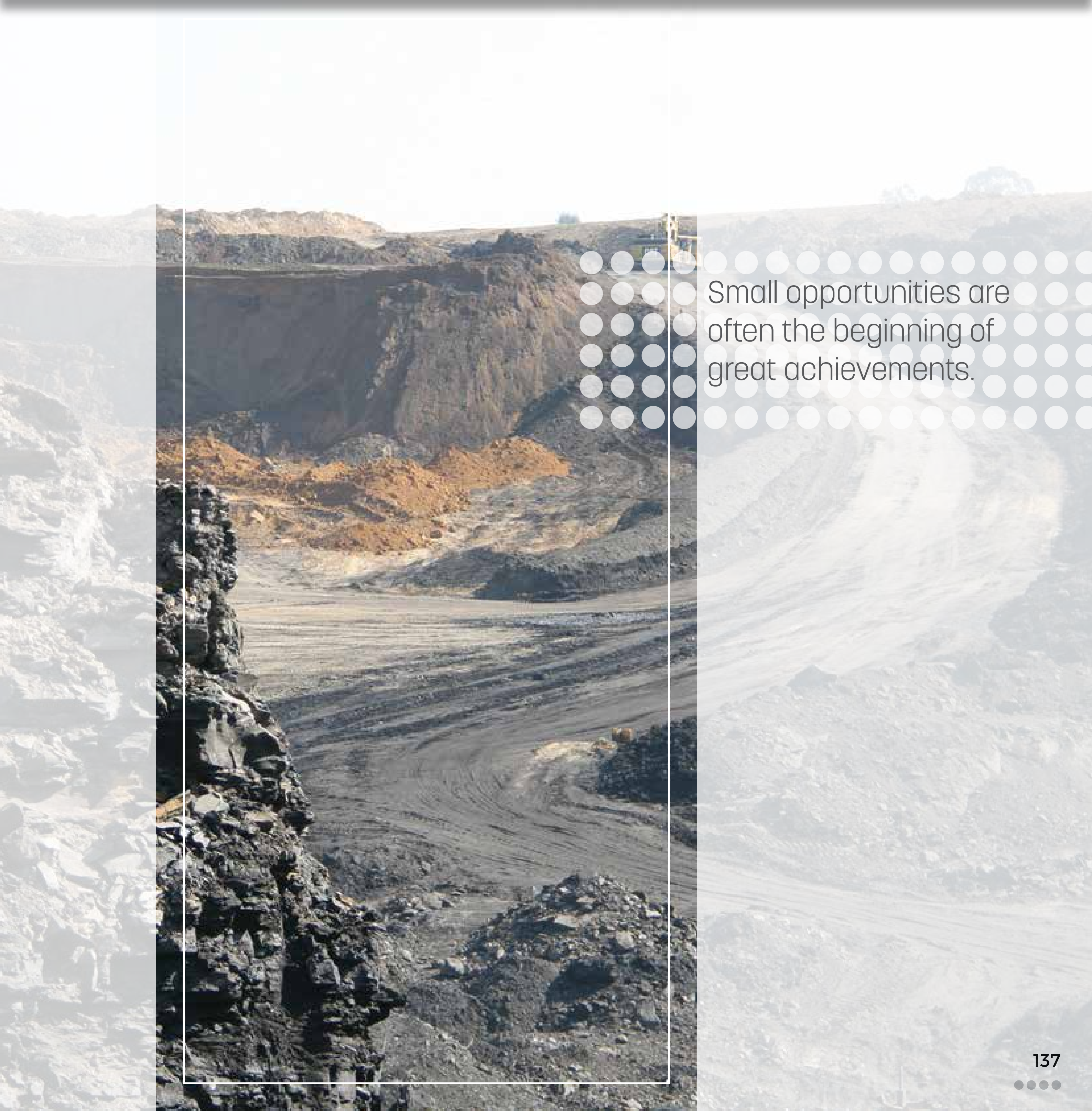
ANNUAL FINANCIAL STATEMENTS



Small opportunities are often the beginning of great achievements.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Brikor Limited has been established and incorporated in compliance with the provisions of the Companies Act of South Africa and operates in conformity with its Memorandum of Incorporation.

The consolidated and separate financial statements have been audited in compliance with Section 30 of the Companies Act of South Africa.

AUDITORS

Nexia SAB&T

Registered Auditors

PREPARER

The consolidated and separate financial statements for the year ended 29 February 2020 was prepared by Ms Laura Craig CA(SA), Chief Financial Officer, under supervision of Ms Joaret Botha CA(SA), Financial Director.

PUBLISHED

22 July 2020

STATEMENT BY THE CEO AND FINANCIAL DIRECTOR

in compliance with paragraph 3.84(k) of the JSE Listings Requirements

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

(a) the annual financial statements set out on pages 142 to 230, fairly present in all material respects the financial position, financial performance and cash flows of Brikor in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the Brikor and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Signed by the CEO and the Financial Director

Garnett Parkin
CEO

Joaret Botha
Financial Director

STATEMENT OF RESPONSIBILITY AND APPROVAL BY DIRECTORS

The directors are required in terms of the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the Group and the Company as at the end of the financial period and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements.

The directors acknowledge that they are ultimately responsible for the system of internal financial controls established by the Group and Company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and the Company and all employees are required to maintain the highest ethical standards in ensuring the Group and the Company's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group and the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Group and the Company. While operating risk cannot be fully eliminated, the Group and the Company endeavour to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Group and the Company's Audit and Risk Committee plays an integral role in risk management as well as overseeing the Group and the Company's integrated reporting.

The King IV Code™ of Corporate Governance has been integrated into the Group and the Company's strategies and operations.

The system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial controls can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Should an event arise where the directors are not satisfied with the internal financial controls, the directors will disclose to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and will take the necessary remedial action. During the reporting period, the directors were satisfied with the internal financial controls and no remedial action was required.

The directors have reviewed the Group and the Company's cash flow forecasts for the year to 28 February 2021 and, in the light of this review and the current financial position, they are satisfied that the Group and the Company have or have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors were given unrestricted access to all financial records and related data, including minutes of meetings of shareholders, the Board of Directors and Committees of the Board. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The external auditors are responsible for independently auditing and reporting on the Group and the Company's financial statements. The consolidated and separate financial statements have been examined by the Group and the Company's external auditors and their report is presented on pages 155 to 159.

The consolidated and separate financial statements set out on pages 160 to 230, which have been prepared on the going concern basis, were approved by the Board of Directors on 17 July 2020 and were signed on its behalf by:

Garnett Parkin
CEO

Joaret Botha
Financial Director

CERTIFICATION BY COMPANY SECRETARY

In my capacity as Company Secretary as at 29 February 2020, I hereby certify that for the year ended 29 February 2020, the Company has filed all such returns and notices as required by the Companies Act, no 71 of 2008, and that all such returns and notices appear to be true, correct and up to date.

Melinda Gous
Fusion Corporate Secretarial Services (Pty) Ltd

17 July 2020

REPORT OF THE AUDIT AND RISK COMMITTEE

for the year ended 29 February 2020

The Audit and Risk Committee (the Committee) has pleasure in submitting this report, describing how it discharged its duties assigned in terms of the Companies Act, and additional duties assigned to it by the Board of Directors, in respect of the financial year ended 29 February 2020.

COMMITTEE MEMBERS AND ATTENDANCE AT MEETINGS

The Committee is constituted as a statutory committee of the Company in respect of its statutory duties as stipulated in section 94(7) of the Companies Act and is a committee of the Board in respect of all other duties assigned to it by the Board, as contemplated in the King Code (King IV™).

At the Annual General Meeting held on 9 October 2019, the resolutions pertaining to the appointment of the members of the Committee being Mr Peter Moyanga (Chairperson), Ms Mamsy Mokate, Mr Collen Madolo and Mr AP van der Merwe were not passed by the requisite majority of shareholders.

As announced on SENS on 11 November 2019, Mr Steve Naudé (Chairperson), Mr Dries Ferreira and Ms Mamsy Mokate were appointed as members of the Audit and Risk Committee. Ms Mamsy Mokate was re-appointed as a member of the Audit and Risk Committee, even though shareholders voted against her appointment at the Annual General Meeting held on 9 October 2019. The Board considered Ms Mokate's experience as well as the limited number of independent non-executive directors on the Board and approved her re-appointment to the Committee. At the date of publication of the Integrated Annual Report, the Committee therefore comprised three skilled and experienced, independent non-executive members appointed by the Board. As required by the Companies Act, resolutions pertaining to the appointment of the members of the Audit and Risk Committee will be presented to shareholders for approval at the Annual General Meeting to be held on 6 November 2020.

The Committee meets at least twice a year. In terms of the JSE Listings Requirements, a representative of the Company's Designated Adviser attends all Audit and Risk Committee meetings. The Financial Director, executive directors and other members of management attend the Committee meetings by invitation.

The attendance at meetings during the period 1 March 2019 to 29 February 2020 was as follows:

	20 May 2019	13 Feb 2020
Committee member		
Peter Moyanga (Chairperson) [1]	P	R
Collen Madolo (Independent Non-Executive Director) [1]	P	R
Mamsy Mokate (Independent Non-Executive Director)	P	P
AP van der Merwe (Non-Executive Director) [1]	A	R
Steve Naudé (Chairperson) [2]	N/A	P
Dries Ferreira (Independent Non-Executive Director) [2]	N/A	P
External advisers		
External auditors (KPMG Inc)	P	R
External auditors (Nexia SAB&T)	N/A	P
Designated Adviser (Exchange Sponsors)	P	P
Invitees		
Allan Pellow (Chairperson of the Board)	P	P
Garnett Parkin (Chief Executive Officer)	P	P
Laura Craig (Financial Director/Chief Financial Officer) [3]	P	P
Irene Botha (Graphiculture (Pty) Ltd)	N/I	P
Company Secretary		
Melinda Gous (Fusion Corporate Secretarial Services (Pty) Ltd)	P	P

[1] *Resigned on 9 October 2019, as shareholders did not approve re-election at the Annual General Meeting*

[2] *Appointed on 11 November 2019*

[3] *Appointment as Financial Director not ratified by shareholders on 9 October 2019; appointed as Chief Financial Officer on 9 October 2019*

P – Present
A – Apology
R – Resigned
N/A – Not applicable
N/I – Not invited

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

ROLE AND RESPONSIBILITIES – TERMS OF REFERENCE

The Committee's role and responsibilities are governed by a formal Charter as approved by the Board. The Charter is subject to an annual review by the Board. A copy of the Charter can be obtained at the Company's registered office.

The Committee's duties and responsibilities are outlined below.

The Committee shall:

- review its Charter annually;
- annually consider the performance of the Group Financial Director or equivalent appointee;
- review significant cases of employee conflicts of interest, misconduct or fraud;
- consider other topics as defined by the Board from time to time and to investigate any activity, which the Committee, in its sole discretion, considers falling within the scope of its powers;
- review compliance with legal, statutory and regulatory matters and any current or pending litigation or regulatory proceedings in which the Company is involved in any way, as well as to review significant transactions not directly related to the Company's normal business which the Committee might deem appropriate;
- assist directors to discharge their duties relating to the safeguarding of assets, the operation of adequate financial systems and controls and the reviewing of financial information and preparation of annual financial statements which shall be provided to shareholders and other stakeholders; and
- address appropriately any complaints (internal or external) relating either to the accounting practices and internal audit of the Group or to the content or auditing of its financial statements, or to any related matter; and
- assume all roles and performs all duties on behalf of Ilangabi Investments 12 (Pty) Ltd, Brikor's wholly-owned subsidiary.

Role of the Chairperson of the Audit and Risk Committee

- The Chairperson of the Audit and Risk Committee should participate in setting and agreeing to the items included in the agendas of meetings in conjunction with the Committee Secretary.
- The Chairperson of the Audit and Risk Committee must review and approve the Audit and Risk Committee minutes prior to distribution. The minutes must be formally approved by the Audit and Risk Committee at its next scheduled meeting.
- The Chairperson of the Audit and Risk Committee must report to the Board of Directors after each meeting of the Audit and Risk Committee on matters discussed and decisions taken by the Committee.
- At the very least, the Chairperson of the Audit and Risk Committee shall attend the Board meeting at which the annual financial statements are approved.
- The Chairperson is responsible for the smooth running of meetings, for ensuring that the views of each member are heard, and that sufficient time is devoted to each matter tabled for discussion.
- The Audit and Risk Committee Chairperson has the power to call a Committee meeting whenever he or she deems it necessary.
- The Chairperson of the Audit and Risk Committee shall attend the Annual General Meeting of the Company and be prepared to respond to any shareholder questions on Committee issues.

Combined assurance

The Committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee must:

- provide an open avenue of communication between the internal auditors, external auditors and the Board;
- ensure that the combined assurance received is appropriate to address all the significant risks facing the Company;
- monitor the relationship between the external assurance providers and the Company;
- review with the Group Internal Audit Executive and the representative of the external auditors the co-ordination of audit effort to ensure completeness of coverage, reductions of redundant efforts and the effective use of audit resources; and
- review the following with the internal and external auditors:

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

– the adequacy and effectiveness of the Company's internal controls including computerised information system controls and security;
– the quality of financial information produced to ensure integrity and reliability; and
– the results of their review of the Company's monitoring of compliance with the Company's internal policies and procedures.

Risk management

The Committee is an integral component of the risk management process and, specifically, the Committee must oversee:

- financial reporting risks;
- internal financial controls;
- fraud risks as it relates to financial reporting; and
- IT risks as it relates to financial reporting.

The Committee will perform all the functions as is necessary to fulfil its role as stated afore and including the following:

- oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- King IV™ practice notes;
- make recommendations to the Board concerning the levels of tolerance and appetite, and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company;
- ensure that risk management assessments are performed on a continuous basis;
- ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- ensure that management considers and implements appropriate risk responses;
- ensure that continuous risk monitoring by management takes place;
- express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant; and
- assess IT risks and controls, business continuity and data recovery relating to IT and information security and privacy.

Internal audit

The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

- review and approve the appointment, reassignment or dismissal of the Group Internal Audit Executive;
- ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate;
- approve the Internal Audit Charter;
- confirm and ensure the independence of the internal audit function;
- monitor and evaluate the performance of the internal audit function in terms of agreed goals and objectives;
- ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate;
- ensure that the objectives and goals, staffing, budgets and plans provide adequate support for the goals and objectives of the Committee;
- approve the internal audit plan and satisfy itself that the audit plan makes provision for effectively addressing the critical risk areas in the business;
- consider any changes required in the planned scope of the audit plan;

Report of the Audit and Risk Committee
continued

for the year ended 29 February 2020

- consider and review with management and the internal auditors, significant findings during the year and management's responses thereto in relation to reliable reporting, corporate governance and effective internal control;
- consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of its work or access to required information; and
- ensure that the Group Internal Audit Executive has unrestricted access to the Chairperson of the Committee and/or the Chairperson of the Board.

External auditors and the external audit

The audit partner in charge of the external audit and head of internal audit shall have unrestricted access to the Chairperson of the Committee in relation to any matter falling within the ambit of the Committee.

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the committee must:

- nominate an external registered auditor who, in the opinion of the Committee, is independent of the Company for appointment by the shareholders;
- recommend to the Board of Directors the terms of engagement and remuneration for the external audit engagement;
- monitor and report on the independence of the external auditor in the annual financial statements;
- determine the nature and extent of non-audit services provided by the external auditor;
- pre-approve contracts for non-audit services to be rendered by the external auditor;
- ensure that there is a process for the Committee to be informed of any reportable irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and
- review the quality and effectiveness of the external audit process.

In general, the Committee shall oversee the external audit function, which shall include:

- reviewing and discussing the scope of the statutory audit;
- satisfying itself that the audit plan makes provision for effectively addressing the critical risk areas in the business;
- reviewing the management letter and management's response thereto;
- considering problems, reservations and observations arising from the external auditors' interim and final audit;
- considering differences of opinion between management and auditors, including unrecorded errors or differences found by the external auditors; and
- evaluating the performance of external auditors and the audit fee.

Financial statements and results

The Committee oversees integrated reporting, and in particular the Committee must: –

- have regard to all factors and risks that may impact on the integrity of the Integrated Annual Report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls with regard to:
  - accounting policies adopted and any changes in accounting policies and practices;
  - significant financial estimates based on judgement which are included in the financial statements;
  - the appropriateness of major adjustments processed at the interim and at year-end;
  - the going concern assumption;

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

  - compliance with accounting standards, local and international;
  - whether the annual financial statements present a balanced and understandable assessment of the Company's position, performance and prospects; and
  - the directors' statement to be included in the annual financial statements including the statement on effectiveness of the systems of internal control;
- review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information;
- recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- recommend the Integrated Annual Report for approval by the Board;
- consider the frequency for issuing interim results;
- consider whether the external auditor should perform assurance procedures on the interim results;
- review the content of the summarised information for whether it provides a balanced view; and
- engage the external auditors to provide assurance on the summarised financial information.

The Committee shall receive and deal appropriately with any complaints (whether from within or outside the Company) relating either to the accounting practices and internal audit of the Company or to the content or auditing of its financial statements, or to any related matter.

The functions set out under financial statements and results shall also be performed in respect of each subsidiary company of Brikor that has not appointed an Audit and Risk Committee, provided that the Committee may delegate the performance of such functions to sub-Committees of the Audit and Risk Committee, referred to as Financial Review Committees but, notwithstanding such delegation, the Committee shall remain ultimately responsible for the fulfilment of the obligations as set out in the Companies Act.

Internal control

The Committee will consider the effectiveness of the Group's systems of internal control which includes management's responsibility for:

- maintaining proper and adequate accounting records;
- controlling the overall operational and financial reporting environment; and
- safeguarding the Group's assets against unauthorised use or disposal.

