with the requirements of IAS 12 par.74, and further to align the note disclosure with presentation on the face of the Statement of Financial Position.

Reconciliation of deferred tax asset/(liability)

Figures in Rand	2022	2021
At beginning of year	(163 859 404)	(125 518 635)
Increases/(decrease) in tax loss available for set off against future taxable income	18 881 125	(4 239 506)
Taxable/(deductible) temporary difference on right of use assets	1 930 286	3 571 441
Taxable/(deductible) temporary difference movement on PPE	(13 259 675)	751 266
Temporary difference on revaluation of land and buildings	749 037	(9 703 853)
Taxable/(deductible) temporary difference on accruals and provisions	9 248 110	15 699 178
Taxable/(deductible) temporary difference on fair value adjustments on investments	4 686 683	2 924 797
Taxable/(deductible) temporary difference on biological assets	(55 235 228)	(48 248 242)
Taxable/(deductible) temporary difference on income received in advance	(910 853)	1 411 600
Taxable/(deductible) temporary difference on prepayments	(4 339 146)	(507 450)
Taxable/(deductible) temporary difference on effect of rate change	3 129 588	—
	(198 979 477)	(163 859 404)

15. INVENTORIES

Figures in Rand	2022	2021
Raw materials	43 568 443	48 712 295
Work in progress	5 273 113	3 722 583
Finished goods	645 343 557	434 157 666
Agricultural products	412 684 973	269 432 143
Grain inventory at fair value	152 333 780	157 192 000
	1 259 203 865	913 216 687
Inventories (write-downs)	(2 717 220)	(5 218 417)
	1 256 486 645	907 998 270

Inventory pledged as security

Inventory with a carrying value of R1 097 012 968 (2021: R739 320 552) have been pledged to secure borrowings granted to the Group, as set out in note 28.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

16. LOANS RECEIVABLE

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

Figures in Rand	2022	2021
Forestry and term loans	113 340 897	140 436 449
The Forestry and term loans bears interest at a prime-linked rate and is granted over a period between 5 and 10 years to clients which are repayable in monthly or annual instalments. The Group holds collateral as security.		
Loss allowance	(16 413)	(96 372)
	113 324 484	140 340 077
Split between non-current and current portions		
Non-current assets	79 027 829	109 504 921
Current assets	34 296 655	30 835 156
Total in loans receivable before provisions	113 324 484	140 340 077

Fair value of loans receivable

The amortised cost of the loans is R113 324 484 (2021: R140 340 077) and approximates the fair value of these loans.

Loans pledged as security

Loans with a carrying amount of R113 324 484 (2021: R140 340 077) have been pledged to secure borrowings. Refer to note 28.

Exposure to credit risk

Loans receivable inherently exposes the Group to credit risk, being the risk that the Group will incur financial loss if counterparties fail to make payments as they fall due.

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

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. Refer to note 17 for guidance on how expected credit losses is calculated.

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

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

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

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

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

Stage 3: loans that are credit-impaired.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

16. LOANS RECEIVABLE CONTINUED

On that basis the loss allowance was determined as follows for loans receivables:

Loss allowance

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2022			
Stage 1	27 354 287	0,06	16 413
Stage 2	—	1,00	—
Stage 3	—	85,00	—
Total	27 354 287		16 413
2021			
Stage 1	25 185 708	0,08	20 150
Stage 2	7 577 328	1,01	76 222
Stage 3	—	85,00	—
Total	32 763 036		96 372

Credit loss allowance reconciliation

Figures in Rand	2022	2021
Opening balance	96 372	96 010
Remeasurement of loss allowance	(79 959)	362
Amount written off	—	—
	16 413	96 372

Exposure to interest rate risk

Refer to note 50 for details of interest rate risk management for investments in loans receivable.

17. TRADE AND OTHER RECEIVABLES

Figures in Rand	2022	2021
Financial instruments:		
Trade receivables	1 180 369 102	1 033 637 003
Loss allowance	(52 570 851)	(31 852 116)
Trade receivables at amortised cost	1 127 798 251	1 001 784 887
Deposits	23 192 226	4 066 183
Current account: Holding company	1 925 707	5 092 437
Other receivable	63 386 670	30 586 734
Non-financial instruments:		
VAT	78 218 425	66 271 045
Employee costs in advance	232 302	175 227
Prepayments	20 178 777	15 684 900
Total trade and other receivables	1 314 932 358	1 123 661 413
Financial instrument and non-financial instrument components of trade and other receivables		
At amortised cost	1 216 302 854	1 041 530 241
Non-financial instruments	98 629 504	82 131 172
	1 314 932 358	1 123 661 413

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 the Group. These accounts bear interest at market-related rates.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

17. TRADE AND OTHER RECEIVABLES CONTINUED

Trade and other receivables pledged as security

Trade receivables with a carrying value of R995 013 705 (2021: R853 940 344) have been pledged to secure the borrowings as set out in note 28.

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

Exposure to credit risk

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

Before accepting new and existing customers the Group uses firm accessing procedures, according to the approved credit policy, to assess the customer's credit quality and defines credit limits by customer. The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above less securities held by the Group. In addition to the above, credit guarantee insurance cover is purchased on a portion of the debtors book to compensate for possible non-payments.

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

Management believes that credit risk inherent in trade receivables has sufficiently been accounted for through the provision of impairment. Refer to note 50 for details on credit risk.

Expected credit losses

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

The payment period of production accounts and current accounts must be settled within 12 months and therefore no lifetime expected credit losses are necessary.

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

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

The different categories in trade debtors are defined as follows:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

17. TRADE AND OTHER RECEIVABLES CONTINUED

On that basis the loss allowance was determined as follows for trade receivables:

Figures in Rand	Total exposure to credit risk	Expected loss rate (%)	Loss allowance
2022			
Stage 1	355 020 000	0,06	213 012
Stage 2	93 607 463	4,06	3 800 463
Stage 3	33 859 515	85,00	28 780 588
Total	482 486 978		32 794 063
2021			
Stage 1	257 187 599	0,09	240 377
Stage 2	98 744 822	6,33	6 245 999
Stage 3	28 740 227	88,26	25 365 740
Total	384 672 648		31 852 116
Figures in Rand		2022	2021
Specific impairment			
Opening balance		(25 365 740)	(11 799 999)
Decrease/(increase) in provision during the year		(8 777 037)	(19 066 240)
Amounts written off		14 365 979	5 500 499
Closing balance		(19 776 798)	(25 365 740)
Portfolio impairment			
Opening balance		(6 486 376)	(2 724 141)
Remeasurement of loss allowance		(26 307 687)	(3 762 235)
Closing balance		(32 794 063)	(6 486 376)
Total loss allowance		(52 570 861)	(31 852 116)

In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery.

Fair value of trade and other receivables

The carrying value of trade and other receivables, after taking into account the specific and portfolio impairments, approximates the fair value of trade and other receivables.

18. INVESTMENTS AT FAIR VALUE

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

Figures in Rand	2022	2021
Equity investments at fair value through other comprehensive income:		
Listed and Unlisted shares	48 517 098	67 246 377
	48 517 098	67 246 377

Fair value information

The fair value measurement of financial assets at fair value have been categorised as follows in terms of the fair value measurement hierarchy:

- ▶ **Level 1:** The unlisted shares held in BKB Limited are measured based on the latest share trading price. The share price used was R8,50 (2021: R9).
- ▶ **Level 1:** The listed shares held by Castle Walk Property Investments (Pty) Ltd in York Timbers Limited are measured at fair value based on the market share price. The share price used was R2,96 (2021: R3,80).
- ▶ **Level 3:** The unlisted shares held in NTE Company (Pty) Ltd and UCL Company (Pty) Ltd are valued based on the normalised earnings per share relative to the price-to-earnings ratio for similar assets. The price earning ratio used is 3,25 and 3,50 respectively.
- ▶ **Level 3:** The unlisted shares held by Protea Versoelwerke Ermelo (Pty) Ltd in Nexor 875 (Pty) Ltd are measured based on the interest the company holds in the assets and liabilities, fair valued at year-end. The shares have been transferred to non-current assets held for sale in the prior year, and sold during the current financial year.
- ▶ **Level 1:** The unlisted shares held in TWK Agriculture Holdings (Pty) Ltd by TWK Motors (Pty) Ltd and the TWK Group Customer Loyalty Scheme Trust are measured at fair value based on the market share price. The share price used was R53,50.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

