

**ROYAL BAFOKENG NATION (ADMINISTRATION) AND ITS SUBSIDIARIES
ANNUAL AUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

ROYAL BAFOKENG NATION (ADMINISTRATION) AND ITS SUBSIDIARIES
AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2021

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General information

Country of incorporation and domicile	South Africa
Registration number	RBN(A) is defined as a Traditional Council in terms of the Traditional Leadership and Governance Act, 2005 (Act 2 of 2005), and the Traditional Leadership and Governance Framework Act, 2003 (Act 41 of 2003).
Nature of business and principal activities	Provision of community services, education, infrastructure development, economic development, safety and security, health and social services.
Business address	1 Direpotsane Street Bafokeng Civic Centre Phokeng 0335
Postal address	PO Box 1 Phokeng 0335
Ultimate holding company	Royal Bafokeng Nation/Administration
Auditor	PricewaterhouseCoopers Inc. Registered Auditor 4 Lisbon Lane Waterfall City Jukskei View 2090 Private Bag X36 Sunninghill South Africa 2157
Level of assurance	These annual audited consolidated financial statements have been audited in compliance with the applicable requirements of IFRS.
Preparer	The annual audited consolidated financial statements were internally prepared under the supervision of: Boitumelo Koshane CA(SA)

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Statement of Responsibility by Supreme Council

The Supreme Council is responsible for the preparation, integrity, and fair presentation of the financial statements of the Royal Bafokeng Nation (Administration) and its subsidiaries. The financial statements presented on pages 4 to 89 have been prepared in accordance with International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

The Supreme Council considers that in preparation of the financial statements it has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable have been followed. The Supreme Council is satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group at year end.

The Supreme Council has the responsibility for ensuring that proper accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the group and to enable the Supreme Council to ensure that the financial statements comply with relevant legislation.

The going-concern basis has been adopted in preparing the financial statements. The Supreme Council has no reason to believe that the group will not be a going concern in the foreseeable future, based on forecasts for 2022 to 2028 and available cash resources. These financial statements support the viability of the group.

Supreme Council's approval of financial statements

The annual audited consolidated financial statements for the year ended 31 December 2021 set out on pages 4 to 89 were approved by the Supreme Council on 30/03/2023 and were signed on 14/12/2023 and on its behalf by :


Kgosi Leruo Molotlegi
Chairman: Supreme Council


Aubrey Modisane
Chairman: Audit Committee

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Supreme Council Report

The Supreme Council ("Council") presents its report on the activities of the Royal Bafokeng Nation (Administration) ("RBN(A)") and its subsidiaries for the year ended 31 December 2021 to the Royal Bafokeng Nation.

1. Nature of Business

The Royal Bafokeng Nation ("RBN(A)") is a community of about 150,000 people, led by Kgosi Leruo Molotlegi. The RBN(A) owns some 1,200 km² of land in the Rustenburg Valley, in South Africa's North West Province. The Bafokeng land consists of 29 villages the largest being Phokeng and these villages have been clustered into five planning regions being Capital, Central, North, North East and South East region. This land overlay a valuable portion of the Bushveld Complex, one of the richest known reserves of platinum group metals and chrome in the world. The RBN(A) leases portions of this land to some of the world's largest mining companies, including Impala Platinum, Sibanye Rustenburg Platinum Mine, Royal Bafokeng Platinum and Merafe Resources.

Royalties paid to the RBN(A) by mining companies and dividends from the investee companies are being used to uplift the Bafokeng and the surrounding communities, mainly through the Royal Bafokeng Administration ("RBA"). The RBA is an unregistered functionary of the RBN(A) and accordingly the RBA is part of the same legal entity as RBN(A).

In this regard, the RBN(A)'s strategy with respect to certain community services, education, infrastructure development, economic development, safety and security, health and social services, developmental planning, property administration is implemented through the RBA and other registered entities. Community services provided by the RBN(A) includes the supply of water, construction of roads, schools, clinics, electrical reticulation, maintenance of roads, collection and disposal of refuse and other community amenities.

The RBN(A) owned area falls under the jurisdiction of the Rustenburg Local Municipality ("RLM"). In terms of over the current legislative framework, Bojanala Platinum District Municipality ("BPDM") exercises jurisdiction Rustenburg Local Municipality ("RLM"). The RLM therefore exercise legislative commitments of building infrastructure and delivering services to the community.

It is on this basis that, the RBN(A) entered into a memorandum of understanding ("MOU") with the BPDM and the RLM on 12 January 2003, which inter alia provides that the parties agree to cooperate in the following spheres of delivery; Infrastructural development, health, economic development, tourism, arts and culture and any other portfolio that the parties may agree from time to time.

RBN(A)'s vision statement:

"A relevant and innovative traditional African community in a changing world."

RBN(A)'s mission statement:

"We the Bafokeng, Kgosi, Supreme Council and Makgotla together with those who share our vision and values, will create an enabling environment for the prosperity of current and future generation by developing the people, the economy and the land."

"Our strategy for excellence is realised through zero tolerance for corruption and through courageous, innovative leadership rooted in Bafokeng values."

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RBN(A) strategy is underpinned under the key pillars of :

Individual Development

A better standard of living for all individuals by improving individual quality of life and social wellbeing.

Community Development

Collaboratively building an inclusive traditional community of which we are proud.

Sustainability and Economic Growth

Respecting resources as treasured assets and achieving inclusive growth and full employment into the long-term.

2. Legal framework and Governance Structures

The Bophuthatswana Traditional Authorities Act, 1978 (Act 23 of 1978) was repealed by the North West Traditional Leadership and Governance Act, 2005 (Act 2 of 2005) as Amended on 20 March 2007. In terms of this Act and the Traditional Leadership and Governance Framework Act, 2003 (Act 41 of 2003) the RBN(A) is defined as a Traditional Council.

With the coming into effect of the North West Traditional Leadership and Governance Act, 2005 (Act 2 of 2005) as amended, the RBN(A) was required to reconstitute its Traditional Council according to the prescribed format.

The term of office for the elected and appointed Traditional Council members is 5 years.

The elected and appointed Traditional Council members ("TC Members") were appointed during August 2017 and their term in office should have ended in August 2022. However due to the amendments to the Traditional and Khoi-San Leadership Act 3 of 2019 the election of new members were delayed and the the previously appointed members will still be in office until the new TC members are appointed. The list of the the current TC members are stated below:

Name and Surname	Region	Elected/ Appointed
<u>CAPITAL A & B</u>		
Keorapetse Nameng	Lemenong	Deceased 29 September 2023
Thabiso Lefyedi	Lefaragatlhe	Elected
Mmathapelo Pitsoe	Lefaragatlhe	Appointed
Daphne Montsho	Masosobane	Appointed
Moatlhodi Tumagole	Phokeng	Appointed
Mogari Mokgatle	Salema	Appointed
<u>NORTH A REGION</u>		
Tshepo Mekgoe	Luka	Elected
Seth Mputle	Luka	Appointed
<u>NORTH B REGION</u>		
Tshepo Mabule	Chaneng	Elected

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2. Legal framework and Governance Structures (continued)

Name and Surname	Region	Elected/ Appointed
<u>CENTRAL REGION</u>		
Richard Ntsimane	Kanana	Elected
Martha Khuduge	Serutube	Appointed
<u>NORTH EAST REGION</u>		
William Mokone	Mogakane	Elected
Rebecca Modibane	Mamerotse	Appointed
Katlego Mosito	Kopman	Appointed
Jennifer Thebyane	Tsitsing	Appointed
<u>SOUTH EAST REGION</u>		
Patrick Phutu	Tlapa	Elected
George Khunou	Photsaneng	Resigned - 05 August 2020



Independent auditor's report

To the Supreme Council of Royal Bafokeng Nation / Administration

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Royal Bafokeng Nation / Administration (the 'Entity') and its subsidiaries (together the 'Group') as at 31 December 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standard.

What we have audited

Royal Bafokeng Nation / Administration's consolidated financial statements set out on pages 10 to 89 comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of consolidated 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)*.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “Royal Bafokeng Nation / Administration Annual Consolidated Financial Statements for the year ended 31 December 2021”, which includes the Supreme Council Report. The other information does not include the consolidated financial statements and our auditor’s report thereon.

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to



those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: NBT Mtetwa
Registered Auditor
Johannesburg

14 December 2023

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Consolidated Statement of Financial Position

Figures in R'000	Notes	2021	2020
Assets			
Non-current assets			
		40,958,439	31,377,109
Property, plant and equipment	4	1,608,527	1,659,898
Right of use assets	20	6,110	3,061
Intangible assets	5	-	11
Other financial assets	7	17,153,337	12,838,776
Investment in associates at fair value through profit or loss	8	21,532,347	10,899,354
Equity accounted investments	9	567,085	5,550,509
Trade and other receivables	10	71,525	281,193
Finance lease asset	11	-	49
Deferred income tax assets	12	19,508	144,258
Current assets			
		12,294,770	3,519,935
Derivatives	13	195,889	-
Trade and other receivables - short-term portion	10	463,348	473,544
Deferred consideration	7	5,664,246	-
Inventories	17	2,858	2,396
Prepaid tax	14	109,020	12,258
Finance lease asset - short-term portion	11	75	403
Cash investments	16	2,085,631	1,420,635
Cash and cash equivalents	15	3,773,703	1,610,699
Total assets		53,253,209	34,897,044

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Consolidated Statement of Financial Position

Figures in R'000	Notes	2021	2020
Equity and liabilities			
Equity			
Accumulated funds		39,027,121	19,540,214
Retained earnings		38,947,579	19,484,199
Reserves		79,542	56,015
Non-controlling interests		76,203	5,922
Total equity		39,103,324	19,546,136
Liabilities			
Non-current liabilities			
		13,261,593	13,936,610
Deferred income tax liabilities	12	3,886,698	3,188,394
Employee benefits	18	57,905	25,700
Borrowings	19	3,075,183	4,077,568
Financial lease liabilities	20	485	960
Deferred royalty income	31	6,241,322	6,643,988
Current liabilities			
		888,292	1,414,298
Employee benefits	18	28,082	18,851
Derivatives	13	251,771	-
Current income tax liabilities	14	17,826	64,894
Bank overdraft	15	7	2
Borrowings	19	51,355	813,703
Financial lease liabilities - short-term portion	20	5,969	4,954
Trade and other payables	21	110,729	109,194
Deferred income	31	19,853	-
Deferred royalty income - short-term portion	31	402,700	402,700
Total liabilities		14,149,885	15,350,908
Total equity and liabilities		53,253,209	34,897,044

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Consolidated Statement of Profit of Loss and Other Comprehensive Income

Figures in R'000	Notes	2021	2020
Continuing Operations			
Revenue	22	4,295,448	2,343,713
Cost of sales and services rendered		(8,113)	(5,640)
Gross Profit		4,287,335	2,338,073
Administrative Expenses		(992,799)	(818,477)
Impairment loss	23	-	(2,510)
Other income	24	24,598	33,383
Other gains	25	13,262,343	716,539
Other losses	25	-	(2,788,227)
Operating profit / (loss)	28	16,581,477	(521,219)
Net finance cost		(1,595,981)	(1,569,470)
Finance income	26	180,426	95,937
Finance cost	26	(1,776,407)	(1,665,407)
Impairment loss for equity accounted investments	23	(9,319)	(30,703)
Share of profits /(losses) from equity accounted investments	9	5,746,094	1,015,163
Profit / (Loss) before tax		20,722,271	(1,106,229)
Income tax expense	27	(1,208,593)	435,607
Profit / (Loss) for the year from continuing operations		19,513,678	(670,622)
Attributable to:			
Equity holder of the parent		19,443,388	(677,098)
Non controlling interest		70,290	6,476
Profit / (Loss) for the year		19,513,678	(670,622)
Other comprehensive income:			
<i>Items that may not be reclassified to profit or loss</i>			
Fair value adjustment on financial asset at fair value through other comprehensive income		23,527	(1,616)
Total comprehensive profit / (loss) for the year		19,537,205	(672,238)
Attributable to equity shareholder		19,466,915	(678,714)
Attributable to non-controlling interest		70,290	6,476

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Consolidated Statement of Cash Flows

