ANNUAL FINANCIAL STATEMENTS 2021

FOR THE YEAR ENDED 31 MARCH

CONTENTS

FINANCIAL PERFORMANCE

The Group and Company financial statements were audited in terms of the Companies Act, No 71 of 2008.

The Group and Company annual financial statements have been prepared by the Foskor (Pty) Ltd Finance staff under the guidance of the Group Finance Manager, Hoosen Moolla, B.Compt and Group Tax and Treasury Manager, Sthembiso Mzobe, B.Comm Honours, ACC and were supervised by the Chief Financial Officer, Julian Palliam, B.Com Honours, CA(SA).

BOARD AUDIT AND RISK COMMITTEE REPORT

This report is provided by the Board Audit and Risk Committee (BARC) in respect of the 2021 financial year of Foskor Proprietary Limited in compliance with Section 94 of the Companies Act, 71 of 2008, as amended (the Act). The BARC's function is guided by a detailed charter which is informed by the Act and the King Report on Corporate Governance (King IV) and approved by the Board.

Membership

The BARC was appointed by the Board of Directors in respect of the 2021 financial year.
The committee is a sub committee of the Board of Directors with specific statutory responsibilities to the shareholders in terms of the Companies Act.

The members are:

- Mr Nkosemntu Nika (Chairman) – Independent
- Mr Thero Micarios Lesego Setiloane – Independent
- Mr Sibusiso Peter Paul Ngwenya
- Mr Vinogaren Pillay – Independent (Resigned 28 August 2020)
- Ms Matsotso Johanna Vuso – Independent

Purpose

The purpose of the BARC is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards.

Execution of functions

The BARC has executed its duties and responsibilities during the financial year in accordance with its terms of reference as they relate to the Group's accounting, internal auditing, internal control and financial reporting practices.

During the year under review, the committee among other matters:

- In respect of the External Auditor and the External Audit, the Committee amongst other matters:
  - Appointed SizweNtsalubaGobodo Grant Thornton Incorporated and Nexia SAB&T Incorporated as the external auditor for the financial year ended 31 March 2021, and ensured that the appointment complied with all applicable legal and regulatory requirements for the appointment of an auditor. The BARC confirms that the auditor is accredited.
  - Approved the external audit engagement letter, the plan and the budgeted audit fees payable to the external auditor.
  - Reviewed the audit, evaluated the effectiveness of the auditor and its independence and evaluated the external auditor's internal quality control procedures.
  - Determined the nature and extent of all non-audit services provided by the external auditor and accepted that no services undertaken during the year.
  - Considered whether any reportable irregularities were identified and reported by the external auditors in terms of the Auditing Profession Act, 2005, and determined that there were none.
- In respect of the financial statements, the Committee amongst other matters:
  - Confirmed the going concern as the basis of preparation of the annual financial statements.
  - Examined and reviewed the annual financial statements, as well as all financial information disclosed to the public prior to submission and approval by the Board.
  - Ensured that the annual financial statements fairly present the financial position of the Company and of the Group as at the end of the financial year as well as the results of operations and cash flows for the financial year, and considered the basis on which the Company and the Group was determined to be a going concern.
  - Reviewed the external auditor's audit report.
  - Reviewed the representation letter relating to the Group financial statements which was signed by management.
  - Considered any problems identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements.
- In respect of internal control and internal audit, the Internal Audit function provides a written assessment on the effectiveness of internal controls and internal financial controls to the BARC for recommendation to the Board. For the year under review, there were no material breakdowns in internal control, including internal financial controls, corporate governance, risk management and in maintaining effective material control systems.

- In respect of forensic audit, the fraud prevention and ethics programme approach implemented includes prevention, detection, investigation and resolution through the Internal Audit function. Fraud and other irregular activities are reported through the tip-offs anonymous hotline or directly to the Internal Audit function. Effective implementation of the recommendations and outcomes emanating from the investigations are continuously monitored and reported to the Executive Committee and the BARC.
- In respect of risk management and information technology, the BARC, insofar as relevant to its functions:
  - Reviewed the Group's policies on risk assessment and risk management, including fraud risks and IT risks as they pertain to financial reporting and the going concern assessment, and found them to be sound.
  - Considered and reviewed the findings and recommendations of the Internal Audit and Risk Committee.
  - Monitored and evaluated significant IT investments, delivery of services, IT governance and the management of IT.
- In respect of sustainability issues contained in the Integrated Report, the BARC has overseen the implementation process of sustainability reporting.
- In respect of legal and regulatory requirements to the extent that it may have an impact on the financial statements, the BARC:
  - Reviewed with the Company's internal legal team, the adequacy and effectiveness of the Group's procedures to ensure compliance with legal and regulatory responsibilities.
  - Monitored complaints and concerns received via the Group's tip-off line regarding accounting matters, internal audit, internal accounting controls, and contents of the financial statements, potential violations of the law and questionable accounting or auditing matters.
- In respect of the co-ordination of assurance activities, the Board Audit and Risk Committee reviewed the plans and work outputs of the external and internal auditors and concluded that these were adequate to address all significant financial risks facing the business. There is ongoing collaboration between Internal Audit, External Audit, Compliance and Risk Management functions to ensure co-ordination of combined assurance activities.
- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate, and considered the experience and expertise of the Chief Financial Officer and concluded that these were appropriate.

COVID-19

Due to the nature of the global pandemic, Foskor board considered the management judgements and assumptions applied to do business valuations and performed detailed review of business impairment of assets. The committee carefully considered the going concern status of the Company in light of the uncertainties created by COVID-19. The committee is comfortable to recommend the applicability of going concern basis of accounting.

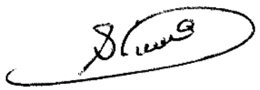
Annual financial statements

Following the review by the Board Audit and Risk Committee of the annual financial statements of Foskor Proprietary Limited For the year ended 31 March 2021, the committee is of the view that in all material respects they comply with the relevant provisions of the Act and the International Financial Reporting Standards, and fairly present the consolidated and separate financial positions at that date and the results of operations and cash flows for the year then ended. The committee has also satisfied itself of the integrity of the remainder of the integrated report. Having achieved its objectives, the committee recommended the financial statements and integrated report for the year ended 31 March 2021 for approval to the Foskor Proprietary Limited Board of Directors. The Board has subsequently approved the financial statements, which will be open for discussion at the forthcoming annual general meeting.

Conclusion

The Board Audit and Risk Committee is satisfied that it has considered and discharged its responsibilities in accordance with its terms of reference during the year under review.

On behalf of the Board Audit and Risk Committee



Mr NG Nika
Chairman of the Board Audit and Risk Committee

Johannesburg
6 July 2021

DIRECTORS' DECLARATION

For the year ended 31 March 2021

Directors' responsibility and approval of the Group and Company annual financial statements

To the members of Foskor Proprietary Limited

The directors are responsible for the preparation and fair presentation of the Group and Company Annual Financial Statements, comprising the statements of financial position at 31 March 2021, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these Financial Statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the Group's and Company's ability to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The independent auditors are responsible for expressing an opinion on whether the Group and Company Annual Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The Group and Company Annual Financial Statements, as identified in the first paragraph, were approved by the Board of directors on 6 July 2021 and are signed on its behalf by:

Mr CF Rademan
Chief Executive Officer

Mr RM Godsell
Chairman

CERTIFICATE BY THE COMPANY SECRETARY

I certify, in accordance with the Companies Act, No. 71 of 2008, as amended, that for the year ended 31 March 2021 Foskor Proprietary Limited has lodged with the Companies and Intellectual Property Commission (CIPC) all such returns and notices as are required of a private Company in terms of this Act, and that all such returns and notices appear to be true, correct and up to date.

Ms AUS Khanyile
Company Secretary

DIRECTORS' REPORT
For the year ended 31 March 2021

The directors have pleasure in presenting the annual financial statements of the Foskor Group for the year ended 31 March 2021.

Nature of business

Foskor Proprietary Limited is a private Company incorporated within South Africa. Foskor's core business is the beneficiation of phosphate rock at the Mining Division and the manufacture and supply of standard merchant grade phosphoric acid and related granular fertiliser products at the Acid Division. Approximately 60% of the phosphate rock concentrate is railed to the Acid Division for processing into phosphoric acid, which is then used as a raw material in the production of granular fertiliser. About 40% of the phosphoric acid sales are exported, while granular fertiliser sales are mainly to the local market.

Further information on Foskor's business activities is provided in the CEO's review (pages 30 – 33 of the Integrated Annual Report).

Environmental responsibilities

Management continually assesses and monitors the various environmental threats to the Group. Foskor's environmental provision strategy prescribes the use of a special purpose vehicle (Section 37A, Environmental Rehabilitation Trust) for scheduled mine closures, and bank guarantees for unscheduled or premature mine closure, as per Department of Mineral Resources (DMR) regulations. The environmental impact of emissions and other hazardous materials at the Acid Division is closely monitored. A significant portion of the capital expenditure at the division is dedicated to minimising harmful effects on the environment, such as groundwater contamination.

Financial results

The Group achieved turnover of R4.5 billion, a 11% increase from the previous year, due to increase in sales volumes and commodity prices. This was partly offset by negative exchange rate fluctuations. This also led to a decrease in the EBIT loss from R2.07 billion in 2020 to R1.7 billion in 2021. The Group net finance costs increased by R91 million from R210 million in 2020 to R301 million in the current year. The Group net loss after tax increased from R1.63 billion to R2.2 billion. The Group had a positive cash balance of R312 million (2020: R325 million) and a long-term interest-bearing loan balance of R3.96 billion (2020: R2.46 billion) and a short-term interest-bearing loan balance of R237 million (2020: R236 million). A detailed report on the Group's financial performance is contained on pages 67 – 70 of the Integrated Annual Report.

General review of operations

As at 31 March 2021, Foskor produced 2.17 million tons (2020: 1.65 million tons) of phosphate rock concentrate; 301 thousand tons (2020: 287 thousand tons) of phosphoric acid and 264 thousand tons (2020: 238 thousand tons) of granular fertiliser (MAP). A detailed operational review of the Mining and Acid Divisions is contained in the report on pages 79 – 97 of the Integrated Annual Report.

Accounting policies, restatements and reclassifications

The Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2020.

Subsidiaries

Details of subsidiaries of the Company are set out in Note 6 and Note 38 of the Annual Financial Statements.

Dividends

Dividends are approved by the Board subject to the performance and affordability of the Company. No dividends were declared for the year under review due to the financial results and cash flow constraints.

Insurance and risk management

The Group's philosophy is to manage its risks in order to protect its assets and earnings against unacceptable financial loss and to avoid legal liabilities. In this regard, possible catastrophic type risks are insured with satisfactory cover, while non-catastrophic type risks are self-insured. The management of risk is further supported by the Group's health and safety programmes, and maintenance of the ISO 9001 (quality) and ISO 14001 (environmental) standards.

The policy loss limit is restricted to R2 billion per event, with sub-limits for each cover and a R10 million deductible for property damage for local and international cover. The deductible for local business interruption for Material and Property Damage is 30 days average daily value minimum R 30 million (MD and BI combined). The deductible for international business interruption for Material and Property Damage is 30 days average daily value minimum R20 million (MD and BI combined). The insured value of the assets is R18.2 billion. Risk surveys and assessments are integral to the Group's risk management policy and are performed as part of the integrated Group risk management system. Risks identified during these surveys are eliminated, reduced or transferred to the insurers.

Share capital

The authorised share capital as at 31 March 2021 was 9 157 647 ordinary shares of R1 each.

Foskor's shareholding is as follows:

- 59% – The Industrial Development Corporation of South Africa Limited (IDC);
- 15% – The Manyoro Consortium;
- 11.82% – CFL Mauritius Ltd (a Mauritius-based Company owned by CIL);
- 6% – The Kopano Foskor Employees Trust;

- 5% – The Ba-Phalaborwa and Umhlathuze Community Trusts;
- 2.18% – Coromandel International Ltd (CIL – based in India); and
- 1% – Sun International FZE (a Company based in India).

The directors are authorised, until the next Annual General Meeting, to issue unissued ordinary shares. There have been no changes in shareholding in the period under review.

Public Finance Management Act

Foskor was granted full exemption by the Minister of Finance for compliance with the Public Finance Management Act (No. 1 of 1999, as amended by Act No. 2 of 1999) until 31 October 2020. There are no monetary exchanges with the government. Although Foskor is governed by policies suitable to private business enterprises, these are not aligned to the PPPFA. As such, this procurement is viewed as irregular expenditure. The total amount involved for the period November 2020 to March 2021 is R1.3 billion and is disclosed under note 34 in the financial statements.

Resolutions

No special resolution was passed during the financial year ended 31 March 2021.

Loans by and to the Foskor Group

Foskor has a subordinated loan funding facility of R3.3 billion with Industrial Development Corporation (IDC), which was drawn down for working capital and capital expenditure purposes. Foskor also has short-term overnight facilities of R335 million available from other commercial banks with R237 million utilised as at 31 March 2021.

Material commitments, lease payments and contingencies

The Group's head office in Midrand leases a building. The lease is ending 31 December 2021. The Acid Division leases a pipeline from the Umhlathuze Water Board (Richards Bay Municipality) to discharge effluent. The remaining period of the lease is five years.

Capital expenditure

Capital expenditure of R302 million has been approved for the next financial year.

Going concern

In determining the appropriate basis of preparation of the annual financial statements, the Board of Directors is required to consider whether the Group can continue to operate for the foreseeable future. At the date of approving these financial statements, the directors have satisfied themselves that the Group has access to sufficient borrowing facilities to meet its foreseeable cash requirements including possible periods of reduced operations due to COVID-19 and therefore will remain a going concern.

Events after reporting date

No material events occurred between the date of these financial statements and the date of approval thereof, the knowledge of which would affect the ability of the user of these financial statements to make proper evaluation and decisions.

Corporate governance

Full details on the corporate governance policies and procedures are set out in the Corporate Governance section of the Integrated Annual Report on pages 48 – 57.

Changes to the Board

Biographical details of directors currently serving on the Board are provided on page 58 of the Integrated Annual Report. Mr SS Subramanian was appointed to the board on 11 March 2021, Ms NVB Magubane and Ms MJ Vuso were both appointed on 28 August 2020.

Mr V Pillay resigned from the board on 28 August 2020.

Prescribed officers

The executive director and the executive managers are deemed to be prescribed officers of Foskor Proprietary Limited as contemplated in the Companies Act, 71 of 2008.The directors and prescribed officers' emoluments are disclosed in Note 38 of the Annual Financial Statements.

Service contracts with directors and executive management

The Chief Executive Officer (CEO) and the executive management of Foskor have signed contracts of employment with the Company. There are no service contracts between the Company and any of its non-executive directors having a notice period exceeding one month, or providing for compensation and benefits in excess of one month's salary.

Employee share ownership plan (ESOP)

Foskor employees (including executive management) are entitled to receive units in the ESOP Trust which holds 6% of the Company's equity through a special purpose vehicle. The ESOP Trust is part of the B-BBEE ownership deal and the purchase of the shares was financed by means of a loan from the IDC. The ESOP Trust holds ordinary shares and will have the same rights as other ordinary shareholders. The initial allocation was made to employees in 2011. The number of specified units allotted during the current financial year amounted to 528 995 (2020: 528 995).

Directors' interests

The non-executive directors with the exception of Mr V Ravichandran of CIL, have no interest in the Company.

Independent auditors

SizweNtsalubaGobodo Grant Thornton Incorporated and Nexia SAB&T Incorporated have been appointed as auditors for the 31 March 2021 financial year, in office in accordance with Section 30 of the Companies Act 71 of 2008 of South Africa, as amended.

Annual General Meeting

The Annual General Meeting has been scheduled for Wednesday, 4 August 2021.

Registered address

Block G, Riverview Office Park, Janadel Road, Midrand

PO Box 2494, Halfway House, 1685

INDEPENDENT AUDITORS' REPORT

For the year ended 31 March 2021

Independent auditor's report to Parliament and Shareholder on Foskor Proprietary Limited

Report on the audit of the consolidated and separate financial statements

Opinion

1. We have audited the consolidated and separate financial statements of the Foskor Proprietary Limited and its subsidiaries (the Group) set out on pages 16 to 95, which comprise the consolidated and separate statements of financial position as at 31 March 2021, the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

2. 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 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa, 2008 (Act No. 71 of 2008) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. We conducted our audit in accordance with the 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.

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

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

Key audit matters

6. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements for 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 the matter was addressed in the audit
Deferred tax asset impairment This key audit matter is applicable to both the consolidated and separate financial statements	
Deferred tax assets may only be recognised to the extent that it is probable that future taxable profits will be available. The calculation of future taxable profits is subject to significant judgement and the key areas of significant judgement include: • Assumptions applied by management in projecting future taxable income • Probability of meeting income projections Judgement had to be applied in determining the amount of adjustment to be made to deferred tax asset balance. The proposed adjustment amount was between R799 million and R976 million, which is significant to the financial statements. Due to the significant judgment applied in assessing the probability of future taxable income of the Group and the extensive audit work that had to be performed, the recognition of deferred tax assets was considered a key audit matter.	Our assessment and conclusion on the estimated deferred tax asset reversal and judgements made was based on the available data as well as observable inputs presented during the audit. Our audit procedures included the following: • We reviewed management's assessment on whether there should be a reversal of the deferred tax asset. In our assessment we checked for: – Assumptions made by management in projecting future taxable income – Consistency of application of assumptions made in other financial statement items • We assessed the audit work performed on the cash-generating unit (CGU) in respect of the reasonability of management's projections. We used Foskor's historical and current performance results to evaluate the reasonability and probability of the projections of future taxable income being met.
Environmental rehabilitation liability This key audit matter is applicable to both the consolidated and separate financial statements	
The Group has recognised an environmental rehabilitation liability of R524 million as disclosed in note 19 of the consolidated and separate financial statements. Given the nature of its operations, Foskor has obligations to close, restore and rehabilitate its sites due to its mining and production processes. The key judgements and assumptions made by management, with the assistance of an independent expert, in estimating the future environmental rehabilitation costs are based on Foskor's environmental management plans that are developed in accordance with regulatory requirements, the life-of-mine plan and the planned method of rehabilitation. In addition, discount rates, inflation rates and discount periods as per the expected life-of-mine plan were used in determining the provision for environmental rehabilitation, it was considered a key audit matter.	We engaged an environmental specialist to assist the audit team in evaluating the provision made for the environmental rehabilitation. Our audit procedures included the following: • We analysed the method and assumptions used by management in determining the provision; • We challenged management's assumptions by comparing it to our expectations based on our knowledge and experience of the industry and other external sources; • Assessing whether the environmental rehabilitation provision is aligned to Foskor's environmental management plans and the applicable laws and regulations; • We evaluated whether the accounting treatment applied in determining the provision for environmental rehabilitation and the related disclosures are in accordance with the applicable financial reporting framework.

Key audit matter	How the matter was addressed in the audit
Going concern This key audit matter is applicable to both the consolidated and separate financial statements	
• As disclosed in note 3 of the consolidated and separate financial statements, the Group has experienced financial constraints for a number of years which may cast significant doubt on the Group's ability to continue as a going concern. • Management prepared cash flow forecasts to determine the Group's ability to continue as a going concern and applied significant judgements and assumptions to calculate future positive cash flows. Significant judgments and assumptions include the following: • Determining the future availability of funding • Probability of achieving budgets and forecasts • Considering various scenarios to the test the Group's resilience against operational risks which may affect the forecast production targets. Due to the significant judgment applied by the Group and the extensive audit work that had to be performed, the assessment of the Group's ability to continue as a going concern was considered a key audit matter.	Our audit procedures included the following: • We evaluated the processes used by management to assess the Group's ability to continue as a going concern and discussed the assumptions applied by management; • We challenged management's assumptions used to support the cash flow forecasts of the Group; • We evaluated and assessed whether the assumptions are reasonable, achievable, and consistent with our knowledge of the external and/or internal environment and other matters identified during the audit; • We engaged a valuation expert to assess the appropriateness of the forecast model and discount rate used to prepare the cash flow forecast including the key assumptions applied; • We evaluated the possible impact of the changes in Rand/US Dollar exchange rate, the volatility of sales prices and production inputs used by management in their calculation; • We compared the forecast to the historical data to assess reasonability and probability thereof; • We compared the capital expenditure projections to existing planned works and the capital development work required; • We tested the reliability and relevance of data used.

Key audit matter	How the matter was addressed in the audit
Impairment of Cash-Generating Unit (CGU) This key audit matter is applicable to both the consolidated and separate financial statements	
Management analysed the recoverable amount of the cash-generating unit (CGU) of Foskor mining and manufacturing plant and equipment assets disclosed in note 4 of the financial statements. The analysis was performed to determine whether it is necessary to recognise an impairment. Management applied significant judgement and assumptions in determining whether the CGU is impaired. Key inputs considered in the determination of impairment of the CGU include the following: • Risk-free rate • Equity risk premium • Specific risk premium • Levered beta The above impact the discount rates applied to the projected future cashflows. Due to the significant judgement and assumptions applied by management, the impairment of the CGU at Foskor was considered a key audit matter.	Our audit procedures included the following: • We engaged a valuation expert to assess the appropriateness of the valuation model and discount rate used including key assumptions; • We discussed the process used by management and challenged the judgements and assumptions used in their assessment of the impairment indicators; • We reviewed analyst commentaries and consensus forecasts to evaluate the statements made by management in their assessment; • We performed a retrospective assessment to assess the reasonability of the projections made by management; • We evaluated the impact of the changes in Rand/US Dollar exchange rate, the volatility of sales prices and production inputs used by management in their calculation; • We engaged a valuation expert to assess the appropriateness of the valuation model and discount rate used including other key assumptions used; • We compared the forecast to the historical data to assess reasonability and probability thereof; • We compared the capital expenditure projections to existing planned works and the capital development work required; • We tested the reliability and relevance of data used in the assessment; • We evaluated whether the accounting treatment applied in determining the impairment and the related disclosures are in accordance with the applicable financial reporting framework.

Responsibilities of the accounting authority for the consolidated and separate financial statements

7. The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa and the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

9. 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 the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

10. A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

Introduction and scope

11. The public entity is not required to prepare a report on its performance against predetermined objectives, as the Minister of Finance granted an exemption to this requirement to all subsidiaries of the Industrial Development Corporation of South Africa Ltd (IDC). This exemption was granted on 29 November 2020 for a period of 3 years.