18. INVESTMENTS AT FAIR VALUE CONTINUED

Equity investments at fair value through other comprehensive income

Investments held at reporting date

Figures in Rand	2022		2021	
	Fair value	Dividends received	Fair value	Dividends received
Unlisted shares — BKB Limited shares — Held by TWK Investments Ltd	19 550	736	20 700	—
Unlisted shares — UCL Company (Pty) Ltd shares — Held by a nominee of TWK Investments Ltd	877 537	—	1 344 339	—
Unlisted shares — NTE Company (Pty) Ltd shares — Held by TWK Investments Ltd	9 332 394	63 524	22 684 819	205 864
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Motors (Pty) Ltd	34 938 496	1 136 317	30 040 576	1 693 770
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	2 249 121	466 403	11 635 943	217 000
Listed shares — York Timbers Limited — Held by Castle Walk Property Investments (Pty) Ltd	1 100 000	—	1 520 000	—
Total	48 517 098	1 666 980	67 246 377	2 116 634

Sensitivity analysis

As changes to the Price/Earnings ratio may impact the calculated fair value, the effect of a increase of 0,25 in the Price/Earnings ratio and the effect of a decrease of 0,25 in the Price/Earnings ratio on the calculated fair value is as follows:

Figures in Rand	2022		2021	
	0,25	(0,25)	0,25	(0,25)
NTE Company (Pty) Ltd	666 600	(666 600)	840 178	(840 178)
UCL Company (Pty) Ltd	67 503	(67 503)	42 011	(42 011)
	734 103	(734 103)	882 189	(882 189)

Reconciliation of investments at fair value

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Total
2022					
Unlisted shares — BKB Limited shares — Held by TWK Investments Ltd	20 700	—	(1 150)	—	19 550
Unlisted shares — NTE Company (Pty) Ltd shares — Held by TWK Investments Ltd	22 684 819	—	(13 352 425)	—	9 332 394
Unlisted shares — UCL Company (Pty) Ltd shares — Held by a nominee of TWK Investments Ltd	1 344 339	—	(466 802)	—	877 537
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Motors (Pty) Ltd	30 040 576	—	4 897 920	—	34 938 496
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	11 635 943	2 485 966	—	(11 872 788)	2 249 121
Listed shares — York Timbers Limited — Held by Castle Walk Property Investments (Pty) Ltd	1 520 000	—	(420 000)	—	1 100 000
	67 246 377	2 485 966	(9 342 457)	(11 872 788)	48 517 098

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

18. INVESTMENTS AT FAIR VALUE CONTINUED

Figures in Rand	Opening balance	Purchases	Gains/(losses) in other comprehensive income	Sales	Shares transfer to non-current assets held for sale	Total
2021						
Unlisted shares — BKB Limited shares — Held by TWK Investments Ltd	27 600	—	(6 900)	—	—	20 700
Unlisted shares — NTE Company (Pty) Ltd shares — Held by TWK Investments Ltd	22 482 978	—	201 841	—	—	22 684 819
Unlisted shares — UCL Company (Pty) Ltd shares — Held by a nominee of TWK Investments Ltd	1 884 755	—	(540 416)	—	—	1 344 339
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Motors (Pty) Ltd	26 122 240	—	3 918 336	—	—	30 040 576
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	6 895 492	15 745 685	(422 025)	(10 583 209)	—	11 635 943
Listed shares — York Timbers Limited — Held by Castle Walk Property Investments (Pty) Ltd	499 838	—	1 336 652	(316 490)	—	1 520 000
Unlisted shares — Nexor 875 (Pty) Ltd shares — Held by Protea Versoolwerke Ermelo (Pty) Ltd	355 684	—	129 431	—	(485 115)	—
	58 268 587	15 745 685	4 616 919	(10 899 699)	(485 115)	67 246 377

Number of Shares in unlisted companies

Figures in Rand	2022	2021
Unlisted shares — BKB Limited shares — Held by TWK Investments Ltd	2 300	2 300
Unlisted shares — NTE Company (Pty) Ltd shares — Held by TWK Investments Ltd	3 431 064	3 431 064
Unlisted shares — UCL Company (Pty) Ltd shares — Held by a nominee of TWK Investments Ltd	514 888	514 888
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Motors (Pty) Ltd	653 056	653 056
Unlisted shares — TWK Agriculture Holdings (Pty) Ltd — Held by TWK Group Customer Loyalty Scheme Trust	47 398	287 615
Listed shares — York Timbers Limited — Held by Castle Walk Property Investments (Pty) Ltd	400 000	400 000
	5 048 706	5 288 923

19. DERIVATIVE FINANCIAL INSTRUMENTS

Figures in Rand	2022	2021
Hedging derivatives		
Commodity forward contract assets	6 826 722	142 749
Commodity forward contract liabilities	(6 830 600)	(5 253 915)
The forward purchase contracts represents contracts with producers for the procurement of physical commodities in the future. The forward sale contracts represents contracts with millers and other clients. It is against Group policy to have speculative positions.		
US Dollar forward contract assets	2 375 900	—
US Dollar forward contract liabilities	(9 393 400)	—
The Group's US Dollar forward contracts relates to cash flows that are expected to occur during the period September — December 2023.		
Split between non-current and current portions		
Current assets		
Forward purchase contracts	9 202 622	142 749
Current liabilities		
Forward purchase contracts	(16 224 000)	(5 253 915)
	(7 021 378)	5 111 166

The fair value measurement of forward contracts are determined by applying the market values of SAFEX and the foreign exchange markets, and therefore categorised as Level 1 in terms of the fair value measurement hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Figures in Rand	2022	2021
Cash on hand	543 031	688 667
Bank balances	180 453 873	211 947 158
Short-term deposits	35 046 376	27 052 950
Deposit call account	201 903	465 945
Other cash and cash equivalents	1 974 039	2 752 751
Bank overdraft	(106 192)	(6 262 388)
	218 113 030	236 645 083
Current assets	218 219 222	241 982 277
Current liabilities	(106 192)	(6 262 388)
	218 113 030	235 719 889

Cash and cash equivalents pledged as security

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

The overdraft facility of the Group at Standard Bank is R340 000 000 (2021: R340 000 000) and is secured by a guarantee issued by the Security SPV Guarantor (TWK Guarantee company (Pty) Ltd (RF). TWK Agri (Pty) Ltd and Constantia Kunsms (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 Group has adequate financial resources available for future operating activities and commitments.

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

The Group as the legal and beneficial owner of a 60% shareholding in Protea Versoolwerke Ermelo (Pty) Ltd disposed of its shares in the current year. The operations of Protea Versoolwerke Ermelo (Pty) Ltd is therefore disclosed as discontinued for the current and comparative financial period. These operation forms part of the Motors and Tyres segment.

The Group as the legal and beneficial owner of the 100% shareholding of Lionsriver Farmers Exchange (Pty) Ltd disposed of its operations at the Carolina — and Elukwatini Filling stations, as well as the Wesselton Mall. The Group also decided to reclassify the property, plant and equipment of the Wesselton filling station and Welgekozen filling station as held for sale. These operations of Lionsriver Farmers Exchange (Pty) Ltd are therefore disclosed as discontinued for the current and comparative financial periods. This operation forms part of the Motors and Tyres segment.

During the current year, the Group made a decision to classify the assets and liabilities of Roofspace Rental Group (Pty) Ltd as held for sale due to advanced negotiation relating to the sale of the assets.

The Group also decided to close down the Pietermaritzburg trade depot and Nylstroom fertiliser depot during the prior year. The Group also decided to close the Harding and Hendrina trade branches during the current year. These operations form part of the Trade and Mechanisation segment.

Furthermore, the Group also decided to close down all operations at the Glenthorne Sawmill, operating under TWK Agri (Pty) Ltd. These operations forms part of the Timber segment.