Investigations

The Committee will ensure that management directs and supervises investigations into and reports on matters within its scope, for example, breakdowns in internal control, cases of employee fraud, misconduct or conflict of interest.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

AUDIT AND RISK COMMITTEE'S ACTIVITIES AND DECISIONS TAKEN

AUDIT	
Auditor independence and rotation	• At the Annual General Meeting held on 9 October 2019, KPMG Inc. who has been Brikor's auditors since 2012, was not re-appointed as the Group's external auditors by the requisite majority of shareholders. • A formal process for the appointment of external auditors was embarked upon by the Board and the newly appointed members of the Audit and Risk Committee. • The Board, on recommendation of the Audit and Risk Committee, appointed Nexia SAB&T as external auditors with effect from 11 December 2019, with the designated audit partner being Ms Aadila Aboobaker. • The Committee considered the external auditor's independence and confirmed their independence. • In assessing the suitability of the appointment of Nexia SAB&T and the audit partner, Ms Aadila Aboobaker, the Committee assessed the information provided by Nexia SAB&T as required per paragraph 22.15(h) of the JSE Listings Requirements. The Committee, therefore, recommended the reappointment of Nexia SAB&T as auditors, with Ms Aadila Aboobaker as the audit partner, for the ensuing year to shareholders for approval at the Annual General Meeting to be held on 6 November 2020. • The external auditor and the designated audit partner are accredited by the JSE. • The external auditors have unrestricted access to the Committee and its Chairperson with a view to ensuring that their independence is not impaired.
External audit scope and budget	• Approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors. • No non-audit services were provided by the external auditors during the 2020 financial year.
Quality of external audit	• The quality of the audit has been of a high standard with independence and objectivity always at the forefront.
Approval of annual and interim financial statements	• Considered the accounting treatments and the appropriateness of the accounting policies. The accounting policies applied in the 2020 financial statements are consistent with those applied in the prior year. • Reviewed a documented assessment by management of the going concern premise of the Company and the Group before recommending to the Board that the Company and the Group will be going concerns in the foreseeable future. • Met separately with management and external auditors and was satisfied that there were no material control weaknesses. • Reviewed the representation letter relating to the consolidated and separate financial statements. • After the reporting date, the reportable irregularities pertaining to the non-submission of annual tax returns, as required by the Income Tax At, No 58 of 1962, and non-compliance with section 30 of the Companies Act in terms of preparing and approving of the statutory annual financial statements within six month after the end of its financial year of the individual annual financial statements have been finalised and audited. The 2020 financial statements, therefore, contain no reportable irregularities. • Examined the interim and annual financial information made public, prior to their approval by the Board.

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

AUDIT (continued)	
JSE Proactive Monitoring Panel	• Considered the 2019 JSE Report on Proactive Monitoring, including Annexure 3, issued on 18 February 2020, as well as IFRS 9 and 15 Thematic Report 2019, Activities of the FRIP in 2019 and Combined Findings of Proactive Monitoring of financial statements and has taken the appropriate action to apply the findings.
Finance function and internal controls	• Obtained assurances from the external auditors that adequate accounting records were being maintained. • Established that Brikor has appropriate financial reporting procedures in place and that those procedures are operating.
Financial Director and finance function	• The appointment of Ms Laura Craig as Financial Director was not ratified by shareholders at the Annual General Meeting held on 9 October 2019. Ms Laura Craig was then appointed as Chief Financial Officer and Brikor, therefore, did not have a Financial Director at the reporting date. However, on 29 June 2020 Ms Joaret Botha CA(SA) was appointed as Financial Director. • The Committee will consider the appropriateness of the experience and expertise of the Financial Director, Ms Joaret Botha, in F2021. • The Committee considered the appropriateness of the expertise and adequacy of resources of the Company's finance function and the experience of the senior members of management responsible for the finance function and concluded these were appropriate.
Internal audit	• Continuously reviewed the requirement and the necessity to appoint internal auditors, measured against affordability for the Company in its current form. • It is confirmed that no Chief Audit Executive was appointed, and the Internal Control Manager provides oversight on matters relating to internal controls and related matters. The Board as a whole remains responsible for the assessment of the appropriateness of internal controls. There has been nothing material to report during the reporting period. • An Internal Audit Plan and Policy are in the process of being developed.
Lifting of the suspension	Following the finalisation of the outstanding statutory annual financial statements of the subsidiary and the Brikor Company, documentation pertaining to the lifting of the suspension of Brikor's listing has been submitted to the JSE.
Solvency and liquidity	A detailed analysis of the solvency and liquidity of the Company and the Group was performed after the reporting date, being cognisant of the impact on the Group of the COVID-19 pandemic and the implementation of the Disaster Management Act by government. For further updates on solvency and liquidity, refer to the Financial Director's report on page 33.
RISK	
Policies on risk management	• Reviewed the formal Risk Management Framework and Risk Policy and considered these to be appropriate for the Group. The Group's materials risks and mitigating strategies are disclosed on pages 67 to 72.
Legal risk	• The Committee was satisfied that there has been no material non-compliance with laws and regulations. • The Committee is also satisfied that it has complied with all its legal, regulatory and other responsibilities during the reporting period. • As announced on SENS on 27 February 2020, the Company has, in accordance with the provisions of section 61(5) of the Companies Act, applied to court for an order setting aside the request for a shareholders' meeting by a shareholder grouping on the grounds that the request is frivolous and/or otherwise vexatious. At the time of publication of this report, the litigation is ongoing.

Report of the Audit and Risk Committee

continued

for the year ended 29 February 2020

RISK (continued)	
Financial risk	Refer to note 32 on pages 225 to 228 in the financial statements for full disclosure on financial risks.
Compliance with legal and regulatory responsibilities	• Reviewed compliance with legal and regulatory responsibilities. • The process of aligning certain policies and procedures with King IV™ is ongoing.
ASSURANCE	
Combined assurance	The Group adopted a five-tiered approach in respect of combined assurance, the details of which are disclosed on pages 60 to 62 under Corporate Governance.

CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

Following the review by the Committee of the consolidated and separate annual financial statements of Brikor for the year ended 29 February 2020, the Committee is of the view that, in all material aspects, it complies with the relevant provisions of the Companies Act and International Financial Reporting Standards and fairly presents the financial position at that date and the results of its operations and cash flows for the reporting period.

The Committee has also satisfied itself as to the integrity of the remainder of the Integrated Annual Report.

The Committee recommended the consolidated and separate financial statements and Integrated Annual Report for the year ended 29 February 2020 for approval to the Board on 14 July 2020.

CONCLUSION

The Report of the Audit and Risk Committee was approved by the Board on 17 July 2020.

Steve Naudé

Chairperson of the Audit and Risk Committee

DIRECTORS' REPORT

for the year ended 29 February 2020

The directors have pleasure in presenting their report on the activities of the Group and the Company, which forms part of the consolidated and separate annual financial statements for the year ended 29 February 2020. The consolidated and separate financial statements presented on pages 160 to 230 set out fully the financial position, results of operations and cash flows of the Group and the Company for the financial year ended 29 February 2020.

The Integrated Annual Report for the year ended 29 February 2020 was approved by the Board of Directors of Brikor on 17 July 2020.

NATURE OF BUSINESS

Brikor, which listed on the Alt^{X} in August 2007, is a manufacturer of building and construction materials used across a broad spectrum of the market from low-cost housing, residential to commercial, industrial, civil engineering and infrastructure projects and has a Bricks segment and a Coal segment (operating through its wholly-owned subsidiary, Ilangabi Investments 12 (Pty) Ltd).

AUTHORISED AND ISSUED STATED CAPITAL

There were no changes to the authorised and issued ordinary no par value shares during the reporting period.

Brikor holds 15 900 000 ordinary no par value shares of its own issued shares. The shares are held as treasury shares by the Brikor Share Incentive Scheme Trust.

At the last Annual General Meeting held on 9 October 2019, the directors were authorised under general authority to allot and issue ordinary shares in the capital of the Company for cash as and when suitable situations arise and only if certain conditions are met.

SPECIAL RESOLUTIONS AND NON-BINDING ADVISORY RESOLUTIONS

Special resolution 1

Shareholders, under special resolution, granted the Company authority to repurchase its own shares. During the reporting period, the Company/directors did not utilise this general authority.

Special resolution 2

Payment of the non-executive directors' fees were not authorised by the requisite majority of shareholders. The resolution in respect of non-executive directors' fees passed at the Annual General Meeting held on 13 July 2018 for a period of two years was, therefore, in effect during the reporting period and until 13 July 2020.

Special resolutions number 3 and 4

The directors were authorised under special resolution to:

- provide financial assistance to any company or corporation which is related or inter-related to the Company in terms of section 45 of the Companies Act, subject to compliance with the requirements of the Company's constitutional documents and the Companies Act; and
- provide financial assistance to any company or corporation which is related or inter-related to the Company in terms of section 44 of the Companies Act, subject to compliance with the requirements of the Company's constitutional documents and the Companies Act.

No other special resolutions were passed by the Company's shareholders, which would affect the understanding of the Group.

Directors' Report

continued

for the year ended 29 February 2020

Non-binding advisory resolutions

The non-binding endorsements of Brikor's Remuneration Policy and Remuneration Implementation Report were not passed by shareholders present and represented by proxy, with 55,63% being dissenting votes in respect of each of the non-binding advisory resolutions. Please refer to the Report of the Remuneration Committee on pages 79 and 80 for details of engagements with dissenting shareholders.

DIVIDENDS

No dividends were declared or paid during the reporting period (F2019: Rnil).

DIRECTORS AND COMPANY SECRETARY

The directors of the Company at the date of this report are shown below.

Name	Designation	Date of appointment
Allan Pellow	Independent Non-Executive Chairperson	21 February 2018
Mamsy Mokate	Independent Non-Executive Director	12 April 2017
	Lead Independent Director	17 July 2020
Garnett Parkin	Chief Executive Officer	20 February 2007
Joaret Botha	Financial Director	29 June 2020
Dries Ferreira	Independent Non-Executive Director	22 October 2019
Tanya Hendry	Non-Executive Director	22 October 2019
Norman Hornby	Non-Executive Director	22 October 2019
Steve Naudé	Independent Non-Executive Director	22 October 2019
AP van der Merwe	Non-Executive Director	11 November 2015

In terms of the Company's Memorandum of Incorporation, Mr Peter Moyanga and Mr Collen Madolo retired by rotation at the Annual General Meeting held on 9 October 2019. These directors were not re-appointed by shareholders. On 22 October 2019, the Board appointed Mr Dries Ferreira and Mr Steve Naudé as Independent Non-Executive Directors and Dr Tanya Hendry and Mr Norman Hornby as Non-Executive Directors.

Mr Allan Pellow and Mr AP van der Merwe are set to retire by rotation at the Annual General Meeting to be held on 6 November 2020. Mr Pellow, being eligible, offered himself for re-election as director of the Company. Mr AP van der Merwe has not offered himself for re-election as director of the Company.

A resolution to re-appoint Mr Allan Pellow as director of the Board and to ratify the appointments of Mr Dries Ferreira and Mr Steve Naudé as Independent Non-Executive Directors and Dr Tanya Hendry and Mr Norman Hornby as Non-Executive Directors, together with resolutions to confirm the appointments of Mr Steve Naudé (Chairperson), with Mr Dries Ferreira and Ms Mamsy Mokate as members of the Audit and Risk Committee, will be presented to shareholders at the Annual General Meeting to be held on 6 November 2020.

The Board appointed Ms Joaret Botha as Financial Director of Brikor on 29 June 2020 and a resolution will be presented to shareholders at the Annual General Meeting to ratify this appointment.

Fusion Corporate Secretarial Services (Pty) Ltd is the Company Secretary of Brikor.

Directors' Report

continued

for the year ended 29 February 2020

DIRECTORS, ASSOCIATES AND PRESCRIBED OFFICERS' INTEREST IN THE ORDINARY SHARE CAPITAL OF THE COMPANY

Details of the directors, associates and prescribed officers' shareholding are disclosed in note 35 on page 230.

As announced on SENS on 6 June 2019, two separate transactions occurred on 4 June 2019 relating to the off-market transfer of 107 084 630 and 20 265 024 shares, respectively, to Garnett Parkin, CEO of Brikor, at a price of 9 cents per share.

The above transactions were a transfer of shares from the Estate of Late G v N Parkin to Garnett Parkin and a family trust as part of the settlement of the Estate of Late G v N Parkin. There was no option to settle these shares in cash.

At the reporting date, the directors had an aggregate direct and indirect beneficial interest of 19,35% (2019: 63,52%) in the ordinary share capital of the Company.

The staff of the designated adviser of Brikor held 3 000 000 shares (0,46%) (2019: 3 000 000 shares (0,46%) directly and indirectly in the ordinary share capital of the Company at the reporting date.

There has been no material change in the directors' interest in the issued share capital between 29 February 2020 and the date of this report.

DIRECTORS AND PRESCRIBED OFFICERS' EMOLUMENTS

Details of the directors and prescribed officers' emoluments are set out in note 30.

DIRECTORS' INTEREST IN CONTRACTS

The directors have certified that they had no material interest in any transaction of any significance to the Company or any of its subsidiaries during the reporting period, other than as disclosed in note 29 – Related parties.

CONFLICT OF INTERESTS

No conflicts of interest have been identified.

SHAREHOLDING ANALYSIS

Details of the Company's shareholding are set out on page 232 and the BBBEE shareholding is set out on pages 233 to 235.

SUBSIDIARIES

Details of the holding Company's interest in subsidiaries are set out in note 5.

BORROWING POWERS

In terms of the Memorandum of Incorporation of the Company, the directors may exercise all the powers of the Company to borrow without limit, as they consider appropriate.

Directors' Report

continued

for the year ended 29 February 2020

CORPORATE ACTIVITY DURING THE REPORTING PERIOD

Disposal of the Rayton property

During the 2017 financial year, the Rayton property was classified as held-for-sale and impaired to its recoverable amount of R2,2 million. The offer amounting to R2,2 million, which is inclusive of the transfer of the environmental restoration obligation, was accepted and signed by the Company on 17 April 2017. In 2020, the environmental provision of this property continued to unwind and had a change of estimate to the value of R0,2 million (F2019: R0,2 million). Accordingly, in order to realign the property to its recoverable amount, a R0,2 million (F2019: R0,2 million) impairment reversal was raised.

The non-recurring fair value determination of the non-current assets held-for-sale of R2,2 million has been classified as a level 2 fair value.

A further arrangement has been entered into with the purchaser to extend the original agreement up to 28 February 2020, in order to allow the section 11(1) transfer to be finalised at the Department of Mineral Resources within 12 months. At the date of these financial statements, the section 11(1) transfer is still in progress and a renewed revival agreement was signed to extend the original agreement to 30 November 2020 to allow for additional time to obtain the section 11(1) transfer.

Disposal of the Schist property

During 2018, an interested buyer was identified, and the directors were in the process of finalising a sale agreement to the value of R0,2 million. Conditions precedent for the signature thereof were that a Section 11 closure certificate is received from the Department of Mineral Resources and that the purchaser fences the property off. The directors subsequently secured the sale of this property on 10 July 2019 for R0,03 million, which includes the rehabilitation provision, along with a Section 41 closure application, which was received on 6 September 2019.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

COVID-19 pandemic and lockdown

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices, currency exchange rates and a significant decrease in long-term interest rates.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced the extension of the lockdown period by an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The Group acted swiftly in ensuring that all the necessary protocols were put in place, as directed by government. Further information is disclosed on pages 22 and 23 of the Report to Stakeholders.

Appointment of Financial Director

As announced on SENS, and in compliance with paragraph 3.59 of the JSE Listings Requirements for a company to have a financial director, Ms Joaret Botha CA(SA) has been appointed as Financial Director of Brikor with effect from 29 June 2020.

Lifting of suspension and re-listing on the Alt^{X} of the Johannesburg Stock Exchange (JSE)

Subsequent to the reporting date, the Company met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and submission of the statutory annual financial statements for the financial year ended

Directors' Report

continued

for the year ended 29 February 2020

28 February 2019, of the subsidiary, Ilangabi Investments 12 (Pty) Ltd, and Brikor Company, to the JSE. On 29 June 2020, Ms Joaret Botha CA(SA) was appointed as Financial Director. Documentation pertaining to the lifting of the suspension of Brikor's listing has been submitted to the JSE and the JSE is in the process of considering the lifting of the suspension.

JSE Pro-active Monitoring Panel

The Board reviewed the recommendation of the Audit and Risk Committee in terms of the content of the reports from the JSE Pro-active Monitoring Panel, the last of which was released on 18 February 2020, together with the IFRS 9/15 Thematic Report 2019, Activities of the FRIP in 2019 and the Combined Findings Report. The Board confirmed that there were no instances of contravention in relation to this Integrated Annual Report.

Other

Other than as disclosed above and in these consolidated and separate financial statements, the Board is not aware of any material events which occurred subsequent to the year ended 29 February 2020 and which need adjustment or disclosure.

STATEMENT ON GOING CONCERN

The Group incurred a profit for the year ended 29 February 2020 of R1,5 million (2019: profit from continuing operations of R3,6 million) and as of that date the Group is solvent as total assets exceeded total liabilities by R68,5 million (2019: R67,0 million). Furthermore, the Group is liquid as current assets exceeded current liabilities by R25,1 million (2019: R20,6 million).

The Company incurred a loss for the year ended 29 February 2020 of R4,4 million (2019: profit from continuing operations of R30,0 million which includes a dividend of R35 million). As at 29 February 2020 the Company is solvent as total assets exceeded total liabilities by R45,5 million (2019: R49,9 million). Furthermore, the Company is liquid as current assets exceeded current liabilities by R15,7 million (2019: R25,1 million)..

Furthermore, in light of the COVID-19 pandemic (as discussed in notes 33 and 34), the directors have re-assessed the appropriateness of the use of the going concern basis in the preparation of these consolidated and separate financial statements.

The directors considered the financial performance of the Group and the Company to the date of this report and have also prepared and interrogated adjusted budgets and cash flow forecasts for the twelve months subsequent to the reporting date. This adjusted budget and cash flows allow for the planned phased return to normal production, considering the available information at hand, and allow for the best estimates and assumptions of the impact that the COVID-19 pandemic is expected to have on the operating and financial performance of the Group and the Company. The adjusted budget and cash flow forecasts also includes, *inter alia,* the return of sales volumes and prices at levels aligned with those achieved in pre-lockdown periods, no payroll increases nor bonus payments as well as additional health and safety expenses to comply with COVID-19 return to work protocols.

While COVID-19 has and is expected to result in an initial reduction in operating profits and cash flows, the impact thereof is not expected to have a prolonged impact on the Group and the Company's financial performance allowing for the Group, the Company and the construction industry to return to, and be allowed to continue to operate at normal capacity, under alert level 3 or lower alert levels thereafter. The directors thus believe that the Group and the Company are in sound financial positions and that they will continue to operate as going concerns for the foreseeable future.

As such, the consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

AUDITORS

At the Annual General Meeting held on 9 October 2019, shareholders did not approve the re-appointment of KPMG Inc. as auditors and Mr Riegert Stoltz as designated audit partner. After following due process, Nexia SAB&T was appointed as auditors by the Board of Directors on 11 December 2019. Nexia SAB&T has indicated their willingness to continue in office for the 2021 financial year. The Audit and Risk Committee has satisfied itself of the independence of the auditors and the designated audit partner, Ms Aadila Aboobaker.

