



**CONSISTENTLY
DELIVERING**

AFRIMAT[®]
LIMITED

Annual Financial Statements

2023



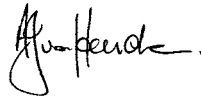
Directors' Responsibility Statement

The annual financial statements set out on pages 9 to 69 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.

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

17 May 2023

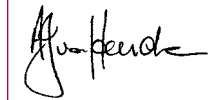


Pieter GS de Wit
CFO

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;
- ▶ to the best of our knowledge and belief 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;
- ▶ 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 as executive directors with primary responsibility for implementation and execution of controls;
- ▶ where we are not satisfied, we have disclosed to the Audit & Risk Committee and the external auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and
- ▶ we are not aware of any fraud involving directors.



Andries J van Heerden
CEO

Cape Town

17 May 2023



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 2023 and that all such returns and notices are true, correct and up to date.



Catharine Burger
Company Secretary

Cape Town

17 May 2023

Audit & Risk Committee Report

The Audit & Risk Committee ('the Committee') is pleased to present its report for the financial year ended 28 February 2023 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 Francois M Louw, non-executive director Loyiso Dotwana, independent non-executive directors Sisanda Tuku and Nicolaas AS Kruger. 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, COOs, executive director, 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 2023, 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 to 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 paragraph 22.15(h) of 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 any 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 2024 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 2024 financial year at the AGM on 2 August 2023.

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 from contracts with customers* 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 concur 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 16)

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 6.2 and 12.1)

Management has applied IFRS 3: *Business Combinations*, to the acquisitions and recognised an intangible asset as part of the purchase price allocation.

The Committee considered the key judgements made by management in accounting for these business combinations and the fair value of assets and liabilities used for the calculation of the intangible assets 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
- ▶ Ms Sisanda Tuku
- ▶ Mr Nicolaas AS Kruger
- ▶ Mr Jacobus (Derick) F van der Merwe (Chairman)

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

17 May 2023

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 2023, 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 11 to 68 comprise:

- ▶ the consolidated and separate statements of financial position as at 28 February 2023;
- ▶ 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



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	R42 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 59 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 and components with significant risks. These are defined as significant components. Audits of account balances were performed on identified financial statement line items or items which were considered significant or an area of higher risk. 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 and financial statement disclosures on a Group level.

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 2023, the consolidated statement of financial position includes environmental rehabilitation provisions of R259,2 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 consistent with the Group's policy; ▶ We evaluated the Group's policy against the requirements of the DMRE and IFRS. Based on our evaluation we accepted the Group's policy and we obtained explanations from management for differences between their quantum calculation of the provision for reporting purposes and the DMRE guidelines for reporting to the DMRE. 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 performed an independent life of mines assessment through evaluation of mineral reserve statements and the duration of the mining licence 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 R249,3 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.</p> <p>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; 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
Impairment assessment of investment in subsidiaries	
<p><i>This key audit matter relates to the separate financial statements only.</i></p> <p>The Company holds investments in subsidiaries with a carrying amount of R1 431,5 million as disclosed in note 13 to the separate financial statements.</p> <p>Investments are tested by management for impairment if impairment indicators exist, using a value-in-use calculation.</p> <p>Management concluded on an impairment loss required to impair the investment in Afrimat Concrete Products Proprietary Limited during the current financial period. Further disclosure with regards to this matter has been made in note 13 to the separate financial statements.</p> <p>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>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 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; ▶ We recalculated the impairment of the investment to the recoverable amount and noted no material variance; and ▶ We reviewed the disclosures regarding the impairment losses in the financial statements and noted no material differences.

Independent Auditor's Report (continued)

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 2023', 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 2023 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 six years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D de Jager
Registered Auditor

Stellenbosch, South Africa

17 May 2023

Directors' Report

for the year ended 28 February 2023

The directors of Afrimat present their report for the Group for the year ended 28 February 2023.

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. During the current year, Afrimat started supplying phosphates to the agriculture sector. 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 11 to 68 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 decreased by 15,7% from 542,9 cents to 457,6 cents per share.

Operational review

Impacts on the operations are reviewed in detail in the CEO's report and operational reviews.

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 110,0 cents per share (2022: 146,0 cents per share), was declared for the year on 17 May 2023. This equates to 88,0 cents per share (2022: 116,8 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 150,0 cents per share (2022: 186,0 cents per share).

Taxation

The latest tax assessment of the Company relates to the year ended 28 February 2022. All tax submissions up to and including February 2022 have been submitted. Tax returns for 28 February 2023 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 (2022: 1 000 000 000) no par value ordinary shares of which 159 718 929 (2022: 146 346 264) 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 (independent non-executive director)
- ▶ Mr Pieter GS de Wit (CFO)
- ▶ Mr Loyiso Dotwana (non-executive director)
- ▶ Mr Nicolaas AS Kruger (independent non-executive director)
- ▶ Mr Francois M Louw (independent non-executive Chairman)
- ▶ Mr Collin Ramukhubathi (executive director)
- ▶ Mrs Phuti RE Tsukudu (independent non-executive director)
- ▶ Mr Jacobus (Derick) F van der Merwe (independent non-executive director and LID)
- ▶ Mr Johannes (Johan) HP van der Merwe (independent non-executive director)
- ▶ Mr Andries J van Heerden (CEO)
- ▶ Marthinus G Odendaal (executive director)
- ▶ Sisanda Tuku (independent non-executive director)

Mr Jacobus (Derick) F van der Merwe, Mr Johannes (Johan) HP van der Merwe and Mr Loyiso Dotwana will retire by rotation at the upcoming AGM with all three being eligible, they will stand for re-election. Mr Nicolaas AS Kruger will stand for election as independent, non-executive director at the upcoming AGM by the shareholders.

Changes to Board and Board Committees

Mr JF (Derick) van der Merwe was appointed as the Lead Independent Director at the AGM held on 3 August 2022.

Throughout the year, Mr FM Louw was appointed to serve on the Social, Ethics and Sustainability Committee.

Mr Johan van der Merwe (effective 3 August 2022) and Ms Sisanda Tuku (effective 23 February 2023) were appointed as members to the Remuneration and Nomination Committee.

Mr Nicolaas AS Kruger was appointed as an independent non-executive director of the Board, effective from 1 February 2023. Subsequently, Mr Nicolaas AS Kruger was appointed as a member of the Audit and Risk Committee and Investment Committee, effective 23 February 2023.

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 14 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 19 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 on 28 February 2023, is set out on page 69.

Directors' shareholding on 28 February 2023*

	Number of securities held				% held
	Direct beneficial	Indirect beneficial	Through associates	Total	
Director 2023					
Gert J Coffee	680 084	–	–	680 084	0,43
Loyiso Dotwana	–	2 160 000	–	2 160 000	1,35
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 340 506	853 564	1 198 543	6 392 613	4,00
Derick van der Merwe	30 000	–	–	30 000	0,02
Pieter GS de Wit	365 582	–	–	365 582	0,23
Johan van der Merwe	–	–	–	–	–
Francois M Louw	215 714	–	–	215 714	0,14
Collin Ramukhubathi	123 128	–	–	123 128	0,08
Marthinus G Odendaal	291 979	–	–	291 979	0,18
Nicolaas AS Kruger	–	–	–	–	–
Sisanda Tuku	–	–	–	–	–
	6 046 993	3 013 564	1 198 543	10 259 100	6,43

Directors' Report (continued)

for the year ended 28 February 2023

	Number of securities held				
	Direct beneficial	Indirect beneficial	Through associates	Total	% held
Director					
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

* Excludes shares granted under the Forfeitable Share Plan ('FSP'), which have not yet vested. Refer note 18 for further details.

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 have reviewed the Group's cash flow forecast for the year to 28 February 2024 and 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.

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 16 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 3 August 2022), and where necessary have been registered by the Companies and Intellectual Property Commission:

- ▶ special resolution providing approval for fees payable to non-executive directors for the year ended 28 February 2023;
- ▶ 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 17 for disclosure of events after the reporting date.

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 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue	3	4 908 238	4 680 078	898 731	355 902
Cost of sales	4.5	(3 208 384)	(2 966 586)	–	–
Gross profit		1 699 854	1 713 492	898 731	355 902
Operating expenses	4.5	(793 931)	(687 991)	(60 114)	(59 532)
Other income	4.1	15 988	12 741	2 123	1 873
Other net gains	4.2	42 150	77 811	–	3 609
Profit on disposal of property, plant and equipment	4.3	2 793	7 904	–	–
Impairments	4.4	(3 776)	(13 341)	(43 617)	–
Movement in expected credit loss allowance*		(1 517)	(1 705)	(90 514)	–
Operating profit		961 561	1 108 911	706 609	301 852
Finance income	4.6	33 810	12 430	28 741	10 138
Finance costs	4.7	(60 508)	(55 280)	(126 125)	(84 155)
Share of profit of equity-accounted investments		–	257	–	–
Profit before tax		934 863	1 066 318	609 225	227 835
Income tax expense	5	(269 382)	(291 150)	(11 525)	1 933
Profit for the year		665 481	775 168	597 700	229 768

* The movement in expected credit loss allowance ('ECL') has been disclosed separately on the Statement of Profit or Loss and Other Comprehensive Income this year; due to the ECL being material for the Company, refer note 13. Previously the movement in ECL for the Group was disclosed as part of 'operating expenses' and was reflected in note 4.5.

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		(16 005)	(9 387)	–	–
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		192	393	–	–
Income tax effect relating to these items		(17)	(85)	–	–
Other comprehensive loss for the year, net of tax		(15 830)	(9 079)	–	–
Total comprehensive income for the year		649 651	766 089	597 700	229 768
Profit attributable to:					
Owners of the parent		661 320	772 714	597 700	229 768
Non-controlling interests	8.4	4 161	2 454	–	–
		665 481	775 168	597 700	229 768
Total comprehensive income attributable to:					
Owners of the parent		645 490	763 635	597 700	229 768
Non-controlling interests	8.4	4 161	2 454	–	–
		649 651	766 089	597 700	229 768
Earnings per ordinary share (cents)	8.5	457,1	560,7	–	–
Diluted earnings per ordinary share (cents)	8.5	450,0	546,6	–	–

Statements of Financial Position

at 28 February 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	3 326 059	2 696 448	–	–
Intangible assets	6.2	260 252	213 335	–	–
Loans to subsidiaries	13	–	–	769 802	1 204 280
Investments in subsidiaries	13	–	–	1 431 487	1 427 423
Other financial assets	7.1 – 7.3.1	121 565	91 986	–	–
Deferred tax	6.3	260 808	360 839	8 285	25 701
Inventories	6.4	212 569	–	–	–
Total non-current assets		4 181 253	3 362 608	2 209 574	2 657 404
Current assets					
Inventories	6.4	460 770	568 266	–	–
Other financial assets	7.1 – 7.3.1	9 128	1 732	3 609	–
Current tax receivable		6 884	9 665	–	2 458
Trade and other receivables	7.3.2	742 060	793 343	30 238	11 909
Cash and cash equivalents	7.3.3	281 037	290 633	74 170	19 927
Loans to subsidiaries	13	–	–	700 008	418 981
Total current assets		1 499 879	1 663 639	808 025	453 275
Non-current assets held for sale	6.1	–	20 050	–	–
Total assets		5 681 132	5 046 297	3 017 599	3 110 679
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	939 435	315 886	851 264	228 638
Treasury shares	8.2	(289 348)	(109 030)	–	–
Net issued stated capital		650 087	206 856	851 264	228 638
Other reserves	8.3	(64 611)	(38 498)	50 077	25 885
Retained earnings		3 249 771	2 829 609	1 668 662	1 339 483
Attributable to equity holders of the parent		3 835 247	2 997 967	2 570 003	1 594 006
Non-controlling interests	8.4	13 767	9 233	–	–
Total equity		3 849 014	3 007 200	2 570 003	1 594 006

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	166 328	149 377	–	–
Other liability		5 094	–	1 795	–
Provisions	6.5	290 960	265 252	–	–
Deferred tax	6.3	367 147	450 044	–	–
Total non-current liabilities		829 529	864 673	1 795	–
Current liabilities					
Loans from subsidiaries	13	–	–	429 487	1 143 606
Other financial liabilities	7.3.5	136 590	7 488	–	–
Borrowings	7.3.4	146 248	494 449	–	350 000
Current tax payable		15 881	6 953	–	–
Trade and other payables	7.3.6	703 870	663 729	16 314	23 067
Bank overdraft	7.3.3	–	1 805	–	–
Total current liabilities		1 002 589	1 174 424	445 801	1 516 673
Total liabilities		1 832 118	2 039 097	447 596	1 516 673
Total equity and liabilities		5 681 132	5 046 297	3 017 599	3 110 679

Statements of Changes in Equity

for the year ended 28 February 2023

	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 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 (refer note 8.4)	-	-	-	(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

	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
Balance at 1 March 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200
Total comprehensive income						
Profit for the year	-	-	-	661 320	4 161	665 481
Other comprehensive loss for the year	-	-	(15 830)	-	-	(15 830)
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	192	-	-	192
Income tax effect	-	-	(17)	-	-	(17)
Exchange differences on translation of foreign operations	-	-	(16 005)	-	-	(16 005)
Income tax effect	-	-	-	-	-	-
Total comprehensive (loss)/income	-	-	(15 830)	661 320	4 161	649 651
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	-	-	29 291	-	-	29 291
Deferred taxation on share-based payments (refer note 8.3)	-	-	(14 465)	-	-	(14 465)
Purchase of treasury shares (refer note 8.2)	-	(214 534)	-	-	-	(214 534)
Issue of stated capital (refer note 8.1)	680 000	-	-	-	-	680 000
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)	(56 451)	34 216	(25 109)	25 109	-	(22 235)
Dividends paid (refer note 8.7)	-	-	-	(266 267)	(1 650)	(267 917)
Total contributions and distributions	623 549	(180 318)	(10 283)	(241 158)	(1 650)	190 140
Additional non-controlling interest acquired through acquisition of businesses (refer note 12.1): Stony Lime Proprietary Limited Eckraal Quarries Proprietary Limited	-	-	-	-	478	478
	-	-	-	-	1 545	1 545
Total changes in ownership interests	-	-	-	-	2 023	2 023
Total transactions with owners of the parent	623 549	(180 318)	(10 283)	(241 158)	373	192 163
Balance at 28 February 2023	939 435	(289 348)	(64 611)	3 249 771	13 767	3 849 014
Note	8.1	8.2	8.3		8.4	