Report on the audit of compliance with legislation

Introduction and scope

12. In accordance with the PAA and the general notice issued in terms thereof, we have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

13. The material findings on compliance with specific matters in key legislation are as follows:

Annual Financial Statements

14. The consolidated and separate financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1) (b) of the PFMA.

15. Material misstatements in deferred tax, cash generating unit (CGU) and environmental rehabilitation were made in the submitted consolidated and separate financial statements and were corrected, resulting in the consolidated and separate financial statements receiving an unqualified audit opinion.

Expenditure management

16. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1,37 billion as disclosed in note 34 to the consolidated and separate financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure incurred was caused by non-compliance with laws and regulations governing procurement and contract management relating to fair, equitable, transparent, and competitive procurement process. Furthermore, some procurements were not done in accordance with the Preferential Procurement Policy Framework Act (PPPFA) and Treasury Regulation 16A6.3(b).

Consequence management

17. We were unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed. Furthermore, we were unable to obtain evidence that consequence management processes and procedures for non-compliance with legislation, irregular expenditure, fruitless and wasteful expenditure and possible fraud and corruption were in place.

Procurement and contract management

18. The preferential point system was not applied in all procurement of goods and services above R30 000, as required by section 2(1)(a) of the PPPFA.

19. Some of the contracts and quotations were awarded to bidders based on preference points that were not calculated in accordance with the requirements of the PPPFA and Preferential Procurement regulation.

20. Some of the construction contracts were awarded to contractors that were not registered with the Construction Industry Development Board and/or did not qualify for the contract in accordance with section 18(1) of the CIDB Act [and CIDB Regulations 17 and/or 25(7A)].

21. Some of the major capital projects were not evaluated through a system of project evaluation prior to a final decision on the project in accordance with section 38(1)(a)(iv) of the PFMA and section 5.5.5 (vi) and (x) of the Framework on Infrastructure Procurement and Delivery Management.

22. Some of the commodities designated for local content and production, were procured from suppliers who did not submit a declaration on local production and content in accordance with paragraph 3.4 of National Treasury Instruction Note 4 of 2015/2016.

23. Some of the commodities designated for local content and production, were procured from suppliers who did not meet the prescribed minimum threshold for local production and content, as required by the 2017 Procurement Regulation 8(5).

24. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production and content as required by the 2017 Preferential Procurement Regulation 8(2).

Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act. The other information does not include the consolidated and separate financial statements and the auditor's report.

26. Our opinion on the consolidated and separate financial statements and our findings on compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion on it.

27. In connection with our audit, 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 and the selected objective presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

28. We did not receive the other information prior to the date of this auditor's report. When we do receive and read this information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, we may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

29. We considered internal control relevant to our audit of the consolidated and separate financial statements and compliance with applicable legislation; however, our objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

30. Leadership did not adequately exercise appropriate oversight over financial performance, compliance with laws and regulations and related internal controls. This has led to material misstatements and control deficiencies identified in financial statements.

31. Leadership did not exercise sufficient oversight over procurement and contract management to prevent irregular expenditure and to avoid further non-compliance with PFMA requirements once the exemption from PFMA had been affected.

32. Leadership did not implement consequence management for irregular expenditure incurred.

Other reports

33. We draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the Group's consolidated and separate financial statements, compliance with applicable legislation and other related matters. These reports did not form part of our opinion on the consolidated and separate financial statements or our findings on compliance with legislation.

Investigations

34. Internal audit is investigating procurement irregularities pertaining to a supplier alleging that their quotation was approved to perform work for Foskor however the awarding of a contract was made to another supplier that allegedly lacks the required expertise. The matter was reported on 7 April 2020. At the date of this report, the investigation is ongoing.

35. A matter regarding allegations of procurement irregularities pertaining to the appointment of a supplier that is not VAT registered was being investigated by Internal Audit. The matter was reported on 8 April 2020. At the date of this report, the matter is being finalised.

36. Internal audit is investigating a matter relating to a supplier that is alleging not to have received payment for services provided since May 2019. The matter was reported on 11 April 2020. At the date of this report, the investigation is ongoing.

37. Internal audit is investigating allegations of procurement irregularities being made by a bidder. The bidder alleges that the entity extended the closing date for tender submissions on two occasions to allow for the preferred bidder to submit their tender documents. The matter was reported on 1 October 2020 and at the date of this report, the investigation is ongoing.

38. Internal audit is investigating allegations of procurement irregularities where it is alleged that a tender was awarded to a company linked to a former Foskor employee. It is alleged that the other bidders were being side-lined/discriminated in favour of the company owned by the former Foskor employee. The matter was reported on 6 October 2020 and at the date of this report, the investigation is ongoing.

39. Internal Audit is investigating procurement irregularities identified for two tenders. The matter was reported on 17 February 2021 and at the date of this report, the investigation is ongoing.

40. Internal Audit is investigating allegations of procurement irregularities where the suppliers that were awarded contracts are allegedly failing to deliver the products as stipulated on the tender documents and specified per the Standard Board of Engineering. The matter was reported on 11 December 2020 and at the date of this report, the investigation is ongoing.

Auditor tenure

41. In terms of the IRBA rule published in *Government gazette number 39475* dated 4 December 2015, we report that Nexia SAB&T and SNG Grant Thornton have been the joint auditors of Foskor Proprietary Limited for two years.

SizweNtsalubaGobodo Grant Thornton Inc.

Director
Registered Auditor

Date: 30 July 2021

20 Morris Street East
Woodmead

NexiaSAB&T

Nexia SAB&T

Director
Registered Auditor

Date: 30 July 2021

119 Witch-Hazel Avenue
Centurion

Annexure – Auditor's responsibility for the audit

1. As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on the reported performance information for selected objective and on the company's compliance with respect to the selected subject matters.

Financial statements

2. In addition to our responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, 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 board of directors, which constitutes the accounting authority.
   - Conclude on the appropriateness of the accounting authority's use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Foskor Proprietary Limited and its subsidiaries (the Group) 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 about the material uncertainty or, if such disclosures are inadequate, to modify our opinion on the consolidated and separate financial statements. Our conclusions are based on the information available to us at the date of this auditor's report. However, future events or conditions may cause the Group to cease operating as a going concern.
   - Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. We communicate with the accounting authority 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.

4. We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	Notes	GROUP 2021 R'000	GROUP 2020 R'000	COMPANY 2021 R'000	COMPANY 2020 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	**3 015 833**	4 226 182	**2 999 941**	4 209 740
Intangible assets	5	**6 068**	9 393	**6 068**	9 393
Investments in subsidiaries	6	**–**	–	**116 006**	116 006
Loans to subsidiaries	6	**–**	–	**13 728**	16 204
Investment in joint venture	7	**25**	25	**23**	22
Investment in associate	8	**–**	–	**–**	–
Financial investments	9	**344 428**	297 007	**344 423**	293 757
Deferred income tax asset	14	**786 847**	1 060 122	**785 878**	1 058 958
		4 153 201	5 592 729	**4 226 067**	5 704 080
Current assets					
Inventories	10	**2 328 248**	1 633 894	**2 328 248**	1 633 894
Trade and other receivables	11	**727 503**	605 995	**721 128**	597 046
Derivative financial instruments	12	**321**	8 460	**321**	8 460
Cash and cash equivalents	13	**311 982**	357 673	**308 426**	355 500
		3 368 054	2 606 022	**3 358 123**	2 594 900
Total assets		**7 521 255**	8 198 751	**7 624 190**	8 298 980
EQUITY AND LIABILITIES					
Equity attributable to owners					
Share capital	15.1	**4 170 979**	4 170 979	**4 170 979**	4 170 979
Share premium	15.1	**132 013**	132 013	**132 013**	132 013
Retained losses		**(3 244 552)**	(1 028 777)	**(3 352 774)**	(1 142 613)
Share-based payment reserve	17.1	**303 914**	303 914	**303 914**	303 914
Total equity		**1 362 354**	3 578 129	**1 254 132**	3 464 293
Liabilities					
Non-current liabilities					
Lease liability	18	**1 516**	4 105	**1 516**	3 881
Environmental rehabilitation liability	19.1	**524 864**	639 750	**524 864**	639 750
Employee share-based payment liability	17.2	**41**	880	**41**	880
Long-term legal liability	31	**35 381**	88 084	**35 381**	88 084
Long-term interest-bearing loans	30	**3 596 916**	2 464 226	**3 596 916**	2 464 226
Retirement benefit obligations	20	**139 983**	121 726	**139 983**	121 726
		4 298 701	3 318 771	**4 298 701**	3 318 547
Current liabilities					
Trade and other payables	21	**1 518 689**	940 349	**1 513 556**	938 584
Loans from subsidiaries	6	**–**	–	**221 914**	221 969
Short-term legal liability	31	**55 000**	40 000	**55 000**	40 000
Short-term interest-bearing loans	30	**236 744**	236 046	**236 744**	236 046
Current tax liability		**370**	532	**539**	539
Lease liability	18	**2 589**	2 075	**2 365**	1 779
Derivative financial instruments	12	**5 796**	28 132	**227**	22 506
Provisions	22	**41 012**	54 717	**41 012**	54 717
		1 860 200	1 301 851	**2 071 357**	1 516 140
Total liabilities		**6 158 901**	4 620 622	**6 370 058**	4 834 687
Total equity and liabilities		**7 521 255**	8 198 751	**7 624 190**	8 298 980

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

		GROUP		COMPANY	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	23	**4 455 558**	3 996 509	**4 454 693**	3 994 197
Cost of sales	24	**(4 346 037)**	(4 419 406)	**(4 353 904)**	(4 413 163)
Gross profit/(loss)		**109 521**	(422 897)	**100 789**	(418 966)
Distribution expenses	24	**(798 263)**	(849 280)	**(801 062)**	(849 280)
Administrative expenses	24	**(317 534)**	(279 734)	**(308 580)**	(281 302)
Other operating income	23	**319 143**	114 352	**324 965**	116 888
Gains/(loss) from financial assets measured at fair value	33	**1 123**	(10 242)	**1 123**	(11 552)
Impairment on non- financial assets	4	**(892 282)**	(599 381)	**(892 282)**	(599 381)
Impairment of financial assets		**(71 563)**	(33 544)	**(71 563)**	(33 544)
(Loss)/gains on derecognition of financial assets	11	**(2 750)**	2 247	**1 242**	2 247
Operating loss before interest and tax		**(1 652 605)**	(2 078 479)	**(1 645 368)**	(2 074 890)
Finance income	26	**54 508**	40 024	**54 076**	39 355
Finance costs	26	**(355 728)**	(249 703)	**(357 104)**	(251 982)
Net foreign exchange gain	27	**23 426**	20 587	**23 416**	20 603
Loss before taxation		**(1 930 399)**	(2 267 571)	**(1 924 980)**	(2 266 914)
Income tax	28	**(273 275)**	636 373	**(273 080)**	636 329
Loss for the year		**(2 203 674)**	(1 631 198)	**(2 198 060)**	(1 630 585)
Other comprehensive (loss)/income:					
Items that will not be reclassified to profit or loss:					
Remeasurements of post-employment benefit obligation, net of tax	20	**(12 101)**	8 461	**(12 101)**	8 461
Other comprehensive (loss)/income for the year, net of tax		**(12 101)**	8 461	**(12 101)**	8 461
Total comprehensive loss for the year		**(2 215 775)**	(1 622 737)	**(2 210 161)**	(1 622 124)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2021

	Notes	Share capital R'000	Share premium R'000	Retained earnings/(losses) R'000	Share-based payment reserve R'000	Total R'000
GROUP						
Balance at 1 April 2019		4 020 795	132 013	594 242	303 914	5 050 964
Adjustment on initial application of IFRS 16		–	–	(282)	–	(282)
Class D shares issued	15.1	150 184	–	–	–	150 184
Loss for the year		–	–	(1 631 198)	–	(1 631 198)
Other comprehensive income						
Post-employment benefit obligation	20	–	–	8 461	–	8 461
Total comprehensive loss for the period		–	–	(1 622 737)	–	(1 622 737)
Balance at 31 March 2020		4 170 979	132 013	(1 028 777)	303 914	3 578 129
Balance at 1 April 2020		**4 170 979**	**132 013**	**(1 028 777)**	**303 914**	**3 578 129**
Loss for the year		**–**	**–**	**(2 203 674)**	**–**	**(2 203 674)**
Other comprehensive loss						
Post-employment benefit obligation	20	**–**	**–**	**(12 101)**	**–**	**(12 101)**
Total comprehensive loss for the period		**–**	**–**	**(2 215 775)**		**(2 215 775)**
Balance at 31 March 2021		**4 170 979**	**132 013**	**(3 244 552)**	**303 914**	**1 362 354**
COMPANY						
Balance at 1 April 2019		4 020 795	132 013	479 650	303 914	4 936 372
Adjustment on initial application of IFRS 16		–	–	(139)	–	(139)
Class D shares issued	15.1	150 184	–	–	–	150 184
Loss for the year		–	–	(1 630 585)	–	(1 630 585)
Other comprehensive income						
Post-employment benefit obligation	20	–	–	8 461	–	8 461
Total comprehensive loss for the period		–	–	(1 622 124)	–	(1 622 124)
Balance at 31 March 2020		4 170 979	132 013	(1 142 613)	303 914	3 464 293
Balance at 1 April 2020		**4 170 979**	**132 013**	**(1 142 613)**	**303 914**	**3 464 293**
Loss for the year		**–**	**–**	**(2 198 060)**	**–**	**(2 198 060)**
Other comprehensive loss						
Post-employment benefit obligation	20	**–**	**–**	**(12 101)**	**–**	**(12 101)**
Total comprehensive loss for the period		**–**	**–**	**(2 210 161)**	**–**	**(2 210 161)**
Balance at 31 March 2021		**4 170 979**	**132 013**	**(3 352 774)**	**303 914**	**1 254 132**

STATEMENT OF CASH FLOWS

For the year ended 31 March 2021

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Cash flows from operating activities					
Cash utilised by operations	29	**(698 093)**	(815 036)	**(687 708)**	(807 955)
Interest received	26	**55 492**	39 678	**55 060**	39 009
Interest paid		**(31 697)**	(149 276)	**(33 073)**	(152 126)
Repayment of lease liability – Interest	18	**(858)**	(1 273)	**(804)**	(1 195)
Foreign exchange gains	27	**23 426**	20 587	**23 416**	20 603
Movement in foreign exchange derivatives		**(175)**	(14 046)	**(175)**	(14 046)
Income tax paid		**–**	(115)	**–**	–
Net cash utilised by operations		**(651 905)**	(919 481)	**(643 284)**	(915 710)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(149 491)**	(283 675)	**(149 491)**	(283 653)
Purchase of intangible assets	5	**–**	(6 410)	**–**	(6 410)
Purchase of financial investment held in the environmental rehabilitation trust	19.1	**(35 011)**	(35 011)	**(35 011)**	(35 011)
Proceeds from Richards Bay Ammonium Consortium Investment	9.4	**3 000**	2 500	**3 000**	2 500
Net cash used in investing activities		**(181 502)**	(322 596)	**(181 502)**	(322 574)
Cash flows from financing activities					
Repayment of loans from subsidiaries		**–**	–	**(10 300)**	(4 600)
Issuance of class D shares	15.1	**–**	150 184	**–**	150 184
Repayment of lease liability – Capital	18	**(2 075)**	(3 400)	**(1 779)**	(3 158)
Proceeds from long-term interest-bearing loans	30	**829 732**	1 191 706	**829 732**	1 191 706
Proceeds/(repayment) of short-term interest-bearing loans	30	**698**	(63 627)	**698**	(63 627)
Repayment of legal liability	31	**(40 639)**	–	**(40 639)**	–
Net cash generated from financing activities		**787 716**	1 274 863	**777 712**	1 270 505
Net (decrease)/increase in cash and cash equivalents		**(45 691)**	32 786	**(47 074)**	32 221
Cash and cash equivalents at the beginning of the year		**357 673**	324 887	**355 500**	323 279
Cash and cash equivalents at the end of the year	13	**311 982**	357 673	**308 426**	355 500

The notes on pages 20 to 95 are an integral part of these financial statements.

Principal accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation, COVID-19 and New Standards

1.1.1 **Basis of preparation**

The consolidated financial statements of the Foskor Group have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act of South Africa, No 71 of 2008. The financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value through profit or loss and financial assets measured through other comprehensive income.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period based on management's best knowledge of current events and actions. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

All amounts in the financial statements are presented in South African rand, rounded to the nearest thousand, unless otherwise stated.

1.1.2 **Impact of COVID-19**

COVID-19 was declared a global pandemic in March 2020. During March 2020, the first case of COVID-19 was reported in South Africa. In response, the South African government enforced a 21-day lockdown beginning Friday, 27 March 2020 and later extended it for a further 14 days ended Thursday, 30 April 2020.

In South Africa, certain restrictions on economic activities and movement were lifted from 1 May 2020. Given the nature of the Group's products, operations have been continuing at reduced levels. The relaxation of restrictions has enabled the Group to ramp up existing operations provided that strict health and safety guidelines mandated by the government are adhered to.

While every effort has been made to quantify the future impact that the virus will have on the business, the situation remains uncertain.

Management of COVID-19 Crisis

The response to the COVID-19 crisis has been guided by relevant national authorities and international guidelines issued by the World Health Organization. The Group is working under strict conditions, across both divisions, to limit and minimise the potential for COVID-19 transmission and will continue to support and educate employees on the appropriate hygiene standards to follow. The Group continues to prioritise the health and safety of all employees and, where possible, has arranged for employees to work remotely. The extent of the effect of COVID-19 on business operations is continually being reassessed, with business continuity plans being prepared and executed to deal with anticipated outcomes. These plans are reviewed regularly by the executive committee.

Impact on the annual financial statements

The Group has assessed the impact of COVID-19 on the annual financial statements. Based on the review by the Group on carrying value of assets, the impact of COVID-19 on budgeted and forecast revenue and expenses were applied on the model and these were discounted at the weighted average cost of capital. This resulted in impairment of property, plant and equipment to the value of R892 million for the Group.

Some of the key areas impacted are discussed below.

Cash flows

The impact on the cash resources on hand and available from committed facilities together with the possibility of default by customers was assessed by the Group. The focus is still on the business turnaround plan which was approved by the board at the end of March 2021 which aims at reducing non-essential costs and making operations more efficient.

The Group's liquidity and access to facilities is continuously monitored in line with the Group's adjusted forecasts and funding requirements. The Group has sufficient headroom on its committed facilities and continues to meet financial covenants as at the date of these annual financial statements.

Impairment of financial assets

The Group assesses impairment of financial assets by calculating the expected credit loss allowance on trade and other receivables. As the Group's customers are identified as essential services, the impact was not significant although the expected credit loss allowances increased from the prior year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.1 Basis of preparation, COVID-19 and New Standards continued

1.1.3 Standards, amendments and interpretations to existing standards not yet effective or early adopted by the Group

At the date of authorisation of these financial statements, several new, but not yet effective Standards, Amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, Amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, Amendments and Interpretations, neither adopted nor listed below, have been disclosed as they are not expected to have a material impact on the Group Financial Statements.

1.2 Consolidation

1.2.1 Investments in subsidiaries

Subsidiaries are all entities, including structured entities, which the Group controls.

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 investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a subsidiary are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Where a business combination is achieved in stages, the previously held equity interest is re-measured at the acquisition-date fair value with the resulting gain or loss recognised in the income statement.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-Company transactions, balances and unrealised profits and losses on transactions between Group companies are eliminated. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Changes in ownership interest in a subsidiary which do not result in a loss of control are treated as transactions between equity holders and are reported in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

1.2.2 Joint arrangements

Joint arrangements are where two or more parties contractually agree to the sharing of control in respect to:

The assets, and obligations of the joint arrangement (joint operations) or have rights to the net assets of the joint arrangement (joint venture). The Group evaluates the contractual terms of joint arrangements to determine whether a joint arrangement is a joint operation or a joint venture.

The Group's interest in joint ventures is accounted for by the equity method of accounting. Under this method, the investment in the jointly controlled entity is initially recognised at cost. For subsequent measurement, the Company's share of the post-acquisition profits or losses of joint ventures is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

At each balance sheet date, the Group assesses whether there is any indication of impairment. Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated to the extent of the Group's interest in the joint venture, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of joint ventures are consistent with the policies adopted by the Group.

In the Company's stand-alone accounts, joint ventures are recorded at cost less impairment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.2 Consolidation

1.2.3 Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of its associates' post-acquisition profits and losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted for against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated to the extent of the Group's interest in the associates, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associates are consistent with the policies adopted by the Group. Dilution profits and losses arising in investments in associates are recognised in profit or loss.

Investments in associates are accounted for at cost less impairment in the Company's stand-alone financial statements.

1.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. Operating segments are classified on phosphates and geographical representations in South Africa. The chief operating decision-maker, who is responsible for allocating resources, assessing performance of the resources and assessing performance of the operating segments, has been identified as the Executive Committee.

1.4 Property, plant and equipment

Property, plant and equipment includes mining assets, land and buildings, plant, equipment, vehicles and capital work in progress as well as certain essential plant spares that are held to minimise delays arising from plant breakdowns. All property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Land and capital work in progress is stated at cost less accumulated impairment.

Direct costs incurred on major projects during the period of development or construction are capitalised. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1.4.1 Depreciation

Land and capital work in progress

Land and capital work in progress is stated at cost and is not depreciated.

Property, plant and equipment (excluding land and capital work in progress).

All other items of property, plant and equipment are depreciated on a straight-line method at cost less estimated residual values over their useful lives as follows:

Mining asset, land and buildings:	
Building and structures	30 to 50 years
Mining assets	10 to 20 years
Plant, equipment and vehicles:	
Vehicles	4 to 5 years
Heavy plant and machinery	10 to 20 years
Equipment	8 to 10 years
Computer equipment	3 to 5 years
Factory equipment	4 to 5 years
Capital insurance spares	10 to 20 years

1.4.2 Useful lives and residual values

The assets' useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date.

1.4.3 Impairment

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (See Policy 1.6)

1.4.4 Capitalisation on borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment that are considered to be 'qualifying assets' are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

1.5 Intangible assets

1.5.1 Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.5 Intangible assets continued

1.5.1 Computer software *continued*

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as and when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, using the straight-line method, which does not exceed three years. Expenditure on research phase is expensed when it is incurred.

Subsequently, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

1.6 Impairment of assets

The carrying amounts of the Group's assets and cash-generating units are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is determined. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Cash-generating units

A cash-generating unit is the smallest identifiable Group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or Groups of assets. For an asset whose cash flow is largely dependent on that of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the net book value of any goodwill allocated to cash-generating units and then to reduce the net book value of the other assets in the unit on a *pro rata* basis. Impairment losses are recognised in profit or loss.