A resolution to appoint Nexia SAB&T, as auditors, and Ms Aadila Aboobaker as designated audit partner, will be proposed at the next Annual General Meeting scheduled to take place on 6 November 2020.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BRIKOR LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Brikor Limited and its subsidiaries (the Group) set out on pages 160 to 230 which comprise the consolidated and separate statement of financial position as at 29 February 2020, and the consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 29 February 2020, and its consolidated and separate financial performance and 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.

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 are independent of the group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent auditor's report

continued

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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
Provision for Environmental Rehabilitation (Consolidated and Separate KAM)	
At 29 February 2020 the environment rehabilitation provision amounted to R64 million (R62 million classified as non- current liabilities, R2 million classified as assets and liabilities held for sale) in the consolidated financial statements, and R34 million (R32 million classified as non-current liabilities and R2 million classified as assets and liabilities held for sale) in the separate financial statements. The group undertakes certain mining activities, in addition to its manufacturing activities, that gives rise to the need to provide for the future rehabilitation of environmental damage caused from its operations. There are numerous sites which the group's operations are spread and provision for rehabilitation costs are made on all these sites. There is a risk that not all sites are identified for inclusion in the provision and that all the sites identified are not provided for. The determination of the provision is based on judgements and assumptions made by management in estimating the future rehabilitation cost, which were based on the group's environmental management plans and determination of the life-of-mine. Management has appointed independent environmental and quantity surveying experts to assist with these assumptions and calculations. The auditing of the environmental rehabilitation provision is complex due to the significance as well as high estimation uncertainty of the provision.	Our audit procedures included, amongst others, obtaining an understanding over the Group's process to estimate the environmental rehabilitation provisions. We also: • We assessed the professional competence, objectivity and independence of managements experts, • We assessed whether the group's environmental rehabilitation provision was consistent with the group's environmental management plans and the applicable laws and regulations, • We tested the completeness of the sites included in the provision for environmental rehabilitation by ensuring that the calculation included provisions in respect of each of the groups mining rights, including dormant sites, • We agreed the disturbed areas that require rehabilitation, per site to the reports from the quantity surveyor and the independent expert, • We challenged the assumptions made by management in their calculation of the environmental rehabilitation by comparing key inputs and assumptions to external data sources and our own expectations based on our knowledge and experience of the industry, and • We evaluated whether the accounting treatment applied in determining the provision for environmental rehabilitation, the recognition of movement for the year and the related disclosures were in accordance with the applicable financial reporting framework. We considered the group's environmental rehabilitation provision to be appropriate and no material inconsistencies were identified.

Independent auditor's report

continued

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Recoverability of the Deferred Tax Asset (Consolidated and Separate KAM)</td></tr>
<tr><td>At 29 February 2020 the deferred tax asset amounted to R27 million classified as non- current assets in the consolidated financial statements and in the separate financial statements.

The group has recognised as a deferred tax asset to the extent that it is probable that the historical calculated tax losses will be realised over the next few years.

Assessing the recoverability of the deferred tax asset required the group to make significant estimates related to the amount and timing of future taxable income.

Estimates of future taxable income were based on cash flow forecasts, the reversal of temporary differences and the application of existing tax laws. Key assumptions used by management in the future cash flow budgets include the expected effects of the COVID-19 Pandemic.

Due to the significant judgement and inherent uncertainty involved in estimating future taxable income which determines the extent to which the deferred tax asset is recognised, the recoverability of the deferred tax asset was considered.</td><td>Our audit procedures included:
• We assessed the reasonability of future taxable profits and the utilisation of the deferred tax asset by:
– Obtaining the approved budgets for the next financial year and critically assessing the assumptions used in the determination of the estimated future taxable income in relation to our knowledge of the group and the industries in which it operates,
– Evaluating the assumptions that the directors applied in extending this budget for the next few years in relation to our industry knowledge and external market data, where available, and
– Assessing whether management has considered the possible impact of the COVID-19 pandemic on its cash flows over the next few years.
• We assessed the adequacy of the group's disclosures of significant accounting judgments and estimates in recognising the deferred tax asset in accordance with the applicable financial reporting framework.

We considered the group's recoverability of the deferred tax asset to be appropriate. No material inconsistencies were identified.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Brikor Limited Integrated Annual Report 2020" which includes the Directors' Report, the Audit and Risk Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. 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 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 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 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.

Independent auditor's report

continued

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 the 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'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 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 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 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 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report
continued

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, related safeguards.

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 Nexia SAB&T has been the auditor of Brikor Limited for one year.

Nexia SAB&T

Nexia SAB&T

Aadila Aboobaker
Director
Registered Auditor

21 July 2020

119 Witch-Hazel Avenue
Centurion
0046

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

at 29 February

	Note	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
ASSETS					
Non-current assets		117 750	123 357	73 426	73 983
Property, plant and equipment	3	65 260	70 402	35 787	37 449
Intangible assets	4	3 633	4 176	661	709
Investments in and loans to subsidiaries	5	–	–	7 783	7 742
Restricted financial assets	6	21 166	21 942	1 504	1 246
Deferred tax asset	7	27 691	26 837	27 691	26 837
Current assets		84 536	82 382	53 679	54 893
Inventories	8	44 920	44 098	34 392	33 801
Trade and other receivables	9	31 112	27 176	19 063	19 039
Cash and cash equivalents	10	4 804	7 306	224	2 053
Taxation	24	3 700	3 802	–	–
Assets held-for-sale	11	4 377	4 222	4 377	4 222
Total assets		206 663	209 961	131 482	133 098
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company		68 536	66 998	45 508	49 901
Stated capital	12	228 242	228 242	228 242	228 242
Accumulated loss		(159 706)	(161 244)	(182 734)	(178 341)
Total liabilities		138 127	142 963	85 974	83 197
Non-current liabilities		76 499	77 711	45 861	49 978
Shareholders' loans	13	10 657	16 296	10 657	16 295
Loans from subsidiaries	5	–	–	3 637	3 637
Provisions for environmental restoration	14	62 380	55 382	31 567	30 046
Deferred tax liability	7	3 462	6 033	–	–
Current liabilities		59 451	61 786	37 936	29 753
Shareholders' loans	13	5 421	6 372	5 421	4 171
Trade and other payables	15	47 235	49 758	32 515	25 582
Taxation	24	5 960	5 656	–	–
Bank overdraft	10	835	–	–	–
Liabilities directly associated with the assets held-for-sale	11	2 177	3 466	2 177	3 466
Total equity and liabilities		206 663	209 961	131 482	133 098

The notes on pages 164 to 230 are an integral part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 29 February

		GROUP		COMPANY	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Continuing operations					
Revenue	16	292 682	284 894	161 214	161 784
Cost of sales		(230 151)	(226 858)	(137 372)	(140 640)
Gross profit		62 531	58 036	23 842	21 144
Other income		6 624	6 076	16 134	47 745
Administrative expenses		(40 203)	(37 215)	(29 533)	(26 280)
Distribution expenses		(7 033)	(6 751)	(6 235)	(6 002)
Other expenses		(13 456)	(7 601)	(6 402)	(1 985)
– Expenses		(13 624)	(7 789)	(6 570)	(2 173)
– Impairment reversals	11	168	188	168	188
Operating profit/(loss) before interest and taxation	17	8 463	12 545	(2 194)	34 622
Finance income	18	860	777	413	224
Finance costs	19	(5 549)	(6 955)	(3 466)	(6 474)
Profit/(loss) before taxation		3 774	6 367	(5 247)	28 372
Taxation	20	(2 236)	(2 735)	854	1 636
Profit/(loss) after taxation from continuing operations		1 538	3 632	(4 393)	30 008
Discontinued operations					
Profit from discontinued operations net of taxation	11	–	450	–	450
Profit from disposal of discontinued operations net of taxation	11	–	4 257	–	4 257
Profit/(loss) for the year		1 538	8 339	(4 393)	34 715
Other comprehensive income for the year net of taxation		–	–	–	–
Total comprehensive income/(loss) for the year attributable to owners of the Company		1 538	8 339	(4 393)	34 715

EARNINGS PER SHARE	21	2020 cents	2019 cents
Basic			
Continuing operations		0,2	0,6
Discontinued operations		–	0,7
Total		0,2	1,3
Diluted			
Continuing operations		0,2	0,6
Discontinued operations		–	0,7
Total		0,2	1,3

The notes on pages 164 to 230 are an integral part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

for the year ended 29 February

	Stated capital R'000	Treasury shares R'000	Accumu-lated loss R'000	Total equity R'000
GROUP				
Balance at 28 February 2018	244 142	(15 900)	(169 583)	58 659
Total comprehensive income for the year	–	–	8 339	8 339
Balance at 28 February 2019	244 142	(15 900)	(161 244)	66 998
Total comprehensive income for the year	–	–	1 538	1 538
Balance at 29 February 2020	244 142	(15 900)	(159 706)	68 536
Note	12	12		

	Stated capital R'000	Treasury shares R'000	Accumu-lated loss R'000	Total equity R'000
COMPANY				
Balance at 28 February 2018	244 142	(15 900)	(213 056)	15 186
Total comprehensive income for the year	–	–	34 715	34 715
Balance at 28 February 2019	244 142	(15 900)	(178 341)	49 901
Total comprehensive loss for the year	–	–	(4 393)	(4 393)
Balance at 29 February 2020	244 142	(15 900)	(182 734)	45 508
Note	12	12		

The notes on pages 164 to 230 are an integral part of the consolidated and separate financial statements.

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

for the year ended 29 February

		GROUP		COMPANY	
	Note	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash flows from/(to) operating activities		5 703	(15 408)	3 437	(12 089)
Cash generated from/(utilised by) operations	23	12 150	(5 951)	4 732	(8 144)
Finance income	18	461	1 226	46	673
Finance costs	19	(1 422)	(2 891)	(1 341)	(4 618)
Tax paid	24	(5 486)	(7 792)	–	–
Cash flows (to)/ from investing activities		(2 650)	16 931	(1 078)	11 833
Additions to property, plant and equipment	3	(3 183)	(5 229)	(1 411)	(2 762)
Proceeds on disposal of plant and equipment		503	1 299	303	800
Proceeds on disposal of assets held-for-sale	11	30	–	30	–
Proceeds on disposal of discontinued operation		–	23 640	–	23 640
Payments/contributions to rehabilitation trust funds, investments and loans	5; 6	–	(2 779)	–	(9 845)
Cash flows to financing activities		(6 390)	(5 465)	(4 188)	(1 920)
Shareholders' loans and borrowings repaid	13	(6 390)	(5 465)	(4 188)	(1 920)
Net decrease in cash and cash equivalents		(3 337)	(3 942)	(1 829)	(2 176)
Cash and cash equivalents at beginning of year		7 306	11 248	2 053	4 229
Cash and cash equivalents at end of year		3 969	7 306	224	2 053

The notes on pages 164 to 230 are an integral part of the consolidated and separate financial statements.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

for the year ended 29 February 2020

1. ACCOUNTING POLICIES

1.1 PRESENTATION OF CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Brikor Limited is a company domiciled in South Africa. The Company's registered office is 1 Marievale Road, Vorsterkroon, Nigel. The Group is primarily involved in the manufacturing of clay products (bricks) as well as coal and clay mining.

These financial statements contain the consolidated financial statements of Brikor Limited (the Group) and the separate financial statements of Brikor Limited (the Company) for the year ended 29 February 2020. The consolidated financial statements present the financial results of the company and its subsidiaries (together referred to as the Group or individually as Group entities).

The consolidated and separate financial statements of Brikor Limited were approved on 17 July 2020 and authorised for issue by the Board of Directors on 22 July 2020.

Basis of accounting

The consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

These consolidated and separate financial statements are presented in South African rand, which is the Group's functional currency. All financial information has been rounded to the nearest Rand thousands, except when otherwise indicated.

The consolidated and separate financial statements have been prepared on the historical cost basis, unless otherwise noted.

Details of the Group's accounting policies are detailed below as part of each note to the financial statements. The Group has consistently applied the accounting policies set out below to all periods presented in these financial statements, except for the adoption of new and revised standards and interpretations.

New standards, amendments to standards and interpretations adopted

The Group adopted all the new standards, amendments to standards and interpretations, which are applicable to the Group, with date of initial application of 1 March 2019. See note 1.5 for new standards adopted.

1.2 USE OF ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The preparation of the consolidated and separate financial statements requires management to make accounting assumptions, estimates and judgements that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses.

Accounting assumptions, estimates and judgements are reviewed on an ongoing basis. Revisions to reported amounts are recognised in the period in which the revision is made and in any future periods affected. Actual results may differ from these estimates.

Information about assumptions and estimates in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated and separate financial statements are included in the notes:

- Note 3 – Property, plant and equipment
- Note 7 – Deferred tax asset
- Note 11 – Assets and liabilities classified as held-for-sale
- Note 14 – Provision for environmental restoration
- Note 27 – Contingencies

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

1. ACCOUNTING POLICIES continued

1.3 MEASUREMENT OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The directors regularly review significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the directors assess the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to and evaluated by the Group's Audit and Risk Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurements are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 6 – Restricted financial assets at fair value through profit or loss
- Note 11 – Assets and liabilities classified as held-for-sale

1.4 BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

1. ACCOUNTING POLICIES continued

1.5 NEW STANDARDS ADOPTED

The Group applied IFRS 16 – Leases for the first time from 1 March 2019. The nature and effect of these changes as a result of the adoption of the new standard are described below and in the related notes to these financial statements. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Due to the transition method that was adopted by the Group in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standard.

IFRS 16 – Leases

IFRS 16 – Leases was adopted with effect from 1 March 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. IFRS 16 supersedes *IAS 17 – Leases, IFRIC 4 – Determining whether an Arrangement contains a Lease, SIC-15 – Operating Leases-Incentives and SIC-27 – Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* Under the new standard, all lessee lease contracts, with limited exceptions, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities in accordance with paragraph 5 and 6.

The Group applied the cumulative catch-up approach, thereby not altering historical presentation.

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option, and lease contracts for which the underlying asset is of low value. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred. The Group's leases comprise certain office equipment (i.e. printing and photocopying machines) that are considered low value and short-term leases.

The adoption of the new accounting standard did not have a significant impact on the consolidated and separate financial statements.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

2. NEW STANDARDS AND INTERPRETATIONS

2.1 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

At the date of authorisation of these consolidated and separate financial statements, the following relevant standards, amendments to standards and interpretations that may be applicable to the business of the Group were in issue but not yet effective and may therefore have an impact on future consolidated and separate financial statements. These new standards, amendments to standards and interpretations will be adopted at their effective dates.

IAS 1 – Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment) (Effective date 1 January 2020)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework;

The revised definition of material is:

- Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The IASB has also removed the definition of material omissions or misstatements from *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.* The amendments are not expected to have a material impact on the Group.

IFRS 3 – Definition of a Business (Amendment) (Effective date 1 January 2020)

Defining a business is important because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a company of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business and a group of assets when applying IFRS 3. The amendment is not expected to have a material impact on the Group.

IFRS 16 – Leases COVID-19-Related Rent Concessions (Effective date 1 June 2020)

Amendment providing lessees with an exemption from assessing whether a COVID19-related rent concession (a rent concession that reduces lease payments due on or before 30 June 2021) is a lease modification. The amendment is not expected to have a material impact on the Group as the Group's leases comprise low value items or items with a lease term shorter than 12 months.

IAS 1 – Classification of Liabilities as Current or Non-current (Effective 1 January 2022)

Narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. The amendment is not expected to have a material impact on the Group.

IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (Effective 1 January 2022)

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are not expected to have a material impact on the Group.

IFRS 3 – Reference to the Conceptual Framework (Effective 1 January 2022)

The amendment updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments is not expected to have a material impact on the Group.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Management makes estimates and assumptions concerning the future and the resulting accounting estimates will not always equal the actual results. The estimates, assumptions and judgements that have the most significant effect on property, plant and equipment are discussed below:

Impairment of property, plant and equipment

In accordance with the Group's accounting policy, each asset or cash-generating unit is evaluated every reporting period to determine whether there are any indications of impairment or reversal of previously recognised impairment losses. If any such indication exists, a formal estimate of the recoverable amount is performed. Where the carrying amount exceeds the recoverable amount an impairment loss is recognised. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the increased carrying amount to exceed (a) its recoverable amount; or (b) the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset or cash-generating unit.

The recoverable amount of an asset or cash-generating group of assets is measured at the higher of fair value less costs of disposal and value-in-use. The determination of fair value and value-in-use requires management to make estimates and assumptions about expected production and sales volumes, commodity prices (considering current and historical prices, price trends and related factors), reserves, operating costs, closure and rehabilitation costs and future capital expenditure. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying amount of the assets may be further impaired or the impairment charge reduced with the impact recorded in the income statement.

Mineral reserves and resources estimates

The Group is required to determine and report mineral reserves and resources in accordance with the South African Code for the Reporting of Explorations Results, Mineral Resources and Mineral Reserves (SAMREC Code).

In order to calculate mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of mineral reserves and resources requires the size, shape and depth of reclamation sites to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the assumptions used to estimate mineral reserves and resources change from period to period and because additional geological data is generated during the course of operations, estimates of mineral reserves and resources may change from period to period.

Mineral reserves and resource estimates determined by management are reviewed by an independent mineral resources expert.

Changes in reported mineral reserves and resources may effect the Group's life-of-mine plan, financial results and financial position in a number of ways including the following:

- asset carrying values may be affected due to changes in estimate future cash flows:
- depreciation charged in profit or loss may change where such charges are determined by the units-of-production method, or where the useful lives of assets change;
- decommissioning, site restoration and environmental provisions may change where changes in estimated mineral reserves and resources affect expectations about the timing or cost of these activities; and
- the carrying value of deferred tax assets and liabilities may change due to changes in estimates of the likely recovery of the tax benefits and the timing thereof.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

ACCOUNTING POLICIES

Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to or, replace part of it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Group is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Day-to-day servicing expenses incurred on property, plant and equipment is expensed directly in profit or loss for the period. Major maintenance that meets the recognition criteria is capitalised.

Deferred stripping

Production stripping costs in a surface mine are capitalised to property, plant and equipment if, and only if, all of the following criteria are met:

- It is probable that the future economic benefit associated with the stripping activity will flow to the Group; and
- The Group can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

If the above criteria are not met, the stripping cost are recognised directly in profit or loss.

The Group initially measures the stripping activity asset at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore.

After initial recognition, the stripping activity asset is carried at cost less accumulated depreciation and accumulated impairment losses. The stripping asset is depreciated on a straight-line basis which is based on current remaining life of mine.

