



AFRIMAT[®]
LIMITED

**CONSISTENTLY
DELIVERING**



**ANNUAL FINANCIAL STATEMENTS
2022**



DIRECTORS' RESPONSIBILITY STATEMENT

The annual financial statements set out on pages 10 to 70 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with the Companies Act, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS'), Financial Pronouncements as issued by the Financial Reporting Standards Council, Listings Requirements of the JSE and interpretations issued by the IFRS Interpretation Committee ('IFRS IC'). They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

The Audit & Risk Committee confirmed that effective systems of internal control and risk management are being maintained. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. There were no breakdowns of the internal financial control systems during the year under review, which had a material impact on the annual financial statements. The Group's internal auditors independently

evaluate the internal controls and coordinate their audit coverage with the independent external auditors.

The Board of directors is satisfied that the annual financial statements fairly present the result of the operations and the financial position at year-end and that any additional information included in this integrated annual report is accurate and consistent with the annual financial statements.

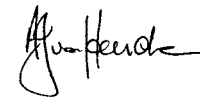
Chief Executive Officer and Chief Financial Officer responsibility statement:

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its subsidiaries have been provided to effectively prepare the annual financial statements of the Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV™ Report. Where we are not satisfied, we will

disclose to the Audit & Risk Committee and the external auditors the deficiencies identified in the design and operational effectiveness of the internal financial controls and any fraud that involves directors, and will take the necessary remedial action.

The annual financial statements were prepared on the going concern basis since the directors have every reason to believe that the Company and the Group have adequate resources in place to continue operations for the foreseeable future. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with International Standards on Auditing. The annual financial statements were approved by the Board of directors and were signed on its behalf by:



Andries J van Heerden
CEO

Cape Town

18 May 2022



Pieter GS de Wit
CFO

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, in respect of the financial year ended 28 February 2022 and that all such returns and notices are true, correct and up to date.



Catharine Burger
Company Secretary

Cape Town

18 May 2022

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee ('the Committee') is pleased to present its report for the financial year ended 28 February 2022 to the shareholders of Afrimat Limited.

Composition

The Committee is chaired by independent non-executive director Jacobus (Derick) F van der Merwe and further comprises independent non-executive Board Chairman Marthinus (Matie) W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Helmut N Pool, Sisanda Tuku and Francois M Louw. The Board of directors is satisfied that these directors act independently for the purposes of the Committee.

Afrimat acknowledges that in accordance with the King IV™ Report all members of the Committee should be independent non-executive directors, which will be borne in mind when considering future Board and Committee appointments. Presently, membership of the Committee is based on the skills and experience available on Afrimat's Board to ensure full efficacy and discharge of the Committee's responsibilities. All members are suitably qualified chartered accountants and/or experienced business leaders.

The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process.

Attendance

The Committee met four times during the year. The Committee assists the Board in fulfilling its review and control responsibilities.

The Committee has established an annual meeting plan agenda. The Chairman of the Committee reports to the Board after each Committee meeting and also attends the AGM of shareholders to answer any questions that may arise concerning the activities of the Committee.

The CEO, CFO, CAE, General Manager: Technology Systems and representatives of the external auditors attend Committee meetings by invitation.

Role and responsibilities

The Committee's role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The Committee acts as an Audit & Risk Committee for the subsidiaries of the Company and has performed the functions required under the Companies Act on behalf of the subsidiaries of the Company.

Charter

The Committee regulated its affairs as set out in the terms of the Committee charter that is reviewed and approved by the Board on an annual basis. During the year the Audit & Risk Committee charter was reviewed by the Committee and the Board, in terms of King IV™ requirements, amongst others.

The Committee has assessed the compliance with its charter and is satisfied that it has discharged its responsibilities as stated in the charter, a copy of which may be found on the website: www.afrimat.co.za.

Review of interim and integrated annual reports

The Committee reviewed the interim and integrated annual reports, culminating in a recommendation to the Board to adopt them. In conducting its review the Committee took appropriate steps to ensure that the annual financial statements were prepared in accordance with IFRS and in the manner required by the Companies Act. The accounting policies were assessed for appropriateness in relation to the current business environment and industry specific requirements. The Committee has reviewed the disclosures in the integrated annual report and is satisfied that it is reliable and does not conflict with the annual financial statements. The Committee considered the need for assurance of the integrated annual report and decided not to obtain independent assurance at this time. The Committee has considered the JSE proactive monitoring reports and the impact thereof on the annual financial statements.

The Committee advised and updated the Board on issues ranging from accounting standards to published financial information.

In accordance with International Standards on Auditing, independent auditor's reports are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2022, the Committee considered a preliminary view by the external auditors of key audit matters that might arise during the course of the audit, which in their judgement, were of significance to the audit of the annual financial statements. The Committee concluded that it had adequately considered the key audit matters as reported in the independent auditor's report.

Audit procedures and internal controls

The Committee performed the following functions relating to audit procedures and internal controls:

- reviewed the internal control framework and procedures including accounting policies, legislative compliance, regulatory matters and governance;

- ensured that appropriate financial reporting procedures exist and are working which includes consideration of all entities included in the consolidated Group IFRS annual financial statements;
- considered and dealt with any concerns or complaints;
- approved the internal audit plan;
- considered and reviewed the internal audit charter for approval by the Board;
- considered and reviewed the information technology and business systems governance framework for approval by the Board;
- confirmed and reviewed the internal audit process and assessed the quality of the internal audit function;
- reviewed the internal and external audit reports;
- reviewed the effectiveness of the system of internal control including IT internal controls and risk management, based on a written annual report received from the CAE;
- considered updates on key internal and external audit findings in relation to the IT control environment; and
- reviewed legal matters that could have a significant impact on the annual financial statements.

The Committee reviewed the appropriateness of processes in place to ensure compliance with legal and regulatory provisions. The Committee was not made aware of any material compliance breaches of laws and regulations during the current financial year.

The CAE reports to the Committee and meets with the Chairman of the Committee independently of management.

The Committee has reviewed the written assessment performed by internal audit and the design, implementation and effectiveness of the internal financial controls of the Company. Based on the results of this review, the Committee is of the opinion that the internal financial controls form a sound basis for the preparation of reliable annual financial statements.

The Company's internal audit department is an effective independent appraisal function and forms an integral part of the risk management system that provides assurance on the effectiveness of the Company's system of internal control. The internal audit department of the Company is staffed by qualified and experienced personnel and provides services to all subsidiaries in the Group.

Risk management

During the year management reviewed the risk policy, which assists the Committee in meeting its duty to ensure appropriate risk management processes are in place.

AUDIT & RISK COMMITTEE REPORT (CONTINUED)

In addition the following risk assessment actions were taken by the Committee:

- continuous review of key risks with findings reported to the Board;
- confirmation that the risk policy is widely distributed throughout the Group (and management provided assurance that risk management is integrated into the daily activities of the Group); and
- ensured that the combined assurance model was appropriate to address all the significant risks facing the Group.

External auditor

The Committee considered and recommended the following in respect of the external auditor:

- the appointment of an external auditor for approval by shareholders at the AGM;
- the external audit plan; and
- the remuneration of the external auditor for approval by the Board (note 4.5 on [page 22](#)).

The principles for recommending the use of an external auditor for non-audit purposes to the Board were reconfirmed. The non-audit services provided by the external auditor during the year related to guidance on IFRS-related interpretations, as well as agreed upon procedures regarding the transfer of properties.

The Committee also performed an annual assessment of the independence of the external auditor and confirms that it is satisfied therewith and with the independence of the respective audit partner. The external auditor confirmed that they had complied with the ethical requirements regarding independence and were considered independent with respect to the Group as required by the codes endorsed and administered by the South African Institute of Chartered Accountants and the International Federation of Accountants.

In accordance with the JSE Listings Requirements the Committee requested the required information in its assessment of the external auditor. It has further assessed the performance of the external auditor and confirms that it is satisfied with the performance.

The Committee reviewed the external auditor's opinion on the annual financial statements and considered reports on risk exposure and weaknesses in internal controls. The Committee also met with the external auditor separately without management being present.

The Committee has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2023 financial year. The Committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors. Shareholders will therefore be requested to re-elect PricewaterhouseCoopers Inc. as the independent external auditor for the 2023 financial year at the AGM on 3 August 2022.

Significant financial and reporting matters

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management's judgement underpinning the annual financial statements. The Committee considered a number of significant issues during the year, taking into account in all instances the views of the Company's external auditor. All accounting policies can be found in the related notes to the annual financial statements. Where further information is provided in the notes to the annual financial statements, note references are included. The issues and how they were addressed by the Committee are detailed below:

Impairment of intangible assets (refer note 6.2)

The Committee reviewed management's process for testing goodwill and intangible assets for potential impairment and ensuring appropriate sensitivity analysis disclosure. This included challenging the key assumptions: principally cash flow projections, growth rates and discount rates. The Group has significant goodwill. No impairments have been identified.

Environmental rehabilitation provision (refer note 6.5)

The Committee has considered the assessments made in relation to the estimation of the costs and associated provisions for the rehabilitation obligation. This includes detailed reports from management outlining the accounting treatment of the costs and the basis for the key assumptions used in the estimation of the cost. The Committee concurred with the 'individual disturbance, unit based' calculations used in determining the rehabilitation provision for IFRS reporting purposes and acknowledges that this differs with the DMRE-based calculations in determining the provisions for submission to the DMRE.

The Committee has challenged management and is satisfied that these provisions are appropriate. The Committee is satisfied that appropriate costs were used to recognise associated provisions.

Revenue recognition (refer note 3)

In terms of IFRS 15: *Revenue* is recognised based on the satisfaction of specifically identified performance obligations, when control of goods or services transfers to a customer.

In addition, the internal audit function has reported to the Committee on the controls and processes in this area. The Committee also routinely monitors the views of the external auditor on revenue recognition issues.

The Committee considered the key judgements made by management in accounting for revenue, especially in relation to the estimates used in determining the value of provisionally priced sales of Bulk Commodities, and concurs with the conclusion and reporting thereof.

Inventory valuation (refer note 6.4)

The Committee considered the key judgements made by management regarding measurement of stockpile quantities and provisioning for inventory obsolescence and is satisfied that a sufficiently robust process was followed to confirm quantities and quantities of slow-moving inventory and a provision was made against inventory for obsolescence. Where cost at year-end exceeds the net realisable value of inventory, the difference was written off.

The Committee challenged management on the consistency of the approach and ultimately was satisfied that the approach taken continued to be appropriate.

Contingent liabilities (refer note 17)

The Committee considered the key judgements made by management regarding the identification and classification of contingent liabilities. This includes evaluating external expert opinions and concurs with management's classification and reporting thereof.

Tax and deferred tax (refer notes 5 and 6.3)

The Committee agreed with management's judgement that the deferred tax assets were appropriately supported by forecasted taxable profits, taking into account the Group's long-term financial and strategic plans.

The Committee confirms that the entity is in compliance with material legislative requirements and has accurately disclosed the impact of all taxes applicable to the entity.

Accounting for complex transactions (refer notes 4.2, 6.1, 6.2 and 12.1)

Management has applied IFRS 3: *Business Combinations*, to the acquisitions and recognised a mining asset and gain on bargain purchase as part of the purchase price allocation.

The Committee considered the key judgements made by management in accounting for this business combinations and the fair value of assets and liabilities used for the calculation of the mining asset and gain on bargain purchase and concur with the conclusion and reporting thereof.

Finance function

As per the JSE Listings Requirements, the Committee considered and is satisfied with the appropriateness of the expertise and experience of Pieter GS de Wit as CFO. It further considered the expertise, experience and resources of the finance function as required by the King IV™ Report and is satisfied with the expertise and experience of the Group's financial staff.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AFRIMAT LIMITED

Sustainability

The Committee reviewed the disclosure of sustainability issues in the integrated annual report and is satisfied that it does not conflict with the financial information.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Company. The Committee is in agreement with management that the Company will remain a going concern going forward and conveyed this to the Board.

Election of Committee members

The following members have made themselves available for election to the Committee. They are proposed to the shareholders for consideration and approval at the next AGM:

- Mr Loyiso Dotwana
- Mr Francois M Louw
- Mr Helmut N Pool
- Mr Jacobus (Derick) F van der Merwe (Chairman)
- Ms Sisanda Tuku

Statutory duties

The Committee is of the opinion that it has discharged its statutory duties in terms of its charter and as ascribed to it by the Companies Act.



Derick van der Merwe
Audit & Risk Committee Chairman

18 May 2022

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2022, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Afrimat Limited's consolidated and separate financial statements set out on pages 12 to 69 comprise:

- the consolidated and separate statements of financial position as at 28 February 2022;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

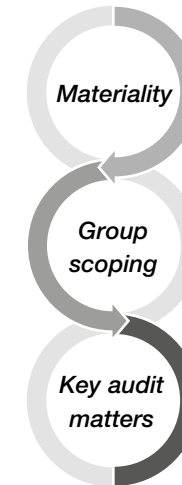
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach



Overview

Overall group materiality

- Overall group materiality: R48,0 million, which represent 4,5% of consolidated profit before tax.

Group audit scope

- Full scope audits were performed for all significant components;
- Full scope audits or independent reviews were performed for components that are financially significant in aggregate with other components; and
- Analytical procedures were performed over the remaining insignificant components.

Key audit matters

Consolidated financial statements

- Environmental rehabilitation provisions;
- Goodwill impairment assessments; and
- Business combination and fair value measurement in relation to acquisition of Nkomati Anthracite.

Separate financial statements

- Impairment assessment of investments in subsidiaries.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R48,0 million
How we determined it	4,5% of consolidated profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because it is, in our view, the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 4.5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included 47 components, which were either a financially significant component, a component of which an identified financial statement line item or items were considered significant or an area of higher risk, or components which were financially significant in aggregate with other components. Full scope audits were performed on components which are financially significant or of which an identified financial statement line item or items were considered significant or an area of higher risk. These are defined as significant components. In addition, full scope audits or independent reviews were performed for components that are not individually significant, but significant in aggregate with other components. The remainder of the components were considered non-significant, individually and in aggregate. We performed high-level analytical procedures on these remaining non-significant components.

In addition, audit procedures were performed on the consolidation, financial statement disclosures and a number of complex items. These included goodwill impairment testing, share-based payments and critical accounting positions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Environmental rehabilitation provisions</p> <p><i>This key audit matter relates to the consolidated financial statements only</i></p> <p>Given the nature of its operations, the Group incurs obligations to close, restore and rehabilitate its sites. These activities are governed by a combination of legislative requirements and group policy.</p> <p>As at 28 February 2022, the consolidated statement of financial position includes environmental rehabilitation provisions of R235 million as per note 6.5 to the consolidated financial statements.</p> <p>The Group applies the guidelines issued by the South African Department of Mineral Resources ('DMR') to determine the rehabilitation provisions for submission to the DMR. For International Financial Reporting Standards ('IFRS') reporting purposes, it utilises its own internal and external environmental experts to determine the value of the environmental rehabilitation provisions.</p> <p>We considered the environmental rehabilitation provisions to be a matter of most significance to the current year audit due to the degree of estimation and significant judgement applied by management in the determination of:</p> <ul style="list-style-type: none"> When the rehabilitation of each site will take place, including the life of mine ('LOM'); and The closure costs and the expected increase in the costs associated with the rehabilitation activities. 	<p>We utilised our sustainability and climate change expertise to perform the following procedures:</p> <ul style="list-style-type: none"> We obtained management's provision calculations and compared the calculation methodology that was applied by the Group's external environmental experts to the Group's policy. We found it to be in line with the Group's policy; We obtained explanations from management for differences between their policy and the DMR guidelines. We assessed evidence in respect of such differences, taking into consideration the Group's specific sites. Based on our evaluation we accepted management's explanations in this regard; We tested a sample of inputs used by the Group's experts, such as the costs per hectare, by comparing to industry benchmarks. No material differences were noted; We assessed the increase rate in respect of rehabilitation costs applied by management with reference to industry benchmarks and noted no material differences; We performed an independent life of mines assessment through physical site inspection, and compared this to management's life of mines assessment. No material differences were noted; We assessed the competency, experience and objectivity of the Group's internal and external experts by obtaining evidence relating to their qualifications and professional memberships. In doing so, we held discussions with the Group's internal and external experts, inspected their curriculum vitae and where applicable, considered whether they were in good standing with relevant professional bodies; and We tested the mathematical accuracy of management's calculations and noted no material differences.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessments	
<p><i>This key audit matter relates to the consolidated financial statements only</i></p> <p>The Group has goodwill of R200,5 million allocated to cash-generating units ('CGUs') as disclosed in note 6.2 to the consolidated financial statements.</p> <p>The Group is required to perform annual impairment tests on goodwill in terms of International Financial Reporting Standards. The recoverable amount of the CGUs to which goodwill has been allocated was based on value-in-use calculations, using discounted cash flows.</p> <p>Management concluded that no impairment losses are required.</p> <p>Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in impairment losses.</p> <p>We considered goodwill impairment assessments to be a matter of most significance to the current year audit because the impairment assessment performed by the Group required the exercise of significant management judgement, including making assumptions regarding growth rates and discount rates applied to each CGU.</p>	<p>We obtained management's impairment calculations per CGU and tested the reasonableness of the discounted cash flow calculations and the key assumptions applied, specifically the growth rates and discount rates, by performing the following:</p> <ul style="list-style-type: none"> ■ We agreed amounts per the forecasted base year of the calculation to the current year financial statements. We noted no material differences; ■ We utilised our valuation expertise to test the principles of management's calculation. We challenged key inputs in the calculations which included the long-term growth rate, medium-term revenue growth rate and future cash flow assumptions by comparing them to approved business plans and independent market data. We noted no material differences and accepted the key inputs applied by management; ■ We further utilised our valuation expertise to test the reasonableness of the discount rates applied by management to each CGU. This was performed by recalculating the entities' cost of capital with reference to industry benchmarks and economic forecasts. We found the discount rates used by management to be within an acceptable range; and ■ We performed independent sensitivity calculations on the impairment assessments to assess the degree by which the key assumptions needed to change in order to trigger an impairment. Management's conclusions were consistent with the results of our sensitivity analyses.

Key audit matter	How our audit addressed the key audit matter
Business combination and fair value measurement in relation to the acquisition of Nkomati Anthracite	
<p><i>This key audit matter relates to the consolidated financial statements only</i></p> <p>On 15 December 2020 the Group acquired Unicorn Capital Limited Group including Nkomati Anthracite Proprietary Limited.</p> <p>As disclosed in note 12 to the consolidated financial statements, the consideration of R185 million was settled in shares and the deemed disposal of the previously held interest in Unicorn Capital Limited.</p> <p>Management determined that the acquisition date of the transaction was 15 December 2020 given that this was the date that all conditions precedent were fulfilled and the agreement became unconditional.</p> <p>During the year, the information pertaining to the fair value of the deferred tax assets and liabilities and mining assets were finalised and measurement period adjustments were recorded. The major part of the adjustment relates to the deferred tax asset raised of R189,9 million, after SARS recognised the assessed loss carried forward on the Income Tax Statement of Account for the year of assessment F2021.</p> <p>In order to determine the fair value of the mining reserves, management performed a discounted cash flow over the LOM.</p> <p>The assessment performed by management required judgement in the determination of key assumptions and future market conditions, particular in relation to:</p> <ul style="list-style-type: none"> ■ the discount rate; ■ reserves and resources (in determination of ('LOM'); and ■ future cash flow forecasts taking into account capital expenditure, working capital requirements, and operating costs. <p>Based on the results of the assessment performed by management, a gain on bargain purchase of R150,5 million was recognised.</p> <p>The fair value measurement for the identifiable mining reserves at their acquisition-date fair values required judgement and resulted in this being an area of most significance to our audit.</p>	<p>We tested the accuracy of the consideration determined by management by performing an independent calculation of non-cash components based on the information contained in the agreements. No exceptions were noted.</p> <p>We assessed management's determination of the acquisition date of the transaction by inspecting the relevant agreements and evidence of statutory approvals pertaining to the transaction, and agreed these dates to management's assessment. No exceptions were noted.</p> <p>We utilised our valuation expertise to assess the accuracy of the LOM model and the discount rate used by management. No material differences were noted.</p> <p>The significant assumptions used by management in their purchase price allocation were subjected to the following audit procedures:</p> <ul style="list-style-type: none"> ■ Prices of anthracite were agreed to the contracts; ■ Production volumes as per the draft LOM plan were compared to reserves and resources signed off by an independent competent person and to existing production volumes and approved business plans; ■ Costs per the LOM were compared to the 2019 actual costs incurred. In addition, mining contractor costs were compared to contractually agreed costs for the future; and ■ Long-term real discount rates were tested for reasonability, making use of our valuation expertise, by independently calculating the discount rates, taking into account independently obtained market and company-specific data. In addition we performed stress tests on the discount rates used by management to assess the impact on the value of the mining right. The discount rate adopted by management fell within an acceptable range compared to our independent calculation. <p>In order to assess the accuracy of management's recognised deferred tax asset and gain on bargain purchase, we independently calculated the deferred tax asset and gain on bargain purchase on the assumptions described above and compared it to management's recognised deferred tax asset and gain on bargain purchase. No exceptions were noted.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="120 296 622 320">Impairment assessment of investments in subsidiaries</p> <p data-bbox="120 344 698 368"><i>This key audit matter relates to the separate financial statements only</i></p> <p data-bbox="120 384 719 456">The Company holds investments in subsidiaries with a carrying amount of R1 427,4 million as disclosed in note 13 to the separate financial statements.</p> <p data-bbox="120 472 719 544">Investments are tested by management for impairment if impairment indicators exist, using a value-in-use calculation. Impairment indicators were noted for the following investments:</p> <ul data-bbox="120 552 719 903" style="list-style-type: none"> ■ Afrimat Aggregates (Eastern Cape) Proprietary Limited ■ Afrimat Aggregates (Trading) Proprietary Limited ■ Afrimat Bulk Commodities Proprietary Limited ■ Afrimat Concrete Products Proprietary Limited ■ Afrimat Contracting International Proprietary Limited ■ Afrimat Mining Services Proprietary Limited (previously known as JEF Drill & Blast Proprietary Limited) ■ Afrimat Silica Proprietary Limited ■ Cape Lime Proprietary Limited ■ Capmat Proprietary Limited ■ Delf Sand Proprietary Limited ■ Delf Silica Coastal Proprietary Limited ■ Meepo Ya Mmu Resources Proprietary Limited ■ Phakamani Academy Proprietary Limited <p data-bbox="120 919 752 991">Management concluded that no impairment losses were required to impair the investments in subsidiaries. Further disclosure with regards to this matter has been made in note 6.2 to the separate financial statements.</p> <p data-bbox="120 1007 752 1104">The impairment assessment of investments in subsidiaries was considered to be a matter of most significance to the current year audit due to the estimation involved in determining the growth and discount rates used by management in calculating the recoverable amount of each investment.</p>	<p data-bbox="768 344 1411 440">Through discussions with management, we obtained an understanding of the process followed by them in their impairment assessment. We obtained management's impairment assessment of the investments in subsidiaries and performed the following procedures:</p> <ul data-bbox="768 448 1411 799" style="list-style-type: none"> ■ We compared the Company's carrying value of investments in subsidiaries to the value-in-use calculations used for goodwill impairment assessment by management, which were subject to audit procedures as part of our group audit. No exceptions were noted; ■ We made use of our valuation expertise to test the reasonableness of the key assumptions underpinning management's value-in-use calculations of the Company's investments, including the selection of growth rates and discount rates, by comparing them to approved business plans and independent market data. Based on the procedures performed, we accepted the assumptions used; and ■ Through reperformance we evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required and noted that any impairment loss would be immaterial.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Afrimat Limited annual financial statements 2022', which includes the Directors' Report, the Audit & Risk Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled 'Afrimat Limited 2022 Integrated Annual Report', which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Afrimat Limited for five years.