Statements of Changes in Equity (continued)

for the year ended 28 February 2023

	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 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
Total comprehensive income						
Profit for the year	–	–	–	597 700	–	597 700
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	597 700	–	597 700
Transactions with Company						
Contributions and distributions						
Issue of stated capital (refer note 8.1)	680 000	–	–	–	–	680 000
Share-based payment expense for the year (refer note 8.3)	–	–	9 059	–	–	9 059
Deferred taxation on share-based payments (refer note 8.3)	–	–	(4 541)	–	–	(4 541)
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)	(57 374)	–	19 674	9 033	–	(28 667)
Dividends paid (refer note 8.7)	–	–	–	(277 554)	–	(277 554)
Total contributions and distributions	622 626	–	24 192	(268 521)	–	378 297
Total changes	622 626	–	24 192	329 179	–	975 997
Balance at 28 February 2023	851 264	–	50 077	1 668 662	–	2 570 003
Note	8.1		8.3			

Statements of Cash Flows

for the year ended 28 February 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash flows from operating activities					
Cash generated from operations	9.1	1 262 186	1 076 666	78 350	40 517
Finance income received	9.2	32 610	11 726	28 741	10 138
Dividends received		–	98	718 566	225 721
Finance costs paid	9.3	(41 704)	(40 015)	(126 125)	(84 155)
Tax (paid)/refund received	9.4	(265 773)	(311 920)	3 808	(1 691)
Net cash inflow from operating activities		987 319	736 555	703 340	190 530
Cash flows from investing activities					
Acquisition of property, plant and equipment	9.6	(810 610)	(598 687)	–	–
Proceeds on disposal of property, plant and equipment	9.5	20 670	26 049	–	–
Proceeds on disposal of non-current assets held for sale	6.1	23 340	–	–	–
Acquisition of businesses	12.1	(28 650)	(14 750)	(33 500)	(14 750)
Acquisition of surface rights	6.2	–	(5 145)	–	–
Advances of loans to subsidiaries		–	–	(1 746 656)	(1 263 325)
Proceeds of loans to subsidiaries		–	–	1 810 157	610 305
Purchase of other financial assets		(35 932)	(12 582)	–	–
Repayments from other financial assets		10 990	3 823	–	–
Net cash (outflow)/inflow from investing activities		(820 192)	(601 292)	30 001	(667 770)
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	(214 534)	(16 400)	–	–
Proceeds from equity raise	8.1	680 000	–	680 000	–
Proceeds from borrowings	7.3.4	75 453	880 998	–	877 000
Repayment of borrowings	7.3.4	(560 508)	(918 120)	(350 000)	(747 000)
Capital elements of lease payments	9.7	(7 018)	(13 750)	–	–
Proceeds from other financial liabilities	7.3.5	120 000	–	–	–
Repayments from other financial liabilities		(394)	(1 355)	–	–
Acquisition of additional non-controlling interest		–	(134)	–	–
Repayments of loans from subsidiaries		–	–	(1 461 720)	(1 449 096)
Proceeds of loans from subsidiaries		–	–	730 176	1 977 235
Dividends paid	8.7	(267 917)	(214 927)	(277 554)	(222 219)
Net cash (outflow)/inflow from financing activities		(174 918)	(283 688)	(679 098)	435 920
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(7 791)	(148 425)	54 243	(41 320)
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	288 828	437 253	19 927	61 247
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	281 037	288 828	74 170	19 927

Notes to the Annual Financial Statements

for the year ended 28 February 2023

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

These policies have been consistently applied with the previous year.

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 chosen not to early adopt the following standards and interpretations, which has been published and are mandatory for the Group's accounting periods beginning on/after 1 March 2023 or later periods:

- ▶ IAS 1: Presentation of Financial Statements – Non-currents liabilities with covenants
- ▶ IAS 1: Presentation of Financial Statements – Classification of liabilities as current and non-current
- ▶ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- ▶ IAS 12: Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ IFRS 17: Insurance contracts
- ▶ IFRS 16: Lease liability in a Sale and Leaseback

Refer note 21 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' (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 2023

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 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 18.1 and 18.2
- ▶ 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 Infrasers Environmental Rehabilitation Trust and Infrasers 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 16
- ▶ 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 five main operational segments based on the market use of products. Future Materials and Metals is the latest addition to the Group's operational segments, which was formed through the acquisition of the stockpiles containing phosphate and rare earth elements; and the subordinate Vermiculite Mining Right.

Construction Materials comprises aggregates and concrete-based products. Aggregates consist mainly of the sale 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 is similar and increases/decreases during the same period as customers use both aggregates and concrete-based products during construction.

Industrial Minerals consists mainly 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 metallurgical 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 have 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 anthracite nuts and duff products are produced.

Future Materials and Metals comprises phosphate. The phosphates are graded according to high, medium or low. Currently the Group produces high-grade ('HG') phosphate which is also known as an organic fertiliser. The HG phosphate needs minimal manufacturing time and serves a different market to the existing operational segments.

Services consists of Group shared services including IT services, consulting services, external logistical and mining services. During the year, the Group reallocated various businesses within the operational segments, which led to the 'Services' segment to include external logistical and mining services. Mining services comprises contracting operations such as mobile crushing, screening, drilling and blasting.

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.

2. Segment information (continued)

	Construction	Industrial	Bulk Commodities				Future Materials	Services	Total
	Materials	Minerals	Iron Ore		Anthracite	and Metals			
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	Total R'000	R'000		
For the year ended 28 February 2023									
Segmental revenue	1 865 230	560 099	1 034 560	872 127	573 668	2 480 355	25 215	436 198	5 367 097
Inter-segmental revenue	(55 897)	(6 210)	–	–	–	–	–	(396 752)	(458 859)
Revenue	1 809 333	553 889	1 034 560	872 127	573 668	2 480 355	25 215	39 446	4 908 238
Depreciation and amortisation	97 993	24 850	39 558	17 504	127 526	184 588	3 579	49 670	360 680
Impairment of property, plant and equipment	3 776	–	–	–	–	–	–	–	3 776
Repairs and maintenance	183 073	53 547	40 924	10 260	20 718	71 902	3 274	63 155	374 951
Cement	142 754	–	–	–	–	–	–	–	142 754
Fuel and diesel	183 162	31 593	57 070	65 534	54 764	177 368	4 839	36 981	433 943
External transport	273 963	103 281	41 586	44 045	14 274	99 905	1 216	45 231	523 596
Railage	–	–	112 720	57 766	–	170 486	–	–	170 486
Employee costs	423 387	103 017	89 797	31 532	66 137	187 466	8 598	218 150	940 618
Electricity	52 068	35 575	8 699	–	3 941	12 640	132	482	100 897
Lease charges	50 136	57 491	90 393	152 769	113 509	356 671	4 961	23 885	493 144
Operating profit/(loss)	129 603	49 387	369 321	398 578	19 754	787 653	(11 437)	6 355	961 561
Operating profit margin on external revenue	7,2%	8,9%	35,7%	45,7%	3,4%	31,8%	(45,4%)	16,1%	19,6%

	Construction	Industrial	Bulk Commodities			Future Materials	Services	Total	
	Materials	Minerals	Iron Ore		Anthracite	and Metals			
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	Total R'000			R'000
Assets*	1 273 729	621 007	1 688 204		701 400	2 389 604	369 683	1 027 109	5 681 132
Liabilities**	383 486	59 901	146 948		285 591	432 539	2 877	953 315	1 832 118
Capital expenditure***	108 969	41 851	203 726		451 040	654 766	123 244	34 263	963 093

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

2. Segment information (continued)

	Construction Materials	Industrial Minerals	Bulk Commodities				Future Materials and Metals	Services	Total
			Iron Ore	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^o									
Segmental revenue	1 769 789	474 328	1 487 559	557 099	364 052	2 408 710	3 782	338 721	4 995 330
Inter-segmental revenue	(17 847)	(2 768)	–	–	–	–	(818)	(293 819)	(315 252)
Revenue	1 751 942	471 560	1 487 559	557 099	364 052	2 408 710	2 964	44 902	4 680 078
Depreciation and amortisation	114 755	35 453	54 251	11 368	64 998	130 617	147	15 851	296 823
Impairment of property, plant and equipment	9 715	3 176	450	–	–	450	–	–	13 341
Repairs and maintenance	196 667	58 006	58 221	12 407	16 548	87 176	617	7 843	350 309
Cement	147 417	–	–	–	–	–	–	–	147 417
Fuel and diesel	123 753	27 067	57 423	29 795	36 356	123 574	159	6 613	281 166
External transport	219 448	70 430	33 245	20 345	6 760	60 350	1 259	22 366	373 853
Railage	–	–	156 252	37 463	–	193 715	–	–	193 715
Employee costs	399 779	105 689	90 148	15 906	55 754	161 808	950	161 832	830 058
Electricity	43 052	44 283	10 080	2	3 549	13 631	417	424	101 807
Lease charges	90 861	3 014	7 787	87 869	117 048	282 704	567	5 821	382 967
Operating profit/(loss)	157 524	84 946	644 533	264 820	(49 431)	859 922	(2 174)	8 693	1 108 911
Operating profit margin on external revenue	9,0%	18,0%	43,3%	47,5%	(13,6%)	35,7%	(73,3%)	19,4%	23,7%

	Construction Materials	Industrial Minerals	Bulk Commodities			Future Materials and Metals	Services	Total
			Iron Ore	Anthracite	Total			
Assets*	1 192 325	612 113	1 192 722	733 551	1 926 273	261 042	1 054 544	5 046 297
Liabilities**	418 825	87 464	167 649	90 666	258 315	2 111	1 272 382	2 039 097
Capital expenditure***	166 210	31 357	420 939	103 450	524 389	9 689	50 801	782 446

^o During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year. Additionally, major expense items have been separately disclosed per business segment.

2. Segment information (continued)

	2023 R'000	2022 R'000
* The following assets have not been allocated to segments:		
Goodwill	249 284	200 502
Other financial assets	130 693	91 986
Deferred tax	260 808	360 839
Current tax receivable	6 884	9 665
Cash and cash equivalents	281 037	290 633
Other assets	98 403	100 919
	1 027 109	1 054 544
** The following liabilities have not been allocated to segments:		
Provisions	290 960	265 252
Deferred tax	367 147	450 044
Current tax payable	15 881	6 953
Bank overdraft	–	1 805
Other liabilities	279 327	548 328
	953 315	1 272 382

*** Excludes property, plant and equipment acquired through business combination, refer note 12.1. Within the Bulk Commodities segment, the increase relates to capital expenditure of R347,9 million on the opening of two opencast pits and work performed on the opening of the underground mine at Nkomati, R102,7 million for further mine development at the Demaneng mine. Within the Future Materials and Metals segment, the increase relates to a total capital expenditure of R34,9 million for the acquisition of the subordinate Vermiculite Mining Right and site establishment costs of R68,5 million.

There is significant exposure and dependency on Kumba International Trading S.A.R.L., Arcelormittal South Africa Limited and Glencore Operations South Africa Proprietary Limited, with revenues of approximately R1 307,3 million (2022: R1 435,2 million), R684,5 million (2022: R720,2 million) and R489,1 million (2022: R317,9 million), respectively, major customers of Afrimat Iron Ore Proprietary Limited and Nkomati Anthracite Proprietary Limited, within the Bulk Commodities segment. This risk has been mitigated by Afrimat's diversification strategy.

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;
- ▶ Sale of Future Materials and Metals: Comprises phosphate; and
- ▶ Rendering of Services: Includes mobile crushing, screening, drilling and blasting and external logistical and mining services.

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, Industrial Minerals, Bulk Commodities and Future Materials and Metals 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 from contracts with customers*. 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, erection costs, external logistical and mining services 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 2023

3. Revenue (continued)

	Group		Company	
	2023 R'000	2022 R'000 ^o	2023 R'000	2022 R'000
Revenue from contracts with customers:				
Sale of Construction Materials	1 540 249	1 529 182	–	–
Sale of Industrial Minerals	443 489	396 952	–	–
Sale of Bulk Commodities	2 604 696	2 527 968	–	–
Sale of Future Materials and Metals	25 215	2 964	–	–
Rendering of Services	418 930	342 270	64 706	50 655
Revenue from contracts with customers	5 032 579	4 799 336	64 706	50 655
Timing of revenue recognition				
At a point of time	4 613 649	4 457 066	–	–
Over time	418 930	342 270	64 706	50 655
	5 032 579	4 799 336	64 706	50 655
Revenue other than from contracts with customers:				
Group companies interest revenue	–	–	115 459	79 526
Group companies dividend revenue	–	–	718 566	225 721
Revenue other than from contracts with customers	–	–	834 025	305 247
Other revenue*	(124 341)	(119 258)	–	–
Total	4 908 238	4 680 078	898 731	355 902

^o During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year.