Mine development and infrastructure

Mining assets, including mine development and infrastructure costs and mine plant facilities, are recorded at cost less accumulated depreciation and accumulated impairment losses.

Expenditure incurred to evaluate and develop new ore bodies, to define mineralisation in existing ore bodies and to establish or expand produce capacity, is capitalised until commercial levels of production are achieved, at which times the costs are depreciated as indicated above.

Development of ore bodies includes the development of shaft systems and waste rock removal that allows, access to reserves that are economically recoverable in the future. Subsequent to this, costs are capitalised if the criteria for recognition as an asset are met.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

ACCOUNTING POLICIES continued

Derecognition

Derecognition occurs when an item of property, plant and equipment is disposed of, or when it is no longer expected to generate any further economic benefits.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item.

Depreciation

Depreciation commences when an asset is available-for-use. Depreciation is charged so as to write off the depreciable amount of items to their residual values, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Group.

Where an item comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment and are depreciated over their estimated useful lives.

Land is not depreciated.

Methods of depreciation, remaining useful lives and residual values are reviewed annually. If the expectations differ from the previous estimates, the changes are accounted for as a change in accounting estimate.

The estimated remaining useful lives of property, plant and equipment for current and comparative periods are as follows:

Item	Method	Remaining useful life
Buildings	Straight-line	15 to 23 years
Mineral reserves	Units of production	3 to 13 years*
Plant and equipment	Straight-line	2 to 19 years
Furniture and fixtures	Straight-line	3 to 14 years
Motor vehicles	Straight-line	2 to 8 years

** Based on current production levels and remaining life of mine assessments.*

Right-of-use assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Impairment

The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine whether there is any indication of impairment, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Each combination of plants that, together with its deposition facility, is capable of operating independently is considered to be a cash-generating-unit.

The recoverable amount of an asset or cash-generating-unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimate future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or cash-generating-unit exceeds its recoverable amount.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets is recognised immediately in profit or loss.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets, other than goodwill, is recognised immediately in profit or loss.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

ACCOUNTING POLICIES continued

Non-current assets held-for-sale

When a decision is made by the directors that an item of property, plant and equipment will be disposed of, and the requirements of *IFRS 5 – Non-current Assets Held-for-Sale and Discontinued Operations*, are met, then those specific assets will be presented separately on the face of the statement of financial position. The assets will be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets shall cease.

	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
GROUP			
2020			
Land	3 657	–	3 657
Mineral reserves	2 768	(1 283)	1 485
Buildings	33 269	(12 596)	20 673
Plant and equipment	74 051	(37 994)	36 057
Furniture and fixtures	2 370	(876)	1 494
Motor vehicles	3 871	(1 977)	1 894
	119 986	(54 726)	65 260
2019			
Land	3 657	–	3 657
Mineral reserves	2 768	(1 172)	1 596
Buildings	32 712	(10 061)	22 651
Plant and equipment	88 499	(49 139)	39 360
Furniture and fixtures	2 151	(850)	1 301
Motor vehicles	6 839	(5 002)	1 837
	136 626	(66 224)	70 402

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

	Land R'000	Mineral reserves R'000	Buildings R'000	Plant and equipment R'000	Furniture and fixtures R'000	Motor vehicles R'000	Total R'000
GROUP							
2020							
Carrying value 1 March 2019	3 657	1 596	22 651	39 360	1 301	1 837	70 402
Additions	–	–	–	1 765	502	916	3 183
Disposals	–	–	–	(860)	(39)	(492)	(1 391)
Depreciation	–	(111)	(2 535)	(4 615)	(270)	(367)	(7 898)
Increase in decommissioning asset	–	–	557	407	–	–	964
Carrying value 29 February 2020	3 657	1 485	20 673	36 057	1 494	1 894	65 260
2019							
Carrying value 1 March 2018	3 657	1 739	8 996	55 995	1 381	1 823	73 591
Additions	–	–	609	3 675	177	768	5 229
Disposals	–	–	–	(1 470)	(24)	(377)	(1 871)
Transfers*	–	–	8 421	(8 421)	–	–	–
Depreciation	–	(143)	(1 435)	(10 519)	(233)	(377)	(12 707)
Increase in decommissioning asset	–	–	6 060	100	–	–	6 160
Carrying value 28 February 2019	3 657	1 596	22 651	39 360	1 301	1 837	70 402

** Infrastructure-related elements of the decommission assets have been reclassified to buildings as they relate to the decommissioning and removal of the buildings at the end of the life of the underlying mining and manufacturing activities.*

Cash additions amounted to R3,2 million (2019: R5,2 million).

Assets constructed for the Group

Included in plant and equipment are assets constructed for the Group. Expenditure incurred by the Group during the year on such assets is included in plant and equipment additions to the value of R0,3 million (2019: R0,4 million).

Detail of the land and buildings

A register containing the information of land and buildings is available for inspection at the registered office of the Company.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

	Cost R'000	Accumulated depreciation and impairment losses R'000	Carrying value R'000
COMPANY			
2020			
Land	3 657	–	3 657
Mineral reserves	2 768	(1 283)	1 485
Buildings	26 227	(6 671)	19 556
Plant and equipment	23 840	(15 267)	8 573
Furniture and fixtures	1 919	(676)	1 243
Motor vehicles	3 052	(1 779)	1 273
	61 463	(25 676)	35 787
2019			
Land	3 657	–	3 657
Mineral reserves	2 768	(1 172)	1 596
Buildings	25 670	(5 247)	20 423
Plant and equipment	25 732	(16 363)	9 369
Furniture and fixtures	1 732	(711)	1 021
Motor vehicles	5 256	(3 873)	1 383
	64 815	(27 366)	37 449

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

3. PROPERTY, PLANT AND EQUIPMENT continued

Reconciliation of property, plant and equipment

	Land R'000	Mineral reserves R'000	Buildings R'000	Plant and equipment R'000	Furniture and fixtures R'000	Motor vehicles R'000	Total R'000
COMPANY							
2020							
Carrying value 1 March 2019	3 657	1 596	20 423	9 369	1 021	1 383	37 449
Additions	–	–	–	478	470	463	1 411
Disposals	–	–	–	(188)	(39)	(278)	(505)
Depreciation	–	(111)	(1 424)	(1 086)	(209)	(295)	(3 125)
Increase in decommissioning asset	–	–	557	–	–	–	557
Carrying value 29 February 2020	3 657	1 485	19 556	8 573	1 243	1 273	35 787
2019							
Carrying value 1 March 2018	3 657	1 739	5 657	18 725	1 100	1 251	32 129
Additions	–	–	610	1 260	123	769	2 762
Disposals	–	–	–	(596)	(24)	(363)	(983)
Transfers*	–	–	8 421	(8 421)	–	–	–
Depreciation	–	(143)	(325)	(1 599)	(178)	(274)	(2 519)
Increase in decommissioning asset	–	–	6 060	–	–	–	6 060
Carrying value 28 February 2019	3 657	1 596	20 423	9 369	1 021	1 383	37 449

** Infrastructure-related elements of the decommission assets have been reclassified to buildings as they relate to the decommissioning and removal of the buildings at the end of the life of the underlying mining and manufacturing activities.*

Cash additions amounted to R1,4 million (2019: R2,8 million).

Assets constructed for the Group

Included in plant and equipment are assets constructed for the Company. Expenditure incurred by the Company during the year on such assets is included in plant and equipment additions to the value of Rnil (2019: R0,06 million).

Detail of the land and buildings

A register containing the information of land and buildings is available for inspection at the registered office of the Company.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

4. INTANGIBLE ASSETS

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Mineral reserves and resources estimates

The Group is required to determined and report mineral reserves in accordance with the South African Code for the Reporting of Explorations Results, Mineral Resources and Mineral Reserves (SAMREC Code).

In order to calculate mineral reserves and resources, estimates and assumptions are required about a range of geological, technical and economic factors, including but not limited to quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quality and/or grade of mineral resources requires the size, shape and depth of reclamation sites to be determined by analysing geological data such as the logging and assaying of drill samples. This process may require some complex and difficult geological judgements and calculations to interpret the data.

Because the assumptions used to estimate mineral reserves and resources change from period to period and because additional geological data is generated during the course of operations, estimates of mineral reserves and resources may change from period to period.

Mineral reserves and resource estimates determined by management are reviewed by an independent mineral resources expert.

Changes in reported mineral reserves and resources may effect the Group's life-of-mine plan, financial results and financial position in a number of ways, including the following:

- asset carrying values may be affected due to changes in estimates and future cash flows:
  - depreciation charged in the profit or loss may change where such charges are determined by the units-of-production method, or where the useful lives of assets change;
  - decommissioning, site restoration and environmental provisions may change where changes in estimated mineral reserves and resources affect expectations about the timing or cost of these activities; and
  - the carrying value of deferred tax assets and liabilities may change due to changes in estimates of the likely recovery of the tax benefits and the timing thereof.

ACCOUNTING POLICIES

Recognition and measurement

Mining right intangible assets have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

Cost include expenditure that is directly attributable to the acquisition of the mining right and preparing the asset for its intended use.

The expenditure capitalised includes application and registration fees with the Department of Mineral Resources, overhead cost which are directly attributable to the development of the application of the mining right and mine plans.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Mining right intangible assets are amortised on a units of production method limited to the remaining life of the mine.

The amortisation period and the amortisation method for mining right intangible assets are reviewed annually. If the expectations differ from the previous estimate, the changes are accounted for as a change in accounting estimates.

The estimated remaining useful lives for the current and comparative periods are as follows:

Item	Method	Useful life
Mining rights	Units of production	3 to 13 years *

** Based on current production levels, allowing for the current life of mine assessment.*

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

4. INTANGIBLE ASSETS continued

ACCOUNTING POLICIES continued

The Group derecognises mining right intangible assets on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an mining right intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. The gain or loss is recognised in profit or loss when the mining right intangible asset is derecognised.

Impairment

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment of assets is recognised immediately in profit or loss.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset, other than goodwill attributable to a reversal of an impairment loss, does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets is recognised immediately in profit or loss.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

	Cost R'000	Accumulated amortisation and impairments R'000	Carrying value R'000
4. INTANGIBLE ASSETS continued			
GROUP			
2020			
Mining rights	8 826	(5 193)	3 633
	8 826	(5 193)	3 633
2019			
Mining rights	8 826	(4 650)	4 176
	8 826	(4 650)	4 176
COMPANY			
2020			
Mining rights	1 112	(451)	661
	1 112	(451)	661
2019			
Mining rights	1 112	(403)	709
	1 112	(403)	709

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

4. INTANGIBLE ASSETS continued

Reconciliation of intangible assets

	Mining rights R'000	Total R'000
GROUP		
2020		
Carrying value 1 March 2019	4 176	4 176
Amortisation	(543)	(543)
Carrying value 29 February 2020	3 633	3 633
2019		
Carrying value 1 March 2018	4 784	4 784
Amortisation	(608)	(608)
Carrying value 28 February 2019	4 176	4 176
COMPANY		
2020		
Carrying value 1 March 2019	709	709
Amortisation	(48)	(48)
Carrying value 29 February 2020	661	661
2019		
Carrying value 1 March 2018	756	756
Amortisation	(47)	(47)
Carrying value 28 February 2019	709	709

5. INVESTMENTS IN AND LOANS TO/(FROM) SUBSIDIARIES

ACCOUNTING POLICIES

Financial liabilities

A financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification, subsequent measurement and gains and losses

After initial recognition, loans from subsidiaries are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the loans are derecognised. Interest expense are also recognised in profit or loss.

Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

5. INVESTMENTS IN AND LOANS TO/(FROM) SUBSIDIARIES continued

ACCOUNTING POLICIES continued

Financial assets

Recognition and initial measurement

Loans to subsidiaries and investments in subsidiaries are initially recognised when they are originated. A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition or issues.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all effected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value though other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:

- It is held with a business model whose objective is to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments for principal and interest on the principal amount outstanding.

This category is the most relevant to the Company.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include loans to subsidiaries.

Investment in subsidiaries

Investments in subsidiaries are non-derivative financial assets and categorised as investments at cost less accumulated impairment losses.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

5. INVESTMENTS IN AND LOANS TO/(FROM) SUBSIDIARIES continued

	Share capital R	Effective holding 2020 %	Effective holding 2019 %	Investment 2020 R'000	Investment 2019 R'000	Amount owing by/(to) subsidiaries 2020 R'000	Amount owing by/(to) subsidiaries 2019 R'000
Ilangabi Investments 12 (Pty) Ltd #	100	100	100	3 000	3 000	3 639	3 639
Stanger Brick and Tile (Pty) Ltd *	10	100	100	–	–	(3 509)	(3 509)
Tugela Ready Mix (Pty) Ltd *	100	100	100	–	–	923	867
Stanbrik Roof Tiles (Pty) Ltd *	100	100	100	–	–	(128)	(128)
Impala Construction Supplies (Pty) Ltd *	100	100	100	–	–	221	236
				3 000	3 000	1 146	1 105

The loan is unsecured and interest free. There are no fixed repayment terms for the loan but it was agreed that the loan will not be called upon for full settlement within the next financial year.

* *Dormant company. The loans to/(from) dormant companies are unsecured, interest free and has no fixed repayment terms. It was agreed that these loans will not be called upon for full settlement within the next 12 months subsequent to approval of these financial statements.*

The loans receivable are expected to be recovered from the subsidiaries and therefore no expected credit losses have been recognised on these loans.

	2020 R'000	2019 R'000
Disclosed as:		
Non-current assets – Investments in and loans to subsidiaries	7 783	7 742
Non-current liabilities – Loans from subsidiaries	(3 637)	(3 637)
	4 146	4 105
Reconciliation of investments in and loans to/(from) subsidiaries:		
Opening balance – net asset/(liability)	4 105	(39 715)
Add: Interest	41	(2 227)
Less: Payments	–	47 113
Cash payments	–	12 113
Dividends declared by Ilangabi Investments 12 (Pty) Ltd	–	35 000
Transfers to current liabilities	–	(1 066)
Closing balance	4 146	4 105

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

6. RESTRICTED FINANCIAL ASSETS

ACCOUNTING POLICIES

Financial assets – Classification policy

On initial recognition, a financial asset is classified as measured at:

- Amortised cost; or
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss (FVTPL");.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held with a business model whose objective is to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Subsequent measurement policy

Financial assets measured at amortised cost: Theses assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets measured of FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognised in profit or loss.

Restricted investments

Liberty Life New Growth Rehabilitation Plan Trust at fair value through profit or loss

Included in restricted investments are financial assets that are designated at fair value through profit or loss because they are managed on a fair value basis. These investments are valued based on the observable market value off the underlying pool of equity investments as determined by the financial services provider at each reporting date. The fair value is calculated with reference to the underlying equity instruments.

Monthly contributions are made to this dedicated environmental trust funds to fund the estimated cost of rehabilitation at the end of life of mine. The amounts contributed to these funds are included in non-current assets and are measured at fair value through profit or loss. Fair value gains or losses are taken directly to profit or loss under other income or other expenses.

The fair value of the restricted investments is quoted level 2 financial instruments.

Financial assets measured at amortised cost

Included is restricted financial assets are investments in Nedbank Limited and Leopont Rehabilitation Trust that are classified as financial assets measured at amortised cost. Measured at amortised cost financial assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost less any allowances for impairment losses.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

6. RESTRICTED FINANCIAL ASSETS continued

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Restricted investments				
Liberty Life New Growth Rehabilitation Plan Trust	19 662	20 696	–	–
– Opening balance	20 696	19 080	–	–
– Additional contributions	–	2 779	–	–
– Unrealised net fair value (losses)/gains	(1 034)	(1 163)	–	–
The proceeds from these funds are intended to fund environmental rehabilitation obligations and they are not available for general purposes of the Group. Refer to note 14.				
Leopont Rehabilitation Trust – ABSA fixed deposit	1 332	1 085	1 332	1 085
The proceeds from these funds are intended to fund environmental rehabilitation obligations and they are not available for general purposes of the Group. Refer to note 14.				
Nedbank Limited – fixed deposit	172	161	172	161
A fixed deposit account is held with Nedbank Limited as security for a guarantee, in favour of the Department of Mineral Resources, which is in lieu of environmental rehabilitation obligations and is not available for general purposes of the Group. Refer to note 14.				
Non-current assets	21 166	21 942	1 504	1 246

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

7. DEFERRED TAX ASSET/(LIABILITY)

SIGNIFICANT ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

Assumptions and judgement is required in determining deferred tax assets and liabilities. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets required the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

ACCOUNTING POLICIES

Deferred tax assets and liabilities

Deferred taxation is provided for all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period, the measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

7. DEFERRED TAX ASSET/(LIABILITY) continued

	2020 R'000	2019 R'000
GROUP AND COMPANY		
Reconciliation of deferred tax asset		
At beginning of year	26 837	29 919
Originating and reversing temporary differences	333	3 940
Calculated tax losses (utilised)/created	521	(7 022)
	27 691	26 837
Deferred tax asset		
Comprising:		
Property, plant and equipment	(83)	66
Provisions	6 455	6 202
Payments received in advance	493	264
Contributions to rehabilitation trust funds	(1 335)	(1 335)
Calculated tax losses	22 161	21 640
	27 691	26 837

Deferred tax asset recoverability analysis

The following table is the analysis of the movement of the deferred tax asset over the last five years:

	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Calculated losses					
Opening balance	21 640	28 662	26 579	28 768	37 628
(Utilised)/created	521	(7 022)	2 083	(2 189)	(8 860)
Closing balance calculated tax losses	22 161	21 640	28 662	26 579	28 768
Temporary differences					
Opening balance	5 197	1 257	1 503	(7 170)	(7 957)
(Utilised)/created	333	3 940	(246)	8 673	787
Closing balance temporary differences	5 530	5 197	1 257	1 503	(7 170)
Total deferred tax asset	27 691	26 837	29 919	28 082	21 598

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

7. DEFERRED TAX ASSET/(LIABILITY) continued

The history of the deferred tax asset

During the years 2010 through to 2013, the Group went through a restructuring programme where a substantial amount of losses was incurred through the 2008/2009 global crisis and impairments suffered through the selling off of various divisions of the Group namely: Stanger, Olifantsfontein, Vereeniging and Bronkhorstspruit. This created a material deferred tax asset amounting to R47,6 million for the Group as a result of the calculated losses.

Up to 2016, the Group had temporary differences which resulted in a net deferred tax liability from temporary differences. The deferred tax asset from calculated losses was raised up to the value of the deferred tax liability due to temporary differences.