Figures in R'000	Notes	2021	2020
Cash flow from operating activities			
Cash used in operations	32	(545,808)	(603,038)
Interest paid		(115,368)	(245,331)
Income tax paid	13	(517,399)	(110,920)
Net cash used in operating activities		(1,178,575)	(959,289)
Cash flow from investing activities			
Proceeds from disposal of property, plant & equipment		-	110
Finance lease receipts		284	874
Acquisition of property, plant & equipment		(18,362)	(11,938)
Acquisition of Ethos		(2,436)	(874)
Acquisition of RIM		-	(2,750)
Dividend received from RIM (Associate)		13,200	4,250
Acquisition of financial assets		(325,422)	-
Proceeds from sale of investments at fair value		6,256,407	983,556
Repayment of loan from associates		33,149	27,669
Acquisition of investment at fair value		(3,398)	(434,457)
Purchase of investment in associate at fair value through profit and loss		(17,560)	(51,750)
Dividend received		2,046,226	285,041
Interest received		170,690	198,854
Cash received on behalf of shareholder		2,188	-
Decrease in maturity investment		(664,996)	(69,915)
Net cash generated from investing activities		7,489,970	928,670
Cash flow from financing activities			
Dividend paid to non-controlling interest		-	(13,827)
Repayment of shareholders loan - non-controlling interest		(2,073)	(3,008)
IDC dividend paid during the year		(87,022)	-
Return of capital		(3,390,410)	-
Redemption of IDC preference shares		(663,138)	-
Payment of lease liabilities		(5,748)	(4,611)
Net cash utilised in financial activities		(4,148,391)	(21,446)
Net increase /(decrease) in cash and cash equivalents		2,163,004	(52,065)
Cash and cash equivalents at the beginning of the year		1,610,699	1,662,763
Cash and cash equivalents at the end of the year		3,773,703	1,610,699

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Consolidated Statement of Changes in Equity

Figures in R'000

	Non-Distributable Reserves***	Other Reserves**	Retained Earnings	Attributable to Equity Holders	Non-Controlling Interest	Total
Figures in R'000						
Balance at 1 January 2021	19,430	36,585	19,484,199	19,540,214	5,923	19,546,137
Adjustment to retained earnings	-	-	19,992	19,992	(9)	19,983
Total profit / (loss) for the year	-	-	19,443,388	19,443,388	70,290	19,513,678
Other comprehensive income/(loss) for the year	23,527	-	-	23,527	-	23,527
Total comprehensive (loss) for the year	23,527	-	19,443,388	19,466,915	70,290	19,537,205
Balance at 31 December 2021	42,957	36,585	38,947,579	39,027,120	76,204	39,103,324

	Non-Distributable Reserves***	Other Reserves**	Retained Earnings	Attributable to Equity Holders	Non-Controlling Interest	Total
Figures in R'000						
Balance at 1 January 2020	21,046	36,585	20,160,542	20,218,173	13,273	20,231,446
Reclassification adjustment	-	-	755	755	-	755
Total profit / (loss) for the year	-	-	(677,098)	(677,098)	6,476	(670,622)
Other comprehensive income/(loss) for the year	(1,616)	-	-	(1,616)	-	(1,616)
Total comprehensive (loss) for the year	-	-	(677,098)	(677,959)	6,476	(671,483)
Dividends paid	-	-	-	-	(13,827)	(13,827)
Balance at 31 December 2020	19,430	36,585	19,484,199	19,540,214	5,923	19,546,137

**Other reserves comprises of the share of equity of associates

***Non-distributable reserves comprises of fair value adjustment on investments

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Summary of Significant Accounting Policies

1. General information

Royal Bafokeng Nation ("RBN(A)") is a traditional council with a Universitas Personarum. The North West Traditional Leadership and Governance Act, 2005 (Act 2 of 2005) governs its existence and governance. The Act, in addition to several other pieces of legislation affecting the RBN(A)'s operations, is not prescriptive as to the accounting governance and reporting requirements of the RBN(A). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards. The Supreme Council is of the opinion that the consolidated financial statements thus prepared will not mislead the users of the consolidated financial statements. The principal accounting policies adopted in the preparation of the financial statements are set out in note 2 below.

2. Significant accounting policies

The principal accounting policies applied in the preparation of this consolidated financial statements are set out in detail in the relevant notes. The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRS

The consolidated financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these audited annual financial statements.

This consolidated financial statements complies with IFRS as issued by the International Accounting Standards Board (IASB), requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

2.1.2 Historical convention

The consolidated financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out in detail in the relevant notes.

2.1.3 Functional and presentation currency

The Annual Audited Consolidated Financial Statements are presented in South African Rands (Rands), which is the Royal Bafokeng Nation (Administration) and its subsidiaries ("Group") functional and presentation currency. Except stated otherwise, the amounts in the financial statements are rounded to Rmillion.

2.1.4 Significant judgements and sources of estimation uncertainty

The preparation of the Annual Audited Consolidated Financial Statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect

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Summary of Significant Accounting Policies

2.1.4 Significant judgements and sources of estimation uncertainty (continued)

the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The resulting accounting judgements, estimates and assumptions will, by definition, seldom equal the related actual results. The judgements, 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 addressed in detail in the relevant notes to the consolidated financial statements.

2.1.5 Going concern

The consolidated financial statements have been prepared on the going concern assumption. This assumption presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

2.1.6 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale, are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

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Summary of Significant Accounting Policies

3. New Standards and Interpretations

3.1 New standards, amendments and interpretations adopted by the group in the current year

Standard/ Interpretation	Effective date	Impact Analysis	Impact
Annual Improvement to IFRS Standards 2018 – 2020: Amendments to IFRS 9	01 January 2022	The amendment concerns fees in the “10 per cent” test for derecognition of financial liabilities. Accordingly, in determining the relevant fees, only fees paid or received between the borrower and the lender are to be included. The effective date of the group is for years beginning on or after 1 January 2022. The group expects to adopt the amendment for the first time in the 2022 financial statements.	No material impact
IAS 8. Accounting policies, change in accounting estimates and errors.	01 January 2023	Definition of Accounting Estimates: The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates, by replacing the definition of a change in accounting estimates with a new definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. The requirements for recognising the effect of change in accounting prospectively remain unchanged.	No material impact
Classification of liabilities as current or noncurrent - amendment to IAS1	01 January 2023	Classification of Liabilities as Current or Noncurrent: Narrow scope amendments to IAS1 to clarify how to classify debt and other liabilities as current or non-current. Disclosure of Accounting Policies: The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies, with additional guidance added to the Standard to explain how an entity can identify material accounting policy information with examples of when accounting policy information is likely to be material.	No material impact

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Summary of Significant Accounting Policies

3. New Standards and Interpretations

3.1 New standards, amendments and interpretations adopted by the group in the current year (continued)

Standard/ Interpretation	Effective date	Impact Analysis	Impact
IAS 12 Income Taxes	'01 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendment clarifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations, by clarifying when the exemption from recognising deferred tax would apply to the initial recognition of such items.	

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4. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Land is not depreciated.

Work-in-progress is not depreciated. These relates to the work or construction not yet completed at year-end and will be depreciated when the work or construction is completed and ready for use.

Depreciation is calculated as indicated below and approximates the following:

Item	Average useful life in years and depreciation method
Buildings	5-30 years (straight line)
Plant and machinery	5-30 years (straight line)
Office and computer equipment	3-5 years (straight line)
Furniture and fittings	4-10 years (straight line)
Vehicles and equipment	6 years (straight line)
Capitalised lease improvements	6 years (straight line)
Computer Software	6 years (straight line)

Depreciation periods are assessed annually and adjusted if and where appropriate.

Critical accounting estimates and assumptions

Asset lives

The group's assets, are depreciated over their expected useful lives which are reviewed annually to ensure their appropriateness. In assessing useful lives, technological innovation, product life cycle physical condition of the assets and maintenance programme are taken into consideration.

4.1 Impairment

An impairment review of property, plant and equipment is carried out when there is an indication that these assets may be impaired by comparing the carrying amount thereof to its recoverable amount.

Where the recoverable amount is less than the carrying amount, the impairment charge will reduce the carrying amount of property, plant and equipment to its recoverable amount. The adjusted carrying amount is depreciated over the remaining useful life of property, plant and equipment.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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4. Property, plant and equipment (continued)

Figures in R'000	Land and Buildings	Furniture and Fittings	Plant and Machinery	Work-in- progress	Office and Computer Equipment	Vehicles and Equipment	Capital- ised Lease- hold Improve- ments	Total
Balance at 01/01/2021	1,566,800	2,940	60,341	13,277	11,111	4,419	1,010	1,659,898
Additions	9,272	1,042	-	345	4,797	2,905	-	18,361
Disposal of assets	-	-	-	-	(141)	-	-	(141)
Depreciation	(57,913)	(755)	(2,623)	-	(4,851)	(2,854)	(595)	(69,591)
Balance at 31/12/2021	1,518,159	3,227	57,718	13,622	10,916	4,470	415	1,608,527
Reconciliation of property, plant and equipment - 2021								
Cost	2,733,737	77,346	3,054,780	13,622	255,177	196,614	11,274	6,342,550
Accumulated depreciation and impairment	(1,215,578)	(74,119)	(2,997,062)	-	(244,261)	(192,144)	(10,859)	(4,734,023)
Balance at 31/12/2021	1,518,159	3,227	57,718	13,622	10,916	4,470	415	1,608,527

No assets were pledged as security during the current financial year.

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4. Property, plant and equipment (continued)

Figures in R'000	Land and Buildings	Furniture and Fittings	Plant and Machinery	Work-in-progress	Office and Computer Equipment	Vehicles and Equipment	Computer Software	Capitalised Leasehold Improvements	Total
Balance at 01/01/2020	1,619,960	5,184	27,184	12,197	22,499	14,607	13,905	1,801	1,717,337
* Reclassification of asset types	(2,411)	(2,214)	39,147	-	(12,999)	(6,906)	(13,862)	-	755
Additions	8,232	790	139	1,080	5,690	-	-	-	15,931
Disposal of assets	(1,022)	(29)	(3,119)	-	-	-	-	(45)	(4,215)
Depreciation	(57,959)	(791)	(3,010)	-	(4,079)	(3,282)	(43)	(746)	(69,910)
Balance at 31/12/2020	1,566,800	2,940	60,341	13,277	11,111	4,419	-	1,010	1,659,898
Reconciliation of property, plant and equipment - 2020									
Cost	2,724,465	76,304	3,054,780	13,277	250,521	193,709	8,994	11,274	6,333,324
Accumulated depreciation and impairment	(1,157,665)	(73,364)	(2,994,439)	-	(239,410)	(189,290)	(8,994)	(10,264)	(4,673,426)
Balance at 31/12/2020	1,566,800	2,940	60,341	13,277	11,111	4,419	-	1,010	1,659,898

* For the year ended December 2019, the derecognition of assets as a result of the disposal of subsidiary (RBPlats) of R39million was incorrectly disclosed under Plant and Machinery'. These were reclassified to Office and Computer Equipment; Vehicles and Equipment; Computer software; Furniture and fittings; Land and buildings.

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5. Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

2021	2020
R'000	R'000
-	11

6. Investment in subsidiaries

6.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

6.2 Disposal of subsidiaries

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

6.3 Significant subsidiary

Detailed information on the group's significant subsidiaries is stated below:

Name of entity	Country of incorporation
Royal Bafokeng Development Trust	South Africa
Royal Bafokeng Holdings	South Africa

Royal Bafokeng Nation Development Trust ("RBNDDT") is the principal subsidiary of Royal Bafokeng Nation (Administration) ("RBA") and is responsible for the management and development of the commercial assets of RBA. This is mainly done through Royal Bafokeng Holdings (Pty) Ltd ("RBH"), wholly owned subsidiary of the Royal Bafokeng Nation Development Trust.

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6.3 Significant subsidiary (continued)

Summarised financial information on subsidiary

	Royal Bafokeng Nation Development Trust Group	
	2021	2020
	R'000	R'000
Summarised statement of financial position		
Current		
Assets	12,220,993	2,697,519
Liabilities	(1,328,195)	(1,857,093)
Total current net assets	10,892,798	840,426
Non-current		
Assets	40,760,898	30,446,148
Liabilities	(6,303,533)	(6,578,519)
Total non-current net assets	34,457,365	23,867,629
Net assets	45,350,163	24,708,055
Summarised statement of comprehensive income		
Revenue	86,759	113,650
Profit / (Loss) before tax	36,922,958	(1,870,097)
Taxation	(1,205,810)	437,699
Total comprehensive profit / (loss)	35,717,148	(1,432,398)
Summarised cash flows		
Net cash used in operating activities	(890,734)	(507,389)
Net cash generated from investing activities	7,507,521	929,425
Net cash used in financing activities	(5,223,848)	(1,033,469)
Net decrease in cash and cash equivalents	1,392,939	(611,433)
Cash opening balance	795,309	1,406,742
Cash and Cash equivalents at end of year	2,188,248	795,309

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7. Financial instruments

Financial instruments held by the group are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the group, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

Financial liabilities which are at amortised costs; or

- Mandatorily at fair value through profit or loss; (This applies to liabilities which are held for trading) or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch; the liabilities forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Below are the specific accounting policies for the classification, recognition and measurement of each type of financial instruments held by the group.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments are classified as financial assets subsequently measured at amortised costs (note 10).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortised cost.

