

NWK Holdings Limited

2019

Consolidated interim financial statements for
the six months ended **31 October 2019**

The logo for NWK Holdings Limited, featuring the letters 'NWK' in a bold, white, sans-serif font with a slight shadow effect, set against a dark blue background. The logo is positioned in the lower right quadrant of the page, partially overlapping a horizontal band of dark blue and orange stripes that radiate from the right edge of the cover.

NWK

NWK HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1998/007243/06)

4AX share code: 4ANWKH

ISIN: ZAE400000028

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

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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 6 December 2019, and published on 6 December 2019. This report has been 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 HOLDINGS 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 at 31 October 2019, 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 company; 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 having a material effect on the disclosed consolidated interim financial statements that have not already been dealt with in the 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 16 (leases). The implementation of international financial reporting standard 16 compelled management to develop new accounting policies to recognise leases. The new policies eliminate the option to classify a lease as either a financial or an operating lease in the case of the company being the lessee. Instead, all these leases are now treated the same – an asset and a liability are recognised. Should the company be the lessor, a lease is still classified as a financial or operating lease. As a practical expedient, the company has chosen not to apply the new accounting policies retrospectively to previous years' figures, but rather to adjust the effect of the change in policies to the opening balances of the year under review. Further, as a practical expedient, the company has chosen not to re-assess its existing contracts to determine whether these contracts are a lease or contain a lease. Consequently, the classification of only those contracts that were accounted for as operating or finance leases under the previous policies were re-assessed.

DIRECTORS' REPORT (continued)

FINANCIAL AND OPERATING REVIEW

The agricultural environment is still challenging and the group cannot avoid these trials. The ongoing drought still has an enormous impact on the entire value chain.

The conditions in the trade environment in particular are challenging, and this also reflects negatively in our figures for the half year. The results for mechanisation are still very negative, but the initiatives approved by the board are already bearing fruit and we are excited about the turnaround that is taking place.

In spite of the negative environment, the group's results are satisfactory, and we look forward to a general recovery in the agricultural environment if weather conditions stabilise.

In the six months ended 31 October 2019 the group realised revenue of R1 029 million and an after-tax profit of R55 million, compared to revenue of R989 million and an after-tax profit of R200 million in the corresponding period of the previous year.

Continued operations contributed R55 million to profit after tax, as opposed to R57 million in the comparative period. The results for the current period represent an increase of 3% in the revenue from continued operations, a drop of 72% in the profit after tax, and a decrease of 3% in the after-tax profit from continued operations. The reason for the drop in profit after tax was the once-off profit from the sale of the Opti Agri businesses in the 2019 financial year.

The deterioration in the results of the group from continuing operations is mainly attributable to corporate actions with shareholders. This was largely negated by savings in corporate spending and the improvement in the results of the financial services segment. The trade segment experienced challenging trading conditions because of poor economic conditions and an uncertain political environment. Due to lower borrowing levels during the period, the financial services segment improved its results. The late season led to a delay in grain receipts, and the poorer agricultural conditions also led to lower grain receipts compared to the previous year. This meant that the grain segment could not continue its results of the previous year.

The increase in grain inventory during the period of six months led to a negative cashflow from operations. Because of careful cashflow management, the cashflow of the group is improving all the time.

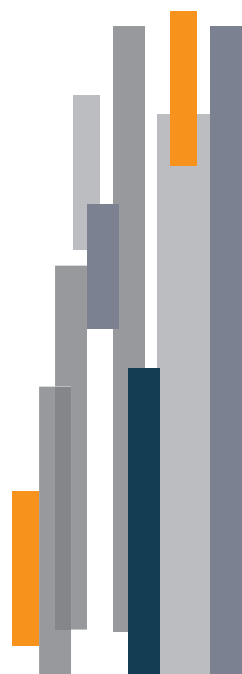
PROSPECTS

The general signs for weather conditions are more positive than the drought conditions of the past few years. However, predictions are confusing and weather experts are constantly adjusting their views. We can only trust in our Heavenly Father that the challenging conditions will change. Should weather conditions allow this and improve, we predict that the agricultural business environment will experience positive cycles again.