PricewaterhouseCoopers Inc.

Director: FHS Weilbach

Registered Auditor

Stellenbosch, South Africa

18 May 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2022

The directors of Afrimat present their report for the Group for the year ended 28 February 2022.

Nature of business

Afrimat is a black empowered open pit mid-tier mining company that supplies beneficiated or processed and sized materials and contracting services to the industrial minerals, building, construction, road building, railroad and mining sectors. In addition, Afrimat supplies bulk commodities to local and international markets. It operates in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State, Northern Cape, Gauteng, Limpopo and Mpumalanga.

Financial results

The annual financial statements and accompanying notes presented on pages 12 to 70 set out fully the Group's financial position, results of operations and cash flows for the year, and in the directors' opinion require no further comment.

Headline earnings per share increased by 22,9% from 441,7 cents to 542,9 cents per share.

Operational review

Impact on the operations are reviewed in detail in the CEO's report and operational reviews, which form part of this integrated annual report.

Corporate governance

The directors endorse the principles contained in King IV™ report and are committed to applying the principles of transparency, integrity, fairness and accountability in the conduct of its business and affairs. Full details on how these principles are applied, are set out in the supplementary information on the website www.afrimat.co.za, as well as limited information in this integrated annual report. The Board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

Accounting policies

Detailed accounting policies are set out in the relating notes to the annual financial statements.

Dividend

A final dividend of 146,0 cents per share (2021: 112,0 cents per share), was declared for the year on 18 May 2022. This equates to 116,8 cents per share (2021: 89,6 cents per share) for shareholders who are subject to dividend tax. This is in line with the Group's dividend policy of 2,75 times cover.

The total dividend (interim and final) for the year amounts to 186,0 cents per share (2021: 148,0 cents per share).

Taxation

The latest tax assessment of the Company relates to the year ended 28 February 2021. All tax submissions up to and including February 2021 have been submitted. Tax returns for 28 February 2022 will be submitted during the next financial year.

Stated capital

The total authorised ordinary stated capital at year-end consisted of 1 000 000 000 (2021: 1 000 000 000) no par value ordinary shares of which 146 346 264 (2021: 146 144 764) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

The directors of the Company at the date of the annual financial statements are set out below:

- Mr Gert J Coffee (non-executive director)
- Mr Pieter GS de Wit (CFO)
- Mr Loyiso Dotwana (non-executive director)
- Mr Francois M Louw (Deputy Chairman and LID)
- Mr Helmut N Pool (independent non-executive director)
- Mr Collin Ramukhubathi (executive director)
- Mrs Phuti RE Tsukudu (independent non-executive director)
- Mr Jacobus (Derick) F van der Merwe (independent non-executive director)
- Mr Johannes (Johan) HP van der Merwe (independent non-executive director)
- Mr Andries J van Heerden (CEO)
- Mr Marthinus (Matie) W von Wielligh (independent non-executive Chairman)
- Ms Sisanda Tuku (independent non-executive director)
- Mr Marthinus G Odendaal (executive director)

Mr HN Pool, Mr GJ Coffee and Mr MW von Wielligh will retire by rotation at the upcoming AGM, and Mr HN Pool and Mr GJ Coffee, being eligible, will stand for re-election.

Changes to Board and Board Committees

Mr MG (Gerhard) Odendaal has been appointed as the Chief Operating Officer (mining), as well as an executive director of the Board and member of the Social, Ethics and Sustainability Committee, effective from 12 April 2022.

Ms S (Sisanda) Tuku has been appointed as a non-executive director of the Board as well as a member of the Audit and Risk Committee, effective from 1 May 2022.

Mr MW (Matie) von Wielligh, the current Chairman of the Board and a member of its Audit & Risk, Remuneration & Nominations, and Social, Ethics & Sustainability Committees, will be retiring by rotation at Afrimat's next Annual General Meeting ('AGM') and will not be making himself available for re-election. Deputy Chairman, Mr FM (Francois) Louw, who currently also serves as the Company's Lead Independent Director, will be appointed in his stead.

Directors' and officers' interests in contracts

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 15 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 20 to the annual financial statements.

Shareholder analysis

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3% of the ordinary shares of the Company at 28 February 2022, is set out on page 70.

Directors' shareholding at 28 February 2022*

Director	Number of securities held				
	Direct beneficial	Indirect beneficial	Through associates	Total	% held
2022					
Gert J Coffee	680 084	-	-	680 084	0,46
Loyiso Dotwana	-	2 586 829	-	2 586 829	1,77
Phuti RE Tsukudu	-	-	-	-	-
Andries J van Heerden	4 178 973	853 564	1 198 543	6 231 080	4,26
Derick van der Merwe	25 000	-	-	25 000	0,02
Pieter GS de Wit	283 501	-	-	283 501	0,19
Matie von Wielligh	200 000	60 000	-	260 000	0,18
Johan van der Merwe	-	-	-	-	-
Helmut N Pool	-	397 661	-	397 661	0,27
Francois M Louw	215 714	-	-	215 714	0,15
Collin Ramukhubathi	192 865	-	-	192 865	0,13
	5 776 137	3 898 054	1 198 543	10 872 734	7,43
2021					
Gert J Coffee	680 084	-	-	680 084	0,47
Loyiso Dotwana	-	2 886 829	-	2 886 829	1,98
Phuti RE Tsukudu	-	-	-	-	-
Andries J van Heerden	4 087 548	853 564	1 203 449	6 144 560	4,21
Hennie van Wyk	-	100 000	-	100 000	0,07
Derick van der Merwe	22 500	-	-	22 500	0,01
Pieter GS de Wit	209 326	-	-	209 326	0,14
Matie von Wielligh	400 000	60 000	-	460 000	0,31
Johan van der Merwe	-	-	-	-	-
Helmut N Pool	-	397 662	-	397 662	0,27
Francois M Louw	285 714	-	-	285 714	0,20
Collin Ramukhubathi	5 415	-	-	5 415	-
	5 690 587	4 298 055	1 203 449	11 192 090	7,66

* Excludes shares granted under the Forfeitable Share Plan ('FSP'), which have not yet vested. Refer note 19 for further details.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

There has been no change in directors' interests since year-end to the date of this report.

Internal control

The directors are accountable for developing and maintaining systems of internal control. No material losses, exposures or financial misstatements and compliance breaches have been reported to the directors during the current financial year.

Going concern

The directors in assessing the going concern considered the impact of the Covid-19 pandemic on the Group and Company. The directors have reviewed the Group's cash flow forecast for the year to 28 February 2023 and after having considered the implications of the Covid-19 pandemic as well as in light of this review and the current financial position, they are satisfied that the Group and Company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

At 28 February 2022, the Company's current liabilities exceed the current assets. The Company has access to additional cash resources within the Group to meet its cash obligations as they fall due within the next 12 months.

Litigation statement

The directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had a material impact on the Group's financial position during the current financial year.

Refer note 17 for information regarding legal or arbitration proceedings currently in progress.

Company Secretary

Catharine Burger is the Company Secretary. Her business and postal addresses, which are also the registered addresses of the Company, are set out on the inside back cover of this integrated annual report.

Auditor

PricewaterhouseCoopers Inc. will continue in office as the external auditor in accordance with section 90 of the Companies Act.

Special resolutions

The following special resolutions were passed by shareholders of the Company during the year (at the AGM of shareholders held on 4 August 2021), and where necessary have been registered by the Companies and Intellectual Property Commission:

- special resolution providing general authority to repurchase shares;
- special resolution providing approval for fees payable to non-executive directors for the year ended 28 February 2022;
- special resolution providing authority for the provision of financial assistance to Group inter-related entities (in terms of section 45 of the Companies Act); and
- special resolution providing authority for the financial assistance for subscription of securities (in terms of section 44 of the Companies Act).

Borrowings

In terms of the memorandum of incorporation ('MOI') the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Events after the reporting date

Refer note 18 for disclosure of events after the reporting date.

Impact of Covid-19

The impact of Covid-19 has been considered up to 28 February 2022. The pandemic is considered to be an ongoing event and there is no immediate concern around going concern. Management is continually assessing and monitoring developments with regard to the pandemic and its impact on the business.

The directors are not aware of any other circumstances arising between the reporting date and the date of the integrated annual report.

Compliance with laws and regulations

The Afrimat directors have confirmed that, to their best knowledge, Afrimat (i) complied with the provisions of the Companies Act, and (ii) operated in accordance with its MOI.

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STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Note	Group		Company	
		2022 R'000	Restated 2021 R'000*	2022 R'000	2021 R'000
Revenue	3	4 680 078	3 693 759	355 902	769 853
Cost of sales	4.5	(2 966 586)	(2 234 563)	-	-
Gross profit		1 713 492	1 459 196	355 902	769 853
Operating expenses	4.5	(689 696)	(570 875)	(59 532)	(84 144)
Other income	4.1	12 741	11 832	1 873	696
Other net gains and losses*	4.2	77 811	158 373	3 609	(53 735)
Profit on disposal of property, plant and equipment	4.3	7 904	375	-	-
Impairments*	4.4	(13 341)	-	-	(59 026)
Operating profit		1 108 911	1 058 901	301 852	573 644
Finance income	4.6	12 430	21 022	10 138	19 149
Finance costs	4.7	(55 280)	(38 291)	(84 155)	(38 571)
Share of profit of equity-accounted investments	14	257	289	-	-
Profit before tax		1 066 318	1 041 921	227 835	554 222
Income tax expense	5	(291 150)	(265 484)	1 933	9 400
Profit for the year		775 168	776 437	229 768	563 622

	Note	Group		Company	
		2022 R'000	Restated 2021 R'000*	2022 R'000	2021 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		(9 387)	7 743	-	-
Income tax effect relating to these items		-	-	-	-
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments at fair value through other comprehensive income		393	196	-	-
Income tax effect relating to these items		(85)	(44)	-	-
Other comprehensive (loss) income for the year, net of tax		(9 079)	7 895	-	-
Total comprehensive income for the year		766 089	784 332	229 768	563 622
Profit attributable to:					
Owners of the parent		772 714	773 864	229 768	563 622
Non-controlling interests	8.4	2 454	2 573	-	-
		775 168	776 437	229 768	563 622
Total comprehensive income attributable to:					
Owners of the parent		763 635	781 759	229 768	563 622
Non-controlling interests	8.4	2 454	2 573	-	-
		766 089	784 332	229 768	563 622
Earnings per ordinary share (cents)*	8.5	560,7	571,6	-	-
Diluted earnings per ordinary share (cents)*	8.5	546,6	559,4	-	-

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

STATEMENTS OF FINANCIAL POSITION

AT 28 FEBRUARY 2022

	Note	Group		Company	
		2022 R'000	Restated 2021 R'000*	2022 R'000	2021 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	2 696 448	2 247 493	–	–
Intangible assets*	6.2	213 335	209 785	–	–
Loans to subsidiaries	13	–	–	1 204 280	938 544
Investments in subsidiaries	13	–	–	1 427 423	1 346 420
Investment in associate and joint venture	14	–	591	–	–
Other financial assets	7.1 – 7.3.1	91 986	80 340	–	–
Deferred tax*	6.3	360 839	249 841	25 701	17 751
Total non-current assets		3 362 608	2 788 050	2 657 404	2 302 715
Current assets					
Inventories	6.4	568 266	279 042	–	–
Other financial assets	7.1 – 7.3.1	1 732	–	–	–
Current tax receivable		9 665	4 842	2 458	794
Trade and other receivables	7.3.2	793 343	695 936	11 909	10 197
Cash and cash equivalents	7.3.3	290 633	871 060	19 927	186 437
Loans to subsidiaries	13	–	–	418 981	–
Total current assets		1 663 639	1 850 880	453 275	197 428
Non-current assets held-for-sale	6.1	20 050	–	–	–
Total assets		5 046 297	4 638 930	3 110 679	2 500 143
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	315 886	345 894	228 638	272 472
Treasury shares	8.2	(109 030)	(115 795)	–	–
Net issued stated capital		206 856	230 099	228 638	272 472
Other reserves	8.3	(38 498)	(62 980)	25 885	14 861
Retained earnings*		2 829 609	2 255 536	1 339 483	1 315 119
Attributable to equity holders of the parent		2 997 967	2 422 655	1 594 006	1 602 452
Non-controlling interests	8.4	9 233	8 362	–	–
Total equity		3 007 200	2 431 017	1 594 006	1 602 452

	Note	Group		Company	
		2022 R'000	Restated 2021 R'000*	2022 R'000	2021 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	149 377	301 180	–	176 000
Provisions	6.5	265 252	239 142	–	–
Deferred tax	6.3	450 044	393 574	–	–
Total non-current liabilities		864 673	933 896	–	176 000
Current liabilities					
Loans from subsidiaries	13	–	–	1 143 606	532 125
Other financial liabilities*		7 488	19 844	–	–
Borrowings	7.3.4	494 449	212 721	350 000	44 000
Current tax payable		6 953	11 162	–	–
Trade and other payables	7.3.5	663 729	596 483	23 067	20 376
Bank overdraft	7.3.3	1 805	433 807	–	125 190
Total current liabilities		1 174 424	1 274 017	1 516 673	721 691
Total liabilities		2 039 097	2 207 913	1 516 673	897 691
Total equity and liabilities		5 046 297	4 638 930	3 110 679	2 500 143

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non- controlling interests R'000	Total equity R'000
Group						
Balance at 1 March 2020	245 988	(108 365)	(90 382)	1 634 537	7 129	1 688 907
Total comprehensive income						
Profit for the year*	-	-	-	773 864	2 573	776 437
Other comprehensive income for the year	-	-	7 895	-	-	7 895
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	196	-	-	196
Income tax effect	-	-	(44)	-	-	(44)
Exchange differences on translation of foreign operations	-	-	7 743	-	-	7 743
Income tax effect	-	-	-	-	-	-
Total comprehensive income	-	-	7 895	773 864	2 573	784 332
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	-	-	18 884	-	-	18 884
Deferred taxation on share-based payments (refer note 8.3)	-	-	8 074	-	-	8 074
Purchase of treasury shares (refer note 8.2)	-	(13 118)	-	-	-	(13 118)
Issue of stated capital (refer note 8.1)	111 115	-	-	-	-	111 115
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(11 209)	5 688	(7 451)	7 451	-	(5 521)
Dividends paid (refer note 8.7)	-	-	-	(160 316)	(1 340)	(161 656)
Total contributions and distributions	99 906	(7 430)	19 507	(152 865)	(1 340)	(42 222)
Total transactions with owners of the parent	99 906	(7 430)	19 507	(152 865)	(1 340)	(42 222)
Balance at 28 February 2021	345 894	(115 795)	(62 980)	2 255 536	8 362	2 431 017

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non- controlling interests R'000	Total equity R'000
Restated balance at 1 March 2021	345 894	(115 795)	(62 980)	2 255 536	8 362	2 431 017
Total comprehensive income						
Profit for the year	-	-	-	772 714	2 454	775 168
Other comprehensive loss for the year	-	-	(9 079)	-	-	(9 079)
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	393	-	-	393
Income tax effect	-	-	(85)	-	-	(85)
Exchange differences on translation of foreign operations	-	-	(9 387)	-	-	(9 387)
Income tax effect	-	-	-	-	-	-
Total comprehensive (loss) income	-	-	(9 079)	772 714	2 454	766 089
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	-	-	29 664	-	-	29 664
Deferred taxation on share-based payments (refer note 8.3)	-	-	21 818	-	-	21 818
Purchase of treasury shares (refer note 8.2)	-	(16 400)	-	-	-	(16 400)
Issue of stated capital (refer note 8.1)	11 000	-	-	-	-	11 000
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(41 008)	23 165	(17 921)	17 921	-	(17 843)
Dividends paid (refer note 8.7)	-	-	-	(213 539)	(1 388)	(214 927)
Total contributions and distributions	(30 008)	6 765	33 561	(195 618)	(1 388)	(186 688)
Additional non-controlling interest acquired due to:						
Capmat Proprietary Limited	-	-	-	(3 023)	(195)	(3 218)
Total changes in ownership interests	-	-	-	(3 023)	(195)	(3 218)
Total transactions with owners of the parent	(30 008)	6 765	33 561	(198 641)	(1 583)	(189 906)
Balance at 28 February 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200
Note	8.1	8.2	8.3		8.4	

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Company						
Balance at 1 March 2020	173 789	-	8 532	915 764	-	1 098 085
Total comprehensive income						
Profit for the year	-	-	-	563 622	-	563 622
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	-	-	-	563 622	-	563 622
Transactions with Company						
Contributions and distributions						
Issue of stated capital (refer note 8.1)	111 115	-	-	-	-	111 115
Share-based payment expense for the year (refer note 8.3)	-	-	7 082	-	-	7 082
Deferred taxation on share-based payments (refer note 8.3)	-	-	2 597	-	-	2 597
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	(12 432)	-	(3 350)	3 350	-	(12 432)
Dividends paid (refer note 8.7)	-	-	-	(167 617)	-	(167 617)
Total contributions and distributions	98 683	-	6 329	(164 267)	-	(59 255)
Total changes	98 683	-	6 329	399 355	-	504 367
Balance at 28 February 2021	272 472	-	14 861	1 315 119	-	1 602 452
Total comprehensive income						
Profit for the year	-	-	-	229 768	-	229 768
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	-	-	-	229 768	-	229 768
Transactions with Company						
Contributions and distributions						
Issue of stated capital (refer note 8.1)	11 000	-	-	-	-	11 000
Share-based payment expense for the year (refer note 8.3)	-	-	11 867	-	-	11 867
Deferred taxation on share-based payments (refer note 8.3)	-	-	5 990	-	-	5 990
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(54 834)	-	(6 833)	16 815	-	(44 852)
Dividends paid (refer note 8.7)	-	-	-	(222 219)	-	(222 219)
Total contributions and distributions	(43 834)	-	11 024	(205 404)	-	(238 214)
Total changes	(43 834)	-	11 024	24 364	-	(8 446)
Balance at 28 February 2022	228 638	-	25 885	1 339 483	-	1 594 006
Note	8.1		8.3			

		Group		Company	
	Note	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	9.1	1 076 666	1 013 381	40 517	(5 487)
Finance income received	9.2	11 726	20 979	10 138	19 149
Dividends received		98	98	225 721	5 388
Finance costs paid	9.3	(40 015)	(26 628)	(84 155)	(38 571)
Tax paid	9.4	(311 920)	(240 250)	(1 691)	(3 191)
Net cash inflow/(outflow) from operating activities		736 555	767 580	190 530	(22 712)
Cash flows from investing activities					
Acquisition of property, plant and equipment	9.6	(598 687)	(189 010)	-	-
Proceeds on disposal of property, plant and equipment	9.5	26 049	9 344	-	-
Acquisition of businesses	12.1	(14 750)	(1 003)	(14 750)	-
Acquisition of mining rights and surface rights	6.2	(5 145)	(1 357)	-	-
Advances of loans to subsidiaries	13	-	-	(1 263 325)	(529 720)
Proceeds of loans to subsidiaries	13	-	-	610 305	148 319
Loan advances to other financial assets*		-	(283 493)	-	-
Purchase of other financial assets		(12 582)	(16 857)	-	-
Proceeds on disposal of investment in subsidiaries		-	45 000	-	45 000
Repayments from other financial assets		3 823	-	-	-
Net cash outflow from investing activities		(601 292)	(437 376)	(667 770)	(336 401)
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	(16 400)	(13 118)	-	-
Issue of Afrimat shares		-	-	-	6
Proceeds from borrowings	7.3.4	880 998	410 946	877 000	220 000
Repayment of borrowings	7.3.4	(918 120)	(286 715)	(747 000)	-
Capital elements of lease payments	9.7	(13 750)	(9 133)	-	-
Repayments from other financial liabilities		(1 355)	(788)	-	-
Acquisition of additional non-controlling interest		(134)	-	-	-
Repayments of loans from subsidiaries	13	-	-	(1 449 096)	(526 943)
Proceeds of loans from subsidiaries	13	-	-	1 977 235	883 824
Dividends paid	8.7	(214 927)	(161 656)	(222 219)	(167 617)
Net cash (outflow)/inflow from financing activities		(283 688)	(60 464)	435 920	409 270
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(148 425)	269 740	(41 320)	50 157
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	437 253	167 513	61 247	11 090
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	288 828	437 253	19 927	61 247

* The decrease in this item is mainly attributable to the loan advanced to Unicorn Capital Partners Limited ("UCP") and Nkomati Anthracite Proprietary Limited ("Nkomati"), prior to the acquisition, recognised in the prior year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

Accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate and are indicated with a grey background.

Significant accounting judgements and estimates

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these annual financial statements, are included in the specific notes to which they relate and are indicated with a maroon border.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate. These policies have been consistently applied with the previous year, except for the implementation of new accounting standards, refer note 22.

1.1 Statement of compliance

The annual financial statements are prepared on a going concern basis in compliance with the Companies Act, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS'), Financial Pronouncements as issued by the Financial Reporting Standards Council, Listings Requirements of the JSE and interpretations issued by the IFRS Interpretation Committee ('IFRS IC').

1.2 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, modified by the revaluation of certain financial assets and the application of the equity method of accounting for investments in associated companies and joint ventures.

The Group has adopted the following standards and interpretations:

- IFRS 3: *Reference to the Conceptual Framework*
- IAS 16: *Proceeds before intended use*
- IAS 37: *Onerous Contract – Cost of fulfilling a contract*

Refer note 22 for further disclosure in the implementation of these standards.

Refer note 23 for details of new and amended standards issued but not yet effective in the current year.

The annual financial statements are expressed in South African Rand (ZAR or R), rounded to the nearest thousand, unless otherwise stated.

1. Significant accounting policies (continued)

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the annual financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated annual financial statements are presented in South African Rand (ZAR or R), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions and balances are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, respectively. Foreign exchange gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'other net gains and losses' (refer note 4.2).

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- (ii) income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in equity through other comprehensive income.

1.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the individual asset. Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the end of the reporting period.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs is determined. The recoverable amount of an asset or CGU is the higher of its fair value less costs of disposal and its value-in-use.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

1. Significant accounting policies (continued)

1.5 Significant accounting judgements and estimates

The preparation of the Group's annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future.

The impact of the Covid-19 pandemic on both the Group and Company has been considered in all judgements exercised and estimates made by management and are provided below, as well as in the commentary that accompanies the annual financial statements. The Group has taken all necessary and responsible steps to manage the impact of the Covid-19 pandemic by focusing on and prioritising the health and safety of all employees, ensuring the continuation and maintaining the financial health of the business.

The Group continues to develop its assessment of the potential impacts of climate change and the transition to a low carbon economy. The potential financial impacts on the Group of climate change and the transition to a low carbon economy have been considered in the assessment of indicators of impairment.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are highlighted below with more detail provided in the specific notes to which they relate:

(a) Estimates

- Trade and other receivables – refer note 7.3.2
- Deferred tax assets – refer note 6.3
- Dismantling and rehabilitation provisions – refer note 6.5
- Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- Share-based payment expense calculation – refer notes 19.1 and 19.2
- Provision for stock obsolescence – refer note 6.4
- Measurement of stockpile quantities – refer note 6.4
- Provisional pricing arrangements – refer note 3
- Acquisitions of businesses – refer note 12.1

(b) Judgements

- Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited ('AEI') – refer note 13
- Consolidation of Afrimat Share Incentive Trust, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust – refer note 13
- Extension and termination options in determining the lease term – refer note 6.1
- Incremental borrowing rate in discounting leases – refer note 6.1
- Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- Contingent liabilities – refer note 17
- Acquisitions of businesses – refer note 12.1

How numbers are calculated

2. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services, production processes and the type of class of customer for the products and services.

There are three main segments, based on the market use of products.