* Provisional pricing arrangements, within the Bulk Commodities segment, introduces 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Recoveries	2 195	2 738	17	–
Rental income	4 690	4 942	–	–
Scrap sales	1 321	2 369	–	–
Other	7 782	2 692	2 106	1 873
Total	15 988	12 741	2 123	1 873
4.2 Other net gains				
Gains – financial assets at fair value through profit or loss	2 500	2 031	–	–
Gains on financial instruments	–	12 349	–	–
Compensation for loss of income	–	18 564	–	–
Foreign exchange gains	46 455	32 067	–	–
Foreign exchange losses	(6 805)	(15 687)	–	–
Gain on bargain purchase	–	25 628	–	–
Profit on sale of associate/investments	–	2 859	–	3 609
Total	42 150	77 811	–	3 609

In the prior year, a gain on bargain purchase of R25,6 million arose on the acquisition of Afrimat Mining Services Proprietary Limited, previously known as JEF Drill and Blast Proprietary Limited, refer note 12.1 for further disclosures.

4. Other income and expense items (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
4.3 Profit on disposal of property, plant and equipment				
Profit on disposal of property, plant and equipment	2 793	7 904	–	–
Total	2 793	7 904	–	–
4.4 Impairments				
Impairment of property, plant and equipment (refer note 6.1)	3 776	13 341	–	–
Impairment of investment in subsidiary (refer note 13)	–	–	43 617	–
Total	3 776	13 341	43 617	–

During the previous 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. During the current year a further impairment of R3,8 million was recognised.

In the prior year, 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 comprises 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 R55,8 thousand (2022: R51,6 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 2023

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group						Company	
	2023 Cost of sales R'000	2023 Operating expenses R'000	Total R'000	2022 Cost of sales R'000	2022 Operating expenses R'000	Total R'000	2023 Operating expenses R'000	2022 Operating expenses R'000
Lease charges (short-term, low value and variable lease payments not included in lease liabilities)	484 865	8 279	493 144	376 764	6 203	382 967	–	–
Premises								
Short-term	10 371	3 541	13 912	10 387	1 284	11 671	–	–
Variable lease payments	–	558	558	–	516	516	–	–
Equipment								
Short-term	474 101	–	474 101	366 123	–	366 123	–	–
Lease rentals – other								
Short-term	173	2 184	2 357	43	2 680	2 723	–	–
Low value	220	1 996	2 216	211	1 723	1 934	–	–
Amortisation of intangible assets	1 205	660	1 865	1 016	660	1 676	–	–
Depreciation of property, plant and equipment	308 346	50 469	358 815	256 381	38 766	295 147	–	–
Increase in inventory provision for impairment	–	2 824	2 824	–	149	149	–	–
Inventory write-off to net realisable value	8 370	–	8 370	26 970	–	26 970	–	–
Repairs and maintenance	369 409	5 542	374 951	343 257	7 052	350 309	–	–
Royalties	57 414	–	57 414	74 095	6 897	80 992	–	–
Drilling and blasting	41 675	–	41 675	113 318	–	113 318	–	–
Cement	142 754	–	142 754	147 417	–	147 417	–	–
Fuel and diesel	432 845	1 098	433 943	280 775	391	281 166	–	–
External transport	523 596	–	523 596	373 853	–	373 853	–	–
Railage	170 486	–	170 486	193 715	–	193 715	–	–
Electricity	98 607	2 290	100 897	99 464	2 343	101 807	–	–
Audit fees	–	8 693	8 693	–	7 475	7 475	3 930	3 854
Audit	–	8 541	8 541	–	7 395	7 395	3 930	3 854
Other	–	152	152	–	80	80	–	–
Employee costs	530 408	410 210	940 618	471 729	358 329	830 058	41 603	42 059
Defined contribution plan contributions	34 132	28 084	62 216	29 826	23 095	52 921	1 968	1 240
Share-based payment expense	971	33 414	34 385	–	29 664	29 664	10 855	11 867
Short-term employee expenses	495 305	348 712	844 017	441 903	305 570	747 473	28 780	28 952
Consulting and legal fees	20 778	57 879	78 657	17 944	45 615	63 559	1 097	1 094
Access control	–	47 343	47 343	–	41 500	41 500	–	–
Insurance	2 355	21 771	24 126	1 740	19 392	21 132	–	–
Training	–	20 328	20 328	–	20 104	20 104	–	6
Other costs	15 271	156 545	171 816	188 148	133 115	321 263	13 484	12 519
Total	3 208 384	793 931	4 002 315	2 966 586	687 991	3 654 577	60 114	59 532

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Bank	31 458	11 116	28 695	10 108
Other interest	2 352	1 314	46	30
Total	33 810	12 430	28 741	10 138

4.7 Finance costs

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Instalment sale agreements	14 859	10 680	–	–
Lease liabilities	3 667	(1 179)	–	–
Bank	20 869	27 623	19 316	22 110
South African Revenue Service	921	168	–	–
Group companies loans	–	–	106 809	62 045
Environmental rehabilitation and dismantling	18 804	16 444	–	–
Other interest paid	1 388	1 544	–	–
Total	60 508	55 280	126 125	84 155

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Major components of the tax expense				
Current				
Local income tax				
Current year	274 247	302 840	–	27
Prior year (over)/under provision	(2 087)	48	(1 350)	–
	272 160	302 888	(1 350)	27
Deferred				
Deferred income tax				
Current year	(6 847)	(11 738)	12 875	(1 960)
Prior year under provision	4 069	–	–	–
	(2 778)	(11 738)	12 875	(1 960)
Total	269 382	291 150	11 525	(1 933)
Tax rate reconciliation				
Standard tax rate (%)	28,0	28,0	28,0	28,0
Permanent differences (%)	0,8	(0,7)	(26,1)	(28,8)
Non-deductible expenses (%)*	2,5	0,7	7,5	(0,3)
Share Appreciation Right Scheme expense realised (%)	(0,8)	(0,6)	(0,5)	(1,5)
Deferred tax not recognised in prior year utilised (%)	(1,7)	(1,0)	(0,2)	–
Deferred tax recognised in prior year – derecognised in current year (%)	–	–	–	0,7
Exempt income (%)**	(0,3)	(0,2)	(33,0)	(27,7)
Effect of rate change (%)	(0,2)	–	0,1	–
Deferred tax on previously unrecognised tax losses (%)	1,3	0,4	–	–
Effective rate (%)	28,8	27,3	1,9	(0,8)

* Includes legal fees, consulting 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.

For details on deferred tax, refer note 6.3.

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 2023

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

Property, plant and equipment are 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 of 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.

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	Unit of Production ('UoP')

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.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Mining assets:

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. When the Group is able to mine, the undeveloped mining resources are depreciated as above.

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.

The cost of an item of property, plant and equipment comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. During the ramp-up phase, all costs that are directly attributable to developing the mine are capitalised up to the date when the commercial production indicators are met. The development of a mine to gain access to the resource as well as ramps, access roads and surface rights are components necessary for the mine to be capable of operating in the manner intended by management. Capitalisation of costs to the carrying amount of mining assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Stripping assets:

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 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 'cost of sales' 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.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Other:

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*. During the prior year, 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.

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 and 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;
- ▶ Residual value of the individual assets; and
- ▶ Economic environment in which the assets operate in.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Cost	Accumulated depreciation/ impairment	Carrying value	Cost	Accumulated depreciation/ impairment	Carrying value
	2023 R'000	2023 R'000	2023 R'000	2022 R'000	2022 R'000	2022 R'000
Group						
Land and buildings	169 601	(43 159)	126 442	156 130	(41 137)	114 993
Leasehold property	32 596	(20 451)	12 145	29 971	(16 691)	13 280
Plant and machinery	1 894 983	(797 697)	1 097 286	1 577 861	(653 840)	924 021
Motor vehicles	1 090 866	(526 822)	564 044	1 008 369	(501 261)	507 108
Office and computer equipment	66 361	(50 714)	15 647	55 061	(41 969)	13 092
Dismantling costs	31 864	(18 095)	13 769	30 121	(16 851)	13 270
Mining assets	1 742 815	(287 512)	1 455 303	1 226 219	(228 748)	997 471
Stripping assets	134 411	(119 283)	15 128	116 414	(31 754)	84 660
RoU assets	70 319	(44 024)	26 295	74 143	(45 590)	28 553
Total	5 233 816	(1 907 757)	3 326 059	4 274 289	(1 577 841)	2 696 448

Analysis of movements in carrying value:

	Opening carrying value	Additions	Additions through business combinations	Reclassification	Disposals	Depreciation	Impairment	Closing carrying value
	R'000	R'000	(refer note 12.1) R'000	R'000	R'000	R'000	R'000	R'000
Group 2023								
Land and buildings	114 993	16 007	–	–	(260)	(4 298)	–	126 442
Leasehold property	13 280	2 625	–	–	–	(3 760)	–	12 145
Plant and machinery	924 021	260 157	17 836	2 714	(1 873)	(105 569)	–	1 097 286
Motor vehicles	507 108	163 208	1 451	(2 714)	(19 239)	(81 994)	(3 776)	564 044
Office and computer equipment	13 092	10 807	98	–	(39)	(8 311)	–	15 647
Dismantling costs	13 270	1 682	–	–	(52)	(1 131)	–	13 769
Mining assets	997 471	485 488	32 150	–	–	(59 806)	–	1 455 303
Stripping assets	84 660	17 997	–	–	–	(87 529)	–	15 128
RoU assets	28 553	5 122	–	–	(963)	(6 417)	–	26 295
Total	2 696 448	963 093	51 535	–	(22 426)	(358 815)	(3 776)	3 326 059
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

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

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	
	2023 R'000	2022 R'000
Carrying value of assets pledged as security:		
Plant and machinery	72 092	98 836
Motor vehicles	258 902	215 479
Office and computer equipment	–	11
Total	330 994	314 326

Included in additions are plant, equipment and motor vehicles with a total cost of R145,7 million (2022: R173,5 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 R8,6 million (2022: R87,1 thousand) and accumulated depreciation of R8,6 million (2022: R60,4 thousand), which had no further economical value and have been removed from the register.

During the prior 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. During the current year a further impairment of R3,8 million was recognised.

During the prior year, 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 R308,3 million (2022: R256,3 million) has been charged in 'cost of sales' and R50,5 million (2022: R38,8 million) in 'operating expenses'.

Leases:

	Group	
	2023 R'000	2022 R'000
Carrying value of RoU assets:		
Land and buildings	26 023	28 044
Equipment	272	509
Motor vehicles	–	–
Total	26 295	28 553

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Group	
	2023 R'000	2022 R'000
Depreciation charge of RoU assets:		
Land and buildings	6 246	6 968
Equipment	171	1 700
Motor vehicles	–	6 088
Total	6 417	14 756

	Group	
	2023 R'000	2022 R'000
Additions/reassessment of RoU assets:		
Land and buildings	4 159	8 473
Motor vehicles	–	–
Total	4 159	8 473

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

Non-current assets held for sale:

	Group	
	2023 R'000	2022 R'000
Land and buildings	–	20 050

During the prior 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, concluded on 8 October 2021. During the current year, the sale was concluded on 28 November 2022 at a selling price of R17,6 million. The land and building was measured at its fair value less costs to sell of R17,6 million.

Furthermore, another sale agreement between Rodag Holdings Proprietary Limited and Grain Carriers Proprietary Limited was concluded on 28 February 2022, to sell land. The land was originally purchased for use within the KwaZulu-Natal operations. During the current year, the sale was concluded on 5 August 2022 at a selling price of R5,7 million. The carrying value of the land was R2,5 million.

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

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 were 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	5 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 F2021. 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.

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.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	Group					
	Accumulated amortisation/impairment/Carrying value			Accumulated amortisation/impairment/Carrying value		
	Cost 2023 R'000	2023 R'000	2023 R'000	Cost 2022 R'000	2022 R'000	2022 R'000
Goodwill	287 859	(38 575)	249 284	239 077	(38 575)	200 502
Mining rights	24 188	(17 331)	6 857	24 188	(16 495)	7 693
Surface right	5 226	(1 115)	4 111	5 226	(86)	5 140
Purchasing right	–	–	–	9 983	(9 983)	–
Total	317 273	(57 021)	260 252	278 474	(65 139)	213 335

Analysis of movements in carrying value:

	Group			
	Opening carrying value	Additions	Amortisation	Closing carrying value
	R'000	R'000	R'000	R'000
2023				
Goodwill	200 502	48 782	–	249 284
Mining rights	7 693	–	(836)	6 857
Surface right	5 140	–	(1 029)	4 111
Total	213 335	48 782	(1 865)	260 252
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

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods varies between five and 15 years (2022: six and 16 years). An amortisation expense of R1,2 million (2022: R1,0 million) has been charged to 'cost of sales' and R0,7 million (2022: R0,7 million) has been charged to 'operating expenses'.

During the prior year, the Group acquired a surface right at its Nkomati Anthracite mine with a definite life of five 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	
	2023 R'000	2022 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
Agri Lime Proprietary Limited*	40 102	–
Eckraal Quarries Proprietary Limited*	8 680	–
	249 284	200 502

* The goodwill for Agri Lime Proprietary Limited and Eckraal Quarries Proprietary Limited is provisional due to the accounting for the business combinations not being finalised at year-end. Refer note 12.1.

The recoverable amount was 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.

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% (2022: 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% (2022: 4,0% to 6,0%).

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% (2022: 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% (2022: 4,0% to 6,0%).
Medium-term growth rate	This is the weighted average growth rate, used to extrapolate the cash flows over the budgeted period, of 4,6% (2022: 4,6%)
Long-term growth rate	This is the weighted average growth rate, used to extrapolate the cash flows over the budgeted period, of 4,6% (2022: 4,6%)
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 15,8% (2022: 12,6%) 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:

	2023		2022	
	From	To	From	To
Afrimat Aggregates (Eastern Cape) Proprietary Limited				
Medium-term growth rate	N/A	N/A	4,6%	3,6%
Long-term growth rate	4,6%	0,0%	4,6%	4,6%
Pre-tax discount rate	N/A	N/A	12,6%	17,8%

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	2022	
	From	To
Afrimat Aggregates (Operations) Proprietary Limited		
Medium-term growth	4,6%	3,6%
Pre-tax discount rate	12,6%	14,7%

The recoverable amount of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited (2022: Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited), is estimated to exceed its carrying amount at 28 February 2023 by R96,4 million (2022: R36,2 million and R131,8 million, respectively).