In 2017, the deferred tax asset from calculated losses amounted to R26,6 million, which was a 44,1% decrease from the original amount of R47,6 million. A further asset was created from the difference in temporary differences to the amount of R1,5 million, resulting in a total deferred tax asset of R28,1 million. Management performed future forecasts and budgets, which indicated a likely recoverability of the deferred tax asset. Management took the decision that the probability of the recovery of the deferred tax asset had become highly likely and raised the full amount of R28,1 million.

2018 experienced an increase in the deferred tax asset amounting to R1,8 million, this was mainly due to losses incurred by the Donkerhoek disposal group of R3,5 million. Continuing operations, however, made taxable profits with taxation thereon amounting to R1,7 million. The Group was confident the losses of the disposal group would be recovered through the sale, which they were in the 2019 year. Management performed forward-looking budgets and forecast and determined that the recoverability of the asset was still highly likely.

During 2019, the sale of the Donkerhoek disposal group resulted in a reduction of the calculated losses of R7,0 million. This has left the calculated losses balance at R21,6 million, which is only 43,7% of the original calculated losses balance of R47,6 million. However, the temporary differences have yielded a further increase in the deferred tax asset of R3,9 million. The main reason for the increase in temporary differences is due to the reversal of temporary differences from the Donkerhoek disposal, which was in a net deferred tax liability position of R2,4 million before the sale.

Current year of the deferred tax asset

Current year taxable losses yielded an increase in the deferred tax asset of R0,5 million whereas current temporary differences also yielded an increase in the deferred tax asset of R0,3 million.

Management's current forward-looking budgets and forecast have determined that the deferred tax asset's recoverability remained probable and it is expected to be recovered in approximately seven and a half years. Management's adjusted budget and forecast allow for the planned phased return to normal production, considering the available information at hand, and allow for the best estimates and assumptions of the impact that the COVID-19 pandemic is expected to have on the operating and financial performance of the Group. The adjusted budget and forecasts also include, *inter alia,* the return of sales volumes and prices at levels aligned with those achieved in pre-lockdown periods, no payroll increases nor bonus payments as well as additional health and safety expenses to comply with COVID-19 return to work protocols.

Assumptions used in the budget are as follows:

- Adjusted budget and forecasts for the 2021 financial year as disclosed in note 34 Going concern.
- Inflationary adjustments were allowed for growth in revenue and cost as from the 2022 financial year.
- Sales mix to commensurate expected market demand.
- Eskom power supply will remain stable.

The timing of recovery is mostly sensitive to the following:

- Should the actual growth percentage decrease by 1%, the recoverability of the deferred tax asset will increase slightly to 7,8 years;
- Should the sales mix decrease with 5%, the deferred tax asset's recoverability will extend to nine years; and
- Should the sales mix increase with 5%, the deferred tax asset's recoverability will decrease to six and a half years.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

7. DEFERRED TAX ASSET/(LIABILITY) continued

	2020 R'000	2019 R'000
GROUP AND COMPANY		
Reconciliation of deferred tax liability		
At beginning of year	(6 033)	(4 990)
Originating and reversing temporary differences	2 571	(1 043)
	(3 462)	(6 033)
Deferred tax liability		
Comprising:		
Property, plant and equipment	(6 587)	(7 595)
Provisions	7 760	6 197
Contributions to rehabilitation trust funds	(4 635)	(4 635)
	(3 462)	(6 033)

The deferred tax liability is attributable to the Company's subsidiary, Ilangabi Investments 12 (Pty) Ltd.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

8. INVENTORIES

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Allowance for damaged and obsolete inventory and determining net realisable values

Judgement is used to determine the lower of cost or net realisable value of inventory. Management also made estimates of the selling price and direct cost to sell on certain inventory items in determining the net realisable value. The write-down is charged to profit or loss in the period that it is identified.

ACCOUNTING POLICIES

Inventory comprises clay products as well as mined coal and clay, which are measured at the lower of cost and net realisable value.

The cost of bricks inventory comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of bricks manufactured or coal and clay explorated are assigned using the weighted average cost formula.

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

The amount of the reversal is limited to the amount of the original write-down so that the new carrying amount is the lower of cost and net realisable value.

Consumable stores are stated at cost less allowances for obsolescence. Cost of consumables is based on the weighted average cost principle and includes expenditure incurred in acquiring and bringing them to their existing location and condition.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Raw materials	760	788	760	788
Work in progress	26 164	28 646	22 680	25 644
Finished goods	16 186	12 766	9 831	5 880
Consumables	1 810	1 898	1 121	1 489
	44 920	44 098	34 392	33 801

GROUP

In 2020, inventory of R230,1 million (2019: R226,9 million) from continuing operations were recognised as an expense during the year and included in cost of sales.

All inventory movements, other than net realisable value adjustments on discontinued operations, are classified under cost of sales.

Impairments

Inventory totaling R6,3 million (2019: R5,7 million) was written down by R2,3 million (2019: R2,8 million) to their net realisable value of R4,0 million (2019: R2,9 million).

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

8. INVENTORIES continued

COMPANY

In 2020, inventory of R137,4 million (2019: R140,6 million) from continuing operations was recognised as an expense during the year and included in cost of sales.

All inventory movements, other than net realisable value adjustments on discontinued operations, are classified under cost of sales.

Impairments

No inventory is carried at net realisable value as at 29 February 2020 and 28 February 2019.

9. TRADE AND OTHER RECEIVABLES

SIGNIFICANT ACCOUNTING ASSUMPTIONS AND ESTIMATES

Impairment losses

The Group recognises loss allowance for expected credit losses ("ELCs") on financial assets measured at amortised cost. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original expected interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Group's historical experience and informed credit assessment and including forward-looking information. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the expected credit loss is based on the 12-month expected credit loss. The 12-month expected credit loss is the proportion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since obligation, the allowance will be based on the lifetime expected credit loss.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more that one year and not subject to enforcement activity. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

9. TRADE AND OTHER RECEIVABLES continued

ACCOUNTING POLICIES

Recognition and initial measurement

Trade and other receivables are initially recognised when they are originated. A financial asset is initially measured at fair value plus, for an item not a fair value through profit or loss, transaction cost that are directly to its acquisition or issues.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all effected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value though other comprehensive income (“FVOCI”); or
- Fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as a FVTPL:

- It is held with a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount.

This category is the most relevant to the Group.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group’s financial assets at amortised cost include trade receivables, deposits and other receivables.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

9. TRADE AND OTHER RECEIVABLES continued

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial assets				
Trade receivables	26 372	22 078	17 219	16 769
External customers	25 526	20 748	17 219	16 715
Related parties	846	1 330	–	54
Less: Allowance for expected credit losses	(412)	(261)	(412)	(233)
Trade receivables – net	25 960	21 817	16 807	16 536
Deposits	1 996	1 874	1 890	1 742
Other receivables	31	628	31	612
	27 987	24 319	18 728	18 890
Non-financial assets				
Value added tax receivables	2 620	2 316	262	–
Trade payables paid in advance	505	541	73	149
	3 125	2 857	335	149
	31 112	27 176	19 063	19 039

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivables and other receivables.

The Group controls its exposure to credit risk by setting limits on its exposure to individual customers. As part of the process of setting customer credit limits, credit guarantee insurance is purchased when deemed appropriate and management evaluates credit risk relating to customers on an ongoing basis and utilisation of credit limits is regularly monitored. The Group has adopted a policy of only dealing with creditworthy counterparties. Significant concentrations of credit risk apply to two customers which equates to 45,1% (2019: one customer 25,9%) of the trade receivables balance on the reporting date.

The maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

9. TRADE AND OTHER RECEIVABLES continued

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Credit quality of trade receivables				
Ageing of trade receivables not impaired				
0 – 30 days	20 446	16 649	12 378	12 679
30 – 60 days	4 943	5 108	3 858	3 797
60 – 90 days	69	53	69	53
90 – 120 days	247	–	247	–
Over 120 days	255	7	255	7
Total	25 960	21 817	16 807	16 536
Based on approved credit terms the trade receivables passed due but not impaired amounted to R0,5 million (2019: Rnil). Management believes that the unimpaired amounts that are past due are collectible, based on historic payment behaviour and customer credit risk.				
Uninsured receivables over 120 days, not deemed recoverable, have been provided for, while certain other receivables over 120 days have been insured. Receivables not provided for are deemed recoverable.				
Trade and other receivables impaired				
Allowance for expected credit losses				
Balance as at 1 March	261	91	233	91
Allowance for the year	441	519	441	491
Amounts written off as uncollectible	(233)	(258)	(233)	(258)
Reversed in the year on collection of receivables	(57)	(91)	(29)	(91)
Balance as at year-end	412	261	412	233

Fair value of financial instruments

There is no material difference between the fair value of receivables and other receivables and their carrying value due to the short-term maturity of these instruments.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

10. CASH AND CASH EQUIVALENTS

ACCOUNTING POLICIES

Cash and cash equivalents are non-derivative financial assets that comprise cash on hand, and highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash and cash equivalents are categorised as financial assets measured at cost, which is equivalent to their fair value due to the short-term maturity period of these instruments.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Cash and cash equivalents consist of:				
Cash in hand	26	26	6	6
Bank balances*	4 778	7 280	218	2 047
Bank overdraft	(835)	–	–	–
	3 969	7 306	224	2 053
Disclosed as:				
Current assets				
Cash and cash equivalents	4 804	7 306	224	2 053
Current liabilities				
Bank overdraft	(835)	–	–	–
	3 969	7 306	224	2 053

** R4,5 million (2019: R4,5 million) is secured in lieu of guarantees for environmental restoration (refer to note 28) and is therefore restricted cash.*

Credit risk

The Group banks with a reputable bank and all savings are in money market accounts, which are considered to be low risk investments.

The Group invests cash and cash equivalents in short-term deposits and money market funds with high-rated financial institutions. The Group only enters into transactions with a limited number of major institutions that have high credit ratings and closely monitors the credit worthiness at counterparties.

Fair value of financial instruments

There is no material difference between the fair value of cash and cash equivalents and their carrying value due to the short-term maturity of these instruments.

Facilities

In February 2019, an overdraft facility amounting to R5,0 million was applied for by the Group for its subsidiary, Ilangabi Investments 12 (Pty) Ltd. Resolutions were signed by both the main and subsidiary Boards and the facility was granted by Nedbank Limited during the 2020 financial year. At the reporting date, the Group had R4,2 million (2019: Rnil) of undrawn facilities.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

11. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

SIGNIFICANT ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

The assessment of whether the disposal is highly probable require the exercise of significant judgement and estimates of the outcome of future events not wholly within the control of the Group.

ACCOUNTING POLICIES

Assets held-for-sale

Non-current assets, or disposal Groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Immediately before classification as held-for-sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's other accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; and
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

The Group has elected to disclose a single amount of post-tax profit or loss of discontinued operations in the statement of profit or loss and other comprehensive income, and has analysed that single amount into revenue and other income, expenses and the pre-tax profit or loss.

The Group has elected to present a statement of cash flows that includes an analysis of all cash flows in total – i.e. including both continuing and discontinued operations, amounts related to discontinued operations by operating, investing and financing activities are disclosed in the note below.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

11. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

Assets held-for-sale

On 20 September 2016 and 17 November 2016, the Group committed to sell two of its properties, namely the Rayton property situated at Portion 31 of Witfontein NO.510 – JR District Bronkhorstspruit "Rayton" and the Nigel Schist property situated at Portion 58 of the Farm Vrisgewaag 510IR "Schist", respectively.

Rayton property

The offer received for Rayton, amounting to R2,2 million which is inclusive of the transfer of the environmental rehabilitation obligation, has been accepted and signed by the Company on 17 April 2017. The environmental provision of this property continued to unwind and had a change of estimate to the value of R0,2 million (2019: R0,4 million). Accordingly, in order to realign the property to its recoverable amount, R0,2 million (2019: R0,2 million) of the previous impairment was reversed.

The non-recurring fair value determination of the non-current assets held-for-sale of R2,2 million has been classified as a level 2 fair value. Valuation was determined by the contractual amount of the offer received in the open market.

The sale is subject to approval in terms of section 11(1) of the Mineral and Petroleum Resources Development Act, no 28 of 2008, being granted by the minister in respect of the cession and transfer of the mining right to the purchaser.

A further arrangement has been entered into with the purchaser to extend the original agreement up to 29 February 2020, in order to allow for the section 11(1) transfer to be finalised by the Department of Mineral Resources. At date of these financial statements the section 11(1) transfer is still in progress and a renewed revival agreement was entered into to extend the original agreement to 30 November 2020.

All documentation have been submitted to the Minister and the only outstanding matter is the section 11(1) transfer to be finalised.

Schist property

During 2018, an interested buyer was identified and the directors were in the process of finalising a sale agreement to the value of R0,2 million. Conditions precedent for the signature thereof is that a Section 11 closure certificate is received from the Department of Mineral Resources and that the purchaser fences the property off. The directors subsequently secured the sale of this property on 10 July 2019 for R0,03 million, which includes the rehabilitation liability, along with a Section 41 closure application, which was received on 6 September 2019. The non-recurring fair value of the non-current assets held-for-sale has been classified as a level 2 fair value.

Cumulative income or expenses included in profit/(loss) and other comprehensive income for assets held-for-sale:

	Rayton property R'000	Schist property R'000	Total R'000
GROUP AND COMPANY			
2020			
Change in estimate for environmental rehabilitation provision	16	–	16
Impairment reversal	168	–	168
Net financing cost	(184)	–	(184)
Loss from operating activities (no tax effect)	–	–	–
2019			
Change in estimate for environmental rehabilitation provision	(39)	(897)	(936)
Impairment reversal	188	–	188
Net financing cost	(149)	–	(149)
Loss from operating activities (no tax effect)	–	(897)	(897)

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

11. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

The table below summaries the profit on the sale relating to the held-for-sale assets and liabilities:

Schist properties	2020 R'000
Gross proceeds	30
Net proceeds	30
ASSETS	
Non-current assets	13
– Property, plant and equipment	13
Total assets	13
LIABILITIES	
Non-current liabilities	(1 457)
– Provisions	(1 457)
Total liabilities	(1 444)
Add: net liability value of Schist property	1 444
Profit on disposal of held-for-sale assets and liabilities	1 474
Less: taxation	(412)
Profit on disposal of held-for-sale assets and liabilities	1 062

Discontinued operations

The final agreement for the sale of the Donkerhoek business was signed on 27 October 2017 with conditions precedent, including shareholder approval subsequent to the release of the required category 1 circular. The category 1 circular was posted and notice on the general meeting was issued on SENS on 14 March 2018. The general meeting in terms of the disposal was held at 1 Marievale Road, Vorsterskroon, Nigel, 1490 on 17 April 2018, and the disposal of the division was approved by a quorum of shareholders present.

The final purchase consideration amounted to R44,8 million, of which R20,4 million was in lieu of plant and equipment; R10,0 million in lieu of property; R7,2 million in lieu of inventory and R7,2 million in terms of the disposal of the shares. R1,2 million disposal costs were incurred leaving the amount of R43,6 million net proceeds.

Recognition dates in terms of the sale were as follows:

- 17 April 2018 – sale of plant and equipment and inventory upon general meeting approval;
- May 2018 – sale of shares upon transfer of secretarial documents and share certificates; and
- 10 August 2018 – sale of property upon transfer of the properties at the deeds office.

The fair value of the Donkerhoek business has been classified as a level 2 fair value. The market comparison technique was used for the fair value of the Donkerhoek business.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

11. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

The tables below analyse the results relating to the discontinued operations:

	2019 R'000
Revenue and other income	401
Expenses	(579)
Finance income	578
Profit from operating activities	400
Taxation	50
Profit after taxation	450

No income or expenses were recognised in other comprehensive income relating to the disposal group.

Assets and liabilities held-for-sale

The non-current assets held-for-sale stated at the lower of carrying value or fair value less cost to sell and comprised the following:

	Rayton property R'000
2020	
Non-current assets held-for-sale	
Property, plant and equipment	4 377
	4 377
Non-current liabilities held-for-sale	
Environmental rehabilitation provision	(2 177)
	(2 177)

	Rayton property R'000	Schist property R'000	Total R'000
2019			
Non-current assets held-for-sale			
Property, plant and equipment	4 209	13	4 222
	4 209	13	4 222
Non-current liabilities held-for-sale			
Environmental rehabilitation provision	2 009	1 457	3 466
	2 009	1 457	3 466

Assets and liabilities held-for-sale are not specifically allocated to a reportable segment. Refer to note 25 for where these are included.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

11. ASSETS AND LIABILITIES HELD-FOR-SALE AND DISCONTINUED OPERATIONS

continued

The table below summarises the profit on the sale relating to the discontinued operations in 2019:

	Donkerhoek business R'000
Gross proceeds	44 855
Less: disposal costs	(1 215)
Net proceeds	43 640
ASSETS	
Non-current assets	33 444
– Property, plant and equipment	28 370
– Intangible assets	5 074
Current assets	7 207
– Inventory	7 207
Total assets	40 651
LIABILITIES	
Non-current liabilities	(5 662)
– Provisions	(5 662)
Current liabilities	(374)
– Trade and other payables	(374)
Total liabilities	(6 036)
Less: net asset value of the Donkerhoek business	34 615
Profit on disposal of discontinued operation before taxation	9 025
Less: taxation	(4 768)
Profit on disposal of discontinued operation	4 257

The table below summarises the cash flow effects relating to the discontinued operations in 2019:

	Donkerhoek business R'000
Cash flow	
Net cash flows from operating activities	465
Net cash flows from investing activities *	23 640
Net increase in cash flow	24 105
*** Reconciliation of net cash flow from investing activities**	
Net proceeds	43 640
Direct transfer to shareholders' loans (refer to note 13)	(20 000)
Net cash flow from investing activities	23 640

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

12. STATED CAPITAL

ACCOUNTING POLICIES

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of stated capital

When stated capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Shares in the Company held by the Brikor Share Purchase Trust are classified as treasury shares. The consideration paid, which includes directly attributable costs, net of tax effects, for these shares is deducted from equity. The number of shares held is deducted from the number of issued shares and the weighted average number of shares in the determination of earnings per share. Dividends received on treasury shares are eliminated on consolidation. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in the equity and the resulting surplus or deficit in the transaction is presented within stated capital.

Dividends

Ordinary dividends are recognised as a liability in the period in which they are declared.

