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CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

(Registration number: 1998/007577/06)



NWK LIMITED ▶



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The consolidated interim financial statements have not been audited or independently reviewed, were prepared by AJ van Tonder (Chartered Accountant SA), under the supervision of the Chief Financial Officer, approved by the board on 18 December 2017, and published on 19 December 2017. This report was published in English and Afrikaans. Should any discrepancies between the English and Afrikaans versions of the report occur, 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 at 31 October 2017, 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 company, 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 company 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 and that have a material effect on the disclosed consolidated interim financial statements.

INTERNAL FINANCIAL CONTROL SYSTEM

The board is responsible for the development, the implementation and the 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 duty of the committee to ensure that the company has an independent internal audit function that has the necessary resources and expertise, is efficient and follows a risk-based audit approach.

The board assessed the independence, expertise and effectiveness of the audit and risk committee, the independence, expertise, resources and effectiveness of the internal audit function, the assurance report of the audit and risk committee, the internal audit function's formally documented assessment of the effectiveness of the internal financial control system and the assurance reports of management, confirmed that the internal financial control system has been duly documented and reviewed in the period under review and believes that the internal financial control system is appropriate and effective.

ACCOUNTING POLICY

The accounting policies, calculations and principles applied in the preparation of these consolidated interim financial statements correspond in all material respects with those applied in the consolidated annual financial statements of 30 April 2017.

FINANCIAL AND OPERATING REVIEW

During the six months ending 31 October 2017 the group generated revenue of R1 118 million and realised an after-tax profit of R13 million. Revenue of R1 097 million and an after-tax profit amounting to R11 million were generated in the comparative period in the previous year. Continued operations contributed R96 million to the after-tax profit, compared to R66 million during the comparative period. This represents a 2% increase in revenue from continuing operations, 18% in the after-tax profit and 45% in the after-tax profit from continued operations.

The improvement in the results of the group can mainly be attributed to better agricultural conditions, which resulted in exceptionally good grain receipts from the group's operating area. Due to the good grain harvest, the revenue of the grain segment almost doubled and the profit of the segment tripled. Trade and the financial services segment continued their achievements of the recent past and performed satisfactorily. However, the good performance of the grain, trade and financial services segments was largely negated by sustained losses in the industries and Zambian operations, but in particular by impairment losses on the African businesses.

At the annual general meeting of September 2017 the board indicated that the group would reconsider its interests in Africa. Consequently the board decided to sell the Botswana business and the group entered into a sales contract with prospective buyers. The proposed transaction was submitted to the competition authorities in Botswana for approval. As the transaction has been approved, the sale of the business should be completed by the end of February 2018. The board also decided to withdraw from the group's Zambian businesses, but an exact exit strategy has not yet been finalised. Caution required management to recognise impairment losses of R35 million on the investment in and loans to the Zambian entities. Should the equity-accounted loss of R65 million from the joint venture be taken into account, the total loss from the Zambian entities is therefore R100 million. After the losses for the period, the write-off and the additional investment that the group was required to make, the value of the investment in the Zambian businesses is now R83 million.

► DIRECTORS' REPORT TO THE SHAREHOLDERS OF NWK LIMITED – CONTINUED

As soon as the exit strategy is finalised and there is more certainty with regards to the execution of the strategy, it will be possible to determine if additional impairment should be recognised.

The Competition Tribunal of South Africa approved conditions for the sale of Noordfed Eiendoms Beperk shortly after the reporting date, as a result of which the sales transaction is currently in the process of implementation.

Due to the large volume of grain stocks financed with commodity loans and bank overdrafts on the reporting date, the equity ratio weakened to 34% from 45% on 30 April 2017, or, more relevantly, from 40% on 31 October 2016. The increase in grain stocks compared to 30 April 2017 also led to a negative cashflow from operations.

PROSPECTS

The good rains earlier this year that brought about a record maize crop nationally also made a major contribution in the group's operational area. Grain receipts were high and the extraordinary harvest will help the key business to return to normal.

After the appointment of a chief executive officer and chief financial officer, the management team is almost complete and is currently reconsidering the strategy of the group. In the foreseeable future, the focus will be largely on the alienation of the African businesses and Noordfed. Meanwhile, we are also launching new initiatives to expand customer service and customer orientation, which will support the focus on key business.

DISCONTINUING OPERATIONS

Management intends to sell the group's investment in the joint venture Mont-Trade Proprietary Limited and end its involvement in the joint venture AfricaNeth Cooperative U.A. Consequently, management has classified these investments as non-current assets held for sale. The financial results of Mont-Trade Proprietary Limited and AfricaNeth Cooperative U.A., together with Noordfed Eiendoms Beperk, are therefore classified as profits or losses from discontinuing 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 trading 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 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.