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

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 26).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the

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7. Financial instruments (continued)

receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance;

- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired;
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

The group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in administrative expenses in profit or loss as a movement in credit loss allowance (note 23).

Write off policy

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

Credit risk

Details of credit risk are included in the trade and other receivables note (note 10) and the financial instruments and risk management note.(note 34)

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item (note 25).

Investments in equity instruments

Classification

Investments in equity instruments are presented in note 9. They are classified as mandatorily at fair

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7. Financial instruments (continued)

value through profit or loss. Associates and joint ventures are equity accounted for at group level.

Investments in equity instruments are subsequently measured at fair value with changes in fair value recognised in profit or loss. Fair value gains or losses recognised are included in fair value gains or losses (note 23)

Dividends received on equity investments are recognised in profit or loss when the company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in other income.

Fair value gains or losses are included in fair value gain or loss.

Financial liabilities

Loans from group companies, bank overdraft and trade and other payables are classified as financial liabilities subsequently measured at amortised cost.

Financial liabilities are recognised when the company becomes a party to the contractual provisions of the liability. The financial liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

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

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs.

Financial liabilities expose the group to liquidity risk and interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 21), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

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

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7. Financial instruments (continued)

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

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 26).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Financial liabilities at fair value through profit or loss

Classification

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss. Refer to note 34.

The group, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Recognition and measurement

Financial liabilities at fair value through profit or loss are recognised when the company becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses recognised on investments at fair value through profit or loss are included in fair value through profit or loss (note 25).

For financial liabilities designated at fair value through profit or loss, the portion of fair value adjustments which are attributable to changes in the company's own credit risk, are recognised in other comprehensive income and accumulated in equity in the reserve for valuation of liabilities, rather than in profit or loss. However, if this treatment would create or enlarge an accounting mismatch in profit or loss, then that portion is also recognised in profit or loss.

Interest paid on financial liabilities at fair value through profit or loss is included in finance costs (note 26).

Derecognition

The changes in fair value attributable to changes in own credit risk which accumulated in equity for financial liabilities which were designated at fair value through profit or loss are not reclassified to

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7. Financial instruments (continued)

profit or loss. Instead, they are transferred directly to retained earnings on derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value. These are initially and subsequently measured at amortised cost.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The company's analysis is based on the following three components:

- short term, highly liquid;
- readily convertible to known amounts; and
- insignificant risk of changes in value.

The maturity period used for classification is measured from date of classification and not reporting date.

Further to meeting the above components the company considers whether the instrument is used (normal operating cash cycle) as a cash equivalent and that it should be held for purpose of meeting short-term cash commitments. For example, is the instrument a short-term investment or is it used to pay operating expenses and day-to-day activities.

Money market funds

Investments in money market funds are classified as either cash or cash equivalents or equity investments based on the following criteria:

- if the amount of cash that will be received is known with a high degree of certainty at the time of the initial investment;
- an assessment indicating the following is satisfied:
 - substantially all of the money market funds' investments qualify individually as cash and cash equivalents;
- the fund policies only permit investments in cash and cash equivalents with some of the following policies, amongst others:
 - constant net asset value with limitations on volatility (0.5%);
 - returns benchmarked to short-term money market interest rates;
 - highest credit rating;
 - investment in high-quality instruments, typically short term, with high liquidity and a maximum weighted average maturity of a few weeks (typically 60 – 90 days);
 - highly diversified portfolio; and
 - affiliation to or membership of a money market association that ensures maintenance of high standards in its code of practice.

Money market funds that have a constant net asset value of 1:1 or insignificant risks of changes in value are classified as cash and cash equivalents and measured in terms of IFRS 9 amortised cost or fair value through profit or loss. If the cash and cash equivalent definition is not met, money market funds are classified as equity or debt instruments measured in terms of IFRS 9 amortised cost or fair value through profit or loss.

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7. Financial instruments (continued)

Financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The group derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

	Notes	2021 R'000	2020 R'000
7.1 Non-current financial assets			
Financial asset at fair value through profit and loss(FVTPL):			
Investment in NEPI Roc	7.1.1	547,122	482,603
Investment in First Rand	7.1.2	10,147,513	10,723,500
Investment in Big Yellow Group	7.1.3	1,086,403	649,867
Adams and Electra Option	7.1.4	308,919	337,334
Investment in Stanlib	7.1.5	286,458	293,102
Investment in Transaction Capital	7.1.6	1,098,731	298,680
Investment in RB Plats	7.1.7	1,487,146	-
Investment in Dis-chem Pharmacies	7.1.8	2,016,730	-
Investment in ISQ	7.1.9	63,066	-
Option asset in AFF2B	7.1.10	21,660	-
Other financial assets	7.1.13	45,061	32,689
Total Financial asset at FVTPL		17,108,809	12,817,775
Financial asset at fair value through other comprehensive income (OCI) or at amortised cost:			
Investment in Bakwena Platinum Corridors Concessionaire	7.1.11	42,355	18,828
Nuco chrome	7.1.12	2,173	2,173
Total non-current financial assets		17,153,337	12,838,776

Refer below for details of the investments classified as financial assets at fair value through profit and loss and Other Comprehensive Income.

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7.1.1 NEPI Rockcastle Plc("NEPIRoc")

Background

NEPI and Rockcastle Global Real Estate Company Limited ("Rockcastle") – a real estate investment company merged in an entity newly-incorporated in the Isle of Man, NEPI Rockcastle Plc ("NEPIRoc") listed on the Main Board of the JSE and Euronext Amsterdam.

During the prior financial year, NEPIRoc announced a capitalisation issue of shares to shareholders, pro rata to their shareholding at a ratio of 4.2920 ordinary shares for every 100 ordinary shares held. Lisinfo 222 Investments (Pty) Ltd received 221,576 additional NEPIRoc shares as a result of the capitalisation issue.

During the prior financial year, the company disposed of 222,576 of its shares in NEPIRoc.

Proportion of ownership

The percentage shareholding in NEPI Roc is 0.85% percent (2020: 0.85% percent).

	2021	2020
	R'000	R'000
Non-current		
Opening balance	482,603	639,277
Fair value adjustment	64,519	(156,674)
Closing balance	<u>547,122</u>	<u>482,603</u>

The fair value of the NEPIRoc shares are determined by reference to the closing price of R106 (2020: R93.5) per share at 31 December 2021 at level 1 on the fair value hierarchy.

7.1.2 FirstRand ("FSR")

Background

FirstRand is a portfolio of integrated financial services businesses and offers a universal set of transactional, lending, investment and insurance products services. The shares were trading at R60.80 (2020: R51.04) as at 31 December 2021.

231 499 917 FSR shares were received as a result of the RMH unbundling in 2020. Subsequent to the unbundling, the group sold 21.4 million FSR shares with 210 099 917 shares remaining in 2020. The group sold 43.2 million FSR shares during the current financial year with 166 899 896 shares remaining in 2021.

In the prior year, the Group, through its SPV Salestalk 268 Proprietary Limited, disposed of 21.4 million shares in FirstRand for a total consideration of R898 million. 8.9 million of these shares were disposed as part of recreating the dividend which RMH had not paid out as a result of implementing the unbundling whilst the remaining 12.5 million shares were disposed of in line with the board's strategy to decrease the concentration risk on the financial assets and diversify the portfolio.

During the current year, the Group sold 43.2 million shares in First Rand.

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7.1.2 FirstRand ("FSR") (continued)

166 825 795 FSR shares (which constitute 100% of the shares held by Royal Bafokeng Holdings) are pledged as security for the Salestalk HoldCo Proprietary Limited preference shares and the Royal Bafokeng Holdings Proprietary Limited revolving credit facility.

Proportion of ownership

The shareholding in FirstRand was 3.75% at year-end.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	10,723,500	-
Fair value adjustment	1,928,001	2,365,283
Disposals	(2,503,988)	(806,865)
Additions	-	9,165,082
Closing balance	10,147,513	10,723,500

The closing price for FirstRand was R60.80 at 31 December 2021.

7.1.3 Big Yellow Group ("BYG")

Background

During the 2016 financial year, Royal Bafokeng Impala Investment Holding Company (Pty) Ltd (a subsidiary of RBH) made an investment in BYG, a London Stock Exchange listed entity. BYG PLC is the UK's brand leader in self storage.

Proportion of ownership

The percentage shareholding in BYG is 1.60% percent (2020: 1.87% percent).

Non-current		
Opening balance	649,867	639,285
Fair value adjustment	382,808	(43,146)
Foreign currency translation differences	53,728	53,728
Closing balance	1,086,403	649,867

The fair value is determined by reference to the closing price of GBP 17.07 (2020: GBP 10.97) as at 31 December 2021. The foreign currency translation loss is exchange rate translation differences on the fair value in a foreign currency (GBP) of BYG which is reported as part of the fair value gain or loss in the income statement.

7.1.4 Enel Option

Background

RBH entered into two agreements with ENEL Green Power RSA Proprietary Limited (Enel), the details of which are below:

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7.1.4 Enel Option (continued)

Adams Solar

The Group entered into an agreement with ENEL Green Power RSA Proprietary Limited (Enel) and Adams Community Trust Investments (CIT) to acquire a stake in Adams Solar Project PV Two (RF) Proprietary Limited (Project Company). RBH through its subsidiary Lisinfo 245 Investments (Pty) Ltd holds 30% of the project company.

The Group's total commitment to the project company is R373,276 345, which will be funded primarily through loans from the BEE funders ABSA and Nedbank (2020: ABSA and Nedbank). The loans from the BEE funder have been guaranteed by Enel. RBH committed R50 million of its own cash resources towards the project. The funds from the project company will first be utilized to settle the loans from the BEE funders.

Electra

The Group entered into an agreement with ENEL Green Power RSA Proprietary Limited (Enel) and Electra Community Investments (ECI) to acquire a 30% stake in Electra Capital (RF) Proprietary Limited (Project company). The project company was awarded the right to the development, construction and operations of a renewable energy facility. RBH through its subsidiary Lisinfo 219 Trading (Pty) Ltd holds 30% of the project company.

The Group's total commitment to the project company is R371,861,326, which will be funded entirely through loans from the BEE funders (Nedbank and ABSA). The loans from the BBE funder have been guaranteed by Enel. RBH will not contribute any of its cash resources towards the project.

Adams Solar and Electra option

The only risk the Group has in the project is the R50 million commitment RBH has made to the Adams Solar project as the funding has been fully guaranteed by Enel. This is insignificant when looking at the scope and expected returns of the project. In the event that the returns received are not as projected, the BEE funders will call on the guarantees. The RBH Group will lose the R50 million investment in the project, but no other company affiliated to Group can be called on to make good any losses. RBH did not contribute any cash resources towards the Electra project. The Electra funding has also been fully guaranteed by Enel.

Valuation

The fair value of the options is Level 3 on the fair value hierarchy. The valuation was performed by an independent expert using the Monte Carlo technique. Within the valuation the critical inputs are the spot value, shareholder loan and BEE funder loan facility balance. The valuation as at 31 December 2021 of R180 million (2020: R194 million) and R129 million (2020: R144 million) for Adams Solar and Electra respectively was determined using the following inputs:

	2021		2020	
	Adams Solar	Electra	Adams Solar	Electra
Valuation Date	2021/12/31	2021/12/31	2020/12/31	2020/12/31
Expiry Date	2028/12/31	2028/08/31	2028/12/31	2028/08/31
Spot Value	1,026,398,280	1,035,577,476	978,189,371	1,035,402,178
RBH 30% portion of equity value	307,919,484	310,673,243	293,456,811	310,620,653
Volatility	27.31%	26.84%	38.46%	38.46%
Dividend yield	9.22%	12.88%	18.95%	19.69%

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7.1.4 Enel Option (continued)

Structure change

Adams Solar

Initially, on 31 December 2016 shareholders' loans with the BEE Co portion equal to R282,758,831 accruing interest at 24% NACA was in place. This loan has been converted to B-ordinary shares. For the purpose of this option valuation, the B-ordinary shares are assumed to be in place for the remaining operational life of the project. The B-ordinary shares will participate in 50.45% of the dividends of Adams until 31 December 2028.

