



**CONSOLIDATED
INTERIM FINANCIAL
STATEMENTS**

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

NWK LIMITED


(REGISTRATION NUMBER: 1998/007577/06)



CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

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The consolidated interim financial statements have not been audited or independently reviewed, were prepared by D van Zyl, approved by the board on 4 December 2018, and published on 5 December 2018. This report is published in English and Afrikaans. Should any discrepancies between the English and Afrikaans versions of the report exist, the English version should be regarded as the correct version.



DIRECTORS' REPORT

TO THE SHAREHOLDERS OF NWK LIMITED

In this report, which is presented as part of the consolidated interim financial statements, the board reports on the financial position of the company, its subsidiaries, associates and joint ventures as at 31 October 2018, and the results of their operations and cashflows for the six months ended on that date.

STATEMENT OF RESPONSIBILITIES

The board of directors is responsible for the financial statements. In terms of this responsibility, it is the directors' duty to ensure that the financial statements fairly present the financial position and performance of the group, are accurate and complete, comply with the provisions of the Companies Act of South Africa, and have been prepared in accordance with the requirements of international financial reporting standards. The international financial reporting standards require that the directors scrutinise the going-concern principle when preparing the financial statements; identify relevant accounting policies to account for assets, liabilities, income and expenses; use judgement and make accounting estimates and assumptions regarding the future.

GOING-CONCERN PRINCIPLE

When preparing the financial statements, the board investigates – on the basis of the financial statements under review – the financial position, the results and the ratios of the group, its capital needs, financial obligations and their settlement dates, loan agreements, available facilities, financial assets and their recoverability, cash-generating assets and cashflow, as well as the general economic and agricultural conditions, current and expected market conditions, the political climate and other significant sustainability matters. The board is of the opinion that the group is a going concern, therefore the consolidated interim financial statements have been prepared according to the going-concern principle.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any events after the reporting period that have not already been dealt with in the consolidated interim financial statements that have a material effect on the disclosed consolidated interim financial statements.

INTERNAL FINANCIAL CONTROL SYSTEM

The board is responsible for the development, implementation and maintenance of an effective internal financial control system. The internal financial control system comprises all internal policy and financial controls and has been designed to ensure the integrity of financial information – in other words to provide reasonable assurance that transactions are concluded according to policy and procedures; assets are protected; mistakes and fraud are prevented; the accounting records and financial statements and reports are complete and accurate; and that the applicable laws, financial reporting standards, listing requirements and codes are adhered to.

The audit and risk committee, the internal audit function and management perform key functions in the development, implementation and assessment of the internal financial control system. The board is responsible for establishing and maintaining an independent audit committee and it is the board's duty to ensure that the group has an independent internal audit function that has the necessary resources and expertise, is efficient and follows a risk-based audit approach.

ACCOUNTING POLICY

During the period under review, the group implemented international financial reporting standard 9 (financial instruments) and the accompanying amendments to international financial reporting standard 7 (financial instruments – disclosures) and international accounting standard 7 (cashflow statements); international financial reporting standard 15 (revenue from contracts with customers); IFRIC 22 (foreign currency transactions and advance consideration); IFRIC 23 (uncertainty over income tax treatments); annual improvements 2014 - 2016 cycle; and annual improvements 2015 - 2017 cycle as well as the amendments to international financial reporting standard 2 (share-based payments) and international financial reporting standard 4 (insurance contracts).

The implementation of international financial reporting standard 9 compelled management to develop new accounting policies to recognise impairment losses on financial instruments. Although new terminologies and principles are used in the new policy, the recognition and measurement of impairment losses did not change substantially from the previous policy. Furthermore, the implementation of international financial reporting standard 9 compelled management to change the accounting policy prescribing the classification of the accrued fair-value adjustments of equity instruments upon the disposal thereof. In previous years it was policy to recycle this accrued fair-value adjustments to profit or loss. The new policy requires that these fair-value adjustments are transferred directly to retained earnings.



DIRECTORS' REPORT

The implementation of international financial reporting standard 15 compelled management to develop new accounting policies to recognise revenue. Although new terminologies and principles are used in the new policy, the recognition and measurement of revenue did not change materially from the previous policy. However, the implementation of international financial reporting standard 15 resulted in a reclassification of income.