Construction Materials comprises aggregates, concrete-based products and contracting operations. Aggregates consist mainly out of the sales of sand, gravel and crushed stone and concrete-based products includes concrete made from rock, sand, water and cement. Although concrete-based products go through a longer manufacturing process than aggregates, the classification between the operations are influenced by the market's use of products. Demand for these products are also similar and increases/decreases during the same period as customers use both aggregates and concrete-based products during construction.

Industrial Minerals consist mainly out of the sale of limestone, dolomite and industrial sand. The Industrial Minerals business has become an integral contributor to the Group. Although the manufacturing process and customers are similar to those in Construction Materials, the Industrial Minerals products contain unique metallurgic and high quality properties which widens the customer base and serves a different market to Construction Materials.

Bulk Commodities includes iron ore and anthracite. Iron ore and anthracite has minimal manufacturing time and are sold in high volumes. Iron ore products are manufactured in terms of the Platts Iron Ore Index ('IODEX') 62% grade of export. High quality hematite origin of iron ore is beneficiated up to 65% Fe. High quality nuts and duff of anthracite product is produced.

The chief operating decision-maker monitors the operating results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They primarily assess the performance of the operating segments based upon a measure of operating profit.

Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

Services consists of Group shared services including IT services, consulting services, etc.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Segment information (continued)

	Construction Materials	Industrial Minerals	Bulk Commodities				Services	Total
			Iron Ore [#]		Anthracite	Total		
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	R'000	R'000	R'000
For the year ended 28 February 2022								
Segmental revenue	1 858 782	635 228	1 487 559	557 099	364 052	2 408 710	53 905	4 956 625
Inter-segmental revenue	(232 561)	(2 684)	-	-	-	-	(41 302)	(276 547)
Revenue	1 626 221	632 544	1 487 559	557 099	364 052	2 408 710	12 603	4 680 078
Depreciation and amortisation	120 766	32 406	54 251	11 368	64 998	130 617	13 034	296 823
Impairment of property, plant and equipment	9 715	3 176	450	-	-	450	-	13 341
Operating profit/(loss)	192 480	94 427	604 821	264 820	(49 431)	820 210	1 794	1 108 911
Operating profit margin on external revenue	11,8%	14,9%	40,7%	47,5%	(13,6%)	34,1%	-	23,7%

	Construction Materials	Industrial Minerals	Bulk Commodities				Services	Total
			Iron Ore [#]		Anthracite	Total		
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	R'000	R'000	R'000
Assets*	1 216 578	879 919	1 192 743	-	733 551	1 926 294	1 023 506	5 046 297
Liabilities**	486 852	92 343	167 649	-	90 666	258 315	1 201 587	2 039 097
Capital expenditure***	188 049	41 045	420 939	-	103 450	524 389	28 963	782 446

	Construction Materials	Industrial Minerals	Bulk Commodities				Services	Total
			Iron Ore		Anthracite	Total		
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	R'000	R'000	R'000
For the year ended 28 February 2021								
Segmental revenue	1 741 415	516 806	1 551 661	-	32 752	1 584 413	64 882	3 907 516
Inter-segmental revenue	(146 360)	(2 515)	-	-	-	-	(64 882)	(213 757)
Revenue	1 595 055	514 291	1 551 661	-	32 752	1 584 413	-	3 693 759
Depreciation and amortisation	118 227	32 565	48 427	-	-	48 427	10 157	209 376
Operating profit/(loss)****	104 906	55 481	751 539	-	133 663	885 202	13 312	1 058 901
Operating profit margin on external revenue*****	6,6%	10,8%	48,4%	-	408,1%	55,9%	-	28,7%

	Construction Materials	Industrial Minerals	Bulk Commodities				Services	Total
			Iron Ore		Anthracite	Total		
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	R'000	R'000	R'000
Assets*	1 264 653	624 832	664 137	-	645 773	1 309 910	1 439 535	4 638 930
Liabilities**	524 900	83 794	115 772	-	50 248	166 020	1 433 199	2 207 913
Capital expenditure***	158 885	32 313	51 509	-	35 798	87 307	15 082	293 587

* Jenkins Mine acquired as part of Coza Mining Proprietary Limited, has come into production during the current year as part of the strategic plans for the sustained iron ore supply within the Bulk commodities segment. This has been presented separately to enhance disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

2. Segment information (continued)

	2022	2021
	R'000	R'000
* The following assets have not been allocated to segments:		
Goodwill****	200 502	200 502
Other financial assets	91 986	80 340
Deferred tax****	360 839	249 841
Current tax receivable	9 665	4 842
Cash and cash equivalents*****	290 633	871 060
Other assets	69 881	32 950
	1 023 506	1 439 535
** The following liabilities have not been allocated to segments:		
Provisions	265 252	239 142
Deferred tax	450 044	393 574
Current tax payable	6 953	11 162
Bank overdraft*****	1 805	433 807
Other liabilities****	477 533	355 514
	1 201 587	1 433 199

*** Excludes property, plant and equipment acquired through business combination, refer note 12.1. Within the Bulk Commodities segment, the increase consists of R307,6 million for the Coza Mining Proprietary Limited acquisition; R55,5 million for the start-up capital of the Jenkins mine; and R47,9 million and R40,6 million for the capitalisation of the stripping asset and mine development, respectively, within Nkomati Anthracite Proprietary Limited.

**** Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

***** Net balance of R288,8 million (2021: R437,3 million). Refer note 7.3.3 for further details.

There is significant exposure and dependency on Kumba International Trading S.A.R.L and Glencore Operations South Africa Proprietary Limited, with revenues of approximately R1 435,2 million (2021: R1 471,7 million) and R317,9 million (2021: RNil), respectively, a major customer of Afrimat Iron Ore Proprietary Limited (previously known as Afrimat Demaneng Proprietary Limited) and Nkomati Anthracite Proprietary Limited, respectively, within the Bulk Commodities segment. This risk has been mitigated by Afrimat's diversification strategy by expanding in the market through new acquisitions that have and are to take place within the Bulk Commodities segment.

Segment revenue reflects both sales to external parties and inter-group transactions across segments.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

The Group views the entire southern African region as a single geographical area.

3. Revenue

Group financial statements

The Group recognises revenue from the following major sources:

- Sale of Construction Materials: Comprises sand, gravel, crushed stone and concrete made from rock, sand, water and cement;
- Sale of Industrial Minerals: Comprises limestone, dolomite and industrial sand;
- Sale of Bulk Commodities: Comprises iron ore and anthracite; and
- Rendering of Services: Includes mobile crushing, screening, drilling and blasting.

3. Revenue (continued)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sale of Construction Materials, Bulk Commodities and Industrial Minerals are recognised when control of the products has transferred to the buyer. Control transfers when products are delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured at the invoiced amount net of value added tax, trade discounts, returns, volume rebates and amounts collected on behalf of third parties. Shipping and handling is included in sale of goods as one component of revenue due to risks and rewards over goods only passing to the customer on delivery to site.

In terms of the agreement with Kumba International Trading S.A.R.L, commodity prices used in the calculation of the bulk commodity debtor are based on the average daily prices with reference to the IODEX during the month prior to the relevant month of delivery. The amount of revenue recognised at the designated point of delivery (FOB) is based on the best estimate of the amount expected to be received. Provisional pricing arrangements introduce an element of market variability into the sales contract. The final price is based on the average market price of the third month following revenue recognition (shipping date). These changes are out of the scope of IFRS 15: *Revenue*. As a result, the changes in the commodity prices and foreign currency fluctuations are reflected as 'other revenue' within the revenue note to the annual financial statements and not revenue from contracts with customers.

Aggregates and Industrial Minerals are occasionally sold with retrospective volume discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is recognised when it is highly probable that it will not be reversed, taking into account trade discounts and volume discounts.

Revenue arising from the rendering of services, i.e. drilling, blasting and erection costs are performed over time and therefore are recognised (based on an output method) in the accounting period in which the services are rendered, because the customer receives and uses the benefits simultaneously. The performance obligations identified are satisfied by transferring control of the service to a customer. Revenue is measured at the fair value of the consideration received or receivable, which is represented by the invoiced amount net of value added tax, trade discounts and amounts collected on behalf of third parties.

Company financial statements

Finance income comprises interest revenue and dividend revenue. Interest revenue is recognised in profit or loss using the effective interest method. Dividend revenue is recognised when received or receivable.

Revenue arising from the rendering of services, i.e. management fee income earned are performed over time and, therefore, is recognised as the performance obligations identified are satisfied.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

3. Revenue (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Revenue from contracts with customers:				
Sale of Construction Materials	1 608 096	1 584 473	–	–
Sale of Industrial Minerals	632 623	514 291	–	–
Sale of Bulk Commodities	2 529 122	1 288 567	–	–
Rendering of Services	29 495	10 582	50 655	33 687
Revenue from contracts with customers	4 799 336	3 397 913	50 655	33 687
Timing of revenue recognition				
At a point of time	4 769 841	3 387 331	–	–
Over time*	29 495	10 582	50 655	33 687
	4 799 336	3 397 913	50 655	33 687
Revenue other than from contracts with customers:				
Group companies interest revenue	–	–	79 526	46 468
Group companies dividend revenue	–	–	225 721	689 698
Revenue other than from contracts with customers	–	–	305 247	736 166
Other revenue**	(119 258)	295 846	–	–
Total	4 680 078	3 693 759	355 902	769 853

* Group revenue recognised over time relates to the Construction Materials segment. Company revenue recognised over time relates to all segments within the Group.

** Provisional pricing arrangements, within the Bulk Commodities segment, introduce an element of market variability into the sales contract. These changes are out of the scope of IFRS 15 and as a result, the changes in the commodity prices are reflected as 'other revenue'.

4. Other income and expense items

4.1 Other income

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Recoveries	2 738	1 856	–	–
Rental income	4 942	4 431	–	–
Scrap sales	2 369	1 560	–	–
Other	2 692	3 985	1 873	696
Total	12 741	11 832	1 873	696

4.2 Other net gains and losses

Gains – financial assets at fair value through profit or loss	2 031	704	–	–
Gain recognised as a result of remeasuring the equity interest of the associate to fair value (refer note 12.1)	–	25 140	–	–
Gains on financial instruments	12 349	–	–	–
Compensation for loss of income	18 564	–	–	–
Foreign exchange gains	32 067	–	–	–
Foreign exchange losses	(15 687)	(17 998)	–	–
Gain on bargain purchase*	25 628	150 527	–	–
Profit/(loss) on sale of associate/ investments**	2 859	–	3 609	(53 735)
Total	77 811	158 373	3 609	(53 735)

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

** In the prior year, loss on sale of investments relates to the sale and purchase agreement between Afrimat Limited and Afrimat Bulk Commodities Proprietary Limited, relating to the internal restructuring of the UCP group.

In the current year, a gain on bargain purchase of R25,6 million (2021: R150,5 million) arose on the acquisition of Afrimat Mining Services Proprietary Limited, previously known as JEF Drill and Blast Proprietary Limited (2021: Nkomati Anthracite Proprietary Limited), refer note 12.1 for further disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

4. Other income and expense items (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
4.3 Profit on disposal of property, plant and equipment				
Profit on disposal of property, plant and equipment	7 904	375	-	-
Total	7 904	375	-	-
4.4 Impairments				
Impairment of property, plant and equipment (refer note 6.1)	13 341	-	-	-
Impairment of loan payable by subsidiary*	-	-	-	22 083
Impairment of other financial assets (refer note 7.3.1)	-	-	-	8 685
Impairment of investment in subsidiary (refer note 13)	-	-	-	28 258
Total	13 341	-	-	59 026

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

In the prior year, an impairment of R22,1 million was recognised, this has been reversed as a result of the measurement period adjustments, refer note 12.1 for further disclosures.

During the year, an attack by non-state armed groups occurred in the Palma District, Cabo Delgado province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared force majeure. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value.

An impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

4. Other income and expense items (continued)

4.5 Expenses by nature

Leases

Payments associated with short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Variable payments are determinable on a percentage of revenue recognised in profit or loss. It is the Group's policy to lease yellow equipment for certain projects as the need arises.

Some property leases contain variable payment terms that are linked to sales generated from the extract of certain minerals and aggregates from the quarries. The variable lease payments are determined on the basis of either a fixed rand/per tonne of stone extracted and sold from the quarry or as a fixed percentage of revenue generated from the sale of such product. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur. A 100,0% increase in sales across all quarries in the Group with such variable lease contracts would increase total lease payments by approximately R51,6 thousand (2021: R41,1 thousand).

Short-term employee benefits

The cost of short-term employee benefits (those expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, such as sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the related service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the operating profit after adjustments for non-operational activities, i.e. profit or loss on disposal of businesses, impairment of property, plant and equipment and impairment of goodwill, etc. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group						Company	
	2022			2021			2022	2021
	Cost of sales R'000	Operating expenses R'000	Total R'000	Cost of sales R'000	Operating expenses R'000	Total R'000	Operating expenses R'000	Operating expenses R'000
Lease charges (short-term, low value and variable lease payments not included in lease liabilities)	376 764	6 203	382 967	143 414	4 241	147 655	–	–
Premises								
Short-term	10 387	1 284	11 671	8 196	1 514	9 710	–	–
Variable lease payments	–	516	516	–	411	411	–	–
Equipment								
Short-term	366 123	–	366 123	135 057	–	135 057	–	–
Lease rentals – other								
Short-term	43	2 680	2 723	71	1 163	1 234	–	–
Low value	211	1 723	1 934	90	1 153	1 243	–	–
Amortisation of intangible assets	1 016	660	1 676	861	937	1 798	–	–
Depreciation of property, plant and equipment	256 381	38 766	295 147	179 991	27 587	207 578	–	–
Expected credit losses from related parties (refer note 7.3.2)	–	–	–	–	2 058	2 058	–	–
Expected credit losses from subsidiaries	–	–	–	–	–	–	–	35 060
Increase/(decrease) in provision for impairment of receivables	–	1 705	1 705	–	(8 599)	(8 599)	–	–
Increase in inventory provision for impairment	–	149	149	–	5 353	5 353	–	–
Inventory write-off to net realisable value	26 970	–	26 970	7 170	–	7 170	–	–
Repairs and maintenance	343 257	7 052	350 309	305 465	2 329	307 794	–	–
Royalties	74 095	6 897	80 992	83 585	415	84 000	–	–
Drilling and blasting	113 318	–	113 318	28 969	–	28 969	–	–
Cement	147 417	–	147 417	180 347	–	180 347	–	–
Fuel and diesel	280 775	391	281 166	163 543	319	163 862	–	–
External transport	373 853	–	373 853	308 147	–	308 147	–	–
Railage	193 715	–	193 715	177 703	–	177 703	–	–
Electricity	99 464	2 343	101 807	83 016	1 524	84 540	–	–
Audit fees	–	7 475	7 475	–	7 102	7 102	3 854	2 761
Audit	–	7 395	7 395	–	6 885	6 885	3 854	2 761
Other	–	80	80	–	217	217	–	–
Employee costs	471 729	358 329	830 058	397 556	301 623	699 179	42 059	29 405
Defined contribution plan contributions	29 826	23 095	52 921	25 956	21 462	47 418	1 240	908
Share-based payment expense	–	29 664	29 664	–	18 884	18 884	11 867	7 082
Short-term employee expenses	441 903	305 570	747 473	371 600	261 277	632 877	28 952	21 415
Consulting and legal fees	17 944	45 615	63 559	8 151	20 171	28 322	1 094	4 180
Access control	–	41 500	41 500	–	34 367	34 367	–	–
Insurance	1 740	19 392	21 132	2 695	18 855	21 550	–	329
Training	–	20 104	20 104	–	11 687	11 687	6	7
Other costs	188 148	133 115	321 263	163 950	140 906	304 856	12 519	12 402
Total	2 966 586	689 696	3 656 282	2 234 563	570 875	2 805 438	59 532	84 144

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

4. Other income and expense items (continued)

4.6 Finance income

Finance income is recognised in profit or loss using the effective interest method.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Bank	11 116	10 994	10 108	9 689
Other interest*	1 314	10 028	30	9 460
Total	12 430	21 022	10 138	19 149

* The decrease in this item is mainly attributable to the interest received from Unicorn Capital Partners Limited ('UCP') R3,9 million and Nkomati Anthracite Proprietary Limited ('Nkomati') R5,5 million, prior to the acquisition, recognised in the prior year.

4.7 Finance costs

Finance costs are calculated using the effective interest method and included in profit or loss.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Instalment sale agreements	10 680	10 331	–	–
Lease liabilities	(1 179)	3 787	–	–
Bank	27 623	11 842	22 110	5 533
SARS	168	12	–	–
Group companies loans	–	–	62 045	33 027
Environmental rehabilitation and dismantling	16 444	11 663	–	–
Other interest paid	1 544	656	–	11
Total	55 280	38 291	84 155	38 571

5. Income tax expense

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the Statement of Profit or Loss and Other Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Group operates and generates taxable income.

5. Income tax expense (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Major components of the tax expense				
Current				
Local income tax				
Current year	302 840	247 151	27	2 782
Prior year	48	(6 933)	–	–
	302 888	240 218	27	2 782
Deferred				
Deferred income tax				
Current year	(11 738)	25 266	(1 960)	(12 182)
	(11 738)	25 266	(1 960)	(12 182)
Total	291 150	265 484	(1 933)	(9 400)
Tax rate reconciliation				
Standard tax rate (%)	28,0	28,0	28,0	28,0
Permanent differences (%)	(0,7)	(2,5)	(28,8)	(29,7)
Non-deductible expenses (%)*	0,7	1,3	(0,3)	6,9
Share Appreciation Right Scheme expense realised (%)	(0,6)	(0,6)	(1,5)	(0,4)
Deferred tax not recognised in prior year utilised (%)	(1,0)	(5,1)	–	–
Deferred tax recognised in prior year – derecognised in current year (%)	–	0,1	0,7	–
Exempt income (%)**	(0,2)	(0,4)	(27,7)	(36,2)
Increase in unrecognised tax losses recognised in current year (%)	0,4	2,2	–	–
Effective rate (%)	27,3	25,5	(0,8)	(1,7)

* Includes legal fees, fines and penalties which are not in the production of income and thus non-deductible.

** Exempt income in the Company relates to dividends received from subsidiaries.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

5. Income tax expense (continued)

The effective tax rate of the Group, previously reported of 30,5% was restated to 25,5%, due to the recognition of the measurement period adjustment, a gain on bargain purchase of R150,5 million, refer note 12.1 for further disclosures.

For details on deferred tax, refer note 6.3.

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. The cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. When this initial estimate of costs is included in the cost of the item of property, plant and equipment, a corresponding provision is created for the obligation. The initial estimate of the expenditure required to settle the present obligation is determined using a current market-based discount rate.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The Right-of-use ('RoU') assets are measured at cost comprising the following: the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, estimate of costs to be incurred upon the dismantling and removal of an asset and the cost of purchasing the asset at the end of the lease term if it is reasonably certain. RoU assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment and RoU assets will be tested for impairment when there is an indication of impairment, in terms of IAS 36: *Impairment of Assets*.

For new leases the RoU asset will be the sum of: the amount of the initial measurement of the liability, any initial direct costs incurred by the Group, estimate of costs to be incurred upon the dismantling and removal of an asset and the cost of purchasing the asset at the end of the lease term if it is reasonably certain.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on the straight-line basis over their estimated useful lives or, in the case of RoU assets, the lease term if shorter, as follows:

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	1 to 20 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 15 years
Office and computer equipment	3 to 5 years
Dismantling costs	2 to 30 years
Mining assets	7 to 30 years
Stripping assets	Run of mine ('ROM')

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment, is included in profit or loss and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item at the date of derecognition.

Mining assets represent the future benefits in respect of acquiring mineral reserves and resources, and therefore classifies it as a tangible asset under property, plant and equipment. These are acquired through business combinations and are initially valued at the fair value of the resources obtained. These assets are tested annually for impairment. When the Group is able to mine, the undeveloped mining resources are depreciated as above.

When a transaction involving the acquisition of assets does not constitute a business as defined in IFRS 3, the Group shall account for the transaction as an asset acquisition within IAS 16: *Property, plant and equipment*. The Group has accounted for the acquisition of Coza Mining Proprietary Limited as an asset acquisition as it has been determined that the transaction is not a business in terms of IFRS 3. Therefore a mining asset relating to the mineral reserves and resources was accounted for at cost.

The useful life of the mining assets equals the estimated useful life of the mine. Depreciation of the capitalised costs of mining assets start at the time when the mining activities commence on the acquired mining assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Stripping assets are initially measured at cost and subsequently carried at cost or its revalued amount less accumulated depreciation and impairment losses. These assets derive as a result of the removal of overburden or waste material which is required to obtain access to the ore body. This reflects the fact that waste removal is necessary to gain access to the ore body and therefore realise future economic benefit. Mining costs associated with the removal of overburden are deferred to the extent that the actual stripping ratio of a component is higher than the expected average reserve life stripping ratio for that component. These assets are depreciated using the units-of-production method over the expected ROM that becomes more accessible as a result of the stripping activity and are charged to 'operating costs' in profit or loss. The average reserve life stripping ratio is calculated as the total cubes of waste material expected to be removed over the reserve life per tonne of ore extracted. A component has been identified as a geographically distinct ore body within a pit to which the stripping activities being undertaken within that component could be allocated. Where the pit profile is such that the actual stripping ratio is below the average reserve life stripping ratio no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead, this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The stripping ratios for each component are reassessed annually at the end of each reporting period. Any changes in such accounting estimates are adjusted in the year of reassessment and applied prospectively.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as such.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Extension and termination options in determining the lease term

In determining the lease period, management considers all facts and circumstances pertaining to the lease such as: the non-cancellable period, any periods covered by an option to extend or terminate. Extension or termination options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

The following factors are indicative that extension is most probable:

- Where mining rights and permits are awarded and the business is profitable, the Group is typically reasonably certain to extend the lease term; and
- Otherwise, the Group considers other factors including historical lease durations and business disruption required to replace the leased assets.

Impairment of property, plant and equipment

In management's assessment the following factors were considered in determining whether an indication of impairment exist:

- The current condition of the individual assets;
- Operational efficiencies;
- The operating relevance of the individual asset; and
- Residual value of the individual assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Accumulated depreciation/impairment			Carrying value		
	Cost	Cost	Carrying value	Cost	Cost	Carrying value
	2022	2022	2022	2021	2021	2021
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Land and buildings	156 130	(41 137)	114 993	143 868	(39 191)	104 677
Leasehold property	29 971	(16 691)	13 280	29 317	(12 970)	16 347
Plant and machinery	1 577 861	(653 840)	924 021	1 365 162	(563 581)	801 581
Motor vehicles	1 008 369	(501 261)	507 108	934 942	(459 568)	475 374
Office and computer equipment	55 061	(41 969)	13 092	46 231	(36 380)	9 851
Dismantling costs	30 121	(16 851)	13 270	32 696	(16 930)	15 766
Mining assets	1 226 219	(228 748)	997 471	882 162	(154 854)	727 308
Stripping assets	116 414	(31 754)	84 660	68 496	(6 758)	61 738
RoU assets	74 143	(45 590)	28 553	75 754	(40 903)	34 851
Total	4 274 289	(1 577 841)	2 696 448	3 578 628	(1 331 135)	2 247 493

Analysis of movements in carrying value:

	Opening carrying value	Additions	Additions through business combinations (refer note 12.1)	Reclassification	Disposals	Depreciation	Impairment	Closing carrying value
Group								
2022								
Land and buildings*	104 677	20 559	–	(2 500)	(4 513)	(3 296)	66	114 993
Leasehold property	16 347	670	–	–	(16)	(3 721)	–	13 280
Plant and machinery	801 581	226 563	–	87	(3 949)	(91 541)	(8 720)	924 021
Motor vehicles	475 374	123 713	–	(87)	(9 350)	(77 855)	(4 687)	507 108
Office and computer equipment	9 851	9 751	–	–	(302)	(6 208)	–	13 092
Dismantling costs	15 766	1 783	–	–	(4 358)	79	–	13 270
Mining assets	727 308	343 015	–	–	–	(72 852)	–	997 471
Stripping assets	61 738	47 919	–	–	–	(24 997)	–	84 660
RoU assets	34 851	8 473	–	–	(15)	(14 756)	–	28 553
Total	2 247 493	782 446	–	(2 500)	(22 503)	(295 147)	(13 341)	2 696 448
Group								
2021								
Land and buildings**	98 903	4 342	1 494	3 040	–	(3 102)	–	104 677
Leasehold property	16 619	2 953	–	–	–	(3 225)	–	16 347
Plant and machinery	652 216	100 225	124 739	–	(5 964)	(69 635)	–	801 581
Motor vehicles	407 619	134 883	1 401	–	(2 998)	(65 531)	–	475 374
Office and computer equipment	10 108	5 999	489	–	(7)	(6 738)	–	9 851
Dismantling costs	15 014	4 408	4 495	–	(8 612)	461	–	15 766
Mining assets	334 907	–	435 612	–	–	(43 211)	–	727 308
Stripping assets	–	32 268	36 227	–	–	(6 757)	–	61 738
RoU assets	36 133	8 509	49	–	–	(9 840)	–	34 851
Total	1 571 519	293 587	604 506	3 040	(17 581)	(207 578)	–	2 247 493

* During the current year the Group reclassified land to 'Non-current assets held for sale' as result of a sale transaction which the Group entered into.

