

31

OCTOBER 2021



NWK HOLDINGS LIMITED

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

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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 2 December 2021, and published on 2 December 2021.

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

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

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 2021, 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 their judgement, and make accounting estimates and assumptions regarding the future.

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 policies 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 policies and procedures; assets are protected; mistakes and fraud are prevented; the accounting records, financial statements and reports are accurate and complete, and that the applicable laws, 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 company has an independent internal audit function that has the necessary resources and expertise, is efficient and follows a risk-based audit approach.

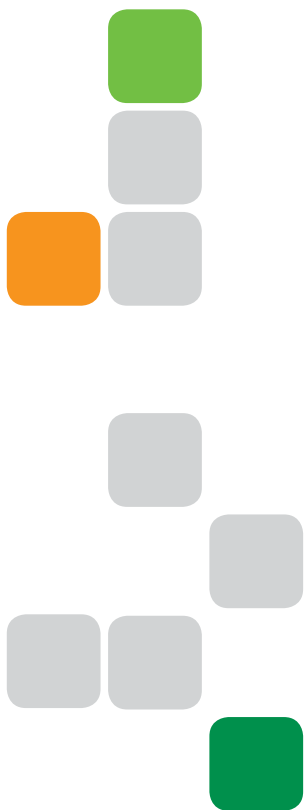
Financial and operating review

Favourable agricultural conditions during the previous year and the period under review are reflected in the results of the group. For the six months ended 31 October 2021 the group realised an income of R1 637 million and profit of R154 million, compared to income of R1 239 million and profit of R116 million in the corresponding period of the previous year.

The improved results can be primarily attributed to customers who achieved good harvest yields, the execution of the NWK group strategy and a customer-based approach being established as a culture. Relatively high grain prices, which resulted in improved cashflow, and a resulting strong demand for products and services from producers, also contributed to this. Exceptional increases of more than 50% – compared to the previous year – in the price of fertiliser, as well as that of fuel, seed and agricultural chemicals, caused customers to do purchases earlier to try and mitigate these price increases. Concern about the availability of products further supported sales.

The demand for steel, fencing and other capital goods – including combine harvesters, tractors and implements – is still high. This trend is expected to continue for the rest of the season. The acquisition of two business units known as Kroon New Holland in Kroonstad and Bothaville was concluded and is already adding a positive contribution. This expansion is expected to deliver strong contributions in the future. However, NWK anticipates a world-wide shortage of parts, which makes supply a challenge.

Grain receipts were basically the same as in the corresponding period. The higher carryover inventory and good receipts offered challenges in accommodating all the inventory. Consequently, additional operating costs were incurred to cater for the inventory levels during receipts. Load shedding increased costs further.



The seasonal increase in grain and trading stock during the period, as well as large price increases in input resources, resulted in a negative cashflow from operations. The result of the disposal of the interest in Senwk Proprietary Limited was primarily responsible for the increased profit of the financing and treasury segment.

Future prospects

Agricultural conditions are very favourable at present and the expectations are that this will continue so that plantings can occur in the optimal period and under optimal conditions. Therefore, good harvests are expected again for the summer rainfall areas. These positive conditions offer promising opportunities to NWK as an agribusiness. The effect of load shedding, the increased fuel costs and the rendering of services by local governments with respect to water, sanitation and electricity will affect the results in a negative way. Positive margins achieved by the sunflower oil press will probably not be repeated in the next six months.

We wish all our producer partners a blessed planting season.

Dividends

On 2 December 2021 the board approved a dividend of 25 cents per share – R29 million in total – for distribution to the shareholders.

Approval

The board believes that the consolidated interim financial statements for the six months ended 31 October 2021 fairly presents the financial position and performance of the company; that they 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 and the accounting policies of the company. The board believes 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 and unbiased and take into account the available and applicable information. The consolidated interim financial statements for the six months ended 31 October 2021 – as set out on pages 1 to 12 – were approved by the board on 2 December 2021 and signed on the board's behalf by:



L Vermooten
VICE-CHAIRMAN

2 December 2021





STATEMENT OF FINANCIAL POSITION

AT 31 OCTOBER 2021

	October 2021 R'm	April 2021 R'm	October 2020 R'm
Non-current assets	1 053	1 020	1 015
Property, plant and equipment	451	388	348
Investment property	10	5	9
Intangible assets	20	21	22
Investment in associates and joint ventures	195	194	194
Investments at fair value through other comprehensive income	4	4	4
Loans and lease receivables	362	395	428
Deferred tax assets	11	13	10
Current assets	5 047	3 234	3 306
Inventory	779	520	596
Agricultural commodities	3 388	1 390	1 635
Trade and other receivables	798	1 232	1 027
Prepaid expenses	4	3	9
Assets from contracts with customers	22	1	
Financial instruments at fair value through profit or loss	49	80	19
Cash and cash equivalents	7	8	20
Non-current assets held for sale	-	5	-
Total assets	6 100	4 259	5 851
Equity attributable to the owners of the holding company	1 621	1 487	1 458
Share capital	216	220	220
Distributable reserves	1 405	1 267	1 238
Non-current liabilities	32	24	11
Provisions	8	7	6
Lease liabilities	23	17	5
Deferred tax liabilities	1	-	-
Current liabilities	4 447	2 748	4 382
Trade and other payables	553	477	455
Accumulating compensated absences	37	38	37
Liabilities from contracts with customers	59	37	44
Short-term provisions	13	19	12
Current portion of lease liabilities	16	12	21
Current tax liabilities	5	16	22
Financial instruments at fair value through profit or loss	1 258	535	581
Short-term loans	2 183	630	2 699
Overdrafts	323	984	511
Total equity and liabilities	6 100	4 259	5 851





STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	Notes	October 2021 R'm	October 2020 R'm
Revenue		1 637	1 239
Operating profit before finance charges	4	216	192
Finance charges		(62)	(62)
Operating profit		154	130
Proportionate share of the profits of associates and joint ventures		36	23
Pretax profit		190	153
Tax		(36)	(37)
Profit for the period		154	116
Other comprehensive income		(1)	1
<i>Items that cannot be reclassified to profit or loss:</i>			
Fair-value adjustment of the investment in equity instruments		(1)	1
Total comprehensive income for the period		153	117
Profit attributable to the owners of the holding company		154	102
Profit attributable to non-controlling interests		-	14
Profit for the period		154	116
Total comprehensive income attributable to the owners of the holding company		153	103
Total comprehensive income attributable to non-controlling interests		-	14
Total comprehensive income for the period		153	117
		October 2021 Cents	October 2020 Cents
Basic and diluted earnings		143	120

Earnings per share

Basic and diluted earnings

The calculation of basic and diluted earnings per share has been based on the consolidated profit of R154 million attributable to the owners of the holding company and the weighted average number of 108 067 957 shares in issue and, in the case of the previous period, the consolidated profit of R102 million attributable to the owners of the holding company and the weighted average number of 85 347 116 shares in issue.



STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	October 2021 R'm	October 2020 R'm
Opening balance	1 487	1 372
Total comprehensive income for the period	153	117
Profit for the period	154	116
Other comprehensive income	(1)	1
Change of interest in subsidiary	-	(24)
Share issue	-	176
Effects of change of interest in subsidiary	-	(198)
Transaction costs relating to the acquisition of non-controlling interests in subsidiary	-	(2)
Share buyback	(4)	-
Dividends	(15)	(7)
Equity at the end of the period	1 621	1 458

Dividends paid

Dividend per share paid

	October 2021 Cents	October 2020 Cents
Dividend per share paid	14	6



STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	October 2021 R'm	October 2020 R'm
Cashflow from operating activities	(851)	(1 884)
Cashflow from operations	(775)	(1 835)
Finance income	45	50
Finance charges	(62)	(62)
Dividends received from associates and joint ventures	2	2
Tax paid	(46)	(32)
Dividends paid	(15)	(7)
Cashflow from investing activities	(27)	(18)
Property, plant and equipment acquired	(54)	(18)
Assets and liabilities acquired through business combinations	(12)	-
Acquisition of associates and joint ventures	(7)	-
Proceeds on the disposal of associates and joint ventures	45	-
Repayment of shareholder loan by joint venture	1	-
Cashflow from financing activities	1 538	2 519
Share buyback	(4)	-
Payment of lease liabilities	(11)	(7)
Short-term loans	1 553	2 550
Cashflow at the increase of interest in subsidiary	-	(22)
Transaction costs relating to the acquisition of non-controlling interests in subsidiaries	-	(2)
Change in cash and cash equivalents	660	617
Cash and cash equivalents at the beginning of the period	(976)	(1 066)
Cash and cash equivalents at the end of the period	(316)	(449)



NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

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 of the year ended 30 April 2021.

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.

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 the requirements of 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

Investments at fair value through other comprehensive income

Fair value measured with level one input data

Fair value measured with level three input data

Financial instruments at fair value through profit or loss measured with level one input data

Net fair value of assets and liabilities measured at fair value

October 2021 R'm	April 2021 R'm	October 2020 R'm
4	4	4
1	1	1
3	3	3
(1 209)	(455)	(438)
(1 205)	(451)	(434)

5 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

October 2021 R'm	April 2021 R'm	October 2020 R'm
362	395	428
798	1 232	532
7	8	62
1 167	1 635	1 022

6 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

October 2021 R'm	April 2021 R'm	October 2020 R'm
39	29	26
553	477	455
2 183	630	2 699
323	984	511
3 098	2 120	3 691

7 Business combinations

Fair value of assets acquired
Property, plant and equipment
Investment property
Inventory

Fair value of liabilities acquired
Deferred tax liabilities
Short-term loans

Assets and liabilities of acquired subsidiaries and business units
Goodwill recognised as part of the acquisition of two business units

Assets and liabilities acquired through business combinations

Lorenzo Motors Proprietary Limited
Business units

Assets and liabilities acquired through business combinations

October 2021 R'm	April 2021 R'm	October 2020 R'm
12	-	-
8	-	-
1	-	-
3	-	-
(2)	-	-
(1)	-	-
(1)	-	-
10	-	-
2	-	-
12	-	-
5	-	-
7	-	-
12	-	-

On 1 May 2021, as part of a strategy to grow the group's fuel business, the group acquired a one hundred per cent interest in Lorenzo Motors Proprietary Limited. The purchase price of R5 million was paid on that date. Furthermore, on 1 August 2021, the group acquired two business units to expand its business.