	2020 '000	2019 '000
GROUP AND COMPANY		
Authorised		
1 000 000 000 ordinary shares of no par value (2019: 1 000 000 000)		
Reconciliation of number of shares authorised		
Reported at 1 March	1 000 000	1 000 000
	1 000 000	1 000 000
Reconciliation of number of no par value shares issued ('000)		
Reported at 1 March	645 242	645 242
Less: Brikor Share Incentive Scheme Trust – treasury shares	(15 900)	(15 900)
	629 342	629 342

All shares are fully paid.

All shares rank equally with regards to the group's residual assets.

	2020 R'000	2019 R'000
GROUP AND COMPANY		
Stated capital		
645 242 031 ordinary shares of no par value (2019: 645 242 031 ordinary shares of no par value)	244 142	244 142
Less: 15 900 000 (2019: 15 900 000) treasury shares held by the Brikor Share Incentive Scheme Trust	(15 900)	(15 900)
	228 242	228 242

Holders of the shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

13. SHAREHOLDERS' LOANS

ACCOUNTING POLICIES

A financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

Classification, subsequent measurement and gains and losses

After initial recognition, shareholders' loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the shareholders' loans are derecognised. Interest expense are also recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loan – Estate late G v N Parkin				
Shareholder's loan – 1				
Opening balance	18 875	30 618	18 875	30 618
Add: Interest	1 273	1 903	1 273	1 903
Less: Payments	(5 444)	(13 646)	(5 444)	(13 646)
Cash repayments	(5 444)	(2 931)	(5 444)	(2 931)
Repayment – Direct transfers (refer to note 11)	–	(10 715)	–	(10 715)
	14 704	18 875	14 704	18 875
Shareholder's loan – 2				
Opening balance	–	9 101	–	9 101
Add: Interest	–	184	–	184
Less: Payments	–	(9 285)	–	(9 285)
Cash repayments	–	–	–	–
Repayment – Direct transfers (refer to note 11)	–	(9 285)	–	(9 285)
	–	–	–	–
Shareholder's loan – 3				
Opening balance	2 202	2 234	–	–
Less: Payments	(2 202)	(32)	–	–
Cash repayments	(2 202)	(32)	–	–
	–	2 202	–	–
	14 704	21 077	14 704	18 875

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

13. SHAREHOLDERS' LOANS continued

The first loan is unsecured and bears interest at 7,59% per annum for all the respective years. The loan arose to repay debt and facilitate cash flow requirements. Proceeds from the sale of the discontinued operation (see note 11) to the extent of R10,7 million were utilised as a down payment on this loan in 2019. In July 2018, the Group entered into a 60-month payment arrangement of R0,4 million a month, commencing at end of July 2018 until June 2022.

The second loan relates to the exercise of the Ilangabi option agreement, it was unsecured and bore interest at an imputed rate of 12% per annum for all the respective years. Proceeds from the sale of the discontinued operation in 2019 (see note 11) were utilised to settle this loan in full.

The third loan was unsecured and interest-free. In March 2019, the Group entered into an arrangement to pay R0,2 million per month commencing from end March 2019 until December 2019. The loan was settled in full by December 2019.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Loan – G Parkin				
Opening balance	1 591	1 591	1 591	1 591
Add: Interest	–	–	–	–
Less: Payments	(217)	–	(217)	–
Cash repayments	(17)	–	(17)	–
Motor vehicle sold through loan account	(200)	–	(200)	–
	1 374	1 591	1 374	1 591
On 5 November 2019, the Group entered into an arrangement to pay R0,1 million per month commencing from end March 2020 until February 2021 upon which the loan will be settled in full. The loan is unsecured and will bear interest at 7,59% per annum for the respective repayment period.				
Total shareholders' loans	16 078	22 668	16 078	20 466
Presented as:				
Non-current liabilities				
At amortised cost	10 657	16 296	10 657	16 295
Current liabilities				
At amortised cost	5 421	6 372	5 421	4 171
	16 078	22 668	16 078	20 466

Fair value of financial instruments

The carrying value of the unsecure borrowings approximates its fair value. Interest rates are in line with current market rates and credit risk of the borrower remained consistent.

Liquidity risk

Shareholders' loans are used in long-term funding and further details are included in note 32.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

14. PROVISIONS

SIGNIFICANT ACCOUNTING ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

Environmental rehabilitation provision

Estimates for future environmental rehabilitation costs are determined with the assistance of an independent environmental and quantity surveyor experts and are based on the Group's environmental management plans which are developed in accordance with regulatory requirements, the life-of-mine plan and the planned method of rehabilitation which is influenced by developments in trends and technology. These judgements and assumptions may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. The effect of subsequent changes to assumptions in estimating an obligation for which the provision was recognised as part of the cost of an item of property, plant and equipment is adjusted against the asset. Any subsequent changes to the obligation which did not relate to the initial construction of a related asset are charged to profit or loss.

Provisions for environmental rehabilitation obligations arise when land is disturbed by excavation or operating activities and are measured at the present value of the directors' best estimate of future economic outlows.

In determining the present value of the provision, management applies assumptions and estimates in determining variables such as discount rates, inflation rates and timing of cash outflows.

ACCOUNTING POLICIES

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of the gross provision is reviewed annually and is reported as the present value of the expenditure expected to be required to settle the obligation. Provisions are determined by discounting the expected future cash flows pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of discount is recognised as a finance cost.

Annual changes in the environmental restoration provision consist of financing expenses relating to the change in the present value of the provision and inflationary increases in the provision, as well as changes in estimates.

The present value of dismantling an removing the asset created before production commenced (decommissioning liabilities) are capitalised to property, plant and equipment against an increase in the rehabilitation provision. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in profit or loss. If the asset value is increased and there is an indication that the revised carrying value in not recoverable, an impairment test is performed in accordance with the accounting policy dealing with impairments of property, plant and equipment. Over time, the liability is increased to reflect a interest element, and the capitalised cost is depreciated over the life of the related asset.

The present value of environmental rehabilitation costs relating to activities after production commenced as well as subsequent changes therein are charged to profit or loss and presented as part of cost of sales. The cost of ongoing rehabilitation is recognised in profit or loss as incurred. Cash costs incurred to rehabilitate these disturbances are presented as operating activities in the statement of cash flows.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

14. PROVISIONS continued

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Environmental rehabilitation provision	62 380	55 382	31 567	30 046
Total	62 380	55 382	31 567	30 046
Provision: Environmental rehabilitation				
Opening balance	55 382	52 262	30 046	20 358
Unwinding of interest	3 640	3 318	1 941	1 464
Rehabilitation performed	–	(7 052)	–	–
Change in estimate	5 518	6 854	(420)	8 224
Recognised in profit or loss	4 554	694	(977)	2 164
Recognised in property, plant and equipment	964	6 160	557	6 060
Disposed	(2 160)	–	–	–
Transfer to liabilities held-for-sale	–	–	–	–
Closing balance	62 380	55 382	31 567	30 046

GROUP

The rehabilitation provision relates to the estimated costs of correcting any disturbance relating to mining and other activities and those incidental thereto. The level of provision is commensurate with work completed to date. The current gross closure cost of rehabilitation was estimated at R74,8 million (2019: R69,4 million). The future cost of the provision was calculated by escalating estimated costs at a risk adjusted CPI of 6% (2019: 6%) per annum over the life of the operations ranging between 7 to 13 years (2019: 7 to 13,25 years). This future cost is discounted at South African Government Bond Rate ranging between 7,86% and 9,20% (2019: 8,79% and 9,15% respectively) to arrive at a carrying value of R62,4 million (2019: R55,4 million).

The Group has invested funds into various environmental trusts to be utilised by the Group as and when restoration activities are incurred. Investments made during the year into these funds amounted to Rnil million (2019: R2,8 million). The total amount held in these trusts amounted to R21,2 million (2019: R21,9 million) at year-end (See note 6).

The Department of Minerals and Energy hold guarantees in their favour for the mining rehabilitation cost to the amount of R16,7 million (2019: R25,3 million). See note 28. Furthermore, the Group holds decommissioning assets to the value of R17,7 million as part of property, plant and equipment, which will be utilised in extinguishing the rehabilitation liability.

COMPANY

The future cost of rehabilitation was estimated at R41,4 million (2019: R40,1 million). The future cost of the provision was calculated by escalating estimated costs at a risk adjusted CPI of 6% per annum over the life of the operations ranging between 9 and 13 years (2019: 3 to 13 years). This future cost is discounted at the 10 and 12 year (2019: 13 year) South African Government Bond Rate of 9,20% and 8,79% (2019: 9,15%) to arrive at a carrying value of R31,6 million (2019: R30,0 million).

The Company has invested funds into an environmental trust to be utilised by the Company as and when the rehabilitation activities are incurred. Investments made during the year into the trust amounted to Rnil (2019: Rnil), the total amount held in the trust amounted to R1,5 million (2019: R1,2 million) at year-end. See note 6.

The Department of Minerals and Resources holds guarantees in their favour for the mining rehabilitation obligation amounting to R15,0 million (2019: R23,6 million). See note 28.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

14. PROVISIONS continued

Material changes in estimates

Portion 27, Varkensfontein no.169

Due to the closure of Portion 27 Farm Varkensfontein no.169 nearing completion, management reassessed the quantum with the following requirements :

- The associated plant areas would be shaped as part of surface rehabilitation to drain into the created lakes to aid towards these as sustainable water bodies, integrated with the adjoining Blesbokspruit wetland areas. Allowance was made to augment surface runoff to these created water bodies from the adjacent rehabilitated plant site to sustain their water levels.
- As the plant areas are extremely close to a major road the sloping of one side of the void to a safe run of angle is practically unlikely to be performed. Berms will be needed to be built instead and the property will be fenced off at the side next to the road to prevent access to the property and any motor vehicles from accidentally entering the void.

This resulted in a R5,0 million increase in the gross closure cost, which was allocated to the statement of profit or loss.

Marievale No. 5 Rock Dump

The Group has received a closure application (certificate no 4/2020) in terms of section 43 of the Mineral Resources and Petroleum Act, 2002 (Act 28 of 2002), on 24 February 2020. As a direct result of the closure certificate, the gross closure cost of R2,2 million of the environmental rehabilitation provision has been directly credited to the statement of profit or loss.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

15. TRADE AND OTHER PAYABLES

ACCOUNTING POLICIES

Trade and other payables

Initial recognition and measurement

Trade and other payables are measured, at initial recognition, as financial liabilities at fair value plus, for an item not at fair value through profit or loss, transaction cost that are directly attributable to its acquisition or issues.

Classification, subsequent measurement and gains and losses

After initial recognition, trade and other payables are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the statement of profit or loss when the trade and other payables are derecognised. Interest expense are also recognised in profit or loss.

Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Short-term employee benefits

The costs of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensation absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absence, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance and the obligation can be estimated reliably.

	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial liabilities				
Trade payables	14 540	22 197	11 738	11 342
External	14 540	19 909	6 899	6 753
Related party	–	2 288	4 839	4 589
Accruals *	8 392	3 589	6 812	2 398
	22 932	25 786	18 550	13 740
Non-financial liabilities				
Receipts in advance	1 848	2 157	1 760	941
Value Added Tax payable	2 030	1 777	2 030	1 777
Royalty tax accrual	14 414	14 305	4 923	4 923
Carbon tax accrual	2 751	–	2 508	–
Provision – legal and advisory fees *	1 040	–	1 040	–
Employee-related liabilities	2 220	5 733	1 704	4 201
	24 303	23 972	13 965	11 842
	47 235	49 758	32 515	25 582

** Included in accruals is R2,8 million in respect of legal fees relating to pending court cases. See note 27 Contingent Liabilities for additional detail regarding the pending court case.*

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

15. TRADE AND OTHER PAYABLES continued

The average credit period on purchases is 33 days (2019: 58 days) from the date of statement. The Group has financial risk management policies in place.

Discontinued operations application of funds

In 2019, R16,4 million of the net proceeds received from the discontinued operation disposal (refer to note 11) were utilised to settle the capital outstanding on the royalties tax accrual. A further R4,0 million of the net proceeds was utilised to reduce trade payables and accruals.

Liquidity risk

Trade payables and other creditors and accruals are all expected to be settled within 12 months from the reporting date.

Fair value of financial instruments

The fair value of trade payables and other creditors and accruals approximate their carrying value due to their short-term maturities.

16. REVENUE

ACCOUNTING POLICIES

Revenue is recognised to the extent that it is probable that economic benefit will flow and the amount of revenue can be reliably measured. The Group generates revenue primarily from the sale of clay products, related ancilliary products, coal and clay minerals and transportation services.

The Group measures and recognises revenue when the control over the clay products, related ancilliary products, coal and clay minerals and transportation services is transferred to the customer. Control transfers to the customers at the date of delivery or collection.

Revenue is measured based on the consideration specified in a contract with the customer. Contractual payment terms are similar for all revenue streams and are between 30 and 90 days.

Nature and timing of satisfaction of performance obligations

The customer obtains control of the goods or services at the date when the goods are delivered or collected by the customer which is at a point of time. Revenue is measured on a best estimate basis on the date of the delivery or collection specified in the contract with the customer at the fair value of the consideration received or receivable and represents the amounts receivable for the goods provided in the normal course of business, net of trade discounts, volume rebates and value-added tax.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Sale of goods				
Clay products	144 605	143 681	141 299	140 997
Coal	124 915	116 232	–	–
Transportation services and ancillary products	23 162	24 981	19 915	20 787
	292 682	284 894	161 214	161 784

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
17. OPERATING PROFIT/(LOSS) BEFORE INTEREST AND TAXATION				
Operating profit before interest and taxation is stated after:				
Income				
Profit on disposal of fixed assets	204	–	189	–
Profit on disposal of assets held-for-sale	1 474	–	1 474	–
Dividend received	–	–	–	35 000
Management fees	–	–	10 618	8 503
Expenses				
Short-term lease charges				
– Equipment	30 058	19 383	717	3 955
Depreciation – cost of sales	7 026	11 811	2 314	1 676
Depreciation – other	872	896	811	843
Amortisation	543	608	48	47
Loss on disposal of fixed assets	–	171	–	34
Loss on scrapping of property, plant and equipment	893	401	191	149
Inventory – net realisable value adjustments	2 318	2 753	–	–
Impairment included in other expenses	(168)	(188)	(168)	(188)
– Impairment reversals of held-for-sale assets	(168)	(188)	(168)	(188)
Fair value loss in restricted financial assets	1 034	1 163	–	–
Change in estimate of provision for environmental rehabilitation – continuing operations	4 554	694	(977)	2 164
Change in estimate of provision for environmental rehabilitation – held-for-sale liabilities	16	(936)	16	(936)
Directors' remuneration (refer note 30)	7 015	6 899	4 873	4 980
– Directors' emoluments	7 584	7 419	5 442	5 500
– Consultancy fees	(569)	(520)	(569)	(520)
Auditor's remuneration	1 832	2 089	1 396	1 548
– Audit fees	1 832	1 563	1 396	1 022
– Other services	–	526	–	526
Employee costs	94 695	94 726	72 534	73 946

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

18. FINANCE INCOME

ACCOUNTING POLICIES

Finance income is recognised, in profit or loss, using the effective interest method. Finance income includes interest received and growth on other financial assets and cash and cash equivalents.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest received recognised in statement of profit or loss				
Bank	461	648	46	95
Other receivables	–	578	–	578
Cash flow items	461	1 226	46	673
South African Revenue Service – on normal tax	72	41	–	41
Other financial assets	258	10	258	10
Other receivables	69	78	109	78
Non-cash flow items	399	129	367	129
	860	1 355	413	802
Continuing operations	860	777	413	224
Discontinued operations	–	578	–	578
	860	1 355	413	802

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

19. FINANCE COSTS

ACCOUNTING POLICIES

Finance expenses comprise interest payable on financial instruments measured at amortised cost calculated using the effective interest method and unwinding of the provision for environmental rehabilitation.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Interest paid recognised in statement of profit or loss				
Bank overdraft	80	–	–	–
Trade and other payables	21	224	20	176
Borrowings and shareholders' loans	1 273	2 314	1 273	4 188
South African Revenue Service – on other taxes	48	353	48	254
Cash flow items	1 422	2 891	1 341	4 618
South African Revenue Service – on normal tax	303	305	–	–
South African Revenue Service – on other taxes	–	292	–	59
Unwinding of interest - environmental rehabilitation provision	3 640	3 318	1 941	1 464
Unwinding of interest – environmental rehabilitation provision liabilities held-for-sale	184	149	184	149
Shareholders' loans	–	–	–	184
Non-cash flow items	4 127	4 064	2 125	1 856
	5 549	6 955	3 466	6 474

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

20. TAXATION

ACCOUNTING POLICIES

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates that have been enacted, or substantially enacted, by the end of the reporting period.

Current and deferred taxes are recognised as income or an expense and are included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, in other comprehensive income or directly in equity; or
- a business combination.

	GROUP					
	2020			2019		
	Continuing operations R'000	Discontinued operations R'000	Total R'000	Continuing operations R'000	Discontinued operations R'000	Total R'000
MAJOR COMPONENTS OF TAXATION						
Current tax expense						
Current year	5 661	–	5 661	3 327	–	3 327
Deferred taxation						
Origination and reversal of temporary differences	(3 425)	–	(3 425)	(592)	4 718	4 126
	2 236	–	2 236	2 735	4 718	7 453

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

20. TAXATION continued

	GROUP 2020 %	GROUP 2019 %
Reconciliation of the tax expense – continuing operations		
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	28,0	28,0
Non-deductible expenses:	31,2	15,0
Legal fees (see note 15)	15,4	1,1
South African Revenue Service interest and penalties	2,6	4,9
Amortisation of mining rights	4,0	2,7
Other non-deductible expenses *	1,5	1,2
Restricted financial assets - fair value loss/(gains)	7,7	5,1
	59,2	43,0
Reconciliation of the tax expense – discontinued operations		
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	–	28,0
Non-deductible expenses:	–	27,9
Disposal of mining rights – capital	–	15,1
Assumed liabilities	–	12,8
Capital gains	–	(5,8)
	–	50,1

* *Other non-deductable expenses include donations, gifts and other fines and penalties.*

The applicable tax rate is equal to the South African statutory company tax rate at 28%.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

20. TAXATION continued

	COMPANY					
	2020			2019		
	Continuing operations R'000	Discontinued operations R'000	Total R'000	Continuing operations R'000	Discontinued operations R'000	Total R'000
MAJOR COMPONENTS OF TAXATION						
Current tax expense						
Current year	–	–	–	–	–	–
Deferred taxation						
Origination and reversal of temporary differences	(854)	–	(854)	(1 636)	4 718	3 082
	(854)	–	(854)	(1 636)	4 718	3 082

	COMPANY	
	2020 %	2019 %
Reconciliation of the tax expense – continuing operations		
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	(28,0)	28,0
Non-deductible expenses:	11,7	0,7
Legal fees (see note 15)	10,2	0,1
South African Revenue Service interest and penalties	0,3	0,3
Amortisation of mining rights	0,2	–
Other non-deductible expenses *	1,0	0,3
Non-taxable income dividends	–	(34,5)
	(16,3)	(5,8)
Reconciliation of the tax expense – discontinued operations		
Reconciliation between applicable tax rate and average effective tax rate:		
Applicable tax rate	–	28,0
Non-deductible expenses:	–	27,9
Disposal of mining rights – capital	–	15,1
Assumed liabilities	–	12,8
Capital gains	–	(5,8)
	–	50,1

* *Other non-deductable expenses include donations, gifts and other fines and penalties.*

The applicable tax rate is equal to the South African statutory company tax rate at 28%.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

21. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE

ACCOUNTING POLICIES

Earnings per share is calculated based on the net profit or loss after tax for the year, divided by the weighted average number of ordinary shares in issue during the year. Diluted earnings or loss per share is presented when the inclusion of ordinary shares that may be issued in the future has a dilutive effect on earnings or loss per share.