** In the prior year 'Investment property' was reclassified to 'Property, plant and equipment' due to a change in use.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (refer note 7.3.4).

	Group	
	2022 R'000	2021 R'000
Carrying value of assets pledged as security:		
Plant and machinery	98 836	94 655
Motor vehicles	215 479	194 967
Office and computer equipment	11	25
Total	314 326	289 647

Included in additions are plant, equipment and motor vehicles with a total cost of R173,5 million (2021: R91,7 million), which were financed and recognised as instalment sale agreements in borrowings (refer note 7.3.4).

Included in disposals are plant and equipment with a cost of R87,1 thousand (2021: R13,8 million) and accumulated depreciation of R60,4 thousand (2021: R11,7 million), which had no further economical value and have been removed from the register.

During the year an attack by non-state armed groups occurred in the Palma District, Cabo Delgado province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared force majeure. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value.

An impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

Depreciation expense of R256,3 million (2021: R180,0 million) has been charged in 'cost of sales' and R38,8 million (2021: R27,6 million) in 'operating expenses'.

Leases:

	Group	
	2022 R'000	2021 R'000
Carrying value of RoU assets:		
Land and buildings	28 044	26 539
Equipment	509	3 380
Motor vehicles	–	4 932
Total	28 553	34 851

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Group	
	2022 R'000	2021 R'000
Depreciation charge of RoU assets:		
Land and buildings	6 968	6 419
Equipment	1 700	662
Motor vehicles	6 088	2 759
Total	14 756	9 840
Additions of RoU assets:		
Land and buildings	8 473	5 225
Motor vehicles	–	3 284
Total	8 473	8 509

For additional disclosures on the lease expense, interest expense and lease liability refer notes 4.5, 4.7 and 7.3.4, respectively.

Covid-19 related rent concessions:

The Group did not have any rent concessions, and therefore did not apply the practical expedient made available by the amendment to IFRS 16 in May 2020, to all rent concessions that meet the conditions in paragraph 46B of IFRS 16. This would have allowed amounts by which lease payments were reduced to be recognised in profit and loss in the period the concession was granted.

Non-current assets held for sale:

	Group	
	2022 R'000	2021 R'000
Land and buildings	20 050	–

During the year, the Group made the decision to sell a vacant land and office building. These assets form part of the acquisition of Afrimat Mining Services Proprietary Limited, refer note 12.1. A sale agreement was entered into between Afrimat Mining Services Proprietary Limited and Baughan Proprietary Limited, was and concluded on 8 October 2021 and is expected to be finalised by 30 August 2022. The land and building has been measured at its fair value less costs to sell of R17,5 million.

Furthermore, another sale agreement between Rodag Holdings Proprietary Limited and Grain Carriers Proprietary Limited was concluded on 28 February 2022, to sell a land. The land was originally purchased for use within the KwaZulu-Natal operations. This sale is expected to be finalised by 31 May 2022. The carrying value of the land is R2,5 million.

Both these assets are included within the total assets of the Construction Materials segment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Fair value measurement:

Land and buildings classified as held for sale have been measured at the lower of its carrying value and fair value less costs to sell at the time of reclassification. No impairment arose on the reclassification of these assets. The fair value of the assets were determined using prices and other relevant information available by market transactions involving identical or comparable assets. This is a level 3 measurement in terms of the fair value hierarchy.

6.2 Intangible assets

Goodwill is carried at cost less any accumulated impairment.

At the acquisition dates, goodwill is allocated to each of the CGUs expected to benefit from a business combination. An impairment is determined by assessing the recoverable amount of the CGU to which goodwill relates. The recoverable amount is either determined as the value-in-use of each CGU or fair value less cost to sell. Value-in-use is calculated by estimating the expected future cash flows in each unit and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Where the recoverable amount of the CGU is less than the carrying amount of the unit, an impairment loss is recognised in profit or loss beginning with the write-off of the goodwill allocated to such CGU. Where the goodwill is insufficient to cover the amount of the impairment adjustment, the remaining assets in the CGU are impaired on a pro rata basis.

Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the end of the reporting period.

In assessing value-in-use the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or to the CGU.

Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

For mining rights, amortisation is provided to write down the cost of the mining rights, less their residual values, on the straight-line basis over their useful lives as follows:

Mining rights	20 to 30 years
Surface right	2 years

Purchasing rights relate to ash dumps to which the Group has exclusive rights to utilise and process until the dumps are exhausted.

The amortisation on the purchasing right has been depleted during the prior year. The amortisation charge is recognised as an expense in profit or loss. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These charges are accounted for as a change in estimate.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Impairment of goodwill

Goodwill was allocated to CGUs. The carrying value of goodwill is assessed for impairment using a discounted cash flow methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure.

	Group					
	Cost 2022 R'000	Accumulated amortisation/ impairment 2022 R'000	Carrying value 2022 R'000	Cost 2021 R'000*	Accumulated amortisation/ impairment 2021 R'000	Carrying value 2021 R'000*
Goodwill*	239 077	(38 575)	200 502	239 077	(38 575)	200 502
Mining rights	24 188	(16 495)	7 693	24 188	(14 905)	9 283
Surface right	5 226	(86)	5 140	–	–	–
Purchasing right	9 983	(9 983)	–	9 983	(9 983)	–
Total	278 474	(65 139)	213 335	273 248	(63 463)	209 785

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

Analysis of movements in carrying value:

	Group			
	Opening carrying value R'000	Additions R'000	Amorti- sation R'000	Closing carrying value R'000
2022				
Goodwill	200 502	–	–	200 502
Mining rights	9 283	–	(1 590)	7 693
Surface right	–	5 226	(86)	5 140
Total	209 785	5 226	(1 676)	213 335

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	Group			
	Opening carrying value R'000	Additions R'000	Amortisation R'000	Closing carrying value R'000
2021				
Goodwill*	200 502	–	–	200 502
Mining rights	9 447	1 357	(1 521)	9 283
Purchasing right	277	–	(277)	–
Total	210 226	1 357	(1 798)	209 785

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods varies between six and 16 years (2021: seven and 17 years). An amortisation expense of R1,0 million (2021: R0,9 million) has been charged to 'cost of sales' and R0,7 million (2021: R0,9 million) has been charged to 'operating expenses'.

During the current year, the Group acquired a surface right at its Nkomati Anthracite mine with a definite life of two years.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Goodwill acquired through business combinations has been allocated to CGUs as follows:

	Group	
	2022 R'000	2021 R'000*
Afrimat Aggregates (KZN) Proprietary Limited	16 878	16 878
Rodag Holdings Proprietary Limited	1 058	1 058
Afrimat Aggregates (Operations) Proprietary Limited	10 955	10 955
Afrimat Aggregates (Eastern Cape) Proprietary Limited	39 267	39 267
Clinker Supplies Proprietary Limited	26 105	26 105
Sunshine Crushers Proprietary Limited	5 723	5 723
Glen Douglas Dolomite Proprietary Limited	801	801
Afrimat Lyttelton Proprietary Limited**	1 787	1 787
Cape Lime Proprietary Limited	57 456	57 456
Afrimat Iron Ore Proprietary Limited***	40 472	40 472
	200 502	200 502

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

** Previously known as Infradors Holdings Proprietary Limited.

*** Previously known as Afrimat Demaneng Proprietary Limited.

The recoverable amount has been determined using value-in-use calculations using a discounted cash flow methodology. These cash flows were based on forecasts which included assumptions as disclosed in the table below.

Assumptions used in discounted cash flow methodology

Financial budgets approved by management are used to calculate the cash flow projections for a five-year period, considering the impact of Covid-19.

Assumption	Approach used to determine values
Sales volume	An annual average growth rate extended over the five-year forecast period is used; this is based on past performance and management's expectations of market development, which is between the range of 4,0% to 6,0% (2021: 4,0% to 6,0%).
Budgeted gross margin	Based on past performance and management's expectations for the future, which is between the range of 4,0% to 6,0% (2021: 4,0% to 6,0%).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Other operating costs	These costs are forecasted by management adjusted for inflationary increases, non-cash flow items and once-off isolated expenses. These costs will generally reflect the fixed costs which are not expected to vary significantly with sales volumes or prices, which is between the range of 4,0% to 6,0% (2021: 4,0% to 6,0%).
Annual capital expenditure	Expected capital expenditure approved by the Board of directors for planned refurbishment. This is determined based on historical experience and expectations set by management, which is between the range of 4,0% to 6,0% (2021: 4,0% to 6,0%).
Medium-term growth	This is the weighted average growth rate, used to extrapolate the cash flows over the budgeted period, of 4,6% (2021: 5,3%).
Pre-tax discount rate	This is a discount rate determined by the Group that best reflects the specific risks relating to the CGUs against an adjusted market estimate of the weighted average target cost of capital structure of the Group. A rate of 12,6% (2021: 13,3%) has been applied.

Based on management's assessment no impairments were identified during the current year.

Significant estimate: impact on possible changes in key assumptions

A sensitivity analysis on assumptions used in the discounted cash flow has been done. The recoverable amounts of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited, would equal its carrying value amount if the key assumptions were to change as follows:

	2022		2021	
	From	To	From	To
Afrimat Aggregates (Eastern Cape) Proprietary Limited				
Medium-term growth	4,6%	3,6%	5,3%	3,5%
Pre-tax discount rate	12,6%	17,8%	13,3%	17,6%
Afrimat Aggregates (Operations) Proprietary Limited				
Medium-term growth	4,6%	3,6%	N/A	N/A
Pre-tax discount rate	12,6%	14,7%	N/A	N/A

The recoverable amount of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited, is estimated to exceed its carrying amount at 28 February 2022 by R36,2 million and R131,8 million (2021: R251,7 million and RNil), respectively.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Management has considered and assessed possible changes for the other assumptions and has not identified any instances that could cause the carrying amount of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited, to exceed its recoverable amount, therefore no impairment has been recorded. Should changes in the medium-term growth and pre-tax discount rate be greater than the rates stated above, it may cause the carrying amount to exceed the recoverable amount and therefore result in an impairment to be recognised.

6.3 Deferred tax

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred tax assets

Deferred tax assets are only recognised on tax losses which are expected to be offset against future taxable income in the foreseeable future.

	Group		Company	
	2022 R'000	2021 R'000*	2022 R'000	2021 R'000
Accelerated capital allowances for tax purposes*	(189 130)	(251 619)	–	–
Accruals*	40 396	15 669	14 501	13 080
Provisions*	74 263	67 983	–	–
Tax losses available for set-off against future taxable income*	212 162	176 048	–	–
Share-based payments	37 007	14 837	11 200	4 678
Fair value adjustments	(98 820)	(6 702)	–	–
Mining assets*	(140 163)	(159 332)	–	–
Other	(37 414)	(12 011)	–	(7)
Lease liabilities*	12 494	11 394	–	–
	(89 205)	(143 733)	25 701	17 751

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group								
	February 2021			Recognised in profit or loss R'000	Recognised directly in equity R'000	Business combinations (refer note 12.1) R'000	February 2022		
	Assets R'000*	Liabilities R'000	Total R'000*				Assets R'000	Liabilities R'000	Total R'000
Accelerated capital allowances for tax purposes*	(24 274)	(227 345)	(251 619)	62 489	–	–	76 769	(265 899)	(189 130)
Accruals*	50 022	(34 353)	15 669	24 727	–	–	45 239	(4 843)	40 396
Provisions*	28 055	39 928	67 983	6 280	–	–	34 183	40 080	74 263
Tax losses available for set-off against future taxable income*	168 378	7 670	176 048	15 057	–	21 057	202 324	9 838	212 162
Share-based payments	11 744	3 093	14 837	352	21 818	–	21 793	15 214	37 007
Fair value adjustments	–	(6 702)	(6 702)	(92 033)	(85)	–	(309)	(98 511)	(98 820)
Mining assets*	13 001	(172 333)	(159 332)	19 169	–	–	(19 344)	(120 819)	(140 163)
Other	(252)	(11 759)	(12 011)	(25 403)	–	–	(2 811)	(34 603)	(37 414)
Lease liabilities*	3 167	8 227	11 394	1 100	–	–	2 995	9 499	12 494
Total	249 841	(393 574)	(143 733)	11 738	21 733	21 057	360 839	(450 044)	(89 205)

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

	Company								
	February 2021			Recognised in profit or loss R'000	Recognised directly in equity R'000	February 2022			
	Assets R'000	Liabilities R'000	Total R'000			Assets R'000	Liabilities R'000	Total R'000	
Accruals	13 080	–	13 080	1 421	–	–	14 501	–	14 501
Other	(7)	–	(7)	7	–	–	–	–	–
Share-based payments	4 678	–	4 678	532	5 990	–	11 200	–	11 200
Total	17 751	–	17 751	1 960	5 990	–	25 701	–	25 701

The Group has estimated income tax losses and capital tax losses available of R932,3 million (2021: R935,9 million) and R52,6 million (2021: R52,6 million), respectively. Included in the assessed tax losses were R174,6 million (2021: R874,3 million) and R52,6 million (2021: R52,6 million) relating to income and capital tax losses, respectively, which are available for set-off against future taxable income, but due to the improbability of the realisation of related tax benefits, these assets were not raised. Included in the income tax losses is R653,1 million relating to the income tax losses of Nkomati Anthracite Proprietary Limited. The deferred tax asset includes an asset of R212,0 million (2021: R17,2 million) relating to assessed tax losses carried forward. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plan and budgets. The impact of Covid-19 on estimated future taxable income had no impact on the recoverability of the deferred tax asset.

Corporate income tax rate

The 2022 budget speech, delivered on 23 February 2022, announced that the corporate income tax rate will be reduced to 27% (from 28%) with effect for years of assessment ending on or after 31 March 2023. Therefore the new corporate income tax rate will be applicable to the Group for the year ended F2024.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of the inventories is assigned using the first-in, first-out ('FIFO') method, except for consumable stores the cost of which is determined on the weighted average basis.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Provision for stock obsolescence

The Group recognises a provision for stock obsolescence based on the determination of excess stock on hand as well as damaged and unusable items.

A provision for stock obsolescence is calculated as follows:

Aggregates, industrial minerals and clinker	100% if older than 24 months
Commodities	100% if older than 24 months
Concrete manufactured products	100% if older than 12 months
Production supplies	100% if older than 36 months
Raw materials	100% if older than 12 months

Measurement of stockpile quantities

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. This is determined using assumptions such as densities and sizes which are based on studies, historical data and industry norms. Stockpile tonnages are verified by periodic surveys of which year-end surveys are performed by external service providers.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
The amounts attributable to the different categories are as follows:				
Raw materials, components	253 985	42 920	-	-
Finished goods	260 663	199 129	-	-
Production supplies	70 447	53 673	-	-
Total	585 095	295 722	-	-
Allowance for inventory obsolescence:				
Finished goods	(11 979)	(13 948)	-	-
Production supplies	(4 850)	(2 732)	-	-
Total	568 266	279 042	-	-

6. Non-financial assets and liabilities (continued)

6.4 Inventories (continued)

Inventory write-off to net realisable value amounted to R26,9 million (2021: R7,2 million) and was included in 'cost of sales' in the Statement of Profit or Loss and Other Comprehensive Income.

The total amount of inventory recognised as an expense is R721,8 million (2021: R600,9 million) and was recognised in 'cost of sales'.

As per the SENS announcement on 9 December 2021, the increase in raw materials relates to phosphate stockpiles acquired by the Group, R215,1 million, from Glenover. This was purchased as part of a sale of asset agreement with Glenover, separate from the sale of shares agreement. Refer note 18 for further details.

6.5 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Group policy is that environmental rehabilitation and dismantling estimates will be reviewed annually and be reassessed by independent consultants every three years.

Group companies are required to restore quarry and manufacturing sites at the end of their productive lives to a condition acceptable to the relevant authorities.

Annual estimates are made in determining the present obligation of decommissioning and quarry rehabilitation provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of decommissioning and quarry rehabilitation provisions. Estimates are based on costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

The expected increase or decrease in the cost of any rehabilitation programme, discounted to its net present value, is charged as an expense in the year in which the increase or decrease occur and is included in 'cost of sales'. The increase or decrease in the net present value of the expected cost is included in 'finance costs'.

Where a closure and environmental obligation arises from mine development activities, the costs are capitalised as part of the cost of the item of property, plant and equipment.

Key assumptions used by management in valuation of rehabilitation and dismantling provisions:

	2022	2021
Assumptions	Life-of-Mine	Life-of-Mine
Values	7 to 30 years	7 to 30 years
Medium-term growth	5,70%	5,30%
Pre-tax discount rate	7,10%	8,00%

Quantifying the future costs of these obligations is complex and requires various estimates to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the DMRE, have been used to estimate future rehabilitation costs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

The carrying value of the rehabilitation and dismantling provision is sensitive to assumptions and estimates used in its calculation. If the discount rate of 7,1% (2021: 8,0%) had been 0,8% higher than management's estimate, the Group would have decreased the provisions by R23,7 million. However, if the discount rate had been 0,8% lower than management's estimate, the Group would have increased the provisions by R28,1 million.

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2020	120 343	32 405	152 748
Acquired through business combination (refer note 12.1)	74 180	4 495	78 675
Discount unwinding	11 663	–	11 663
Reversed during year	(10 533)	(8 612)	(19 145)
Additions	10 793	4 408	15 201
Total changes	86 103	291	86 394
Balance at 1 March 2021	206 446	32 696	239 142
Discount unwinding	16 444	–	16 444
Reversed during year	(20 749)	(4 358)	(25 107)
Additions	32 990	1 783	34 773
Total changes	28 685	(2 575)	26 110
Balance at 28 February 2022	235 131	30 121	265 252

The Group appointed Site Plan Consulting Proprietary Limited ('SPC') as its independent expert for determining closure cost. SPC has applied an 'individual disturbance, unit-based' calculation, based on measurement of actual ('ground-truthed') disturbances, as an alternative quantum calculation to the DMRE Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for IFRS reporting purposes. The DMRE guideline is used when calculating the liability for submission to the DMRE.

Key assumptions used by SPC:

Rehabilitation of access roads	R7,14/m ²
Buttress blasting	R1 000/linear metre
Rehabilitation of overburden and spoils	R130 760/hectare ('ha')
General surface rehabilitation	R63 746/ha
Two to three years of maintenance and aftercare	R6 342/ha
Discount rate	8,0%

These assumptions were unchanged and are consistent with that which were used in the prior year.

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

On 20 November 2015, the Financial Provisioning Regulations ('FPR'), (GNR1147) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the National Environmental Management Act, 1998 ('NEMA'). After promulgation of the FPR, the Department of Environmental Affairs ('DEA') met with various stakeholders who sought clarification on a number of issues. This resulted in revised draft regulations pertaining to the financial provision for prospecting, exploration, mining or production operations which were issued on 10 November 2017 (GNR1228). The FPR (GNR1147) are currently valid and in force and the final implementation date is 19 June 2022.

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 7,1% (2021: 8,0%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums during the prior year.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMRE to the amount of R412,2 million (2021: R254,8 million) (refer note 17). Funds to the amount of R69,7 million (2021: R62,5 million) have been invested in environmental insurance policies and R3,4 million (2021: R3,0 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer note 7.1 and 7.2).

7. Financial assets and liabilities

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 439	3 046	–	–
Financial assets at fair value through profit or loss (refer note 7.2)	70 329	63 103	–	–
Financial assets at amortised cost (refer note 7.3.1)	18 218	14 191	–	–
	91 986	80 340	–	–
Current assets				
Financial assets at amortised cost (refer note 7.3.1)	1 732	–	–	–
	1 732	–	–	–
Total other financial assets	93 718	80 340	–	–

The Group classifies its financial assets in categories dependent on the purpose for which the financial

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

assets were acquired. Management determines the classification of its financial assets at initial recognition.

7. Financial assets and liabilities (continued)

7.1 Financial assets at fair value through other comprehensive income

Investments in equity instruments measured at FVOCI are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are added to the initial carrying amount for those investments. Investments in equity instruments are subsequently measured at FVOCI.

The gains or losses which accumulated in equity in the 'fair value reserve' for equity investments at FVOCI are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Financial assets at fair value through other comprehensive income ('FVOCI') comprise equity securities not held for trading and which the Group irrevocably elected on initial recognition, to designate as at fair value through other comprehensive income.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	74	41	–	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	3 365	3 005	–	–
Total financial assets at fair value through other comprehensive income	3 439	3 046	–	–

Environmental funds were established to fund the cost of rehabilitation on closure of certain of the Group's mines.

Refer note 21 for details of fair value estimation.

7.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ('FVPL') comprise:

- Equity investments held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Investments in equity instruments measured at FVPL are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are recognised through profit or loss. Investments in equity instruments are subsequently measured at FVPL.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented net within 'other net gains and losses'.

7. Financial assets and liabilities (continued)

7.2 Financial assets at fair value through profit or loss (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Non-current assets				
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	610	614	–	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	50 979	49 210	–	–
Liberty Life New Growth Rehabilitation Plan Trust	18 740	13 279	–	–
Total financial assets at fair value through profit or loss	70 329	63 103	–	–

The Group invested an amount in a Centriq Mining Rehabilitation Guarantee Insurance Policy to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall, Demaneng and Delf mining sites (refer note 6.5).

The Liberty Life New Growth Rehabilitation investments were established to fund the cost of rehabilitation on closure of the Group's iron ore mine.

The Cadiz Enterprise Development Investment is an upfront investment which counts towards the Group's enterprise development score. This investment was acquired as part of the Cape Lime acquisition.

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R2,0 million (2021: R0,7 million) was allocated to 'other net gains and losses' in profit or loss, refer note 4.2.

Refer note 21 for details of fair value estimation and note 10 for disclosures on financial risk management.

7.3 Financial assets and liabilities at amortised cost

7.3.1 Other financial assets at amortised costs

Financial assets at amortised cost comprise assets held for collection of contractual cash flow comprising solely payments of principal and interest.

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus direct transaction costs, if any.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.1 Other financial assets at amortised costs (continued)

Interest on these financial assets is calculated using the effective interest method and recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of 'finance income'.

The Group recognises a loss allowance for expected credit losses ('ECL') on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses ('lifetime ECL') when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, the loss allowance for that loan is measured at 12-month expected credit losses ('12-month ECL').