Impairment reversals

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.7 IFRS 16 Leases

Group as a lessee

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities

The lease liability is initially measured at the present value of the remaining lease payments on the commencement date, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be determined, the lessee uses the lessee's incremental borrowing rate. The use of practical expedient is made to not separate lease and non-lease components.

The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payments made. Lease payments included in the measurement of the lease liability comprise the following: fixed payments; variable lease payments that depend on an index or a rate; amounts payable under a residual value guarantee; and the exercise price under a purchase option that the group is certain to exercise.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to its short-term leases of equipment that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases of equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use of assets

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are included under PPE and depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.7 IFRS 16 Leases continued

Group as a lessor

Where the Group is a lessor, it determines at inception whether the lease is a finance or an operating lease. When a lease transfers substantially all the risks and rewards of ownership of the underlying asset then the lease is a finance lease; otherwise, the lease is an operating lease.

Lease income is recognised as other income for transactions that are part of the Group's non-ordinary activities. The Group uses IFRS 15 to allocate the consideration in contracts between any lease and non-lease components.

1.8 Inventories

Spares and consumables

Spares and consumable are valued at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to the present location and condition. It excludes borrowing costs.

Obsolete, redundant and slow-moving items of spares and consumable stores are identified on a regular basis and written down to their net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Raw materials, work in progress and finished goods

Raw materials and finished goods consisting of phosphate rock, phosphoric acid, magnetite stock and other minerals are valued at the lower of cost of production and net realisable value.

Cost in respect of raw materials is determined on a first-in-first-out (FIFO) basis. Cost of production in respect of work in progress and finished goods is calculated on a standard cost basis, which approximates the actual cost and includes production overheads and is adjusted to net realisable value at year end when it is below cost. Production overheads are allocated on the basis of normal capacity.

Magnetite inventory has been measured on a weighted average cost.

Net realisable value is the estimated selling price in the ordinary course of business, less the selling expenses. Disposals of spares and consumables are done on an auction basis.

1.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business to both local as well as export customers. Trade receivables balances have been Grouped so that the Expected Credit Loss ("ECL") calculation is performed on Groups of receivables with similar risk characteristics and ability to pay, these Groupings predominately reflect the geographic location of the counterparty, being local to South Africa, or foreign to South Africa. Furthermore, Foskor has entered into a factoring arrangement with a commercial bank, whereby certain Trade receivables are sold shortly after invoicing to provide the Group with Liquidity. In terms of this arrangement, Foskor does not meet the requirements for derecognition of the Trade receivables due to its continued involvement in the Trade receivable, particularly with regards to Credit losses.

If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

Foskor has classified its Trade receivables, in accordance with the requirements of IFRS 9, as follows:

- Trade receivables which have been factored in terms of the factoring arrangement, are classified and measured at amortised cost.
- Trade as well as other receivables, which have not been factored, are held in a "Hold to collect" business model and generate cash flows which comprise the principal amount outstanding as well as interest where applicable, accordingly, these receivables are classified and measured at amortised cost.

ECLs are calculated using the simplified method allowed for by IFRS 9, by applying a loss ratio to the aged balance of trade receivables at each reporting date. This method results in Foskor recognising the lifetime expected credit losses for all trade receivables. The loss ratio is calculated according to the ageing/payment profile of sales and geographical location by applying historic/proxy write offs to the payment profile of the sales population further adjusted for forward looking indicators of expected loss where applicable. In instances where there was no evidence of historical write offs management used a proxy write off. Where applicable, management has adjusted the allowance for impairment losses to integrate into the calculation the fact that certain Trade receivables have been insured. This insurance cover compensates the Group in the case of default to 90% of the face value of the receivable, and thus the Group's ECL is limited to 10% of the value of the Trade receivable. Furthermore, a specific allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows integrating the probability of default and forward looking indicators, discounted at the original effective interest rate. The amount of the provision is recognised in profit or loss.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.10 Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of past events when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are not recognised for future operating losses. Where the effects of discounting are material, provisions are measured at their present values.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance cost.

1.11 Pension obligation

The Group operates a defined benefit and a defined contribution plan, the assets of which are held in separate trustee-administered funds. The schemes are generally funded through payments to insurance companies or trustee-administered funds as determined by periodic actuarial valuations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and under which the Group will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and previous periods.

The liability in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in Other Comprehensive Income.

Past and current service costs are recognised immediately in profit or loss when they occur.

1.12 Other post-employment obligations and short-term employee benefits

Other post-employment obligations

The Group provides post-employment healthcare benefits to those of its retirees who were employed by the Company on or before 1 July 1995. The same benefits are provided to a specific Group of employees employed before 1 July 1996. The entitlement to post-employment healthcare benefits is based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment using the projected unit credit method. Valuations of these obligations are carried out annually by independent, qualified actuaries.

Actuarial gains and losses arising from previous adjustments and the effects of changes in actuarial assumptions to the defined benefit plans are recognised fully in other comprehensive income.

Past and current service costs are recognised immediately in profit or loss when they occur.

Short-term employee benefits

Short-term employee benefits, including leave entitlement are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the group expects to pay as a result of unused entitlements.

1.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the reporting date and in instances where companies in the Group generate taxable income.

Management periodically evaluates the positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax and deferred capital gains tax are accounted for using the liability method for all temporary differences arising between the net book value of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.14 Foreign currencies

Foreign currency translation

The Group's presentation currency is the same as its functional currency. The Group's presentation currency is South African Rands (ZAR). The functional currency of the Group's operation is the currency of the primary economic environment in which each operation has its main activities.

Foreign currency transactions

Transactions in foreign currencies are translated into South African Rands at the foreign exchange rate ruling at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the statement of comprehensive income under net foreign exchange loss.

1.15 Revenue

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

Foskor's core business is the benefication of phosphate rock at the Mining Division and the manufacture and supply of standard merchant grade phosphoric acid and related granular fertiliser products at the Acid Division. Approximately 60% of the phosphate rock concentrate is railed to the Acid Division for processing into phosphoric acid, which is then used as a raw material in the production of granular fertiliser. About 40% of the phosphoric acid sales are exported, while granular fertiliser sales are mainly to the local market. The Group generates its revenue based on various contractual arrangements with its customers from the major sources listed below. These sources provide context to the Group's activities and attempt to aggregate revenue by nature, extent, timing and risk.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies as well as critical judgements and estimates made by management in the selection and application of its accounting polices related to each major revenue source.

Revenue is shown net of indirect taxes, estimated returns, rebates and discounts, and after eliminating sales within the Group.

1.15 Revenue continued

Revenue Source	Performance obligations	Recognition	Measurement and terms of sale	Critical estimates and judgements applied
Mining Division Revenue				
• **Sales of Phosphate Rock and Magnetite**	Sale of Phosphate Rock and Magnetite products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.	Recognised at the point of transfer of control which is generally at the point of loading at Foskor's Mine for local sales and at loading point for export shipments.	Measured at the price per ton as per Foskor's standard selling price, less any discounts or rebates to which the customer qualifies. Payment terms are generally 30 – 60 days.	Management have assessed the point of transfer of control based on their understanding of the critical terms and conditions of sale, this assessment has concluded that control is transferred at the Foskor Mine or loading points at harbours in Maputo and Richards Bay. This is due to management being of the view that at this point the customer has obtained physical possession of the product and accepted the risks and rewards associated therewith. The estimated potential rebate/discount amount is only refunded to customers on a periodic basis. Management have estimated the potential effects of these arrangements and constrained revenue accordingly.
Acid Division Revenue				
• **Sale of Granular Fertiliser**	Sale of Granulation fertiliser products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.	Recognised at the point of transfer of control which is generally at the point of loading at Foskor's Acid plant for local sales and at Richards Bay harbour loading point for export shipments.	Measured at the price per ton as per Foskor's standard selling price, less any discounts or rebates to which the customer qualifies. Payment terms are generally 30 – 60 days.	Management have assessed the point of transfer of control based on their understanding of the critical terms and conditions of sale, this assessment has concluded that control is transferred at the Foskor Acid Plant or loading point at harbour in Richards Bay. This is due to management being of the view that at this point the customer has obtained physical possession of the product and accepted the risks and rewards associated therewith. The estimated potential rebate/discount amount is only refunded to customers on a periodic basis. Management have estimated the potential effects of these arrangements and constrained revenue accordingly.
• **Phosphoric and Sulphuric Acid sales**	Sale of Phosphoric Acid and Sulphuric Acid products per metric tonne sold to local and export customers. Local customers include all customers within the borders of South Africa, while export includes all customers outside of South Africa.			
• **Sulphur, Ammonia & Gypsum Sales**	Sale of Sulphur, Ammonia and Gypsum products per metric tonne sold to local. Local customers include all customers within the borders of South Africa.			
Other income				
• **Sundry/Other Revenue**	Other revenue is income earned from customers within South Africa and customers outside South Africa. There are no contractual terms.	Recognised when the right to receive payment is established.	Measured at the agreed price and payment terms are generally 30 – 60 days.	Management have assessed the manner of service and agreed price based on the understanding of the terms and conditions of service rendered.
• **Royalties**	Royalties are earned in accordance with substance of agreement.	Recognised on an accrual basis in accordance with the substance of the relevant agreements.	Measured at the agreed performance declaration and payment terms are generally 30 – 60 days.	Management have assessed the manner in which royalties are declared based on the understanding of the terms and conditions of the agreement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.16 Financial instruments

1.16.1 Financial instruments consist mainly of borrowings, listed and unlisted investments, cash and cash equivalents, derivative instruments, trade and other receivables and trade and other payables. Derivative instruments consist of forward exchange contracts and option contracts. At inception the Group classifies its financial assets into the following categories.

Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is initially measured at fair value plus/minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

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

- Amortised cost;
- 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. This includes all derivative financial assets.

Financial assets – Subsequent measurement

Financial Asset Category	Description
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.
Financial assets at Fair Value through OCI	These assets are subsequently measured at fair value. Interest income, foreign exchange gains and losses and credit impairment losses or reversals are recognised in profit or loss. Other changes in the carrying amount on remeasurement to fair value are recognised in OCI. Cumulative fair value gains or loss recognised in OCI is recycled to profit or loss when related financial assets are derecognised.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. The assets are unit trust, preference shares, equity investments and others. The fair value of financial assets is determined by reference to the quoted market price and valuation techniques.

1.16.2 Financial assets – Classification of financial assets

The following information is considered by the Group in determining the classification of financial assets:

- The Group's business model for managing financial assets; and
- The contractual cash flow characteristics of the financial assets.

The business model assessment of the financial assets is based on the Group's strategy and rationale for holding the financial assets on a portfolio level. When considering the strategy, the following is considered:

- Whether the financial assets are held to collect contractual cash flows;
- Whether the financial assets are held for sale; or
- Whether the financial assets are held for both collecting contractual cash flows and to be sold.

1.16.2 Financial assets – Classification of financial assets continued

Financial assets – Assessment of contractual cash flows

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

1.16.3 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified and measured at amortised cost or at fair value. Financial liabilities held for trading, are measured at fair value with all changes being recognised in profit or loss. For all financial liabilities designated at fair value option, the amount of the change in the liability's fair value attributable to changes in the credit risk is recognised in other comprehensive income (OCI) with the remaining amount of change in fair value recognised in profit or loss. Amounts presented in OCI are not subsequently transferred to profit or loss. Financial liability at amortised cost means that the liability's effective rate of interest is charged as a finance cost to the statement of profit or loss.

1.16.4 Derecognition of financial instruments

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. 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.

1.16.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.16.6 Financial Investments

- Investments comprise listed and unlisted investments as well as cash investments which are measured at FV through profit or loss and are accounted for at fair value, with gains and losses subsequent to initial recognition recognised in profit or loss.
- Investment in a debt instrument which is held to collect and generate contractual cash flows that meet the criteria of the contractual cash flow test and is accordingly classified at amortised cost. Subsequent to initial recognition, Interest earned as well as impairments raised are recognised in profit or loss.

1.17 Environmental obligations

Long-term environmental obligations are based on the Group's environmental management plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the reporting date, using a risk-free rate and risk-adjusted cash flows that reflect current market assessments and the risks specific to the provision. Increases due to additional environmental disturbances are capitalised and amortised over the remaining life of the mine.

Annual increases in the provision relating to unwinding of the discount are shown as part of finance costs in the statement of comprehensive income.

The estimated costs of rehabilitation are reviewed on a three-yearly basis or when events suggest that the costs may have changed, and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from the sale of assets, or from planned clean-up at closure, in view of the uncertainty of estimating the potential future proceeds. Changes in the expected costs are capitalised or reversed against the relevant asset.

Contributions are made to a dedicated Environmental Rehabilitation Trust to fund the estimated cost of rehabilitation during and at the end of the life of the mine. The Environmental Rehabilitation Trust is consolidated into the Group financial statements at each reporting date.

1.18 Dividends

Dividends paid are recognised by the Group when the shareholder's right to receive payment is established. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to year end are not recognised at the financial year end, but are disclosed in the notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

1.19 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents are defined as cash on hand, deposits held on call with banks, short-term liquid investments and original maturities of three months or less and bank overdrafts. Cash and cash equivalents are measured at amortised cost based on the relevant exchange rate at the balance sheet date.

In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities. The probability of default for cash is zero percent and consequently the ECL for cash is nil.

1.20 Share Capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, and is included in equity attributable to the Company's equity holders.

1.21 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

1.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

1.23 Share-based payment transactions

The Group operates an equity-settled share-based plan and a cash-settled share-based plan. The equity-settled plan was entered into with Strategic Business Partners (SBPs) and Special Black Groups, under which the Company will receive services (BEE credentials) as consideration for its own equity instruments. The equity-settled share-based payments vest immediately; the reserve was recognised in equity at grant date.

The cash-settled plan was entered into with the Company's employees, under which the Company receives services from employees by incurring the liability to transfer cash to the employees for amounts that are based on the value of the Company's shares. The fair value of the transaction is measured using an option pricing model, taking into account all terms and conditions.

The fair value of the services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

The services received by the Company are recognised as they are received and the liability is measured at fair value. The fair value of the liability is re-measured at each reporting date and at the date of settlement. Any changes in the fair value are recognised in profit or loss for the period.

1.24 Legal Liability

Legal liability is a present legal obligation that arise as a result of past events. Full provision is made based on the net present value of the estimated cost of the legal settlement that has occurred up to the reporting date.

1.25 Loans to and from subsidiaries

The loans to and from subsidiaries are interest-free and they have no fixed repayment terms

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for current tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters 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.

(b) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Post-employment obligations

Significant judgement and actuarial assumptions are required to determine the fair value of the post – employment obligations. More detail on these actuarial assumptions is provided in Note 20 to the financial statements.

(d) Environmental rehabilitation liability

In determining the environmental rehabilitation liability, an inflation rate of 6.74% (2020: 4.14%) was assumed to increase the rehabilitation liability for the next 30 years, and a rate of 6.7% (2020: 6.15%) to discount that amount to present value.

(e) Fair value of share-based payments

The valuation technique applied to determine the simulated Company value is part of the Black Scholes Option Pricing methodology. The market conditions relating to the growth in the market value of the Foskor shares have been taken into account in estimating the fair value of the equity instruments granted. The key assumptions used in the calculation are included in Note 17 of the financial statements.

(f) Impairment of assets

At each financial reporting date, the Group assesses whether there is any indication that non-financial assets are impaired. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment (If any). The recoverable amount is the higher of fair value less costs to sell and value in use.

For impairment assessment, all the Group's assets are assessed to be the smallest independent Group of assets that generated independent cash flows as more than 70 percent of the mine divisions output is utilised in the Acid Division.

The key assumptions contained within the business forecast and management's approach to determine appropriate values in use are set out below:

Commodity prices	Projections are determined through a combination of the views of the Directors, market estimates and forecasts, market analysts' views and other sector information.
Production volume	Projections are based on the capacity and expected operational capabilities of the operations, the conversion ratios and the efficiencies of processing.
Production costs	Projections are based on current cost adjusted for expected cost changes as well as giving consideration to specific issues relevant to each cost element.
Capital expenditure requirements	Projections are based on the operational plan, which sets out the long-term plan of the business that is approved by the Board.
Foreign currency exchange rates	Average spot rates for the duration of each reporting period are applied. These are based on market analysts' views.
Reserves and resources of the mine	Projections are determined through surveys performed by Competent Persons and the views of the Directors of the Company.
Discount rate	The discount rate is based on a Weighted Average Cost of Capital (WACC) calculation using the Capital Asset Pricing Model grossed up to a pre-tax rate. The Group uses market consensus information and benchmarks to calculate an appropriate WACC.
Risk free rate	The risk free rate obtained from various sources such as the South African Reserve Bank, Industrial Development Corporation (IDC) and data search engines like Reuters and Bloomberg. They consist of bond rate and return swaps from different indices.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

continued

(f) Impairment of assets continued

For impairment testing, management projects cashflows over a period of 92 years (current year plus ninety one years). For the Mining Division, a life of mine assessment was conducted by independent external experts. Based on the current mining rates, the life of mine is estimated to be more than 100 years. Whilst the majority of mining licences are currently valid until 2037 the Director's expect the licences will be renewed until beyond 2070.

In arriving at the value in use, cash flows expressed in real terms have been estimated and discounted using a discount rate of 17.04% (2020 – 17.81%), giving consideration to the specific amount and timing of future cash flows as well as the risks specific to the operations. The risk-free rate decreased from 10.9% in 2020 to 10.5% in 2021 and the average cost of debt from 10.47% in 2020 to 10% in 2021.

For the 2021 financial year, the Group's non-financial assets (Plant and Equipment) had a carrying amount of R4.04 billion and recoverable amount of R3.15 billion resulting in an impairment of R892 million (2020 – R599 million). This was primarily due to revisions to underlying assumptions, with the main contributor being the strengthening of the exchange rate of the Rand against the US Dollar. The main product and raw material pricing is foreign currency based and the resultant conversion into local currency has a significant impact on operations. The net impact of the change in these assumptions led to the value in use declining below the carrying amount of the non-financial assets of the operations.

In preparing the financial statements, management has done comparisons on the WACC of 17.04% on 2021 as compared to the 17.81% from 2020. The WACC was driven lower primarily through the cost of each element. The risk-free rate decreased as long-term government bonds reduced by 0.4% (10.5% in 2021 vs 10.9 in 2020). The cost of equity, as such, reduced by 1.12% due to macroeconomic conditions. The cost of debt remained broadly in line with as the view was taken that long-term rates would stabilise and be more appropriate using historical rates as Foskor's business will continue into perpetuity and current short-term rates will be equalised over the life of the business.

Foskor remains extremely sensitive to changes in WACC a % change will result in impairment as follows:

Measurement	Movement in assumption	Reversal of impairment/ (further impairment)
Increase in WACC	1%	(R400m)
Decrease in WACC	1%	R502m

(g) Impairment – Assets carried at Amortised cost or FVOCI

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost or FVOCI. 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 analysis, 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 as 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). 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.

(h) Cash and cash equivalents

The cash held is kept at sound financial institutions which have good credit ratings and accordingly low credit risk. The credit ratings are based on the Moody's Baa3 long-term local- and foreign-currency deposit ratings for South Africa's five largest South African banks: The Standard Bank of South Africa Limited (Standard Bank of South Africa), FirstRand Bank Limited, Absa Bank Limited, Nedbank Limited and Investec Bank Ltd. A low PD of zero and an LGD of 40% was applied to all the banks based on the updated Basel framework which stipulates a minimum of 40% LGD for unsecured exposures. Therefore, an expected credit loss of nil was raised.

3. GOING CONCERN

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

Foskor's business has experienced financial constraints for a number of years caused by a range of external factors such as a persistently low product pricing environment, volatility in the ZAR/USD exchange rate, volatility in the costs of inputs utilised in the production process and the inflationary cost pressures of operating in the South African economy.

In assessing the Group's ability to continue as a going concern, management have prepared cash flow forecasts for a period in excess of 12 months. Based on the cash flow forecasts positive cash flows are expected to be generated from operations for the 2022 financial year.

Management have considered various scenarios to test the Group's resilience against operational risks including adverse movements in commodity prices and ZAR/USD exchange rate or a combination thereof and the failure to meet forecast production targets.

In order to mitigate these operational risks, management is currently securing additional working capital facilities from Foskor's shareholders. Management will continue with its hedging policies to hedge the Group's exposure to the ZAR/USD volatility. The Group has sufficient long-term and short-term borrowing facilities in place to meet its future cash flow requirements. Improvements in commodity prices have been seen during the first quarter of the 2022 financial year.
The borrowing facilities together with the positive cash-generation forecast, provide an adequate buffer to cater for any downside risks in the forecast.

As a result of management's mitigation strategy detailed above, although conditions were identified, no material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern as at 31 March 2021.

Furthermore, the directors have considered the solvency and liquidity requirements of the Companies Act, 2008.

Foskor's total assets at March 2021 are R7.5 billion and its total liabilities are R6.1 billion, a surplus of R1.4 billion. The net asset position for the past few years is as follows:

(R'm)	2022 Forecast	2021	2020	2019	2018	2017
Total assets	9 475	**7 521**	8 199	8 315	8 548	8 431
Total liabilities	6 399	**6 159**	4 621	3 264	3 952	3 642
Net assets	3 076	**1 362**	3 578	5 051	4 596	4 789

The Current Assets of Foskor at 31 March 2021 are R3.4 billion, whilst current liabilities are R1.9 billion. This indicates that there are sufficient current assets to meet the current liabilities. The table below reflects the trend in current assets and liabilities.

(R'm)	2022 Forecast	2021	2020	2019	2018	2017
Total current assets	3 925	**3 368**	2 606	2 810	2 891	2 929
Total current liabilities	1 435	**1 860**	1 302	1 421	1 842	1 762
Net current assets	2 490	**1 508**	1 304	1 389	1 049	1 167

From the above, it is evident that Foskor has historically met the solvency and liquidity test as set out in the Company's Act, 2008. These tests are also expected to be met in future, based on the forecasts.