	GROUP	
	2020 cents	2019 cents
EARNINGS PER SHARE		
Basic		
Continuing operations	0,2	0,6
Discontinued operations	–	0,7
Total	0,2	1,3
Diluted		
Continuing operations	0,2	0,6
Discontinued operations	–	0,7
Total	0,2	1,3
Headline earnings		
Continuing operations	0,1	0,6
Discontinued operations	–	0,1
Total	0,1	0,7
Diluted headline earnings		
Continuing operations	0,1	0,6
Discontinued operations	–	0,1
Total	0,1	0,7

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

21. EARNINGS AND FULLY DILUTED EARNINGS PER ORDINARY SHARE continued

The calculation of the basic profit or loss per share attributable to the ordinary equity holders is based on the following information:

Reconciliation between basic earnings and headline earnings as well as diluted earnings

	GROUP		
	Continuing operations R'000	Discontinued operations R'000	Total R'000
2020			
Basic and diluted profit	1 538	–	1 538
Profit on disposal of property, plant and equipment *	(204)	–	(204)
Profit on disposal of assets held-for-sale *	(1 474)	–	(1 474)
Loss on scrapping of property, plant and equipment *	893	–	893
Impairment of assets *	(168)	–	(168)
Headline and diluted headline profit	585	–	585
2019			
Basic and diluted profit	3 632	4 707	8 339
Profit on disposal of discontinued operation	–	(4 257)	(4 257)
Loss on disposal of property, plant and equipment	171	–	171
Loss on scrapping of property, plant and equipment	401	–	401
Impairment reversal of assets	(188)	–	(188)
Headline and diluted headline profit	4 016	450	4 466

** These reconciling items do not have related tax implications and therefore only the gross amounts are taken into account in the reconciliation.*

	GROUP	
Number of shares	2020 '000	2019 '000
Weighted average number of shares	629 342	629 342
Diluted weighted average number of shares	629 342	629 342

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

	2020 R'000	2019 R'000

22. BRIKOR SHARE INCENTIVE SCHEME TRUST

GROUP AND COMPANY

A share purchase scheme exists to provide employees of the Group the opportunity to purchase shares in the capital of the Company so as to give such employees the incentive to advance in the interest of the Group for the ultimate benefit of all the stakeholders in the Group.

The maximum ordinary shares so held may not exceed 20% of the ordinary share capital of the Company.

	2020 R'000	2019 R'000
Shares acquired by the Brikor Share Incentive Scheme during the year	–	–
Unallocated scheme shares as at 1 March	15 364	15 344
Plus: Purchase offers cancelled	24	20
Unallocated scheme shares	15 388	15 364

No shares were purchased by directors under the Brikor Share Incentive Trust during the current financial year (2019: nil).

Allocated scheme shares amounted to R0,5 million (2019: R0,5 million) as at 29 February 2020.

23. CASH GENERATED FROM OPERATIONS

	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Profit/(loss) before taxation	3 774	15 792	(5 247)	37 797
– Continuing operations	3 774	6 367	(5 247)	28 372
– Discontinued operations	–	9 425	–	9 425
Adjustments for:				
Depreciation and amortisation	8 441	13 315	3 173	2 566
Impairment and net realisable value adjustments	2 150	2 565	(168)	(188)
Profit on sale of discontinued operation	–	(9 025)	–	(9 025)
Profit on disposal of assets held-for-sale	(1 474)	–	(1 474)	–
Profit on disposal of property, plant and equipment	(204)	–	(189)	–
Loss on disposal of property, plant and equipment	–	171	–	34
Loss on scrapping of property, plant and equipment	893	401	191	149
Impairment – trade and other receivables	–	–	–	142
Fair value losses on restricted investments	1 034	1 163	–	–
Dividend declared by Ilangabi Investments 12 (Pty) Ltd	–	–	–	(35 000)
Net finance income and finance costs	4 689	5 600	3 053	5 672
Movement in environment rehabilitation provisions	2 378	(5 422)	(993)	3 100
– Change in estimate recognised in profit or loss	4 554	694	(977)	2 164
– Change in estimate – held-for-sale	(16)	936	(16)	936
– Transfer on disposal	(2 160)	–	–	–
– Rehabilitation performed	–	(7 052)	–	–
Changes in working capital				
Inventories	(3 140)	(10 218)	(591)	(7 394)
Trade and other receivables	(3 868)	802	44	3 709
Trade and other payables	(2 523)	(21 095)	6 933	(9 706)
Net cash inflow/(outflow) from operating activities	12 150	(5 951)	4 732	(8 144)

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

24. TAX PAID

ACCOUNTING POLICIES

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Balance at beginning of year	(1 854)	(6 055)	–	–
Current tax for year recognised in statement of comprehensive income	(5 661)	(3 327)	–	–
Net interest	(231)	(264)	–	–
Balance at end of year	2 260	1 854	–	–
– Taxation – refundable	(3 700)	(3 802)	–	–
– Taxation – payable	5 960	5 656	–	–
	(5 486)	(7 792)	–	–

Discontinued operations application of funds

During 2019, R3,3 million of the discontinued operation (refer to note 11) proceeds were applied to historical provisional taxes that were outstanding.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

25. SEGMENT REPORTING

ACCOUNTING POLICIES

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components. The basis is representative of the internal structure for management purposes. All operating segments' operating results are reviewed regularly by the chief executive officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The CODM has been identified as the Group's Chief Executive Officer. The CEO relies on inputs from Executive Committee members for decision making.

The reportable segments are:

- Coal, which includes mining and sale of coal; and
- Bricks, which includes manufacturing and sales of bricks.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other that assets held-for-sale, tax assets and cash and cash equivalents.
- all liabilities are allocated to reportable segments other than general borrowings, shareholders loans, deferred taxations, taxation, bank overdraft and liabilities held-for-sale.

The aggregates segment was reviewed by management and classified as a disposal group and discontinued operation as presented in note 11.

Segmental results include revenue and expenses directly related to an operating segment but exclude net finance charges and taxation which cannot be allocated to any specific segment. Segmental trading profit is defined as operating profit, excluding items of a capital nature, and is the basis on which management's performance is assessed.

Segment operating assets and liabilities include property, plant and equipment, investments, inventories, trade and other receivables, trade and other payables and insurance funds and post-retirement obligations, but exclude cash, general borrowings, current taxation, deferred taxation, non-current assets held-for-sale, non-current liabilities held-for-sale and shareholders' loans.

Intangible assets are allocated to the cash-generating unit in the segment to which they relate.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

25. SEGMENT REPORTING continued

Segment revenues and results

The following is an analysis of the Group's revenue and results from operations by reportable segments.

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2020				
Total revenue	161 214	152 612	–	313 826
Intersegment revenue	–	(21 144)	–	(21 144)
Reportable segment revenue	161 214	131 468	–	292 682
– Clay products	141 299	3 306	–	144 605
– Coal	–	124 215	–	124 215
– Transportation services and ancillary products	19 915	3 947	–	23 862
Gross profit	26 102	36 429	–	62 531
Other income	3 256	3 368	–	6 624
Operating profit before interest and taxation	(2 194)	10 657	–	8 463
Segment assets and liabilities				
Segment assets	89 408	74 683	42 572	206 663
Segment liabilities	(58 294)	(50 607)	(29 226)	(138 127)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(3 173)	(5 268)	–	(8 441)
Additions to non-current assets	1 411	1 772	–	3 183

** Other segment relates to non-segment-specific assets and liabilities which include the assets and liabilities classified as held-for-sale.*

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

25. SEGMENT REPORTING continued

	Bricks R'000	Coal R'000	Other * R'000	Total R'000
Segment profit reconciliation				
2019				
Total revenue	161 785	141 249	–	303 034
Intersegment revenue	–	(18 140)	–	(18 140)
Reportable segment revenue	161 785	123 109	–	284 894
– Clay products	140 997	2 684	–	143 681
– Coal	–	116 232	–	116 232
– Transportation services and ancillary products	20 788	4 193	–	24 981
Gross profit	23 168	34 868	–	58 036
Other income	1 980	4 096	–	6 076
Operating (loss)/profit before interest and taxation	(365)	12 910	–	12 545
Segment assets and liabilities				
Segment assets	90 718	75 552	43 691	209 961
Segment liabilities	(52 285)	(52 500)	(38 178)	(142 963)
Other segment information				
Depreciation and amortisation included in cost of sales and operating expenditure	(4 936)	(8 379)	–	(13 315)
Additions to non-current assets	2 760	2 469	–	5 229

* *Other segment relates to non-segment-specific assets and liabilities which include the aggregates segment classified as held-for-sale.*

Factors used to identify segments are based on product and service line and divisional structuring, this is also how the Group reports financial results to management on a monthly basis.

Reportable segment revenue relates to external customers only. Revenue is derived solely from the South African customers.

Two customers contribute to more than 10% of the Group's revenue. These customers form part of the Bricks and Coal segment, respectively.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

26. CAPITAL COMMITMENTS

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Authorised capital expenditure				
Capital equipment	5 475	5 481	–	–
– within one year	–	–	–	–
– in second to fifth year inclusive	5 475	5 481	–	–
Short-term leases – as lessee				
Minimum lease payments due:				
– within one year	98	110	12	–
– in second to fifth year inclusive	49	88	–	–

Short-term payments represent rentals payable by the Group for certain of its plant and equipment. Leases are negotiated for an average term of three to five years. No contingent rent is payable.

27. CONTINGENCIES

SIGNIFICANT ACCOUNTING JUDGEMENTS

The assessment of whether an obligating event results in a liability or a contingent liability require the exercise of significant judgement of the outcome of future events that are not wholly within the control of the Group.

Legislation and other judicial proceedings inherently entail complex legal issues that are subject to uncertainties and complexities and are subject to interpretation.

ACCOUNTING POLICIES

A contingent liability is a possible obligation arising from past events and whose existence will be confirmed only by occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent liability may also be a present obligation arising from past events but is not recognised on the basis that an outflow of economic resources to settle the obligation is not viewed as probable, or the amount of the obligation cannot be reliably measured.

When the Group has a present obligation, an outflow of economic resources is assessed as probable and the Group can reliably measure the obligation, a provision is recognised.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

27. CONTINGENCIES continued

Contingent liabilities

GROUP AND COMPANY

Environmental rehabilitation

The Group's operations is located in Nigel and is in close proximity to the Blesbokspruit watercourse (the Blesbokspruit watercourse is classified as a RAMSAR site in terms of the RAMSAR convention on Wetlands of International importance). The precise particulars of the operation's proximity to the watercourse still needs to be formally delineated by a wetland specialist.

However, considering the current location of the Group's operation and the potential movement of groundwater and drainage towards the Blesbokspruit watercourse, and allowing for the current rehabilitation approach that was consistently applied for Vlakfontein, Plant 1 and 3 as well as Portion 27, further analysis and monitoring would be required in assessing the potential future impact on water quality that might occur, after the closure.

The proximity assessment and results from the water monitoring is required to assess and confirm a justifiable approach (as required by the National Water Act) that does not pose a long-term water quality-related risk at eventual quarry closure. In addition, the nature and extent for the direction of surface run-off still need to be fully understood. The cost determination of water quality-related effects and water use requirements (in terms of the National Water Act) remain uncertain at this stage and are not currently reasonable quantifiable.

Additional information that are obtained from further studies and monitoring could result in future obligation that would require the Group to recognise additional cost provisions for environmental rehabilitation.

Pending court cases

Court case 1 (Group):

Ilangabi Investments 12 (Pty) Ltd is currently a party to a litigation process instituted against the company as a result of events dating back to 2015. The case has been ongoing for the past five years and management is of the opinion that it is not likely that the case would result in a material outflow of economic benefits. The case has been submitted to the High Court and the outcome as well as potential financial impact can not be measured reliably at the date of these consolidated and separate financial statements.

Court case 2 (Group and Company):

As announced on SENS on 27 February 2020, the request to call a shareholders meeting has for various reasons not been approved by the Independent Board of Brikor and, accordingly, the directors will in accordance with the provisions of section 61(5) of the Companies Act, apply to court for an order to set aside the request for a shareholders meeting on the grounds that the request is frivolous and/or otherwise vexations.

As per note 15 an accrual of R2,8 million as well as a further provision of R1,0 million has been made in respect of legal and advisory fees relating to the matter noted above. The case could, however, result in additional future obligations that would require the Group to raise additional cost in respect of legal and advisory fees. As a result of uncertainty relating to the timing and amount of potential additional legal and advisory fees that would need to be incurred as well as the resultant outcome of the court case, the exact amount cannot be measured reliably at the date of these consolidated and separate financial statements.

At the time of publication of this report the litigation is ongoing.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
28. GUARANTEES				
Guarantees in favour of the following have been provided:				
Department of Minerals and Energy – Mining rehabilitation*	16 745	25 277	15 019	23 552
	16 745	25 277	15 019	23 552

* *The Group has R4,5 million (2019: R4,5 million) cash secured in lieu of these guarantees which are held in a money market trader account by its financiers (refer to note 10). Refer to note 14 in terms of provisions raised in respect of environmental restoration.*

29. RELATED PARTIES

Identification of material related parties

Shareholders of Brikor Limited (Company) holding 5% or more of issued share capital:

Investec Bank Limited	20,15%
G Parkin	16,63%
E Parkin	16,60%
The Daniel Parkin Testamentary Trust	16,60% *
Elgar Share Trust	8,17% *
The Milan Rautenbach Testamentary Trust	5,53% *

* *E Parkin is a trustee of these trusts.*

Subsidiaries:

Ilangabi Investments 12 (Pty) Ltd is the only significant subsidiary of the Group, is wholly-owned and is incorporated and operates in South Africa only. Refer to note 5 for the schedule of investments in other companies.

Directors:

Refer to note 30 for details of the Group's directors.

Relationships	Related director/shareholder
Entities controlled by directors/significantly influenced	
Cyndara 113 (Pty) Ltd	G Parkin
Ilangabi Investments 12 (Pty) Ltd	G Parkin
Scarlett Sun 33 (Pty) Ltd	E Parkin
Nigel Brick and Clay (Pty) Ltd	E Parkin
Galiya Pty Ltd	E Parkin
Kaslam Magazine	P Moyanga
Elgar Share Trust	G Parkin

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

29. RELATED PARTIES continued

		GROUP		COMPANY	
	Description of activity	2020 R'000	2019 R'000	2020 R'000	2019 R'000
RELATED PARTY BALANCES					
Amounts included in shareholders' loans					
Estate late G v N Parkin					
Shareholder – loan 1 (refer to note 13)	Unsecured, interest 7,59% p.a, monthly repayments of R0,4 million	(14 704)	(18 875)	(14 704)	(18 875)
Shareholder – loan 2 (refer to note 13)	Unsecured, imputed interest 12% p.a	–	–	–	–
Shareholder – loan 3 (refer to note 13)	Unsecured, interest free, monthly repayments of R0,2 million	–	(2 202)	–	–
G Parkin					
Shareholder – loan (refer to note 13)	Unsecured, interest 7,59% from 1 March 2020, monthly repayments of R0,1 million	(1 374)	(1 591)	(1 374)	(1 591)
Loan accounts – owing to subsidiaries					
Ilangabi Investments 12 (Pty) Ltd	Unsecured, interest free	–	–	3 639	3 639
Amounts included in trade and other receivables/(trade and other payables) regarding related parties					
Ilangabi Investments 12 (Pty) Ltd	Coal and clay	–	–	(4 839)	(2 752)
Scarlett Sun 33 (Pty) Ltd	Surface rights	(328)	(451)	–	–
Scarlett Sun 33 (Pty) Ltd	Machinery parts and consumables	34	26	34	34
Nigel Brick and Clay (Pty) Ltd	Coal and clay	846	1 252	–	–
Nigel Brick and Clay (Pty) Ltd	Bricks	–	28	–	5
Cyndara 113 (Pty) Ltd	Engineering	(97)	(97)	(97)	(97)
Galiya (Pty) Ltd	Transport	–	3	–	–
AP van der Merwe	Consultancy fees	(49)	(47)	(49)	(47)

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

29. RELATED PARTIES continued

	Description of activity	GROUP 2020 R'000	GROUP 2019 R'000	COMPANY 2020 R'000	COMPANY 2019 R'000
Related party transactions					
Interest paid					
Shareholder's loan (loan 1)	On loan account	(1 273)	(1 903)	(1 273)	(1 903)
Shareholder's loan (loan 2)	Imputed interest	–	(184)	–	(184)
Ilangabi Investments 12 (Pty) Ltd	Imputed interest	–	–	–	(2 268)
Consulting fees					
AP van der Merwe		(569)	(520)	(569)	(520)
Purchases from related parties					
Ilangabi Investments 12 (Pty) Ltd	Coal and clay	–	–	(25 124)	(24 638)
Scarlett Sun 33 (Pty) Ltd	Surface rights	(3 751)	(5 058)	–	–
Scarlett Sun 33 (Pty) Ltd	Machinery parts	–	(151)	–	(151)
Nigel Brick and Clay (Pty) Ltd	Bricks	(1)	(12 149)	(1)	(12 149)
Galiya (Pty) Ltd	Transport	(19)	(604)	(19)	(604)
Kas'Lam Magazine (Pty) Ltd	Advertising	–	(55)	–	(55)
Sales to related parties					
Ilangabi Investments 12 (Pty) Ltd	Electricity, rental and recoveries	–	–	6 833	6 418
Ilangabi Investments 12 (Pty) Ltd	Management fees	–	–	10 618	8 503
Ilangabi Investments 12 (Pty) Ltd	Dividends	–	–	–	35 000
Nigel Brick and Clay (Pty) Ltd	Mineral resources	8 041	8 411	–	–
Nigel Brick and Clay (Pty) Ltd	Diesel and maintenance	–	661	–	661
Scarlett Sun 33 (Pty) Ltd	Diesel and maintenance	3	8	–	–
Galiya (Pty) Ltd	Transport	–	398	–	381

