



LIMITED HOLDINGS LIMITED
HOLDINGS LIMITED
HOLDINGS LIMITED



UNAUDITED
CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
31 OCTOBER 2023

LIMITED **NWK HOLDINGS LIMITED**
HOLDINGS LIMITED
HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1998/007243/06)

CTSE Share Code: 4ANWKH
ISIN: ZAE400000028

**UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2023**

- 2** DIRECTORS' REPORT
- 4** STATEMENT OF FINANCIAL POSITION
- 5** STATEMENT OF COMPREHENSIVE INCOME
- 6** STATEMENT OF CHANGES IN EQUITY
- 7** STATEMENT OF CASHFLOWS
- 8** NOTES TO THE CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

The consolidated interim financial statements have not been audited or independently reviewed, were prepared by H van der Westhuizen, approved by the board on 30 November 2023, and published on 30 November 2023. 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.

for the six months ended 31 October 2023

In this report, presented as part of the consolidated interim financial statements, the board of directors accounts for the financial position of the company, its subsidiaries, associated companies and joint ventures as at 31 October 2023, the results of their operations and the cashflow for the six months ended on that date.

Statement of responsibilities

The board 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 complete and accurate, comply with the provisions of the Companies Act of South Africa and have been prepared in accordance with the prescriptions of international financial reporting standards. The prescriptions of 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 their discretion and make estimates and assumptions regarding the future.

Internal financial control system

The board of directors 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 was 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 the financial reports are complete and accurate, and that the appropriate legal provisions, financial reporting standards, listing requirements and codes are adhered to. The board is responsible for establishing and maintaining an independent audit committee and it is its 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.

Financial and operational review

Favourable agricultural conditions during the 2022/2023 production year, concomitant with midsummer drought and extremely high temperatures, together with a driven growth strategy, delivered mixed successes for the group. For the six months ending 31 October 2023 the group realised an income of R2 897 million (October 2022: R2 233 million) and a profit of R133 million (October 2022: R179 million).

Above-average rainfall across the area in the preceding production season led to very good grain production, which enabled the group to receive one of the biggest harvests in its existence. The grain and oilseeds quality returned to normal, in contrast to the poor grades of the previous season. The grain segment therefore performed very well. Lower-than-expected grain prices, together with high input costs and materially higher interest rates, had a negative effect on producers' profitability.

The trade segment is under pressure compared to the previous year. At present it can clearly be seen that producers are following a very conservative purchasing approach, mainly because of the pressure on profitability and also the possibility of an El Niño effect for the coming planting season. The results of our agrochemical department to date are disappointing, mainly because of an ongoing decrease in agrochemical product prices from August 2023 to November 2023. We are forced to make considerable adjustments to net realisable value on items still in stock.

Fertiliser sales volumes are satisfactory, with margins that are also under pressure because of reasons similar to those that have led to the margins for agrochemical products. However, net realisable value adjustments on stock are not deemed to be necessary. Lime sales are lower because of lower quantities of agricultural lime required to effect soil corrections.

Mechanisation initially performed extremely well, but is evening out quickly. Inventory management of mechanisation stock is being attended to, given the expected slowdown of the agricultural machinery market.

Higher interest rates have a negative impact on the cost side of the group through growing loan facilities, however through the treasury department, own funds have a positive impact on account of the higher interest rates. The financing department also performs adequately. The head office costs are under control and rising at lower than inflation with the exclusion of performance bonuses.

Poor service delivery by local government in rural areas are starting to pose great risks to all wanting to do sustainable business. Road infrastructure, electricity supply and municipal services are starting to collapse. In Lichtenburg in particular the group is significantly affected by the electricity supply network having been out of order for two of the six months, excluding the load-shedding that applied during the winter months.

This event had a significant effect on Epko Oil Seed Crushing. This company will be unable to crush for a large part of the financial year and we can expect the results to end negatively. The board of Epko has already been investigating alternative electricity supply or generation for quite some time and a final decision will probably be made early in 2024. Concomitant with the negative impact of a lack of reliable electricity supply, crush margins are also under huge pressure, with strong competition for imported sunflower crude and a lower demand for sunflower meal because of, among other things, the bird-flu epidemic, which has a negative effect on South Africa's poultry industry. Over and above the alternative electricity supply that is being investigated, the Epko board is also looking at and implementing diversification strategies to reduce market risk.