The directors believe that the Group will continue to have adequate financial resources to meet obligations as they fall due. Accordingly, the directors have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

4. PROPERTY, PLANT AND EQUIPMENT

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
At cost				
Land	**61 153**	61 153	**61 153**	61 153
Mining asset, buildings and rehabilitation assets	**1 853 642**	1 983 774	**1 850 896**	1 981 028
Plant, equipment and vehicles	**6 690 763**	6 580 896	**6 663 934**	6 553 868
Capital work in progress	**763 210**	728 124	**763 210**	728 124
Total	**9 368 768**	9 353 947	**9 339 193**	9 324 173
Accumulated depreciation and impairment				
Mining asset, buildings and rehabilitation assets	**(583 583)**	(536 387)	**(581 325)**	(534 778)
Plant, equipment and vehicles	**(3 328 222)**	(3 042 530)	**(3 316 797)**	(3 030 807)
Impairment of plant and equipment[1]	**(2 441 130)**	(1 548 848)	**(2 441 130)**	(1 548 848)
Total	**(6 352 935)**	(5 127 765)	**(6 339 252)**	(2 441 129)
Net carrying amount				
Land	**61 153**	61 153	**61 153**	61 153
Mining asset, buildings and rehabilitation assets	**1 270 059**	1 447 387	**1 269 571**	1 446 250
Plant, equipment and vehicles	**921 411**	1 989 518	**906 007**	1 974 213
Capital work in progress	**763 210**	728 124	**763 210**	728 124
Net carrying amount	**3 015 833**	4 226 182	**2 999 941**	4 209 740

[1] *Refer to Note 2 for details on impairments of assets.*

Details of land and buildings are available for inspection at the registered office of the Company.

Right-of-use assets	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
At cost				
Mining asset, buildings and rehabilitation assets	**619**	619	**–**	–
Plant, equipment and vehicles	**43 216**	43 216	**43 216**	43 216
Total	**43 835**	43 835	**43 216**	43 216
Accumulated depreciation				
Mining asset, buildings and rehabilitation assets	**(464)**	(232)	**–**	–
Plant, equipment and vehicles	**(36 461)**	(34 147)	**(36 461)**	(34 147)
Total	**(36 925)**	(34 379)	**(36 461)**	(34 147)
Net carrying amount				
Mining asset, buildings and rehabilitation assets	**155**	387	**–**	–
Plant, equipment and vehicles	**6 755**	9 069	**6 755**	9 069
Net carrying amount	**6 910**	9 456	**6 755**	9 069

Included in property, plant and equipment is capitalised leased assets which comprises building, effluent pipeline and other equipment.

4. PROPERTY, PLANT AND EQUIPMENT continued

Right-of-use assets

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Year ended 31 March 2021					
Movement in carrying value for the year					
GROUP					
Opening net carrying amount	–	387	9 069	–	9 456
Depreciation	–	(232)	(2 314)	–	(2 546)
Closing net carrying amount	–	155	6 755	–	6 910

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Company					
Opening net carrying amount	–	–	9 069	–	9 069
Depreciation	–	–	(2 314)	–	(2 314)
Closing net carrying amount	–	–	6 755	–	6 755

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Year ended 31 March 2020					
Movement in carrying value for the year					
GROUP					
Opening net carrying amount	–	–	10 911	–	10 911
Additions	–	619	1 649	–	2 268
Depreciation	–	(232)	(3 491)	–	(3 723)
Closing net carrying amount	–	387	9 069	–	9 456

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Company					
Opening net carrying amount	–	–	10 911	–	10 911
Additions	–	–	1 649	–	1 649
Depreciation	–	–	(3 491)	–	(3 491)
Closing net carrying amount	–	–	9 069	–	9 069

4. PROPERTY, PLANT AND EQUIPMENT continued

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Year ended 31 March 2021					
Movement in carrying value for the year					
GROUP					
Opening net carrying amount	61 153	1 447 387	1 989 518	728 124	4 226 182
Additions	–	4 301	110 104	35 086	149 491
Decommissioning assets	–	2 358	–	–	2 358
Adjustment to the mining asset (refer to Note 19)	–	(136 792)	–	–	(136 792)
Depreciation charge	–	(47 195)	(285 921)	–	(333 116)
Impairment charge	–	–	(892 282)	–	(892 282)
Disposals	–	–	(8)	–	(8)
Closing net carrying amount	**61 153**	**1 270 059**	**921 411**	**763 210**	**3 015 833**

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Company					
Opening net carrying amount	61 153	1 446 250	1 974 213	728 124	4 209 740
Additions	–	4 301	110 104	35 086	149 491
Decommissioning assets	–	2 358	–	–	2 358
Adjustment to the mining asset (refer to Note 19)	–	(136 792)	–	–	(136 792)
Depreciation charge	–	(46 546)	(286 027)	–	(332 573)
Impairment charge	–	–	(892 282)	–	(892 282)
Disposals	–	–	(1)	–	(1)
Closing net carrying amount	**61 153**	**1 269 571**	**906 007**	**763 210**	**2 999 941**

During the year, the Group capitalised borrowing costs of R2.01 million (2020: R7.9 million) on qualifying assets. The borrowing costs were capitalised at the Group general borrowings weighted average annual rate of 10% (2020: 13.25%).

No property, plant and equipment is pledged as security.

4. PROPERTY, PLANT AND EQUIPMENT continued

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Year ended 31 March 2020					
Movement in carrying value for the year					
GROUP					
Opening net carrying amount	61 153	1 179 800	2 650 684	911 577	4 803 214
Adjustment on initial application of IFRS 16	–	619	1 649	–	2 268
Additions	–	211 760	255 368	(183 453)	283 675
Decommissioning assets	–	17 285	–	–	17 285
Adjustment to the mining asset (refer to Note 19)	–	80 250	–	–	80 250
Depreciation charge	–	(42 327)	(318 699)	–	(361 026)
Impairment charge	–	–	(599 381)	–	(599 381)
Disposals	–	–	(103)	–	(103)
Closing net carrying amount	61 153	1 447 387	1 989 518	728 124	4 226 182

	Land R'000	Mining asset, buildings and rehabilitation assets R'000	Plant, equipment and vehicles R'000	Capital work in progress R'000	Total R'000
Company					
Opening net carrying amount	61 153	1 179 098	2 635 048	911 577	4 786 876
Adjustment on initial application of IFRS 16	–	–	1 649	–	1 649
Additions	–	211 759	255 347	(183 453)	283 653
Decommissioning assets	–	17 285	–	–	17 285
Adjustment to the mining asset (refer to Note 19)	–	80 250	–	–	80 250
Depreciation charge	–	(42 142)	(318 347)	–	(360 489)
Impairment charge	–	–	(599 381)	–	(599 381)
Disposals	–	–	(103)	–	(103)
Closing net carrying amount	61 153	1 446 250	1 974 213	728 124	4 209 740

5. INTANGIBLE ASSETS

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Computer software	**82 994**	82 994	**82 994**	82 994
Accumulated amortisation	**(76 926)**	(73 601)	**(76 926)**	(73 601)
Net carrying amount	**6 068**	9 393	**6 068**	9 393

	Computer software R'000
Year ended 31 March 2021	
Movement in carrying value	
Group and Company	
Opening net book amount	
Additions	**9 393**
Amortisation charge	**(3 325)**
Closing net carrying amount	**6 068**
Year ended 31 March 2020	
Movement in carrying value	
Group and Company	
Opening net book amount	6 406
Additions	6 410
Amortisation charge	(3 423)
Closing net carrying amount	9 393

	Country of Incorporation	Nature of business	Issued ordinary and preference shares Number 2021	Number 2020	% 2021	% 2020	Shares at cost R'000 2021	R'000 2020	Indebtedness R'000 2021	R'000 2020
6. INVESTMENTS IN SUB- SUBSIDIARIES										
Indian Ocean Fertilizer (Pty) Ltd	South Africa	Previous Acid Division (Dormant)	**93 265**	93 265	**100**	100	**103 956**	103 956	**(218 501)**	(218 501)
Inter Minerals Holdings AG	Switzerland	Dormant SPV	**–**	–	**–**	–	**10**	10	**(10)**	(10)
Phosphate Shipping (Pty) Ltd	South Africa	Ship Broker Agency	**1 000**	1 000	**100**	100	**–**	–	**(3 403)**	(3 458)
Shares in and loans from subsidiaries							**103 966**	103 966	**(221 914)**	(221 969)
Phosfert Marine (Pty) Ltd	South Africa	Clearing & Forward Agency	**40 000**	40 000	**100**	100	**40**	40	**3 069**	5 861
Verdino 174 (Pty) Ltd	South Africa	Storage Tanks	**120**	120	**100**	100	**12 000**	12 000	**10 529**	10 270
Foskor Social Responsibility Trust	South Africa	Social Responsibility Trust	**–**	–	**–**	–	**–**	–	**100**	44
IOF Property Trust	South Africa	Property Trust	**–**	–	**–**	–	**–**	–	**30**	29
Shares in and loans to subsidiaries							**12 040**	12 040	**13 728**	16 204
Total shares at cost/net loans owing							**116 006**	116 006	**(208 186)**	(205 765)

The subsidiaries have financial years ending 31 March and are consolidated to that date. Loans to and from subsidiaries are interest-free with no repayment terms. The shares in Indian Ocean Fertilizer (Pty) Limited previously held by Inter Minerals South Africa (Pty) Limited are now held directly by Foskor (Pty) Limited.

Indicators for impairment were considered at 31 March 2021 and no impairment on these investments was deemed necessary.

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
7. INVESTMENT IN JOINT VENTURE				
Foskor (Pty) Ltd has a 50% interest in a joint venture, Palfos.				
Palfos Aviation (Pty) Ltd (South Africa)				
Carrying amount at the beginning of the year	**25**	25	**22**	22
Impairment of investment	**–**	–	**1**	–
Carrying amount	**25**	25	**23**	22

The investment consists of 12 500 shares of R2 each, being 50% of the authorised and issued share capital. The Company is currently in the process of being deregistered. The 50% share of the assets, liabilities and results of the joint venture are not significant. Refer to Note 38.2 for the nature of activities and principal place of business.

8. INVESTMENT IN ASSOCIATE

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
At beginning of year				
Investment in Foskor Zirconia (Pty) Ltd	–	–	–	–
– current year loss	–	–	–	–
Impairment of investment	–	–	–	–
Net carrying amount at 31 March	–	–	–	–

Foskor (Pty) Limited owns 29.9% of Foskor Zirconia (Pty) Limited. The remaining shareholding of Foskor Zirconia (Pty) Limited is owned by Carborundum Universal Limited (51%) and Perfect Positions Investments 41 CC (19.1%). Foskor Zirconia (Pty) Limited is a Company incorporated in South Africa that manufactures electro fused Zirconia. Foskor Zirconia (Pty) Limited is a private Company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in the associate. The associate has 31 March as its financial year-end. Refer to Note 38.3 for the nature of activities and principal place of business.

8. INVESTMENT IN ASSOCIATE continued

Set out below is the summarised financial information for Foskor Zirconia which is accounted for using the equity method:

	Group	
	2021 R'000	**2020 R'000**
Summarised statement of financial position		
Current		
Cash and cash equivalents	**3 370**	4 550
Other current assets (excluding cash)	**93 468**	93 186
Total current assets	**96 838**	97 736
Other current liabilities (including trade payables)	**188 741**	163 680
Total current liabilities	**188 741**	163 680
Non-current		
Assets	**29 651**	26 792
Financial liabilities	**45 000**	45 000
Other liabilities	**4 785**	4 654
Total non-current liabilities	**49 785**	49 654
Net liability	**(112 037)**	(88 806)
Summarised statement of comprehensive income		
Revenue	**293 453**	212 822
Depreciation and amortisation	**(2 355)**	(2 456)
Interest income	**116**	117
Interest expense	**(4 006)**	(5 841)
Pre-tax loss	**(23 230)**	(42 794)
Income tax expense	**–**	–
Post-tax loss	**(23 230)**	(42 794)
Total comprehensive loss	**(23 230)**	(42 794)
Other comprehensive loss	**–**	(49)
Total comprehensive loss for the year	**23 230**	(42 843)
Reconciliation of summarised financial information		
Reconciliation of the summarised financial information presented to the carrying amount of its interest in associate:		
Opening net assets as at beginning of year	**(106 608)**	(63 765)
Total comprehensive loss	**(23 230)**	(42 794)
Other comprehensive loss	**–**	(49)
Closing net assets at 31 March	**(129 838)**	(106 608)
Interest in associates (29.9%)	**(38 821)**	(31 876)
Limitation of loss	**38 821**	31 876
Carrying value	**–**	–

		Group		Company	
		2021 R'000	2020 R'000	2021 R'000	2020 R'000
9.	**FINANCIAL INVESTMENTS**				
9.1	**Environmental Rehabilitation Trust investments – At fair value through profit or loss**	**331 111**	267 330	**331 111**	267 330
	Unit trusts	**212 221**	180 643	**212 221**	180 643
	Rehabilitation guarantee investment	**118 075**	86 029	**118 075**	86 029
	Sanlam shares	**524**	443	**524**	443
	Old Mutual shares	**291**	215	**291**	215
	The unit trust portfolio for these investments is invested in equity (50%), property (5%), bonds (35%), money market and cash (10%). The Environmental Rehabilitation Trust is an irrevocable trust under the Company's control.				
9.2	**Environmental Rehabilitation Trust investments – At amortised cost – Other loans and receivables**	**1 299**	1 228	**1 299**	1 228
	Cash deposits held by the Environmental Rehabilitation Trust	**1 299**	1 228	**1 299**	1 228
	ABSA	**403**	364	**403**	364
	RMB	**896**	864	**896**	864
9.3	**Preference shares held in Foskor Zirconia (Pty) Ltd – At fair value through profit or loss**				
	At beginning of the year	**15 000**	15 000	**11 756**	11 207
	Gain in valuation of preference shares	**–**	–	**–**	549
	Impairment of investment[1]	**(15 000)**	–	**(11 756)**	–
	At 31 March	**–**	15 000	**–**	11 756
	The preference shares issued are redeemable in tranches as decided from time to time by the Company's Board of Directors with the final instalment repayment date not later than 31 March 2023.				
9.4	**Richards Bay Ammonium Consortium – At fair value through profit or loss**				
	At beginning of the year	**13 449**	14 260	**13 443**	14 253
	IFRS 9 valuation adjustment	**–**	–	**1**	1
	Investment income	**1 569**	1 689	**1 569**	1 689
	Repayments	**(3 000)**	(2 500)	**(3 000)**	(2 500)
	At 31 March	**12 018**	13 449	**12 013**	13 443
	The Richards Bay Ammonium Consortium is an investment deposit that commenced in 2012 and provides a return at 15% per annum. The purpose of the investment for the upgrading of ammonia facilities.				
	Total investments	**344 428**	297 007	**344 423**	293 757

[1] *Due to Foskor's assessment of Zirconia business, the probability of recovering the investment was deemed to be low and we have therefore taken the decision to impair such investment.*

10. INVENTORIES

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Phosphate rock	**659 408**	169 829	**659 408**	169 829
Raw materials	**469 781**	242 264	**469 781**	242 264
Finished goods	**728 833**	751 206	**728 833**	751 206
Spares and consumables stores	**470 226**	470 595	**470 226**	470 595
Total inventories	**2 328 248**	1 633 894	**2 328 248**	1 633 894

The value of inventory write down to net realisable value in the current year is R0.049 million (2020: R13.3 million).
During the year, the Group pledged inventory of Rnil (2020: Rnil) as security.
Spares and consumables stores to the value of R209 million were expensed during the year.

11. TRADE AND OTHER RECEIVABLES

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Trade receivables – factored[1]	**378 036**	290 582	**378 036**	290 582
Trade receivables – not factored	**59 972**	156 498	**54 025**	148 085
Trade receivables[1]	**438 008**	447 080	**432 061**	438 667
Less: Impairment allowance of trade receivables	**(26 956)**	(44 601)	**(26 895)**	(44 557)
Impairment – current year	**(27 359)**	(46 529)	**(27 298)**	(46 485)
Gains on derecognition of financial assets	**403**	1 928	**403**	1 928
Trade receivables – net	**411 052**	402 479	**405 166**	394 110
VAT receivable	**63 094**	30 879	**62 828**	30 461
Insurance prepaid	**83 745**	16 753	**83 579**	16 650
Other receivables[2]	**332 939**	634 357	**332 882**	634 298
Less: Impairment allowance of other receivables	**(163 327)**	(478 473)	**(163 327)**	(478 473)
Impairment – current year	**(196 140)**	(478 792)	**(196 140)**	(478 792)
Gains on derecognition of financial assets	**32 813**	319	**32 813**	319
Total trade and other receivables – At amortised cost	**727 503**	605 995	**721 128**	597 046
11.1 Trade receivables – Factored[1]				
Local trade receivables subject to factoring	**378 036**	290 582	**378 036**	290 582
Liability associated to debtor factoring	**(234 588)**	(163 391)	**(234 588)**	(163 391)
11.2 Trade receivables – Not factored				
Foreign Trade receivables	**18 874**	108 749	**18 874**	108 749
Local Trade receivables	**40 967**	47 749	**35 151**	39 336
	59 841	156 498	**54 025**	148 085

[1] *The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement,Foskor Proprietary Limited has transferred the relevant receivables to Absa Bank Limited in exchange for cash (80% received upfront, and deferral of 20%). Foskor Proprietary Limited is prevented from ceding or pledging these receivables. However, Foskor Proprietary Limited has retained late payment and credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its balance sheet. The amount repayable under the factoring agreement is presented as secured borrowing.*

Trade receivables are denominated in US Dollar and South African Rand.

[2] *Other receivables mainly comprise of royalties due, crosscon receipts, Zirconia debtor and prepayments of R247 million (2020: R132 million) and also include R17 million of demurrage claims (2020: R23.3 million).*

11. TRADE AND OTHER RECEIVABLES continued

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Movement in the impairment allowance of other receivables				
At beginning of year	**(44 601)**	(28 536)	**(44 557)**	(28 536)
Additional allowance	**–**	(1 450)	**–**	(1 406)
Expected credit loss on trade receivables	**17 197**	(19 514)	**17 259**	(19 514)
Unused provision reversed	**448**	2 588	**403**	2 588
Utilised during period	**–**	2 311	**–**	2 311
At 31 March	**(26 956)**	(44 601)	**(26 895)**	(44 557)
Tax effect	**7 548**	12 488	**7 531**	12 426
At 31 March (net of tax)	**(19 408)**	(32 113)	**(19 364)**	(32 081)

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Assets		**321**	8 460	**321**	8 460
Forward foreign exchange contracts	35.1	**321**	8 460	**321**	8 460
Liabilities		**(5 796)**	(28 132)	**(227)**	(22 506)
Forward foreign exchange contracts		**(227)**	(22 506)	**(227)**	(22 506)
Share buyback option	35.1	**(5 569)**	(5 626)	**–**	–

Trading derivatives are classified as a current assets or liabilities. The remaining maturity of the instruments is less than 12 months. Gains and losses on these instruments are recognised in profit or loss.

13. CASH AND CASH EQUIVALENTS

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Cash at bank and on hand	**311 982**	357 673	**308 426**	355 500
Cash and cash equivalents	**311 982**	357 673	**308 426**	355 500

14. DEFERRED TAXATION SUMMARY

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
The deferred income tax balance movement is made up as follows:					
At beginning of year		**1 060 122**	423 465	**1 058 958**	422 629
Mining operations temporary differences – other		**(17 477)**	63 283	**(17 477)**	63 283
Mining operations temporary differences – capex		**277 230**	147 330	**277 230**	147 330
Non-mining operations temporary differences – other		**(16 192)**	18 611	**(16 192)**	18 611
Tax charge relating to components of OCI		**–**	(797)	**–**	(797)
Under/(over)-provision prior year		**4 207**	(45 083)	**4 207**	(45 083)
Deferred tax asset reversal		**(799 816)**	–	**(799 816)**	–
Tax loss increased		**279 248**	453 604	**279 443**	453 276
Prepayments		**(475)**	(291)	**(475)**	(291)
At 30 March		**786 847**	1 060 122	**785 878**	1 058 958
The deferred income tax balance is made up as follows:					
Deferred tax assets					
Lease liability		**1 087**	1 585	**1 087**	1 585
Provisions		**103 678**	92 180	**103 678**	92 180
Mining rehabilitation liability		**56 215**	89 043	**56 215**	89 043
Decomissioning liability		**90 747**	90 087	**90 747**	90 087
Income in advance		**26 429**	14 580	**26 429**	14 580
Cash settled share-based payments		**12**	246	**12**	246
Deferred tax asset reversal		**(799 816)**	–	**(799 816)**	–
Tax loss		**1 971 242**	1 808 903	**1 970 273**	1 808 903
At 31 March		**1 449 594**	2 096 624	**1 448 625**	2 096 624
Deferred tax liabilities					
Property, plant and equipment – mining		**(317 172)**	(744 979)	**(317 172)**	(744 979)
Property, plant and equipment – other		**(156 190)**	(121 008)	**(156 190)**	(122 173)
Mining rehabilitation investment		**(93 075)**	(75 191)	**(93 075)**	(75 191)
Decomissioning asset		**(90 747)**	(90 087)	**(90 747)**	(90 087)
Prepayments		**(2 175)**	(1 304)	**(2 175)**	(1 303)
PRMA adjustment recognised in OCI		**(3 388)**	(3 933)	**(3 388)**	(3 933)
At 31 March		**(662 747)**	(1 036 502)	**(662 747)**	(1 037 666)
Deferred tax assets/(liabilities) (net)		**786 816**	1 060 122	**785 878**	1 058 958
The gross movement on the deferred income tax is as follows:					
At beginning of year		**1 060 122**	423 465	**1 058 958**	422 629
Charge in profit or loss	28	**522 370**	682 537	**521 984**	682 209
Tax charge relating to components of other comprehensive income	28	**545**	(797)	**545**	(797)
Deferred tax asset reversal		**(799 816)**	–	**(799 816)**	–
Prior year correction		**(581)**	–	**–**	–
Under/(Over)-provision prior year		**4 207**	(45 083)	**4 207**	(45 083)
Closing deferred tax assets/(liabilities)		**786 847**	1 060 122	**785 878**	1 058 958

Deferred tax asset has been recognized in respect of incurred losses in the current or prior years. A formal process of assessment of the future profitability of the entity has been performed based on detailed budgets and cash flow forecasts. As a result, management believes that the current tax losses will be utilized within a foreseeable period.

Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognize deferred income tax assets of R800 million (2020: Rnil) in respect of losses amounting to R2.85 billion that can be carried forward against future taxable income.