The implementation of IFRIC 22, IFRIC 23, annual improvements 2014 - 2016 cycle and annual improvements 2015 - 2017 cycle as well as the amendments to international financial reporting standard 2 and international financial reporting standard 4, had little or no effect on the group's results.

FINANCIAL AND OPERATING REVIEW

During the six months ending 31 October 2018 the group generated revenue of R989 million from continuing operations and realised an after-tax profit of R200 million. Revenue of R984 million and an after-tax profit amounting to R13 million were generated in the comparative period in the previous year. Continuing operations contributed R57 million to the after-tax profit, compared to R78 million during the comparative period. The current period's results represent a 0,5% increase in revenue from continuing operations, 1 538% in the after-tax profit and a decrease of 27% in the after-tax profit from continuing operations.

The improvement in the results of the group can mainly be attributed to the conclusion of the sale of Opti Agri. Above average grain received and good levels of carry-over inventory resulted in a stable performance by the grain division compared to the previous season's record harvest. The trade division has experienced challenging trade conditions due to lower than forecast rain, weak economic conditions and an uncertain political environment. The financial services segment continued their achievements of the recent past and performed satisfactorily.

Following an increase in the equity on the strong results for the period, the equity ratio improved to 38% from 34% on 31 October 2017. The increase in grain stocks compared to 30 April 2018 also led to a negative cashflow from operations. The cashflow of the group continues to improve through continued financial discipline.

PROSPECTS

The high grain stock levels contributed positively to the group's performance and is expected to continue throughout the financial year.

Continued adverse weather conditions will impact the trade division negatively.

With the successful termination of loss-making businesses, focus is placed on launching new initiatives to expand customer service, which will support the focus on key business.

DISCONTINUED OPERATIONS

The group has sold its interest in Opti Agri Proprietary Limited on 31 October 2018. Opti Agri Proprietary Limited, an unlisted company registered in the Republic of South Africa, operates farming activities on its farm in the Lichtenburg district and an animal feed plant and a hatchery in Lichtenburg, with the purpose of supplying day-old chicks to the broiler industry and feed to the broiler, cattle and game industries.

The financial results of Opti Agri Proprietary Limited and NWK Boerdery Eiendoms Beperk, together with the financial results of the disposal thereof, are therefore classified as profits or losses from discontinued operations.

SEASONAL BUSINESS

The objective of the group is to trade in agricultural and related products, resources and services and to undertake associated activities. This objective causes the revenue earned by the group and the resulting profit or loss to be exposed to the seasonal nature of agricultural activities. Grain is usually received in the first six months of a financial year. On the other hand, the revenue earned by the trade segment rises in the last six months of a financial year when summer crops are planted. Traditionally, the group's key businesses therefore perform better in the last part of a financial year, subject to climatic conditions, crop yields of producers and commodity prices.

DIRECTORS' REPORT

It is not only the financial results of the group which are seasonal – the group's statement of financial position and cashflows are equally influenced by the seasonal nature of agricultural activities. For example, the levels of trade and other receivables are traditionally lower at the end of October when the production debt of the previous season has been settled, compared to the end of April, when the new production season is financed. On the other hand, stock levels and especially the levels of grain stocks, are traditionally higher at the end of October compared to those in late April.

The seasonal fluctuations in levels of stock and trade and other receivables, together with the fluctuations in the levels of the bank and short-term loans with which the assets are financed, are therefore the reason why the group, when presenting its consolidated interim financial statements, presents a statement of financial position at the end of the comparative period of the previous year, despite the fact that the requirements of international financial reporting standards do not require it.

DIVIDENDS

On 5 December 2018, the board declared two interim dividends totalling 46 cents per share. The two dividends of 13 cents per share and 33 cents per share, respectively, amount to R66 million.