Additional fuel used for generators in the group for the past six months has almost passed the total cost of the 2023 financial year. It is very clear that the national government is failing in its responsibility towards the citizens of the country.

The Bastion group, NWK4Sure and Molemi Sele are performing satisfactorily and make a constant contribution to the profitability of the group. The total group results are lower than in the previous comparative period and we project that the annual result will show the same trend.

Prospects

Long-term weather reports point to an El Niño effect for the next few years. The phenomenon is not new in North West and we have had several such years. The group already has plans to prepare for such a cycle. We will also focus further on the risks that exist for the group as a result of the poor local service delivery in our rural areas.

Dividends

The board declared a dividend of 35 cents per share – R38 million in total – on 30 November 2023 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 complete and accurate, comply with the provisions of the Companies Act and have been prepared in accordance with the prescriptions of international financial reporting standards. The directors are of the opinion that the accounting policy is appropriate, that the material uncertainties relating to the preparation of the consolidated interim financial statements have been duly assessed, and that estimates and assumptions are reasonable, prudent and unbiased and take into account the available and appropriate information. The consolidated interim financial statements for the six months ended 31 October 2023, as set out on pages 1 to 12, were approved by the board of directors on 30 November 2023 and signed on behalf of the board by:



L Vermooten
Director

30 November 2023

STATEMENT OF FINANCIAL POSITION

STATEMENT OF FINANCIAL POSITION
FINANCIAL POSITION

at 31 October 2023

	<i>October 2023</i>	<i>April 2023</i>	<i>October 2022</i>
	R'm	R'm (Audited)	R'm
Non-current assets	1 489	1 351	1 263
Property, plant and equipment	925	832	576
Investment property	13	12	9
Intangible assets	73	42	33
Investment in associates and joint ventures	90	80	246
Investments at fair value through other comprehensive income	5	5	5
Loans and lease receivables	366	358	377
Deferred tax assets	17	22	17
Current assets	7 153	4 363	7 183
Inventory	1 366	1 097	1 256
Agricultural commodities	4 344	1 092	4 726
Trade and other receivables	1 283	2 019	1 036
Prepaid expenses	2	4	4
Assets from contracts with customers	37	3	41
Fiduciary assets	-	1	-
Financial instruments at fair value through profit or loss	60	100	104
Current tax asset	2	-	-
Cash and cash equivalents	59	47	16
Non-current assets held for sale	-	-	5
Total assets	8 642	5 714	8 451
Equity attributable to the owners of the holding company	1 998	1 905	1 838
Share capital	174	196	196
Distributable reserves	1 824	1 709	1 642
Equity attributable to non-controlling interests	7	-	-
Total equity	2 005	1 905	1 838
Non-current liabilities	266	276	62
Provisions	16	15	14
Long-term loans	136	179	-
Lease liabilities	75	42	48
Deferred tax liabilities	39	40	-
Current liabilities	6 371	3 533	6 551
Trade and other payables	959	770	989
Accumulating compensated absences	40	37	39
Liabilities from contracts with customers	77	55	95
Short-term provisions	-	4	17
Current portion of long-term loans	49	23	-
Current portion of lease liabilities	67	38	37
Current tax liabilities	4	7	8
Financial instruments at fair value through profit or loss	1 557	684	1 066
Short-term loans	2 638	416	3 324
Overdrafts	980	1 499	976
Total equity and liabilities	8 642	5 714	8 451