15. EQUITY AND RESERVES

15.1 Share capital and premium

	Group AND Company				
	Total number of shares (thousands)	Preference shares R'000	Ordinary shares R'000	Total R'000	Share premium R'000
Balance at 31 March 2019	**9 162 005**	**4 011 637**	**9 158**	**4 020 795**	**132 013**
Movements during the year	**213**	**150 184**	**–**	**150 184**	**–**
Balance at 31 March 2020	**9 162 218**	**4 161 821**	**9 158**	**4 170 979**	**132 013**
Movements during the year	**–**	**–**	**–**	**–**	**–**
Balance at 31 March 2021	**9 162 218**	**4 161 821**	**9 158**	**4 170 979**	**132 013**

The total authorised share capital of ordinary shares is 9 157 647 (2020: 9 157 647) with a par value of R1 per share. The total class B and D shares issued amounts to 3 176 and 1 395 shares respectively. These shares have a preferential right to dividends over ordinary shares and the required rate of return is a discretionary after tax IRR of 10.5%. All issued shares are fully paid.

The share premium consists of 199 590 ordinary shares issued in 2005 at a premium of R0.60586 as well as shares premium issued in 2008 at a premium of R 132 million for 1 174 057 ordinary shares.

16. DIVIDENDS PAID

No dividends have been declared in the current and prior year.

17. SHARE-BASED PAYMENT RESERVE

17.1 Equity-settled share-based payment plan

Black Economic Empowerment Transaction

In the 2011 financial year, Foskor and the Industrial Development Corporation Limited (IDC) entered into a Black Economic Empowerment Transaction (BEE Transaction). In terms of the transaction the IDC sold 15% interest in Foskor to Strategic Business Partners (SBPs) and Special Black Groups (SBGs) (collectively, the Manyoro Consortium), 5% to the communities where Foskor operates and a 6% interest in Foskor to the Foskor Employee Share Ownership Plan Trust (ESOP). The transaction with the Manyoro Consortium and communities constitutes an equity-settled share-based plan and the transaction with the employees constitutes a cash-settled share-based plan (refer to note 17.2). Under the equity-settled share-based plan, the shares vest immediately at grant date. In determining the fair value of services received as consideration for equity instruments granted, measurement is referenced to the fair value of the equity instruments granted.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
At beginning of year	**303 914**	303 914	**303 914**	303 914
Granted	**–**	–	**–**	–
At 31 March	**303 914**	303 914	**303 914**	303 914

Weighted average fair value assumptions

The fair value of services received in return for equity instruments granted is measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the equity instruments granted is measured based on the Black Scholes Option Pricing model.

17. SHARE-BASED PAYMENT RESERVE continued

17.1 Equity-settled share-based payment plan continued

The following weighted average assumptions were used in the share pricing models at the valuation date:

	Group AND Company
Grant date	31 December 2009
Initial Company value (Exercise price)	R3 500 000 000
Average share price at grant date	R382.19
Annualised expected volatility	18.51%
Risk-free interest rate	6.75%
Dividend yield (%)	0.00%
Strike price	R512.14

The holders of the equity instruments were required to hold the instruments to maintain the BEE status until 31 March 2021, however, due to the underperformance of the scheme, the participants have not exercised their options. The schemes funder has not called an event of default but neither has it made a commitment to extend the scheme. In the absence of the aforementioned, Foskor continues to recognise the Share-Based Payment Reserve. The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in the same industry as Foskor.

17.2 Cash-settled share-based payment plan

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash-settled share-based payment liability	41	880	41	880
Total cash-settled share-based payment liability	**41**	880	**41**	880

The Company entered into a cash settled share based payment plan with its employees. A total liability of R0.041 million (2020: R0.88 million) is carried. The share-based payment adjustment for the current year of R0.839 million was recognised in profit or loss (refer to note 17.3).

17. SHARE-BASED PAYMENT RESERVE continued

17.2 Cash-settled share-based payment plan continued

The following weighted average assumptions were inputs into the model:

	Group AND Company 2021 R'000	2020 R'000
Exercise price	**R3 500 000**	R3 500 000
Average share price at grant date	**R382.19**	R382.19
Annualised expected volatility	**18.51%**	10.19%
Risk-free interest rate	**–**	–
– one year expected option lifetime	**4.88%**	7.61%
– two year expected option lifetime	**6.75%**	6.1%
Expected dividend yield	**–**	–
– one year expected option lifetime	**–**	–
– two year expected option lifetime	**–**	–
Strike price	**–**	–
– one year expected option lifetime	**R736.99**	R817.61
– two year expected option lifetime	**R792.27**	R932.07

The Employee Share Option Trust was due to end on the 30 March 2021. It has been extended for another year. However due to the under performance of the scheme no exercising of options have taken place. The scheme's funder has not called an event of default, which results in the scheme being extended. Changes to the scheme are being considered for the future. The volatility indicator used in the calculation was based on the market prices of globally proxy companies that are in the same industry as Foskor.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
17.3 Share-based payment expense				
Cash-settled share-based payment expense	**(839)**	(442)	**(839)**	(442)
Total share-based payment expense	**(839)**	(442)	**(839)**	(442)

18. LEASE LIABILITY

The Group enters into various lease agreements as the lessee of property and equipment. Where leases convey the right to control the use of underlying leased assets, the Group recognises the present value of future lease payments under the lease as lease liabilities. Future lease payments are discounted at an average borrowing rate of 10.25%. Refer to note 1.7 for further information.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
18.1 Reconciliation of lease liability				
Lease liability balance as at 1 April	**6 180**	7 029	**5 660**	7 029
New lease liabilities	**–**	2 551	**–**	1 788
Lease payments	**(2 933)**	(4 673)	**(2 583)**	(4 353)
Finance costs	**858**	1 273	**804**	1 196
Lease liability balance as at 31 March	**4 105**	6 180	**3 881**	5 660
Lease liabilities are presented in the financial statements as follows:				
Current	**2 589**	2 075	**2 365**	1 779
Non-current	**1 516**	4 105	**1 516**	3 881
	4 105	6 180	**3 881**	5 660
18.2 Lease payments				
Lease payments included in the measurement of lease liabilities:	**342**	883	**342**	883
Variable lease payments not included in the measurement of lease liabilities	**1 086**	1 814	**1 086**	1 814
Short-term lease payments				
– Mining asset, buildings and rehabilitation assets	**1 086**	761	**1 086**	761
– Plant, equipment and vehicles	**–**	1 053	**–**	1 053
	1 428	2 697	**1 428**	2 697
18.3 Maturity analysis				
The undiscounted contractual maturities of lease liabilities are as follows:				
Less than one year	**2 304**	2 933	**2 057**	2 583
One year to five year	**2 944**	5 184	**2 944**	4 938
Later than five years	**–**	64	**–**	64
Total undiscounted lease liabilities	**5 248**	8 181	**5 001**	7 585
Finance costs to be incurred in future	**(1 143)**	(2 001)	**(1 120)**	(1 925)
Lease liabilities	**4 105**	6 180	**3 881**	5 660

The average lease term of the Group's portfolio of qualifying leases are:

Mining asset, land and building	0.5 years
Plant, equipment and vehicles	5 years

19. ENVIRONMENTAL REHABILITATION LIABILITY

Foskor Proprietary Limited continually contributes to the Environmental Rehabilitation Trust, to ensure that adequate funds are available to pay for mine closure and reclamation costs. The Environmental Rehabilitation Trust is an irrevocable trust under the Company's control. This note compares the net present value of the rehabilitation liability to the assets held by the Trust. A detailed review was done by independent consultant on the Environmental Rehabilitation Provision which resulted in an increase of the valuation of the liability.

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
19.1 Environmental rehabilitation liability					
At beginning of year		**639 750**	523 155	**639 750**	523 155
Mining rehabilitation liability		**318 011**	218 701	**318 011**	218 701
Decommissioning liability		**321 739**	304 454	**321 739**	304 454
Unwinding of discount	26	**19 548**	19 060	**19 548**	19 060
Adjustment to the mining asset	4	**(136 792)**	80 250	**(136 792)**	80 250
Adjustment to decommissioning asset	4	**2 358**	17 285	**2 358**	17 285
Balance at the end of the year		**524 864**	639 750	**524 864**	639 750
Mining rehabilitation liability		**200 767**	318 011	**200 767**	318 011
Decommissioning liability		**324 097**	321 739	**324 097**	321 739
Environmental Rehabilitation Trust					
Balance at the beginning of the year		**268 558**	242 225	**268 558**	242 225
Movement recognised in profit and loss		**28 841**	(8 678)	**28 841**	(8 678)
– Growth in investment		**28 955**	(8 659)	**28 955**	(8 659)
– Other operating expenses		**(114)**	(19)	**(114)**	(19)
Investments held by the Trust		**297 399**	233 547	**297 399**	233 547
Cash contribution made to the Trust		**35 011**	35 011	**35 011**	35 011
Total assets held by the Trust	9	**332 410**	268 558	**332 410**	268 558
Unfunded portion of rehabilitation liability		**192 454**	371 192	**192 454**	371 192

The financial assets held by the Trust are intended to fund the environmental rehabilitation liability of Foskor Proprietary Limited and are not available for general purposes of the Group. The objective of the Trust is to act as the financial provider for expenditure that its member, Foskor Proprietary Limited, is likely to incur in order to comply with the statutory obligation for the environmental rehabilitation. The Trust is exempt from tax in accordance with section 10(1)(cP) of the Income Tax Act (No. 58 of 1962).

The directors are aware of the estimated cost of rehabilitation and are satisfied that adequate provision is being made to meet this obligation. The disclosure relating to the issuing of guarantees to the Department of Mineral Resources is in note 36.

Gypsum Re-Use and Remediation of Gypsum Dam

Foskor, the Department of Water and Environmental Affairs (DWEA) and the Local Authority are in discussions on the rehabilitation of the Gypsum Dam area. The liability of the rehabilitation and/or closure is the responsibility of Foskor once all the Gypsum is removed. Foskor Management have made a high level estimate of anticipated costs for the closure of the Gypsum waste facility in Richards Bay. Management estimated, in consultation with external experts, who have done similar projects that the closure costs for conventional capping will vary from R350/m^2 to R750/m^2 excluding all the approvals and design related costs. At 31 March 2021 a provision for rehabilitation of R324 million for the closure costs has been made.

19.2 Mine rehabilitation guarantees

The Group had mine rehabilitation guarantees amounting to R499 million at year-end (refer to Note 36). In line with the requirements set out by the Department of Mineral Resources, this guarantee amount was in place at 31 March 2021. These guarantees and the agreement reached with the Department of Mineral and Resources were based on the environmental rehabilitation and closure costs assessment that was performed during the 2021 financial year. Estimated scheduled closure costs for the mine are R586 million. For unscheduled or premature closure, the Department of Mineral and Resources, in accordance with the Minerals and Petroleum Resources Development Act, requires Foskor Proprietary Ltd to provide for the liability of R739 million in the form of guarantees and cash. The premature closure cost of R739 million is covered by guarantees totalling R499 million and investment assets totalling R332 million. The Group has a surplus fund of R92 million.

	Notes	Group AND Company 2021 R'000	2020 R'000
20. RETIREMENT BENEFIT OBLIGATIONS			
Liabilities included in the statement of financial position:			
Post-employment medical benefits	20.2	**139 983**	121 726
Liability in the statement of financial position		**139 983**	121 726
Amounts recognised in profit and loss:			
Defined pension benefits	25	**(2 629)**	(1 147)
Post-employment medical benefits	25	**4 079**	2 890
		1 450	1 743
Remeasurements recognised in other comprehensive income:			
Defined pension benefits		**2 629**	1 147
Post-employment medical benefits		**14 178**	(12 899)
		16 807	(11 752)
Tax effect		**(4 706)**	3 291
Net of tax effect		**12 101**	(8 461)

20.1 Defined pension benefits

The Group operates a post-employment pension scheme covering certain employees who were employed by the Company prior to 1995. The fund is a defined benefit (DB) fund that is closed to new members. The pension fund is funded by plan assets. The assets of the fund are held in an independent trustee-administered fund. The investment policy of the fund adheres to the requirements of revised Regulation 28 of the Pension Funds Act of 1956, and was established in accordance with PF Circular 130 issued by the Financial Services Board (FSB) as far as this was practical and appropriate.

The trustees of the fund are ultimately responsible for the fund's assets, the investment of those assets and assets investment performance. A separate cash portfolio has been established to handle the need for liquidity and the cash portfolio is typically topped up via disinvestments from the market-linked portfolio to a level approximately four to six month's worth of pensioner payments. The Trustees cannot relinquish or cede these responsibilities. However, the Trustees are permitted to delegate certain actions an activities related to the management of the fund's assets. The liability is valued every year using the projected unit credit method. Following a *quid pro quo* tripartite agreement in 2006 between the employer, pensioners and the Pension Fund, the employer guarantees a minimum increase in pensions each year of 75% of the increase in inflation, as measured by the Consumer Price Index (CPI). Any amendments to this policy shall be after negotiation between the three parties.

The latest actuarial valuation was performed on 31 March 2021.

The amounts recognised in the statement of financial position are determined as follows:

	Group AND Company 2021 R'000	2020 R'000
Present value of funded obligations	**297 070**	274 560
Fair value of plan assets	**(342 562)**	(300 415)
Pension fund surplus	**(45 492)**	(25 855)
Impact of asset ceiling	**45 492**	25 855
Liability in the statement of financial position at 31 March	**–**	–

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.1 Defined pension benefits continued

The movement in the defined benefit obligation over the year is as follows:

	Group AND Company			
	Present value of obligation R'000	Fair value of plan assets R'000	Asset ceiling R'000	Total R'000
At 1 April 2019	309 772	(356 992)	47 220	–
Current service cost	715	–	–	715
Interest expense/(income)	30 893	(33 665)	–	(2 772)
	341 380	(390 657)	47 220	(2 057)
Remeasurements:				
Return on plan assets, excluding amounts included in interest income	–	56 502	–	56 502
Gain from change in financial assumptions	(34 855)	–	–	(34 855)
Experience losses				
Change in asset ceiling	–	–	(21 365)	(21 365)
Adjustment	(3 171)	4 036	–	865
Contributions:				
– Plan participants	679	(679)	–	–
– Employers	–	910	–	910
Payments from plans:				
– Benefit payments	(37 449)	37 449	–	–
– Bonus allocation	7 976	(7 976)	–	–
At 31 March 2020	274 560	(300 415)	25 855	–
At 1 April 2020	**274 560**	**(300 415)**	**25 855**	**–**
Current service cost	**583**	**–**	**–**	**583**
Interest expense/(income)	**32 649**	**(36 436)**	**–**	**(3 787)**
	307 792	**(336 851)**	**25 855**	**(3 204)**
Remeasurements:				
Return on plan assets, excluding amounts included in interest income	**–**	**(39 251)**	**–**	**(39 251)**
Gain from change in financial assumptions	**19 324**	**–**	**–**	**19 324**
Pension increase	**(4 975)**	**–**	**–**	**(4 975)**
Change in asset ceiling	**–**	**–**	**19 637**	**19 637**
Adjustment	**4 067**	**3 827**	**–**	**7 894**
Contributions:				
– Plan participants	**953**	**(953)**	**–**	**–**
– Employers	**–**	**575**	**–**	**575**
Payments from plans:				
– Benefit payments	**(32 787)**	**32 787**	**–**	**–**
– Bonus allocation	**2 696**	**(2 696)**	**–**	**–**
At 31 March 2021	**297 070**	**(342 562)**	**45 492**	**–**

The discount rate of 12.56% (2020: 12.81%) has been based on the 12 year yield (in accordance with the discounted mean term of the liabilities) from the South African government bond yield curve at 31 March 2021.

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.1 Defined pension benefits continued

The amounts recognised in the statement of comprehensive income are as follows:

	Note	Group AND Company 2021 R'000	2020 R'000
Current service cost		582	715
Net interest cost		(3 786)	(2 772)
Employer contributions		575	910
Total, included in staff costs	25	(2 629)	(1 147)
Recognised in other comprehensive income:			
Actuarial loss		2 629	1 147

Plan assets are comprised as follows:

	Group and Company 2021			
	Listed R'000	Unlisted R'000	Total R'000	%
Equity instruments	188 039	30	188 069	55
Global equities	71 267	–	71 267	
Financial services	26 848	30	26 878	
Consumer goods	15 028	–	15 028	
Consumer services	23 178	–	23 178	
Basic materials	30 591	–	30 591	
Industrials	2 541	–	2 541	
Healthcare	2 995	–	2 995	
Telecommunications	2 231		2 231	
Technology	8 883		8 883	
Other	2 417		2 417	
Other – ALSI 40 futures and offshore hedging	2 060	–	2 060	
Debt	111 830	–	111 830	33
Corporate bonds (investment grade)	55 633	–	55 633	
Government bonds	35 519	–	35 519	
Corporate bonds (non-investment grade)	17 394	–	17 394	
Other	3 284	–	3 284	
Cash	23 616	–	23 616	7
Property (South Africa)	5 892	–	5 892	2
Other	13 699	–	13 699	3
Total	343 076	30	343 106	100

20. RETIREMENT BENEFIT OBLIGATIONS continued

Defined pension benefits continued

	Group AND Company			
	2020			
	Listed R'000	Unlisted R'000	Total R'000	%
Equity instruments	139 494	36	139 530	47
Global equities	61 480		61 480	
Financial Services	18 837	36	18 873	
Consumer goods	12 171	–	12 171	
Consumer services	15 589	–	15 589	
Basic materials	13 880	–	13 880	
Industrials	1 949	–	1 949	
Healthcare	3 524	–	3 524	
Telecommunications	1 101	–	1 101	
Technology	10 963	–	10 963	
Debt	111 071	–	111 071	37
Corporate bonds (investment grade)	62 022	–	62 022	
Government bonds	30 110	–	30 110	
Foreign bonds	17 980	–	17 980	
Other	959	–	959	
Cash	24 221	–	24 221	8
Property (South Africa)	6 662	–	6 662	2
Other	17 606	–	17 606	6
Total	299 054	36	299 090	100

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

Different asset classes experience different volatilities of return. This risk may be reduced by diversifying the portfolio between the asset classes which are expected to have relatively low correlation and investing a greater proportion in assets typically displaying lower volatility, such as cash and short-term bonds. The risk of volatility becomes gradually more unacceptable as members approach the end of their investment time-horizon. However, it is more appropriate to consider volatility risk in relation to the volatility of the cost to purchase post-retirement annuity income. The Trustees have adopted a policy of diversification across various asset classes and managers.

Negative real returns

This arises if the nominal returns fall below the rate of inflation and the real value of assets declines over time. This risk is reduced over the long term by investing in a portfolio designed to minimise this risk through investing in assets that are assumed to provide a hedge against inflation such as equities, offshore assets and properties (so-called "real assets" or"growth assets"). Due to the volatility of most of these asset classes, and especially the equity market, it may not be possible to completely eliminate this risk over the short term. The Trustees have selected investment portfolios which aim to minimise this risk.

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.1 Defined pension benefits continued

Asset manager risk

The risk exists that a particular asset manager employed by the fund could under perform its peers, resulting in poor peer relative returns. Manager specific risk is thus reduced by investing in a number of portfolios managed by different reputable investment managers with diversified styles. The Investment sub-committee shall request and review the fidelity cover and continually review the qualitative as well as quantitative factors of current investment managers.

Inflation risk

The pension increase policy of the Foskor Pension Fund is for an annual pension increase calculated as 75% of the annual change in the November CPI index. Higher inflation will lead to higher liabilities. The Trustees aim to earn a long-term positive real return of at least CPI +6% (net of investment fees) per annum. This level of return is estimated as the minimum requirement to enable the fund to grant increases to pensions in line with CPI.

Interest rate risk

A decrease in corporate bond yields will result in a decrease in the discount rate and therefore an increase in scheme liabilities.

The principle actuarial assumptions used were as follows:

	Group AND Company	
	2021 R'000	2020 R'000
– Discount rate	**12.56%**	12.81%
– CPI inflation rate	**8.03%**	7.41%
– Expected return on plan assets	**12.56%**	12.81%
– Future salary increases	**9.03%**	8.41%
– Future pension increases	**8.71%**	8.04%
– Normal retirement age	**60**	60
– Pre-retirement mortality	**Nil**	Nil
– Post-retirement mortality	**PA-90-2**	PA-90-2

The discount rate of 12.56% (2020: 12.81%) has been based on the 12 year yield (in accordance with the discounted mean term of the liabilities) from the South African government bond yield curve at 31 March 2021.

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.1 Defined pension benefits continued

The sensitivity of the overall pension liability to changes in the weighted principal assumptions are:

	Group AND Company Impact on overall liability 2021 %
Discount rate (increase of 1%)	6.60
Discount rate (decrease of 1%)	7.50

An increase of 1% will lead to an decrease of R19.2 million of the accrued liability and a decrease of 1% will lead to a increase of R21.9 million of the accrued liability.

	Group AND Company Impact on overall liability 2021 %
Salary Increases (increase of 1%)	0.10
Salary Increases (decrease of 1%)	0.10

An increase of 1% will lead to an increase of R327,000 of the accrued liability and a decrease of 1% will lead to a decrease of R323,000 of the accrued liability.

	Group AND Company Impact on overall liability 2021 %
Pension Increases (increase of 1%)	7.60
Pension Increases (decrease of 1%)	6.70

An increase of 1% will lead to an increase of R22.1 million of the accrued liability and a decrease of 1% will lead to a decrease of R19.7 million of the accrued liability.

	Group AND Company Impact on overall liability	
	2021 %	2020 %
Inflation rate (increase of 1%)	8.4	8.1
Inflation rate (decrease of 1%)	7.4	7.1

An increase of 1% will lead to an increase of R24.5 million of the accrued liability and a decrease of 1% will lead to a decrease of R21.5 million of the accrued liability. The expected contribution to the post-employment scheme for the year ending 31 March 2021 is R514 000.

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.2 Post-employment medical obligation

The Group provides post-employment healthcare benefits to its retirees who were employed by the Company on or before 1 July 1995. The same benefits are provided to a specific Group of employees employed before 1 July 1996.

The Group operates a post-employment medical obligation scheme. The liability is valued every year using the projected unit credit method. The latest actuarial valuation was performed on 31 March 2021.

The amounts recognised in the statement of financial position are determined as follows:

	Group AND Company	
	2021 R'000	2020 R'000
Present value of unfunded obligations	139 983	121 726
Liability in the statement of financial position	**139 983**	121 726

The are no planned assets for the post-employment medical obligation.