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Non-current assets				
Enterprise and supplier development loans	18 218	14 191	–	–
Current assets				
Enterprise and supplier development loans	1 732	–	–	–
Total other financial assets at amortised cost	19 950	14 191	–	–

As part of Afrimat's commitment to achieve sustainable growth and having an impact on the communities we operate in, the Group provides local enterprise and supplier development loans to local qualifying enterprises. Majority of these loans have been provided by Afrimat Iron Ore Proprietary Limited (previously known as Afrimat Demaneng Proprietary Limited) to local qualifying enterprises. These loans bears no interest and are payable between 10 and 48 monthly instalments.

The counterparties have a low risk of default with no amount past due. The expected credit loss has been determined over a 12-month period, resulting in expected credit loss identified being immaterial.

The fair values of other financial assets at amortised cost are considered to be equal to the carrying value due to their short-term nature.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. They are subsequently measured at amortised costs using the effective interest method, because their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

The Group applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group makes use of a provision matrix as a practical expedient to the determination of ECL on trade and other receivables. Trade receivables have been grouped with relation to the credit quality of the customers. The expected loss rate is based on the historical payment of sales, as well as credit losses experienced during a 12-month period before reporting date. The historical loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors that may affect the ability of customers to settle the debt outstanding. The Group has identified the gross domestic product ('GDP') of South Africa to be the most relevant factor and accordingly adjusted the historical loss rate based on expected changes in the GDP. When there is no expectation to recover additional cash, the receivable is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other income' in the Statement of Profit or Loss and Other Comprehensive Income.

A significant increase in credit risk is indicated when:

- (1) the debtor has missed at least one payment (i.e. 30/60 days past due); and
- (2) any other economic indicators (i.e. national/global occurrences).

The quantitative criterion of credit impairment is when receivables are more than 90 days past due on their contractual payments which is a rebuttable presumption in IFRS 9.

Expected credit loss allowance is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The ECL is included in 'other operating expenses' in profit or loss as a movement in credit loss allowance.

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Provisionally priced receivables included within the trade receivables of Afrimat Iron Ore Proprietary Limited (previously known as Afrimat Demaneng Proprietary Limited) are exposed to future IODEX price movements. A financial asset host that is within the scope of IFRS 9 is not assessed for embedded derivatives, because the solely payments of principal and interest (SPPI) criterion is applied to the entire hybrid contract to determine the appropriate measurement category. The exposure of provisionally priced trade receivables to future IODEX price fluctuations will fail the SPPI criteria and are therefore measured at fair value through profit or loss from the date of recognition up until date of settlement.

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FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables

When assessing the loss allowance for inter-group loans, other financial assets and net investment in lease, the Group applies the General Model by firstly assessing which stage of the three-stage model the financial asset falls into and secondly calculating this loss taking into account the exposure, probability and expected loss accordingly. The stages applied are:

- (1) A performing asset – a 12-month expected credit loss is calculated;
- (2) Increased credit risk – lifetime expected credit loss is calculated; or
- (3) Credit impaired – lifetime expected credit loss is calculated.

Trade and other receivables

ECL of trade and other receivables requires the consideration of historical default rates and forward-looking information. The Group applies the practical expedient in using the provision matrix and a forward-looking factor.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Trade receivables at amortised cost	436 348	385 013	10 369	9 049
Less: Allowances for credit losses	(8 961)	(7 256)	–	–
Trade and other receivables at fair value through profit or loss*	265 329	265 405	–	–
Trade receivables – net	692 716	643 162	10 369	9 049
Loans to related parties	–	8 608	–	–
Other receivables	24 086	18 658	460	858
Trade and other receivables – financial assets (refer note 10)	716 802	670 428	10 829	9 907
Prepayments and value-added taxation**	76 541	25 508	1 080	290
Total trade and other receivables	793 343	695 936	11 909	10 197

* Trade receivables at fair value through profit or loss relates to the customer, Kumba International Trading S.A.R.L., refer note 21, for further details on fair value methodology.

** The increase relates to value-added taxation balance of R44 million receivable by the Group.

In the prior year, the loans to related parties include loans made by the Group to the Group's joint venture and the Group's associate, Pemba Aggregates Limitada and Ikapa Quarries Proprietary Limited, respectively. The Pemba Aggregates Limitada receivables bore interest at Libor +1,5% in the prior year, no interest has been charged on these receivables during the current year, and have no fixed repayment terms. Ikapa Quarries Proprietary Limited receivables had no fixed repayment terms and bore interest at prime, these loans have been transferred to 'other financial assets' as a result of the sale of associate which occurred during the current year. Refer note 14 for further details.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

In FY2020, the Pemba Aggregates Limitada loan was considered to be in Stage 2 (in terms of credit risk classification) and a loss equivalent to a lifetime ECL is required to be held under IFRS 9. This was due to a significant increase in credit risk as a result of a decline in sales in the prior financial year. In calculating the expected credit loss rates, the Group considered a 100,0% (2021: 100,0%) probability of default in terms of the Global Corporate Average Cumulative Default Rates with a CCC/C investment grade as appropriate in the prior year. A loss given default rate of 100,0% (2021: 100,0%) was deemed appropriate in calculating the respective ECL. An ECL of RNil (2021: R2,1 million) was recognised in profit or loss.

The other receivables comprising deposits have a low risk of default, with no amount past due. The ECL has been determined over a 12-month period, resulting in a ECL identified being immaterial.

Trade receivables to the amount R653,1 million (2021: R525,6 million) served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4. At the date of this report, the Group initiated the process of dissolving the SPV.

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. The collateral in place includes an insurance policy covering credit losses greater than R5,0 million. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, are continuously monitored.

Two of the Group's largest customers, Kumba International Trading S.A.R.L and Glencore Operations South Africa Proprietary Limited, accounted for approximately 30,8% and 6,8% of net sales (2021: 41,0% and Nil%) which represents 35,2% and 4,2% of the trade and other receivables balance outstanding (2021: 40,0% and Nil%), respectively. There are no other significant concentration of customer credit risk.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	Group			
	Estimated gross carrying amount at default 2022 R'000	Loss allowance (lifetime expected credit loss) 2022 R'000	Estimated gross carrying amount at default 2021 R'000	Loss allowance (lifetime expected credit loss) 2021 R'000
Expected credit loss rate:				
Not past due: 0,1% (2021: Nil%)	248 156	(244)	169 059	(45)
Less than 30 days past due: 5,1% (2021: Nil%)	60 479	(3 065)	93 937	(7)
31 – 60 days past due: 0,6% (2021: 1,0%)	119 699	(661)	80 337	(785)
61 – 90 days past due: 100,0% (2021: 0,3%)	824	(824)	22 175	(75)
91 – 120 days past due: 37,4% (2021: 3,9%)	4 826	(1 803)	9 936	(391)
More than 120 days past due: 100,0% (2021: 62,2%)	2 364	(2 364)	9 569	(5 953)
Total	436 348	(8 961)	385 013	(7 256)

The following table shows the movement in the loss allowance (lifetime ECL) for trade and other receivables:

	Group	
	2022 R'000	2021 R'000
Opening balance	7 256	15 855
Amounts recovered	(211)	(2 237)
Provision raised on new trade receivables	4 997	5 501
Provisions reversed on settled trade receivables	(3 081)	(11 863)
Closing balance	8 961	7 256

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Loans to related parties and other trade receivables are assessed on an individual basis and considered to be low risk of default, due to parties having sufficient access to high liquid assets at year-end. The expected credit loss has been determined over a 12-month period, and the identified credit loss was immaterial.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Rand	479 450	309 387	11 909	10 197
Meticais	21 959	106 941	–	–
US Dollar	291 934	279 608	–	–
	793 343	695 936	11 909	10 197

The fair values of 'trade and other receivables at amortised cost' are considered to be equal to the carrying value due to their short-term nature. Refer note 21 for details of fair value estimation on 'trade and other receivables at fair value through profit or loss'.

7.3.3 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value; these are classified as financial assets measured at amortised cost.

For purposes of the cash flow statements, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

Bank overdrafts are classified as financial liabilities at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Cash and cash equivalents consist of:				
Cash on hand	246	212	-	-
Bank balances	274 650	856 731	19 927	186 437
Short-term bank deposits	15 737	14 117	-	-
Bank overdraft	(1 805)	(433 807)	-	(125 190)
	288 828	437 253	19 927	61 247
Current assets	290 633	871 060	19 927	186 437
Current liabilities	(1 805)	(433 807)	-	(125 190)
	288 828	437 253	19 927	61 247

An unlimited omnibus securityship between Group companies was provided to The Standard Bank of South Africa Limited ('SBSA') for the Group overdraft facility.

The overdraft bears interest on a negotiated rate based on prime and payable on demand. Refer note 7.3.4 for the Group's undrawn facilities.

The cash and cash equivalents disclosed above and in the Statement of Cash Flows include R15,8 million and R13,0 thousand (2021: R49,0 million and R25,0 thousand) which are held by Afrimat Mozambique Limitada and Afrimat Logistic Limitada, respectively. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

Refer note 10 for details on the credit quality of cash and cash equivalents.

The fair values of cash and cash equivalents are considered to be equal to the carrying value due to their short-term nature.

7.3.4 Borrowings

Borrowings are classified as financial liabilities subsequently measured at amortised cost. The liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

Leases are recognised as a RoU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of one year to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- exclude variable lease payments;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Non-current liabilities				
Medium-term loans	-	176 000	-	176 000
Instalment sale agreements	110 785	82 092	-	-
Lease liabilities	38 592	43 088	-	-
	149 377	301 180	-	176 000
Current liabilities				
Medium-term loans	375 748	106 080	350 000	44 000
Instalment sale agreements	111 668	97 648	-	-
Lease liabilities	7 033	8 993	-	-
	494 449	212 721	350 000	44 000
Total borrowings	643 826	513 901	350 000	220 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	282 080	44 401	220 000	-
Borrowings raised	1 100 998	410 946	1 097 000	220 000
Repayments	(1 007 330)	(173 267)	(967 000)	-
Closing balance	375 748	282 080	350 000	220 000
Instalment sale agreements				
Capital reconciliation of instalment sale agreements was as follows:				
Opening balance	179 740	198 726	-	-
Additions through business combinations (refer note 12.1)	-	2 802	-	-
Borrowings raised	173 503	91 660	-	-
Repayments	(130 790)	(113 448)	-	-
Closing balance	222 453	179 740	-	-
Lease liabilities				
Capital reconciliation of lease liabilities was as follows:				
Opening balance	52 081	52 705	-	-
Additions	8 473	8 509	-	-
Finance cost	(1 179)	3 787	-	-
Lease payments	(13 750)	(12 920)	-	-
Closing balance	45 625	52 081	-	-
Total borrowings	643 826	513 901	350 000	220 000

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Minimum payments due on instalment sale agreements and lease liabilities are as follows:				
Within one year	131 960	118 280	-	-
In second to fifth year inclusive	145 969	124 945	-	-
More than five years	23 980	20 415	-	-
	301 909	263 640	-	-
Future finance charges	(33 831)	(31 819)	-	-
Present value of minimum payments	268 078	231 821	-	-
Analysis of present value of minimum payments due:				
Within one year	118 701	106 641	-	-
In second to fifth year inclusive	131 069	110 770	-	-
More than five years	18 308	14 410	-	-
	268 078	231 821	-	-
Analysis as per Statement of Cash Flows:				
Total opening balance borrowings	513 901	295 832	220 000	-
Borrowings raised	880 998	410 946	877 000	220 000
Borrowings raised – non-cash	401 976	102 971	220 000	-
Medium-term loans	220 000	-	220 000	-
Instalment sale agreements (refer to note 6.1)	173 503	91 660	-	-
Additions through business combinations (refer note 12.1)	-	2 802	-	-
Lease liabilities (refer to note 6.1)	8 473	8 509	-	-
Repayments	(931 870)	(295 848)	(747 000)	-
Instalment sale agreements and medium-term loans	(918 120)	(286 715)	(747 000)	-
Lease liabilities	(13 750)	(9 133)	-	-
Repayments – non-cash	(221 179)	-	(220 000)	-
Medium-term loans	(220 000)	-	(220 000)	-
Lease liabilities	(1 179)	-	-	-
Total closing balance borrowings	643 826	513 901	350 000	220 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

The following covenants are applicable to the general banking facilities

The Group shall ensure that the following financial covenants will be met:

	Targets	Achieved
– Net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') ratio shall not exceed target;	2,25	0,3
– EBITDA to finance charges ratio shall at all times exceed target;	3,5	19,5
– Debt service cover ratio shall at all times exceed target;	1,2	1,6
– Guarantor EBITDA ratio shall at all times exceed target; and	90,0%	123,1%
– Guarantor total assets ratio shall at all times exceed target.	90,0%	96,8%

In December 2021, the Group acquired a R500,0 million revolving credit facility with SBSA and ABSA Group Limited ('ABSA'). An amount of R350,0 million was utilised as at 28 February 2022. The loan bears interest linked to the three-month Jibar overnight deposit rate plus 1,7% payable within three months from date of utilisation of the facility.

In the prior year, the Group acquired a R300,0 million five-year term facility with SBSA and Rand Merchant Bank ('RMB'). An amount of R220,0 million was utilised on 19 February 2021. The loan bore interest linked to the three-month Jibar overnight deposit rate plus 2,25%. The loan has been repaid.

In the current year, the Group renewed its \$4,0 million revolving credit facility for a further 18 months, of which \$1,7 million (2021: \$3,9 million) was drawn, with Standard Bank (Mauritius) Limited. The facility bears interest at Libor plus 2,6% (2021: Libor plus 2,6%) payable quarterly and is available until February 2023.

The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 9,7%.

Total cash outflow for leases during the year was R396,7 million (2021: R156,8 million).

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. None of the covenants were breached during the year ended 28 February 2022 as well as in the preceding year.

It is Group policy to purchase certain property, plant and equipment under instalment sale agreements. The instalment sale agreements and lease liabilities are repayable in monthly instalments of R12,1 million (2021: R12,0 million) including interest and capital. Interest rates are linked to prime overdraft rate and varied between 5,2% and 12,0% (2021: 5,4% and 14,0%) during the year. The instalment sale agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

Trade receivables and stated capital of major subsidiaries were provided as security for the general banking facilities (refer notes 7.3.2 and 13).

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the reporting dates are as follows:

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
At floating rates based on prime overdraft rate	643 826	513 901	350 000	220 000

The Group has the following undrawn borrowing facilities with First National Bank of South Africa ('FNB'), SBSA and ABSA:

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Floating rate:				
– Expiring within one year	609 653	409 031	222 901	230 411

The fair value of borrowings equals their carrying amount. The carrying amounts of the Group's borrowings are all denominated in South African Rand, except for the medium-term loan amounting to \$1,7 million (2021: \$3,9 million).

The MOI of Afrimat Limited and its subsidiary companies provides no limitation on the borrowing powers of the directors, accordingly the borrowings set out above comply with the MOI of the respective companies.

7.3.5 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.5 Trade and other payables (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Trade payables	381 612	263 954	1 110	7 761
Accrued expenses	117 509	120 392	917	–
Other payables*	18 545	75 422	–	–
Trade and other payables – financial liabilities (refer note 10)	517 666	459 768	2 027	7 761
Taxes and other statutory liabilities	43 680	40 448	4 056	842
Employee-related accruals	102 383	96 267	16 984	11 773
Total trade and other payables	663 729	596 483	23 067	20 376

* In the prior year, a provision of R47,2 million was raised in Afrimat Mozambique Limitada for income received in advanced.

Trade and other payables consist of purchases from suppliers at normal trade terms. Interest is paid on overdue accounts at an interest rate linked to the prime bank rate.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Rand	589 084	442 580	23 067	20 376
Meticais	74 195	153 078	–	–
US Dollar	450	825	–	–
	663 729	596 483	23 067	20 376

The fair values of trade and other payables are considered to be equal to the carrying value due to their short-term nature.

8. Equity – including earnings per share

8.1 Stated capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

8. Equity – including earnings per share (continued)

8.1 Stated capital (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Authorised				
1 000 000 000 (2021: 1 000 000 000) ordinary shares with no par value	–	–	–	–
Issued				
146 346 264 (2021: 146 144 764) ordinary shares with no par value				
Opening balance	345 894	245 988	272 472	173 789
196 429 (2021: 2 882 352) shares issued during the year	11 000	111 115	11 000	111 115
Net effect of settlement of employee share options	(41 008)	(11 209)	(54 834)	(12 432)
Stated capital	315 886	345 894	228 638	272 472

During the year 196 429 shares were issued to Mpumalanga Economic Growth Agency ('MEGA'), previously a minority shareholder of Nkomati, refer note 12.1 for further disclosures.

During the prior year, 2 882 352 shares were issued when Afrimat acquired all of the UCP Group's shares from the shareholders pursuant to a scheme of arrangement ('Scheme'). Afrimat issued one ordinary share for each 280 UCP shares to the UCP shareholders as consideration. Refer note 12.1 for further details regarding this transaction.

The net effect of settlement of employee share options refer to the total shares issued to employees in terms of the Share Appreciation Rights Scheme including the shares 'surrendered' by employees in order to raise cash to pay the taxation owing.

All shares issued by the Company were fully paid.

8.2 Treasury shares

Shares in Afrimat Limited held by wholly owned subsidiaries are classified as treasury shares. Where any Group company purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders under 'treasury shares' until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders under 'treasury shares'. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the Group profit or loss on the purchase, sale, issue or cancellation of treasury shares.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

	Group	
	2022 R'000	2021 R'000
1 475 492 (2021: 1 845 643) shares held by Afrimat Management Services Proprietary Limited ('AMS'), a subsidiary	(46 296)	(54 501)
6 725 244 (2021: 6 699 614) shares held by AEI, a subsidiary of Afrimat BEE Trust	(62 734)	(61 294)
	(109 030)	(115 795)
Analysis of movement in number of treasury shares:		
Opening balance	8 546	8 241
Utilised for settlement of employee Share Appreciation Rights exercised	(422)	(196)
Utilised for settlement of employee Forfeitable Share Plan shares vested	(293)	–
Purchased during the year	370	501
AEI	26	26
AMS	344	475
Closing balance	8 201	8 546

The Group acquired 343 625 and 25 630 (2021: 475 163 and 26 160) of its own shares, by way of general authority to repurchase shares, through purchases on the JSE Limited via AMS and AEI, respectively. The total amount paid to acquire the shares was R16,4 million (2021: R13,1 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R44,41 (2021: R27,17). During the year, 421 276 (2021: 196 031) shares were utilised in terms of the Share Appreciation Rights ('SAR') Scheme, for an amount of R14,5 million (2021: R5,7 million). The related weighted average share price at the time of exercise was R34,42 (2021: R35,99). During the year, 292 500 shares vested under the Forfeitable Share Plan ('FSP'). The related weighted average share price at the time of exercise was R51,25.

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 725 244 (2021: 6 699 614) shares representing 4,6% (2021: 4,58%) of the issued stated capital of the Company.

AMS holds 1 066 850 (2021: 1 359 350) shares as nominee for the absolute benefit of the participants of the Group's FSP. The remaining 408 642 (2021: 486 293) shares held in AMS are held for the purposes of the Group's SAR scheme.

8. Equity – including earnings per share (continued)

8.3 Other reserves

Other reserves comprise mainly of accumulated amounts related to equity-settled share-based payment schemes, and also accumulated amounts related to re-measurements of financial assets at FVOCI and currency translation differences. The Group transfers amounts from the fair value reserve to retained earnings when relevant equity securities are derecognised.

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Group					
Balance at 1 March 2020	861	26 168	(11 623)	(105 788)	(90 382)
Share-based payment expense for the year	–	18 884	–	–	18 884
Settlement of employee SAR exercised, net of tax	–	(7 451)	–	–	(7 451)
Deferred taxation on share-based payments	–	8 074	–	–	8 074
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	152	–	–	–	152
Exchange differences on translation of foreign operations	–	–	7 743	–	7 743
Total changes	152	19 507	7 743	–	27 402
Balance at 28 February 2021	1 013	45 675	(3 880)	(105 788)	(62 980)
Share-based payment expense for the year	–	29 664	–	–	29 664
Settlement of employee SAR exercised, FSP vested, net of tax	–	(17 921)	–	–	(17 921)
Deferred taxation on share-based payments	–	21 818	–	–	21 818
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	308	–	–	–	308
Exchange differences on translation of foreign operations	–	–	(9 387)	–	(9 387)
Total changes	308	33 561	(9 387)	–	24 482
Balance at 28 February 2022	1 321	79 236	(13 267)	(105 788)	(38 498)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Company					
Balance at 1 March 2020	–	8 532	–	–	8 532
Share-based payment expense for the year	–	7 082	–	–	7 082
Deferred taxation on share-based payments	–	2 597	–	–	2 597
Settlement of employee SAR exercised, net of tax	–	(3 350)	–	–	(3 350)
Total changes	–	6 329	–	–	6 329
Balance at 28 February 2021	–	14 861	–	–	14 861
Share-based payment expense for the year	–	11 867	–	–	11 867
Deferred taxation on share-based payments	–	5 990	–	–	5 990
Settlement of employee SAR exercised, FSP vested, net of tax	–	(6 833)	–	–	(6 833)
Total changes	–	11 024	–	–	11 024
Balance at 28 February 2022	–	25 885	–	–	25 885

Nature and purpose of reserves

- (a) *Fair value reserve*
This reserve records the changes in fair value of equity instruments at FVOCI.
- (b) *Share-based payment reserve*
This reserve records the fair value of the vested and unvested portion of share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer note 19 for further details on the relevant schemes.
- (c) *Translation reserve*
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.
- (d) *Reverse acquisition reserve*
The Group financial statements are issued in the name of Afrimat Limited but are, in fact, prepared as a continuation of the Group financial statements of Prima Klipbrekers Proprietary Limited as a result of an acquisition in 2007. This has resulted in reverse acquisition reserve in the Group of R105,8 million in terms of IFRS 3.

8. Equity – including earnings per share (continued)

8.4 Non-controlling interest

	2022 R'000	2021 R'000
Carrying amount of non-controlling interest	9 233	8 362
Total non-controlling interest	9 233	8 362
Summarised financial information:		
Non-current assets	86 385	83 598
Current assets	146 038	302 550
Non-current liabilities	(16 055)	(2 684)
Current liabilities	(279 127)	(427 197)
Net liabilities	(62 759)	(43 733)
Revenue	148 677	363 954
(Loss)/profit after taxation included in results		
Reported by subsidiaries	(2 123)	1 432
Other comprehensive income	–	–
Total comprehensive (loss)/income	(2 123)	1 432
Profit after taxation, allocated to non-controlling interest	2 454	2 573
Other comprehensive income, allocated to non-controlling interest	–	–

During the year, Capmat Proprietary Limited entered into a share buy-back with the minority shareholder, Joe Kalo Investments Proprietary Limited, whereby all shares held by Joe Kalo Investments Proprietary Limited were bought back, resulting in 100,0% shareholding held by Afrimat Limited.

8.5 Earnings per share

(a) Basic and headline earnings per share

Basic earnings and headline earnings per share is calculated by dividing the net profit attributable to owners of the Group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares. Headline earnings are calculated in accordance with Circular 1/2021 issued by SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all ordinary shares with dilutive potential. For this purpose the share options are assumed to have been converted into ordinary shares. The share options have no effect on net profit and therefore no adjustment is made in this respect.