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. Agricultural commodities are 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.

It is not only the financial results of the group that 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 agricultural commodities are traditionally higher at the end of October compared to those in late April. The seasonal fluctuations in levels of inventory, agricultural commodities 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.



DIRECTORS' REPORT (continued)

DIVIDENDS

On 6 December 2019 the board approved a dividend of 13 cents per share – R11 million in total – for distribution to the shareholders.

APPROVAL

The directors are 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 directors are 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 2019 – as set out on pages 1 to 12 – were approved by the board on 6 December 2019 and signed on the board's behalf by:



H Krüger
CHAIRMAN

6 December 2019



L Vermooten
VICE-CHAIRMAN



STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2019

	OCTOBER 2019	APRIL 2019#	OCTOBER 2018#
	R'm	R'm	R'm
Assets			
Non-current assets	898	883	828
Property, plant and equipment	304	296	282
Investment property	8	3	3
Intangible assets	26	27	30
Investment in associates and joint ventures	175	168	166
Investment in listed and unlisted entities	4	7	11
Loans and lease receivables	381	382	336
Current assets	2 934	1 898	3 306
Inventory	592	436	596
Agricultural commodities	1 511	433	1 635
Trade and other receivables	714	988	1 027
Prepaid expenses and contract assets	8	2	9
Derivative financial instruments	91	19	19
Cash and cash equivalents	18	20	20
Total assets	3 832	2 781	4 134
Equity and liabilities			
Equity attributable to the owners of the holding company	1 040	891	907
Share capital	44	44	44
Distributable reserves	996	847	863
Equity attributable to non-controlling interests	333	644	655
Equity	1 373	1 535	1 562
Non-current liabilities	17	15	24
Provisions	6	5	5
Lease liabilities	11	10	9
Deferred-tax liabilities	-	-	10
Current liabilities	2 442	1 231	2 548
Trade and other payables	292	208	411
Accumulating compensated absences	34	33	33
Liabilities from contracts with customers	24	23	29
Provisions	8	3	7
Lease liabilities	10	8	8
Current-tax liabilities	12	3	12
Derivative financial instruments	523	157	299
Short-term loans	1 156	257	1 302
Overdrafts	383	539	447
Total equity and liabilities	3 832	2 781	4 134

STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	Notes	2019	2018
		R'm	R'm
Revenue		1 029	989
Operating profit before finance charges	1	107	143
Finance charges		(42)	(66)
Operating profit		65	77
Equity-accounted earnings		11	6
Pretax profit		76	83
Tax		(21)	(26)
Profit from continuing operations		55	57
Profit from discontinued operations	2	-	143
Profit for the period		55	200
Profit attributable to the owners of the holding company		42	118
Profit from continuing operations		42	34
Profit from discontinued operations		-	84
Profit attributable to non-controlling interests		13	82
Profit from continuing operations		13	23
Profit from discontinued operations		-	59
Profit for the period		55	200
		Cents	Cents
Basic and diluted earnings		55	154
Basic and diluted earnings from continuing operations		55	44
Basic and diluted earnings from discontinued operations		-	110

The calculation of basic and diluted earnings per share has been based on the consolidated profit of R42 million attributable to the owners of the holding company and the weighted average number of shares in issue of 76 212 828 and, in the case of the previous year, the consolidated profit of R118 million attributable to the owners of the holding company and the weighted average number of shares in issue of 76 212 828.

The calculation of basic and diluted earnings per share from continuing operations has been based on the consolidated profit from continuing operations of R42 million attributable to the owners of the holding company and the weighted average number of shares in issue of 76 212 828 and, in the case of the previous year, the consolidated profit from continuing operations of R34 million attributable to the owners of the holding company and the weighted average number of shares in issue of 76 212 828.