The financial performance of these discontinued operations is as follows:

Summarised statement of profit and loss

Figures in Rand	2022	2021
Revenue	540 011 691	403 187 852
Cost of sales	(442 348 799)	(338 547 423)
Gross profit	97 662 892	64 640 429
Operating expenses	(90 723 984)	(100 305 737)
Profit before tax	6 938 908	(35 665 308)
Taxation	(6 676 850)	4 541 174
Profit after tax	262 058	(31 124 134)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

21. DISCONTINUED OPERATIONS OR DISPOSAL GROUPS OR NON-CURRENT ASSETS HELD FOR SALE CONTINUED

Summarised statement of financial position

Figures in Rand	2022	2021
Property, plant and equipment	249 447 755	122 478 955
Deferred tax	5 795 773	1 275 193
Other non-current assets	181 865	869 243
Inventory	683 136	27 245 056
Trade and other receivables	2 267 058	14 060 663
Other current assets	1 797 981	5 888 850
Total assets	260 173 568	171 817 960
Lease liabilities	104 694 130	(803 890)
Deferred tax	—	(2 137 316)
Other non-current liabilities	52 878 666	—
Trade and other payables	10 252 578	(16 807 114)
Other current liabilities	7 519 448	(1 124 047)
Total liabilities	175 344 822	(20 872 367)

Summarised statement of cash flow

Figures in Rand	2022	2021
Net cash from operation activities	(27 958 859)	46 955 270
Net cash from investing activities	25 509 397	(6 805 532)
Net cash from financing activities	(5 734 177)	(6 578 295)
Total cash movement for the year	(8 183 639)	33 571 443

22. SHARE CAPITAL

Figures in Rand	2022	2021
Authorised		
100 000 000 (2021: 100 000 000) no par-value ordinary shares		
1 (2021: 1) "A" no par-value preference share		
50 000 000 (2021: 50 000 000) "B" no par-value preference shares		
Ordinary shares		
Issued		
36 550 405 (2021: 36 467 006) no par-value ordinary shares	835 420 378	847 181 446
Reconciliation of number of shares issued:		
Non par-value ordinary shares	38 951 986	38 951 986
Less: Treasury shares	(2 401 581)	(2 484 980)
	36 550 405	36 467 006
Reconciliation of value of shares issued:		
Non par-value ordinary shares	884 202 338	884 202 338
Less: Treasury shares at cost	(48 781 959)	(37 020 892)
	835 420 379	847 181 446
Reconciliation of number of shares issued:		
Opening balance	36 467 006	31 616 064
Share bought back and cancelled	—	(346 505)
Treasury share movement	83 399	310 509
Issue of shares — ordinary shares	—	4 886 938
	26 550 405	36 467 006
A no par-value preference share issued		
1 (2021: 1) "A" no par-value preference share	1	1

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

22. SHARE CAPITAL CONTINUED

Figures in Rand

	2022	2021
Reconciliation of class A preference share (number of shares):		
No par-value preference shares	1	1
Less: Treasury shares	(1)	(1)
	—	—
Reconciliation of class A preference share (value of shares):		
No par-value preference shares	1	1
Less: Treasury shares at cost	(1)	(1)
	—	—

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

The shares bought back during 2021 were re-acquired in the open market through the order book of the exchange, and in terms of the general authority granted by special resolution of the shareholders. The terms of the Re-acquisition Programme and result thereof were communicated to shareholders via appropriate exchange news service announcements.

The shares issued in 2021 relates to the shareholder approved asset-for-share transaction between TWK Agriculture Holdings (Pty) Ltd and TWK Investments Ltd, in which TWK Investments Ltd acquired two properties from TWK Agriculture Holdings (Pty) Ltd with consideration thereof an issue of ordinary shares. The detailed information of the asset-for-share transaction and implementation thereof were communicated to shareholders in appropriate notices and exchange news service announcements.

23. SHARE-BASED PAYMENTS

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

The long-term incentive (LTI) affords certain employees the right to purchase awarded shares in TWK Investments at the exercise price. During the vesting period (the period between grant date and vesting date), the shares are acquired by the Group and held in a trust. During this period the option cannot be exercised and is forfeited should the employee leave the employment of the 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 in the financial year preceding the grant date.

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

The total expense recognised for the year amounts to R8 096 993 (2021: R6 677 138). The accumulated equity-settled reserve amounts to R5 555 904 (2021: R4 356 262).

	LTI3	LTI4	LTI5	LTI6	LTI7
Key assumptions used (%)					
Discount rate	8,97	7,62	7,22	7,29	8,96
Dividend yield	5,00	5,00	5,00	5,00	5,00
Share volatility	50,00	75,00	41,00	38,70	39,10

Share-based payments

Figures in Rand	Total	Cash provision	Share-based payment reserve
2022			
Opening balance	10 336 198	5 979 936	4 356 262
Expense recognised for the period	8 096 993	4 347 932	3 749 061
Vesting during the period/rights awarded	(2 549 419)	—	(2 549 419)
Cash payments	(3 331 885)	(3 331 885)	—
	12 551 887	6 995 983	5 555 904

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

23. SHARE-BASED PAYMENTS CONTINUED

Figures in Rand	Total	Cash provision	Share-based payment reserve
2021			
Opening balance	8 305 597	4 457 703	3 847 894
Expense recognised for the period	6 677 138	3 944 387	2 732 751
Vesting during the period/rights awarded	(2 224 383)	—	(2 224 383)
Cash payments	(2 422 154)	(2 422 154)	—
	10 336 198	5 979 936	4 356 262

Shares granted

Figures in Rand	LT14	LT15	LT16	LT17	LT18	Total
Outstanding at the beginning of the year	232 500	412 357	601 291	733 000	—	1 979 148
Granted during the period	—	—	—	—	879 500	879 500
Vesting during the period	(232 500)	(187 435)	(187 435)	(146 600)	—	(753 970)
Outstanding at end of year	—	224 922	413 856	586 400	879 500	2 104 678
Grant date	2 Oct 2017	22 Oct 2018	17 Oct 2019	20 Oct 2020	06 Oct 2021	
Share price at grant date	R13,00	R17,90	R28,70	R30,50	R36,00	
Exercise price	R8,48	R13,88	R17,92	R26,17	R29,45	
End date of contractual life	2 Jan 2022	2 Jan 2023	2 Jan 2024	2 Jan 2025	2 Jan 2026	

Share-based payments awarded to executive directors:

Figures in Rand	Shares vested		Options outstanding	Value of benefit at grant date	
	2022	2021		2022	2021
AS Myburgh	100 000	106 000	371 000	592 200	594 340
JEV Fivaz	58 750	58 750	159 000	348 540	334 430
	158 750	164 750	530 000	940 740	928 770

24. REVALUATION RESERVE

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

Figures in Rand	2022	2021
Fair value balance at beginning of year	71 511 537	60 969 531
Fair value adjustment for the year	(4 510 987)	13 054 048
Deferred tax	1 053 392	(2 595 399)
Attributable to non-controlling interest	1 153 204	83 357
Transfers directly to equity	(22 357 478)	—
	46 849 668	71 511 537

25. CHANGE IN OWNERSHIP RESERVE

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

Figures in Rand	2022	2021
Reserves relating to the timber business unit	(14 626 656)	(7 072 904)
Reserves relating to the trade business unit	15 673 756	15 673 756
Reserves relating to the fuel and oil business unit	(720 718)	(720 718)
	326 382	7 880 134

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

26. LOANS FROM GROUP COMPANIES

Holding company

Figures in Rand	2022	2021
TWK Agriculture Holdings (Pty) Ltd	85 400 000	109 800 000
The unsecured loan bears interest at prime + 1%, and is repayable in monthly instalments of R2 033 333 over a remaining period of 40 months.		
Split between non-current and current portions		
Non-current liabilities	61 000 000	85 400 000
Current liabilities	24 400 000	24 400 000
	85 400 000	109 800 000

Fair value of group loans payable

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

27. OTHER LOANS PAYABLE

Figures in Rand	2022	2021
Roofspace Rental Group (Pty) Ltd	—	16 490
The unsecured loan bears interest at a prime linked rate and is repayable on demand.		
Other loans	700 696	700 696
The unsecured loans to previous members of Gromor (Pty) Ltd is interest free and have no fixed terms of repayment. No arrangement have been made for the repayment of the loans within the next 12 months.		
SD Zwane	—	6 400 000
The unsecured loan does not bear interest and is repayable on demand.		
Future Gen Investments (Pty) Ltd	1 350 609	—
The unsecured loan bears interest at prime + 1%, and is repayable over a remaining period of 46 months.		
The Nandi Trust	—	1 096 517
The unsecured loan bears interest at prime less 4,5% and is repayable on demand, or as and when cash is available. The loan has been reclassified as held for sale.		
Stony's Tyres	—	1 096 517
The unsecured loan bears interest at prime less 4,5% and is repayable on demand, or as and when cash is available. The loan has been reclassified as held for sale.		
	2 051 305	9 310 220
Loans held for sale — The Nandi Trust and Stony's Tyres	—	(2 193 034)
	2 051 305	7 117 186
Split between non-current and current portions		
Non-current liabilities	1 041 661	16 490
Current liabilities	1 009 644	7 100 696
	2 051 305	7 117 186