Electra

Initially, on 31 August 2016 shareholders' loans accruing interest at 24% NACA was in place. This loan has been converted to B-ordinary shares. For the purpose of this option valuation, the B-ordinary shares are assumed to be in place for the remaining operational life of the project. The B-ordinary shares will participate in 42.68% of the dividends of Electra until 31 August 2028.

Sensitivity analysis

A 1% increase/decrease in the spot value will increase/decrease the option value by R2.7 million (2020: R3.3 million) and R2.8 million (2020: R3.4 million) for Adams Solar and Electra respectively.

A 5% increase/decrease in the volatility will increase/decrease the option value by R5.0 million (2020: R2.5 million) and R6.6 million (2020: R5.3 million) for Adams Solar and Electra respectively.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	337,334	332,214
Fair value adjustment	(28,415)	5,120
Closing balance	308,919	337,334
The fair value split of the options is as follows:		
Adam Solar	308,919	337,334
Electra	179,646	193,575
	129,273	143,759

7.1.5 Investment in Stanlib Infrastructure Private Equity Fund (Pty) Ltd ("Stanlib")

Background

RBH Group Ltd holds 13.5% in Stanlib Private Equity Infrastructure Fund (Pty) Ltd (Stanlib) incorporated in South Africa. The purpose of the fund is to carry on business as a long term investor and to acquire and hold investments to derive income and achieve long term appreciation. The total fund size is R1 189 million. The investment in Stanlib is carried at fair value. The fair value of the investment in Stanlib is R286.5 million (2020: R293.1 million) (Level 3) which was determined by fair valuing a sum-of-the parts valuations by valuing all the underlying projects based on a discounted cash flow methodology.

Proportion of ownership

The percentage shareholding in Stanlib is 13.50% (2020: 13.50%).

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7.1.5 Investment in Stanlib Private Equity Infrastructure Fund (Pty) Ltd ("Stanlib") (continued)

	2021 R'000	2020 R'000
Non-current		
Opening balance	293,102	283,538
Fair value adjustment	(6,644)	9,564
Closing balance	286,458	293,102

7.1.6 Transaction Capital Limited ("TCP")

Background

Transaction Capital is an active investor and operator of credit-orientated alternative assets managed by experienced entrepreneurial management teams employing a rigorous value-led investment approach to generate risk-adjusted interest returns & capital appreciation whilst delivering social value.

During the prior financial year, the group made an investment in TCP, a JSE listed entity, by purchasing 12,000,000 shares in TCP at a price of R21 per share. On 14 January 2021, the TCP shareholders approved the specific share issue, which resulted the company executing the subscription agreement by acquiring 12,400,000 shares for R248,000,000 on 15 January 2021.

Proportion of ownership

The percentage shareholding in TCP is 3.4% as at 31 December 2021(2020: 1.8%)

Non-current

Opening balance	298,680	-
Acquisition of TCP	248,000	262,440
Fair value adjustment	552,051	36,240
Closing balance	1,098,731	298,680

The fair value is determined by reference to the closing price of R45.03 per share at 31 December 2021.

7.1.7 Royal Bafokeng Platinum Limited ("RB Plats")

Background

RBPlat is a mid-tier platinum group metals (PGM) producer listed on the JSE which operates Bafokeng Rasimone Platinum Mine (BRPM) and is constructing the Styldrift I project. RBPlat was incorporated in South Africa and its principal place of business is in South Africa.

The shares in RBPlat are held in two SPVs within the RBH Group, i.e. Royal Bafokeng Investment Holding Company Proprietary Limited (RBIH) and Emikaway Proprietary Limited (Emikaway). On 8 November 2021 RBIH entered into a sale of shares agreement with Northam Platinum Limited (Northam) to sell 93.9 million shares in RBPlat amounting to 32.8% for a purchase consideration of R17 billion, which purchase consideration would be settled by way of a combination of the issue of ordinary shares by Northam, upfront cash and deferred consideration of R5,7 billion. Further, RBIH

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7.1.7 Royal Bafokeng Platinum Limited ("RB Plats")

entered into a put and call option on the remaining 1.6 million shares in RBPlat, in terms of which RBIH granted Northam a call option to acquire a further 0.5% of the RBPlat shares from RBIH for a purchase consideration of R135 per share, and Northam granted RBIH a put option to require Northam to acquire 0.5% of the RBPlat shares.

Emikaway currently holds 7.8 million shares in RBPlat, therefore the Royal Bafokeng Holdings Group holds 3.29% of the investment in RBPlat at year-end (2020: 40.2%).

Further to the above, on 3 December 2021, Emikaway entered into an option and right of first refusal (ROFR) agreement with Northam on the 7.8 million shares held in RBPlat. Emikaway granted Northam a call option to acquire 4 472 103 RBPlat shares held by Emikaway at R135 per shares in a 24-month exercisable period. Concurrently, Northam granted Emikaway a put option to sell 1 891 342 RBPlat shares at R135 per share. The put option is exercisable from 3 June 2022 until the expiry date of 3 December 2023.

On the remaining 3 367 673 RBPlat shares, Emikaway granted Northam a ROFR based on a five-day volume weighted average price (VWAP) purchase price per share. In terms of the ROFR, which remains in effect until 8 November 2024, if Emikaway wishes to dispose of all or a portion of the shares, it shall not be entitled to do so, nor shall it agree to do so, unless it first offers to sell the shares to Northam. Emikaway has recognised a derivative asset on the put option received from Northam and a derivative liability on the call option granted to Northam.

Proportion of ownership

The shareholding in RBPlats was 3.3% at year-end.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	-	-
Additions	876,352	-
Fair value adjustment	610,794	-
Closing balance	1,487,146	-

The closing price for RBPlats was R156.32 at 31 December 2021 (2020: R65.38).

Deferred consideration

The deferred consideration will be settled in 2 tranches, being the 30th of April 2022 by payment of R4,000,000,000 and the 30th of September 2022 by payment of R1,585,286,843. As from the 8 November 2021, the deferred consideration has been escalated at a nominal annual rate equal to 12%, calculated on a daily basis, based on a 365-day year, compounded quarterly in arrears.

Summary of the deferred consideration:

Current		
Opening balance	-	-
Deferred consideration on the disposal of RB Plats shares	5,585,287	-
Interest on the deferred consideration	78,959	-
Closing balance	5,664,246	-

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7.1.8 Dischem Pharmacies Limited ("Dis-Chem")

Background

Dis-Chem is the second-largest retail pharmacy chain based in South Africa with operations within South Africa, Namibia and Botswana. It was co-founded in 1978 by Ivan and Lynette Saltzman and the group has since grown into a well-known brand amongst South African consumers, with 194 stores currently operational.

The company, through its SPV Royal Bafokeng Investment Holding Company, acquired an investment in Dis-Chem for R1.4 billion in the current year.

Proportion of ownership

The shareholding in Dis-Chem was 6.6% at year-end.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	-	-
Acquisition	1,483,225	-
Fair value adjustment	533,505	-
Closing balance	2,016,730	-

The closing price for Dis-Chem was R35.42 at 31 December 2021.

7.1.9 I-Squared Infrastructure Fund 2 ("ISQ")

Background

ISQ Global Infrastructure Fund, L.P. is a private equity fund operated by I Squared Capital Advisors (US) Llc and has approximately \$2.2 billion in assets. On 30 June 2021 the company, through its SPV Jenzoprox, signed a partnership agreement to be a limited partner of the ISQ Global Infrastructure Fund III (ISQ). As per the agreement, Jenzoprox has committed to make aggregate cash contributions to the fund up to the commitment value of USD50 million.

Proportion of ownership

The percentage shareholding in ISQ is 0.36% as at 31 December 2021.

Non-current

Opening balance	-	-
Acquisition of ISQ	63,066	-
Closing balance	63,066	-

The fair value is determined as the value of the initial capital call made into the fund.

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7.1.10 Option asset in RMI Affiliates ("AFF2B") entered into by Royal Bafokeng RIM (RF) (Pty) Ltd

Summary of the option asset:

	2021 R'000	2020 R'000
Non-current		
Opening balance	-	-
Option asset in AFF2B	17,560	-
Fair value adjustment	4,100	-
Closing balance	21,660	-

Royal Bafokeng RIM (RF) (Pty) Ltd has entered into a share subscription agreement to subscribe for 30% of the ordinary shares issued in RMI Investment Managers Affiliates 2B Proprietary Limited ("AFF2B") for a subscription price of R58,532,967. The R58 million was funded through an equity cheque of R17 million and a R41 million preference share issue to Momentum Metropolitan Life Limited ("MMLL"). Thus in conjunction with the share subscription agreement with AFF2B, RB RIM has entered into a preference share subscription agreement with MMLL.

The entire structure (investment in AFF2B and preference shares issued) should be valued as an option. The holder of an option contract has limited liability and can lose, at most, the premium or price paid for the option. RB RIM is exposed to some downside risk as there was an initial R17million which was invested by RBRIM, therefore there is limited downside risk for RB RIM. RB RIM receives a 3% (escalating annually at CPI) trickle dividend on the upfront capital invested (R17.56m); whereas the remaining dividends received on the 30% shareholding are used to service the outstanding preference share debt.

At the expiry date RB RIM may repay the rolled up value of the outstanding preference share debt and keep the shares that have accrued. Alternatively, it may walk away from the entire structure if it holds no value.

7.1.11 Bakwena Platinum Corridors Concessionaire

Background

Bakwena Platinum Corridors Concessionaire operates the N1N4 tolled road between Pretoria and Bela-Bela N1 and Pretoria and Botswana border N4.

Proportion of ownership

The percentage shareholding in Bakwena is 0.78% (2020: 0.78%).

Non-current

Opening balance	18,828	20,444
Fair value adjustment	23,527	(1,616)
Closing balance	42,355	18,828

7.1.12 Nuco Chrome Bophuthatswana (Pty) Ltd

Nuco Chrome Bophuthatswana (Pty) Ltd ("Nuco") is a private company, which holds prospective and mining rights on farms located on the Royal Bafokeng Nation's land for minerals as well as precious metals such as chrome platinum group metals and gold.

The investment in Nuco is classified as investment in associate measured at fair value through profit or loss.

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7.1.12 Nuco Chrome Bophuthatswana (Pty) Ltd (continued)

The initial mining rights (Kookfontein) were granted during September 2016.

	2021 R'000	2020 R'000
Opening balance	2,173	2,173
Fair value adjustment	-	-
Closing balance	2,173	2,173

7.1.13 Other financial assets

The other financial assets includes the investment in Ethos Mid Market Fund, InfraSaliance, Lango Real Estate, MTN Zakhelefuthi and YeboYethu(RF) Ltd("YY"). The investments are classified as financial assets measured at fair value.

RBH Group invested in the Ethos mid-market fund. In 2016, Ethos launched an inaugural midmarket private equity fund. The Fund seeks to make investments of between R100 million and R350 million, predominantly in midmarket leveraged buyout transactions. Importantly, the Fund will be BEE-majority owned and will be able to participate in deals as the BEE Partner.

InfraSaliance Ltd is a UK-domiciled company with interests in various operating entities in the UK, US and South Africa. The company manufactures chemicals that remove environmentally harmful emissions from manufacturing facilities and converts them into usable chemicals.

YeboYethu (RF) Ltd ("YY") is a South African based special purpose vehicle. YY is ring-fenced limited special purpose vehicle which holds Vodacom Group shares for the benefit of shareholders. YY is listed on the BBBEE segment of the JSE.

MTN Zakhele Futhi shares were locked in for a period of 3 years ("The minimum period") which ended on 24 November 2019. Restricted trading is allowed during years 4 to 8 years, where after 8 years the shares are no longer restricted. During the prior financial year, the MTN Zakhele Futhi shares listed on the Johannesburg Stock Exchange ("JSE") under the JSE empowerment category on 25 November 2019. The shares will be listed on the JSE for a minimum of 5 years.

During the current financial year the company, through its SPV Royal Bafokeng Automotive Proprietary Limited invested in Lango Real Estate, a real estate company focused on generating sustainable investor returns through the acquisition of prime commercial real estate assets in key gateway cities across the African continent and is domiciled in Mauritius. A vendor loan note (Note 6) was used to finance the investment in Lango Real Estate Management.

8. Investments in associates at fair value through profit or loss

Associates are all entities over which the company has significant influence but not control or joint 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 others, except those whose SPV's are classified as venture capital organisations are carried at fair value through profit or loss.