APPROVAL

The board is of the opinion that the consolidated interim financial statements fairly present the financial position and performance of the company, are accurate and complete, comply with the provisions of the Companies Act and have been prepared in accordance with the requirements of international financial reporting standards. The board is of the opinion that the accounting policies are appropriate, that the material uncertainties relating to the preparation of the consolidated interim financial statements have been duly assessed and that accounting estimates and assumptions are reasonable, prudent, unbiased and take into account the available and applicable information. The consolidated interim financial statements for the six months ended 31 October 2018 – as set out on pages 1 to 12 – were approved by the board on 4 December 2018 and signed on the board's behalf by:



L Vermooten
VICE-CHAIRMAN

4 December 2018



DPG Kleingeld
CHIEF FINANCIAL OFFICER

STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2018

	OCTOBER 2018	APRIL 2018	OCTOBER 2017
	R'm	R'm	R'm
Assets			
Non-current assets	855	828	991
Property, plant and equipment	282	274	391
Investment property	3	3	15
Intangible assets	30	27	24
Investment in associates and joint ventures	166	163	162
Investment in listed and unlisted entities	38	33	34
Loans	336	325	361
Deferred-tax assets	-	3	4
Current assets	3 306	2 264	2 937
Inventory	2 231	1 130	2 145
Trade and other receivables	1 036	1 013	682
Biological assets	-	46	44
Current-tax assets	-	-	10
Derivative financial instruments	19	8	31
Cash and cash equivalents	20	67	25
Non-current assets held for sale	-	125	192
Total assets	4 161	3 217	4 120
Equity and liabilities			
Equity attributable to the owners of the holding company	1 590	1 396	1 410
Share capital	143	143	143
Distributable reserves	1 447	1 253	1 267
Non-current liabilities	21	26	27
Long-term loans	9	8	12
Long-term provisions	5	5	5
Deferred-tax liabilities	7	13	10
Current liabilities	2 550	1 795	2 683
Trade and other payables	475	326	738
Short-term provisions	7	9	11
Current-tax liabilities	12	12	-
Derivative financial instruments	299	145	12
Short-term loans and bank overdrafts	1 757	1 303	1 922
Total equity and liabilities	4 161	3 217	4 120

STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	Notes	2018	2017 [#]
		R'm	R'm
Revenue		989	984
Operating profit before finance charges	1	143	169
Finance charges		(66)	(67)
Operating profit		77	102
Equity-accounted earnings		6	3
Pretax profit		83	105
Tax		(26)	(27)
Profit from continuing operations		57	78
Profit or loss from discontinued operations	2	143	(65)
Profit for the period		200	13
		Cents	Cents[#]
Basic and diluted earnings		140	9
Basic and diluted earnings from continuing operations		40	55
Basic and diluted earnings from discontinued operations		100	(45)

The calculation of basic and diluted earnings per share has been based on the consolidated profit of R200 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971 and, in the case of the previous year, the consolidated profit of R13 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971.

The calculation of basic and diluted earnings per share from continued operations has been based on the consolidated profit from continuing operations of R57 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971 and, in the case of the previous year, the consolidated profit from continuing operations of R78 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971.

The calculation of basic and diluted earnings per share from discontinued operations has been based on the consolidated profit from discontinued operations of R143 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971 and, in the case of the previous year, the consolidated loss from discontinued operations of R65 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971.

Restated figures[#]

The comparative figures have been restated, as set out in note 7.



STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

Profit for the period	
Other comprehensive income	
Fair-value adjustment of the investment in listed and unlisted entities	
Currency translation differences on the conversion of the interest in foreign entities	

Comprehensive income for the period

2018	2017
R'm	R'm
200	13
4	3
4	(1)
-	4
204	16

STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

Opening balance	
Comprehensive income for the period	
Profit for the period	
Other comprehensive income	
Dividends paid	
Equity at the end of the period	

Dividends paid

Dividend per share paid (cents)

2018	2017
R'm	R'm
1 396	1 398
204	16
200	13
4	3
(10)	(4)
1 590	1 410
7 cents	3 cents

STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

Cashflow from operating activities

Cashflow from operations
 Finance income
 Finance charges
 Tax paid
 Dividends paid

Cashflow from investing activities

Property, plant and equipment purchased or constructed
 Intangible assets purchased or developed
 Additional investment in joint ventures
 Shares bought in unlisted company
 Dividends received