Fair value of other loans payable

The carrying value of other loans payable approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

28. BORROWINGS

Held at amortised cost

Figures in Rand

	2022	2021
Held at amortised cost		
<ul style="list-style-type: none"> Standard Bank of South Africa: Term loan <p>The facility is secured by a first continuing covering mortgage bond over the immovable property and notarial general bond to the maximum of R25 000 000 over the movable assets (wood chips and wood logs) of Shiselweni Forestry Company Limited. The loan carries interest at a prime linked rate with monthly capital instalments of R1 400 000 plus interest with a residual amount of R144 400 000, payable on 31 December 2024.</p>	166 000 000	182 800 000
<ul style="list-style-type: none"> First National Bank: Revolving loan facility <p>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 of TWK Agri (Pty) Ltd (refer to note 7) is bonded in security to the Security SPV. The loan bears interest at the prime link rate. The loan is repayable on 31 December 2022 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.</p>	115 000 000	114 999 448
<ul style="list-style-type: none"> Standard Bank of South Africa: Term loan <p>The loan bears interest at a prime linked rate and is repayable over a remaining period of 120 months. The facility is secured by a bond over certain fixed property (refer to note 5) and plantations of Shiselweni Forestry Company Limited (refer to note 7).</p>	382 500 008	425 000 000
<ul style="list-style-type: none"> First National Bank: Term loan <p>The loan bears interest at a prime linked rate and is repayable over a remaining period of 119 months. The facility is secured by a bond over certain fixed property of Shiselweni Forestry Company Limited (refer to note 5). TWK Agriculture Holdings (Pty) Ltd provided a limited guarantee of R45 500 000 for the loan.</p>	41 967 244	45 666 805
<ul style="list-style-type: none"> ABSA Bank Limited: Revolving loan facility <p>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 of TWK Agri (Pty) Ltd (refer to note 5 and 8), cessions over inventory of TWK Agri (Pty) Ltd and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 7), certain debtors of TWK Agri (Pty) Ltd (refer to note 17) and finance lease receivables of TWK Agri (pty) Ltd (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime link rate. The loan is repayable on 31 December 2022 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.</p>	204 965 113	—
<ul style="list-style-type: none"> ABSA Bank Limited: Term loan <p>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 of TWK Agri (Pty) Ltd (refer to note 16) and fixed property of TWK Investments Ltd (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 over a remaining period of 31 months with a residual value of R312 000 000.</p>	378 857 143	—
<ul style="list-style-type: none"> Standard Bank of South Africa: Term loan <p>The loan is secured by certain moveable assets which relates to the renewable energy segment, and bears interest at a prime linked rate, and is repayable between 8 and 10 years.</p>	60 276 921	14 006 170
<ul style="list-style-type: none"> Land and Agricultural Bank of South Africa: Term loan <p>The loan was granted to the company for the financing of loans to emerging farmers for production credit and establishment finance. The loan has a final repayment date of 5 years from the month following the month in which the first advance was made. The loan is repayable on 30 June 2023. No interest is payable on the loan.</p>	37 500 000	50 318 109
<ul style="list-style-type: none"> Rand Merchant Bank: Revolving loan facility <p>The loan facility is secured by cessions over grain inventory (refer to note 15) and the loan bears interest at a prime-linked rate. The loan balance fluctuates with the amount of grain financed.</p>	136 497 864	155 446 642
<ul style="list-style-type: none"> Standard Bank of South Africa <p>The loan bears interest at a prime linked rate. The loan was settled during the year.</p>	—	28 436 036
<ul style="list-style-type: none"> Land and Agricultural Bank of South Africa: Term loan <p>The loan bears interest at a prime linked rate. The loan has 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 16) and fixed property (refer to note 5) is bonded in security to the Security SPV. The loan was settled during the year.</p>	—	244 563 298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

28. BORROWINGS CONTINUED

Figures in Rand

	2022	2021
<p>► Land and Agricultural Bank of South Africa: Term loan</p> <p>The loan bears interest at a prime linked rate. The loan has a residual value of R80 000 000. As security for TWK performing their indemnity obligation to the security SPV, Plantation loans (refer to note 17), shares in Protea Versoolwerke Ermelo (Pty) Ltd and Castle Walk Properties Investments (Pty) Ltd (refer to note 9) and fixed property (refer to note 5) is bonded in security to the Security SPV. The loan was settled during the year.</p>	—	95 833 874
<p>► First National Bank: Revolving loan facility</p> <p>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 of TWK Agri (Pty) Ltd (refer to note 5 and 8), cessions over inventory of TWK Agri (Pty) Ltd and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 7), certain debtors of TWK Agri (Pty) Ltd (refer to note 17) and finance lease receivables of TWK Agri (Pty) Ltd (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime linked rate. The loan is repayable on 31 December 2022 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.</p>	204 916 995	142 521 051
<p>► First National Bank: Term loan</p> <p>The facility is secured by property of TWK Investments Limited. The loan bears interest at a prime linked rate. The loan has a residual value of R48 000 000 and is repayable on 31 December 2025.</p>	60 547 504	63 963 569
<p>► First National Bank: Term loan</p> <p>The loan bears interest at a prime linked rate and is repayable over a remaining period of 106 months. The facility is secured by a guarantee issued by the Security SPV Guarantor TWK Guarantee Company (Pty) Ltd (RF). TWK indemnify the security SPV against all claims in terms of the SPV guarantee. As security for TWK performing their indemnity obligation to the security SPV, certain fixed property of TWK Investments Ltd (refer to note 5) is bonded in security to the security SPV.</p>	22 523 503	24 192 699
<p>► Springbank Farm CC: Sunshine Seedling Services (Pty) Ltd</p> <p>The loan is unsecured and bears interest at a prime linked rate. Repayment will occur as agreed between the parties with a minimum of 30 days' notice. The maturity date of the loan is 31 December 2023.</p>	2 038 883	3 830 394
<p>► Standard Bank of South Africa</p> <p>The facility bears interest at a prime linked rate and is repayable over a remaining period of 50 months. The facility is secured by certain fixed assets owned by the Group (refer to note 5). TWK Agri (Pty) Ltd signed a limited guarantee of R16 500 000 for the loan facility.</p>	9 821 414	12 178 562
<p>► Standard Bank of South Africa: Revolving loan facility</p> <p>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 of TWK Agri (Pty) Ltd (refer to note 5 and 8), cessions over inventory of TWK Agri (Pty) Ltd and Constantia Kunsmis (Pty) Ltd (refer to note 15), standing timber (refer to note 7), certain debtors of TWK Agri (Pty) Ltd (refer to note 17) and finance lease receivables of TWK Agri (Pty) Ltd (refer to note 12), is bonded in security to the Security SPV. The loan bears interest at the prime linked rate. The loan is repayable on 31 December 2022 provided that the lender shall, following a written request by the borrower be entitled, in its sole discretion, to extend the final repayment date.</p>	811 000 000	706 648 387
	2 634 412 592	2 310 405 044
Borrowings held for sale — Standard Bank of South Africa: Term loan relating to the renewable energy segment	(60 276 921)	—
	2 574 135 671	2 310 405 044
Split between non-current and current portions		
Non-current liabilities	809 827 554	1 031 323 824
Current liabilities	1 764 308 117	1 279 081 220
	2 574 135 671	2 310 405 044

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

FNB, ABSA and Standard Bank facilities are further restricted to the following loan conditions (covenants) based on a TWK Agriculture Holdings (Pty) Ltd level:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

28. BORROWINGS CONTINUED

Fair value of borrowings

The carrying value of borrowings approximates the fair value.

29. PROVISIONS

Reconciliation of provisions

Reconciliation of provisions					
Figures in Rand	Opening balance	Additions	Utilised during the year	Total	
2022					
Provisions	901 237	559 742	—	1 460 979	
Share-based payments	5 979 936	4 347 931	(3 331 885)	6 995 982	
	6 881 173	4 907 673	(3 331 885)	8 456 961	
Figures in Rand	Opening balance	Additions	Utilised during the year	Held for sale	Total
2021					
Provisions	960 331	169 306	—	(228 400)	901 237
Share-based payments	4 457 703	3 944 387	(2 422 154)	—	5 979 936
	5 418 034	4 113 693	(2 422 154)	(228 400)	6 881 173

The provisions consist mainly of severance pay of one of the TWK Group's grain segment companies, Arrowfeeds (Pty) Ltd. The severance pay is payable to certain employees on retirement.

The provision for share-based payments relates to the estimated value of the employees that selected cash payments instead of shares as part of the share-based payment scheme. (Refer to note 23).