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8. Investments in associates at fair value through profit or loss (continued)

The SPV's that hold these investments qualify for the venture capital exemption and therefore the investments are carried at fair value through profit and loss with changes in the fair value recognised in the statement of comprehensive income in the period of change.

	2021	2020	2021	2020
	% holdings	% holdings	R'000	R'000
The principal associates which are all listed are:				
Eldo Group Holdings (Pty) Ltd ("Eldo")	27.90%	14.36%	15,732	14,537
Rand Merchant Bank Holdings Limited	12.50%	12.50%	264,694	247,048
Rand Merchant Investment Holdings Limited	14.20%	15.00%	9,798,960	7,142,447
Attacq Limited	0.00%	5.53%	-	205,954
Liquid Telecoms Jersey Holdings Limited	7.80%	8.47%	2,283,315	2,143,948
Blue Falcon 140 Trading (Pty) Ltd	25.10%	25.10%	287,397	260,065
Hallcore Water (Pty) Ltd	30.00%	30.00%	58,249	51,750
Windfall 59 Properties (RF) (Pty) Ltd	25.10%	25.10%	337,558	304,418
YeboYethu (RF) Limited	28.60%	28.60%	771,031	529,186
Northam Platinum Holdings Limited	8.70%	0.00%	7,206,742	-
Growthpoint Student Accommodation Holding	5.50%	0.00%	500,000	-
Investments in associates at FVTPL			21,523,678	10,899,354

Joint ventures

The principal joint ventures are:

Distributed Power Adrica Asset Holding Limited	60.00%	0.00%	8,669	-
Total investments in associates and joint ventures at FVTPL			21,532,347	10,899,354

8.1 Eldo Group Holdings (Pty) Ltd ("Eldo")

Background

ELDO is a Group of Energy Management Companies that specialize in Smart Metering Software, Energy Efficient and Generation Technologies, as well as Energy Management Services. They offer energy management solutions across Residential, Commercial, Retail and Industrial applications, packaged to achieve optimal energy and money savings with optional funding model.

Proportion of ownership

Tholo Investment Holding Company (Pty) Ltd acquired a 10% equity stake in Eldo Group Holdings (Pty) Ltd ("Eldo") for R10 million. Tholo further participated in a rights issue in Eldo for R2.856 million bringing its effective interest in Eldo to 14.36% as at 31 December 2020. In 2021 the effective shareholding was increased to 27.90% due to the re-organisation of Eldos capital structure and an injection on additional equity capital by Tholo. The investment is classified as associate. The investment is measured at fair value.

Non-current

Opening balance	14,537	-
Additions	24,271	12,856
Fair value adjustment	(3,672)	1,681
Disposal	(19,404)	-
Closing balance	15,732	14,537

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8.2 Rand Merchant Bank Holdings Limited ("RMH")

Background

RMH is a JSE-listed investment holding company investing in disruptive and entrepreneurial financial services business. It holds a 100% interest in RMH Property Proprietary Limited. In 2020 RMH restructured its portfolio of assets and liabilities. In terms of the restructuring RMH distributed its FirstRand shareholdings to RMH shareholders in June 2020, resulting in a shareholding of 4.10% in FirstRand shares. The year end of RMH is 30 June.

The investment in RMH was trading at R1.50 as at 31 December 2021 (2020: R1.40 post unbundling).

In June 2020 RMH shareholders voted for the unbundling of RMH's entire stake in FirstRand Limited ("FSR"). RMH remains listed on the JSE board post unbundling, leaving the company with its property portfolio as its sole remaining asset but no links to the financial services industry.

The FSR shares have been distributed to shareholders in the ratio of 1.31189 FSR shares for every RMH share held as at 23 June 2020. The FSR Distribution Shares are to be posted by registered cost at the risk of the Certificated Shareholders on the 29 June 2020.

As at 23 June 2020, 176 462 902 shares were held by the company in RMH at a closing price of R51.04 per share. As at 24 June 2020, being the ex-entitlement date, the RMH unbundling transaction resulted in 176 462 902 RMH shares at a share price of R1.70 per share being held and 231 499 917 FSR shares at a share price of R39.59 per share (Refer to note 7).

The total dividends received from RMH was R141 170 322 (2020: Rnil)

Proportion of ownership

The total number of ordinary shares held in RMH is 176 462 902 (2020: 176,462,902) which is below the 20% threshold for an investment to be treated as an associate. However, significant influence is exercised through Board representation.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	247,048	14,194,676
Fair value adjustment	17,646	(4,782,546)
Disposal	-	(9,165,082)
Closing balance	264,694	247,048

8.3 Rand Merchant Investment Holdings Limited ("RMI")

Background

RMI is a listed investment holding company. RMI is a specialist financial services investment holding company. RMI's investments include Discovery, Hastings, MMI, Outsurance, RMI Investment Managers and Alpha Code. RMI is incorporated in South Africa and its principal place of business is in South Africa. The year end of RMI is 30 June.

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8.3 Rand Merchant Investment Holdings Limited ("RMI") (continued)

Proportion of ownership

The total number of ordinary shares held in RMI is 222,853,251 (2020: 222,853,251) which is below the 20% threshold for an investment to be treated as an associate. However, significant influence is exercised through Board representation.

The percentage shareholding in RMI is 14.20% (2020: 15%)

Non-current

Opening balance	7,142,447	6,872,794
Fair value adjustment	2,841,542	269,653
Disposal	(185,029)	-
Closing balance	9,798,960	7,142,447

During the current year, the RBH Group disposed of 5.9 million shares in RMI.

The fair value is determined by reference to the closing of R45.17 (2020: R32.05) at 31 December 2021. 154 864 208 RMI shares are pledged as security for the Salestalk Holdco (Pty) Ltd preference shares and the Royal Bafokeng Holdings (Pty) Ltd Revolving Credit Facility.

The total dividends received from RMI is R97 620 807 (2020: R100,283,963).

8.4 Attacq Limited ("Attacq")

Background

Attacq is a property investment company that is focused on long term sustainable capital growth. Attacq is listed on the JSE. During the current financial year, the entire shareholding in Attacq, consisting of 41 493 525 shares was disposed of.

Proportion of ownership

The percentage shareholding in Attacq is 0% (2020: 5.31%)

	2021 R'000	2020 R'000
Non-current		
Opening balance	205,954	511,778
Fair value adjustment	65,824	(305,824)
Disposal	(271,778)	-
Closing balance	-	205,954

8.5 Liquid Telecoms Jersey Holdings Limited ("LTJ")

LTJ provides data, voice, cloud and IP services in eastern, central and southern Africa. The company supplies fibre-optic, satellite and international carrier services to mobile network operators, ISPs and businesses of various sizes. Its products and services include carrier services, such as connectivity services, to subsea cable systems as well as data centre services through its investee company Africa Data Centres.

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8. Investments in associates and joint ventures at fair value through profit or loss (Cont.)

8.5 Liquid Telecoms Jersey Holdings Limited (“LTJ”) (continued)

The investment is classified as an associate. Significant influence is exercised through board representation. The investment is measured at fair value.

It is the company policy for derivatives embedded in other financial instruments not to be separated if the hybrid contract contains a host that is a financial asset within the scope of IFRS 9, the IFRS 9 classification and measurement is applied to the entire instrument.

As the investment in LTJ is within the scope of IFRS 9 the call option (floor) is not separated from the host contract (investment in LTH), the entire instrument is classified and measured at fair value through profit or loss. The company determines the equity value to assess whether the equity value is below or above the call option to determine the valuation technique used for the entire instrument. If the equity value is below the floor the entire instrument is measured at the AEP (floor), meaning the call option is in the money and if the equity value is above the AEP (floor) the entire instrument is measured at the equity value, meaning the call option is out of the money. As IFRS 9 does not require the instrument to be separated, the derivative (in the money call option) was not measured separately. However the features of the derivative must be disclosed; refer below for the features of the derivative.

Equity component

The investment in LTJ was valued using the AEP for the ordinary shares and an average of the DCF and market approach for the convertible preference shares as at 31 December 2021.

In the prior year the investment in LTJ was valued using a contractually guaranteed price, the floor price that RBH is entitled to in the event of a listing or expiration of 24 months from the date of acquisition. This approach has been followed in this year’s valuation, keeping the approach consistent to the prior year. This price is referred to as the AEP.

DCF and market approach methodologies:

- The DCF valuation was applied to the equity component of the fibre business (LTH) and was R1.25 billion as at 31 December 2021 with the market approach (MA) valuation being applied to the Africa Data Centres (ADC) cash-generating unit for a value of R486 million as at 31 December 2021. The total valuation for RBH’s stake in the ordinary shares of LIT according to the DCF value for the fibre business and MA value for ADC was R1.74 billion. As this value is below the AEP value as at 31 December 2021, we have thus carried the valuation of the ordinary shares in LTJ at the AEP.

Anti-embarrassment price valuation (AEP) methodology:

- The AEP methodology as at 31 December 2021 implies a valuation of R1.85 billion (2020: R1.96 billion).

Acquisition information:

RBH, through its SPV Lisinfo 213 (RF) Proprietary Limited, has invested in Liquid Telecoms Jersey Holdings (LTJ) through two instruments:

1. ordinary shares that have a value protection of the anti-embarrassment price (AEP); and
2. convertible preference shares.

RBH initially invested in Liquid Telecoms Holdings (LTH) through two tranches in 2017:

- the first tranche of R1 billion was invested through Liquid Telecoms Holdings SA (i.e. LTHSA) to acquire 100% of the equity in Neotel in February 2017, resulting in RBH having an effective 30% shareholding; and

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8.5 Liquid Telecoms Jersey Holdings Limited (“LTJ”) (continued)

- the second tranche was the flip-up of RBH’s equity in LTHSA to LTH (i.e. group) as well as a top-up equity contribution of USD22.2 million to acquire further equity, which resulted in RBH’s shareholding in LTH of 10.34%.

As part of the second tranche, RBH agreed with LTH and the rest of the shareholders a concept of an AEP.

In the current financial year LTH had an opportunity to further expand its data centre strategy when an opportunity arose to acquire the Standard Bank Samrand Data Centre (Samrand DC). Unfortunately, due to the funding restrictions at LTH it was not possible to raise funding at LTH level and a workaround was sought:

- A solution was an LTH company reorganisation in which the fibre (i.e. traditional) business and the data centre business (i.e. ADC) would be separated into two businesses which would fall under a new holding company, Liquid Telecommunications Jersey Holdings Limited (LTJ). This would assist with raising funding at ADC level to implement the data centre strategy and acquire the Samrand DC.
- As part of the reorganisation RBH and the rest of the shareholders “flipped up” to the new holding company.
- Furthermore, LTJ then raised capital through convertible preference shares to be able to fund the equity for the Samrand DC. RBH participated in the rights issue subscribing for USD10 million.

Proportion of ownership

The percentage shareholding in LTJ is 7.80% (2020: 8.47%), which is below the 20% threshold for an investment to be treated as an associate. However, significant influence is exercised through Board representation.

The LTH shares have been pledged as security for the RMB preference shares that were issued for the acquisition of LTH.

	2021	2020
	R’000	R’000
Non-current		
Opening balance	2,143,948	1,819,456
Asset for share exchange	-	168,100
Fair value adjustments	139,367	156,392
Closing balance	2,283,315	2,143,948

**Weighted average
range of probabilities**

Figures in %

Price escalation

CPI	4.35%	3.90%
Margin	5.50%	5.50%

Preference share component

The value of the preference shares ranges from R256.8 million to R270.1 million based on the different valuation methodologies.

The preference share value would be carried at fair value (not face value) based on the average of the market approach and DCF valuation as it is above the initial investment (i.e. face value).

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8.5 Liquid Telecoms Jersey Holdings Limited ("LTJ") (continued)

The average value is R263.5 million which implies a 56.8% increase on the R168.1 million initially invested (i.e. USD10 million at USD/ZAR of R16.81). The average is above the face value in USD.

8.6 Blue Falcon 140 Trading (Pty) Ltd ('Blue Falcon')

Background

The company is a renewable energy company with the purpose of producing wind energy (Gouda Wind Facility, a 135.2 MW wind plant) and consequently supplying of electricity to Eskom. The investment is classified as an associate. The investment is measured at fair value.

Proportion of ownership

The number of shares held by the group through its subsidiary Celanex (Pty) Ltd in Blue Falcon are 54 468 which represents 25.1% of the Blue Falcon's equity. Significant influence is exercised through board representation.