The calculation of basic and diluted earnings per share from discontinued operations has been based on the previous year's consolidated profit from discontinued operations of R84 million attributable to the owners of the holding company and the weighted average number of shares in issue of 76 212 828.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	2019	2018
	R'm	R'm
Profit for the period	55	200
Other comprehensive income	(3)	-
Fair-value adjustment of the investment in listed and unlisted entities	(3)	-
Comprehensive income for the period	52	200
Comprehensive income attributable to the owners of the holding company	40	118
Comprehensive income attributable to non-controlling interests	12	82
Comprehensive income for the period	52	200

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	2019	2018
	R'm	R'm
Opening balance	1 535	1 373
Comprehensive income for the period	52	200
Profit for the period	55	200
Other comprehensive income	(3)	-
Effects of change of interest in subsidiary	(204)	-
Dividends paid	(10)	(11)
Equity at the end of the period	1 373	1 562
Dividends paid		
Dividend per share paid	5 cents	7 cents

STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

Cashflow from operating activities

Cashflow from operations
Finance income
Finance charges
Tax paid
Dividends paid

Cashflow from investing activities

Property, plant and equipment acquired
Intangible assets acquired
Proceeds on the disposal of property, plant and equipment
Dividends received

Cashflow from financing activities

Short-term loans
Repayment of long-term loans
Cashflow at the increase of interest in subsidiary

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

2019	2018
R'm	R'm
(507)	(469)
(513)	(436)
71	61
(42)	(67)
(13)	(17)
(10)	(10)
(16)	(21)
(20)	(18)
(2)	(5)
2	-
4	2
677	611
895	617
(14)	(6)
(204)	-
154	121
(519)	(548)
(365)	(427)



SEGMENTAL REPORTING

FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

The main 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 various segments for management purposes, namely agricultural commodities, trade, oil press, farming, financing and treasury, insurance, cell insurance and agricultural limestone mining. Segments are aggregated from the operating departments of the group based on the products and services provided, the customer base served, the geographical area in which business is conducted, and the segment compositions of other agricultural companies. The group conducts its operations in North-West, Gauteng and Mpumalanga.

	SEGMENTAL REVENUE		SEGMENTAL RESULTS	
	2019	2018 [#]	2019	2018 [#]
	R'm	R'm	R'm	R'm
Agricultural commodities	146	107	78	97
External customers	146	100		
Other segments	-	7		
Trade	814	832	4	9
External customers	814	831		
Other segments	-	1		
Oil press	-	-	4	1
Farming	-	168	-	143
External customers	-	135		
Other segments	-	33		
Financing and treasury	143	108	52	38
External customers	64	54		
Other segments	79	54		
Insurance	-	-	2	2
Agricultural limestone mining	-	-	4	3
Corporate	5	4	(68)	(67)
Total segmental revenue and results	1 108	1 219	76	226
<i>Reconciliation with the revenue and pretax profit stated in the statement of profit or loss</i>				
Segmental revenue and results stated above	1 108	1 219	76	226
Intersegment transactions	(79)	(95)	-	-
Disclosed as discontinuing operations	-	(135)	-	(143)
Amounts stated in the statement of profit or loss	1 029	989	76	83

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

1. OPERATING PROFIT BEFORE FINANCE CHARGES

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

Operating profit before finance charges

2. PROFIT FROM DISCONTINUED OPERATIONS

Operating profit of Opti Agri Proprietary Limited

Profit from discontinued operations

Profit on the disposal of operations

Profit from discontinued operations

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

Investment in listed and unlisted entities

Fair value measured with level one input data

Fair value measured with level three input data

Derivative financial instruments measured with level one input data

Net fair value of assets and liabilities measured at fair value

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

Loans and lease receivables

Trade and other receivables

Cash and cash equivalents

Fair value measured with level two input data

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

Lease liabilities

Trade and other payables

Short-term loans

Overdrafts

Fair value measured with level two input data

	2019	2018
	R'm	R'm
	121	152
	(1)	-
	(5)	(4)
	(8)	(5)
	107	143
	-	10
	-	10
	-	133
	-	143