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

2 January 2023	R1 178 017
2 January 2024	R1 916 931
2 January 2025	R2 258 738
2 January 2026	R1 642 297
	R6 995 982

30. TRADE AND OTHER PAYABLES

Figures in Rand	2022	2021
Financial instruments:		
Trade payables	755 639 495	727 219 572
Current account: Holding Company	45 432 672	2 316 455
Deposits received	590 570	799 471
Other payables	162 548 492	103 593 940
Non-financial instruments:		
Accrued leave and bonus	121 438 969	100 659 612
VAT	591 411	3 531 358
	1 086 241 609	938 120 408

Fair value of trade and other payables

The carrying value of trade and other payables approximates its fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

31. CONTRACT LIABILITIES

Summary of contract liabilities

Figures in Rand	2022	2021
Storage and handling of grain	1 353 726	2 665 572

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

32. REVENUE

Figures in Rand	2022	2021
Revenue from contracts with customers		
Sale of goods	9 642 190 239	8 172 317 482
Rendering of services	92 784 749	94 489 586
Commissions received	129 531 168	116 084 393
	9 864 506 156	8 382 891 461
Revenue other than from contracts with customers		
Rental income	2 164 814	1 224 406
Interest received (trading)	89 678 099	68 670 430
	91 842 913	69 894 836
	9 956 349 069	8 452 786 297

33. COST OF SALES

Figures in Rand	2022	2021
Sale of goods	8 164 035 095	7 032 735 743
Rendering of services	92 720 133	88 413 516
Discount received	(45 128)	(327 750)
Manufactured goods:		
Employee costs	51 153 692	54 791 529
Depreciation and impairment	1 035 027	1 025 755
	8 308 898 819	7 176 638 793

34. OTHER OPERATING INCOME

Figures in Rand	2022	2021
Administration and management fees received	2 928 911	2 898 093
Commissions received	2 396 996	1 949 104
Rental income	7 964 180	4 342 716
Bad debts recovered	400 599	128 503
Recoveries	13 945 076	6 319 308
Interest received	2 329 438	759 570
Insurance claims	20 474 197	21 530 238
Other income	32 158 017	40 860 642
Rebates received	25 014 276	10 838 290
Government grants	36 980	4 310 281
	107 648 670	93 936 745

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

35. OTHER OPERATING GAINS/(LOSSES)

Figures in Rand	Notes	2022	2021
Gains/(losses) on disposals, scrapings and settlements			
Property, plant and equipment	5	4 293 674	(4 427 539)
Right-of-use assets	6	1 648 514	5 873 893
		5 942 188	1 446 354
Foreign exchange gains/(losses)			
Net foreign exchange gains		(1 260 723)	16 336 862
Fair value gains/(losses)			
Biological assets	7	28 738 964	(414 164)
Bargain purchase on business combination		—	85 747 679
Investment in subsidiaries	9	—	(1 164 507)
		28 738 964	84 169 008
Total other operating gains/(losses)		33 420 429	101 952 224

36. OPERATING PROFIT/(LOSS)

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

Figures in Rand	2022	2021
Auditor's remuneration — external		
Audit fees	3 703 039	3 132 590
Expenses	224 302	108 728
	3 927 341	3 241 318
Employee costs		
Salaries, wages, bonuses and other benefits	624 257 712	568 650 589
Retirement benefit plans: defined contribution expense	1 494 456	679 155
Share-based payments	8 096 993	6 677 138
Total employee costs	633 849 161	576 006 882
Less: Employee costs included in cost of merchandise sold and inventories	(51 153 692)	(54 791 529)
Total employee costs	582 695 469	521 215 353
Leases		
Variable lease payments	19 476 728	24 066 935
Short-term leases	8 013 060	8 123 440
Total lease expenses	27 489 788	32 190 375
Depreciation and amortisation		
Depreciation of property, plant and equipment	30 644 885	32 958 907
Depreciation of right-of-use assets	24 110 127	27 925 729
Amortisation of intangible assets	1 719 446	1 984 362
Total depreciation and amortisation	56 474 458	62 868 998
Less: Depreciation included in cost of merchandise sold and inventories	(1 035 027)	(1 025 755)
Total depreciation and amortisation expensed	55 439 431	61 843 243
Impairment losses		
Property, plant and equipment	(1 244 212)	—
Intangible assets	22 581 283	—
	21 337 071	—

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

37. INVESTMENT INCOME

Figures in Rand	2022	2021
Dividend income		
Equity instruments at fair value through profit or loss:		
Unlisted investments — Local	1 414 299	3 710 326
Interest income		
From investments in financial assets:		
Bank and other cash	565 997	638 728
Other receivables	626 542	1 166 604
Other financial assets	1 745 569	2 933 967
Loans to group companies:		
Associates	498 611	516 427
Total interest income	3 436 719	5 255 726
Total investment income	4 851 018	8 966 052

38. FINANCE COSTS

Figures in Rand	2022	2021
Holding company	7 697 068	10 057 573
Trade and other payables	14 647	97 269
Lease liabilities	6 096 181	5 210 659
Borrowings	176 993 938	123 091 592
Total finance costs	190 801 834	138 457 093
Less: Capitalised to qualifying assets	(84 901 822)	(35 869 042)
Total finance costs expensed	105 900 012	102 588 051

39. OTHER NON-OPERATING GAINS/(LOSSES)

Figures in Rand	Notes	2022	2021
Gains/(losses) on disposals, scrapings or settlements			
Other financial assets		2 762 780	(2 083 657)
Fair value gains/(losses)			
Impairment on assets held for sale	21	(7 362 842)	(7 600 000)
Impairment of goodwill		—	(16 000 000)
		(7 362 842)	(23 600 000)
Total other non-operating gains/(losses)		(4 600 062)	(25 683 657)

40. TAXATION

Major components of the tax expense

Figures in Rand	2022	2021
Current		
Local income tax — current period	101 066 542	69 424 167
Foreign income tax — current period	1 464 186	1 896 832
	102 530 728	71 320 999
Deferred		
Originating and reversing temporary differences	31 963 152	28 291 059
Benefit of unrecognised tax loss/tax credit	(369 417)	(10 678)
Foreign originating and reversing temporary differences	179 240	(405 534)
	31 772 975	27 874 847
	134 303 703	99 195 846

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

40. TAXATION CONTINUED

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

%	2022	2021
Applicable tax rate	28,00	28,00
Impairment of goodwill	—	1,27
Dividends received	(0,16)	(0,31)
Profit from equity accounted investments	(0,16)	(0,25)
Capital gains tax rate difference	0,82	(0,84)
Profit/loss from discontinued operations	0,01	—
Dividends withholding tax	—	(0,25)
Other	(0,33)	(0,72)
Effect of rate change for deferred tax movements	(1,42)	—
Deemed dividend on disposal of shares	0,27	—
	27,03	26,90

41. OTHER COMPREHENSIVE INCOME

Components of other comprehensive income

Figures in Rand	Gross	Tax	Net before non-controlling interest	Non-controlling interest	Net
2022					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	252 152	—	252 152	—	252 152
Movements on revaluation					
Gains/(losses) on property revaluation	(4 510 987)	1 053 392	(3 457 595)	1 153 204	(2 304 391)
Changes in fair value of equity investments at fair value through other comprehensive income					
Losses arising during the year	(9 247 673)	2 200 560	(7 047 113)	—	(7 047 113)
Effects of tax rate changes	—	1 419 233	1 419 233	—	1 419 233
	(9 247 673)	3 619 793	(5 627 880)	—	(5 627 880)
Total items that will not be reclassified to profit/(loss)	(13 506 508)	4 673 185	(8 833 323)	1 153 204	(7 680 119)
2021					
Items that will not be reclassified to profit/(loss)					
Remeasurements on net defined benefit liability/asset					
Remeasurements on net defined benefit liability/asset	490 000	—	490 000	—	490 000
Movements on revaluation					
Gains/(losses) on property revaluation	12 673 808	(1 725 158)	10 948 650	83 355	11 032 005
Changes in fair value of equity investments at fair value through other comprehensive income					
Gains arising during the year	4 616 924	586 140	5 203 064	—	5 203 064
Total items that will not be reclassified to profit/(loss)	17 290 732	(1 139 018)	16 151 714	83 355	16 235 069