Management have considered and assessed possible changes for the other assumptions and have not identified any instances that could cause the carrying amount of the CGU, Afrimat Aggregates (Eastern Cape) Proprietary Limited, to exceed its recoverable amount, therefore no impairment has been recorded. Should changes in the medium-term growth, long-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.

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Accelerated capital allowances for tax purposes	(284 053)	(189 130)	–	–
Accruals	50 165	40 396	3 336	14 501
Provisions	77 137	74 263	–	–
Tax losses available for set-off against future taxable income	182 695	212 162	515	–
Share-based payments	22 888	37 007	5 784	11 200
Fair value adjustments	(1 608)	(98 820)	–	–
Mining assets	(153 426)	(140 163)	–	–
Other	(11 618)	(37 414)	(1 350)	–
Lease liabilities	11 481	12 494	–	–
	(106 339)	(89 205)	8 285	25 701

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group							February 2023		
	February 2022			Recognised in profit or loss R'000	Recognised directly in equity R'000	Business combinations (refer note 12.1) R'000	Assets R'000	Liabilities R'000	Total R'000	
	Assets R'000	Liabilities R'000	Total R'000							
Accelerated capital allowances for tax purposes	76 769	(265 899)	(189 130)	(89 493)	–	(5 430)	7 044	(291 097)	(284 053)	
Accruals	45 239	(4 843)	40 396	9 769	–	–	18 471	31 694	50 165	
Provisions	34 183	40 080	74 263	2 874	–	–	33 377	43 760	77 137	
Tax losses available for set-off against future taxable income	202 324	9 838	212 162	(29 467)	–	–	174 258	8 437	182 695	
Share-based payments	21 793	15 214	37 007	346	(14 465)	–	12 413	10 475	22 888	
Fair value adjustments	(309)	(98 511)	(98 820)	97 229	(17)	–	8	(1 616)	(1 608)	
Mining assets	(19 344)	(120 819)	(140 163)	(13 263)	–	–	12 582	(166 008)	(153 426)	
Other	(2 811)	(34 603)	(37 414)	25 796	–	–	(1 122)	(10 496)	(11 618)	
Lease liabilities	2 995	9 499	12 494	(1 013)	–	–	3 777	7 704	11 481	
Total	360 839	(450 044)	(89 205)	2 778	(14 482)	(5 430)	260 808	(367 147)	(106 339)	

	Company						February 2023		
	February 2022			Recognised in profit or loss R'000	Recognised directly in equity R'000	Assets R'000	Liabilities R'000	Total R'000	
	Assets R'000	Liabilities R'000	Total R'000						
Accruals	14 501	–	14 501	(11 165)	–	3 336	–	3 336	
Tax losses available for set-off against future taxable income	–	–	–	515	–	515	–	515	
Other	–	–	–	(1 350)	–	(1 350)	–	(1 350)	
Share-based payments	11 200	–	11 200	(875)	(4 541)	5 784	–	5 784	
Total	25 701	–	25 701	(12 875)	(4 541)	8 285	–	8 285	

The Group has estimated income tax losses and capital tax losses available of R869,9 million (2022: R932,3 million) and R52,6 million (2022: R52,6 million), respectively. Included in the assessed tax losses were R186,4 million (2022: R174,6 million) and R52,6 million (2022: 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 an amount of R588,7 million (2022: R653,1 million) relating to the income tax losses of Nkomati Anthracite Proprietary Limited. The deferred tax asset includes an asset of R182,7 million (2022: R212,2 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.

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 deferred tax balance has been recognised at the rate of 27% as 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 2023

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Amounts attributable to the different categories are as follows:				
Raw materials, components	246 836	253 985	-	-
Finished goods	366 245	260 663	-	-
Production supplies	79 911	70 447	-	-
Total	692 992	585 095	-	-
Allowance for inventory obsolescence:	(19 653)	(16 829)	-	-
Finished goods	(16 329)	(11 979)	-	-
Production supplies	(3 324)	(4 850)	-	-
Total	673 339	568 266	-	-
Non-current assets*	212 569	-	-	-
Current assets	460 770	568 266	-	-
Total	673 339	568 266	-	-

* Inventories classified as 'non-current assets' relates to the 'raw materials: phosphate stockpiles' purchased by Afrimat Phosphates Proprietary Limited from Glenover Phosphate Proprietary Limited. The company is in the process of ramping up its operation for the processing of these stockpiles and therefore this has been classified as non-current.

6. Non-financial assets and liabilities (continued)

6.4 Inventories (continued)

Inventory write-off to net realisable value amounted to R8,4 million (2022: R26,9 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 R636,5 million (2022: R721,8 million) and was recognised in 'cost of sales'.

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:

	2023	2022
Assumptions	Life-of-mine	Life-of-mine
Values	7 to 30 years	7 to 30 years
Medium-term growth	7,20%	5,70%
Pre-tax discount rate	7,00%	7,10%

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.

The carrying value of the rehabilitation and dismantling provision is sensitive to assumptions and estimates used in its calculation. If the discount rate of 7,0% (2022: 7,1%) had been 0,8% higher than management's estimate, the Group would have decreased the provisions by R19,7 million (2022: 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 R22,7 million (2022: R28,1 million).

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
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 1 March 2022	235 131	30 121	265 252
Acquired through business combination (refer note 12.1)	5 267	–	5 267
Discount unwinding	18 804	–	18 804
Reversed during year	(13 412)	(53)	(13 465)
Additions	13 420	1 682	15 102
Total changes	24 079	1 629	25 708
Balance at 28 February 2023	259 210	31 750	290 960

The Group appointed Site Plan Consulting Proprietary Limited ('SPC') as their 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 consistent with those used for the prior year.

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

The Financial Provisioning Regulations, 2015 as amended by Government Notice No. 1314, Government Gazette No. 40371 of 26 October 2016, Government Notice No. R452, Government Gazette No. 41584 of 20 April 2018, Government Notice No. 991, Government Gazette No. 42956 of 17 January 2020 and Government Notice No. 495, Government Gazette No. 44698 of 11 June 2021 have been repealed and replaced with the Proposed Financial Provisioning Regulations, 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 7,0% (2022: 7,1%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums during F2021.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMRE to the amount of R414,2 million (2022: R412,2 million) (refer note 16). Funds to the amount of R86,2 million (2022: R69,7 million) have been invested in environmental insurance policies and R3,6 million (2022: R3,4 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer notes 7.1 and 7.2).

7. Financial assets and liabilities

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 634	3 439	–	–
Financial assets at fair value through profit or loss (refer note 7.2)	86 811	70 329	–	–
Financial assets at amortised cost (refer note 7.3.1)	31 120	18 218	–	–
	121 565	91 986	–	–
Current assets				
Financial assets at amortised cost (refer note 7.3.1)	9 128	1 732	3 609	–
	9 128	1 732	3 609	–
Total other financial assets	130 693	93 718	3 609	–

The Group classifies its financial assets in categories dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.1 Financial assets at fair value through other comprehensive income

Investments in equity instruments measured at fair value through other comprehensive income ('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 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	67	74	–	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	3 567	3 365	–	–
Total financial assets at fair value through other comprehensive income	3 634	3 439	–	–

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

Refer to note 20 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	609	610	–	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	55 858	50 979	–	–
Guardrisk Insurance Company Limited Endowment policies*	5 193	18 740	–	–
Total financial assets at fair value through profit or loss	86 811	70 329	–	–

* Endowment policies acquired as part of the business combination of Eckraal Quarries, refer note 12.1.

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 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 Guardrisk investment was acquired as part of the Nkomati acquisition for the environmental rehabilitation costs of the Nkomati mine.

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R2,5 million (2022: R2,0 million) was allocated to 'other net gains and losses' in profit or loss, refer note 4.2.

Refer note 20 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.

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'.

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)

The Group recognises a loss allowance for expected credit losses ('ECL') on all loans receivable measured at amortised cost. The amount of ECL 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Enterprise and supplier development loans	31 120	18 218	–	–
Current assets				
Enterprise and supplier development loans	5 411	1 732	3 609	–
Other*	3 717	–	–	–
Total other financial assets at amortised cost	40 248	19 950	3 609	–

* Included in 'Other' is a loan to Glenover Phosphate Proprietary Limited of R3,5 million. Which relates to an amount paid by Afrimat Phosphates Proprietary Limited to Eskom for an electricity connection point.

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. The majority of these loans have been provided by Afrimat Iron Ore Proprietary Limited to local qualifying enterprises. The loans bear no interest and are repayable between 10 and 48 monthly instalments.

It is management's view that these counterparties have a low risk of default as there are no amounts past due. For supplier development loans sufficient security is provided. 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 approximate 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.

ECL 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.

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for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Provisionally priced receivables included within the trade receivables of Afrimat Iron Ore 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.

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 ECL is calculated;
- (2) Increased credit risk – lifetime ECL is calculated; or
- (3) Credit impaired – lifetime ECL 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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade receivables at amortised cost	442 177	436 348	24 814	10 369
Less: Allowances for credit losses	(13 751)	(8 961)	–	–
Trade and other receivables at fair value through profit or loss*	196 345	265 329	–	–
Trade receivables – net	624 771	692 716	24 814	10 369
Other receivables	50 345	24 086	424	460
Trade and other receivables – financial assets (refer note 10)	675 116	716 802	25 238	10 829
Prepayments and value-added taxation	66 944	76 541	5 000	1 080
Total trade and other receivables	742 060	793 343	30 238	11 909

* Trade receivables at fair value through profit or loss relates to the customer, Kumba International Trading S.A.R.L, refer note 20, for further details on fair value methodology.

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 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 an ECL identified being immaterial.

Trade and receivables for the Company relates to inter-company balances. These balances have been assessed for ECL over a 12-month period, resulting in an ECL identified being immaterial, due to the balances not being past due.

In the prior year, trade receivables to the amount of R653,1 million served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4. During the year, the Group completed dissolving the SPV. None of the trade receivables serve as security.

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.

Three of the Group's largest customers, Kumba International Trading S.A.R.L, ArcelorMittal South Africa Limited and Glencore Operations South Africa Proprietary Limited (2022: Kumba International Trading S.A.R.L and Glencore Operations South Africa Proprietary Limited), accounted for approximately 26,6%, 13,9% and 10,0% of net sales (2022: 30,8% and 6,8%) which represents 25,7%, 24,0% and 1,7% of the trade and other receivables balance outstanding (2022: 35,2% and 4,2%), 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.

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 2023 R'000	Loss allowance (lifetime expected credit loss) 2023 R'000	Estimated gross carrying amount at default 2022 R'000	Loss allowance (lifetime expected credit loss) 2022 R'000
Expected credit loss rate:				
Not past due: 0,0% (2022: 0,1%)	250 026	(8)	248 156	(244)
Less than 30 days past due: 1,7% (2022: 5,1%)	122 736	(2 044)	60 479	(3 065)
31 – 60 days past due: 0,1% (2022: 0,6%)	35 401	(34)	119 699	(661)
61 – 90 days past due: 5,8% (2022: 100,0%)	14 738	(862)	824	(824)
91 – 120 days past due: 8,1% (2022: 37,4%)	9 215	(742)	4 826	(1 803)
More than 120 days past due: 100,0% (2022: 100,0%)	10 061	(10 061)	2 364	(2 364)
Total	442 177	(13 751)	436 348	(8 961)

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

	Group	
	2023 R'000	2022 R'000
Opening balance	8 961	7 256
Acquired through business combination	3 273	–
Amounts recovered	(547)	(211)
Provision raised on new trade receivables	9 324	4 997
Provisions reversed on settled trade receivables	(7 260)	(3 081)
Closing balance	13 751	8 961

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	515 842	479 450	30 238	11 909
Meticais	27 601	21 959	–	–
US Dollar	198 617	291 934	–	–
	742 060	793 343	30 238	11 909

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 20 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.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash and cash equivalents consist of:				
Cash on hand	229	246	–	–
Bank balances	199 337	274 650	74 170	19 927
Short-term bank deposits	81 471	15 737	–	–
Bank overdraft	–	(1 805)	–	–
	281 037	288 828	74 170	19 927
Current assets	281 037	290 633	74 170	19 927
Current liabilities	–	(1 805)	–	–
	281 037	288 828	74 170	19 927

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for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents (continued)

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 RNil and R2,7 million (2022: R15,8 million and R13,0 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.