	OCTOBER 2019	APRIL 2019	OCTOBER 2018
	R'm	R'm	R'm
	4	7	11
	2	2	1
	2	5	10
	(432)	(137)	(280)
	(428)	(130)	(269)
	381	382	336
	714	988	1 027
	18	20	20
	1 113	1 390	1 383
	21	18	17
	292	208	413
	1 156	257	1 302
	383	539	447
	1 852	1 022	2 179

NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

6. RELATED-PARTY TRANSACTIONS

Revenue earned from related parties	
Non-executive directors	
Executive directors	
Joint ventures	
Agricultural commodities bought from related parties	
Non-executive directors	
Executive directors	
Agricultural commodities sold to joint ventures	
Value of transactions with related parties	

	2019	2018
	R'm	R'm
Revenue earned from related parties	22	28
Non-executive directors	14	23
Executive directors	1	1
Joint ventures	7	4
Agricultural commodities bought from related parties	33	41
Non-executive directors	30	41
Executive directors	3	-
Agricultural commodities sold to joint ventures	394	-
Value of transactions with related parties	449	69

7. RESTATED FIGURES#

Inventory and agricultural commodities

In the past, agricultural commodities were included in the carrying amounts of inventory. Based on the materiality of their carrying amounts and their volatility, but especially on the fact that agricultural commodities are valued at fair value, management has decided to present agricultural commodities as a separate line item in the statement of financial position. Management believes that the separation of inventory and agricultural commodities will enhance users' understanding of the company's financial position, performance, ratios and commodity risks. The comparative figure of inventory was therefore restated.

Trade and other receivables

In the past, assets from contracts with customers and prepaid expenses have been included in the carrying amounts of trade and other receivables. Due to the fact that assets and liabilities arising from contracts with customers and prepaid expenses are not financial instruments, management has decided to present assets from contracts with customers and prepaid expenses as separate line items in the statement of financial position. Management believes that the separation of financial and non-financial items will enhance users' understanding of the company's financial risks. The comparative figure of trade and other receivables was therefore restated.

Trade and other payables

In the past, liabilities from contracts with customers and accumulating compensated absences have been included in the carrying amounts of trade and other payables. Due to the fact that assets and liabilities arising from contracts with customers and accumulating compensated absences are not financial instruments, management has decided to present liabilities from contracts with customers and accumulating compensated absences as separate line items in the statement of financial position. Management believes that the separation of financial and non-financial items will enhance users' understanding of the company's financial risks. The comparative figure of trade and other payables was therefore restated.

Segmental revenue and results

Since the previous reporting date, management has decided to present the three components of the financial services segment separately. As a result, the former financial services segment is now presented as financing and treasury, insurance, and cell insurance. Agricultural limestone mining, which was previously included in sundry activities, is now also presented separately, and the logistics service, which was previously included in sundry activities, is now presented as part of agricultural commodities. Therefore, the comparative figures for the revenue and results of the agricultural commodity segment, financial services segment and sundry operations segment were restated.

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

J Mahne

JH Suurd

CF van Niekerk

PUBLIC OFFICER

DPG Kleingeld

SECRETARY

L Pieterse

TRADING PLATFORM

4 Africa Exchange Proprietary Limited

Bryanston

4 AFRICA EXCHANGE SHARE CODE

4ANWKH

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER

ZAE400000028

TRANSFER SECRETARY

4 Africa Exchange Registry Proprietary Limited

Bryanston

EXTERNAL ISSUER AGENT

Pallidus Capital Proprietary Limited

Pretoria

AUDITOR

PricewaterhouseCoopers Incorporated

Lichtenburg