8 Acquisitions and disposals of joint ventures

At the previous reporting date, the group was one of two equal partners in the joint venture Senwk Proprietary Limited. However, the two parties involved decided for strategic reasons to proceed separately with their respective insurance businesses. As a result, on 1 July 2021 but with effect from 1 May 2021, the group bought its share of the insurance business from Certisure Proprietary Limited and sold its interest in Senwk Proprietary Limited. The sales price of the group's interest in Senwk Proprietary Limited was R26 million. However, as part of the transaction, Senwk Proprietary Limited paid dividends amounting to R38 million to the group. Consequently, the cashflow from the disposal was substantially more than the stand-alone selling price. The price at which the group bought its share of the insurance business was R19 million. With the acquisition of its share of the insurance business from Certisure Proprietary Limited, the group acquired some low-value items of property, plant and equipment, as well as employee-related liabilities.

During the year, the group acquired a fifty per cent interest in NWK and IP Makelaars Proprietary Limited, formerly known as IP Makelaars SA Proprietary Limited. This acquisition took place in two steps. On 1 July 2021, but with effect from 1 March 2021, the group bought a twenty per cent interest and during the disposal of Senwk Proprietary Limited, the group bought the thirty per cent interest that Certisure Proprietary Limited held in NWK and IP Makelaars Proprietary Limited from the former. As the purpose of acquiring NWK and IP Makelaars Proprietary Limited was to acquire a vehicle to manage the insurance business of the group, the assets and liabilities acquired at the disposal of Senwk Proprietary Limited were sold to NWK and IP Makelaars Proprietary Limited.

9 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 share code is 4ANWKH and the company's International Securities Identification Number is ZAE400000028. Mrs AM van Rooyen is the company secretary, CTSE Registry Services Proprietary Limited is the transfer secretary and PricewaterhouseCoopers Incorporated acts as the company's external auditor.

10 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.

11 Segmental revenue and profit or loss

	Revenue		Profit or loss	
	October 2021 R'm	October 2020# R'm	October 2021 R'm	October 2020# R'm
Agricultural commodities	157	107	117	138
Trade	1 435	1 091	94	44
Financing and treasury	39	41	57	35
Oil press	-	-	20	13
Corporate	6	-	(98)	(77)
Segmental revenue and profit	1 637	1 239	190	153
Amounts stated in the statement of comprehensive income	1 637	1 239	190	153

Restated comparative figures

The group restructured its reportable segments. The comparative figures have consequently been restated.

12 Operating profit before finance charges

	October 2021 R'm	October 2020 R'm
Operating profit before taking into account the expenses below	223	208
Impairment charge on non-financial assets	-	(5)
Write-off of inventory to net realisable value	(4)	(3)
Credit losses on financial assets	(3)	(8)
Operating profit before finance charges	216	192

13 Related parties

NWK Holdings Limited has no holding company. NWK Limited, Epko Oil Refinery Proprietary Limited, NWK Commodity Brokers Proprietary Limited and Lorenzo Motors Proprietary Limited are wholly owned 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 associates and joint ventures include Bastion Lime Proprietary Limited, Epko Oil Seed Crushing Proprietary Limited, NWK and IP Makelaars Proprietary Limited and Molemi Sele Management Proprietary Limited.

The directors of the company include Messrs FH Badenhorst, JJ du Preez, JP du Preez, PN Jansen van Vuuren (from 10 September 2021), H Krüger, J Mahne, CF van Niekerk and L Vermooten. Mr JH Suurd was a director until 10 September 2021. The other key employees of the group include Messrs DJ Coetzee, PB Coetzer, DPG Kleingeld, HH le Roux, TB Modise, NM Pieterse, TE Rabe and AJ van Tonder, as well as Mrs AM van Rooyen. Messrs MW Schoeman and RJ Boëttger are also directors of NWK Limited.

14 Related-party transactions

Revenue earned from related parties	
Non-executive directors	
Other key employees	
Joint ventures	
Finance income earned on joint ventures	
Agricultural commodities bought from related parties	
Non-executive directors	
Other key employees	
Agricultural commodities sold to joint ventures	
Value of transactions with related parties	

October 2021 R'm	October 2020 R'm
37	13
28	10
4	1
5	2
1	-
83	46
79	43
4	3
550	516
671	575

15 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.