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.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current liabilities				
Medium-term loans	–	–	–	–
Instalment sale agreements	131 246	110 785	–	–
Lease liabilities	35 082	38 592	–	–
	166 328	149 377	–	–
Current liabilities				
Medium-term loans	20 266	375 748	–	350 000
Instalment sale agreements	118 541	111 668	–	–
Lease liabilities	7 441	7 033	–	–
	146 248	494 449	–	350 000
Total borrowings	312 576	643 826	–	350 000

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	375 748	282 080	350 000	220 000
Borrowings raised	80 325	1 100 998	–	1 097 000
Repayments	(435 807)	(1 007 330)	(350 000)	(967 000)
Closing balance	20 266	375 748	–	350 000
Instalment sale agreements				
Capital reconciliation of instalment sale agreements was as follows:				
Opening balance	222 453	179 740	–	–
Additions through business combinations (refer note 12.1)	6 356	–	–	–
Borrowings raised	145 679	173 503	–	–
Repayments	(124 701)	(130 790)	–	–
Closing balance	249 787	222 453	–	–
Lease liabilities				
Capital reconciliation of lease liabilities was as follows:				
Opening balance	45 625	52 081	–	–
Additions	3 916	8 473	–	–
Finance cost	3 667	(1 179)	–	–
Lease payments (refer note 9.7)	(10 685)	(13 750)	–	–
Closing balance	42 523	45 625	–	–
Total borrowings	312 576	643 826	–	350 000

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Minimum payments due on instalment sale agreements and lease liabilities are as follows:				
Within one year	146 579	131 960	–	–
In second to fifth year inclusive	167 091	145 969	–	–
More than five years	22 677	23 980	–	–
	336 347	301 909	–	–
Future finance charges	(44 037)	(33 831)	–	–
Present value of minimum payments	292 310	268 078	–	–
Analysis of present value of minimum payments due:				
Within one year	125 982	118 701	–	–
In second to fifth year inclusive	148 526	131 069	–	–
More than five years	17 802	18 308	–	–
	292 310	268 078	–	–
Analysis as per Statement of Cash Flows:				
Total opening balance				
borrowings	643 826	513 901	350 000	220 000
Borrowings raised	75 453	880 998	–	877 000
Borrowings raised – non-cash	160 823	401 976	–	220 000
Medium-term loans	4 872	220 000	–	220 000
Instalment sale agreements (refer note 6.1)	145 679	173 503	–	–
Additions through business combinations (refer note 12.1)	6 356	–	–	–
Lease liabilities	3 916	8 473	–	–
Repayments	(567 526)	(931 870)	(350 000)	(747 000)
Instalment sale agreements and medium-term loans	(560 508)	(918 120)	(350 000)	(747 000)
Capital elements of lease payments	(7 018)	(13 750)	–	–
Repayments – non-cash	–	(221 179)	–	(220 000)
Medium-term loans*	–	(220 000)	–	(220 000)
Lease liabilities	–	(1 179)	–	–
Total closing balance borrowings	312 576	643 826	–	350 000

* In the prior year, the utilised facility of R220,0 million was settled through the new R500,0 million revolving credit facility obtained by the Group, therefore reflected as a non-cash movement.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

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	0,02
– EBITDA to finance charges ratio shall at all times exceed target;	3,5	34,6
– Debt service cover ratio shall at all times exceed target;	1,2	5,5
– Guarantor EBITDA ratio shall at all times exceed target; and	90,0%	93,7%
– Guarantor total assets ratio shall at all times exceed target.	90,0%	97,1%

In the prior year, the Group acquired a R500,0 million revolving credit facility with SBSA and ABSA Group Limited ('ABSA'). The utilised portion was RNil as at 28 February 2023 (2022: R350,0 million). This amount was repaid and the facility was reduced to R100,0 million during the current year. The facility bears interest at the three-month Jibar overnight deposit rate plus 1,7%, payable quarterly in arrears.

In the current year, the Group repaid its \$4,0 million revolving credit facility with Standard Bank (Mauritius) Limited. The facility bore interest at Libor plus 2,6% (2022: Libor plus 2,6%) payable quarterly and was available until February 2023.

On 16 January 2023, the Group acquired a \$5,0 million revolving credit facility with Absa Bank (Mauritius) Limited. The utilised portion of the facility was \$1,1 million as at 28 February 2023. The facility bears interest at the daily Secured Overnight Frequency Rate ('SOFR'), compounded monthly, plus a margin of 2,5%.

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%.

The total cash outflow for leases during the year was R503,8 million (2022: R396,7 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 2023 neither 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 R15,1 million (2022: R12,1 million) including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 6,0% and 12,0% (2022: 5,2% and 12,0%) during the year. The instalment sale agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

In the prior year, 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 to contractual repricing dates at the reporting dates are as follows:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
At floating rates based on prime overdraft rate	312 576	643 826	–	350 000

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Floating rate:				
– Expiring within one year	589 194	609 653	269 851	222 901

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 \$1,1 million (2022: \$1,7 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 Other financial liabilities

Other financial liabilities are initially recognised at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Glencore Operations South Africa Proprietary Limited	120 000	–	–	–
Net capital proceeds owing to Afrimat BEE Trust participants	6 960	7 488	–	–
Other financial liabilities	4 752	–	–	–
Acquired through business combination (refer note 12.1)	4 878	–	–	–
Total other financial liabilities	136 590	7 488	–	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.5 Other financial liabilities (continued)

A loan agreement was entered into between Glencore Operations South Africa Proprietary Limited ('Glencore') and Nkomati Anthracite Proprietary Limited ('Nkomati'), whereby Glencore advanced R120,0 million to Nkomati. The loan is interest free and repayable in four equal instalments of R30,0 million on 1 May 2023, June 2023, July 2023 and August 2023. This loan is secured by a guarantee issued to Glencore to the amount of R120,0 million by FNB, refer note 16.

7.3.6 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.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	400 092	381 612	195	1 110
Accrued expenses	109 227	117 509	255	917
Other payables*	40 500	18 545	–	–
Trade and other payables – financial liabilities (refer note 10)	549 819	517 666	450	2 027
Taxes and other statutory liabilities	42 836	43 680	2 845	4 056
Employee-related accruals**	111 215	102 383	13 019	16 984
Total trade and other payables	703 870	663 729	16 314	23 067

* Included in 'Other payables' are the purchase considerations payable of R4,5 million and R21,0 million for the acquisitions of Agri Lime and Eckraal Quarries, respectively. Refer note 12.1.

** Included in 'Employee-related accruals' are accruals for bonus, leave pay, provident fund and medical aid.

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	688 729	589 084	16 314	23 067
Meticais	14 917	74 195	–	–
US Dollar	224	450	–	–
	703 870	663 729	16 314	23 067

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.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Authorised				
1 000 000 000 (2022: 1 000 000 000) ordinary shares with no par value	–	–	–	–
Issued				
159 718 929 (2022: 146 346 264) ordinary shares with no par value				
Opening balance	315 886	345 894	228 638	272 472
13 372 665 (2022: 196 429) shares issued during the year	680 000	11 000	680 000	11 000
Net effect of settlement of employee share options	(56 451)	(41 008)	(57 374)	(54 834)
Stated capital	939 435	315 886	851 264	228 638

During the year an equity raise of R680,0 million, through the issue of 13 372 665 new ordinary shares at R50,85 per share, was performed on 28 July 2022. These shares were issued under the Company's general authority to issue new shares for cash.

During the prior year 196 429 shares were issued to Mpumalanga Economic Growth Agency ('MEGA'), previously a minority shareholder of Nkomati.

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 2023

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

	Group	
	2023 R'000	2022 R'000
Opening balance	(109 030)	(115 795)
Utilised for settlement of employee Share Appreciation Rights exercised	18 542	14 499
Utilised for settlement of employee Forfeitable Share Plan shares vested	15 674	8 666
Purchased during the year	(214 534)	(16 400)
AEI	(5 372)	(1 440)
Afrimat Management Services Proprietary Limited ('AMS')	(209 162)	(14 960)
	(289 348)	(109 030)
	2023 '000	2022 '000
Analysis of movement in number of treasury shares:		
Opening balance	8 201	8 546
Utilised for settlement of employee Share Appreciation Rights exercised	(431)	(422)
Utilised for settlement of employee Forfeitable Share Plan shares vested/forfeited	(482)	(293)
Purchased during the year	4 382	370
AEI	106	26
AMS	4 276	344
Closing balance	11 670	8 201

The Group acquired 4 276 406 and 105 650 (2022: 343 625 and 25 630) 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 R214,5 million (2022: R16,4 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R48,52 (2022: R44,41). During the year, 430 850 (2022: 421 276) shares were utilised in terms of the Share Appreciation Rights ('SAR') Scheme, for an amount of R18,5 million (2022: R14,5 million). The related weighted average share price at the time of exercise was R63,06 (2022: R54,61). During the year, 482 400 shares (2022: 292 500 shares) vested under the Forfeitable Share Plan ('FSP'). The related weighted average share price at the time of exercise was R51,45 (2022: R55,25).

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 830 894 (2022: 6 725 244) shares amounting to R68,1 million (2022: R62,7 million) representing 4,3% (2022: 4,6%) of the issued share capital of the Company.

Afrimat Management Services Proprietary Limited ('AMS') shareholding is as follows:

- ▶ 911 650 (2022: 1 066 850) shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP') amounting to R30,3 million (2022: R31,7 million);

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

- ▶ 826 998 (2022: 408 642) shares held in AMS are held for the purposes of the Company's Share Appreciation Rights scheme ('SAR') amounting to R42,4 million (2022: R14,6 million);
- ▶ 3 100 000 shares for the partial settlement for the Glenover acquisition amounting to R148,5 million (refer note 17).

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 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)
Share-based payment expense for the year	–	29 291	–	–	29 291
Settlement of employee SAR exercised, FSP vested, net of tax	–	(25 109)	–	–	(25 109)
Deferred taxation on share-based payments	–	(14 465)	–	–	(14 465)
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	175	–	–	–	175
Exchange differences on translation of foreign operations	–	–	(16 005)	–	(16 005)
Total changes	175	(10 283)	(16 005)	–	(26 113)
Balance at 28 February 2023	1 496	68 953	(29 272)	(105 788)	(64 611)

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

	Fair value reserve	Share-based payment reserve	Translation reserve	Reverse acquisition reserve	Total other reserves
	R'000	R'000	R'000	R'000	R'000
Company					
Balance at 1 March 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
Share-based payment expense for the year	–	9 059	–	–	9 059
Deferred taxation on share-based payments	–	(4 541)	–	–	(4 541)
Settlement of employee SAR exercised, FSP vested, net of tax	–	19 674	–	–	19 674
Total changes	–	24 192	–	–	24 192
Balance at 28 February 2023	–	50 077	–	–	50 077

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 18 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 a reverse acquisition in 2007. This has resulted in a 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

	2023 R'000	2022 R'000
Carrying amount of non-controlling interest	13 767	9 233
Total non-controlling interest	13 767	9 233
Summarised financial information:		
Non-current assets	92 509	86 385
Current assets	103 480	146 038
Non-current liabilities	(28 134)	(16 055)
Current liabilities	(249 806)	(279 127)
Net liabilities	(81 951)	(62 759)
Revenue	257 680	148 677
Profit/(loss) after taxation included in results		
Reported by subsidiaries	27 152	(2 123)
Other comprehensive income	–	–
Total comprehensive income/(loss)	27 152	(2 123)
Profit after taxation, allocated to non-controlling interest	4 161	2 454
Other comprehensive income, allocated to non-controlling interest	–	–

During the prior 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.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

	Group	
	2023 '000	2022 '000
Number of shares in issue		
Total shares in issue	159 719	146 346
Treasury shares	(11 670)	(8 201)
Net shares in issue	148 049	138 145
Weighted average number of net shares in issue	144 687	137 803
Adjusted for effect of future share-based compensation payments	2 262	3 556
Diluted weighted average number of shares	146 949	141 359
Profit attributable to ordinary shareholders (rand)	661 320	772 714
Earnings per ordinary share (cents)	457,1	560,7
Diluted earnings per ordinary share (cents)	450,0	546,6

	Group			
	Gross 2023 R'000	Net of tax 2023 R'000	Gross 2022 R'000	Net of tax 2022 R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	–	661 320	–	772 714
Profit on disposal of property, plant and equipment attributable to owners of the parent	(2 793)	(2 011)	(7 904)	(5 691)
Profit on sale of associate	–	–	(2 859)	(2 859)
Gain on bargain purchase (refer note 12.1)	–	–	(25 628)	(25 628)
Impairments (refer note 4.4)	3 776	2 719	13 341	9 606
Headline earnings		662 028		748 142
Headline earnings per share ('HEPS') (cents)		457,6		542,9
Diluted HEPS (cents)		450,5		529,2

8. Equity – including earnings per share (continued)

8.6 Net asset value ('NAV') per share

	Group	
	2023 '000	2022 '000
Number of shares in issue		
Total shares in issue	159 719	146 346
Treasury shares	(11 670)	(8 201)
Net shares in issue	148 049	138 145
Shareholders' funds attributable to owners of the parent (rand)	3 835 247	2 997 967
Total NAV per share (cents)	2 591	2 170
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	3 835 247	2 997 967
Intangible assets and goodwill	(260 252)	(213 335)
TNAV (rand)	3 574 995	2 784 632
Total TNAV per share (cents)	2 415	2 016

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current year interim dividend paid	63 888	58 537	63 888	58 537
Previous year final dividend paid	213 666	163 682	213 666	163 682
Dividends received on treasury shares	(11 287)	(8 680)	–	–
Dividends paid by subsidiaries to non-controlling interest shareholders	1 650	1 388	–	–
	267 917	214 927	277 554	222 219
The Company declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			40,0	40,0
Final dividend declared/paid (cents)			110,0	146,0
Distributions declared/paid (cents)			150,0	186,0

9. Cash flow information

9.1 Cash generated from operations

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Profit before tax	934 863	1 066 318	609 225	227 835
Adjustments for:				
Depreciation and amortisation	360 680	296 823	–	–
Impairment of property, plant and equipment	3 776	13 341	–	–
Gain on bargain purchase	–	(25 628)	–	–
Expected credit losses from related parties	–	–	90 514	–
Impairment of investment in subsidiary	–	–	43 617	–
Share of profit of associate	–	(257)	–	–
Profit on sale of property, plant and equipment	(2 793)	(7 904)	–	–
Profit on sale of associate	–	(2 859)	–	(3 609)
Deregistration of subsidiaries	–	526	–	–
Inventory write-off to net realisable value	8 370	26 970	–	–
Gains – financial assets at fair value through profit or loss	(2 016)	(1 788)	–	–
Foreign exchange differences	(11 133)	(9 387)	–	–
Dividend revenue	–	–	(718 566)	(225 721)
Interest revenue	(33 810)	(12 430)	(28 741)	(10 138)
Finance costs	60 508	55 280	126 125	84 155
Net effect of settlement of employee SAR exercised, FSP vested	(22 235)	(17 843)	(29 595)	(44 852)
Movements in provisions	8	12 241	–	–
Share-based payment expense	34 385	29 664	10 855	11 867
Changes in working capital:				
Increase in inventories	(110 646)	(316 192)	–	–
Decrease/(increase) in trade and other receivables	65 956	(97 368)	(18 329)	(1 712)
(Decrease)/increase in trade and other payables	(23 727)	67 159	(6 755)	2 692
	1 262 186	1 076 666	78 350	40 517