The movement in the defined benefit obligation over the year is as follows:

	Group AND Company
	Present value of obligations R'000
At 1 April 2019	129 929
Current service cost	524
Interest expense	12 220
	142 673
Remeasurements:	
Gain from change in demographic assumptions	–
Loss from change in financial assumptions	(19 056)
Other experience gains	6 157
	1 806
Contributions:	
– Employer	(9 854)
At 31 March 2020	121 726
At 1 April 2020	**121 726**
Current service cost	**483**
Interest expense	**14 098**
Contributions paid	**(10 502)**
	125 805
Remeasurements:	
Loss from change in financial assumptions	**14 178**
At 31 March 2021	**139 983**

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.2 Post-employment medical obligation continued

	Note	Group AND Company 2021 R'000	2020 R'000
The amounts recognised in profit and loss were as follows:			
Current service cost		**483**	524
Interest cost		**14 098**	12 220
Contributions paid		**(10 502)**	(9 854)
Total, included in staff costs	25	**4 079**	2 890
Remeasurements recognised in other comprehensive income:			
Actuarial loss/(gain)		**14 178**	(12 899)

Through its post-employment medical plan, the Group is exposed to the following risks:

Inflation risk

Healthcare cost inflation i.e. the risk of medical scheme contributions will be higher than expected.

Life expectancy

The plans obligation is to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities

Market risk

The Company is also at risk of the market conditions changing and more conservative financial assumptions will be required when the valuation is performed. This will, however, not impact on the actual payments made by the Company but only the liability on the statement of financial position.

The principal actuarial assumptions for the medical obligation were:

%	Group AND Company 2021	2020
– Discount rate	**10.70%**	12.14%
– General inflation rate	**6.87%**	6.90%
– Medical inflation rate	**8.37%**	8.40%
– Normal retirement age	**60/65**	60/65
– Expected rate of salary increases	**7.87%**	7.90%
– Pre-retirement mortality	**SA85-90 (light)**	SA85-90 (light)
– Post-retirement mortality	**PA90-2**	PA90-2

20. RETIREMENT BENEFIT OBLIGATIONS continued

20.2 Post-employment medical obligation continued

The sensitivity of the overall medical liability to changes in the weighted principal assumptions is:

	Group AND Company	
	Impact on overall liability	
	2021	2020
Inflation rate (increase of 1%)	9.3	9.4
Inflation rate (decrease of 1%)	8.1	8.2

The annual expense for the year ended 31 March 2021 was R14.58 million (2020: R12.74 million)

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Trade payables	987 273	644 079	982 267	642 534
Accrued expenses	439 417	219 922	439 417	219 922
Leave	73 621	55 476	73 621	55 476
Sundry payables[1]	18 378	20 872	18 251	20 652
	1 518 689	940 349	1 513 556	938 584

[1] *Sundry payables as at 31 March 2021 includes sundry creditors of R4.8 million (2020:R9.4 million) and payroll provisions of R11.3 million (2020: R11.2 million)*

22. PROVISIONS

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Bonus[1]	17 045	17 963	17 045	17 963
Demurrage[2]	23 967	36 754	23 967	36 754
Total	41 012	54 717	41 012	54 717
Movement in the bonus provision:				
At 1 April	17 963	16 098	17 963	16 098
Additional provisions	28 888	29 823	28 888	29 823
Unused provision reversed	(652)	–	(652)	–
Utilised during period	(29 154)	(27 958)	(29 154)	(27 958)
At 31 March	17 045	17 963	17 045	17 963
Movement in the demurrage provision:				
At 1 April	36 754	22 828	36 754	22 828
Additional provisions	(2 985)	17 735	(2 985)	17 735
Unused provisions reversed	–	(585)	–	(585)
Utilised during period	(9 802)	(3 224)	(9 802)	(3 224)
At 31 March	23 967	36 754	23 967	36 754

[1] *Bonus provision comprises 13th cheque bonuses R23 million (2020: R7.8 million) and short-term incentive plan R8.5 million (2020: R10.1 million)*

[2] *Demurrage is penalty payable to a ship owner if the agreed loading time is not honoured.*

23. REVENUE

Foskor generates its Revenue from the following main sources related to the core activities of the Group:

	Local sales within South Africa		Export sales to territories outside of South Africa		Total Revenue	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Mining Division Revenue	**314 772**	132 108	**761 331**	910 489	**1 076 103**	1 042 597
Phosphate Rock	**155 266**	116 722	**761 331**	910 489	**916 597**	1 027 211
Magnetite	**159 506**	15 386	**–**	–	**159 506**	15 386
Acid Division Revenue	**2 501 003**	2 458 913	**877 587**	492 687	**3 378 590**	2 951 600
Granular Fertiliser sales	**1 554 035**	1 310 544	**–**	–	**1 554 035**	1 310 544
Phosphoric Acid sales	**881 390**	832 205	**877 587**	492 687	**1 758 977**	1 324 892
Sulphuric Acid sales	**25 983**	306 395	**–**	–	**25 983**	306 395
Sulphur, Ammonia & Gypsum Sales	**39 595**	9 769	**–**	–	**39 595**	9 769
Company Revenue	**2 815 775**	2 591 021	**1 638 918**	1 403 176	**4 454 693**	3 994 197
Subsidiaries Income	**865**	2 312	**–**	–	**865**	2 312
Group Revenue	**2 816 640**	2 593 333	**1 638 918**	1 403 176	**4 455 558**	3 996 509

Unsatisfied performance obligations

All unsatisfied performance obligations at year end have a term of less than one year, accordingly in line with the requirements of IFRS 15, these are not disclosed. These relate to customers that have placed orders at the end of the financial year with expected delivery within the first month of the new financial year.

Other income

Other income comprises income earned on activities that are not considered part of the core activities of Foskor but ancillary to them or from activities undertaken on an ad-hoc basis.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Rental income	**1 209**	4 133	**1 209**	4 133
Rebates	**35 413**	31 937	**35 413**	31 937
Royalties income	**88 698**	46 395	**88 698**	46 395
Scrap sales	**3 141**	5 358	**3 141**	5 358
Management fee	**184 008**	20 872	**186 588**	20 872
Other income	**6 674**	5 657	**9 916**	8 193
Total other income	**319 143**	114 352	**324 965**	116 888

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
24. EXPENSES BY NATURE					
Loss on disposal of property, plant and equipment	4	**8**	103	**1**	103
Auditors' remuneration		**5 055**	3 618	**5 055**	3 618
– Audit fee		**4 712**	3 016	**4 712**	3 016
– Expenses		**343**	602	**343**	602
Depreciation of property, plant and equipment	4	**333 116**	361 026	**332 573**	360 489
– Mining assets, land and buildings		**47 195**	42 327	**46 546**	42 142
– Plant, equipment and vehicles		**285 921**	318 699	**286 027**	318 347
Amortisation of intangible assets	5	**3 325**	3 423	**3 325**	3 423
Lease charges		**1 428**	2 697	**1 428**	2 697
– Property rentals		**1 086**	2 697	**1 086**	2 697
– Equipment		**342**	–	**342**	–
Repairs and maintenance		**628 544**	539 702	**628 544**	539 702
Raw materials		**741 143**	786 979	**741 143**	786 979
Electricity		**508 621**	412 145	**508 621**	412 145
Water		**146 325**	141 131	**146 325**	141 131
Fuel		**210 693**	230 681	**210 693**	230 681
Distribution costs		**798 263**	849 280	**801 062**	849 280
Usage – other		**56 409**	56 100	**56 409**	56 100
Reagents		**170 835**	110 782	**170 835**	110 782
Blasting material		**89 081**	88 214	**89 081**	88 214
Drilling costs		**111 230**	74 685	**111 230**	74 685
Milling media		**61 034**	43 555	**61 034**	43 555
Effluent discharge		**75 395**	66 263	**75 395**	66 263
Mining ore		**96 915**	119 094	**96 915**	119 094
Insurance		**48 179**	39 551	**48 179**	39 551
Services		**161 963**	138 586	**161 963**	138 586
Safety, health, environment and quality		**58 233**	26 628	**58 233**	26 628
Travel and subsistence expense		**4 164**	7 403	**4 164**	7 403
Training and development		**2 036**	3 751	**2 036**	3 751
Employee benefit expense	25	**1 164 444**	1 050 389	**1 164 444**	1 050 389
Gain on share base payment	17.3	**(839)**	(442)	**(839)**	(442)
Other expenses		**(13 766)**	393 076	**(14 303)**	388 938
Total expenses		**5 461 834**	5 548 420	**5 463 546**	5 543 745
Comprising:					
Cost of sales		**4 346 037**	4 419 406	**4 353 904**	4 413 163
Distribution expenses		**798 263**	849 280	**801 062**	849 280
Administrative expenses		**317 534**	279 734	**308 580**	281 302
		5 461 834	5 548 420	**5 463 546**	5 543 745

25. EMPLOYEE BENEFIT EXPENSE

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Salaries and wages		**970 633**	895 718	**970 633**	895 718
Bonus		**57 370**	47 650	**57 370**	47 650
Pension costs: Defined contribution plans		**80 059**	77 935	**80 059**	77 935
Post-employment medical liability	20.2	**4 079**	2 890	**4 079**	2 890
Defined pension benefits	20.1	**(2 629)**	(1 147)	**(2 629)**	(1 147)
Other staff costs		**54 932**	27 343	**54 932**	27 343
Total employee expense		**1 164 444**	1 050 389	**1 164 444**	1 050 389

26. FINANCE INCOME AND COST

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Finance cost:					
– Bank borrowings		**(327 059)**	(221 534)	**(327 059)**	(221 534)
– Lease interest		**(804)**	(1 195)	**(804)**	(1 195)
– Unwinding of discount on the environmental liability	19.1	**(19 548)**	(19 060)	**(19 548)**	(19 060)
– Interest paid – other		**(10 358)**	(15 856)	**(11 734)**	(18 135)
Total finance cost		**(357 769)**	(257 645)	**(359 145)**	(259 924)
Less: Amounts capitalised on qualifying assets		**2 041**	7 942	**2 041**	7 942
Finance cost		**(355 728)**	(249 703)	**(357 104)**	(251 982)
Finance income:					
– Interest income from banks		**3 805**	11 925	**3 373**	11 473
– Interest income – other		**10 940**	29 442	**10 940**	29 225
		14 745	41 367	**14 313**	40 698
Financial assets designated at fair value through profit or loss		**39 763**	(1 343)	**39 763**	(1 343)
– Interest and dividends income		**4 556**	4 736	**4 556**	4 736
– Fair value gains		**35 207**	(6 079)	**35 207**	(6 079)
Total finance income		**54 508**	40 024	**54 076**	39 355
Net finance cost		**(301 220)**	(209 679)	**(303 028)**	(212 627)

Financial assets designated at fair value through profit or loss are unit trust and equity shares held by the Foskor Rehabilitation Trust.

27. NET FOREIGN EXCHANGE GAIN

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
The exchange differences (charged)/credited to profit or loss are included as follows:				
Foreign transaction losses	**(26 890)**	(21 625)	**(26 890)**	(21 609)
– Foreign exchange transaction losses	**(26 890)**	(21 625)	**(26 890)**	(21 609)
Foreign transaction profits	**50 316**	42 212	**50 306**	42 212
– Foreign exchange transaction profits	**50 316**	42 212	**50 306**	42 212
Net foreign exchange gain	**23 426**	20 587	**23 416**	20 603

Included in the net foreign exchange gain/(loss) is a fair value of R0.175 million (2020: R0.301 million) recognised as fair value through profit or loss.

28. INCOME TAX EXPENSE

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Tax charge:				
South African normal income tax				
Normal current tax:				
– Current tax on profits for the year	**–**	(243)	**–**	–
Total current tax	**–**	(243)	**–**	–
Deferred tax (refer to Note 14)				
Origination and reversal of temporary differences	**522 370**	682 537	**521 984**	682 209
– Deferred tax assets reversal	**(799 816)**	–	**(799 816)**	–
– Prior year correction	**(581)**	–	**–**	–
– Under/(over) - provision prior year	**4 207**	(45 124)	**4 207**	(45 083)
– PRMA Charge to other comprehensive income	**545**	(797)	**545**	(797)
Total deferred tax	**(273 275)**	636 616	**(273 080)**	636 329
Income tax expense	**(273 275)**	636 373	**(273 080)**	636 329

28. INCOME TAX EXPENSE continued

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Reconciliation of tax rate	**%**	%	**%**	%
Standard rate	**28.00**	28.00	**28.00**	28.00
Permanent differences	**(0.28)**	(0.10)	**(0.28)**	(0.10)
Learnership allowances	**0.09**	0.12	**0.09**	0.12
Donations	**(0.02)**	(0.10)	**(0.02)**	(0.10)
Fair value adjustment – IFRS 15	**–**	(0.03)	**–**	(0.03)
Repairs and maintenance	**–**	(0.09)	**–**	(0.09)
Fair value adjustments – intercompany	**(0.13)**	–	**(0.13)**	–
Interest on long-term liability	**(0.04)**	–	**(0.04)**	–
Non-deductible guarantee fees	**(0.14)**	–	**(0.14)**	–
Non-deductible interest	**(0.04)**	–	**(0.04)**	–
Deferred tax through other comprehensive income	**(0.03)**	(0.08)	**(0.03)**	(0.08)
Prior year adjustments	**(0.33)**	2.31	**(0.33)**	2.31
Effective rate	**27.36**	30.13	**27.36**	30.13

The tax credit relating to components of other comprehensive income is as follows:

	Group AND Company Before tax R'000	Group AND Company Tax credit R'000	Group AND Company After tax R'000
2021			
Remeasurement of post-employment benefit	**(16 807)**	**4 706**	**(12 101)**
Other comprehensive loss	**(16 807)**	**4 706**	**(12 101)**
2020			
Remeasurement of post-employment benefit	11 752	(3 291)	8 461
Other comprehensive income	11 752	(3 291)	8 461

29. CASH GENERATED FROM OPERATIONS

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Reconciliation of profit for the year:					
Loss before taxation		**(1 930 399)**	(2 267 571)	**(1 924 980)**	(2 266 914)
Adjustments for:					
– Depreciation	24	**333 116**	361 026	**332 573**	360 489
– Impairment of assets	4	**892 282**	599 381	**892 282**	599 381
– Amortisation of intangible assets	24	**3 325**	3 423	**3 325**	3 423
– Loss on disposal of property, plant and equipment	4	**8**	103	**1**	103
– Post–employment obligation movement	20	**1 451**	1 743	**1 451**	1 743
– Gain on share-based payment expense	17.3	**(839)**	(442)	**(839)**	(442)
– Foreign exchange gain	27	**(23 426)**	(20 587)	**(23 416)**	(20 603)
– Foreign exchange derivative		**175**	14 046	**175**	14 046
– Net finance cost	26	**301 220**	209 679	**303 028**	212 627
– Provision for legal liability	31	**–**	128 084	**–**	128 084
Changes in working capital:					
Inventory		**(694 354)**	128 676	**(694 354)**	128 676
Trade and other receivables		**(121 508)**	129 806	**(124 082)**	134 198
Derivative financial assets		**8 139**	(8 460)	**8 139**	(8 460)
Derivative financial liabilities		**(22 222)**	6 268	**(22 279)**	6 308
Trade and other payables		**578 340**	(118 174)	**574 973**	(116 405)
Other provisions		**(23 401)**	15 791	**(13 705)**	15 791
Total changes in working capital		**(275 006)**	153 907	**(271 308)**	160 108
Cash utilised in operations		**(698 093)**	(815 036)	**(687 708)**	(807 955)

30. BORROWING FACILITIES

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Cash and cash equivalents	13	**311 982**	357 673	**308 426**	355 500
Long-term interest-bearing loans	30.1	**(3 596 916)**	(2 464 226)	**(3 596 916)**	(2 464 226)
Short-term interest-bearing loans	30.2	**(236 744)**	(236 046)	**(236 744)**	(236 046)
Net debt		**(3 521 678)**	(2 342 599)	**(3 525 234)**	(2 344 772)
Total borrowing facilities		**3 646 804**	3 420 000	**3 646 804**	3 420 000
Available for utilisation		**125 126**	1 077 401	**121 570**	1 075 228
Rand-denominated facilities					
30.1 Long-term interest-bearing facilities:					
Total facility		**3 312 304**	3 000 000	**3 312 304**	3 000 000
Utilised		**(3 293 958)**	(2 464 226)	**(3 293 958)**	(2 464 226)
Available		**18 346**	535 774	**18 346**	535 774
Long-term interest-bearing facilities					
Opening balance		**2 464 226**	1 182 464	**2 464 226**	1 182 464
Additional loan		**829 732**	1 191 706	**829 732**	1 191 706
Capitalised interest		**302 958**	90 056	**302 958**	90 056
Total long-term loans		**3 596 916**	2 464 226	**3 596 916**	2 464 226

The R3.3 billion is a long-term interest bearing facility granted by the Industrial Development Corporation (IDC). The purpose of the loan was for working capital and plant and equipment expenditure. Total utilised for plant and equipment as at 31 March 2021 of R157 million. Total utilised facility for working capital was R672 million as at 31 March 2021. Increase in long-term loans during the year as a result of additional loans received from IDC. The long term interest-bearing loans are not secured by any assets of the Group. Foskor ceded its rights, title and interest on all insurance policies to the lender, Industrial Development Corporation (IDC). Terminal drawing date is 31 March 2028. The loan is subject to two year moratorium on capital repayment from the first drawdown date.

The working capital loan is repayable by 31 March 2028 and the plant and equipment loan shall be repaid in 14 equal instalments. Repayment amount shall be determined by the lender.

30. BORROWING FACILITIES continued

30.2 Short-term interest-bearing facilities:

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Total committed facility		**334 500**	420 000	**334 500**	420 000
Utilised		**(236 744)**	(236 046)	**(236 744)**	(236 046)
Available		**97 756**	183 954	**97 756**	183 954
Repayable within 12 months (current)					
– Opening balance		**236 046**	299 673	**236 046**	299 673
– Proceeds/(repayment) of short-term interest-bearing facilities		**698**	(63 627)	**698**	(63 627)
Total short-term loans		**236 744**	236 046	**236 744**	236 046

The R335 million short-term interest-bearing facilities were raised from various South African financial institutions. These loans are available for a maximum period of 12 months and are renewed annually.

30.3 Guarantees:

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Total facility from banks		**606 200**	606 200	**606 200**	606 200
Utilised	36	**(557 144)**	(557 144)	**(557 144)**	(557 144)
Available		**49 056**	49 056	**49 056**	49 056

30.4 Letters of credit:

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Total facility from banks		**209 585**	222 041	**209 585**	222 041
Utilised		**(86 230)**	(145 080)	**(86 230)**	(145 080)
Available		**123 355**	76 961	**123 355**	76 961

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
31. LEGAL LIABILITY				
Long-term legal liability				
Opening balance	**88 084**	–	**88 084**	–
Additional liability	**–**	150 000	**–**	150 000
Finance costs	**2 936**	(21 916)	**2 936**	(21 916)
Transfer to short-term legal liability	**(55 639)**	(40 000)	**(55 639)**	(40 000)
Total long term-legal liability	**35 381**	88 084	**35 381**	88 084
Short-term legal liability				
Opening balance	**40 000**	–	**40 000**	–
Additional liability	**55 639**	40 000	**55 639**	40 000
Repayment	**(40 639)**	–	**(40 639)**	–
Total short-term legal liability	**55 000**	40 000	**55 000**	40 000

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
32. COMMITMENTS				
Capital commitments				
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:				
Property, plant and equipment	**81 048**	49 016	**81 048**	49 016
Total capital commitments	**81 048**	49 016	**81 048**	49 016

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
33. GAINS OR LOSSES FROM FINANCIAL ASSETS				
The gains and losses from financial assets classified as fair value through profit and loss consist of the following:				
Gains and losses on financial investments	**1 298**	3 804	**1 298**	2 494
Gains and losses on foreign exchange derivatives	**(175)**	(14 046)	**(175)**	(14 046)
Total	**1 123**	(10 242)	**1 123**	(11 552)

34. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

34.1 Irregular expenditure

Irregular expenditure is defined as expenditure incurred in contravention of, or that is not in accordance with PFMA and any applicable legislation.

Irregular expenditure identified and incurred in current year, is disclosed below:

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Irregular expenditure incurred in previous years	–	–	–	–
Irregular expenditure incurred in current year	1 371 363	–	1 371 363	–
Closing balance	**1 371 363**	**–**	**1 371 363**	**–**

The majority of the irregular expenditure disclosed in the financial statements was caused by procurement of goods, works or service which was not done in line with the PFMA and Treasury Regulations requirements for fair, equitable, transparent and competitive procurement process. In addition, some of the procurement above R30 000 was not done in accordance with the Preferential Procurement Policy Framework Act (PPPFA).

The entity's exemption from PFMA compliance was lifted in October 2020, and as a result management did not have adequate time to put systems in place and train its staff to ensure full compliance.

The value of irregular expenditure disclosed above may not be a complete and accurate picture as management was still in the process of quantifying the full extent of the irregular expenditure.

34.2 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

There was no fruitless and wasteful expenditure identified by management in the current financial year.