DIVIDEND

Against the background of the current circumstances, the board decided not to declare an interim dividend.

NON-COMPLIANCE WITH LISTING REQUIREMENTS

The listing requirements for 4AX require the interim financial statements of a company to be reviewed by an auditor, unless the shareholders of such company release the company from such obligation by way of an ordinary resolution. The consolidated interim financial statements of NWK Limited were not independently reviewed and a shareholders' resolution ratifying this will be tabled at the next annual general meeting.

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 2017 – as set out on pages 1 to 12 – were approved by the board on 18 December 2017 and signed on the board's behalf by:



H KRÜGER
CHAIRMAN



TE RABE
CHIEF EXECUTIVE OFFICER

18 DECEMBER 2017

STATEMENT OF FINANCIAL POSITION AT 31 OCTOBER 2017

▶ Assets

	October 2017 R'm	April 2017 R'm	October 2016 R'm
Non-current assets	991	1 189	1 246
Property, plant and equipment	391	395	398
Investment property	15	15	15
Intangible assets	24	26	5
Investment in associates and joint ventures	162	326	260
Investment in listed and unlisted entities	34	32	35
Loans	361	376	517
Deferred-tax assets	4	19	16
Current assets	2 937	1 846	2 145
Inventory	2 145	612	1 332
Trade and other receivables	682	1 135	659
Biological assets	44	47	49
Current-tax assets	10	4	-
Derivative financial instruments	31	3	84
Cash and cash equivalents	25	45	21
Non-current assets held for sale	192	57	67
Total assets	4 120	3 092	3 458

▶ Equity and liabilities

Equity attributable to the owners of the holding company	1 410	1 398	1 372
Share capital	143	143	143
Distributable reserves	1 267	1 255	1 229
Non-current liabilities	27	42	335
Long-term loans	12	15	311
Long-term provisions	5	5	4
Deferred-tax liabilities	10	22	20
Current liabilities	2 683	1 652	1 751
Trade and other payables	738	391	693
Short-term provisions	11	2	12
Current-tax liabilities	-	-	26
Derivative financial instruments	12	27	-
Short-term loans and bank overdrafts	1 922	1 232	1 020
Total equity and liabilities	4 120	3 092	3 458

STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

Notes	2017 R'm	2016* R'm
Revenue	1 118	1 097
Operating profit before finance charges	187	92
Finance charges	(68)	(62)
Operating profit	119	30
Equity-accounted earnings	3	43
Pretax profit	122	73
Tax	(26)	(7)
Profit from continued operations	96	66
Loss from discontinuing operations	(83)	(55)
Profit for the period	13	11
	Cents	Cents
Basic and diluted earnings	9,1	7,7
Basic and diluted earnings from continued operations	67,1	46,1
Basic and diluted earnings from discontinuing operations	(58,0)	(38,4)

The calculation of basic and diluted earnings per share has been based on 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 and, in the case of the previous year, the consolidated profit of R11 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 continued operations of R96 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 continued operations of R66 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 discontinuing operations has been based on the consolidated loss from discontinuing operations of R83 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 discontinuing operations of R55 million attributable to the owners of the holding company and the weighted average number of shares in issue of 143 031 971.

*Comparative figures

Management classified the Africa businesses as discontinuing operations, therefore the figures of the comparative period of the previous year was adjusted.

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	2017 R'm	2016 R'm
Profit for the period	13	11
Other comprehensive income	3	(11)
Fair-value adjustment of the investment in listed and unlisted entities	(1)	(1)
Currency translation differences on the conversion of the interest in foreign entities	4	(10)
Comprehensive income for the period	16	-

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	2017 R'm	2016 R'm
Opening balance	1 398	1 375
Comprehensive income for the period	16	-
Profit for the period	13	11
Other comprehensive income	3	(11)
Cost of potential transaction between shareholders	-	(3)
Dividends paid	(4)	-
Equity at the end of the period	1 410	1 372
Dividends paid	3 cents	-
Dividend per share paid		

STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	2017 R'm	2016 R'm
▶ Cashflow from operating activities	(628)	380
Cashflow from operations	(613)	388
Finance income	63	57
Finance charges	(70)	(68)
Tax received/(paid)	(4)	3
Dividends paid	(4)	-
▶ Cashflow from investing activities	(78)	-
Property, plant and equipment purchased or constructed	(11)	(8)
Additional investment in joint ventures	(82)	-
Shares bought in unlisted company	(3)	-
Proceeds on the disposal of property, plant and equipment	-	1
Proceeds on the disposal of investment property	-	3
Dividends received	18	4
▶ Cashflow from financing activities	932	(11)
Short-term loans	943	-
Repayment of long-term loans	(11)	(7)
Cost of potential transaction between shareholders	-	(4)
▶ Change in cash and cash equivalents	226	369
▶ Cash and cash equivalents at the beginning of the period	(894)	(1 349)
▶ Cash and cash equivalents at the end of the period	(668)	(980)

SEGMENTAL REPORTING FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

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, Mpumalanga, the Republic of Botswana and the Republic of Zambia.