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

42. EARNINGS AND DIVIDENDS PER SHARE

Figures in Rand

	2022	2021
Basic earnings per share (based on weighted average number of shares)		
From continuing operations (c per share)	850,39	734,97
From discontinued operations (c per share)	0,71	(90,31)
	851,10	644,66
Reconciliation of profit/(loss) for the year to basic earnings		
Profit for the year	362 860 414	256 023 167
Adjusted for:		
Non-controlling interest	(50 634 690)	(33 840 142)
Profit attributable to the owners of the parent	312 225 724	222 183 025
Weighted average number of shares issued	36 684 938	34 465 244
Basic earnings per share (c) (based on weighted average number of shares)	851,10	644,66

Diluted earnings per share

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

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

Figures in Rand

	2022	2021
Diluted earnings per share		
From continuing operations (c per share)	798,14	685,53
From discontinued operations (c per share)	0,67	(84,23)
	798,81	601,30

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

	2022	2021
Reconciliation of basic earnings to earnings used to determine diluted earnings per share		
Basic earnings	851,10	644,66
Adjusted for:		
Shares held by intergroup trust to be distributed to customers and personnel	(52,29)	(43,36)
	798,81	601,30
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	36 684 938	34 465 244
Adjusted for:		
Shares held by intergroup trust to be distributed to customers and personnel	2 401 581	2 484 980
	39 086 519	36 950 224

Headline earnings per share

Figures in Rand

	2022	2021
Headline earnings per share (c)	863,04	595,08
Reconciliation between earnings/(loss) and headline earnings/(loss)		
Basic earnings	312 225 724	222 183 025
Adjusted for:		
Discontinued operations	(262 056)	31 124 134
Other non-recurring items	4 641 483	(48 210 879)
	316 605 151	205 096 280

Dividends per share

Figures in Rand

	2022	2021
Total (c)	114,00	65,00

Dividends payable are not accounted for until they have been declared by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

43. CASH GENERATED FROM OPERATIONS

Figures in Rand	2022	2021
Profit before taxation	496 902 061	386 343 147
Adjustments for:		
Depreciation and amortisation	62 640 608	66 902 023
(Gains)/losses on disposals, scrapings and settlements of assets and liabilities	(5 942 188)	4 290 736
Lease remeasurements	—	660 592
Income from equity accounted investments	(2 865 517)	(4 315 226)
Dividend income	(1 414 299)	(3 710 326)
Interest income	(3 436 719)	(6 294 706)
Finance costs	105 900 012	106 761 309
Fair value adjustments	(28 738 964)	(2 866 736)
Impairment losses	21 337 071	344 638
Movements in retirement benefit assets and liabilities	529 000	615 000
Movement in derivative liabilities	1 910 212	1 629 001
Right-of-use assets and lease liabilities non-cash movements	(5 674 694)	(1 133 244)
Movement in provisions	1 575 788	1 691 539
Movement in contract assets/liabilities	(1 311 846)	367 403
Gain from a bargain purchase	—	(85 747 679)
Loss/(profit) from discontinued operations	(262 056)	5 789 681
Impairment of goodwill	—	16 000 000
Provision for inventory write-downs	(2 501 197)	(5 221 355)
Expected credit loss allowance	20 798 694	17 328 339
Foreign exchange (gains)/losses	2 341 523	(6 027 834)
Loss on sale of subsidiaries	9 402 817	—
Loss on sale of assets held for sale	149 376	—
Changes in working capital:		
Inventories	(346 670 314)	37 618 703
Trade and other receivables	(229 504 757)	(98 989 478)
Biological assets	160 970 841	114 965 932
Trade and other payables	124 970 513	104 600 279
Other non-cash items	—	(1 397 942)
Cash items transferred to discontinued operations and held for sale	—	(33 571 443)
	381 105 966	616 632 353

44. TAX PAID

Figures in Rand	2022	2021
Balance at beginning of the year	17 717 487	18 805 533
Current tax for the year recognised in profit or loss	(102 530 728)	(71 320 999)
Balance at end of the year	(31 625 551)	(17 717 487)
	(116 438 792)	(70 232 953)

45. DIVIDENDS PAID

Figures in Rand	2022	2021
Balance at beginning of the year	(119 484)	(8 898 853)
Dividends	(50 906 299)	(25 345 009)
Balance at end of the year	119 484	119 484
	(50 906 299)	(34 124 378)

46. LOYALTY SCHEME PAYMENTS

The TWK Group Loyalty Scheme was implemented to incentivise clients in doing business with the Group by awarding shares to be taken up in the Group and/or cash payments on an annual basis. All bona fide farmers who do significant business with the Group by contributing to gross profit exceeding a set minimum amount may qualify to be awarded through the Loyalty Scheme.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

47. COMMITMENTS

Capital commitments

Capital commitments include all projects for which specific board approval has been obtained. Projects still under investigation for which specific board approvals have not yet been obtained are excluded.

Figures in Rand	2022	2021
Already contracted for but not provided for		
— Property, plant and equipment	28 840 971	63 426 367
	28 840 971	63 426 367

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	2022	2021
Not yet contracted for and authorised by directors		
— Property, plant and equipment	190 269 447	158 784 234

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

48. FAIR VALUE INFORMATION

Levels of fair value measurement

Figures in Rand	Carrying amount	Level 1	Level 2	Level 3
2022				
Assets				
Land and buildings	938 617 671	—	—	938 617 671
Biological assets	1 446 028 881	—	—	1 446 028 881
Grain commodities	152 333 780	152 333 780	—	—
Investments at fair value	48 517 098	38 307 167	—	10 209 931
Derivatives	9 202 622	9 202 622	—	—
Livestock	6 548 855	—	6 548 855	—
Total assets	2 601 248 907	199 843 569	6 548 855	2 394 856 483
Liabilities				
Derivatives	16 224 000	16 224 000	—	—
Retirement benefit Obligation	4 585 000	—	—	4 585 000
Total liabilities	20 809 000	16 224 000	—	4 585 000
2021				
Land and buildings	862 167 796	—	—	862 167 796
Biological assets	1 289 937 807	—	—	1 289 937 807
Grain commodities	157 192 000	157 192 000	—	—
Investments at fair value	67 246 377	43 217 219	—	24 029 158
Derivatives	142 749	142 749	—	—
Livestock	6 730 634	—	6 730 634	—
Total assets	2 383 417 363	200 551 968	6 730 634	2 176 134 761
Liabilities				
Derivatives	5 253 915	5 253 915	—	—
Retirement benefit Obligation	5 096 000	—	—	5 096 000
Total liabilities	10 349 915	5 253 915	—	5 096 000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

49. RELATED PARTIES

Relationships

Members of key management	Directors and related businesses
Holding company	TWK Agriculture Holdings (Pty) Ltd
Subsidiaries	Refer to note 9
Associates	Refer to note 10

Related party balances

Figures in Rand

	2022	2021
Loan accounts — Owing (to)/by related parties		
TWK Agriculture Holdings (Pty) Ltd	85 400 000	109 800 000
Amounts included in trade receivable regarding related parties		
Directors and related businesses	37 784 319	46 438 981
TWK Agriculture Holdings (Pty) Ltd	1 378 080	28 750
Amounts included in trade payables regarding related parties		
TWK Agriculture Holdings (Pty) Ltd	(45 401 687)	(1 854 122)
Related party transactions		
Interest paid to/(received from) related parties		
Interest received from directors and related businesses	(4 650 813)	(4 734 188)
Interest paid to directors and related businesses	—	108 449
TWK Agriculture Holdings (Pty) Ltd	8 511 575	5 095 156
Purchases from/(sales to) related parties		
Purchases from directors and related businesses	7 660 515	147 861 715
Sales to directors and related businesses	(53 642 836)	(13 536 957)
TWK Agriculture Holdings (Pty) Ltd	—	268 976
Rent paid to/(received from) related parties		
TWK Agriculture Holdings (Pty) Ltd	5 254 747	8 068 939
Dividends paid to related parties		
Dividends paid to Holding Company	29 489 536	13 683 099

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

	Direct		Indirect		Related trust *	
	Shares	%	Shares	%	Shares	%
Non-executive						
JS Stapelberg	—	—	—	—	410 362	1,05
TI Ferreira	—	—	17 184	0,04	29 647	0,08
HJK Ferreira	—	—	—	—	—	—
CA du Toit	—	—	73	0,01	—	—
HG Hiestermann	51 500	0,13	189 798	0,49	16 233	0,04
HW Kusel	33 847	0,09	52 222	0,13	—	—
JCN Wartington	500	—	664	—	6 345	0,02
WJ Steenkamp	—	—	—	—	—	—
Executive						
AS Myburgh	790 000	2,03	49 521	0,13	315 000	0,81
JEW Fivaz	277 172	0,71	1 328	—	—	—
Subtotal for directors	1 153 019	2,96	310 790	0,80	777 587	2,00
Other shareholders	37 798 967	97,04				
Total	38 951 986	100,00				

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

50. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

This note presents information about the Group's financial risk management framework, objectives, policies and processes for measuring and managing risk and the Group's exposure to these financial risks.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by management in close co-operation with the Group's operating units, through identifying, evaluating and hedging financial risk where needed.