9. Cash flow information (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
9.2 Finance income received				
Finance income (refer note 4.6)	33 810	12 430	28 741	10 138
Adjustments for:				
Other financial assets interest	(1 200)	(704)	–	–
	32 610	11 726	28 741	10 138
9.3 Finance costs paid				
Finance costs (refer note 4.7)	60 508	55 280	126 125	84 155
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 4.7)	(18 804)	(16 444)	–	–
Lease liabilities	–	1 179	–	–
	41 704	40 015	126 125	84 155
9.4 Tax paid				
Opening balance as per Statement of Financial Position	2 712	(6 320)	2 458	794
Current tax for the year recognised in Statement of Profit or Loss and Other Comprehensive Income (refer note 5)	(272 160)	(302 888)	1 350	(27)
Acquired through business combination (refer note 12.1)	(5 322)	–	–	–
Closing balance as per Statement of Financial Position	8 997	(2 712)	–	(2 458)
	(265 773)	(311 920)	3 808	(1 691)
9.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 6.1)	22 426	22 503	–	–
Disposal of dismantling costs (refer note 6.1)	(52)	(4 358)	–	–
Profit on sale of property, plant and equipment	(497)	7 904	–	–
Reassessment of RoU	(1 207)	–	–	–
	20 670	26 049	–	–

Notes to the Annual Financial Statements (continued)

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9. Cash flow information (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
9.6 Acquisition of property, plant and equipment				
Acquisition of property, plant and equipment (refer note 6.1)	963 093	782 446	–	–
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 7.3.4)	(145 679)	(173 503)	–	–
Acquisitions of dismantling costs (refer note 6.1)	(1 682)	(1 783)	–	–
RoU assets (refer note 6.1)	(5 122)	(8 473)	–	–
	810 610	598 687	–	–
9.7 Capital elements of lease payments				
Repayment of lease liability (refer note 7.3.4)	10 685	14 929	–	–
Interest expense on lease liability (refer note 7.3.4)	(3 667)	(1 179)	–	–
	7 018	13 750	–	–

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	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Assets as per Statement of Financial Position:				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1)	3 634	3 439	–	–
Financial assets at fair value through profit or loss ('FVPL') (refer note 7.2)	86 811	70 329	–	–
Trade and other receivables at fair value through profit or loss (refer note 7.3.2)	196 345	265 329	–	–
Financial assets at amortised cost:				
Other financial assets (refer note 7.3.1)	40 248	19 950	3 609	–
Trade and other receivables (refer note 7.3.2)	478 771	451 473	25 238	10 829
Cash and cash equivalents (refer note 7.3.3)	281 037	290 633	74 170	19 927
Loans to subsidiaries (refer note 13)	–	–	1 469 810	1 623 261
Total financial assets	1 086 846	1 101 153	1 572 827	1 654 017
Liabilities as per Statement of Financial Position:				
Financial liabilities at fair value through profit or loss:				
Other liability	5 094	–	1 795	–
Financial liabilities at amortised cost:				
Medium-term loans (refer note 7.3.4)	20 266	375 748	–	350 000
Instalment sale agreements (refer note 7.3.4)	249 787	222 453	–	–
Lease liabilities (refer note 7.3.4)	42 523	45 625	–	–
Other financial liabilities (refer note 7.3.5)	136 590	7 488	–	–
Loans from subsidiaries (refer note 13)	–	–	429 487	1 143 606
Trade and other payables (refer note 7.3.6)	549 819	517 666	450	2 027
Bank overdraft (refer note 7.3.3)	–	1 805	–	–
Total financial liabilities	1 004 079	1 170 785	431 732	1 495 633

(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 notes 7.1 and 7.2.

10. Financial risk management (continued)**Financial instruments by category** (continued)**(a) Market risk** (continued)**(i) Equity price risk** (continued)*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 (2022: 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	
	R'000	Movement in basis points	Effect on other comprehensive income after tax R'000
Group 2023			
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 634	+500 -500	105 (105)
Total		+500 -500	105 (105)
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)

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	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2023			
Financial assets at fair value through profit or loss (refer note 7.2)	86 811	+500 -500	3 125 (3 125)
Total		+500 -500	3 125 (3 125)
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)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(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.

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 (2022: 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 2023			
Other financial assets	40 248	+200	580
		-200	(580)
Cash and cash equivalents	280 808	+200	4 044
		-200	(4 044)
Borrowings	(312 576)	+200	(4 501)
		-200	4 501
Other financial liabilities	(4 752)	+200	(68)
		-200	68
Total		+200	54
		-200	(54)

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
Company 2023			
Other financial assets	3 609	+200	52
		-200	(52)
Cash and cash equivalents	74 170	+200	1 068
		-200	(1 068)
Loans to subsidiaries	1 469 810	+200	21 165
		-200	(21 165)
Loans from subsidiaries	(429 487)	+200	(6 185)
		-200	6 185
Total		+200	16 101
		-200	(16 101)
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

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
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)

(iii) Foreign exchange risk

The Group's earnings are exposed to movements in exchange rates. Afrimat Iron Ore Proprietary Limited ('AIO') 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 AIO. 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.

The Group's foreign exchange risk arises from certain trade and other receivables, cash and cash equivalents and trade and other payables as set out in notes 7.3.2, 7.3.3 and 7.3.6. Currency movements of the US Dollars and Meticaïs against the Rand therefore could have an effect on the financial position. 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 these balances and transactions. The US Dollar: Rand and Meticaïs: Rand exchange rate as at 28 February 2023 was R18,42 and R0,29.

10. Financial risk management (continued)**Financial instruments by category** (continued)**(a) Market risk** (continued)**(iii) Foreign exchange risk** (continued)*Sensitivity analysis*

A movement in exchange rate of 10,0% (2022: 10,0%), with all other variables held constant, against the US Dollar would have increased/(decreased) profit or loss and financial position 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).

	Statements of Profit or Loss and Other Comprehensive Income/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			
2023			
Revenue subject to exchange rate fluctuations	1 307 280	+1 000	94 124
		-1 000	(94 124)
Trade receivables subject to exchange rate fluctuations	226 218	+1 000	16 288
		-1 000	(16 288)
Cash and cash equivalents subject to exchange rate fluctuations	3 567	+1 000	257
		-1 000	(257)
Trade payables subject to exchange rate fluctuations	(15 141)	+1 000	(1 090)
		-1 000	1 090
Total		+1 000	109 579
		-1 000	(109 579)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

	Statements of Profit or Loss and Other Comprehensive Income/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			
Revenue subject to exchange rate fluctuations	1 435 194	+1 000 -1 000	103 334 (103 334)
Trade receivables subject to exchange rate fluctuations	313 893	+1 000 -1 000	22 600 (22 600)
Cash and cash equivalents subject to exchange rate fluctuations	15 742	+1 000 -1 000	1 133 (1 133)
Trade payables subject to exchange rate fluctuations	(74 645)	+1 000 -1 000	(5 374) 5 374
Total		+1 000 -1 000	121 693 (121 693)

(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 2023, R196,3 million (2022: R265,3 million) of the trade receivables balance are subject to price movements.

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iv) Commodity price risk (continued)

Sensitivity analysis

A movement in commodity prices of 10,0% (2022: 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 2023			
Trade receivables subject to price fluctuations	196 345	+1 000 -1 000	14 137 (14 137)
Total		+1 000 -1 000	14 137 (14 137)
Group 2022			
Trade receivables subject to price fluctuations	265 329	+1 000 -1 000	19 104 (19 104)
Total		+1 000 -1 000	19 104 (19 104)

(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.

10. Financial risk management (continued)**Financial instruments by category** (continued)**(b) Credit risk** (continued)

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

	Gross carrying amount 2023	Credit loss allowance 2023	Amortised cost/fair value 2023	Gross carrying amount 2022	Credit loss allowance 2022	Amortised cost/fair value 2022
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Other financial assets at amortised cost	40 248	–	40 248	19 950	–	19 950
Trade and other receivables	688 867	(13 751)	675 116	725 763	(8 961)	716 802
Cash and cash equivalents	280 808	–	280 808	290 387	–	290 387
Total	1 009 923	(13 751)	996 172	1 036 100	(8 961)	1 027 139

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

	Gross carrying amount 2023	Credit loss allowance 2023	Amortised cost/fair value 2023	Gross carrying amount 2022	Credit loss allowance 2022	Amortised cost/fair value 2022
	R'000	R'000	R'000	R'000	R'000	R'000
Company						
Other financial assets at amortised cost	3 609	–	3 609	–	–	–
Loans to subsidiaries	1 707 006	(237 196)	1 469 810	1 769 943	(146 682)	1 623 261
Trade and other receivables	25 238	–	25 238	10 829	–	10 829
Cash and cash equivalents	74 170	–	74 170	19 927	–	19 927
Total	1 810 023	(237 196)	1 572 827	1 800 699	(146 682)	1 654 017

(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.

10. Financial risk management (continued)**Financial instruments by category** (continued)**(b) Credit risk** (continued)**(ii) Cash and cash equivalents** (continued)

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	
	2023	2022	2023	2022
Group				
Financial institution:				
ABSA	NP	NP	14 275	20 778
FNB	NP	NP	3 390	4 435
SBSA	NP	NP	196 001	264 061
Other	N/A	N/A	67 142	1 113
			280 808	290 387

(iii) Financial guarantees

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

Refer note 16 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.

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 R81,5 million (2022: R15,7 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(c) Liquidity risk (continued)

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 2023					
Other liability	5 094	5 094	–	5 094	–
Medium-term loans	20 266	20 266	20 266	–	–
Other financial liabilities	136 590	136 590	136 590	–	–
Lease liabilities	42 523	56 637	7 441	26 519	22 677
Instalment sale agreements	249 787	259 113	118 541	140 572	–
Trade and other payables	549 819	549 819	549 819	–	–
	1 004 079	1 027 519	832 657	172 185	22 677
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
	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 2023					
Other liability	1 795	1 795	–	1 795	–
Loans from subsidiaries	429 487	429 487	429 487	–	–
Trade and other payables	450	450	450	–	–
	431 732	431 732	429 937	1 795	–
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	–	–

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.

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Total borrowings, other financial liabilities and loans from subsidiaries	449 166	651 314	429 487	1 493 606
Overdraft less cash and cash equivalents/ (surplus cash)	(281 037)	(288 828)	(74 170)	(19 927)
Net debt	168 129	362 486	355 317	1 473 679
Total equity	3 849 014	3 007 200	2 570 003	1 594 006
Total capital	4 017 143	3 369 686	2 925 320	3 067 685
Net debt:equity ratio (%)	4,4	12,1	13,8	92,5

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 (2,9%) (2022: (20,7%)). 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.

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

Agri Lime Proprietary Limited

On 12 November 2021, Afrimat entered into an agreement to acquire 100,0% of the shares in Agri Lime Proprietary Limited and 74,0% of the shares in Stony Lime Proprietary Limited (collectively 'Agri Lime') for a purchase consideration of R38,0 million. The opencast mine and plant are located close to the town of Northam in Limpopo.

All conditions precedent were met to acquire 100,0% of the shares in Agri Lime Proprietary Limited and the acquisition became effective from 13 May 2022.

The acquisition of 74,0% of the shares in Stony Lime Proprietary Limited is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

- ▶ Ministerial consent is obtained, in writing, either unconditionally or free from any onerous terms.

The Group entered into a contract mining agreement with Kalaka Mining Proprietary Limited (holder of the mining right), allowing the Group to undertake mining operations under the mining area in respect of which the mining right has been granted. Effective management and control of the mining operations (Stony Lime Proprietary Limited) through its appointment as mining contractor in terms of the contract mining agreement and asset lease agreement was obtained by the Group effectively from 13 May 2022. The Group has full operational and financial control.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Details of the purchase consideration are as follows:

	Total 2023 R'000
Cash paid	33 500
Consideration payable*	4 500
Total purchase consideration	38 000

* Consideration payable is attributed as follows and becomes payable once all conditions precedent have been met:

- R4,5 million for 74,0% of the shares in Stony Lime Proprietary Limited.

Provisional details of the acquisition are as follows:

	Total 2023 R'000
Carrying amount/fair value of net liabilities acquired – Agri Lime	
Property, plant and equipment	8 767
Deferred tax asset	546
Trade and other receivables	11 157
Borrowings	(5 404)
Other financial liability	(1 269)
Current tax payable	(250)
Trade and other payables	(19 571)
Cash and cash equivalents	4 400
Net liabilities – Agri Lime	(1 624)
Less: Non-controlling interests	(478)
Goodwill	40 102
Total purchase consideration	38 000
Pro forma revenue assuming the business combination for the full year	154 832
Pro forma loss after tax assuming the business combination for the full year	(11 047)
Revenue included in results	131 894
Loss after tax included in results	(3 778)
Acquisition cost included in 'operating expenses' for the year	1 000
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(38 000)
Consideration payable	4 500
Cash and cash equivalents	4 400
Cash outflow	(29 100)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

The goodwill acquired in Agri Lime is attributable to the feedlime and agrilime market share, 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 the Industrial Minerals segment.

Non-controlling interest:

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

Eckraal Quarries Proprietary Limited ('Eckraal Quarries')

On 30 January 2023, Afrimat entered into an agreement to acquire 84,0% of the shares in Eckraal Quarries Proprietary Limited and the Ready-Mix Plant for a purchase consideration of R21,0 million. The opencast mine and plant are located in Pretoria. Eckraal Quarries holds 100,0% of the shares in Eckraal Bricks and Ready-Mix Proprietary Limited ('Eckraal BRM').

The following conditions precedent had not been met at the reporting date:

- ▶ on or before 29 February 2024, the consent of the Minister for Section 11 application is granted.