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FOR THE YEAR ENDED 28 FEBRUARY 2022

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

	Group	
	2022	2021
	'000	'000
Number of shares in issue		
Total shares in issue	146 346	146 145
Treasury shares	(8 201)	(8 546)
Net shares in issue	138 145	137 599
Weighted average number of net shares in issue	137 803	135 381
Adjusted for effect of future share-based compensation payments	3 556	2 964
Diluted weighted average number of shares	141 359	138 345
Profit attributable to ordinary shareholders (rand)*	772 714	773 864
Earnings per ordinary share (cents)*	560,7	571,6
Diluted earnings per ordinary share (cents)*	546,6	559,4

	Group			
	Gross	Net of tax	Gross	Net of tax
	2022	2022	2021	2021
	R'000	R'000	R'000	R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders*	–	772 714	–	773 864
Profit on disposal of property, plant and equipment attributable to owners of the parent	(7 904)	(5 691)	(375)	(270)
Profit on sale of associate	(2 859)	(2 859)	–	–
Gain recognised as a result of remeasuring the equity interest of associate to fair value (refer note 12.1)	–	–	(25 140)	(25 140)
Gain on bargain purchase (refer note 12.1)*	(25 628)	(25 628)	(150 527)	(150 527)
Impairments (refer note 4.4)*	13 341	9 606	–	–
Headline earnings		748 142		597 927
Headline earnings per share ('HEPS') (cents)		542,9		441,7
Diluted HEPS (cents)		529,2		432,2

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 4.4 and 12.1 for further disclosures.

8. Equity – including earnings per share (continued)

8.6 Net asset value ('NAV') per share

	Group	
	2022	2021
	'000	'000
Number of shares in issue		
Total shares in issue	146 346	146 145
Treasury shares	(8 201)	(8 546)
Net shares in issue	138 145	137 599
Shareholders' funds attributable to owners of the parent (rand)*	2 997 967	2 422 655
Total NAV per share (cents)*	2 170	1 761
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)*	2 997 967	2 422 655
Intangible assets and goodwill*	(213 335)	(209 785)
	2 784 632	2 212 870
Total TNAV per share (cents)*	2 016	1 608

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

8.7 Dividends paid

Dividends declared to the Group's shareholders are recognised in the Group's financial statements in the period in which dividends are approved by the Group's directors.

	Group		Company	
	2022	2021	2022	2021
	R'000	R'000	R'000	R'000
Current year interim dividend paid	58 537	51 574	58 537	51 574
Previous year final dividend paid	163 682	116 043	163 682	116 043
Dividends received on treasury shares	(8 680)	(7 301)	–	–
Dividends paid by subsidiaries to non-controlling interest shareholders	1 388	1 340	–	–
	214 927	161 656	222 219	167 617
The Company has declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			40,0	36,0
Final dividend declared/paid (cents)			146,0	112,0
Distributions declared/paid (cents)			186,0	148,0

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FOR THE YEAR ENDED 28 FEBRUARY 2022

9. Cash flow information

9.1 Cash generated from/(used in) operations

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Profit before tax*	1 066 318	1 041 921	227 835	554 222
Adjustments for:				
Depreciation and amortisation	296 823	209 376	-	-
Impairment of property, plant and equipment	13 341	-	-	-
Gain on bargain purchase*	(25 628)	(150 527)	-	-
Expected credit losses from related parties	-	2 058	-	35 060
Impairment of investment in subsidiary	-	-	-	28 258
Impairment of loan in associate/subsidiary*	-	-	-	22 083
Share of profit of associate	(257)	(289)	-	-
Profit on sale of property, plant and equipment	(7 904)	(375)	-	-
(Profit)/loss on sale of associate/investments	(2 859)	-	(3 609)	53 735
Deregistration of subsidiaries	526	-	-	-
Inventory write-off to net realisable value	26 970	7 170	-	-
Impairment of other financial assets	-	-	-	8 685
Gains – financial assets at fair value through profit or loss	(1 788)	(25 760)	-	-
Foreign exchange differences	(9 387)	7 743	-	-
Dividend revenue	-	-	(225 721)	(689 698)
Interest revenue	(12 430)	(21 022)	(10 138)	(19 149)
Finance costs	55 280	38 291	84 155	38 571
Net effect of settlement of employee share options	(17 843)	(5 521)	(44 852)	(12 432)
Movements in provisions	12 241	(2 104)	-	-
Share-based payment expense	29 664	18 884	11 867	7 082
Changes in working capital:				
Increase in inventories	(316 192)	(20 410)	-	-
Increase in trade and other receivables	(97 368)	(222 687)	(1 712)	(2 270)
Increase/(decrease) in trade and other payables	67 159	136 633	2 692	(29 634)
	1 076 666	1 013 381	40 517	(5 487)

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

9. Cash flow information (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
9.2 Finance income received				
Finance income (refer note 4.6)	12 430	21 022	10 138	19 149
Adjustments for:				
Other financial assets interest	(704)	(43)	-	-
	11 726	20 979	10 138	19 149
9.3 Finance costs paid				
Finance costs (refer note 4.7)	55 280	38 291	84 155	38 571
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 4.7)	(16 444)	(11 663)	-	-
Lease liabilities (refer note 4.7)	1 179	-	-	-
	40 015	26 628	84 155	38 571
9.4 Tax paid				
Opening balance as per Statement of Financial Position	(6 320)	(6 352)	794	385
Current tax for the year recognised in Statement of Profit or Loss and Other Comprehensive Income (refer note 5)	(302 888)	(240 218)	(27)	(2 782)
Closing balance as per Statement of Financial Position	(2 712)	6 320	(2 458)	(794)
	(311 920)	(240 250)	(1 691)	(3 191)
9.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 6.1)	22 503	17 581	-	-
Disposal of dismantling costs (refer note 6.1)	(4 358)	(8 612)	-	-
Profit on sale of property, plant and equipment (refer note 4.3)	7 904	375	-	-
	26 049	9 344	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

9. Cash flow information (continued)

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
9.6 Non-cash investing and financing activities				
Acquisition of property, plant and equipment (refer note 6.1)	782 446	293 587	–	–
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 7.3.4)	(173 503)	(91 660)	–	–
Acquisitions of dismantling costs (refer note 6.1)	(1 783)	(4 408)	–	–
RoU assets (refer note 6.1)	(8 473)	(8 509)	–	–
	598 687	189 010	–	–
9.7 Capital elements of lease payments				
Repayment of lease liability (refer note 7.3.4)	14 929	12 920	–	–
Interest expense on lease liability (refer note 7.3.4)	(1 179)	(3 787)	–	–
	13 750	9 133	–	–

Risk

10. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board. Group treasury identifies and evaluates financial risks, when beneficial, with prior approval from the Board. The Board provides guidance on overall risk management, as well as on written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Audit & Risk Committee oversees how management monitors compliance with these risks and control policies.

There has been no change in the Group's objectives, policies and processes for managing its financial risks or the methods to measure them.

10. Financial risk management (continued)

Financial instruments by category

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Assets as per Statement of Financial Position:				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1)	3 439	3 046	–	–
Financial assets at fair value through profit or loss ('FVPL') (refer note 7.2)	70 329	63 103	–	–
Trade and other receivables at fair value through profit or loss (refer note 7.3.2)	265 329	265 405	–	–
Financial assets at amortised cost:				
Other financial assets (refer note 7.3.1)	19 950	14 191	–	–
Trade and other receivables (refer note 7.3.2)	451 473	405 023	10 829	9 907
Cash and cash equivalents (refer note 7.3.3)	290 633	871 060	19 927	186 437
Loans to subsidiaries (refer note 13)	–	–	1 623 261	938 544
Total financial assets	1 101 153	1 621 828	1 654 017	1 134 888
Liabilities as per Statement of Financial Position:				
Financial liabilities at amortised cost:				
Medium-term loans (refer note 7.3.4)	375 748	282 080	350 000	220 000
Instalment sale agreements (refer note 7.3.4)	222 453	179 740	–	–
Lease liabilities (refer note 7.3.4)	45 625	52 081	–	–
Other financial liabilities*	7 488	19 844	–	–
Loans from subsidiaries (refer note 13)	–	–	1 143 606	532 125
Trade and other payables (refer note 7.3.5)	517 666	459 768	2 027	7 761
Bank overdraft (refer note 7.3.3)	1 805	433 807	–	125 190
Total financial liabilities	1 170 785	1 427 320	1 495 633	885 076

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises equity price risk, interest rate risk, foreign exchange risk and commodity price risk. Financial instruments affected by market risk include other financial assets, trade and other receivables, cash and cash equivalents and borrowings.

Hedging is conducted in very limited circumstances.

(i) Equity price risk

The Group is exposed to equity price risk in respect of the investments held in the environmental rehabilitation trusts and Old Mutual PLC shares. Refer note 7.1 and 7.2.

Sensitivity analysis

The Group measures sensitivity of the equity price risk as the effect of a change in the JSE shareholder weighted Top 40 Index performance for the year. The Group regards a 500 basis points (2021: 500 basis points) change in the aforementioned index as being reasonably possible at the end of the reporting periods.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	Effect on other comprehensive income after tax
	R'000	Movement in basis points	R'000
Group 2022			
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 439	+500 -500	99 (99)
Total		+500 -500	99 (99)
Group 2021			
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 046	+500 -500	88 (88)
Total		+500 -500	88 (88)

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	Effect on profit after tax
	R'000	Movement in basis points	R'000
Group 2022			
Financial assets at fair value through profit or loss (refer note 7.2)	70 329	+500 -500	2 532 (2 532)
Total		+500 -500	2 532 (2 532)
Group 2021			
Financial assets at fair value through profit or loss (refer note 7.2)	63 103	+500 -500	2 272 (2 272)
Total		+500 -500	2 272 (2 272)

(ii) Interest rate risk

The Group's interest rate risk arises from other financial assets, cash and cash equivalents and borrowings as set out in notes 7.3.1, 7.3.3 and 7.3.4. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk.

The Group's policy is to invest cash and cash equivalents and to obtain borrowings at variable interest rates and not to make use of any interest rate derivatives, which expose the Group to cash flow interest rate risk.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

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10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

The Group measures sensitivity to interest rates as the effect of a change in the South African Reserve Bank ('SARB') repo rate on the profit after tax based on the Group's exposure at reporting date. The Group regards a 200 basis points (2021: 200 basis points) change in the SARB repo rate as being reasonably possible at the end of the reporting periods.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2022			
Other financial assets	19 950	+200	287
		-200	(287)
Cash and cash equivalents	290 387	+200	4 182
		-200	(4 182)
Borrowings	(643 826)	+200	(9 271)
		-200	9 271
Bank overdraft	(1 805)	+200	(26)
		-200	26
Total		+200	(4 828)
		-200	4 828
Company			
2022			
Cash and cash equivalents	19 927	+200	287
		-200	(287)
Borrowings	(350 000)	+200	(5 040)
		-200	5 040
Loans to subsidiaries	1 623 261	+200	23 375
		-200	(23 375)
Loans from subsidiaries	(1 143 606)	+200	(16 468)
		-200	16 468
Total		+200	2 154
		-200	(2 154)

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2021			
Other financial assets	14 191	+200	204
		-200	(204)
Cash and cash equivalents	870 848	+200	12 540
		-200	(12 540)
Borrowings	(513 901)	+200	(7 400)
		-200	7 400
Bank overdraft	(433 807)	+200	(6 247)
		-200	6 247
Total		+200	(903)
		-200	903
Company			
2021			
Cash and cash equivalents	186 437	+200	2 685
		-200	(2 685)
Borrowings	(220 000)	+200	(3 168)
		-200	3 168
Loans to subsidiaries	938 544	+200	13 515
		-200	(13 515)
Loans from subsidiaries	(532 125)	+200	(7 663)
		-200	7 663
Bank overdraft	(125 190)	+200	(1 803)
		-200	1 803
Total		+200	3 566
		-200	(3 566)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk

The Group's earnings are exposed to movements in exchange rates. Afrimat Iron Ore Proprietary Limited (previously known as Afrimat Demaneng Proprietary Limited) export prices are determined in US Dollars and the company negotiates iron ore prices in that currency with customers. Currency movements of the US Dollars against the Rand therefore could have a significant effect on the financial position and results of Demaneng. The Group's functional currency for the preparation of financial accounts is South African Rand and is therefore exposed to foreign exchange risk in respect of non-rand cash flows for revenues. Hedging may only take place in exceptional circumstances which would require approval by the Iron Ore Executive Committee. It is the Group's policy to be fully exposed to revenue currency risk, i.e. not to hedge foreign currency revenues.

Sensitivity analysis

A movement in exchange rate of 10,0% (2021: 10,0%), with all other variables held constant, against the US Dollar would have increased/(decreased) profit or loss by the amounts shown below.

This analysis considers the impact of changes in foreign exchange rates on profit or loss, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

	Movement in basis points	Effect on profit after tax R'000
Group 2022		
Profit or loss	+1 000	103 334
	-1 000	(103 334)
Total	+1 000	103 334
	-1 000	(103 334)
Group 2021		
Profit or loss	+1 000	110 325
	-1 000	(110 325)
Total	+1 000	110 325
	-1 000	(110 325)

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iv) Commodity price risk

The Group's earnings are exposed to movements in the prices of iron ore that it produces. As a commodity producer the Group wishes to remain exposed to individual commodity prices for the ultimate benefit of its shareholders. It is the Group's policy not to hedge commodity price risks. Certain of the Group's sales are provisionally priced, meaning that the selling price is determined normally 30 to 90 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. As at 28 February 2022, R265,3 million (2021: R265,4 million) of the trade receivables balance are subject to price movements.

Sensitivity analysis

A movement in commodity prices of 10,0% (2021: 10,0%), with all other variables held constant, on the Group's sales exposed to this risk would have increased/(decreased) profit or loss by the amounts shown below.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2022			
Trade receivables subject to price fluctuations	265 329	+1 000	19 104
		-1 000	(19 104)
Total		+1 000	19 104
		-1 000	(19 104)
Group 2021			
Trade receivables subject to price fluctuations	265 405	+1 000	19 109
		-1 000	(19 109)
Total		+1 000	19 109
		-1 000	(19 109)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

10. Financial risk management (continued)

Financial instruments by category (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risks from its operating activities. Credit risk arises principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in note 7.3.1 to 7.3.3.

The Group did not consider there to be any significant credit risk exposure which has not been adequately provided for.

The maximum exposure to credit risk is presented in the table below:

	Gross carrying amount 2022 R'000	Credit loss allowance 2022 R'000	Amortised cost/fair value 2022 R'000	Gross carrying amount 2021 R'000	Credit loss allowance 2021 R'000	Amortised cost/fair value 2021 R'000
Group						
Other financial assets at amortised cost	19 950	–	19 950	14 191	–	14 191
Trade and other receivables	725 763	(8 961)	716 802	677 684	(7 256)	670 428
Cash and cash equivalents	290 387	–	290 387	870 848	–	870 848
Total	1 036 100	(8 961)	1 027 139	1 562 723	(7 256)	1 555 467

The Group's concentration of credit risk is limited to South Africa and Mozambique.

	Gross carrying amount 2022 R'000	Credit loss allowance 2022 R'000	Amortised cost/fair value 2022 R'000	Gross carrying amount 2021 R'000	Credit loss allowance 2021 R'000	Amortised cost/fair value 2021 R'000
Company						
Loans to subsidiaries	1 769 943	(146 682)	1 623 261	1 085 226	(146 682)	938 544
Trade and other receivables	10 829	–	10 829	9 907	–	9 907
Cash and cash equivalents	19 927	–	19 927	186 437	–	186 437
Total	1 800 699	(146 682)	1 654 017	1 281 570	(146 682)	1 134 888

10. Financial risk management (continued)

Financial instruments by category (continued)

(b) Credit risk (continued)

(i) Trade receivables

For exposure to credit risk identified by the Group, refer note 7.3.2 for further details disclosed.

(ii) Cash and cash equivalents

The Group limits its counterparty exposure arising from bank accounts/call deposits by only dealing with well-established financial institutions of high credit standing. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

Credit quality of cash in the bank and short-term deposits, excluding cash on hand (according to Moody's short-term ratings):

	Credit rating		Amount	
	2022	2021	2022	2021
Financial institution:				
ABSA	NP	NP	20 778	7 964
FNB	NP	NP	4 435	680 855
SBSA	NP	NP	264 061	178 256
Other	N/A	N/A	1 113	3 773
			290 387	870 848

(iii) Financial guarantees

Credit risk arises in relation to financial guarantees given to certain parties.

Refer note 17 for details of guarantees provided.

(iv) Other financial assets

Refer note 7.3.1 for details.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements through monthly cash forecasts which includes the servicing of financial obligations, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To assist, strict credit control and debt monitoring processes are applied.

At 28 February 2022, the Company's current liabilities exceed the current assets. The Company has access to additional cash resources within the Group to meet its cash obligations as they fall due within the next 12 months.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

10. Financial risk management (continued)

Financial instruments by category (continued)

(c) Liquidity risk (continued)

Surplus cash over and above the balance required for working capital management is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing current accounts and call deposits to provide sufficient headroom as determined by the above mentioned forecasts. At the reporting period, the Group held call deposits of R15,7 million (2021: R14,1 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The following table details the Group's undiscounted contractual maturities for its financial liabilities:

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Group					
At 28 February 2022					
Medium-term loans	375 748	375 748	375 748	-	-
Other financial liabilities	7 488	7 488	7 488	-	-
Lease liabilities	45 625	64 915	10 891	30 044	23 980
Instalment sale agreements	222 453	236 994	121 069	115 925	-
Trade and other payables	517 666	517 666	517 666	-	-
Bank overdraft	1 805	1 805	1 805	-	-
	1 170 785	1 204 616	1 034 667	145 969	23 980
At 28 February 2021					
Medium-term loans	282 080	303 313	106 080	197 233	-
Other financial liabilities*	19 844	19 844	19 844	-	-
Lease liabilities	52 081	73 517	13 495	39 607	20 415
Instalment sale agreements	179 740	190 123	104 785	85 338	-
Trade and other payables	459 768	459 768	459 768	-	-
Bank overdraft	433 807	433 807	433 807	-	-
	1 427 320	1 480 372	1 137 779	322 178	20 415

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

10. Financial risk management (continued)

Financial instruments by category (continued)

(c) Liquidity risk (continued)

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Company					
At 28 February 2022					
Medium-term loans	350 000	350 000	350 000	-	-
Loans from subsidiaries	1 143 606	1 143 606	1 143 606	-	-
Trade and other payables	2 027	2 027	2 027	-	-
	1 495 633	1 495 633	1 495 633		
At 28 February 2021					
Medium-term loans	220 000	241 233	44 000	197 233	-
Loans from subsidiaries	532 125	532 125	532 125	-	-
Trade and other payables	7 761	7 761	7 761	-	-
Bank overdraft	125 190	125 190	125 190	-	-
	885 076	906 309	709 076	197 233	

11. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the Group to fund the Group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its own shares or reduce debt.

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. The Group monitors capital on the basis of the net debt:equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, other financial liabilities and loans from subsidiaries less cash and cash equivalents, net of bank overdraft as shown in the Statement of Financial Position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

11. Capital risk management (continued)

The Group's strategy is to maintain the net debt:equity ratio to below 25%. The net debt:equity ratios at reporting date were as follows:

	Group		Company	
	2022 R'000	2021 R'000*	2022 R'000	2021 R'000
Total borrowings and loans from subsidiaries*	651 314	533 745	1 493 606	752 125
Overdraft less cash and cash equivalents/ (surplus cash)	(288 828)	(437 253)	(19 927)	(61 247)
Net debt	362 486	96 492	1 473 679	690 878
Total equity*	3 007 200	2 431 017	1 594 006	1 602 452
Total capital*	3 369 686	2 527 509	3 067 685	2 293 330
Net debt:equity ratio (%)	12,1	4,0	92,5	43,1

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted in the process of finalising the accounting for the business combination, refer note 12.1 for further disclosures.

The strategy to maintain a net debt:equity ratio in the Company has been influenced by the inclusion of the loans from subsidiaries. Should this have been excluded the Company would have met the Group's targets at 20,7% (2021: (9,9%)). Solvency and liquidity ratios are monitored on a Group basis and therefore capital adequacy requirements have continued to remain satisfied.

There were no changes in the Group's approach to capital maintenance during the year.

Group structure

12. Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

12. Business combinations (continued)

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs the Group reports provisional amounts for the item for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

12.1 Acquisition of businesses

Unicorn Capital Partners Limited ('UCP')/Nkomati Anthracite Proprietary Limited ('Nkomati')

In F2020, the Group acquired 27,3% of UCP's share capital for an amount of R16,0 million. In F2021, the Group advised the market of the intention to acquire the remaining UCP shares by way of a scheme of arrangement ('Scheme') in terms of section 114 of the Companies Act, where UCP shareholders obtained one Afrimat Limited ordinary share for every 280 UCP ordinary shares disposed of, with no cash alternative. This resulted in 2 882 352 Afrimat Limited shares being issued to the value of R111,1 million.

On 15 December 2020, all conditions precedent were fulfilled and the agreement became unconditional.

During the year, the information pertaining to the fair value of the deferred tax assets and liabilities and mining assets were finalised and the following measurement period adjustments were recorded. The major part of the adjustment relates to the deferred tax asset raised of R189,9 million, after which SARS recognised the assessed loss carried forward on the Income Tax Statement of Account for the year of assessment F2021.

Details of the acquisition are as follows:

	Total 2021 R'000	Measurement period adjustments*			Total 2021 R'000
		Total 2021 R'000	Total 2021 R'000	Total 2021 R'000	
	As originally presented	Finalisation of deferred tax ⁽¹⁾	MEGA purchase consideration ⁽²⁾	UCP loan receivable ⁽³⁾	Adjusted
Carrying amount/fair value of net assets acquired – Nkomati					
Property, plant and equipment	604 506	–	–	–	604 506
Other financial assets	8 994	–	–	–	8 994
Inventories	5 276	–	–	–	5 276
Deferred tax asset*	–	57 576	–	–	57 576
Trade and other receivables	21 651	–	–	–	21 651
Borrowings	(2 802)	–	–	–	(2 802)
Provisions	(81 040)	–	–	–	(81 040)
Deferred tax liability*	(132 334)	132 334	–	–	–
Other financial liability (Afrimat Limited)	(283 492)	–	–	–	(283 492)
Trade and other payables	(38 781)	–	–	–	(38 781)
Cash and cash equivalents	(1 003)	–	–	–	(1 003)
Net assets – Nkomati	100 975	189 910	–	–	290 885

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Unicorn Capital Partners Limited ('UCP')/Nkomati Anthracite Proprietary Limited ('Nkomati')
(continued)

	Measurement period adjustments*				
	Total 2021 R'000	Total 2021 R'000	Total 2021 R'000	Total 2021 R'000	Total 2021 R'000
As originally presented	Finalisation of deferred tax ⁽¹⁾	MEGA purchase consideration ⁽²⁾	UCP loan receivable ⁽³⁾	Adjusted	
Fair value of UCP	45 000	–	–	–	45 000
Goodwill/(Gain on bargain purchase)*	6 300	(189 910)	11 000	22 083	(150 527)
Total purchase consideration	152 275	–	11 000	22 083	185 358
Proforma revenue assuming the business combination for the full year	111 813	–	–	–	111 813
Proforma loss after tax assuming the business combination for the full year	282 944	–	–	–	282 944
Revenue included in results	32 752	–	–	–	32 752
Loss after tax included in results	33 751	–	–	–	33 751
Acquisition cost (including business rescue cost) included in 'operating expenses' for the year	2 231	–	–	–	2 231

* Measurement period adjustment – during the current year, the comparative information for February 2021 was retrospectively adjusted to recognise:

⁽¹⁾ A deferred tax asset on assessed losses finalised, which resulted in a decrease in goodwill and an increase in gain on bargain purchase of R189,9 million in the process of finalising the accounting for this business combination;

⁽²⁾ The issued share capital, a total of 196 429 shares to Mpumalanga Economic Growth Agency ('MEGA') previously a minority shareholder of Nkomati which decreased the gain of bargain purchase by R11,0 million; and

⁽³⁾ During the measurement period, the loan receivable from UCP at acquisition date, was recognised as part of the purchase consideration.

The gain on bargain purchase realised in Nkomati is due to the business being bought out of business rescue and the fact that the entity was loss making at the time the acquisition occurred. The transaction is in line with the Group's diversification strategy to capitalise on new revenue opportunities for Afrimat in the Bulk Commodities space.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Unicorn Capital Partners Limited ('UCP')/Nkomati Anthracite Proprietary Limited ('Nkomati')
(continued)

Property, plant and equipment

An external valuator was used in obtaining the fair value of property, plant and equipment. Comparable factors were used in the valuation methodology used by the valuator.