35. FINANCIAL INSTRUMENTS

35.1 Financial instruments by category

	Notes	2021 Estimated fair value R'000	2021 Carrying value R'000	2020 Estimated fair value R'000	2020 Carrying value R'000
GROUP					
Financial assets					
The carrying amount and fair values of financial assets are as follows:					
At amortised cost					
Environmental Rehabilitation Trust	9.2	**1 299**	**1 299**	1 228	1 228
Other loans and receivables (excluding prepayments)	11	**169 612**	**169 612**	155 884	155 884
Cash and cash equivalents	13	**311 982**	**311 982**	357 673	357 673
Trade receivables – Factored	11	**375 064**	**378 036**	287 565	290 582
Trade receivables – Non-factored	11	**35 988**	**59 972**	114 914	156 498
At fair value through profit and loss					
Derivative financial instruments	12	**321**	**321**	8 791	8 460
Environmental Rehabilitation Trust investments	9.1	**331 111**	**331 111**	267 330	267 330
Foskor Zirconia (Pty) Ltd	9.3	**–**	**–**	15 000	15 000
Richard's Bay Ammonium Consortium Investment	9.4	**12 018**	**12 018**	13 449	13 449
Total financial assets		**1 237 395**	**1 264 351**	1 221 834	1 266 104
Liabilities					
Financial liabilities at amortised cost					
Lease liability	18	**4 105**	**4 105**	6 180	6 180
Trade payables (including accrued expenses)	21	**1 426 690**	**1 426 690**	884 873	884 873
Long-term interest-bearing loan	30.1	**3 596 916**	**3 596 916**	2 464 226	2 464 226
Current portion on interest-bearing loans	30.2	**236 744**	**236 744**	236 046	236 046
At fair value through profit and loss					
Derivative financial instruments	12	**227**	**227**	22 837	22 837
Share buyback option	12	**5 569**	**5 569**	5 626	5 626
Total financial liabilities		**5 270 251**	**5 270 251**	3 619 788	3 619 788

35. FINANCIAL INSTRUMENTS continued

35.1 Financial instruments by category continued

	Notes	2021 Estimated fair value R'000	2021 Carrying value R'000	2020 Estimated fair value R'000	2020 Carrying value R'000
COMPANY					
Financial assets					
The carrying amount and fair values of financial assets are as follows:					
At amortised cost					
Environmental Rehabilitation Trust	9.2	**1 299**	**1 299**	1 228	1 228
Other loans and receivables (excluding prepayments)	11	**169 555**	**169 555**	155 825	155 825
Cash and cash equivalents	13	**308 426**	**308 426**	355 500	355 500
Trade receivables – Factored	11	**375 064**	**378 036**	287 565	290 582
Trade receivables – Non-factored	11	**30 102**	**54 025**	106 545	148 085
At fair value through profit and loss					
Derivative financial instruments	12	**321**	**321**	8 796	8 460
Foskor Zirconia (Pty) Ltd	9.3	**–**	**–**	11 756	15 000
Environmental Rehabilitation Trust investments	9.1	**331 111**	**331 111**	267 330	267 330
Loans to subsidiaries	6	**13 728**	**13 728**	16 204	16 204
Richard's Bay Ammonium Consortium Investment	9.4	**12 013**	**12 013**	13 443	13 443
Total financial assets		**1 241 619**	**1 268 514**	1 224 187	1 271 657
Liabilities					
Financial liabilities at amortised cost					
Lease liability	18	**3 881**	**3 881**	5 660	5 660
Trade payables (including accrued expenses)	21	**1 421 684**	**1 421 684**	862 456	862 456
Long-term interest-bearing loan	30	**3 596 916**	**3 596 916**	2 464 226	2 464 226
Current portion on interest-bearing loans	30	**236 744**	**236 744**	236 046	236 046
Loans from subsidiaries	6	**221 914**	**221 914**	221 969	221 969
At fair value through profit and loss					
Derivative financial instruments	12	**227**	**227**	22 837	21 350
Total financial liabilities		**5 481 366**	**5 481 366**	3 813 194	3 811 707

35. FINANCIAL INSTRUMENTS continued

35.1 Financial instruments by category continued

The fair value of financial assets and liabilities is determined by reference to the quoted market price and valuation techniques; otherwise the carrying value approximates their fair value. An analysis of financial assets and liabilities carried at fair value is set out below:

		Group			
		2021			
	Notes	R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Environmental Rehabilitation Trusts Investments	9.1	**815**	**212 221**	**33 273**	**246 309**
Derivative financial instruments	12	**–**	**321**	**–**	**321**
		815	**212 542**	**33 273**	**246 630**
Liabilities					
At fair value through profit and loss					
Derivative financial instruments	12	**–**	**(227)**	**–**	**(227)**
Share buyback option	12	**–**	**–**	**(5 569)**	**(5 569)**
		–	**(227)**	**(5 569)**	**(5 796)**

		2020			
	Notes	R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Foskor Zirconia (Pty) Ltd	9.3	–	–	15 000	15 000
Environmental Rehabilitation Trusts Investments	9.1	658	183 596	26 436	210 690
Derivative financial instruments	12	–	8 791	–	8 791
		658	192 387	41 436	234 481
Liabilities					
At fair value through profit and loss					
Derivative financial instruments	12	–	(22 387)	–	(22 387)
Share buyback option	12	–	–	(5 626)	(5 626)
		–	(22 387)	(5 626)	(28 013)

35. FINANCIAL INSTRUMENTS continued

35.1 Financial instruments by category continued

	Notes	Company 2021 R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Loans to subsidiaries	6	**–**	**–**	**13 728**	**13 728**
Environmental Rehabilitation Trust investments	9.1	**815**	**212 221**	**33 273**	**246 309**
Derivative financial instruments	12	**–**	**321**	**–**	**321**
		815	**212 542**	**47 001**	**260 358**
Liabilities					
At fair value through profit and loss					
Derivative financial instruments	12	**–**	**(227)**	**–**	**(227)**
		–	**(227)**	**–**	**(227)**

	Notes	2020 R'000 Level 1	R'000 Level 2	R'000 Level 3	R'000 Total
Assets					
At fair value through profit and loss					
Foskor Zirconia (Pty) Ltd	9.3	–	–	11 756	11 756
Loans to subsidiaries	6	–	–	16 204	16 204
Environmental Rehabilitation Trust investments	9.1	658	183 596	26 436	210 690
Derivative financial instruments	12	–	8 791	–	8 791
		658	192 387	54 396	247 441
Liabilities					
At fair value through profit and loss					
Derivative financial instruments	12	–	(22 387)	–	(22 387)
Share buyback option	12	–	–	–	–
		–	(22 387)	–	(22 387)

35. FINANCIAL INSTRUMENTS continued

35.1 Financial instruments by category continued

Financial risk management
The principal financial risks arising from the Group activities are credit risk, liquidity risk and those related to market risk (price risk, currency risk and interest rate risk).

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk.

(a) Financial Instruments in Level 1
The fair value of instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily available from a regulatory agency and they represent actual market transactions on an arm's length basis.

These financial instruments are valued using unadjusted quoted prices in active markets for identical financial instruments.

This category includes exchange traded derivatives.

(b) Financial Instruments in Level 2
The fair value of instruments that are not traded in active markets is determined by using valuation techniques at the reporting date. These techniques maximise use of observable market data and rely less on entity specific estimates. Valuation techniques used to value instruments in this level include:

– The fair value of forward exchange contracts determined using forward exchange rates at the reporting date .

– Quoted market prices or dealer quotes for similar instruments.

– The fair value of forward exchange contracts determined using forward exchange rates at the reporting date.

– Quoted market prices or dealer quotes for similar instruments.

These financial instruments are valued using techniques based significantly on observable market data. Instruments in this category are valued using valuation techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data.

(c) Financial Instruments in Level 3
The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values

	Group		Company		
	Foskor Zirconia (Pty) Ltd R'000	Environmental Rehabilitation Trust investments R'000	Foskor Zirconia (Pty) Ltd R'000	Loans to subsidiaries R'000	Environmental Rehabilitation Trust investments R'000
Balance at 1 April 2020	**15 000**	**26 436**	**11 756**	**16 204**	**26 436**
Capital contributions for the year	**–**	**4 500**	**–**	**–**	**4 500**
Fair value adjustment recognised in profit or loss	**(15 000)**	**2 337**	**(11 756)**	**(2 476)**	**2 337**
Balance at 31 March 2021	**–**	**33 273**	**–**	**13 728**	**33 273**

During the year funds contributed by Foskor to the Money Market fund for the Environmental Rehabilitation Trust were allocated to unit trust investments. Changes in the Foskor Zirconia and Loans to subsidiaries were due to fair value valuations and have been accounted for at fair value through profit and loss.

The fair value is determined using the discount valuation method. The Group lending rate of 10% was used as a discount rate. It is based on unobservable market inputs, including prime lending rate plus margin charged by the major shareholder IDC. Cash held by the Environmental Rehabilitation Trust was valued at prevailing money market rate.

35. FINANCIAL INSTRUMENTS continued

35.1 Financial instruments by category continued

The share buyback option has been valued using the Black Scholes Option Pricing model. The following are the key assumptions applied in the model:

	Group	
	2021	2020
Strike price	**6 000 000**	6 000 000
Spot price	**8 496 518**	8 496 518
Discount rate	**6.71%**	10.90%
Dividend yield	**–**	–
Annualised expected volatility	**18.51%**	43.95%

The volatility indicator used in the calculation was based on the market prices of globally listed proxy companies that are in a similar industry and the changes in their share prices over the last 12 months was used to determine the volatility in their share prices.

Changes in the key inputs to a different amount do not result in a significantly higher or lower fair value measurement.

Environmental Rehabilitation Trusts Investments

Inputs for the assets are unit trusts valued against observable and prevailing market data. They also include assets such as cash and money market investments, value of which is not based on observable market value.

35. FINANCIAL INSTRUMENTS continued

35.2 Market risk management

35.2.1 Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. Approximately 60% of the foreign-denominated revenue transactions are covered by forward exchange contracts and zero-cost collar option contracts. These contracts are entered into to cover export earnings of which the proceeds are not yet receivable. The import of raw materials amounting to approximately a third of foreign-denominated revenue transactions is regarded as a natural hedge, which is considered sufficient to mitigate the remaining risk.

Details of the contracts are as follows:

	Group		Company	
	2021	2020	**2021**	2020
Derivatives				
Foreign currency forwards – Exports	**(1 000)**	(5 500)	**(1 000)**	(5 500)
Foreign currency forwards – Imports	**1 000**	8 000	**1 000**	8 000
Foreign currency options	**(1 000)**	–	**(1 000)**	–
Net (export)/import derivative	**(1 000)**	2 500	**(1 000)**	2 500
Average import exchange rate as per USD contract	**R14.77**	R16.74	**R14.77**	R16.74
Average export exchange rate as per USD contract	**R14.95**	R15.47	**R14.95**	R15.47
Spot rate at year end R/US$	**R14.94**	R17.47	**R14.94**	R17.47
The following receivable and payable balances are exposed to exchange rate movements:				
Receivables (less than one year)				
US$ denominated balances at year end – US$'000	**626**	5 016	**626**	5 016
Rand equivalent balances at year end – R'000	**9 362**	87 637	**9 362**	87 637
Payables (less than one year)				
US$ denominated balances at year end – US$'000	**(18 145)**	(7 887)	**(18 145)**	(7 887)
Rand equivalent balances at year end – R'000	**(271 159)**	(137 798)	**(271 159)**	(137 798)
Net payables rand equivalent	**(261 797)**	(50 161)	**(261 797)**	(50 161)
Net (export)/import derivative cover	**(14 953)**	23 205	**(14 953)**	23 205
Net payable rand equivalent	**(276 750)**	(26 956)	**(276 750)**	(26 956)

35. FINANCIAL INSTRUMENTS continued

35.2 Market risk management continued

35.2.1 Foreign currency risk management continued

At 31 March 2021 if the Rand had weakened by 10% against the US Dollar with all other variables held constant, the profit after taxation for the Group for the year would have been R26 million lower (2020: R5 Million lower); conversely, if the Rand had strengthened by 10% against the US Dollar with all other variables held constant, the profit after taxation for the Group would have been R26 million higher (2020: R5 million higher).

This sensitivity analysis considers the impact of a change in the Rand *versus* US Dollar exchange rate on the translation of US Dollar denominated trade receivables and trade payables.

35.2.2 Interest rate risk management

As part of an ongoing restructuring of the borrowing mix and interest rate characteristics of borrowings, the Group restructures funding of operating capital as appropriate. The Group is exposed to cash flow interest rate risk in respect of cash and cash equivalents that earn interest at a variable rate and short- and long-term loans.

The Group invests cash funds on call and in fixed short-term interest-bearing deposits. Interest on these deposits is linked to the prime interest rate.

The Group secured R3.6 billion (2020: R3.4 billion) worth of borrowing facilities during the year. The Group borrows funds on variable contract basis. The utilised facilities attracted interest linked to South African prime rate.

		Group		Company	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents	13	**311 982**	357 673	**308 426**	355 500
Long-term interest-bearing loan	30	**(3 596 916)**	(2 464 226)	**(3 596 916)**	(2 464 226)
Short-term interest-bearing loan	30	**(236 744)**	(236 046)	**(236 744)**	(236 046)
Net debt		**(3 521 678)**	(2 342 599)	**(3 525 234)**	(2 344 772)

At 31 March 2021, if interest rates on financial instruments had been 1% lower with all other variables remaining constant, the profit after taxation for the year would have been R35 million higher (2020: R23 million higher); conversely, if interest rates had been 1% higher with all other variables remaining constant, the profit after taxation for the year would have been R35 million lower (2020: R23 million lower).

35.2.3 Price risk management

Commodity and share price risk

Changes in phosphoric acid fertiliser, sulphur and ammonia prices may have an adverse effect on current or future earnings. The phosphoric acid, fertiliser, sulphur and ammonia markets are predominantly priced in US Dollars, which further exposes the Group to the risk that fluctuations in the SA Rand/US Dollar may also have an adverse effect on current or future earnings.

Some of the risk of changes in the price of these commodities is hedged by entering into fixed contracts with customers and suppliers and derivative option contracts. As at 31 March 2021 and 31 March 2020, the Group did not hold any commodity-based financial instruments.

The risk associated with listed equity investments is the change in equity prices resulting in changes in the fair values of the investments. Unit trusts and other investments (refer to note 9) are actively managed by reputable fund managers and are held in conservative portfolios, which protects return of the capital amount invested.

35. FINANCIAL INSTRUMENTS continued

35.2 Market risk management continued

35.2.3 Price risk management continued

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Listed investments and Unit Trusts					
Fair value at 31 March		**246 309**	210 690	**246 309**	210 690
Listed Investments	9.1	**815**	658	**815**	658
Unit Trust	9.1	**245 494**	210 032	**245 494**	210 032

The equity investments are listed on the JSE in South Africa (Sanlam and Old Mutual shares). A 5% decrease in the share index at the reporting date, with all other variables held constant, would have decreased other comprehensive income by R41 000 (2020: R33 000); conversely, a 5% increase in the share index at the reporting date, with all other variables held constant, would have increased other comprehensive income by R41 000 (2020: R33 000).

The Environmental Rehabilitation Trust holds unit trusts. The unit trust portfolio for these investments is invested in equity (50%), property (5%), bonds (35%), and money market and cash (10%). A 5% decrease in the quoted price at the reporting date, with all other variables held constant, would have decreased profit before taxation by R16.5 million (2020: R10.5 million); conversely, a 5% increase in the quoted price at the reporting date, with all other variables held constant, would have increased profit before taxation by R16.5 million (2020: R10.5 million).

35.3 Credit risk management

Credit risk, or the risk of financial loss to the Group due to customers or counterparties not meeting their contractual obligations, is managed through the application of credit approvals, limits and monitoring procedures. The Group is exposed to credit risk on financial assets mainly in respect of those assets detailed in the table below. The carrying amounts of financial assets represent the maximum credit exposure, this exposure is considered without taking into account any collateral, insurance cover or financial guarantees, to be as follows:

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Loans to subsidiaries	6	**–**	–	**13 728**	16 204
Financial investments	9	**344 428**	297 007	**344 423**	293 758
Derivatives	12	**321**	8 791	**321**	8 791
Cash and cash equivalents	13	**311 982**	357 673	**308 426**	355 500
Trade and other receivables	11	**580 664**	558 363	**574 721**	549 935
		1 237 395	1 221 834	**1 241 619**	1 224 188

Credit risk arises from cash and cash equivalents, derivative financial instruments and outstanding receivables.

The Group limits its investments and deposits to a maximum of R500 million per financial institution with BBB+ rating by Fitch, and R200 million per financial institution with rating of BBB-. Increase in such limits is subject to approval by the Board of Directors. Surplus funds available on transactional bank accounts are deposited in short-term high interest yielding investments. Credit ratings of the South African financial institutions used by the Company have not been negatively affected. Credit risk of financial instrument products offered have not significantly changed since initial recognition.

The Group manages credit risk on accounts receivable by fixing payment terms on open accounts and selling on letters of credit to foreign customers. Stringent credit assessments are employed before allowing credit sales with customers. At year end customers are assessed individually for impairment.

35. FINANCIAL INSTRUMENTS continued

35.3 Credit risk management continued

35.3.1 Trade and other receivables – At amortised cost

Foskor's market revenues are generated from South Africa and internationally. The company has policies in place to ensure that sales of products are made to customers with appropriate credit history. Before credit is granted, the company's credit committee performs credit assessments with the help of the insurance company. The company insures all South African credit customers. International customers' credit exposure is managed by either advanced payment terms or opening of the letters of credit through reputable banks.

Credit terms offered to customers range from 30 to 90 days. Customers with bills outstanding for more than 120 days are provided for in full and measures to recover the amount are taken, such as insurance claims, legal claims etc. Amounts are written off in full when all measures to recover payments have been exhausted. Approval to write off is authorised by the Board, in line with the Delegation of Authority Matrix.

Recoverability for the outstanding amount and the loss allowance provision as at 31 March 2021 can be analysed as follows:

	Notes	Group 2021 R'000			
		Gross	Loss allowance	Net	Average ECL impairment ratio
Trade receivables					
Fully performing					
– Outstanding for less than 60 days		412 470	(1 418)	411 052	0.18%
– Outstanding for more than 60 days but less than 120 days		160	(160)	–	16.38%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		25 378	(25 378)	–	100%
Total trade receivables	11	**438 008**	**(26 956)**	**411 052**	
Other impaired receivables					
Fully performing					
– Outstanding for less than 60 days		91 959	(10 738)	81 221	32.24%
– Outstanding for more than 60 days but less than 120 days		30 371	(8 957)	21 414	61.47%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		143 632	(143 632)	–	100%
Total other receivables		**265 962**	**(163 327)**	**102 635**	
Other receivables		**66 977**	**–**	**66 977**	
Total other receivables	11	**332 939**	**(163 327)**	**169 612**	
The loss allowance provision for trade receivables as at 31 March 2021 reconciles to the opening loss allowance as follows					
Opening loss allowance as at 1 April 2020			(44 601)		
Decrease in loss allowance recognised in profit or loss			17 197		
Decrease in loss allowance recognised in other comprehensive income			448		
Closing loss allowance as at 31 March 2021			**(26 956)**		

The gross carrying amount of trade receivables is R438 million (2020: R447 million). During the year, the Company made no write offs of trade receivables. It does not expect to receive future cash flows nor recoveries from previously written off trade receivables.

35. FINANCIAL INSTRUMENTS continued

35.3 Credit risk management continued

Recoverability for the outstanding amount can be analysed as follows:

	Notes	Group 2020 R'000 Gross	Loss allowance	Net	Average ECL impairment ratio
Trade receivables					
Fully performing					
– Outstanding for less than 60 days		384 187	(16 430)	367 757	0.1%
– Outstanding for more than 60 days but less than 120 days		27 769	(1 450)	26 319	0.2%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		35 124	(26 721)	8 403	0.5%-100%
Total trade receivables	11	447 080	(44 601)	402 479	
Other impaired receivables					
Fully performing					
– Outstanding for less than 60 days		57 840	(23 113)	34 727	0.5%-100%
– Outstanding for more than 60 days but less than 120 days		16 256	(13 927)	2 329	15%-100%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		521 079	(441 433)	79 646	
Total other receivables		595 175	(478 473)	116 702	
Other receivables		39 182	–	39 182	
Total other receivables	11	634 357	(478 473)	155 884	
The loss allowance provision for trade receivables as at 31 March 2020 reconciles to the opening loss allowance as follows					
Opening loss allowance as at 1 April 2019		–	(28 536)	–	
Increase in loss allowance recognised in profit or loss		–	(13 048)	–	
Increase in loss allowance recognised in other comprehensive income		–	(3 017)	–	
Closing loss allowance as at 31 March 2020		–	(44 601)	–	

35. FINANCIAL INSTRUMENTS continued

35.3 Credit risk management continued

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Foreign debtors comprise:				
Navitrade INC	**9 376**	–	**9 376**	–
Trade drive SA	**9 511**	–	**9 511**	–
AB Lifosa	**–**	14 342	**–**	14 342
Sun International	**–**	96 093	**–**	96 093
Other	**102**	29 275	**102**	29 275
Major foreign debtors	**18 989**	139 710	**18 989**	139 710

All major foreign debtors have balances outstanding for less than 60 days with the exception of Trade drive SA which is under dispute.

35. FINANCIAL INSTRUMENTS continued

35.3 Credit risk management continued

	Notes	Company 2021 R'000 Gross	Loss allowance	Net	Average ECL impairment ratio
Trade receivables					
Fully performing					
– Outstanding for less than 60 days		406 522	(1 356)	405 166	0.33%
– Outstanding for more than 60 days but less than 120 days		160	(160)	–	100%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		25 379	(25 379)	–	100%
Total trade receivables	11	432 061	(26 895)	405 166	
Other impaired receivables					
Fully performing					
– Outstanding for less than 60 days		91 902	(10 738)	81 164	34.24%
– Outstanding for more than 60 days but less than 120 days		30 371	(8 957)	21 414	61.47%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		143 632	(143 632)	–	100%
Total other receivables		265 905	(163 327)	102 578	
Other receivables		66 977	–	66 977	
Total other receivables	11	332 882	(163 327)	169 555	
The loss allowance provision for trade receivables as at 31 March 2021 reconciles to the opening loss allowance as follows:					
Opening loss allowance as at 1 April 2020			(44 557)		
Decrease in loss allowance recognised in profit or loss			17 259		
Decrease in loss allowance recognised in other comprehensive income			403		
Closing loss allowance as at 31 March 2021			(26 895)		

The gross carrying amount of trade receivables is R432 million (2020: R438 million). During the year, the Company made no write offs of trade receivables. It does not expect to receive future cash flows nor recoveries from previously written off trade receivables.

35. FINANCIAL INSTRUMENTS continued

35.3 Credit risk management continued

	Notes	Company 2020 R'000 Gross	Loss allowance	Net	Average ECL impairment ratio
Trade receivables					
Fully performing					
– Outstanding for less than 60 days		375 772	(16 386)	359 386	0.1%
– Outstanding for more than 60 days but less than 120 days		27 769	(1 450)	26 319	0.2%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		35 126	(26 721)	8 405	0.5%-100%
Total trade receivables	11	438 667	(44 557)	394 110	
Other impaired receivables					
Fully performing					
– Outstanding for less than 60 days		57 781	(23 113)	34 668	0.5%-100%
– Outstanding for more than 60 days but less than 120 days		16 256	(13 927)	2 329	15%-100%
Past due and impaired – Local debtors					
– Outstanding for more than 120 days		521 079	(441 433)	79 646	
Total other receivables		595 116	(478 473)	116 643	
Other receivables		39 182	–	39 182	
Total other receivables	11	634 298	(478 473)	155 825	

The loss allowance provision for trade receivables as at 31 March 2020 reconciles to the opening loss allowance as follows:

Opening loss allowance as at 1 April 2019		–	(28 536)	–	
Increase in loss allowance recognised in profit or loss		–	(13 004)	–	
Increase in loss allowance recognised in other comprehensive income		–	(3 017)	–	
Closing loss allowance as at 31 March 2020		–	(44 557)	–	

35. FINANCIAL INSTRUMENTS continued

35.4 Liquidity risk management

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Liquidity risk arises from existing obligations associated with the industry and the requirements to raise funds in order to meet these obligations. The Group manages liquidity by monitoring forecasted cash flows and ensuring that adequate unutilised borrowing facilities are available if necessary. The Group secured total borrowing facilities of R3.6 billion. R3.5 billion was utilised at 31 March 2021. The Group negotiates short-term general borrowing facilities annually with approved banks. R335 million of the total short-term borrowing facility was committed during the year for 12 months.