The Group entered into an agreement with Eckraal Quarries, allowing the Group to undertake all activities in conducting the operations of Eckraal Quarries during the interim period, including but not limited to mining, processing, logistics, marketing and selling. Effective management and control of the operations through its appointment as contractor in terms of the agreement was obtained by the Group effectively from 31 January 2023.

Details of the purchase consideration are as follows:

	Total 2023 R'000
Cash paid	–
Consideration payable*	21 000
Total purchase consideration	21 000

* Consideration payable becomes payable once all conditions precedent have been met:

- R15,0 million shall be settled in cash; and
- R6,0 million shall be settled in Afrimat Limited shares.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Provisional details of the acquisition are as follows:

	Total 2023 R'000
Carrying amount/fair value of net assets acquired – Eckraal Quarries	
Property, plant and equipment	42 768
Other financial assets	5 421
Inventories	2 798
Trade and other receivables	2 099
Cash and cash equivalents	450
Borrowings	(952)
Other financial liability	(3 609)
Provisions	(5 267)
Current tax payable	(5 072)
Trade and other payables	(18 795)
Deferred tax liability	(5 976)
Net assets – Eckraal Quarries	13 865
Less: Non-controlling interests	(1 545)
Goodwill	8 680
Total purchase consideration	21 000
Pro forma revenue assuming the business combination for the full year	64 117
Pro forma loss after tax assuming the business combination for the full year	(10 552)
Revenue included in results	–
Loss after tax included in results	–
Acquisition cost included in 'operating expenses' for the year	–
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(21 000)
Consideration payable	21 000
Cash and cash equivalents	450
Cash inflow	450

The goodwill acquired in Eckraal Quarries is attributable to the market share the business has in the industry, which is expected to expand the Group's current national footprint within the Construction Materials segment.

Non-controlling interest:

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

JEF Drill and Blast Proprietary Limited ('JEF')

In the prior 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.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

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
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. In the prior year this operation was reflected within the Construction Materials segment, but has subsequently been reallocated to the Services segment, as this business operation relates mainly to services rendered.

A deferred tax asset of R21,0 million has been raised on this acquisition. Afrimat Mining Services is generating taxable income and therefore has started utilising the assessed loss carried forward. The Group concludes 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').

12. Business combinations (continued)

12.2 Acquisition of assets (continued)

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

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.

	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.

The Group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10: *Consolidated Financial Statements*. The consolidated financial information includes the financial statements of the Company, its subsidiaries, interest in joint ventures and structured entities. Where the Group has no control over an entity, that entity is not consolidated.

The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity.

Company financial statements

Investments in subsidiaries are initially recognised at cost.

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

13. Investment in subsidiaries (continued)

(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, whilst still holding a controlling interest after the disposal, are also recorded in retained earnings within equity.

(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 BEE Trust is a structured entity that is 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.

13. Investment in subsidiaries (continued)

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 Infrasors Environmental Rehabilitation Trust

The Group consolidated the 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.

13. Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2023	% holding 2022
Afrimat Aggregates (Eastern Cape) Proprietary Limited [#]	Aggregates	Eastern Cape	100,0	100,0
Afrimat Aggregates (KZN) Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Afrimat Aggregates (Operations) Proprietary Limited	Aggregates	Western Cape	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 [#]	Aggregates	Gauteng	100,0	100,0
Afrimat Empowerment Investments Proprietary Limited	Investment	Western Cape	–	–
Afrimat Group Services Proprietary Limited (previously known as Phakamani Academy Proprietary Limited) [#]	Services	Western Cape	100,0	100,0
Afrimat Hemp Proprietary Limited	Future materials and metals	Western Cape	55,0	55,0
Afrimat Lime Company Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Afrimat Logistics Proprietary Limited	Services	Gauteng	51,0	51,0
Afrimat Lyttelton Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Afrimat Management Services Proprietary Limited	Services	Western Cape	100,0	100,0
Afrimat Marble Hall Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Afrimat Mining Services Proprietary Limited [#]	Contracting	Gauteng	100,0	100,0
Afrimat Mozambique Limitada	Aggregates	Mozambique	99,0	99,0
Afrimat Offshore**	Investment	Mauritius	100,0	100,0
Afrimat Phosphates Proprietary Limited (previously known as Delf Sand Proprietary Limited) [#]	Future materials and metals	Limpopo	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 Silica Proprietary Limited [#]	Aggregates	Gauteng	100,0	100,0
Agri Lime Proprietary Limited	Industrial minerals	Limpopo	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	100,0
Clinker Supplies Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Community Quarries Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Delf Silica Coastal Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Eckraal Quarries Proprietary Limited***	Aggregates	Gauteng	–	–
Glen Douglas Dolomite Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Infrasors Empowerment Trust	Investment	Gauteng	–	–
Infrasors Environmental Rehabilitation Trust	Investment	Gauteng	–	–
Labonte 3 Proprietary Limited	Property	Eastern Cape	50,0	50,0
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
Pienaarspoort Ontwikkeling Proprietary Limited	Industrial minerals	Gauteng	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
Stony Lime Proprietary Limited	Industrial minerals	Limpopo	–	–
Sunshine Crushers Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0

* Indirectly held subsidiaries include Afrimat Iron Ore Proprietary Limited, Afrimat Manganese Proprietary Limited, Nkomati Anthracite Proprietary Limited, Coza Mining Proprietary Limited and Benicon Coal Proprietary Limited.

** Indirectly held subsidiary include Afrimat Logistics Limitada.

*** Indirectly held subsidiary include Eckraal Bricks and Ready-Mix Proprietary Limited.

[#] 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 2023

13. Investment in subsidiaries (continued)

	Carrying amount shares 2023 R'000	Carrying amount shares 2022 R'000	Carrying amount indebtedness 2023 R'000	Carrying amount indebtedness 2022 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	–	–	1 006 998	1 350 962
Less: Allowances for credit losses	–	–	(237 196)	(146 682)
Investments in subsidiaries	1 431 487	1 427 423	–	–
Current assets				
Loans to subsidiaries	–	–	700 008	418 981
Current liabilities				
Loans from subsidiaries	–	–	(429 487)	(1 143 606)
	1 431 487	1 427 423	1 040 323	479 655

During the prior 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, ultimately there was no change in common control.

The loans have no fixed terms of repayment and the majority bear interest at prime (2022: 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 BEE Trust and its subsidiary AEI, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust.

The investment in subsidiaries were assessed for impairment. 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. During the year, management concluded to fully impair the investment in Afrimat Concrete Products Proprietary Limited recognising an impairment loss of R43,6 million. This was mainly due to the reduction in sales volumes, inflationary cost pressures and electricity supply interruptions which affected the operations.

The ECL calculated on loans to subsidiaries is based on the probability of default, the loss given default and the exposure at the 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 there is existing or forecast deterioration, i.e. insufficient cash balances or highly liquid assets available, in the counterparty's ability to meet its debt obligations.

13. Investment in subsidiaries (continued)

The ECL's recognised on loans to subsidiaries are made up as follows; Nkomati Anthracite Proprietary Limited R128,1 million (2022: R128,1 million); Afrimat Mozambique Limitada R9,2 million (2022: R9,2 million); Afrimat Contracting International Proprietary Limited R54,3 million (2022: R6,9 million); Afrimat Management Services Proprietary Limited R2,4 million (2022: R2,4 million); Afrimat Concrete Products Proprietary Limited R16,3 million (2022: RNil); Afrimat Silica Proprietary Limited R2,6 million (2022: RNil); Afrimat Manganese Proprietary Limited R11,9 million (2022: RNil) and Stony Lime Proprietary Limited R12,4 million (2022: RNil).

During the prior 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 Agri Lime Proprietary Limited (2022: 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. 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 and related trusts, refer note 13.

		Group	
		2023 R'000	2022 R'000
Interest received from	Associate	–	94

		Company	
		2023 R'000	2022 R'000
Net loan balances	Subsidiaries	1 040 323	479 655
Loan balances owing (to)	Subsidiaries	(429 487)	(1 143 606)
Loan balances owing by	Subsidiaries	1 469 810	1 623 261
Trade and other payables	Subsidiaries	(19)	(129)
Trade and other receivables	Subsidiaries	24 814	10 369
Share of net profit after tax	Associate	–	257
Sales of goods to – gross values	Subsidiaries	64 706	50 655
Dividends received from	Subsidiaries	718 566	225 623
Dividends received from	Associate	–	98
Interest paid to	Subsidiaries	(106 809)	(62 045)
Interest received from	Subsidiaries	115 459	79 526

14. Related parties (continued)

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 19. The only key employees identified are the executive 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 18.

Shareholding

Refer to the analysis of shareholders on [page 69](#) for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Joint venture

During F2020, the Group impaired the investment in the joint venture. No transactions were entered into with the joint venture during the year under review.

Treasury shares

The Group acquired 4 382 056 (2022: 369 255) of its own shares through purchases on the JSE Limited. Refer note 8.2 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 830 894 (2022: 6 725 244) shares representing 4,3% (2022: 4,6%) of the issued share capital of the Company.

Unrecognised items**15. Commitments**

	Group	
	2023 R'000	2022 R'000
Authorised capital expenditure		
Contracted after year-end, but not provided for		
Property, plant and equipment	18 511	46 961
Not yet contracted for		
Property, plant and equipment	237 339	153 017
Total authorised capital expenditure	255 850	199 978

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

16. Contingencies**Guarantees**

Guarantees to the value of R63,0 million (2022: R65,5 million) were supplied by SBSA to various parties, including the DMRE and Eskom.

Guarantees to the value of R139,7 million (2022: R39,0 million) were supplied by FNB to various parties, including the DMRE and Eskom. The increase in the guarantees supplied by FNB relates to a loan agreement entered into between Nkomati and Glencore, whereby Glencore provided Nkomati with a R120,0 million loan, refer note 7.3.5.

Guarantees to the value of R0,9 million (2022: R0,9 million) by ABSA, R253,1 million (2022: R249,4 million) by Centriq Insurance Innovation and R2,7 million (2022: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited.

Guarantees to the value of R94,8 million (2022: R94,8 million) was supplied by Guardrisk to the DMRE. These guarantees relates to the environmental rehabilitation costs for Nkomati.

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 R10,4 million (2022: R14,4 million). An accrual has been raised in respect of commitments made up to the end of the year.

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.

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17. Events after the reporting period

Glenover

As per the SENS announcement on 9 December 2021, in terms of which Afrimat announced that it had purchased certain assets and rights to mine select deposits at the Glenover mine (the 'Sale Assets'), as well as the option to acquire 100,0% of the shares (the 'Sale Shares') in Glenover Phosphate Proprietary Limited ('Glenover') from the current shareholders, for a total purchase consideration of R550,0 million ('Glenover Acquisition'). The Group exercised this option to acquire the shares in Glenover on 19 October 2022. Refer to SENS announcement released on 20 October 2022.

The purchase consideration of R550,0 million is allocated as follows:

- ▶ Sale Assets: R250,0 million; and
- ▶ Sale of Shares: R300,0 million.

The purchase consideration of Sale Shares of R300,0 million will be 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'):

- (i) Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002.

Employee benefits and costs

18. 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.

New grants issued under the Forfeitable Share Plan are recognised as cash-settled, as a result of an amendment to the plan approved by shareholders in F2022. At initial recognition, 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 in the balance sheet as an 'other liability'. The 'other liability' is subsequently remeasured at the fair value of the shares granted at each reporting period. The fair value remeasured is allocated to 'employee costs' in profit or loss.

Refer note 20 for details of fair value estimation and note 10 for disclosures on financial risk management.

18. 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.

Additionally, the Group has an Afrimat Forfeitable Share Plan ('FSP'). The plan allows certain senior employees to earn a long-term incentive to assist with the retention and reward of selected employees. Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date. Awards are based on their performance 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.

During the F2022 an amendment to the FSP was approved by shareholders, whereby shares allocated to FSP participants may be settled in cash or shares at the discretion of the Board. This modification is only applicable on future FSP allocations.

18.1 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 2023	Number of options '000 2023	Average grant price in cents per share 2022	Number of options '000 2022
Opening balance	3 066	6 108	2 684	6 068
Granted	6 514	1 570	4 000	1 690
Exercised	2 976	(1 473)	2 616	(1 480)
Forfeited	4 569	(135)	2 622	(170)
Closing balance	3 946	6 070	3 066	6 108

18. Share-based payments (continued)**18.1 Share Appreciation Rights Scheme ('SAR') (continued)**

Out of the 6 070 000 outstanding options (2022: 6 108 000), 480 000 options (2022: 410 000) were exercisable. Options exercised, resulted in 70 000, 90 000 and 1 313 000 shares (2022: 60 000, 140 000, 130 000 and 1 150 000) being issued at a weighted price of R22,20, R29,00 and R30,21 each, respectively (2022: R17,26, R22,20, R29,00 and R26,79 each, respectively). The related weighted average share price at the time of exercise was R63,06 (2022: R54,61) 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	
		2023 '000	2022 '000
2023	2 220	–	70
2024	2 900	50	140
2025	2 679	200	200
2026	3 021	230	1 543
2027	2 501	2 415	2 465
2028	4 800	1 650	1 690
2029	6 514	1 525	–
		6 070	6 108

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

	Number of shares	
	2023 '000	2022 '000
Opening balance	20 938	20 978
Exercised	1 473	1 480
Forfeited	135	170
Utilised	(1 570)	(1 690)
Closing balance	20 976	20 938

18. Share-based payments (continued)**18.1 Share Appreciation Rights Scheme ('SAR') (continued)**

Number of share options held by executive directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2023						
Andries J van Heerden	1 085	210	6 514	2029	(355)	940
Pieter GS de Wit	465	90	6 514	2029	(153)	402
Collin Ramukhubathi	353	90	6 514	2029	(80)	363
Marthinus G Odendaal*	–	590	3 654	2029	(160)	430
	1 903	980			(748)	2 135
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

* Marthinus G Odendaal was appointed as executive director effective 12 April 2022.