Non-current

Opening balance	260,065	234,694
Fair value adjustment	27,332	25,371
Closing balance	287,397	260,065

(2020: R260 million).

Valuation

The fair value of the investment is Level 3 on the fair value hierarchy. The fair value of Blue Falcon is not based on observable market data. The fair value was determined using the discounted cash flow method. Future cash flows were discounted at an appropriate discount rate. The key unobservable inputs are as follows:

	2021	2020
Valuation Date	2021/12/31	2020/12/31
Discount rate - based on cost of equity	14.00%	14.00%
Discount rate applied for lack of marketability (Liquidity discount)	12.50%	12.50%

The cash flow forecast is based on expected dividends extracted from the projects company financial model in terms of the shareholders agreement. The forecast period is 31 December 2018 to 31 December 2035, using a 6 months period cash flows. The cash flow forecast is for the fixed period of the project thus no terminal year is applicable.

8.7 Hallcore Water

Background

Hallcore Water is a company that develops and operates ground water resources in order to provide access to fresh water daily to communities, mines, agricultural businesses as well as commercial and industrial companies. During the year ended 31 December 2020, the company acquired a 30% equity investment in Hallcore Water for R51 750 000. The execution of the transaction was on the 30th of November 2020 and the funds were transferred on the 2nd of December 2020.

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8.7 Hallcore Water (continued)

Proportion of ownership

The number of shares held by the group through its subsidiary Royal Bafokeng Astrapak (Pty) Ltd in Hallcore Water represents 30% of the equity. Significant influence is exercised through board representation.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	51,750	-
Additions	-	51,750
Fair value adjustment	6,499	-
Closing balance	58,249	51,750

8.8 Windfall 59 Properties (RF) (Pty) Ltd ("Windfall")

Background

The company is a renewable energy company with the purpose of producing solar energy (Sishen Solar PV Facility, a 74 MW solar PV plant) and consequently supplying electricity to Eskom. The investment is classified as an associate. The investment is measured at fair value.

Proportion of ownership

The number of shares held by the Group through its subsidiary Celanex (Pty) Ltd in Windfall are 251 which represents 25.1% of the Windfall's equity. Significant influence is exercised through board representation.

	2021	2020
	R'000	R'000
Non-current		
Opening balance	304,418	323,128
Additions	-	(18,710)
Fair value adjustment	33,140	-
Closing balance	337,558	304,418

The directors valued the stake in Windfall of 25.10% at R337.6 million at 31 December 2021 (2020: R304.4 million).

Valuation

The fair value of the investment is Level 3 on the fair value hierarchy. The fair value of Windfall is not based on observable market data. The fair value was determined using the discounted cash flow method. Future cash flows were discounted at an appropriate discount rate.

	2021	2020
	2021/12/31	2020/12/31
Valuation Date		
Discount rate - based on cost of equity	12.62%	10.56%
Discount rate applied for lack of marketability (Liquidity discount)	12.50%	12.50%

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8.8 Windfall 59 Properties (RF) (Pty) Ltd ("Windfall") (continued)

The cash flow forecast is based on expected dividends extracted from the projects company financial model in terms of the shareholders agreement. The forecast period is 31 December 2019 to 31 December 2034, using a 6 months period cash flows. The cash flow forecast is for the fixed period of the project thus no terminal year is applicable.

8.9 YeboYethu (RF) Limited

Proportion of ownership

The number of shares held by the group through its subsidiary Lisinfo 209 Investments (Pty) Ltd is 28,6% of YeboYethu (RF) Limited 's equity. Significant influence is exercised through board representation.

B-BBEE segment of the JSE.

The investment is classified as an associate. Significant influence is exercised through board representation. The investment is measured at fair value using the closing price. The YY shares as at 31 December 2021 were trading at R51.01 (2020: R35.01).

Proportion of ownership

The number of shares held by the group through its subsidiary Lisinfo 209 Investments (Pty) Ltd is 28.6% of YeboYethu (RF) Limited 's equity. Significant influence is exercised through board representation.

8.9 YeboYethu (RF) Limited (continued)

	2021	2020
	R'000	R'000
Non-current		
Opening balance	529,186	263,007
Additions	-	266,179
Fair value adjustment	241,845	-
Closing balance	771,031	529,186

8.10 Northam Platinum Holdings Limited ("Northam")

Background

Northam is an independent integrated PGM producer listed on the JSE. The primary operations are centred on their two wholly owned mines, Zondereinde and Booyseindal, and the additional metallurgical operations at Zondereinde including a smelter and base metals removal plant.

Proportion of ownership

The total number of ordinary shares held in Northam is 34 399 725 shares which is below the 20% threshold for an associate. Significant influence is exercised through the ability to appoint a board representative.

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8.10 Northam Platinum Holdings Limited ("Northam") (continued)

Non-current

Opening balance	-	-
Acquisition of shares	7,693,154	-
Fair value adjustment	(486,412)	-
Closing balance	7,206,742	-

The fair value is determined by reference to the closing price of R209.50 as at 31 December 2021.

8.11 Growthpoint Student Accommodation Holdings

Background

d

During the current financial year the Group, through its SPV Royal Bafokeng Management Services Proprietary Limited, subscribed for 35% of the A-class shares in Growthpoint Student Accommodation Holdings Proprietary Limited (GSAH) for R500 million. GSAH holds a portfolio of purpose-built student accommodation assets.

Non-current

Opening balance	-	-
Acquisition of shares	500,000	-
Fair value adjustment	-	-
Closing balance	500,000	-

The investment is classified as an associate. The investment is measured at fair value. The fair value is determined as the transaction price because the transaction was concluded at arms length close to the company's financial year end.

8.12 Distributed Power Africa Asset Holdings Limited

Background

Distributed Power Africa Asset Holdings Limited (DPA) is a market leader in innovative solar energy solutions. They have operations in Kenya, South Africa and Zimbabwe. Part of the Cassava Technologies Group of Companies, DPA supplies commercial and industrial customers with efficient, green solar energy installations without an initial capital outlay. The company, through its SPV Jenzoprox Proprietary Limited, has committed equity to acquire a 60% equity stake in DPA AssetCo. The remaining 40% is held by Econet Energy Limited (EEL).

The main business objective of DPA AssetCo is to acquire renewable energy power projects developed by DPA DevCo, a wholly owned subsidiary of EEL. DevCo is responsible for the origination of power lease agreements (PLAs) with customers, development of the projects, and performing operations and maintenance (O&M) activities relating to the projects at agreed fees, over the tenure of the contracts with customers. AssetCo then acquires completed projects from DevCo at an agreed price.

Proportion of ownership

The Group holds 60% of the shares in DPA. The investment is a joint venture as joint control is exercised.

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8.12 Distributed Power Africa Asset Holdings Limited (continued)

	2021 R'000	2020 R'000
Non-current		
Opening balance	-	-
Acquisition of shares	15,744	-
Fair value adjustment	(7,076)	-
Closing balance	<u><u>8,669</u></u>	<u><u>-</u></u>

The investment is measured at fair value. The fair value of DPA is not based on observable market data. The fair value was determined using the sum of parts valuation methodology.

9. Equity accounted investments

9.1 Associates

Associates are all entities over which the group has significant influence but not control or joint 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 others which are classified as venture capital organisations are carried at fair value through profit and loss. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and movements in other comprehensive income of the investee after the date of acquisition. The investor's share of the profit or loss and movements in other comprehensive income are presented in the statement of profit or loss or statement of other comprehensive based on the investee's annual financial statements. The group's investment in associates includes goodwill identified on acquisition.

Changes in the fair value of associates carried at fair value through profit and loss are recognised in the income statement in the period of change.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group's share of post-acquisition profit or loss is recognised in the income statement, its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income, and its equity movements, recognised directly in equity as "other reserves" with a corresponding adjustment to the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the income statement.

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9.1 Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

9.2 Joint arrangements

The group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor, rather than the legal structure of the joint arrangement. RBH has in the prior year assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In the prior year, accounting policies of the joint ventures have been changed where necessary to ensure consistency with the by the group.

The principal equity accounted investments that are listed and unlisted are:

	2021	2020	2021	2020
	% holdings	% holdings	R'000	R'000
Royal Bafokeng Platinum Ltd ("RB Plats")	40.20%	40.20%	-	4,965,029
Dipalopalo Consortium (Pty) Ltd*	27.73%	27.73%	9,660	1,754
JCD Sub Saharan Africa (Pty) Ltd	30.00%	30.00%	32,654	48,943
Royal Investment Managers (Pty) Ltd	50.00%	50.00%	73,100	86,367
Mogs (Pty) Ltd	51.00%	51.00%	451,671	448,415
Total equity accounted investments			567,085	5,550,509

There are no contingent liabilities relating to the group's interest in the associates. All the associates and joint ventures are unlisted.

* - All equity accounted investments have a 31 December year end, with the exception of Dipalopalo Consortium, which has a 31 March year end, Royal Investment Managers which have 30 June year end.

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9.2 Joint arrangements (continued)

Royal Bafokeng Platinum Limited ("RB Plats")

RB Plats was derecognised as an associate during the current year and is recognised as a financial asset at year end (Refer to note 7).

Dipalopalo Consortium (Pty)Ltd

Dipalopalo was formed to enter into a public-private partnership (PPP) with the Department of Statistic South Africa for the establishment of head office accommodation. The investment is classified as an associate.

JCD Sub Saharan Africa (Pty) Ltd ("JCD SSA")

JCD SSA is one of the leading outdoor advertising companies in Africa, operating in 16 countries across the African continent. RBH, through its subsidiary Jenzotype (Pty) Ltd acquired a 30% interest in JCD SSA in 2015.

Royal Investment Managers (Pty) Ltd

Royal Investment Managers (RIM) is an investment holding company that acquires stakes in either existing or new asset management firms with a strong and unrelenting focus on diversity. The investment is classified as joint venture.

Royal Bafokeng Impala Investment Holding Company (Pty) Ltd (IIH) owns 50% of RIM, a joint venture between Rand Merchant Investment Holdings Ltd (RMI) and IIH. IIH and RMI are precluded by shareholder agreements from exercising any control over RIM. As a result RIM is accounted for as a joint venture.

9.2 Equity accounted investments (continued)

Mogs (Pty) Ltd ("MOGS")

MOGS is a pan - African leader in the oil and gas infrastructure and mining services sectors.

Movement in equity accounted investments balance

	2021	2020
	R'000	R'000
Opening balance	5,550,509	4,384,184
Share of post acquisition profits #	5,747,104	1,236,236
Cost	-	2,750
Post acquisition dividends	(13,200)	(4,250)
Impairment	(9,319)	(30,703)
Disposal of associate	(10,708,009)	(56,000)
Profit/loss on disposal of associate	-	18,292
	567,085	5,550,509

Share of profit is after tax and minority interest of equity accounted investments.

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9.2 Equity accounted investments (continued)

Summary of share of profit or loss

Dipalopalo Consortium (Pty) Ltd	7,906	(506)
Royal Bafokeng Platinum Limited ("RB Plats")	5,742,980	1,410,541
JCD Sub Saharan Africa (Pty) Ltd	(6,970)	(23,969)
Royal Investment Managers (Pty) Ltd	(67)	(49,515)
Mogs (Pty) Ltd	3,255	(100,315)
	5,747,104	1,236,236

Loan receivable

Leopard Guernsey BK JV LP*	(1,011)	(221,074)
Total	5,746,093	1,015,162

* The accumulated losses has exceeded the cost of the equity investment, the excesses losses has been allocated to the loan receivable as it forms part of the net investment (Refer to note 10 trade and other receivables).

Summary of the impairment in associates

JCD Sub Saharan Africa (Pty) Ltd	(9,319)	(30,703)
Total impairments	(9,319)	(30,703)

10. Trade and other receivables

Loans and receivables

Initial recognition

Loans and receivables are non-derivative financial assets with fixed or determinable payment periods that are not quoted in an active market. Loans and receivables comprise trade and other receivables in the statement of financial position excluding prepaid tax, prepaid expenses and VAT refund.

Environmental trust deposit and cash and cash equivalents form part of loans and receivables.

Loans and receivables are initially measured at fair value. They are included in current assets except for maturities greater than 12 months after the reporting date, these are classified as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision made for impairment of trade receivables is established when there is objective evidence (e.g. when amounts are overdue for a significant period of time) that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the original effective interest rates. Significant financial difficulties of the debtors, probabilities that the debtors will enter bankruptcy, default or delinquency in payments are considered indicators that the trade receivables are impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income as an administrative expense.