Mining reserves included/excluded life-of-mine ('LOM') plan

The value of all reserves (included and excluded in LOM) was valued using a discounted cash flow per LOM plan.

The long-term anthracite price used in the valuation was as follows:

Reserve:	Long-term price (R/tonne)
Anthracite low ash nuts	2 067
Anthracite low ash duff	1 653
Anthracite high ash nuts	820
Anthracite high ash duff	550

The following discounted rates were used:

Class	Real discount rate
Category 1: Resources with a high level of confidence of economical extraction that had been proven through historical mining of such area or adequate drilling.	15,5%
Category 2: High risk measured and indicated resources, due to complex geological setting. Further feasibility studies are required.	18,5%
Category 3: Inferred resources and resources without regulatory approvals in place, including environmental authorisation and water use. Resources not verified, further exploration and drilling are required to be performed.	21,5%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Unicorn Capital Partners Limited ('UCP')/Nkomati Anthracite Proprietary Limited ('Nkomati')
(continued)

At acquisition, the fair value of trade and other receivables was R19,9 million and includes trade receivables of R8,2 million. An amount of R5,6 million is reflected as neither impaired nor past due.

	Total 2021 R'000
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(185 358)
Cash and cash equivalents	(1 003)
Fair value of associate	41 160
Cost of associate acquired	16 020
Gain recognised as a result of remeasuring the equity interest of the associate to fair value	25 140
Issue of shares	122 115
UCP loan receivable	22 083
Cash outflow	(1 003)

JEF Drill and Blast Proprietary Limited ('JEF')

In the current year, the Group acquired 100,0% of the issued shares of JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services'). The transaction was done by way of a Sale of Shares agreement for a consideration of R1, as well as a cession agreement with the creditors of the company to purchase the remaining balance owing, for an additional consideration of R14,8 million.

The company was placed in business rescue effective 1 February 2021. As part of the business rescue process a business rescue plan ('Plan') was developed to which Afrimat provided the business rescue practitioner ('BRP') with its proposal to rescue the company. The Plan was approved by the requisite creditors and shareholders on 14 June 2021.

On 23 June 2021, all conditions precedent were fulfilled and the agreement became unconditional.

Details of the acquisition are as follows:

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Afrimat Mining Services	
Non-current assets held for sale	17 550
Deferred tax asset	21 057
Trade and other receivables	1 771
Trade and other payables	(14 750)
Net assets – Afrimat Mining Services	25 628

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

JEF Drill and Blast Proprietary Limited ('JEF') (continued)

	Total 2022 R'000
Total consideration (fair value)	–
Gain on bargain purchase	(25 628)
Total net assets acquired	–
Pro forma revenue assuming the business combination for the full year	34 771
Pro forma loss after tax assuming the business combination for the full year	(8 063)
Revenue included in results	34 771
Loss after tax included in results	(404)
Acquisition cost (including business rescue cost) included in 'operating expenses' for the year	–
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	–
Trade and other payables	(14 750)
Cash outflow	(14 750)

The gain on bargain purchase realised in Afrimat Mining Services is due to the business being bought out of business rescue and the fact that the entity was loss making at the time the acquisition occurred. The Group identified an opportunity to expand its contracting operations through this acquisition within the Construction Materials segment.

A deferred tax asset of R21,0 million has been raised on this acquisition. During the current year Afrimat Mining Services generated taxable income and therefore started utilising the assessed loss carried forward. The Group has concluded that the deferred tax asset will be recoverable.

12.2 Acquisition of assets

Coza Mining Proprietary Limited ('Coza')

As per the SENS announcement published on 17 August 2020, the Company entered into a Sale of Shares agreement ('Coza Agreement'), in terms of which the Company agreed to purchase 100,0% of the issued ordinary shares of Coza Mining Proprietary Limited ('Coza') ('Assets'), with operations in South Africa, for a purchase consideration of R307,6 million, subject to adjustment ('Coza Transaction').

The Group entered into a mining contractor's agreement with Coza, allowing the Group to undertake mining operations at the mine, pursuant to the grant of the mining right for Farm Morokwa 572 and Farm Jenkins (together 'Jenkins Mine'). On 27 June 2021, the mining right was granted for the Jenkins Mine. Effective management and control of the mining operations through its appointment as mining contractor in terms of the mining contractor's agreement was obtained by the Group effectively from 1 July 2021. On 14 September 2021, all conditions precedent were fulfilled and the agreement became unconditional.

The purchase consideration of R307,6 million, including interest to the amount of R7,6 million, has been settled.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

12. Business combinations (continued)

12.2 Acquisition of assets (continued)

Coza Mining Proprietary Limited ('Coza') (continued)

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Coza	
Property, plant and equipment	307 643
Net assets/total consideration (fair value)	307 643
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	307 643
Cash outflow	307 643

13. Investment in subsidiaries

(a) Basis of consolidation

Group financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Company financial statements

Investments in subsidiaries are initially recognised at cost.

Investments in subsidiaries are subsequently measured at cost less any accumulated impairment.

(b) Changes in ownership interests in subsidiaries without change of control

IFRS 3: *Business Combinations* excludes from its scope business combinations between entities under common control. Depending on the specific facts and circumstances surrounding a particular business combination under common control, management selects an appropriate accounting policy, and it applies that policy consistently from period to period to all business combinations under common control that are considered similar in nature. The Group accounted for the common control transaction by applying the predecessor method, that is the assets and liabilities of the acquired entities are stated at their predecessor carrying amounts, being the net book value of these assets and liabilities in the financial statements.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions at cost. The difference between the share acquired of the carrying value of net assets of the subsidiary and the purchase consideration is recorded in retained earnings within equity.

Gains or losses on disposals of ownership interests to non-controlling interests are also recorded in retained earnings within equity.

13. Investment in subsidiaries (continued)

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Share trusts

The Afrimat Share Incentive Trust and Afrimat BEE Trust are structured entities that are consolidated by the Group.

(e) Loans to/from subsidiaries

Loans to/from subsidiaries are classified as financial assets/liabilities subsequently measured at amortised cost.

Loans receivable/payable are recognised when the Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

The loans are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Consolidation of Afrimat BEE Trust and its subsidiary AEI

Afrimat BEE Trust and its subsidiary AEI was established with the objective of holding and funding shares on behalf of qualifying employees. The Group is exposed to variable returns from the trust in the form of staff performance and incentives associated with BEE and the DTI Codes of Good Practice. Furthermore, the Group is also exposed to changes in the trust's net asset value. Management therefore concluded that the Group controls the trust and its subsidiary.

Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust

The Group consolidated the Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust due to the Group having rights to variable returns from its involvement with the trusts and has the ability to affect those returns through its control over the trusts.

Consolidation of Infrasors Empowerment Trust

Due to the Group having the right to appoint the trustees, providing all loan funding and the fact that the Group is exposed to variable returns from the trust, management has concluded that the Group controls the trust.

Share capital of major subsidiaries served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

13. Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2022	% holding 2021
Afrimat Aggregates (Eastern Cape) Proprietary Limited [#]	Aggregates	Eastern Cape	100,0	100,0
Afrimat Aggregates (Operations) Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Afrimat Aggregates (KZN) Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Afrimat Aggregates (Trading) Proprietary Limited [#]	Aggregates	Western Cape	100,0	100,0
Afrimat BEE Trust	Investment	Western Cape	–	–
Afrimat Bulk Commodities Proprietary Limited**	Bulk commodities	Northern Cape	100,0	100,0
Afrimat Concrete Products Proprietary Limited [#]	Concrete-based products	KwaZulu-Natal	100,0	100,0
Afrimat Contracting International Proprietary Limited [#]	Contracting	Western Cape	100,0	100,0
Afrimat Empowerment Investments Proprietary Limited	Investment	Western Cape	–	–
Afrimat Hemp Proprietary Limited (previously known as Delf Silica Proprietary Limited)	Industrial minerals	Western Cape	55,0	–
Afrimat Management Services Proprietary Limited	Services	Western Cape	100,0	100,0
Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited)	Industrial minerals	Gauteng	100,0	–
Afrimat Mining Services Proprietary Limited (previously known as JEF Drill & Blast Proprietary Limited) [#]	Contracting	Western Cape	100,0	–
Afrimat Mozambique Limitada	Aggregates	Mozambique	99,0	99,0
Afrimat Lime Company Proprietary Limited	Industrial minerals	Gauteng	100,0	–
Afrimat Logistics Proprietary Limited	Services	Gauteng	51,0	51,0
Afrimat Offshore**	Investment	Mauritius	100,0	100,0
Afrimat Readymix (Cape) Proprietary Limited	Concrete-based products	Western Cape	100,0	100,0
Afrimat Readymix (Inland) Proprietary Limited	Concrete-based products	Mpumalanga	75,0	75,0
Afrimat Shared Services Proprietary Limited	Services	Western Cape	100,0	100,0
Afrimat Share Incentive Trust	Investment	Western Cape	–	–
Afrimat Silica Proprietary Limited [#]	Industrial minerals	Gauteng	100,0	–
Boublok Proprietary Limited	Concrete-based products	Western Cape	100,0	100,0
Cape Lime Proprietary Limited [#]	Industrial minerals	Western Cape	100,0	100,0
Capmat Proprietary Limited [#]	Aggregates	Western Cape	100,0	87,5
Clinker Supplies Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Community Quarries Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Delf Sand Proprietary Limited [#]	Industrial minerals	Gauteng	100,0	–
Delf Silica Coastal Proprietary Limited [#]	Industrial minerals	Gauteng	100,0	–
Glen Douglas Dolomite Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Labonte 3 Proprietary Limited	Property	Eastern Cape	50,0	50,0
Infrasors Environmental Rehabilitation Trust	Investment	Gauteng	–	–
Infrasors Empowerment Trust	Investment	Gauteng	–	–
Afrimat Lyttelton Proprietary Limited (previously known as Infrasors Holdings Proprietary Limited)***	Industrial minerals	Gauteng	100,0	100,0
Maritzburg Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Meepo Ya Mmu Resources Proprietary Limited [#]	Aggregates	Mpumalanga	54,0	54,0
Olympic Sand Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Piensaarspoort Ontwikkeling Proprietary Limited	Industrial minerals	Gauteng	100,0	–
Phakamani Academy Proprietary Limited [#]	Services	Western Cape	100,0	100,0
Prima Quarries Namibia Proprietary Limited	Aggregates	Namibia	100,0	100,0
Rodag Holdings Proprietary Limited	Property	KwaZulu-Natal	100,0	100,0
SA Block Proprietary Limited	Concrete-based products	Gauteng	100,0	100,0
Scottburgh Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Sunshine Crushers Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0

* Indirectly held subsidiaries include Afrimat Iron Ore Proprietary Limited (previously known as Afrimat Demaneng Proprietary Limited), Afrimat Manganese Proprietary Limited (previously known as Diro Iron Ore Proprietary Limited), Nkomati Anthracite Proprietary Limited and Benicon Coal Proprietary Limited

** Indirectly held subsidiary includes Afrimat Logistics Limitada.

*** In the prior year, indirectly held subsidiaries include Delf Sand Proprietary Limited, Piensaarspoort Ontwikkeling Proprietary Limited, Delf Silica Coastal Proprietary Limited, Afrimat Silica Proprietary Limited, Afrimat Hemp Proprietary Limited (previously known as Delf Silica Proprietary Limited), Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited), Infrasors Environmental Rehabilitation Trust, Afrimat Lime Company Proprietary Limited, Infrasors Management Services Proprietary Limited and Infrasors Empowerment Trust.

[#] Management performed further impairment assessments on the Company's investments in subsidiaries where the net asset value of the company did not exceed its cost of investment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

13. Investment in subsidiaries (continued)

	Carrying amount shares 2022 R'000	Carrying amount shares 2021 R'000	Carrying amount indebtedness 2022 R'000	Carrying amount indebtedness 2021 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	-	-	1 350 962	1 085 226
Less: Allowances for credit losses	-	-	(146 682)	(146 682)
Investments in subsidiaries	1 427 423	1 346 420	-	-
Current assets				
Loans to subsidiaries	-	-	418 981	-
Current liabilities				
Loans from subsidiaries	-	-	(1 143 606)	(532 125)
	1 427 423	1 346 420	479 655	406 419

During the year the Group performed an internal restructure by way of an unbundling transaction in terms of S46 of the Income Tax Act. This resulted in Afrimat Limited obtaining a direct interest in the entities which was previously directly held by Afrimat Lyttelton Proprietary Limited, previously known as Infrasors Holdings Proprietary Limited, ultimately there was no change in common control.

The loans have no fixed terms of repayment and the majority bear interest at prime (2021: prime). The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited, Afrimat Offshore, Afrimat Logistics Limitada and Afrimat Mozambique Limitada that are incorporated in Namibia, Mauritius and Mozambique, respectively.

The Group has no contractual, other commitments or intentions to provide financial assistance to, or to buy assets from the Afrimat Share Incentive Trust, Afrimat BEE Trust and its subsidiary AEI, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust.

The investment in subsidiaries were assessed for impairment. The Covid-19 pandemic was considered as part of this assessment. The recoverable amount was determined by means of value-in-use calculations using a discounted cash flow methodology with the same assumptions as disclosed in note 6.2. In the prior year, management concluded that an impairment loss of R23,8 million, R14,3 thousand and R4,5 million was required to the investments in Afrimat Concrete Products Proprietary Limited, Afrimat Mozambique Limitada and SA Block Proprietary Limited, respectively.

The ECL calculated on loans to subsidiaries is a function of the loss given default, which is calculated based on the exposure at default and the probability of default. The Group considers the probability of default upon initial recognition of these loans and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers this to be when the amount outstanding is 30 days past due and/or if there is existing or forecast deterioration in the counterparty's ability to meet its debt obligations.

13. Investment in subsidiaries (continued)

The majority of the ECL recognised on loans to subsidiaries relates to the loan to Nkomati.

During the year, Capmat Proprietary Limited entered into a share-buy back with the minority shareholder, Joe Kalo Investments Proprietary Limited, whereby all shares held by Joe Kalo Investments Proprietary Limited were bought back, resulting in 100,0% shareholding held by Afrimat Limited.

In the current year, the Group acquired 100,0% of the issued shares of JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services'), refer note 12.1 for further disclosures.

14. Investment in associate and joint venture

Group financial statements

The Group's associate and joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated Statement of Financial Position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss.

When the Group's share of losses in the joint venture equals or exceeds its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Company holds 49,0% of the share capital and 50,0% of the voting rights of Pemba Aggregates Limitada. The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Company also entered into a deed of usufruct and pledge of shares of 1,0% of Pemba Aggregates Limitada, resulting in 50,0% of the entity being equity accounted.

Company financial statements

Investments in associates and joint ventures are initially recognised at cost.

Investments in associates and joint ventures are subsequently measured at cost less any accumulated impairment.

	Group		Company	
	2022 R'000	2021 R'000	2022 R'000	2021 R'000
Ikapa Quarries Proprietary Limited (Nil%) (2021: 49,0%)	-	591	-	-
Pemba Aggregates Limitada (49,0%)	-	-	-	-
Total	-	591	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

14. Investment in associate and joint venture (continued)

Ikapa Quarries Proprietary Limited

The Group's share of the results of its associate, which is unlisted, and the Group's share of its aggregated assets and liabilities, are as follows:

	Group	
	2022	2021
	R'000	R'000
Assets	–	5 180
Liabilities	–	(4 663)
Revenues	6 501	2 558
Profit	257	289

During the year, Ikapa Quarries Proprietary Limited entered into a share buy-back, with Afrimat Limited, whereby all the shares held by Afrimat Limited were bought back.

Pemba Aggregates Limitada

In F2020, the investment in Pemba Aggregate Limited was fully impaired due to it being loss making and is in the process of being deregistered.

15. Related parties

Subsidiaries, associates and related trusts

During the year under review, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. For a list of the Group's subsidiaries, related trusts, associates and joint ventures, refer notes 13 and 14, respectively.

	Group	
	2022	2021
	R'000	R'000
Loan balances owing by Associate	–	8 608
Interest received from Associate	94	4 786

15. Related parties (continued)

Subsidiaries, associates and related trusts (continued)

		Company	
		2022	2021
		R'000	R'000
Net loan balances	Subsidiaries	479 655	406 419
Loan balances owing (to)	Subsidiaries	(1 143 606)	(532 125)
Loan balances owing by	Subsidiaries	1 623 261	938 544
Loan balances owing by	Associate	–	–
Trade and other payables	Subsidiaries	(129)	(129)
Trade and other receivables	Subsidiaries	10 369	9 049
Share of net profit after tax	Associate	257	289
Sales of goods to – gross values	Subsidiaries	50 655	33 687
Dividends received from	Subsidiaries	225 623	689 600
Dividends received from	Associate	98	98
Interest paid to	Subsidiaries	(62 045)	(33 027)
Interest received from	Subsidiaries	79 526	46 468

The Company has provided an unlimited omnibus securityship to SBSA in respect of funding provided by the bank to its subsidiaries.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 20. The only key employees identified are the directors of Afrimat Limited.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. These are fully disclosed in note 19.

Shareholding

Refer to the analysis of shareholders on page 70 for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Associate

Details regarding the Group's associate are set out in note 14. Transactions with the associate were entered into at the prevailing market rates.

Joint venture

During F2020 the Group impaired the investment in the joint venture. Details are set out in note 14. No transactions, was entered into the joint venture during the year under review.

Treasury shares

The Group acquired 369 255 (2021: 501 323) of its own shares through purchases on the JSE Limited. Refer to note 8.2 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 725 244 (2021: 6 699 614) shares representing 4,6% (2021: 4,58%) of the issued share capital of the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

Unrecognised items

16. Commitments

	Group	
	2022 R'000	2021 R'000
Authorised capital expenditure		
Contracted after year-end, but not provided for		
Property, plant and equipment	46 961	36 137
Not yet contracted for		
Property, plant and equipment	153 017	185 484
Total authorised capital expenditure	199 978	221 621

Authorised capital expenditure is to be funded from surplus cash and bank financing.

17. Contingencies

Guarantees

Guarantees to the value of R65,5 million (2021: R69,7 million) were supplied by SBSA to various parties, including the DMRE and Eskom.

Guarantees to the value of R39,0 million (2021: R220,1 million) were supplied by FNB to various parties, including the DMRE and Eskom. The decrease in the amount mainly relates to the guarantee of R181,1 million previously obtained for the Coza acquisition, which has been released during the current year.

Guarantees to the value of R0,9 million (2021: R0,9 million) by ABSA, R249,4 million (2021: R181,5 million) by Centriq Insurance Innovation and R2,7 million (2021: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited. The value of Centriq guarantees has increased due to the acquisitions of Coza Mining Proprietary Limited and Nkomati Anthracite Proprietary Limited.

Guarantees to the value of R94,8 million were supplied by Guardrisk to the DMRE. These guarantees relates to the environmental rehabilitation costs for Nkomati Anthracite Proprietary Limited.

The majority of these guarantees are in respect of environmental rehabilitation costs and will only be payable in the event of default by the Group.

Other

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMRE in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R14,4 million (2021: R15,1 million). An accrual has been raised in respect of commitments made up to the end of the year.

17. Contingencies (continued)

Other (continued)

The Company received notice on 31 March 2017 from the Competition Commissioner that it had referred a complaint to the Competition Tribunal, alleging that the Company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ('Clinker'), had engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the Company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for F2016 which equates to R16,3 million. The Company still awaits a final hearing date to be set by the Tribunal.

18. Events after the reporting period

Gravenhage Manganese Mining Right

On 20 May 2021, the Company entered into an agreement with Aquila Steel (S Africa) Proprietary Limited and Rakana Consolidated Mines Proprietary Limited, in terms of which the Company will purchase 100,0% of the Gravenhage manganese mining right and associated assets for a purchase consideration of a ZAR payment equivalent to USD45,0 million and ZAR15,0 million respectively and will be paid as follows:

- A first tranche payment in ZAR equivalent to USD30,0 million plus a contribution amount of ZAR15,0 million relating to the purchase of the property payable on the 10th business day following fulfilment or wavier of the conditions precedent.
- A second tranche payment in ZAR equivalent to USD15,0 million at the earlier of entry into one or more transactions with a third party which will result in Afrimat holding, directly or indirectly, less than 50,0% interest in the mining right; and 12 months after the date on which manganese ore or iron ore (excluding any discard material pertaining to such ore) recovered from the mining area is delivered to the product stockpile containing such types of ore, a facility for processing or any location outside of the mining area.

The acquisition is subject to the fulfilment of the following outstanding condition precedent ('Condition Precedent'):

- Grant of Water Use Licence application.

The Condition Precedent must be fulfilled by no later than 15 calendar months after the signature date, being 20 August 2022. At the date of publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

Glenover

As per the SENS announcement on 9 December 2021, the Company entered into:

- (a) A Sale of Assets agreement ('Sale of Assets Agreement') with Glenover Phosphate Proprietary Limited ('Glenover'). In terms of which the Company agreed to acquire (either itself or via a nominated subsidiary) from Glenover certain assets including principally the right to mine the vermiculite deposit ('Vermiculite Mining Right') and certain deposits of phosphate rock located at the Glenover Mine ('Inventory Deposits'), owned by Glenover (the 'Sale Assets'), for a purchase consideration of R250,0 million settled as follows:
 - R215,1 million shall be settled in cash; and
 - R34,9 million shall, at the election of Glenover, be settled in cash or issuing of shares in the issued share capital of Afrimat ('Afrimat Shares') to Glenover, which, in the case of the latter, shall be settled based on the 30-day volume weighted average price at which Afrimat Shares traded on the JSE on the Vermiculite Mining Right Effective Date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

18. Events after the reporting period (continued)

Glenover (continued)

At year-end there were no outstanding suspensive conditions in respect of the sale of the Inventory Deposits which have already been included in the F2022 results. Subsequently, the Vermiculite Mining Right outstanding Conditions have been fulfilled and the R34,9 million was settled in cash in March 2022.

- (b) A Sale of Shares agreement ('Sale of Shares Agreement') with Ferminore Proprietary Limited, Galileo Resources South Africa Proprietary Limited, Galagen Proprietary Limited (collectively, the 'Shareholders') and Glenover, in terms of which Afrimat has the option ('Option'), in its discretion, to purchase 100,0% of the issued ordinary shares in Glenover ('Sale Shares') from the Shareholders together with all claims that the Shareholders may have against the Company ('Sale Claims'), for a purchase consideration of R300,0 million settled as follows:
- 50% of the Sale Shares Purchase Consideration shall, at the election of Afrimat, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders; and
 - 50% of the Sale Shares Purchase Consideration shall, at the election of the Shareholders, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders.

The Sale of Shares Agreement is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

- Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002; and
- Afrimat has, in its sole discretion, exercised the Option by 15 June 2022 or, if an extension has been granted, by 10 November 2022.

Agri Lime

On 12 November 2021, Afrimat entered into an agreement to acquire 100,0% of the shares in Agri Lime Proprietary Limited; 74,0% of the shares in Stony Lime Proprietary Limited and the Kalaka mining right from Kalaka Mining Proprietary Limited (collectively 'Agri Lime') for a purchase consideration of R68,0 million. The opencast mine and plant is located close to the town of Northam in Limpopo.

All conditions precedent have been met subsequent to year-end and the acquisition will be effective from 13 May 2022.