The fair value of options granted during the year using the Black Scholes valuation model, was R29,5 million (2022: R26,0 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 R21,0 million (2022: R17,5 million), of which R6,4 million (2022: R5,8 million) is attributed to the executive directors.

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18. Share-based payments (continued)

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

Analysis of movement in remaining options:

	18 May 2016	17 May 2017	5 Nov 2018	22 May 2019	20 May 2020	26 May 2021	18 May 2022	Total '000
Grant date	'000	'000	'000	'000	'000	'000	'000	
Originally granted	1 015	1 455	1 520	1 603	2 465	1 690	1 570	11 318
Forfeited	(70)	(170)	(170)	(60)	(50)	(40)	(45)	(605)
Exercised	(945)	(1 235)	(1 150)	(1 313)	–	–	–	(4 643)
Net outstanding	–	50	200	230	2 415	1 650	1 525	6 070
Grant price (cents)	2 220	2 900	2 679	3 021	2 501	4 800	6 514	
Fair value of option (cents)	711	852	676	853	655	1 541	1 879	

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

	18 May 2016	17 May 2017	5 Nov 2018	22 May 2019	20 May 2020	26 May 2021	18 May 2022
Grant date	2016	2017	2018	2019	2020	2021	2022
Grant price (cents)	2 220	2 900	2 679	3 021	2 501	4 800	6 514
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	40,77%	37,57%	30,90%	37,59%	41,22%	40,32%	36,71%
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	9,01%	7,64%	7,08%	7,07%	6,75%	9,23%	8,37%
Expected dividend yields	2,57%	2,41%	2,31%	2,68%	4,68%	3,01%	2,86%

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.

18. Share-based payments (continued)**18.2 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 based on their performance. 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 in issue.

	Number of shares	
	2023 '000	2022 '000
Opening balance	1 066	1 359
Issued to participating employees	350	–
Forfeited	(23)	–
Vested	(481)	(293)
Closing balance	912	1 066

350 350 (2022: Nil) shares were issued to participants at an average market value of R65,14 (2022: RNil).

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 105 200, 10 000 and 367 200 shares (2022: 292 500) vested, the related weighted average share price at the time of exercise was R66,37, R58,12 and R47,00 (2022: R55,25) per share.

The share-based payment expense for the year, in respect of current and previous years' shares granted, was R12,9 million (2022: R12,2 million), of which R8,3 million (2022: R6,4 million) is attributed to the executive directors.

Number of forfeitable shares held by directors:

	Opening balance '000	Issued/ transferred '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2023						
Andries J van Heerden	324	73	6 514	2025	(105)	292
Pieter GS de Wit	131	47	6 514	2025	(68)	110
Collin Ramukhubathi	131	47	6 514	2025	(68)	110
Marthinus G Odendaal*	–	178	3 588	2025	(68)	110
	586	345			(309)	622

* Marthinus G Odendaal was appointed as executive director effective 12 April 2022.

18. Share-based payments (continued)**18.2 Forfeitable Share Plan ('FSP')** (continued)

	Opening balance '000	Issued/ transferred '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2022						
Andries J van Heerden	324	–	–	–	–	324
Pieter GS de Wit	196	–	–	–	(65)	131
Collin Ramukhubathi	196	–	–	–	(65)	131
	716	–			(130)	586

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

	25 February 2019	30 October 2019	19 February 2020	22 February 2021	18 May 2022
Grant date					
Grant price (cents)	2 850	3 200	2 930	4 390	6 514
Fair value of grants (cents)	2 607	2 644	2 413	3 443	5 455
Expected volatility	33,07%	36,61%	34,31%	42,67%	36,71%
Expected risk free rates	7,58%	6,64%	6,26%	6,75%	8,37%
Expected dividend yields	2,05%	2,66%	2,76%	4,68%	2,86%
Vesting dates	25 February 2022	30 October 2022	19 February 2023	22 February 2024	18 May 2025

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for the year ended 28 February 2023

19. Directors' emoluments

Directors' basic salary and allowance

	Short-term benefits			Post-employment benefits	Other	Total R'000
	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	
2023						
Paid by Company						
Executive						
Andries J van Heerden	6 268	165	47	–	–	6 480
Pieter GS de Wit	3 418	99	84	346	–	3 947
Collin Ramukhubathi	3 063	144	79	310	–	3 596
Marthinus G Odendaal*	3 176	163	106	438	–	3 883
	15 925	571	316	1 094	–	17 906
Non-executive						
Marthinus W von Wielligh ¹	628	–	–	–	–	628
Loyiso Dotwana	601	–	–	–	–	601
Jacobus F van der Merwe	653	–	–	–	–	653
Phuti RE Tsukudu	475	–	–	–	–	475
Helmut N Pool ¹	211	–	–	–	–	211
Johannes HP van der Merwe	432	–	–	–	–	432
Francois M Louw	1 078	–	–	–	–	1 078
Sisanda Tuku*	370	–	–	–	–	370
Gert J Coffee	396	–	–	–	–	396
Nicolaas AS Kruger*	28	–	–	–	–	28
	4 872	–	–	–	–	4 872
Total	20 797	571	316	1 094	–	22 778

* During the year, the following new appointments were made:

- Marthinus G Odendaal was appointed as executive director effective 12 April 2022;
- Sisanda Tuku was appointed as non-executive director effective 1 May 2022; and
- Nicolaas AS Kruger was appointed as non-executive director effective 1 February 2023.

19. Directors' emoluments (continued)

Directors' basic salary and allowance (continued)

	Short-term benefits			Post-employment benefits	Other	Total R'000
	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	
2022						
Paid by Company						
Executive						
Andries J van Heerden	5 886	184	42	–	–	6 112
Pieter GS de Wit	3 228	97	77	315	–	3 717
Collin Ramukhubathi	2 880	145	73	281	–	3 379
	11 994	426	192	596	–	13 208
Non-executive						
Marthinus W von Wielligh ¹	1 256	–	–	–	–	1 256
Loyiso Dotwana	545	–	–	–	–	545
Hendrik JE van Wyk	168	–	–	–	20	188
Jacobus F van der Merwe	541	–	–	–	–	541
Phuti RE Tsukudu	430	–	–	–	–	430
Helmut N Pool ¹	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

Notes

1. Mr Marthinus W von Wielligh and Mr Helmut N Pool resigned at the AGM held in August 2022.
2. In the prior year other fees paid to Francois M Louw relate to extraordinary duties performed on the Glenover transaction.

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, Collin Ramukhubathi and Marthinus G Odendaal have indefinite employment contracts. There are no other service contracts between the Company and executive directors.

19. 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 18.1):

	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**
2023									
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	1 565	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	–	6 441	12 141	–	–
	470 000	20 May 2020	2 501	–	–	–	–	470 000	13 569
	260 000	26 May 2021	4 800	–	–	–	–	260 000	1 529
	210 000	18 May 2022	6 514	–	–	–	–	210 000	–
				4 205 000	450 000		55 815	940 000	15 098
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	–	6 441	5 233	–	–
	202 000	20 May 2020	2 501	–	–	–	–	202 000	5 832
	110 000	26 May 2021	4 800	–	–	–	–	110 000	647
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				1 083 000	90 000		18 030	402 000	6 479

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

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R53,88), less the strike price of these instruments

Notes to the Annual Financial Statements (continued)

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19. 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**
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	–	6 441	2 736	–	–
	173 000	20 May 2020	2 501	–	–	–	–	173 000	4 995
	100 000	26 May 2021	4 800	–	–	–	–	100 000	588
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				310 000	–		6 256	363 000	5 583
Marthinus G Odendaal	40 000	13 December 2007	850	–	40 000	–	–	–	–
	40 000	9 May 2008	650	–	40 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	200 000	12 May 2010	325	200 000	–	1 325	2 000	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 873	1 561	–	–
	80 000	8 May 2013	850	80 000	–	2 970	1 696	–	–
	60 000	14 May 2014	1 565	60 000	–	3 504	1 163	–	–
	60 000	20 May 2015	1 726	60 000	–	3 611	1 131	–	–
	60 000	18 May 2016	2 220	60 000	–	5 802	2 149	–	–
	70 000	17 May 2017	2 900	70 000	–	5 647	1 923	–	–
	80 000	5 November 2018	2 679	–	–	–	–	80 000	2 167
	90 000	21 May 2019	3 021	90 000	–	6 441	3 078	–	–
	160 000	20 May 2020	2 501	–	–	–	–	160 000	4 619
	100 000	26 May 2021	4 800	–	–	–	–	100 000	588
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				890 000	80 000		16 206	430 000	7 374

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

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R53,88), less the strike price of these instruments.

19. Directors' emoluments (continued)**Executive directors' participation in share schemes** (continued)

In terms of the SAR Scheme: Grant 14 (2022: Grant 13), 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 current year (none in the prior year), in the format of a FSP (refer note 18.2):

	Number of shares initially allocated	Date awarded	Market value on grant date
2023			
Andries J van Heerden	72 350	18 May 2022	65,14
Pieter GS de Wit	47 600	18 May 2022	65,14
Collin Ramukhubathi	47 600	18 May 2022	65,14
Marthinus G Odendaal	47 600	18 May 2022	65,14

Incentive bonuses paid to executive directors:

	Group	
	2023 R'000	2022 R'000
Executive		
Andries J van Heerden	5 835	5 890
Pieter GS de Wit	2 945	2 870
Collin Ramukhubathi	2 685	2 620
Marthinus G Odendaal*	2 885	–
	14 350	11 380

* Marthinus G Odendaal was appointed as executive director, effective 12 April 2022.

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

Directors' shareholding

Please refer to [page 9](#) for further disclosure regarding the directors' respective shareholding in the Company.

Other**20. 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).

The following table presents the financial assets and liabilities that are measured at fair value:

	Group			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
At 28 February 2023				
Assets				
At fair value through other comprehensive income				
Equity securities*	67	–	–	67
Environmental funds**	–	3 567	–	3 567
At fair value through profit or loss				
Unit trusts**	–	86 811	–	86 811
Trade receivables***	–	196 345	–	196 345
Total assets	67	286 723	–	286 790
Liabilities				
Other liability**	(5 094)	–	–	(5 094)
Total liabilities	(5 094)	–	–	(5 094)

	Company			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
At 28 February 2023				
Liabilities				
Other liability**	(1 795)	–	–	(1 795)
Total liabilities	(1 795)	–	–	(1 795)

Notes to the Annual Financial Statements (continued)

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20. Fair value estimation (continued)

	Group			Total balance R'000
	Level 1 R'000	Level 2 R'000	Level 3 R'000	
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

* Other liability relates to the cash-settled Forfeitable Share Plan of the Group.

* 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 relates to Afrimat Iron Ore 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.

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 bulk commodities 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 2023 or the prior year.

21. 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 2024)	Presentation of Financial Statements – Non-current liabilities with covenants	Impact of the amendment was not material.
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	Impact of the amendment was not material.
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 financial statement arising from the amendment.
IFRS 17 (effective 1 January 2023)	Insurance contracts	Process of assessing impact.
IFRS 16 (effective 1 January 2024)	Lease liability in a Sale and Leaseback	No impact expected.

22. Going concern

Russian invasion

The Russian invasion of Ukraine still has a devastating impact on the global growth. It has filtrated into the South African economy, the Group has experienced a rise in operational costs such as fuel. Based on the current financial and operating performance of the Group and Company and the Group's and Company's solvency and liquidity position, the directors believe that the Group and Company will continue as a going concern in the foreseeable future. Management continues to assess and monitor the developments of the war.

Loadshedding

The frequent power outages, known as loadshedding, has had a significant impact on the economy of South Africa, and thus affecting the Group and Company as well. These interruptions have resulted in lower production and increased input costs, leading to lower income for businesses. Moreover, if Eskom, the state-owned electricity provider, increases its tariffs further, it will add to the cost burden of South African companies. Despite these challenges, the Group's and Company's directors believe that, based on the current financial and operational performance, as well as solvency and liquidity position, the Group and Company will continue to operate as a going concern in the foreseeable future. Management is actively exploring alternative power supply sources to mitigate the impact of loadshedding.

Analysis of Shareholders

as at 28 February 2023

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	11 485	77,26	1 924 874	1,21
1 001 – 10 000 shares	2 651	17,83	8 712 138	5,45
10 001 – 100 000 shares	566	3,81	17 800 848	11,15
100 001 – 1 000 000 shares	145	0,98	38 356 485	24,01
1 000 000 shares and over	18	0,12	92 924 584	58,18
	14 865	100,00	159 718 929	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	8	0,05	10 259 100	6,43
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,01	4 838 648	3,03
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,01	6 830 894	4,28
	10	0,07	21 928 642	13,74
Public shareholding	14 855	99,93	137 790 287	86,26
	14 865	100,00	159 718 929	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 340 506	2,72	–	–
Maryke E van Heerden	1 198 543	0,75	–	–
Amala Familie Trust (CEO)	853 564	0,53	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 010 000	5,64	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	400 000	0,25	–	–
Frans du Toit Trust	17 642 000	11,05	–	–
Other major shareholders				
Government Employees Pension Fund	27 338 163	17,12	–	–
BEE shareholders*				
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	2 160 000	1,35	2 160 000	1,35
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 830 894	4,28	6 328 823	3,96
Collin Ramukhubathi	123 128	0,08	123 128	0,08
Joe Kalo Investments Proprietary Limited	90 000	0,06	90 000	0,06
Johannes M Kalo	60 090	0,04	60 090	0,04
Goolam Ballim	227 009	0,14	227 009	0,14
Mandated investments	69 946 031	43,79	8 190 680	5,13
Previously recognised interest**	–	–	–	17,45
	140 219 928	87,80	17 179 730	28,21
Other	19 499 001	12,20	–	–
	159 718 929	100,00	17 179 730	28,21

* During the current year the Flow Through Principal method was used to calculate the BEE ownership of the Group.

** 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.