In combination with the audit committee, the Board have conducted a robust assessment of the principal risks to which the Group is exposed and they are satisfied that the Group has effective systems and controls in place to manage its principal risks.

The Board of Directors have overall responsibility for monitoring and maintaining the effectiveness of the Group's risk management activities and internal control processes. The Group's executives are responsible for developing and monitoring the Group's risk management policies. The Group's executives report regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group. Top risks are identified through an enterprise risk management process, whereby the top risks are identified, assessed, quantified and prioritised. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board has an Audit and Risk Committee, which oversees how management monitors compliance with the Group's risk management policies and procedures. The Audit and Risk Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures.

The Group monitors its forecast financial position on a regular basis. The Group's executive members meet regularly and consider financial performance and cash flow projections, taking into consideration market conditions and new developments.

From time to time, the Group uses derivative financial instruments to hedge certain identified risk exposures, as deemed necessary. The Group's objectives, policies and processes for managing risks arising from financial instruments have not changed from the previous reporting period.

Financial risks are those risks that require specific and ongoing operational, governance and strategic management. They differ from top risks as financial risks are anticipated to be ongoing due to the strategy and business model of the Group. The top risks are identified through the enterprise risk management process.

The Group's financial risks are as follows:

- a) Liquidity risk;
- b) Market risk (including interest rate, price risk and currency risk), and
- c) Credit risk.

a) Liquidity risk

Liquidity risk is the risk that the Group has insufficient financial resources to meet its obligations as and when they fall due or that such resources will only be available at excessive costs. The risk arises from mismatches in the timing of cash flows.

Funding risk arises when the necessary liquidity to fund liquid asset positions cannot be obtained for the expected terms when required.

Liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised and unutilised borrowing facilities are monitored. Consequently the Group ensure that sufficient borrowing facilities are available to exceed projected peak borrowings.

The Group's management of liquidity and funding includes:

- ▶ monitoring forecast cash flows and establishing the level of liquid facilities necessary on a daily basis;
- ▶ ensuring that adequate unutilised borrowings facilities are maintained;
- ▶ development and maintenance of a syndicated funding structure;
- ▶ repayments of long-term borrowings are structured so as to match the expected cash flows from the operations to which they relate;
- ▶ monitoring statement of financial position liquidity ratios against internal requirements; and
- ▶ maintaining liquidity and funding contingency plans.

The Group utilises the credit facilities of various banking institutions and takes into account the maturity dates of its various assets and funds its activities by obtaining a balance between the optimal financing mechanism and the different financing products, which include bank overdrafts, short-term loans, long-term loans, commodity finance, finance lease and other creditors. The Group has been able to operate within these facilities and based on the growth forecast and committed credit facilities the trend is expected to continue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

50. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Borrowings disclosed in note 28 as well as projected profitability levels will provide adequate liquidity levels to support operational cash flows within the foreseeable future. The table below analyses the Group's borrowing (excluding revolving loan facilities) into relevant maturity groupings based on the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group tends to have significant fluctuations in short term borrowings due to the seasonal nature of the agricultural business. The Group have sufficient borrowings facilities to exceed projected peak borrowings. The Group's unutilised borrowing facilities are as follow:

Figures in Rand	2022		2021	
Total short-term facilities	1 826 000 000		1 561 000 000	
Utilised at year-end	(1 472 379 971)		(855 431 826)	
Unutilised at year-end	353 620 029		705 568 174	

Figures in Rand	Less than 1 year	More than 1 year	2 to 5 years	More than 5 years	Total
At 31 August 2022					
Borrowings	680 896 282	1 365 381 988	582 511 139	198 812 082	2 827 601 491
Loan from group company	24 399 996	24 399 996	36 600 008	—	85 400 000
Trade and other payables	964 211 229	—	—	—	964 211 229
Lease liabilities	24 212 161	16 167 762	27 213 935	6 966 815	74 560 673
Derivative financial instruments	16 224 000	—	—	—	16 224 000
At 31 August 2021					
Borrowings	1 279 081 220	416 622 699	240 652 241	374 048 884	2 310 405 044
Loan from group company	24 399 996	24 399 996	61 000 008	—	109 800 000
Trade and other payables	838 120 929	—	—	—	838 120 929
Lease liabilities	26 476 972	18 084 441	24 241 269	42 993 973	111 796 655
Derivative financial instruments	5 253 915	—	—	—	5 253 915

Any part of the revolving loan facilities disclosed in note 28 which is repaid, may be re-borrowed. The Group may in its sole discretion extend the final repayment date of 31 December 2022 by written request.

b) Market risk

i) Interest rate risk

The Group finances its operations through a combination of shareholders' funds, loans and bank borrowings. The Group's interest rate risk arises from long- and short-term financial liabilities as well as long- and short-term financial assets. The Group is naturally hedged against fluctuating interest rates to a large extent since interest-bearing debt is mainly utilised for assets earning interest at fluctuating rates. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are denominated in Rand.

To illustrate the Group's exposure to interest rate changes, the influence of interest rate changes on the carrying values of interest-bearing financial assets and financial liabilities and resulting profit after taxation, are illustrated below. The analysis is prepared assuming the amount of the liabilities and assets at the end of the reporting period was the balance for the whole year.

Figures in Rand	2022	2021
Interest-bearing liabilities	2 682 312 592	2 385 518 458
Interest-bearing assets	849 432 983	632 738 411
Net interest-bearing liabilities	1 832 879 609	1 752 780 047
Half a percentage point increase in interest rates	(9 164 398)	(8 763 900)
Half a percentage point decrease in interest rates	9 164 398	8 763 900

ii) Currency risk

The Group imports and exports products and is exposed to currency risk arising from various currency exposures, mainly the US Dollar. The Group sells to foreign customers in USD and collects money in the USD denominated bank account. Future commitments as well as recognised assets and liabilities that are denominated in a currency that is not the functional currency, expose the Group to currency risk. Most of the Group's purchases are denominated in SA Rand. However certain fertilizer raw material denominated in USD was purchased during the year. This exposed the Group to changes in the foreign exchange rates. The functional currency is ZAR and management has prepared a policy stipulating how the foreign exchange risk be managed. To manage the foreign exchange rate risk the Group makes use of exchange rate hedging instruments which commence when predetermined exchange rate levels are reached. The exchange rate hedging instruments are concluded with a financial institution. The USD spot rate as at 31 August 2022 amounted to R17,03 (31 August 2021: R14,67). The Swaziland Emalangen and South African Rand were at par.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

50. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The following information present the sensitivity to an increase or decrease in respect to the USD on the total revenue on exports.

Figures in Rand	2022	2021
Total revenue on exports	1 060 796 773	549 612 547
50c increase in exchange rate	31 144 943	18 587 873
50c decrease in exchange rate	(31 144 943)	(18 587 873)

The total amounts converted into ZAR based on the year-end spot rate included in trade and other receivables and trade and other payables as at 31 August are as follows:

Figures in Rand	2022	2021
Trade and other receivables	5 098 163	29 131 344
50c increase in exchange rate	148 205	1 003 843
50c decrease in exchange rate	(148 205)	(1 003 843)

Figures in Rand	2022	2021
Trade and other payables	(122 718 964)	(169 559 940)
50c increase in exchange rate	(3 567 474)	(5 780 203)
50c decrease in exchange rate	3 567 474	5 780 203

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 share prices has not changed significantly from the prior year. As changes to the share prices may impact the calculated fair value, the Group has calculated the sensitivity as tabled below:

	2022		2021	
Figures in Rand	1%	-1%	1%	-1%
BKB Limited	196	(196)	207	(207)
York Timbers Limited	10 920	(10 920)	15 200	(15 200)
TWK Agriculture Holdings (Pty) Ltd	374 743	(374 743)	432 709	(432 709)
	385 859	(385 859)	448 116	(448 116)

Commodity price risk arises from the Group's consumption of agricultural commodities and its trading in derivative financial instruments linked to underlying agricultural commodity prices.