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10. Trade and other receivables (continued)

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest rate method. The gains or losses in the changes in the value of the loan and other receivables are classified in the income statement under finance cost or income.

The amount of the provision is the difference between the assets carrying amount and the recoverable amount, being the present value of expected cash flow, discounted at the original effective interest rates. When a trade receivable is uncollected, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are taken to other income in the income statement.

Prepaid expenses are initially recorded at cost and subsequently amortised through to the income statement when the service is received. Value Added Tax (VAT) refunds are initially recorded at cost and subsequently realised when the cash is received from the South African Revenue Service (SARS).

Critical accounting estimates and assumptions

The group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The determination requires significant judgement. In making the judgement, the group evaluates, among other factors, the history of defaults by the debtors and the financial position of the debtor.

10.1 Current trade receivables

	2021	2020
	R'000	R'000
Trade receivables	27,791	105,556
Less: impairment provision	(5,405)	(4,747)
Trade receivables net	22,386	100,809
Other receivables	53,888	6,470
Related party loans and receivables	455,741	645,032
Prepaid expenses	1,757	1,640
Deposits	785	785
VAT refundable	219	-
	<u>534,776</u>	<u>754,737</u>
Less: non-current trade receivables (refer below)	(71,525)	(281,193)
Total trade and other receivables	<u>463,252</u>	<u>473,544</u>

Current related party loans and receivables

Loans

Loan to Dipalopalo Consortium (Pty) Ltd	51,245	54,445
Loan to JCD Sub Saharan Africa (Pty) Ltd	166,490	166,490

Receivables

Big Yellow Group dividend receivable	10,446	7,972
Lisinfo 245 Investments (Pty) Ltd	-	46,614
Other receivables	156,035	88,318

Closing balance

Non-current trade receivables (refer below)	71,525	281,193
Total related party loans and receivables	<u>455,741</u>	<u>645,032</u>

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10.1 Current trade receivables (continued)

The carrying amount of trade and other receivables approximate the fair value. The loans bear no interest and have no fixed repayment terms except the Dipalopalo loan which bears interest at 13% per annum which is repayable after service commencement date.

	2021	2020
	R'000	R'000
Non-current trade and other receivables		
Related party loans and receivables	71,525	281,193
Non-current related party loans and receivables		
Loan to Leopard Guernsey BK JV LP	50,853	232,312
Loans to Blue Falcon 140 Trading (Pty) Ltd	20,672	48,881
Closing balance	71,525	281,193

The loan advanced to Leopard Guernsey Joint Venture is interest free and has no fixed repayment terms. The loan was advanced in order to pursue property investments in the UK and Continental Europe. The loan is repayable on demand.

The loan to Blue Falcon amounts outstanding are unsecured and will be settled in cash. The loans accue interest at prime interest rate less 0.5%. No expense has been recognised in the current period for bad or doubtful debts in respect of amounts owed by related parties. No guarantees have been given or received. The loans have no fixed repayment terms.

11. Finance lease receivable

Finance leases

They are presented as lease receivables on the statement of financial position.

The interest rate implicit in the lease is used to measure the net investment in the lease. If the interest rate implicit in a sublease cannot be readily determined for a sublease, then the discount rate used for the head lease (adjusted for any initial direct costs associated with the sublease) is used to measure the net investment in the sublease.

The interest rate implicit in the lease is defined in a manner which causes the initial direct costs to be included in the initial measurement of the net investment in the lease.

Lease payments included in the measurement of the net investment in the lease comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives payable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be receivable by the group from the lessee, a party related to the lessee or a third party unrelated to the group under residual value guarantees (to the extent of third parties, this amount is only included if the party is financially capable of discharging the obligations under the guarantee);

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11. Finance lease receivable(continued)

- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The group recognises finance income over the lease term, based on a pattern that reflects a constant periodic rate of return on the net investment in the lease. Finance income recognised on finance leases is included in finance income in profit or loss (note 26).

The group applies the impairment provisions of IFRS 9 to lease receivables.

	2021	2020
	R'000	R'000
Maturity analysis of lease payments receivable		
- within one year	75	426
- in second to fifth year inclusive	-	76
Gross investment in the leases	75	502
Less: unearned interest income	-	(24)
Net investment in the lease	75	478
Non-current assets	-	75
Current assets	75	403
	75	478

The group entered into finance leasing arrangements for a portion of the RBH office building. The average lease terms are three years and the average effective lending rate was 9% (2020: 9%).

Reconciliation of significant changes in net investment in leases*

Opening balance	478	3,980
Interest income	24	65
Derecognition and impairment	-	(2,510)
Receipts during the year	(427)	(1,057)
Closing balance	75	478

Other information

Interest income recognised on net investment in the leases	24	65
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* Values per signed RBH 2021 Annual financial statements.

Exposure to credit risk

Finance lease receivables inherently exposes the group to credit risk, being the risk that the group will incur financial loss if counterparties fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults the group only deals with reputable counterparties with consistent payment histories. Credit risk is mitigated by holding the leased assets as

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11. Finance lease receivable (continued)

collateral. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Finance lease receivables are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for finance lease receivables is calculated based on twelve-month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve-month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a lease is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition.

In determining the amount of expected credit losses, the group has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate or are employed. This information has been obtained from the counterparties themselves, as well as from economic reports, financial analyst reports and various external sources of actual and forecast data and is applied to estimate a probability of default occurring as well as estimating the loss upon default.

The maximum exposure to credit risk is the carrying amount of the leases as presented above.

Exposure to interest rate risk

Refer to note 35 Financial instruments and financial risk management for details of interest rate risk management for finance lease receivables.

12. Deferred income tax

Deferred taxation

Deferred tax assets and liabilities are provided in full, using the liability method, temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is determined using tax rates that have been enacted or substantively enacted before the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which the temporary differences can be utilised.

The movement in deferred income tax assets and liabilities during the year is as follows:

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12. Deferred income tax - (continued)

	2021	2020
	R'000	R'000
Opening balance	(3,044,136)	(3,689,126)
Reduction of base cost due to disposal of investments	-	(91,427)
Derecognition	1,084,642	-
Reclassification	(312,418)	-
Statement of profit or loss charge	(769,718)	731,081
Utilization of prior year assessed loss	(825,560)	-
Statement of other comprehensive charge	-	5,336
Closing balance	(3,867,190)	(3,044,136)

	Fair value and impairment R'000	Other deferred tax liabilities R'000	Total R'000
Deferred income tax liabilities			
2021			
Opening balance	3,188,190	4	3,188,194
Charge to income statement	731,156	38	731,194
Reclassification	312,418	-	312,418
Utilization of prior year assessed loss	825,560	-	825,560
Derecognition	(1,170,668)	-	(1,170,668)
Closing balance	3,886,656	42	3,886,698

2020			
Opening balance	3,762,408	380	3,762,788
Charge to income statement	(656,638)	(376)	(657,018)
Derecognition	82,620	-	82,620
Closing balance	3,188,390	4	3,188,394

	Provisions R'000	Fair value and impairment R'000	Tax loss R'000	Total R'000
Deferred income tax assets				
2021				
Opening balance	(224)	110,821	33,662	144,259
Charge to income statement	-	(38,524)	-	(38,524)
Derecognition	-	(86,226)	-	(86,226)
Closing balance	(224)	(13,929)	33,662	19,509

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12. Deferred income tax - (continued)

	Provisions R'000	Fair value and impairment R'000	Tax loss R'000	Other deferred tax asset R'000	Total R'000
2020					
Opening balance	(224)	40,227	33,662	1,249	74,914
Charge to income statement	-	73,864	-	-	73,864
Derecognition	-	(3,271)	-	(1,249)	(4,520)
Closing balance	(224)	110,821	33,662	-	144,258

The unrecognised deferred tax assets amount to:

Royal Bafokeng Tholo Investment Holdings (Pty) Ltd	487	488
Royal Bafokeng Impala Investment Holding Company (Pty) Ltd	-	1,158
Royal Bafokeng Resource Holdings (Pty) Ltd	-	65
Royal Bafokeng Platinum Holdings (Pty)Ltd	-	42
Royal Bafokeng Holdings (Pty) Ltd	24	12
RBH Services Holdings	1	18
Jenzotype (Pty) Ltd	63	63
Royal Bafokeng Management Services	244	32

13. Derivatives

13.1 RBPlat Options entered into by Emikaway Proprietary Limited (Emikaway)

	2021 R'000	2020 R'000
Option asset		
Put option entered into on 3 December 2021	116,806	-
Fair value adjustment	(13,371)	-
RB Plat put option	103,436	-

On 3 December 2021 Emikaway entered into an option agreement with Northam whereby Northam granted Emikaway a put option to sell 1 891 342 RBPlat shares held by Emikaway at an option strike price of R135 per share. The put option is exercisable from 3 June 2022 until the expiry date of 3 December 2023. Emikaway has recognised a put option on the date of agreement, 3 December 2021. The put option was valued at a market value of R61.76 per share on 3 December 2021 and subsequently measured at a market value of R54.69 per share on 31 December 2021.

Option liability

Call option entered into on 3 December 2021	(185,100)	-
Fair value adjustment	2,730	-
RB Plat call option	(182,371)	-

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13. Derivatives (continued)

13.1 RBPlat Options entered into by Emikaway Proprietary Limited (Emikaway) (continued)

On 3 December 2021 Emikaway entered into an option agreement with Northam whereby Emikaway granted Northam a call option to buy 4,472,103 RBPlat shares held by Emikaway at an option strike price of R135 per share. The call option is exercisable from 3 December 2021 for a period of 24 months. Emikaway has recognised a call option on the date of agreement, 3 December 2021. The call option was valued at a market value of R41.39 per share on 3 December 2021 and subsequently measured at a market value of R40.78 per share on 31 December 2021.

Valuation

The fair value of the options is Level 3 on the fair value hierarchy. The valuation was performed by an independent expert using the Monte Carlo technique. The valuation as at 31 December 2021 of R103 million and R182 million for the put option and call option respectively was determined using the following inputs:

	<u>Put Option</u>	<u>Call Option</u>
	31 Dec 2021	31 Dec 2021
Valuation date	3 Jun 2022	3 Jun 2022
Exercise period	- 3 Dec 2023	- 3 Dec 2023
Expiry date	3 Dec 2023	3 Dec 2023
Spot value - RBPlat share price	156.32	156.32
Volatility	55.612%	55.612%
Dividend yield	7.274%	7.274%

13.2 RBPlat Options entered into by Royal Bafokeng Investment Holding Company (RBIH)

	2021	2020
	R'000	R'000
Option asset		
Put option entered into on 8 November 2021	115,970	-
Fair value adjustment	(23,517)	-
RB Plat put option	<u>92,453</u>	-

On 8 November 2021 an SPV of RBH, Royal Bafokeng Investment Holding Company (RBIH), entered into an option agreement with Northam whereby Northam granted RBIH a put option to sell 1 673 695 RBPlat shares held by RBIH at an option strike price of R135 per share. The put option is exercisable from 3 May 2022 until the expiry date of 8 November 2023. RBIH has recognised a put option on the date of agreement, 8 November 2021. The put option was valued at a market value of R69.29 per share on 8 November 2021 and subsequently measured at a market value of R55.24 per share on 31 December 2021.

Option liability

Call option entered into on 8 November 2021	(39,432)	-
Fair value adjustment	(29,968)	-
RB Plat call option	<u>(69,400)</u>	-

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13. Derivatives (continued)

13.2 RBPlat Options entered into by Royal Bafokeng Investment Holding Company (RBIH) (continued)

On 8 November 2021 RBIH entered into an option agreement with Northam whereby RBIH granted Northam a call option to buy 1 673 695 RBPlat shares at an option strike price of R135 per share. The call option is exercisable from 19 November 2021 for a period of 24 months. RBIH has recognised a call option on the date of agreement, 8 November 2021. The call option was valued at a market value of R23.56 per share on 8 November 2021 and subsequently measured at a market value of R41.47 per share on 31 December 2021.

Valuation

The fair value of the options is Level 3 on the fair value hierarchy. The valuation was performed by an independent expert using the Monte Carlo technique. The valuation as at 31 December 2021 of R92 million and R69 million for the put option and call option respectively was determined using the following inputs:

	<u>Put Option</u>	<u>Call Option</u>
	31 Dec 2021	31 Dec 2021
Valuation date		
Exercise period	19 May 2022	19 May 2022
	- 19 Nov 2023	- 19 Nov 2023
Expiry date	19 Nov 2023	19 Nov 2023
Spot value - RBPlat share price	156.32	156.32
Volatility	56.892%	56.892%
Dividend yield	7.42%	7.42%
	2021	2020
	R'000	R'000
Total Derivative put options	195,889	-
Total Derivative call options	(251,771)	-

14. Current income tax assets and liability

Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to set off current assets against current tax liabilities and intends either to settle on a net basis, to realise the asset and settle the liability simultaneously.