Notes to the consolidated and separate financial statements continued

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30. DIRECTORS AND PRESCRIBED OFFICER'S EMOLUMENTS

	Basic *1 R'000	Consul-ting fees # R'000	Bonus *1 R'000	Motor allowance *1 R'000	Medical aid *1 R'000	Provident fund *2 R'000	Total R'000
2020							
Executive directors							
G Parkin *3	2 434	–	–	–	7	120	2 561
LA Craig *3 *8	1 028	–	–	–	–	51	1 079
Non-executive directors							
AD Pellow *3	349	–	–	–	–	–	349
P Moyanga *3	108	–	–	–	–	–	108
CB Madolo *3	128	–	–	–	–	–	128
AM Makate *3	208	–	–	–	–	–	208
AP van der Merwe *3	185	569	–	–	–	–	754
SP Naudé *6	76	–	–	–	–	–	76
N Hornby *6	54	–	–	–	–	–	54
JAI Ferreira *6	71	–	–	–	–	–	71
TN Hendry *6	54	–	–	–	–	–	54
	4 695	569	–	–	7	171	5 442
Subsidiary executive directors							
TP Nhlapo *4	729	–	65	–	–	36	830
R Gaorekwe *4	708	–	65	–	–	35	808
Subsidiary non-executive director							
CB Madolo *4 *7	504			–	–	–	504
	1 941	–	130	–	–	71	2 142
	6 636	569	130	–	7	242	7 584
Prescribed officer							
LA Craig *8	678	–	143	–	–	34	855
	678	–	143	–	–	34	855
	7 314	569	273	–	7	276	8 439
2019							
Executive directors							
G Parkin *3	2 107	–	–	–	7	105	2 219
LA Craig *3 *8	1 483	–	–	–	–	71	1 554
Non-executive directors							
AD Pellow *3	363	–	–	–	–	–	363
P Moyanga *3	204	–	–	–	–	–	204
CB Madolo *3	206	–	–	–	–	–	206
AM Makate *3	220	–	–	–	–	–	220
AP van der Merwe *3	214	520	–	–	–	–	734
	4 797	520	–	–	7	176	5 500
Subsidiary executive directors							
TP Nhlapo *4	599	–	50	–	–	30	679
R Gaorekwe *4	599	–	50	–	–	30	679
Subsidiary non-executive director							
CB Madolo *4 *7	561	–	–	–	–	–	561
	1 759	–	100	–	–	60	1 919
	6 556	520	100	–	7	236	7 419
Prescribed officer							
J Louw *5	990	–	–	53	–	27	1 070
	990	–	–	53	–	27	1 070
	7 546	520	100	53	7	263	8 489

*1 *Short-term employee benefits.*
*2 *Post-employment benefits.*
*3 *Fees paid for services to Brikor Ltd Company.*
*4 *Fees paid for services to Ilangabi Investments 12 (Pty) Ltd.*
*5 *Resigned on 8 August 2018.*
*6 *Appointed 22 October 2019.*
*7 *Resigned 15 January 2020.*
*8 *Resigned as director on 9 October 2019; Appointed as Chief Financial Officer on 9 October 2019.*
Refer to note 29 – related parties.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

31. RETIREMENT FUND

ACCOUNTING POLICIES

Defined contribution plan

The Group and its employees contribute to a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

Payments to defined contribution retirement benefit plans are recognised in profit or loss in the periods during which services are rendered by employees.

Defined contribution plan

The policy of the Group is to provide retirement benefits to its employees.

The Group contributes to two provident funds namely:

- The Funds at Work Provident Fund, an umbrella fund (the fund is administered by Momentum); and
- A fund administered by Liberty and;
- Both funds are governed by the Pension Fund Act of 1956.

The contributions paid by the Group to fund obligations for the payment of retirement benefits are charged to profit or loss as and when incurred. The Group contributed R8,1 million (2019: R7,7 million) for the year under review; 595 (2019: 658) employees are members of these provident funds.

The contributions paid by the Company for the payment of retirement benefits are charged to profit or loss as and when incurred. The Company contributed R6,1 million (2019: R5,6 million) for the year under review; 484 (2019: 525) employees are members of these funds.

The contributions to the fund have been classified under cost of sales and administration expenses in the statement of profit or loss and other comprehensive income.

32. FINANCIAL INSTRUMENTS : INFORMATION ON FINANCIAL RISKS

This note presents the Group's objectives, policies and processes for managing its financial risk and capital. Further quantitative disclosures are included throughout these financial statements.

In performing its operating, investing and financing activities, the Group is exposed to the following financial risks from the use of financial instruments:

Credit risk: the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's trade receivable and cash and cash equivalents.

Liquidity risk: the risk that the group may not have, or may not be able to raise cash funds when needed and therefore encounter difficulty in meeting obligations associated with financial liabilities.

Market risk: the risk that the value of a financial instrument will fluctuate in terms of fair value or future cash flows as a result of a fluctuation in market prices. Basically, the Group is exposed to interest rate risk.

In order to effectively manage those risks, the Board of Directors has approved specific strategies for the management of financial risks, which are in line with corporate objectives. These guidelines set up the short- and long-term objectives and action to be taken in order to manage the financial risks that the Group faces.

The major guidelines of this policy are the following:

- Minimise interest rate, currency and price risks for all kinds of transactions;
- All financial risk management activities are carried out and monitored at central level; and
- All financial risk management activities are carried out on a prudent and consistent basis and following the best market practices.

Credit risk has been disclosed through the relevant notes to the consolidated and separate financial statements. No collateral is held on any of the financial assets.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS continued

Risk management framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and activities.

The Group's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The following tables summarises the carrying amount and fair value of financial assets and liabilities recorded at year-end per IFRS 9 category:

	GROUP		COMPANY	
	Carrying amount/fair value			
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Financial assets				
Measured at cost less accumulated impairment				
– Investment in subsidiaries (refer note 5)	–	–	3 000	3 000
Measured at fair value through profit or loss				
– Restricted investments (refer note 6)	19 662	20 696	–	–
Measured at amortised cost				
– Loans to subsidiaries (refer note 5)	–	–	4 783	4 742
– Restricted investments (refer note 6)	1 504	1 246	1 504	1 246
– Trade and other receivables (refer note 9)	27 987	24 319	18 728	18 890
– Cash and cash equivalents (refer note 10)	4 804	7 306	224	2 053
Balance at 28 February	53 957	53 567	28 239	29 931
Financial liabilities				
Measured at amortised cost				
– Loans from subsidiaries (refer note 5)	–	–	3 637	3 637
– Bank overdraft (refer note 10)	835	–	–	–
– Shareholders' loans (refer note 13)	16 078	22 668	16 078	20 466
– Trade and other payables (refer note 15)	22 932	25 786	18 550	13 740
Balance at 28 February	39 845	48 454	38 265	37 843

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

In the ordinary course of business, the Group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that surplus funds are invested in a manner to achieve market-related returns and to provide sufficient liquidity at the minimum risk.

Specific actions have been taken by the Group through the monitoring and planning to ensure that sufficient liquidity is available to meets its liabilities when due. This is done through ongoing review of terms of shareholders' loans, future commitments and cash flow forecasts.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS continued

The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount R'000	Contractual cash flows R'000	Less than one year R'000	Between one and five years R'000
GROUP				
As at 29 February 2020				
Unsecured borrowings	16 078	18 092	6 457	11 635
Trade and other payables	22 932	22 932	22 932	–
Bank overdraft	835	841	841	–
	39 845	41 865	30 230	11 635
As at 28 February 2019				
Unsecured borrowings	22 668	25 808	7 645	18 163
Trade and other payables	25 786	25 786	25 786	–
	48 454	51 594	33 431	18 163
COMPANY				
As at 29 February 2020				
Unsecured borrowings	16 078	18 092	6 457	11 635
Trade and other payables	18 550	18 550	18 550	–
Loans from subsidiaries	3 637	3 637	–	3 637
	38 265	40 279	25 007	15 272
As at 28 February 2019				
Unsecured borrowings	20 466	23 606	5 444	18 162
Trade and other payables	13 740	13 740	13 740	–
Loans from subsidiaries	3 637	3 637	–	3 637
	37 843	40 983	19 184	21 799

The details of performance guarantees provided in favour of other parties are detailed in note 28.

At present the Group does expect to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Group expects the operating activity to generate sufficient cash inflows. In addition, the Group holds financial assets for which there is a liquid market and that are readily available to meet liquidity needs.

An overdraft facility amounting to R5,0 million was applied for by the Group in February 2019 and the Group received approval in the 2020 year.

At the reporting date there were undrawn borrowing facilities of R4,2 million (2019: Rnil) available for operating activities.

The Chief Financial Officer provides the Board with a schedule showing the maturity of financial liabilities and unused borrowing facilities to assist the Board in monitoring liquidity risk.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS continued

Market risk

Interest rate risk

Financial assets and liabilities that are sensitive to fluctuations in interest rates are cash and cash equivalents, bank overdrafts, borrowings and payables. The interest applicable to these financial instruments are on a floating basis in line with those currently available in the market.

The Group manages the most significant interest rate risk through a fixed interest rate on shareholders' loans.

Sensitivity analysis

A hypothetical increase in interest rates by 100 basis points, with all other variables remaining constant, would decrease the profit after tax by Rnil million (2019: Rnil million).

The analysis has been performed for floating interest rate financial liabilities and assets. The impact of a change in interest rates on floating interest rate financial liabilities has been assessed in terms of changing of their cash flows and therefore in terms of the impact on net expenses and have been determined to have no material effect on the Group's risk.

The Group does not have any fair value sensitivity in respect of fixed rate instruments as at the reporting date.

Other market price risk

Equity price risk arises from changes in quoted market prices of listed investments included in the underlying pool of equity investments as well as changes in the fair value of the underlying equity investments.

Fair values

The fair value of financial instruments have been disclosed in the relevant notes. The Group has not disclosed the fair values of financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain the future development of the business. The Board of Directors monitors the return on capital, which the Group defines as total capital and reserves, and the level of dividends to ordinary shareholders.

The Group manages and makes adjustments to the capital structure, which consists of total capital and reserves and the level of dividends to ordinary shareholders as and when borrowings mature or when funding is required. This may take the form of raising equity, market or bank debt thereof. The Group may also adjust the amount of dividends paid, sell assets to reduce debt or schedule projects to manage the capital structure.

There were no changes to the Group's approach to capital management during the year. Refer to note 12 for a quantitative summary of authorised and issued capital.

The Group monitors capital using a ratio of 'net debt' to 'adjusted equity'. Net debt is classified as total liabilities (as shown in the statement of financial position) less cash and cash equivalents. Adjusted equity comprises all components of equity.

The Group's adjusted net debt to equity ratios are as follows:

	GROUP		COMPANY	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Total liabilities	138 127	142 963	85 974	83 197
Less: Cash and cash equivalents	(4 804)	(7 306)	(224)	(2 053)
Adjusted net debt	133 323	135 657	85 750	81 144
Total equity	68 536	66 998	45 508	49 901
Adjusted net debt to equity ratio	1,9	2,0	1,9	1,6

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

33. SUBSEQUENT EVENTS

COVID-19 pandemic and lockdown

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak to be a pandemic. Many governments are taking increasing stringent steps to help contain the spread of the virus, including self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. There has also been a significant increase in economic uncertainty, evidenced by more volatile asset prices, currency exchange rates and a significant decrease in long-term interest rates.

The South African economy was affected by the news of the first confirmed cases of the virus in the country early in March 2020 and this led to the President of the Republic of South Africa declaring a national disaster on 15 March 2020. The President made a further announcement on 23 March 2020 that the country will effectively be placed in a lockdown from midnight on 26 March 2020 until 16 April 2020, with only essential services permitted to operate during this time. On 9 April 2020, the President announced that the lockdown period is extended for an additional 14 days and a risk-adjusted strategy was announced with various different risk alert levels (alert levels 5 to 1), which the country would follow in the gradual relaxation of lockdown restrictions and return of economic activity.

The initial lockdown period required that the Company be closed until the end of April 2020. As required under the alert level 5 lockdown regulations, there were no production or sales during the initial period and the following initiatives were implemented to preserve liquidity during these times:

- Reduced variable overhead costs as a result of managing overheads and to limit spend to only critical fixed cost and, as a result, the Company was able to honour loan and other payable commitments during the initial and extended lockdown periods;
- Actual production labour cost incurred in March 2020 up until the 26th was paid on normal fortnight dates at the rate at which it was accrued for. Thereafter, no production labour costs were incurred during the lockdown period; and
- As a gesture of goodwill, management decided to grant advance payments to wage employees in the amount of R1 500 per employee. These advance payments will be deducted from employees' wages once they return to work over a period of four fortnights, so as to minimise the effects of the repayments as far as possible.

Ilangabi Investments 12 (Pty) Ltd, the Group's coal mining operation, was allowed to continue to operate at 50% of its capacity during the lockdown period as the supply of coal was considered an essential service to the electricity supply-chain.

With the country moving into alert level 5 during April 2020, the Company was permitted to start operating with a reduced capacity and a small number of employees returned to work on 20 April 2020. Brikor's merchants were informed that the Company was permitted to service customers operating as essential services.

As from 1 May 2020, the country moved into alert level 4 and the Company was able to operate at 50% of production capacity. Management took the decision to follow a phased-in approach with regards to the start-up of production. No production occurred for May 2020 and a phased-in approach was planned to commence on 1 June 2020 returning to full planned production towards the first week in July 2020. This was also in line with the country moving to alert level 3 from 1 June 2020, which allows the Company to operate at 100% production. The Group's Coal segment was permitted to operate at 100% capacity from 1 May 2020 with limited impact on sales and production.

The Company was able to generate limited sales in May 2020 from customers in essential services in the construction sector, and the directors have assessed the current and planned production levels for the remainder of the 2021 financial year and have concluded that the Company had sufficient stock on hand at the end of May 2020 to deliver on its current order book and allowing for the phased return to full production to deliver on the additional orders that were being received. The outstanding confirmed orders from the pre-lockdown period and additional orders received in May 2020 supported the expected sales used in the updated budgets and cash flow forecasts noted in the going concern note (note 34).

COVID-19 is an evolving pandemic and information available changes rapidly. Where possible, the resources from the National Department of Health (DoH), National Institute of Occupational Health (NIOH), and National Institute for Communicable Diseases (NICD) will be utilised to improve and expand the Company's protocols in an effort to ensure the wellbeing of all employees and other stakeholders.

Appointment of Financial Director

As announced on SENS, and in compliance with paragraph 3.59 of the JSE Listings Requirements for a company to have a financial director, Ms Joaret Botha CA(SA) has been appointed as Financial Director of Brikor with effect from 29 June 2020.

Lifting of suspension and re-listing on the Alt^X of the Johannesburg Stock Exchange (JSE)

Subsequent to the reporting date, the Company met all the outstanding JSE Listings Requirements. The most important of these being the finalisation and submission of the statutory annual financial statements for the financial year ended 28 February 2019, of the subsidiary, Ilangabi Investments 12 (Pty) Ltd, and Brikor Company, to the JSE. On 29 June 2020, Ms Joaret Botha CA(SA) was appointed as Financial Director. Documentation pertaining to the lifting of the suspension of Brikor's listing has been submitted to the JSE and the JSE is in the process of considering the lifting of the suspension.

Notes to the consolidated and separate financial statements continued

for the year ended 29 February 2020

33. SUBSEQUENT EVENTS continued

Other

Other than as disclosed above and in these consolidated and separate financial statements, management is not aware of any material events which occurred subsequent to the year ended 29 February 2019 and which need adjustment or disclosure.

34. GOING CONCERN

The Group incurred a profit for the year ended 29 February 2020 of R1,5 million (2019: profit from continuing operations of R3,6 million) and as of that date the Group is solvent as total assets exceeded total liabilities by R68,5 million (2019: R67,0 million). Furthermore, the Group is liquid as current assets exceeded current liabilities by R25,1 million (2019: R20,6 million).

The Company incurred a loss for the year ended 29 February 2020 of R4,4 million (2019: profit from continuing operations of R30,0 million which includes a dividend of R35 million). As at 29 February 2020 the Company is solvent as total assets exceeded total liabilities by R45,5 million (2019: R49,9 million). Furthermore, the Company is liquid as current assets exceeded current liabilities by R15,7 million (2019: R25,1 million).

Furthermore, in light of the COVID-19 pandemic (as discussed in note 33), the directors have re-assessed the appropriateness of the use of the going concern basis in the preparation of these consolidated and separate financial statements.

The directors considered the financial performance of the Group and Company to date of this report and have also prepared and interrogated adjusted budgets and cash flow forecasts for the twelve months subsequent to the reporting date. This adjusted budget and cash flows allow for the planned phased return to normal production, considering the available information at hand, and allow for the best estimates and assumptions of the impact that the COVID-19 pandemic is expected to have on the operating and financial performance of the Group and Company. The adjusted budget and cash flow forecasts also include, *inter alia,* the return of sales volumes and prices at levels aligned with those achieved in pre-lockdown periods, no payroll increases nor bonus payments as well as additional health and safety expenses to comply with COVID-19 return to work protocols.

While COVID-19 has and is expected to result in an initial reduction in operating profits and cash flows, the impact thereof is not expected to have a prolonged impact on the Group and Company's financial performance, allowing for the Group and the construction and mining industries to return to, and be allowed to continue to operate at normal capacity, under alert level 3 or lower alert levels thereafter. The directors thus believe that the Group and Company are in a sound financial position and that it will continue to operate as going concerns for the foreseeable future.

As such, the consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

35. DIRECTORS' INTEREST IN SHARES

	Beneficial		
Name of director	Direct	Indirect	Total
As at 29 February 2020			
Executive			
G Parkin	107 291 950	17 563 067	124 855 017
	107 291 950	17 563 067	124 855 017
As at 28 February 2019			
Executive			
G Parkin	207 320	–	207 320
Estate Late G v N Parkin	356 948 768	52 689 201	409 637 969
	357 156 088	52 689 201	409 845 289

The Company has not been advised of any changes in the above interest of the directors between the year-end and the date of this report.