The procurement of grain commodities for utilisation by the Group and the subsidiaries is subject to the hedging policy approved by the Board of Directors, and uses financial instruments such as commodity futures and option contracts, and other derivative instruments to reduce the volatility of input prices of these raw materials and therefore mitigate against market risk. The monitoring and management of the risk mitigation strategies is performed on a daily basis to ensure that all trades are within the approved exposure limits. The Group also offers broking services to producers and consumers of agricultural commodities such as maize and soy beans. This offering generates limited exposure to market risk due to the back-to-back nature of the transactions.

c) Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments, trade debtors and other loans and receivables.

The Group only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In addition to the above, credit guarantee insurance cover is purchased on a portion of the debtors book to compensate the Group for possible non-payments.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas, mainly Mpumalanga and KwaZulu-Natal. As a result of a strict credit policy, which includes the ongoing revision of credit limits, securities and credit evaluations of financial positions of these clients, the Group is of the opinion that the credit risk associated with these financial assets are relatively small under normal circumstances.

The Group has policies and procedures in place to ensure that sales of products are made to customers with an acceptable credit history. These policies and procedures are approved by the Board of Directors. The Board delegates the responsibility for the management of credit risk within the parameters set by the Credit Policy. The Credit Committee meeting takes place on a daily basis if necessary. The Credit Committee approves applications for monthly accounts, crop loans, term loans and asset finance after evaluating the credit risk of the individual applicant.

It is policy to ensure that loans and receivables are within the customer's capacity to repay. Collateral is an important mitigate of credit risk. Seasonal loans are usually secured by a combination of mortgage bonds, notarial bonds over moveable assets and a cession of crops.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

50. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The Group considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in the borrower's ability to meet its obligations
- significant changes in the value of the collateral supporting the obligation
- significant changes in the expected performance and behaviour of the borrower

Regardless of the analysis above, debtors are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company and handed over to the legal department. Where loans or receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The different internal risk rating in trade debtors are defined as follows:

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

The concentration across the different internal risk rating for trade and other receivables is as follow:

Category (%)	Performing	Increased risk	Under-performing	High risk	Non-performing	Default
Risk	71,58	12,01	3,62	3,23	1,21	8,35

The table below illustrates the stratification of the clients base relative to credit extended:

	Exposure to the book (%)	
	2022	2021
R1 – R500 000	92,00	93,38
R500 001 – R1 250 000	3,81	2,95
R1 250 001 – R5 000 000	3,01	2,97
R5 000 001 – R8 000 000	0,58	0,31
R8 000 001 – R12 000 000	0,25	0,13
Above R12 000 000	0,36	0,26

The concentration across the different internal risk rating for loans and lease liabilities is as follows:

Category (%)	Performing	Increased risk	Under-performing	High risk	Non-performing	Default
Risk	74,41	—	—	4,84	18,34	2,41

The table below illustrates the stratification of the clients base relative to credit extended:

	Exposure (%)	
	2022	2021
R1 – R500 000	57,28	53,68
R500 001 – R1 250 000	12,62	15,79
R1 250 001 – R5 000 000	23,30	18,95
R5 000 001 – R8 000 000	3,88	8,42
R8 000 001 – R12 000 000	0,97	—
Above R12 000 000	1,94	3,16

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

50. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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

$$\text{Portfolio impairment} = \text{Total book} \times \text{Probability of Default \%} \times (\text{PD}\%) \times \text{Loss Given Default \%} (\text{LGD}\%).$$

The Group has identified a comprehensive Probability of Default rating of an external source with reference to similar portfolios as reference point for forward looking information. The Loss Given Default is calculated as the Gross exposure, by decreasing the total debtor balance by the security value held or ceded to the Group.

The Group uses three categories for loans which reflect their credit risk and how the loan loss provision is determined for each of those categories. The internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor. To measure the expected credit losses, trade receivables have been grouped in categories based on shared characteristics. Refer to note 18. Trade and other receivables for the details regarding categories.

The default rate of bad debt written off was 0,79% in 2022, 0,33% in 2021, 0,64% in 2020, 0,48% in 2019, 0,20% in 2018 and 0,26% in 2017. This also lowers the credit risk as the history shows that the provision raised would be sufficient based on the trend of bad debt written off over the past few years.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 28, cash and cash equivalents disclosed in note 20, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt to equity ratio:

Figures in Rand	2022	2021
Total equity	1 987 952 845	1 722 578 230
Interest-bearing liabilities less cash	2 501 421 880	2 385 518 458
Subtotal	4 489 374 725	4 108 096 688
Calculated rate (times)	1,26	1,38
Calculated rate (%)	126,00	138,00
Target band (%)	120 – 200	120 – 200

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2022 CONTINUED

51. DIRECTORS' EMOLUMENTS

Figures in Rand	Travelling and accommodation expenses	Remuneration	Short-term incentives	Long-term incentives
2022				
CA du Toit	18 398	395 697	—	—
TI Ferreira	12 344	367 417	—	—
HW Küsel	19 720	322 259	—	—
AS Myburgh	91 489	4 790 582	3 530 000	2 727 200
JS Stapelberg	443	550 100	—	—
JCN Wartington	13 754	276 646	—	—
HJK Ferreira	20 553	436 300	—	—
HG Hiestermann	12 167	293 066	—	—
JEW Fivaz	94 255	3 274 658	2 365 000	1 584 540
GB Prinsloo	4 387	193 056	—	—
WJ Steenkamp	—	25 002	—	—
Subtotal	287 510	10 924 783	5 895 000	4 311 740
2021				
CA du Toit	15 776	376 402	—	—
TI Ferreira	13 083	349 501	—	—
HW Küsel	10 066	306 546	—	—
AS Myburgh	204 960	4 178 331	555 457	2 008 640
JS Stapelberg	7 700	523 275	—	—
JCN Wartington	13 320	263 156	—	—
HJK Ferreira	79 274	415 019	—	—
GB Prinsloo	11 082	278 776	—	—
HG Hiestermann	9 376	278 776	—	—
JEW Fivaz	250 620	2 766 681	364 732	1 089 930
Subtotal	615 257	9 736 463	920 189	3 098 570

SHAREHOLDERS' ANALYSIS

AS AT 31 AUGUST 2022

Through an analysis of the Combined Share Register, and pursuant to the provisions of section 56 of the Companies Act, the following shareholder statistics have been prepared as at 31 August 2022:

Shareholder spread

	Number of shareholdings	% of total shareholding	Number of shares	% of issued capital
1 – 1000 shares	293	36,31	118 156	0,30
1 001 – 10 000 shares	351	43,49	1 145 501	2,94
10 001 – 100 000 shares	139	17,22	4 047 155	10,39
100 001 – 1 000 000 shares	22	2,73	5 519 757	14,17
1 000 001 shares and more	2	0,25	28 121 417	72,20
Total	807	100,00	38 951 986	100,00

Distribution of shareholders

	Number of shareholdings	% of total shareholding	Number of shares	% of issued capital
Holding company	1	0,12	25 868 380	66,41
Treasury shares	3	0,37	2 401 581	6,17
Non-executive Directors and related	8	0,99	608 809	1,56
Executive Directors and related	3	0,37	1 382 172	3,55
Executive Management and related	12	1,49	1 929 578	4,95
TWK Group Employees	60	7,43	783 804	2,01
Retail investors	720	89,22	5 977 662	15,35
Total	807	100,00	38 951 986	100,00

Beneficial shareholders

With a holding, directly and indirectly, greater than 5% of shares in issue

	Number of shares	% of issued capital
TWK Agri Aandele Aansporings Trust	2 254 687	5,79
TWK Agriculture Holdings (Pty) Ltd	25 868 380	66,41

Total number of shareholders

807

Total number of shares in issue

38 951 986

ADDITIONAL INFORMATION

/GENERAL INFORMATION

COMPANY

TWK Investments Ltd and its subsidiaries

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

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

DIRECTORS

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

REGISTERED OFFICE

11 De Wet Street
Piet Retief
2380

BUSINESS ADDRESS

11 De Wet Street
Piet Retief
2380

POSTAL ADDRESS

PO Box 128
Piet Retief
2380

BANKERS

First National Bank of South Africa, ABSA Group Limited,
Standard Bank Group Limited

AUDITORS

PKF Pretoria Incorporated

COMPANY SECRETARY

MJ Potgieter

COMPANY REGISTRATION NUMBER

1997/012251/06

INCOME TAX NUMBER

9142004671

LEVEL OF ASSURANCE

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

PUBLISHED

9 November 2022





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