Cashflow from financing activities

Short-term loans
 Repayment of long-term loans

Change in cash and cash equivalents

Cash and cash equivalents at the beginning of the period

Cash and cash equivalents at the end of the period

2018	2017
R'm	R'm
(469)	(628)
(436)	(613)
61	63
(67)	(70)
(17)	(4)
(10)	(4)
(21)	(78)
(18)	(11)
(5)	-
-	(82)
-	(3)
2	18
611	932
617	943
(6)	(11)
121	226
(548)	(894)
(427)	(668)



SEGMENTAL REPORTING

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

The objective of the group is to trade in agricultural and related products, resources and services and to undertake associated activities. The operating activities of the group have been divided into seven segments for management purposes, namely grain, trade, industries, farming, financial services, African business and sundry activities. The composition of the segments has been based on, firstly, the type of products and services rendered, secondly, geographical areas, thirdly, the customer base served and, lastly, the segment combinations of competitors and other agricultural companies. The group conducts its operations in North West, Gauteng and Mpumalanga.

	SEGMENTAL REVENUE		SEGMENTAL RESULTS	
	2018	2017	2018	2017
	R'm	R'm	R'm	R'm
Grain	92	116	96	98
External customers	92	116	-	-
Other segments	-	-	-	-
Trade	832	807	9	21
External customers	831	806	-	-
Other segments	1	1	-	-
Industries	-	71	1	(5)
External customers	-	66	-	-
Other segments	-	5	-	-
Farming	168	196	143	17
External customers	135	134	-	-
Other segments	33	62	-	-
Financial services	108	97	40	24
External customers	54	53	-	-
Other segments	54	44	-	-
African business	-	-	-	(100)
Sundry operations	15	19	4	8
External customers	8	9	-	-
Other segments	7	10	-	-
Corporate	4	-	(67)	(50)
Total segmental revenue and results	1 219	1 306	226	13
<i>Reconciliation with the revenue and pretax profit stated in the statement of profit or loss</i>				
Segmental revenue and results stated above	1 219	1 306	226	13
Intersegment transactions	(95)	(122)	-	-
Disclosed as discontinued operations	(135)	(200)	(143)	92
Amounts stated in the statement of profit or loss	989	984	83	105

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

1. OPERATING PROFIT BEFORE FINANCE CHARGES

Operating profit before taking into account the expenses below
Write-off of inventory to net realisable value
Credit losses on financial assets

Operating profit before finance charges

2. LOSS FROM DISCONTINUED OPERATIONS

Operating loss of Noordfed Eiendoms Beperk
Operating profit of Opti Agri Proprietary Limited
Operating profit of Opti Chicks Proprietary Limited
Impairment charge on joint ventures

Operating profit or loss
Proportionate share of the losses of AfricaNeth Coöperatief U.A.

Pretax profit or loss
Tax

Profit or loss from discontinued operations
Profit on the disposal of operations

Profit or loss from discontinued operations

3. FAIR-VALUE HIERARCHY OF ASSETS AND LIABILITIES MEASURED ON A RECURRING BASIS AT FAIR VALUE

Investment in listed and unlisted entities
Fair value measured with first-level input data
Fair value measured with third-level input data

Biological assets
Fair value measured with second-level input data
Fair value measured with third-level input data

Derivative financial instruments measured with first-level input data

Net fair value of assets and liabilities measured at fair value

4. FAIR-VALUE HIERARCHY OF ASSETS MEASURED AT AMORTISED COST

Loans
Trade and other receivables
Cash and cash equivalents

Fair value measured with second-level input data

	2018	2017 [#]
	R'm	R'm
Operating profit before taking into account the expenses below	152	180
Write-off of inventory to net realisable value	(4)	(3)
Credit losses on financial assets	(5)	(8)
Operating profit before finance charges	143	169
Operating loss of Noordfed Eiendoms Beperk	-	(9)
Operating profit of Opti Agri Proprietary Limited	10	-
Operating profit of Opti Chicks Proprietary Limited	-	17
Impairment charge on joint ventures	-	(35)
Operating profit or loss	10	(27)
Proportionate share of the losses of AfricaNeth Coöperatief U.A.	-	(65)
Pretax profit or loss	10	(92)
Tax	-	27
Profit or loss from discontinued operations	10	(65)
Profit on the disposal of operations	133	-
Profit or loss from discontinued operations	143	(65)