STATEMENT OF COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME
COMPREHENSIVE INCOME

for the six months ended 31 October 2023

		<i>October</i> 2023	<i>October</i> 2022[#]
	Notes	R'm	R'm
Revenue		2 897	2 233
Operating profit before finance charges	11	315	288
Finance charges		(161)	(106)
Operating profit		154	182
Proportionate share of the profits of associates and joint ventures		19	46
Pretax profit		173	228
Tax		(40)	(49)
Profit for the period		133	179
Other comprehensive income			
<i>Items that cannot be reclassified to profit or loss:</i>			
Fair-value adjustment of the investment in equity instruments		-	4
Fair-value adjustment of the investment in joint ventures		-	-
		-	4
Total comprehensive income for the period		133	183
Profit attributable to the owners of the holding company		133	179
Profit attributable to non-controlling interests		-	-
Profit for the period		133	179
Total comprehensive income attributable to the owners of the holding company		133	183
Total comprehensive income attributable to non-controlling interests		-	-
Total comprehensive income for the period		133	183

		<i>October</i> 2023	<i>October</i> 2022
	Earnings per share	Cents	Cents
Basic and diluted earnings		131	172

The calculation of basic and diluted earnings per share has been based on the consolidated profit of R133 million (October 2022: R179 million) attributable to the owners of the holding company and the weighted average number of 101 091 429 shares (October 2022: 103 580 291 shares) in issue.

Restatement – refer to note 15

STATEMENT OF CHANGES IN EQUITY

STATEMENT OF CHANGES IN EQUITY
CHANGES IN EQUITY

for the six months ended 31 October 2023

	<i>October 2023</i>	<i>October 2022</i>
	R'm	R'm
Opening balance	1 905	1 681
Total comprehensive income for the period	133	183
Profit for the period	133	179
Other comprehensive income	-	4
Equity attributable to non-controlling shareholders	7	-
Share buyback	(22)	-
Dividends	(18)	(26)
Equity at the end of the period	2 005	1 838

	<i>October 2023</i>	<i>October 2022</i>
Dividends paid	Cents	Cents
Dividend per share paid	17	25

Dividends of 17 cents and 25 cents per share have been paid, respectively, in August 2023 and August 2022.



STATEMENT OF CASHFLOWS

STATEMENT OF CASHFLOWS

for the six months ended 31 October 2023

		<i>October</i> 2023	<i>October</i> 2022[#]
	Notes	R'm	R'm
Cashflow from operating activities		(1 489)	(2 118)
Cashflow from operations		(1 382)	(1 997)
Finance income		106	66
Finance charges		(161)	(106)
Tax paid		(34)	(55)
Dividends paid		(18)	(26)
Cashflow from investing activities		(134)	(104)
Property, plant and equipment acquired		(127)	(79)
Assets and liabilities acquired through business combinations	7	(7)	(25)
Cashflow from financing activities		1 635	2 226
Increase/(decrease) in overdraft		(519)	(235)
Repayment of long-term loan		(25)	-
Share buyback		(22)	-
Payment of lease liabilities		(21)	(12)
Short-term loans		2 222	2 473
Change in cash and cash equivalents		12	4
Cash and cash equivalents at the beginning of the period		47	12
Cash and cash equivalents at the end of the period		59	16

Restatement – refer to note 15

NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTES

for the six months ended 31 October 2023

1. Accounting policy

The accounting policies and principles applied in the preparation of the consolidated interim financial statements are in all material respects consistent with those applied in the consolidated annual financial statements for the year ended 30 April 2023.

2. Going-concern principle

When preparing financial statements, the board of directors investigates – on the basis of the financial information under review – the company's financial position, its financial and operating results; capital ratios; capital needs; financial obligations and their settlement dates; borrowing capacity; financial assets and their recoverability; cash-generating assets and cashflows; customer base and supply chain, as well as the general economic and agricultural conditions, current and expected market conditions, the political climate, existing and proposed legislation, and other significant sustainability matters. The board is of the opinion that the company is a going concern. The consolidated interim financial statements have therefore been prepared according to the going-concern principle.

3. 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 retail, mechanisation and fertiliser departments 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 statement of financial position and the statement of cashflows are equally influenced by the seasonal nature of agricultural activities. For example, the levels of loans and 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 international financial reporting standards do not require it.