Provisional details of the acquisition are as follows:

	Unaudited Total 2023 R'000
Carrying amount/fair value of net assets acquired – Agri Lime	
Property, plant and equipment	64 580
Current tax receivable	2 814
Trade and other receivables	9 650
Borrowings	(6 273)
Deferred tax liability	(2 677)
Trade and other payables	(15 016)
Cash and cash equivalents	9 253
Net assets – Agri Lime	62 331

18. Events after the reporting period (continued)

Agri Lime (continued)

	Unaudited Total 2023 R'000
Less: Non-controlling interests	(964)
Goodwill	6 633
Total net assets acquired	68 000
Cash paid	63 000
Contingent consideration	5 000
Total purchase consideration	68 000

The goodwill acquired in Agri Lime is attributable to the feedlime and agrilime resources, which is expected to expand the Group's current national footprint as well as include diversity with the access to minerals that will expand the product offering within Industrial Minerals segment.

Contingent consideration

A contingent consideration of R5,0 million is payable to the former owners of the Kalaka mining right, Kalaka Mining Proprietary Limited on condition that:

- the Section 102 Application is granted within three years from the date of the execution of the Notarial Deed of Cession; and
- the proof of the Reserve is provided by the Group to the former owners no later than 1 year from date on which the Section 102 Application is granted.

Acquisition-related costs

Acquisition-related costs of R1,0 million has been included in 'operating expenses' in the Statement of Profit or Loss in the reporting period ending 28 February 2022.

Non-controlling interest

The Group had chosen to recognise the non-controlling interest at its proportionate share.

Information not disclosed as not yet available

At the time the annual financial statements were authorised for issue, the Group had not yet completed the accounting for the acquisition of Agri Lime as the conditions precedent were not yet met. In particular, the fair values of the assets and liabilities disclosed above have only been determined provisionally and have not yet been accounted for in the 2022 financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

18. Events after the reporting period (continued)

Russian invasion

The Russian invasion into Ukraine, is likely to have a devastating impact on global growth, if the war continues to escalate. It is highly likely to filtrate into the South African economy too. At this stage, management are of the opinion that it is too early to assess the potential impact on the Group and Company, due to the extent of the uncertainties that exist. Management is continuously assessing and monitoring developments of the war.

KwaZulu-Natal ('KZN') flooding

During April 2022, days of heavy rain across KZN has led to severe flooding in the region. The Group's Scottburgh operation was affected, which resulted in the pit being flooded. At this stage, there has been no material damage to any of the plants and insurance is in place for all assets. Operations are unaffected and continuing as normal.

Employee benefits and costs

19. Share-based payments

The Group operates an equity-settled Share Appreciation Rights scheme and Forfeitable Share Plan, under which the Group receives services from employees as consideration for ordinary shares of Afrimat Limited.

The employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised as an increase in equity in 'other reserves'.

When the reward is vested, the Group utilises treasury shares. The market value of rewards exercised, net of any directly attributable transaction costs, is debited to 'stated capital'. The share-based payment reserve related to rewards previously provided is transferred directly to 'retained earnings' as the rewards expire or are exercised.

19. Share-based payments (continued)

Share-based payment expense calculation

The Group uses the Black Scholes valuation model to determine the fair value of the options/shares granted.

Share options are granted to executive directors and to selected employees in the form of a Share Appreciation Rights scheme. The exercise price of the granted options is equal to the 30-day average volume weighted average price for the Afrimat Limited shares on the date when the option is exercised. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in headline earnings per share over the period; the options have a contractual option term of four years after vesting. The Group has no legal or constructive obligation to repurchase or settle the options in cash. When the options are exercised the participants will receive shares equal in value to the number of options exercised multiplied by the difference between the exercise price and the grant price.

During F2019 the Group introduced an Afrimat Forfeitable Share Plan approved by the shareholders at the F2018 AGM. The plan allows certain senior employees to earn a long-term incentive to assist with the retention and award of selected employees. Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date. Awards are conditional on the employee completing three years' service (the vesting period). The shares are recognised at the closing share price on the grant date as an issue of treasury shares. The Group has no legal or constructive obligation to repurchase or settle the shares in cash, therefore these shares are equity-settled share-based payments.

19.1 Share Appreciation Rights Scheme ('SAR')

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average grant price in cents per share 2022	Number of options 2022 '000	Average grant price in cents per share 2021	Number of options 2021 '000
Opening balance	2 684	6 068	2 730	4 843
Granted	4 000	1 690	2 501	2 465
Exercised	2 616	(1 480)	2 503	(1 240)
Forfeited	2 622	(170)	–	–
Closing balance	3 066	6 108	2 684	6 068

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

19. Share-based payments (continued)

19.1 Share Appreciation Rights Scheme ('SAR') (continued)

Out of the 6 108 000 outstanding options (2021: 6 068 000), 410 000 options (2021: 590 000) were exercisable. Options exercised, resulted in 60 000, 140 000, 130 000 and 1 150 000 shares (2021: 80 000, 105 000, 120 000, 70 000 and 865 000) being issued at a weighted price of R17,26, R22,20, R29,00 and R26,79 each, respectively (2021: R8,50, R15,65, R17,26, R22,20 and R29,00 each, respectively). The related weighted average share price at the time of exercise was R54,61 (2021: R35,99) per share.

Share options outstanding at the end of the year have the following expiry dates and grant prices:

	Grant price cents	Number of options	
		2022 '000	2021 '000
2022	1 726	–	60
2023	2 220	70	210
2024	2 900	140	320
2025	2 679	200	1 410
2026	3 021	1 543	1 603
2027	2 501	2 465	2 465
2028	4 800	1 690	–
		6 108	6 068

The remaining number of shares, as at year-end, that may be utilised for the purpose of share options are:

	Number of shares	
	2022 '000	2021 '000
Opening balance	20 978	22 203
Exercised	1 480	1 240
Forfeited	170	–
Utilised	(1 690)	(2 465)
Closing balance	20 938	20 978

19. Share-based payments (continued)

19.1 Share Appreciation Rights Scheme ('SAR') (continued)

Number of share options held by directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2022						
Andries J van Heerden	1 170	260	4 800	2028	(345)	1 085
Pieter GS de Wit	500	110	4 800	2028	(145)	465
Collin Ramukhubathi	333	100	4 800	2028	(80)	353
	2 003	470			(570)	1 903
2021						
Andries J van Heerden	1 010	470	2 501	2027	(310)	1 170
Pieter GS de Wit	433	202	2 501	2027	(135)	500
Collin Ramukhubathi	210	173	2 501	2027	(50)	333
	1 653	845			(495)	2 003

The fair value of options granted during the year using the Black Scholes valuation model, was R26,0 million (2021: R16,1 million), and will be expensed over a three-year vesting period. The option expense for the year, in respect of current year and previous years' options granted, was R17,5 million (2021: R11,2 million), of which R5,8 million (2021: R4,3 million) is attributed to the executive directors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

19. Share-based payments (continued)

19.1 Share Appreciation Rights Scheme ('SAR') (continued)

Analysis of movement in remaining options:

	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	5 November 2018 '000	22 May 2019 '000	20 May 2020 '000	26 May 2021 '000	Total '000
Grant date								
Originally granted	1 105	1 015	1 455	1 520	1 603	2 465	1 690	10 853
Forfeited	(25)	(70)	(170)	(170)	(60)	–	–	(495)
Exercised	(1 080)	(875)	(1 145)	(1 150)	–	–	–	(4 250)
Net outstanding	–	70	140	200	1 543	2 465	1 690	6 108
Grant price (cents)	1 726	2 220	2 900	2 679	3 021	2 501	4 800	
Fair value of option (cents)	406	711	852	676	853	655	1 541	

The assumptions used in determining the fair value, which reflect the conditions as at the reporting date, were as follows:

	20 May 2015	18 May 2016	17 May 2017	5 November 2018	22 May 2019	20 May 2020	26 May 2021
Grant date							
Grant price (cents)	1 726	2 220	2 900	2 679	3 021	2 501	4 800
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	28,76%	40,77%	37,57%	30,90%	37,59%	41,22%	40,32%
Expected likelihood	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Expected risk free rates	7,58%	9,01%	7,64%	7,08%	7,07%	6,75%	9,23%
Expected dividend yields	2,90%	2,57%	2,41%	2,31%	2,68%	4,68%	3,01%

The share price volatility is measured at the standard deviation of expected share price returns based on the statistical analysis of monthly share prices over the current year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

19. Share-based payments (continued)

19.2 Forfeitable Share Plan ('FSP')

Shares issued under the plan are at the discretion of the Board, and no offer may be made unless employment conditions were met. The FSP is considered a long-term retention plan and shares are only awarded to certain key individuals. Shares issued under the plan may not be sold, ceded, transferred, encumbered, pledged or otherwise alienated until the award has vested. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

	Number of shares	
	2022	2021
	'000	'000
Opening balance	1 359	899
Issued to participating employees	–	460
Vested	(293)	–
Closing balance	1 066	1 359

Nil (2021: 406 100) shares were issued to participants at an average market value of RNil (2021: R43,90).

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date.

During the year 292 500 shares vested, the related weighted average share price at the time of exercise was R55,25 (2021: RNil) per share.

The share-based payment expense for the year, in respect of current and previous years' shares granted, was R12,2 million (2021: R7,7 million), of which R6,4 million (2021: R4,2 million) is attributed to the executive directors.

Number of forfeitable shares held by directors:

	Opening balance	Issued	Average grant price	Vesting dates	Vested	Closing balance
	'000	'000	in cents per share		'000	'000
2022						
Andries J van Heerden	324	–	–	–	–	324
Pieter GS de Wit	196	–	–	–	–	196
Collin Ramukhubathi	196	–	–	–	–	196
	716	–	–	–	–	716

19. Share-based payments (continued)

19.2 Forfeitable Share Plan ('FSP') (continued)

	Opening balance	Issued	Average grant price	Vesting dates	Vested	Closing balance
	'000	'000	in cents per share		'000	'000
2021						
Andries J van Heerden	229	95	4 390	2023	–	324
Pieter GS de Wit	133	63	4 390	2023	–	196
Collin Ramukhubathi	133	63	4 390	2023	–	196
	495	221	–	–	–	716

The assumptions used in determining the fair value, which reflect the conditions as at the reporting date, were as follows:

	30 November 2018	25 February 2019	30 October 2019	19 February 2020	22 February 2021
Grant date					
Grant price (cents)	2 766	2 850	3 200	2 930	4 390
Fair value of grants (cents)	2 545	2 607	2 644	2 413	3 443
Expected volatility	33,07%	33,07%	36,61%	34,31%	42,67%
Expected risk free rates	7,58%	7,58%	6,64%	6,26%	6,75%
Expected dividend yields	2,05%	2,05%	2,66%	2,76%	4,68%

20. Directors' emoluments

Directors' basic salary and allowances

	Short-term benefits		Post-employment benefits	Other	Total
	Basic salary	Travel allowance	Medical aid	Pension	Other allowances
	R'000	R'000	R'000	R'000	R'000
2022					
Paid by Company Executive					
Andries J van Heerden	5 886	184	42	–	–
Pieter GS de Wit	3 228	97	77	315	–
Collin Ramukhubathi	2 880	145	73	281	–
	11 994	426	192	596	–
					13 208

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

20. Directors' emoluments (continued)

Directors' basic salary and allowances (continued)

	Short-term benefits		Post-employment benefits	Other		Total R'000
	Basic salary R'000	Travel allowance R'000	Pension R'000	Medical aid R'000	Other allowances R'000	
Non-executive						
Marthinus W von Wielligh*	1 256	–	–	–	–	1 256
Loyiso Dotwana	545	–	–	–	–	545
Hendrik JE van Wyk	168	–	–	–	20 ¹	188
Jacobus F van der Merwe	541	–	–	–	–	541
Phuti RE Tsukudu	430	–	–	–	–	430
Helmut N Pool	459	–	–	–	–	459
Johannes HP van der Merwe	359	–	–	–	–	359
Francois M Louw	742	–	–	–	40 ²	782
Gert J Coffee	359	–	–	–	–	359
	4 859	–	–	–	60	4 919
Total	16 853	426	192	596	60	18 127
2021						
Paid by Company						
Executive						
Andries J van Heerden	5 339	186	29	–	–	5 554
Pieter GS de Wit	2 902	97	69	298	–	3 366
Collin Ramukhubathi	2 569	145	61	264	–	3 039
	10 810	428	159	562	–	11 959

20. Directors' emoluments (continued)

Directors' basic salary and allowances (continued)

	Short-term benefits		Post-employment benefits	Other		Total R'000
	Basic salary R'000	Travel allowance R'000	Pension R'000	Medical aid R'000	Other allowances R'000	
Non-executive						
Marthinus W von Wielligh*	1 186	–	–	–	5 423 ³	6 609
Loyiso Dotwana	496	–	–	–	–	496
Hendrik JE van Wyk	367	–	–	–	20 ¹	387
Jacobus F van der Merwe	441	–	–	–	–	441
Phuti RE Tsukudu	391	–	–	–	–	391
Helmut N Pool	367	–	–	–	–	367
Johannes HP van der Merwe	276	–	–	–	–	276
Francois M Louw	405	–	–	–	–	405
Gert J Coffee	327	–	–	–	–	327
	4 256	–	–	–	5 443	9 699
Total	15 066	428	159	562	5 443	21 658

* Included in Marthinus W von Wielligh's fee is a portion of VAT not claimable due to VAT apportionment ruling.

Notes

- Other fees paid to Hendrik JE van Wyk include trustee fees paid in terms of the Afrimat Share Incentive Trust.
- Other fees paid to Francois M Louw relate to extraordinary duties performed on the Glenover transaction.
- A once-off ex gratia bonus of R5,0 million was granted to Marthinus W von Wielligh in the prior year. Marthinus W von Wielligh played a significant role in developing the Group and initiating certain key aspects of Afrimat's success formula.

Executive directors' contracts

No executive director has a notice period of more than three months. No executive director's service contract includes predetermined compensation as a result of termination exceeding one year's salary and benefits.

Andries J van Heerden, Pieter GS de Wit and Collin Ramukhubathi have indefinite employment contracts. There are no other service contracts between the Company and executive directors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

20. Directors' emoluments (continued)

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a SAR Scheme (refer note 19.1).

	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed** R'000
2022									
Andries J van Heerden	150 000	13 December 2007	850	–	150 000	–	–	–	–
	300 000	9 May 2008	650	–	300 000	–	–	–	–
	500 000	13 May 2009	200	500 000	–	874	3 370	–	–
	750 000	12 May 2010	325	750 000	–	901	4 320	–	–
	575 000	11 May 2011	340	575 000	–	1 652	7 544	–	–
	460 000	9 May 2012	572	460 000	–	1 873	5 985	–	–
	330 000	8 May 2013	850	330 000	–	2 223	4 531	–	–
	200 000	14 May 2014	1565	200 000	–	2 956	2 782	–	–
	200 000	20 May 2015	1 726	200 000	–	2 820	2 188	–	–
	180 000	18 May 2016	2 220	180 000	–	3 504	2 311	–	–
	310 000	17 May 2017	2 900	310 000	–	3 611	2 204	–	–
	345 000	5 November 2018	2 679	345 000	–	5 125	8 439	–	–
	355 000	21 May 2019	3 021	–	–	–	–	355 000	12 883
	470 000	20 May 2020	2 501	–	–	–	–	470 000	19 500
	260 000	26 May 2021	4 800	–	–	–	–	260 000	4 810
				3 850 000	450 000		43 674	1 085 000	37 193
Pieter GS de Wit	40 000	9 May 2008	850	–	40 000	–	–	–	–
	50 000	9 May 2008	650	–	50 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	60 000	12 May 2010	325	60 000	–	901	346	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 862	1 548	–	–
	80 000	8 May 2013	850	80 000	–	2 899	1 639	–	–
	60 000	14 May 2014	1 565	60 000	–	3 012	868	–	–
	60 000	20 May 2015	1 726	60 000	–	3 381	993	–	–
	120 000	18 May 2016	2 220	120 000	–	3 381	1 393	–	–
	135 000	17 May 2017	2 900	135 000	–	3 611	960	–	–
	145 000	5 November 2018	2 679	145 000	–	5 125	3 547	–	–
	153 000	21 May 2019	3 021	–	–	–	–	153 000	5 552
	202 000	20 May 2020	2 501	–	–	–	–	202 000	8 381
	110 000	26 May 2021	4 800	–	–	–	–	110 000	2 035
				930 000	90 000		12 798	465 000	15 968

* The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (i.e. share price on exercise date less strike price).

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R66,50), less the strike price of these instruments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

20. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed** R'000
2022									
Collin Ramukhubathi	25 000	14 May 2014	1 565	25 000	–	2 943	345	–	–
	25 000	20 May 2015	1 726	25 000	–	2 851	281	–	–
	50 000	18 May 2016	2 220	50 000	–	3 381	581	–	–
	50 000	17 May 2017	2 900	50 000	–	3 611	356	–	–
	80 000	5 November 2018	2 679	80 000	–	5 125	1 957	–	–
	80 000	21 May 2019	3 021	–	–	–	–	80 000	2 903
	173 000	20 May 2020	2 501	–	–	–	–	173 000	7 178
	100 000	26 May 2021	4 800	–	–	–	–	100 000	1 850
				230 000	–		3 520	353 000	11 931

* The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (i.e. share price on exercise date less strike price).

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R66,50), less the strike price of these instruments.

In terms of the SAR Scheme: Grant 13 (2021: Grant 12), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Forfeitable shares awarded to executive directors in the prior year, in the format of a FSP (refer note 19.2).

	Number of shares initially allocated	Date awarded	Market value on grant date
2021			
Andries J van Heerden	95 000	22 February 2021	4390
Pieter GS de Wit	62 500	22 February 2021	4390
Collin Ramukhubathi	62 500	22 February 2021	4390

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

20. Directors' emoluments (continued)

Incentive bonuses paid to executive directors

	Group	
	2022 R'000	2021 R'000
Executive		
Andries J van Heerden	5 890	5 480
Pieter GS de Wit	2 870	2 700
Collin Ramukhubathi	2 620	2 460
	11 380	10 640

Incentive bonuses include those earned in the current year but only received in the following year.

Directors' shareholding

Please refer to [page 10](#) for further disclosure regarding the directors' respective shareholding in the Company.

Other

21. Fair value estimation

Items measured at fair value on the Statement of Financial Position are classified according to a fair value hierarchy. The fair value hierarchy is identified in levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

21. Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value:

	Group			Total balance
	R'000			
	Level 1	Level 2	Level 3	
At 28 February 2022				
Assets				
At fair value through other comprehensive income				
Equity securities*	74	–	–	74
Environmental funds**	–	3 365	–	3 365
At fair value through profit or loss				
Unit trusts**	–	70 329	–	70 329
Trade receivables***	–	265 329	–	265 329
Total assets	74	339 023	–	339 097
At 28 February 2021				
Assets				
At fair value through other comprehensive income				
Equity securities*	41	–	–	41
Environmental funds**	–	3 005	–	3 005
At fair value through profit or loss				
Unit trusts**	–	63 103	–	63 103
Trade receivables***	–	265 405	–	265 405
Total assets	41	331 513	–	331 554

* This fair value is based on quoted market prices at the end of the reporting period.

** The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's Statement of Financial Position.

*** Trade receivables measured at fair value relate to Afrimat Iron Ore Proprietary Limited (previously Afrimat Demaneng Proprietary Limited). The fair value was determined using the three-month forward-looking iron ore prices and foreign exchange rates as at the end of the reporting period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2022

21. Fair value estimation (continued)

The Group's equity securities are traded in active markets. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Environmental funds and environmental insurance policies consist of equity investments quoted in an active market. Their fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2.

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites (refer note 6.5). The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

Provisionally priced receivables related to the sale of iron ore were measured at FVPL from the date of recognition up until date of settlement, as it fails the amortised cost requirement of cash flows representing solely payment of principal and interest.

(a) Transfers

The Group recognises transfers between level of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 28 February 2022 or the prior year.

22. Changes in accounting policies

The Group has adopted the following standards and interpretations:

Standard	Subject	Impact
IFRS 3 (effective 1 January 2022)	Reference to the Conceptual Framework	Impact of the amendment was not material
IAS 16 (effective 1 January 2022)	Proceeds before intended use	Impact of the amendment was not material
IAS 37 (effective 1 January 2022)	Onerous Contract – cost of fulfilling a contract	Impact of the amendment was not material

23. New and amended standards

New standards and interpretations not yet effective

There are no standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not early adopted the following new standards and amendments:

Standard	Subject	Impact
IAS 1 (effective 1 January 2023)	Presentation of Financial Statements – Classification of liabilities as current and non-current	Impact of the amendment was not material
IAS 8 (effective 1 January 2023)	Accounting Policies, Changes in Accounting Estimates and Errors	The impact of the amendment will be assessed and applied in the future
IAS 12 (effective 1 January 2023)	Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The disclosure of deferred tax is already aligned to the amendment; as a result, there is no impact on the Group's annual financial statements arising from the amendment

24. Going-concern

Covid-19

The impact of the Covid-19 pandemic has been considered up to 28 February 2022. The pandemic is considered to be an ongoing event and management is continuously assessing and monitoring developments with regard to the pandemic and its impact on the business.

Subsequent to year-end there have been no significant changes in the Covid-19 restrictions impacting the Group and therefore no subsequent events related to the Covid-19 pandemic have occurred. Furthermore, no other material events which occurred after the reporting date and up to date of this report.

At 28 February 2022, the Company's current liabilities exceed the current assets. The Company has access to additional cash resources within the Group to meet its cash obligations as they fall due within the next 12 months.

KwaZulu-Natal ('KZN') riots

In July 2021, dramatic and violent scenes of unrest and looting unfolded in KZN and Gauteng. The KZN and Gauteng operations of the Group experienced minimal impact from these riots.

ANALYSIS OF SHAREHOLDERS

AS AT 28 FEBRUARY 2022

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	11 193	78,88	1 779 857	1,22
1 001 – 10 000 shares	2 335	16,46	7 795 833	5,33
10 001 – 100 000 shares	517	3,64	16 681 206	11,40
100 001 – 1 000 000 shares	131	0,92	35 918 589	24,54
1 000 000 shares and over	14	0,10	84 170 779	57,51
	14 190	100,00	146 346 264	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	9	0,06	10 872 734	7,43
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,01	1 475 492	1,01
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,01	6 725 244	4,60
	11	0,08	19 073 470	13,04
Public shareholding	14 179	99,92	127 272 794	86,96
	14 190	100,00	146 346 264	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 178 973	2,86	–	–
Maryke E van Heerden	1 198 543	0,82	–	–
Amala Familie Trust (CEO)	853 564	0,58	–	–
Founder shareholders - not related parties				
Korum Trust (TCB Jordaan)	9 010 000	6,16	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	400 000	0,27	–	–
Frans du Toit Trust	17 642 000	12,05	–	–
Other major shareholders				
Government Employees Pension Fund	22 654 900	15,48	–	–
BEE shareholders*				
ARC	10 632 754	7,27	10 632 754	11,65
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	2 586 829	1,77	2 586 829	2,83
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 725 244	4,60	6 171 756	6,76
Collin Ramukhubathi	192 865	0,13	192 865	0,21
Joe Kalo Investments Proprietary Limited	90 000	0,06	90 000	0,10
Johannes M Kalo	60 090	0,04	60 090	0,07
Goolam Ballim	227 009	0,16	227 009	0,25
Previously recognised interest**	–	–	–	10,73
	76 452 771	52,25	19 961 303	32,60
Other	69 893 493	47,75	–	–
	146 346 264	100,00	19 961 303	32,60
Total shareholding for BEE purposes:				
Total shareholding	146 346 264			
Mandated investments	(55 045 554)			
Total shareholding for BEE purposes:	91 300 710			

* Afrimat applied the exclusion principle, as required in terms of Statement 100 of the Code, therefore BEE shareholding is calculated by using the total shareholding for BEE purposes.

** Shares sold previously held by ARC, the shares qualify to be recognised in terms of paragraph 3.8 Recognition of ownership after the sale or loss of shares by black participants, of the B-BBEE COGP, therefore we are able to include these shares into our BEE ownership.