The long-term obligations include R3.5 billion loan from the parent Company, the IDC. There is no security or collateral written against the IDC loan. The loan is repayable by the 31 March 2028. The loan is subject to a two-year capital moratorium and repayable bi-annually in fourteen equal instalments.

	Notes	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Trade payables					
– Due in less than 60 days		**864 957**	499 431	**859 951**	497 886
– Due in more than 60 days but less than 120 days		**62 299**	86 729	**62 299**	86 729
– Due in more than 120 days		**60 017**	57 919	**60 017**	57 919
	21	**987 273**	644 079	**982 267**	642 534
Other payables					
– Due in less than 60 days		**439 417**	219 922	**439 417**	219 922
Trade and other payables (excluding leave provision)	21	**1 426 690**	864 001	**1 421 684**	862 456
Derivative financial instrument	12	**227**	22 837	**227**	22 837
Long-term interest-bearing loan	30	**3 596 916**	2 464 226	**3 596 916**	2 464 226
Short-term interest-bearing loan	30	**236 744**	236 046	**236 744**	236 046
Lease liability	18	**4 105**	6 180	**3 881**	5 660
Total		**5 264 682**	3 593 290	**5 259 452**	3 591 225

Maturity and settlement dates for the derivative financial instruments and the short-term loan are within 12 months and the long-term loan is within 60 months.

35. FINANCIAL INSTRUMENTS continued

35.4 Liquidity risk management continued

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

	Less than 3 months R'000	3 – 12 months R'000	1 – 5 years R'000	Over 5 years R'000
At 31 March 2021				
Derivative financial instrument	**227**	**–**	**–**	**–**
Long-term interest-bearing loan – capital	**–**	**–**	**–**	**3 926 312**
Long-term interest-bearing loan – interest	**–**	**–**	**1 570 525**	**–**
Short-term interest-bearing loan – capital	**1 078**	**231 561**	**–**	**–**
Short-term interest-bearing loan – interest	**4 105**	**–**	**–**	**–**
Lease liability – capital	**460**	**1 263**	**2 382**	**–**
Lease liability – interest	**149**	**433**	**561**	**–**
At 31 March 2020				
Derivative financial instrument	5 742	8 305	–	–
Long-term interest-bearing loan – capital	–	–	–	2 743 191
Long-term interest-bearing loan – interest	–	–	1 289 300	–
Short-term interest-bearing loan	53 579	178 395	–	–
Short-term interest-bearing loan	4 072	–	–	–
Lease liability – capital	501	1 502	4 121	56
Lease liability – interest	215	643	1 135	8

35. FINANCIAL INSTRUMENTS continued

35.5 Capital risk management

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

In order to maintain the capital structure, the Group may issue new shares, adjust dividend amounts payable to shareholders, or return capital to shareholders.

The Group's strategy, which was unchanged was to maintain the gearing ratio of 20% to 30%.

The gearing ratios are as follows:

		Group		Company	
	Notes	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Total borrowings		**3 833 660**	2 700 272	**3 833 660**	2 700 272
Less: Cash and cash equivalents	13	**(311 982)**	(357 673)	**(308 426)**	(355 500)
Net debt	30	**3 521 678**	2 342 599	**3 525 234**	2 344 772
Total equity		**2 176 566**	3 041 073	**2 068 344**	2 927 524
Total capital		**5 698 244**	5 383 672	**5 593 578**	5 272 296
Gearing ratio (%)		**62%**	44%	**63%**	44%
Share capital		**9 158**	9 158	**9 151**	9 158
Class B share capital		**4 161 821**	4 161 821	**4 161 821**	4 161 821
Share premium		**132 013**	132 013	**132 013**	132 013
Capital	15	**4 302 992**	4 302 992	**4 302 992**	4 302 992

36. GUARANTEES AND CONTINGENCIES

36.1 Guarantees

Guarantees issued by the Group to various beneficiaries amount to R557 million (2020: R557 million).

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Details and beneficiary				
Mine rehabilitation – Department of Mineral Resources	**499 357**	499 357	**499 357**	499 357
Rail transport of phosphate rock and granular fertiliser – Transnet Ltd	**26 959**	26 959	**26 959**	26 959
Electricity – Eskom Ltd	**17 496**	17 496	**17 496**	17 496
Water and electricity supply – Richards Bay Transitional Local Council	**12 433**	12 433	**12 433**	12 433
Various ZAR denominated guarantees	**899**	899	**899**	899
Total	**557 144**	557 144	**557 144**	557 144

Refer to the Directors' report on responsibilities and guarantees in respect of the mine rehabilitation.

36.2 Contingencies

The Group has certain legal claim instituted against it. These claims are all being defended and the directors are of the opinion that these claims will be successfully defended. The value of these claims is R1.3 million (2020: R36 million). In addition, the Group has instituted legal claims of R447 million (2020: R425 million) against others. The details of the contingent assets and liability cannot be disclosed due to the sensitivity of the matters.

37. GROUP SEGMENTAL REPORTING

37.1 Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee considers the business primarily from a product perspective. The products are segmented into phosphate rock and magnetite (Phalaborwa) and phosphoric acid and granular fertiliser (Richards Bay).

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables, and cash and cash equivalents. Segment liabilities comprise of borrowings, trade and other payables and provisions.

Capital expenditure comprises additions to property, plant and equipment (refer to Note 4) and intangible assets (refer to Note 5).

	Phalaborwa		Richards Bay		
	Phosphate rock R'000	Magnetite R'000	Phosphoric acid R'000	Granular R'000	Total R'000
2021					
Total segment revenue	**3 184 643**	**159 507**	**1 825 420**	**1 554 035**	**6 723 605**
Local revenue	**2 423 312**	**159 507**	**947 833**	**1 554 035**	**5 084 687**
Export revenue	**761 331**		**877 587**		**1 638 918**
Inter-segment revenue	**(2 268 047)**	**–**	**–**	**–**	**(2 268 047)**
Revenue from external customers	**916 596**	**159 507**	**1 825 420**	**1 554 035**	**4 455 558**
Earnings before interest and tax (EBIT)	**665 710**	**106 266**	**(1 311 263)**	**–**	**(539 287)**
Depreciation and amortisation	**(214 230)**	**–**	**(118 343)**	**–**	**(332 573)**
Impairment charge	**(892 282)**	**–**	**–**	**–**	**(892 282)**
Reportable segment assets	**4 328 060**	**–**	**3 363 041**	**–**	**7 691 101**
Capital expenditure for reportable segment non-current assets	**74 712**	**–**	**74 779**	**–**	**149 491**
Reportable segment liabilities	**1 010 478**	**–**	**1 510 168**	**–**	**2 520 646**
2020					
Total segment revenue	2 985 208	15 386	1 643 368	1 310 544	5 954 506
Local revenue	2 074 719	15 386	1 150 681	1 310 544	4 551 330
Export revenue	910 489	–	492 687	–	1 403 176
Inter-segment revenue	(1 957 997)	–	–	–	(1 957 997)
Revenue from external customers	1 027 211	15 386	1 643 368	1 310 544	3 996 509
Earnings before interest and tax (EBIT)	(38 950)	(5 900)	(1 287 093)	–	(1 331 943)
Depreciation and amortisation	(242 512)	–	(117 880)	–	(360 392)
Impairment charge	(599 381)	–	–	–	(599 381)
Reportable segment assets	4 275 712	–	3 001 064	–	7 276 776
Capital expenditure for reportable segment non-current assets	176 100	–	99 611	–	275 711
Reportable segment liabilities	739 408	–	1 244 011	–	1 983 419

37. GROUP SEGMENTAL REPORTING continued

37.2 Reconciliation of reportable segment EBIT to Group profit before tax is provided as follows:

The Executive Committee assesses the performance of the operating segments based on a measure of adjusted earnings before interest and tax (EBIT). Segment EBIT equals segment revenue less segment expenses, which include costs of sales and other operating costs. This measurement basis excludes the effects of allocated corporate expenditure. Interest income and expenditure, as well as foreign exchange gains and losses, are not allocated to segments as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The revenue from external parties reported to the Executive Committee is measured in a manner consistent with that of the statements of comprehensive income and there were no reconciling items. Sales of phosphate rock between operating segments (Rock and Acid Divisions; and Acid and NPK Divisions) are carried out at arm's-length.

	Group	
	2021 R'000	**2020 R'000**
Segmental earnings before interest and tax (EBIT)	**(539 287)**	(1 331 943)
Net corporate and subsidiaries expenses	**(1 113 318)**	(746 536)
Finance income	**54 508**	40 024
Finance costs	**(355 728)**	(249 703)
Net foreign exchange gains	**23 426**	20 587
Group loss before tax	**(1 930 399)**	(2 267 571)

37.3 Reportable segment assets are reconciled to total Group assets as follows:

The amounts provided to the Executive Committee with respect to the total assets are measured in a manner consistent with that of the financial statements. Derivative financial instruments held by the Group are not considered to be segment assets but rather are managed by the central treasury function.

	2021 R'000	2020 R'000
Segment assets for reportable segments	**7 691 101**	7 276 776
Unallocated:		
Deferred tax asset	**786 847**	1 060 122
Derivative financial instruments	**321**	8 460
Other assets (including impairment)	**(957 014)**	(146 607)
Total Group assets per the statements of financial position	**7 521 255**	8 198 751

37.4 Reportable segment liabilities are reconciled to total liabilities as follows:

The amounts provided to the Executive Committee with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Deferred tax and derivative financial instruments are not considered to be segment assets but rather are managed by the central treasury function.

	2021 R'000	2020 R'000
Segment liabilities for reportable segments	**2 520 646**	1 983 419
Unallocated:		
Corporate and subsidiary liabilities	**3 638 255**	2 637 203
Total Group liabilities per the statement of financial position	**6 158 901**	4 620 622

37. GROUP SEGMENTAL REPORTING continued

37.5 Geographical information

	Group 2021 R'000	Group 2020 R'000
Geographical information – revenues[1]		
South Africa	**2 816 640**	2 593 334
India	**568 782**	252 102
Europe	**741 307**	756 477
Middle East	**68 732**	55 768
South America	**–**	132 093
Far East	**197 032**	161 165
Australia and New Zealand	**63 065**	45 570
Total external revenues	**4 455 558**	3 996 509

[1] *Revenues are attributable to countries on the basis of customer location.*

The Group does not have non-current assets in any country other than its country of domicile (South Africa). Revenues of approximately R1.8 billion (2020: R2.3 billion) are derived from three external customers.

38. RELATED PARTY TRANSACTIONS

38.1

Subsidiaries (refer to Note 6)	**Nature of business**	**Ownership interest**
Indian Ocean Fertilizer (Pty) Ltd	The current Richards Bay operational segment of Foskor (Pty) Ltd was previously known as Indian Ocean Fertilizer (Pty) Ltd. Currently the equity value of the Company is the value of its ordinary and preference share capital which is now wholly owned by Foskor (Pty) Ltd.	**100%**
Phosfert Marine (Pty) Ltd	The Company's objective is clearing and forwarding agents that provides services to Foskor and other clients.	**100%**
Phosphate Shipping (Pty) Ltd	The Company's objective is ship brokerage whereby they earn commission from ship-owners from whom Foskor and other clients charter vessels.	**100%**
Inter Minerals Holdings AG (Switzerland)	The Company is currently dormant and has no active operations.	**100%**
Foskor Social Responsibility Trust	The Trust was established in accordance with section 10(1)(cP) of the Income Tax Act of 1962. The objective of the Trust is for the benefit of widows, widowers, orphans and social responsibility projects in and around Richards Bay.	**No shares issued by the Trust**
IOF Property Trust	The IOF Property Trust was registered during the 1998 financial year in terms of the Trust Property Control Act of 1988. The principal purpose of the Trust is to acquire properties in Esikhawini, and to make these properties available for purchase by the employees of Foskor Richards Bay or any other qualified person.	**No shares issued by the Trust**
Verdino 174 (Pty) Ltd	The Company is engaged in the storage of fertiliser products.	**100%**

The subsidiaries' place of business and country of incorporation is South Africa.

38. RELATED PARTY TRANSACTIONS continued

38.2 Joint Venture (refer to Note 6)

Joint Venture (refer to Note 6)	Nature of business	Ownership interest
Palfos Aviation (Pty) Ltd	The Company's major asset, an aircraft, was sold in June 2004. The Company is currently in the process of being deregistered.	**50%**
Limpopo Iron Ore	The Company is established for the beneficiation of magnetite.	**40%**

The joint ventures' place of business and country of incorporation is South Africa.

38.3 Associate (refer to Note 8)

Associate (refer to Note 8)	Nature of business	Share of profit/(loss) R'000	Ownership interest
Foskor Zirconia (Pty) Ltd	Manufacturing of Monoclinic and Calcia Stabilised Zirconia.	**–**	**29.9%**

Foskor Zirconia's place of business and country of incorporation is South Africa.

38.4 Directors' emoluments

The following table records the emoluments payable to the directors during the period:

Non-executive directors' remuneration	Appointed with effect from	Resigned with effect from	Directors' fees 2021	Directors' fees 2020
B Godsell (Chairman)	27 March 2019		**725 717**	785 257
P Mainganya		29 February 2020	**–**	201 209
NG Nika	3 February 2012		**440 073**	332 440
V Ravichandran**	18 June 2015		**35 073**	35 073
S Subramanian**		11 March 2021	**121 305**	–
P Ngwenya	27 March 2019		**348 745**	440 880
D Martin	27 March 2019		**388 056**	563 289
T Setiloane	24 June 2019		**400 201**	258 377
V Pillay		28 August 2020	**229 933**	432 246
NVB Magubane	28 August 2020		**149 623**	–
MJ Vuso	28 August 2020		**129 083**	–
Total			**2 967 809**	3 048 771

** *CIL representatives – fee to V Ravichandran was paid to him as director and the fee to S Subramanian was paid to the shareholders.*

38. RELATED PARTY TRANSACTIONS continued

38.5 Executive director's and executive member's remuneration

Rands	Basic salary	Performance bonuses Long-term	Contributions to medical aid, pension, life, insurance & UIF	Expenses allowances/Leave encashment/ Other	Total
12 months ended 31 March 2021					
Executive directors					
CF Rademan	**5 280 000**	**1 520 000**	**1 813**	**18 592**	**6 840 405**
JT Palliam	**2 635 854**	**1 125 000**	**376 239**	**323 352**	**4 460 445**
	7 915 854	**2 645 000**	**378 052**	**341 944**	**11 280 850**
Executive officers					
JM Morotoba	**4 003 433**	**–**	**213 661**	**6 369**	**4 223 463**
K Muruganandam*	**1 847 767**	**–**	**53 216**	**337 223**	**2 238 206**
G van Wyk	**2 654 504**	**–**	**647 141**	**38 933**	**3 340 578**
JMH Kruger	**3 300 000**	**–**	**1 813**	**–**	**3 301 813**
Total	**11 805 704**	**–**	**915 831**	**382 525**	**13 104 060**

* *Resigned 31 December 2020*

Rands	Basic salary	Performance bonuses Long-term	Contributions to medical aid, pension, life, insurance & UIF	Expenses allowances/Leave encashment/ Other	Total
12 months ended 31 March 2020					
Executive directors					
CF Rademan	3 960 000	–	2 677	–	3 962 677
JT Palliam	1 055 220	–	125 486	8 095	1 188 801
MA Dindar	1 808 339	–	–	–	1 808 339
	6 823 559	–	128 163	8 095	6 959 817
Executive officers					
JM Morotoba	3 976 068	–	199 739	109 764	4 285 571
SMS Sibisi	225 880	–	36 090	413 387	675 357
KM Cele	677 567	–	125 086	581 204	1 383 857
K Muruganandam	2 938 483	–	61 122	392 732	3 392 337
G van Wyk	2 176 928	–	449 888	260 443	2 887 259
JMH Kruger	2 200 000	–	2 380	–	2 202 380
Total	12 194 926	–	874 305	1 757 530	14 826 761

38. RELATED PARTY TRANSACTIONS continued

38.6 Employee share ownership plan

All Foskor employees (including executive management) are entitled to receive units in the Employee Share Ownership Plan (ESOP) which holds 6% of Foskor's share capital through a special purpose vehicle. The initial allocation of the units was made in June 2011 to employees who had been employed by the Company at 1 April 2009, and a second allocation was made to employees engaged after 1 April 2009 but still in service on 1 September 2011. The allocated number of units per employee is based on their total cost to Company. The units from the initial allocation (employees present at 1 April 2009) will vest over a period of three years from 1 April 2012 to 1 April 2014. The subsequent allocation units will vest over a period of three years from the third anniversary of the allocation date. The units will be fully vested at 1 April 2014. First opportunity to sell the units will be a one month window from June 2016, then subsequently one month each year.

38.7 Manyoro Consortium shareholding in Foskor	Number of Shares	% Holding in the BEE issued share capital of Foskor
Makana Energy Consortium (Pty) Ltd	265 309	19.34
RSA Capital (Pty) Ltd	194 717	14.17
Palama Phosphate Investment Company (Pty) Ltd	167 166	12.17
Umanyolo Investment Holdings (Pty) Ltd	116 201	8.46
Morning Tide Investments 390 (Pty) Ltd	105 145	7.65
Mgwali Investments (Pty) Ltd	73 177	5.32
Phalimpopo Investments (Pty) Ltd	75 322	5.48
DEC Investment Holdings (Pty) Ltd	75 322	5.48
AIH Investment Consortium (Pty) Ltd	75 322	5.48
Azara Foskor (Pty) Ltd	75 322	5.48
S B resources (Pty) Ltd	75 322	5.48
Podwala Investments (Pty) Ltd	75 322	5.48
Total	**1 373 647**	**100**

The Manyoro Consortium (BEE Partners) shareholding represents 15% of Foskor's share capital. No other transactions with the Manyoro Consortium were entered into during the current financial year.

38. RELATED PARTY TRANSACTIONS continued

38.8 The following transactions were carried out with other related parties:

The Group is controlled by the Industrial Development Corporation Ltd (IDC), which owns 59% of the Company's shares. The remaining shares are owned as follows:

– 15% by the Manyoro Consortium being Foskor's Black Economic Empowerment partner (SA)
– 2.82% by Coromandel International Ltd (India)
– 11.18% by CFL Mauritius Ltd (a Mauritius-based Company owned by CIL)
– 6% by the Kopano Foskor Employees Trust (SA)
– 5% by the Ba-Phalaborwa and Umhlatuze Community Trusts (SA)
– 1% by Sun International FZE (UAE).

The IDC is controlled by the South African government. Therefore the state and all entities controlled by the state are related parties as defined in IAS 24: Related Party Disclosures.

Nature of relationship 2021	Providing services to R'000	Receiving of goods and services R'000	Purchase of goods R'000	Outstanding balances[1] R'000
Shareholders				
Industrial Development Corporation Ltd[1]	–	–	–	(3 596 916)
Coromandel International Ltd	–	94	568 782	–
Sun International FZE	–	389 148	202 096	–
	–	389 242	770 878	(3 596 916)
State-owned enterprises				
Transnet SOC Ltd	–	1 102 346	–	(138 791)
Eskom Hld SOC Ltd	–	395 990	–	(35 026)
National Ports Authority	–	23 588	–	(14 502)
Telkom SA SOC Ltd	–	3 089	–	(177)
South African Airways SOC Ltd	–	34	–	–
SA Post Office SOC Ltd	–	3	–	–
Other:				
Odfjell Makana SA (Pty) Ltd	–	–	–	–
Foskor Zirconia (Pty) Ltd	39 205	–	–	67 880
Scaw Metals SA (Pty) Ltd	–	6 079	–	(12 034)
Verdino 174 (Pty) Ltd	–	–	–	10 528
Palabora Mining Company Ltd	164 293	–	–	550 760
Grinding Media SA (Pty) Ltd	–	7 706	–	(1 927)
	203 498	1 538 835	–	426 711
Total related party transactions	203 498	1 928 077	770 878	(3 170 205)

38. RELATED PARTY TRANSACTIONS continued

38.8 The following transactions were carried out with other related parties: continued

Nature of relationship 2020	Providing services to R'000	Receiving of goods and services R'000	Purchase of goods R'000	Outstanding balances[1] R'000
Shareholders				
Industrial Development Corporation Ltd[1]	–	–	–	(2 464 226)
Coromandel International Ltd	–	–	252 102	–
Sun International FZE	–	283 761	159 524	9 705
	–	283 761	411 626	(2 454 521)
State-owned enterprises				
Transnet SOC Ltd	–	1 083 422	–	(82 421)
Eskom Hld SOC Ltd	–	330 915	–	(10 430)
National Ports Authority	–	25 060	–	(651)
Telkom SA SOC Ltd	–	2 948	–	(153)
South African Airways SOC Ltd	–	239	–	–
SA Post Office SOC Ltd	–	3	–	–
Other:				
Odfjell Makana SA (Pty) Ltd		–	–	–
Foskor Zirconia (Pty) Ltd	31 732	–	–	–
Scaw Metals SA (Pty) Ltd	–	157	–	(3)
Verdino 174 (Pty) Ltd		–	–	10 270
Palabora Mining Company Ltd	112 861	–	–	504 550
	144 593	1 442 744	–	421 162
Total related party transactions	144 593	1 726 505	411 626	(2 033 359)

[1] *All outstanding balances payable are paid in accordance to Foskor's payment terms. All outstanding receipts are received as per Foskor credit terms on such sale transactions. There are no guarantees issued on any of the outstanding balances.*

The directors of Foskor (Pty) Ltd have no interest in contracts, except for Mr S Subramanian of Coromandel International Ltd.

38.9 Pension Fund

The Group has established a post-employment pension scheme namely the Foskor Pension Fund, covering certain employees who were employed by the Company prior to 1995. For more details refer to Note 20.

39. EVENTS AFTER THE REPORTING PERIOD

No material events occurred between the date of these financial statements and the date of approval thereof, the knowledge of which would affect the ability of the user of these financial statements to make proper evaluation and decisions.

FOSKOR

www.foskor.co.za.