4. Fair-value hierarchy of financial assets and liabilities measured on a recurring basis at fair value

	<i>October 2023</i>	<i>April 2023</i>	<i>October 2022</i>
	R'm	R'm	R'm
Investments at fair value through other comprehensive income	5	5	5
Fair value measured with level one input data	1	1	1
Fair value measured with level two input data	1	1	1
Fair value measured with level three input data	3	3	3
Financial instruments at fair value through profit or loss measured with level one input data	(1 497)	(584)	(962)
Net fair value of assets and liabilities measured at fair value	(1 492)	(579)	(957)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

5. Fair-value hierarchy of financial assets measured at amortised cost

	<i>October 2023</i>	<i>April 2023</i>	<i>October 2022</i>
	R'm	R'm	R'm
Loans and lease receivables	366	358	377
Trade and other receivables	1 283	2 019	1 036
Cash and cash equivalents	59	47	16
Fair value measured with level two input data	1 708	2 424	1 429

6. Fair-value hierarchy of financial liabilities measured at amortised cost

	<i>October 2023</i>	<i>April 2023</i>	<i>October 2022</i>
	R'm	R'm	R'm
Lease liabilities	142	80	85
Trade and other payables	959	770	989
Short-term loans	2 638	416	3 324
Overdrafts	980	1 499	976
Fair value measured with level two input data	4 719	2 765	5 374

7. Business combinations

	<i>October 2023</i>	<i>April 2023</i>	<i>October 2022</i>
	R'm	R'm	R'm
Fair value of assets acquired	20	426	12
Property, plant and equipment	1	220	12
Goodwill	14	-	-
Inventory	-	24	-
Cash and cash equivalents	-	34	-
Financial assets	5	148	-
Fair value of liabilities acquired	(15)	(68)	-
Deferred tax liabilities	-	(40)	-
Long-term loans	(12)	-	-
Short-term loans	-	(28)	-
Financial liabilities	(3)	-	-
Assets and liabilities of acquired subsidiaries and business units	5	358	12
Goodwill recognised as part of the acquisition of business units	21	13	13
Non-controlling interest in NWK4Sure Brokers Proprietary Limited	(6)	-	-
Less disposal at fair value of interest previously held in:	(13)	(173)	-
Epko Oil Seed Crushing Proprietary Limited	-	(173)	-
NWK4Sure Brokers Proprietary Limited	(13)	-	-
Assets and liabilities acquired through business combinations	7	198	25
Cash payable on acquisition of Epko Oil Seed Crushing Proprietary Limited	-	173	-
Cash paid on the acquisition of NWK4Sure Brokers Proprietary Limited	7	-	-
Business units	-	25	25
Assets and liabilities acquired through business combinations	7	198	25

7. Business combinations (continued)

NWK4Sure Brokers Proprietary Limited (previously NWK and IP Makelaars Proprietary Limited) specialised as a short-term insurance service provider over the past 30 years. The company is currently expanding by adding life insurance services as well as estate planning and administration. NWK Limited, as a strategic partner and investor, seized the opportunity to increase its revenue from financial services by increasing its interest in NWK4Sure Brokers Proprietary Limited by a further 26%. On the 1st of May 2023, this additional interest was acquired for the purchase price of R7 million. After the acquisition, the group has an interest of 76%. Accordingly, NWK4Sure Brokers Proprietary Limited is now a subsidiary of the group.

8. Corporate information

NWK Holdings Limited is a listed public company registered in the Republic of South Africa with the registration number 1998/007243/06. The objective of the group is to trade in agricultural and related products, resources and services, and to undertake associated activities. Flowing from this objective, the group specialises in the storing, handling and marketing of agricultural commodities, runs stores as a trader in farming requisites and consumer goods, and provides financing to agricultural producers and other customers.

NWK Holdings Limited executes its principal activities from its registered office – 81 Scholtz Street, Lichtenburg, North West, Republic of South Africa. The company's issued ordinary shares trade on the trading platform of The Cape Town Stock Exchange Proprietary Limited. The Cape Town Stock Exchange Proprietary Limited share code is 4ANWKH and the company's International Securities Identification Number is ZAE40000028. Mrs AM van Rooyen is the company secretary, CTSE Registry Services Proprietary Limited is the transfer secretary and Deloitte & Touche acts as the company's external auditor.