	Segmental revenue		Segmental results	
	2017 R'm	2016 R'm	2017 R'm	2016* R'm
Grain	116	63	98	29
External customers	116	61		
Other segments	-	2		
Trade	807	795	21	25
External customers	806	795		
Other segments	1	-		
Industries	71	157	(5)	7
External customers	66	147		
Other segments	5	10		
Farming	196	257	17	1
External customers	134	176		
Other segments	62	81		
Financial services	97	97	24	26
External customers	53	54		
Other segments	44	43		
African business	-	-	(100)	(12)
Sundry operations	19	19	8	(6)
External customers	9	11		
Other segments	10	8		
Net corporate expenses	-	-	(50)	(51)
Total segmental revenue and results	1 306	1 388	13	19
<i>Reconciliation with the revenue and pretax profit stated in the statement of profit or loss</i>				
Segmental revenue and results stated above	1 306	1 388	13	19
Intersegment transactions	(122)	(144)	-	-
Shown as discontinuing operations	(66)	(147)	109	54
Amounts stated in the statement of profit or loss	1 118	1 097	122	73

***Comparative figures**

Management classified the Africa businesses as discontinuing operations, therefore the figures of the comparative period of the previous year was adjusted.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

▶ 1. Operating profit before finance charges

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

▶ 2. Loss from discontinuing operations

Operating loss of Noordfed Eiendoms Beperk
Operating loss of Epko Oil Refinery Proprietary Limited
Impairment charge on joint ventures

Operating loss
Equity-accounted earnings
AfricaNeth Coöperatief U.A.
Agrisig Eiendoms Beperk

Pretax loss
Tax

Loss from discontinuing operations

	2017 R'm	2016* R'm
	198	100
	(3)	(2)
	(8)	(6)
	187	92
	(9)	(32)
	-	(2)
	(35)	(6)
	(44)	(40)
	(65)	(14)
	(65)	(12)
	-	(2)
	(109)	(54)
	26	(1)
	(83)	(55)

▶ 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 second-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

	October 2017 R'm	April 2017 R'm	October 2016 R'm
	34	32	35
	24	1	2
	-	24	24
	10	7	9
	44	47	49
	9	10	11
	35	37	38
	19	(24)	84
	97	55	168

*Comparative figures

Management classified the Africa businesses as discontinuing operations, therefore the figures of the comparative period of the previous year was adjusted.

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

▶ 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

▶ 5. Fair-value hierarchy of liabilities measured at amortised cost

Long-term loans	
Trade and other payables	
Short-term loans and bank overdrafts	

Fair value measured with second-level input data

▶ 6. Related-party transactions

Revenue earned from related parties	
Non-executive directors	
Joint ventures	

Grain bought from the non-executive directors	
Goods bought from joint ventures	

Value of transactions with related parties

	October 2017 R'm	April 2017 R'm	October 2016 R'm
	361	376	517
	682	1 135	659
	25	45	21
	1 068	1 556	1 197
	12	15	311
	738	391	693
	1 922	1 232	1 020
	2 672	1 638	2 024

	2017 R'm	2016 R'm
	27	30
	12	11
	15	19
	28	25
	2	-
	57	55

CORPORATE INFORMATION

REGISTERED ADDRESS

81 Scholtz Street, Lichtenburg 2740

POSTAL ADDRESS

PO Box 107, Lichtenburg 2740

4AX SHARE CODE

4ANWK

ISIN

ZAE400000010

NON-EXECUTIVE DIRECTORS

H Krüger

L Vermooten

FH Badenhorst

JP du Preez

DA Foster

MP Grindrod

J Mahne

RP Richter

JH Suurd

CF van Niekerk

EXECUTIVE DIRECTORS

TE Rabe

DPG Kleingeld (from 1 November 2017)

PUBLIC OFFICER

TE Rabe

SECRETARY

Q van Niekerk

TRADING PLATFORM

4 Africa Exchange Registry Proprietary Limited
Bryanston

TRANSFER SECRETARY

4AX Registry
Bryanston

4AX ISSUER AGENT

Pallidus Capital
Irene
Centurion