	OCTOBER 2018	APRIL 2018	OCTOBER 2017
	R'm	R'm	R'm
Investment in listed and unlisted entities	38	33	34
Fair value measured with first-level input data	28	23	24
Fair value measured with third-level input data	10	10	10
Biological assets	-	46	44
Fair value measured with second-level input data	-	10	9
Fair value measured with third-level input data	-	36	35
Derivative financial instruments measured with first-level input data	(280)	(137)	19
Net fair value of assets and liabilities measured at fair value	(242)	(58)	97
Loans	336	325	361
Trade and other receivables	1 036	1 013	682
Cash and cash equivalents	20	67	25
Fair value measured with second-level input data	1 392	1 405	1 068

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. FAIR-VALUE HIERARCHY OF LIABILITIES MEASURED AT AMORTISED COST

Long-term loans	9	8	12
Trade and other payables	475	326	738
Short-term loans and bank overdrafts	1 757	1 303	1 922
Fair value measured with second-level input data	2 241	1 637	2 672

OCTOBER 2018	APRIL 2018	OCTOBER 2017
R'm	R'm	R'm
9	8	12
475	326	738
1 757	1 303	1 922
2 241	1 637	2 672

6. RELATED-PARTY TRANSACTIONS

Revenue earned from related parties	28	27
Non-executive directors	23	12
Key employees	1	-
Joint ventures	4	15
Grain bought from the non-executive directors	41	28
Goods bought from joint ventures	-	2
Value of transactions with related parties	69	57

2018	2017
R'm	R'm
28	27
23	12
1	-
4	15
41	28
-	2
69	57

7. RESTATED FIGURES#

The group has sold its interest in Opti Agri Proprietary Limited on 31 October 2018, and on 18 June 2018 the board of directors of NWK Boerdery Eiendoms Beperk decided to liquidate the company. Management therefore classified the financial results of Opti Agri Proprietary Limited and NWK Boerdery Eiendoms Beperk, together with the results of the disposal thereof, as profits or losses from discontinued operations. Consequently, the comparative figures have been restated as follows:

Revenue

Disclosed in the previous consolidated interim financial statements	1 118
Transferred to discontinued operations	(134)
Stated in this consolidated interim financial statements	984

Profit from continued operations

Disclosed in the previous consolidated interim financial statements	96
Transferred to discontinued operations	(18)
Stated in this consolidated interim financial statements	78

Profit or loss from discontinuing operations

Disclosed in the previous consolidated interim financial statements	(83)
Transferred from continuing operations	18
Stated in this consolidated interim financial statements	(65)

2017
R'm
1 118
(134)
984
96
(18)
78
(83)
18
(65)

CORPORATE INFORMATION

COUNTRY OF INCORPORATION

Republic of South Africa

REGISTERED ADDRESS

81 Scholtz Street, Lichtenburg, 2740

POSTAL ADDRESS

PO Box 107, Lichtenburg, 2740

NON-EXECUTIVE DIRECTORS

H Krüger
L Vermooten
FH Badenhorst
JJ du Preez
JP du Preez
DA Foster
MP Grindrod
J Mahne
JH Suurd
CF van Niekerk

EXECUTIVE DIRECTORS

TE Rabe
DPG Kleingeld
TB Modise

PUBLIC OFFICER

DPG Kleingeld

SECRETARY

Q van Niekerk

TRADING PLATFORM

4 Africa Exchange Proprietary Limited
Bryanston

4 AFRICA EXCHANGE SHARE CODE

4ANWK

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER

ZAE400000010

TRANSFER SECRETARY

4 Africa Exchange Registry Proprietary Limited
Bryanston

ISSUER AGENT

Pallidus Capital
Centurion

AUDITOR

PricewaterhouseCoopers Incorporated
Lichtenburg



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