9. Segmental reporting

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, financial services and oil press. Segments are aggregated from the operating departments of the group based on the products and services provided, the customer base served, and the segment compositions of other agricultural companies.

10. Segmental revenue and profit or loss

	Revenue		Profit or loss	
	October 2023	October 2022 [#]	October 2023	October 2022
	R'm	R'm	R'm	R'm
Agricultural commodities	551	428	168	165
Trade	1 832	1 742	17	76
Financing and treasury	96	56	68	53
Oil press	405	-	3	32
Corporate	13	7	(83)	(98)
Segmental revenue and profit	2 897	2 233	173	228
Amounts stated in the statement of comprehensive income	2 897	2 233	173	228

Restatement – refer to note 15



11. Operating profit before finance charges

	October 2023	October 2022
	R'm	R'm
Operating profit before taking into account the expenses below	352	294
Write-off of inventory to net realisable value	(33)	(4)
Credit losses on financial assets	(4)	(2)
Operating profit before finance charges	315	288

12. Related parties

NWK Holdings Limited has no holding company. NWK Limited, Epko Oil Seed Crushing Proprietary Limited, Mogaladi Fuel Proprietary Limited and NWK4Sure Brokers Proprietary Limited are subsidiaries of the company. Although the company does not hold any shares in The NWK Loyalty Programme Trust, the company controls the trust. Consequently, this bewind trust is also classified as a subsidiary. NWK Holdings Limited's joint ventures include Bastion Lime Proprietary Limited and Molemi Sele Management Proprietary Limited.

Epko Oil Refinery Proprietary Limited, a wholly owned subsidiary of the group, is in the process of being deregistered.

The directors of the company include Messrs AS Badenhorst, RJ Boëttger, JJ du Preez, JP du Preez, PN Jansen van Vuuren, H Krüger, J Mahne, MW Schoeman, CF van Niekerk and L Vermooten. The other key employees of the group include Messrs DJ Coetzee, PB Coetzer, JL du Rand, DPG Kleingeld, TB Modise, TE Rabe and AJ van Tonder, as well as Mrs AM van Rooyen.

13. Related-party transactions

	October 2023	October 2022
	R'm	R'm
Revenue earned from related parties	32	31
Directors	25	25
Other key employees	7	5
Joint ventures	-	1
Finance income earned on joint ventures	-	1
Agricultural commodities bought from related parties	181	127
Directors	163	115
Other key employees	18	12
Agricultural commodities sold to joint ventures	-	794
Value of transactions with related parties	213	953

14. 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.

15. Restatements

Restatement of statement of profit or loss

During the 2023 financial year, the group reassessed the classification principles on the statement of profit or loss to ensure compliance with IAS 1 par. 99. This resulted in a restatement of the statement of profit or loss for the year ended 30 April 2022. Consequently, the statement of comprehensive income for the six months ended 31 October 2022 must also be restated.

The adjustment relates to net fair-value gains on commodity trading that were previously recognised as other gains and losses, and are now recognised as revenue.

Operating profit, profit before tax, net profit and earnings per share are not impacted.

Below is the impact of the restatement:

31 October 2022 Restatements			
	<i>As previously presented</i>	<i>Adjustments</i>	<i>Restated</i>
	R'm	R'm	R'm
Revenue	2 033	200	2 233

Restatement of statement of cashflows

During the 2023 financial year, the group reassessed the classification principles regarding bank overdrafts in the statement of cashflows to comply with IAS 7 par. 8. This resulted in a restatement of the comparative statement of cashflows and related notes for the year ended 30 April 2022. Consequently, the six months ended 31 October 2022 must also be restated.

This restatement does not impact the statement of financial position, the statement of comprehensive income or the statement of changes in equity.

Below is the impact of the restatement.

31 October 2022 Restatements			
	<i>As previously presented</i>	<i>Adjustments</i>	<i>Restated</i>
	R'm	R'm	R'm
Cashflow from financing activities	2 461	(235)	2 226
Decrease in overdraft	-	(235)	(235)
Change in cash and cash equivalents	239	(235)	4
Cash and cash equivalents at the beginning of the year	(1 199)	1 211	12
Cash and cash equivalents at the end of the year	(960)	976	16