Amounts unpaid at the beginning of year	(52,636)	43,491
Current year charge- per income statement	(374,268)	(208,135)
Tax paid per the cash flow statement	517,647	110,920
Translations of foreign operations	84	-
Accrued interest	367	1,088
(Liability) and asset	91,194	(52,636)
Current income tax liability	(17,826)	(64,894)
Prepaid tax	109,020	12,258
Net tax per balance sheet	91,194	(52,636)

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15. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdraft and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings and under current liabilities on the statement of financial position.

	2021	2020
	R'000	R'000
Cash and cash equivalents comprise of:		
Petty cash	77	28
Cash and cash equivalents	3,773,626	1,610,671
	3,773,703	1,610,699
Bank overdraft	(7)	(2)
	3,773,696	1,610,697

The cash and cash equivalents in the current year are denominated in South African Rand, except for the USD and GBP foreign denominated accounts.

The carrying value of the amount of cash and cash equivalents approximates fair value due to short-term maturity of these financial assets.

	Maximum	Utilised	Unutilised
	R'000	R'000	R'000
Banking facilities of the Group			
2021			
Revolving credit facility lenders			
Rand Merchant Bank			
Revolving credit facility	2,000,000	-	2,000,000
Banking facilities of the Group			
2020			
Revolving credit facility lenders			
Rand Merchant Bank			
Revolving credit facility	2,000,000	-	2,000,000

The R 2 billion RCF was raised by RBH with the lenders being Standard Bank, Rand Merchant Bank, ABSA and Nedbank. The RCF incurs interest at JIBAR plus a margin of 1.85% (2020: 1.85%) and has a maturity of 5 October 2026.

The cash investment includes cash held in fixed investment of R 1.852 billion (2020: R 1.229 billion) and investment in Stanlib at fair value through profit and loss of R 234 million (2020: R 191 million).

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16. Cash investment and stanlib money market account

	2021 R'000	2020 R'000
Investments		
Stanlib money market	234,019	191,487
Short-term bank deposits	1,851,612	1,229,148
	<u>2,085,631</u>	<u>1,420,635</u>

17. Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of inventories comprises all cost of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition and is assigned by using the weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

Consumable goods	<u>2,858</u>	<u>2,396</u>
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All inventories are carried at cost. There has been no inventory written down to net realisable value.

18. Employee benefits

The Group operates various post-employment schemes, including defined contribution pension plans and post-employment medical plans.

18.1 Short-term benefit

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Current

Leave pay and bonus provision	<u>28,082</u>	<u>18,851</u>
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18.2 Share based payments

18.2.1 Long Term Incentive Scheme

Cash-settled share based compensation plans

The services acquired and the liability incurred are measured at fair value for cash settled share based payments. Until the liability is settled, it is measured at fair value at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

A Long Term Incentive Scheme (LTI) liability of R25.7 million (2020: R25.7 million) is a notional plan in that participants will not be entitled to acquire actual or representative shares, but will enable a

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18.2 Share based payments (continued)

18.2.1 Long Term Incentive Scheme (continued)

Cash-settled share based compensation plans (continued)

participant to receive a future cash amount subject to the conditions of the plan and calculated, in the case of Share Appreciation Rights(SARs), with reference to the appreciation in value of a specified number of Representative Shares over a fixed period and in the case of conditional awards, with reference to the value of a specified number of representative shares on the vesting date.

SARs and conditional shares will be awarded annually in the ratio of:

- 2/3 SARs; and
- 1/3 conditional shares

SARs will be subject to financial and non-financial performance conditions and continued employment, as well as a dividend gatekeeper.

Conditional shares will be subject to continued employment and the dividend gatekeeper.

The participation in the scheme is limited to executives and senior management individuals. The value of the reference shares is the NAV of the RBH portfolio based on the fair value of the assets net of deferred capital gain as at year end divided by 100 000 000 units. The conditional awards vest three years from when they were granted and the SARs vests three years from when they were granted but will have a two year period after the vesting date to exercise vested SARs. A Black Scholes model was used to measure the LTI and the volatility index was determined by assessing the volatility of the listed assets.

During the 2021 financial year a review of the LTI scheme was performed and a revised instrument (nil cost option) was approved by the board. The allocations for the 2021 financial year were only made in April 2022, following approval by the shareholder of the new instrument and revised total rewards philosophy in March 2022. Therefore no new allocations were made in the 2021 financial year and the value of the LTI below is based on the previously issued instruments which are in flight. The value of the scheme was calculated using the following inputs:

	2021	2020
	R'000	R'000
Non-current		
Long-term incentive scheme	57,905	25,700
Share Appreciation Rights		
Inputs		
Weighted average option value on grant date(rand)	-	91.42
Weighted average share price on grant date(rand)	-	260.74
Volatility(%)	-	21 to 51
Dividend yield	-	0%
Risk-free interest rate(%)	-	6.84
Vesting years	-	2023
Weighted average option value on grant date(rand)	-	68.64

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18.2.1 Long Term Incentive Scheme (continued)

	2021	2020
	R'000	R'000
Conditional Awards		
Weighted average share price on grant date(rand)	-	260.74
Vesting years	-	2023
Activity on Awards outstanding		
	Conditional Awards	SARs
	Number	Weighted
	of shares	average
	share price	Number
		of shares
		Weighted
		average
		option price
For the year ended 31 December 2021		
At January 2021	66,019	260.74
Exercised	(16,865)	-
Expired	-	-
At 31 December 2021	49,154	-
For the year ended 31 December 2020		
At January 2020	67,270	260.74
Granted	25,859	260.74
Forfeited	(9,390)	-
Exercised	(17,720)	-
Expired	-	-
At 31 December 2020	66,019	260.74

19. Borrowings

Financial liabilities which are held for trading are classified as financial liabilities mandatorily at fair value through profit or loss.

The company, does, from time to time, designate certain financial liabilities as at fair value through profit or loss. The reason for the designation is to reduce or significantly eliminate an accounting

mismatch which would occur if the instruments were not classified as such; or if the instrument forms part of a group of financial instruments which are managed and evaluated on a fair value basis in accordance with a documented management strategy; or in cases where it forms part of a contract containing an embedded derivative and IFRS 9 permits the entire contract to be measured at fair value through profit or loss.

Loans from shareholder and financial liabilities are classified as financial liabilities and loans from related parties subsequently measured at amortised cost.

Financial liabilities and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

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

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19. Borrowings (continued)

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

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 26).

Financial liabilities and loans from related parties expose the company to liquidity risk and interest rate risk. Refer to note 35 for details of risk exposure and management thereof.

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

	Note	2021 R'000	2020 R'000
Non-current			
Redeemable preference shares	19.1	<u>3,075,183</u>	<u>4,077,568</u>
Current			
Loan from Impala*		30,000	30,000
Redeemable preference shares		9,313	769,587
Related party loan*		12,042	14,115
		<u>51,355</u>	<u>813,703</u>
Total Borrowings		<u>3,126,538</u>	<u>4,891,271</u>
Effective interest rate		8%	-2%

* The loan is non-interest bearing and is repayable on demand.

Maturity analysis

Due within 1 year	51,355	813,703
Due within 1 to 2 year	3,075,183	4,077,568
Due within 2 to 5 years	-	-
	<u>3,126,538</u>	<u>4,891,271</u>

The carrying amount and the fair value of the non-current borrowings are as follows:

	Carrying value		Fair value	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Non-current				
Redeemable preference shares	<u>3,075,183</u>	<u>4,077,568</u>	<u>3,075,183</u>	<u>4,077,568</u>

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19. Borrowings (continued)

19.1 Redeemable preference shares

	Preference shares R'000	IDC preference shares R'000	Total R'000
2021			
Non-current			
Balance at 1 January 2021	4,077,568	-	4,077,568
Preference shares redeemed in RBH	(1,000,010)	-	(1,000,010)
Transaction costs	(2,375)	-	(2,375)
	3,075,183	-	3,075,183
2021			
Current			
Balance at 1 January 2021	43,016	409,771	452,787
Accrued preference dividend / dividend accrual	201,735	23,586	225,321
Preference shares redeemed/accrued dividend paid	(235,438)	(433,357)	(668,795)
	9,313	-	9,313
2020			
Non-current			
Balance at 1 January 2020	4,088,910	316,801	4,405,711
Preference shares redeemed in RBH	-	(316,801)	(316,801)
Transaction costs	(11,342)	-	(11,342)
	4,077,568	-	4,077,568
2020			
Current			
Balance at 1 January 2020	42,261	333,437	375,698
Accrued preference dividend / dividend accrual	231,409	76,334	307,743
Preference shares redeemed/accrued dividend paid	(230,655)	-	(230,655)
	43,015	409,771	452,786

Preference shares

The preference shares are repayable on 5 October 2026 and accrue interest at 69% of prime. During the current financial year RBH, through its SPV Salestalk Holdco, entered into a refinancing agreement with the lenders to extend the repayment date from 14 December 2022 to 5 October 2026. The interest rate was also amended from 71% of prime to 69% of prime. The amended agreement was effective from

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19.1 Redeemable preference shares (continued)

7 October 2021. The preference shares are secured by investments in the following fellow subsidiaries through a financial guarantee:

- Royal Bafokeng Investment Holding Company Proprietary Limited;
- Lisinfo 222 Investments Proprietary Limited.

Previously Royal Bafokeng Platinum Holdings Proprietary Limited was an obligor for the redeemable preference shares. In the current year Royal Bafokeng Platinum Holdings Proprietary Limited resigned as an obligor when the shares it held in RBPlat were transferred to a fellow obligor, Royal Bafokeng Investment Holding Company Proprietary Limited.

IDC preference shares

In 2014 the preference shares were issued by Emikaway (RF) Proprietary Limited to the Industrial Development Corporation (IDC) to fund the exercising of the rights issue in RBPlat. Ten preference shares were issued for a term of seven years – the company is obliged to redeem the preference shares on the seventh anniversary of the issue date.

During the current financial year the company redeemed the preference shares and fully settled the IDC's returns and the IDC confirmed receipt of the full redemption.

The IDC was entitled to receive a return of 8.3% (being the real per annum after-tax internal rate of return) on the preference shares. The IDC was also entitled to 25% of the equity growth of the RBPlat share price above R100. The equity growth receivable by the IDC would not, however, exceed 14% (real after-tax internal rate of return (RATIRR)).

The equity value growth was treated as an embedded derivative. The value of the derivative at year-end is Rnil (2020: Rnil) as the preference shares were repaid in full during the 2021 financial year and Emikaway (RF) Proprietary Limited was released of its obligations under the preference share agreement.

The IDC preference share liability was ring-fenced to the value of the investment in RBPlat in Emikaway.

20. Financial lease liabilities and right of use assets

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (note 28).

The lease liability is presented as a separate line item on the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (note 26).

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20. Financial lease liabilities and right of use assets (continued)

	2021	2020
	R'000	R'000
Minimum lease payments due		
-within one year	6,150	5,267
-in second to fifth year inclusive	515	964
	<u>6,665</u>	<u>6,231</u>
Less: future finance charges	(211)	(317)
Present value of minimum lease payments	<u>6,454</u>	<u>5,914</u>
Present value of minimum lease payments due		
-within one year	5,969	4,954
-in second to fifth year inclusive	485	960
	<u>6,454</u>	<u>5,914</u>
Non-current liabilities	485	960
Current liabilities	5,969	4,954
Total	<u>6,454</u>	<u>5,914</u>

The group has a total of R2 374 954 (2020: R5 922 895) and R1 324 438 (2020: R3 428 417) of non-lease components and VAT cash outflows not included in the lease liabilities. These relate to the non-lease components and variable lease payments that will be included in expenses when incurred. The lease term is three years and the average effective borrowing rate was 5.53% (2020: 9%), with the lease liability balance being R6 454 632 (2020: R5 913 231). The effective borrowing rate was revised due to the lease modification which took place during the current financial year.

Interest rates are fixed at the contract date. The lease escalates at 7% p.a. and no arrangements have been entered into for contingent rent.

The group's obligations under leases are secured by the lessor's charge over the leased assets.

The group assesses whether a contract is, or contains, a lease at the inception of the contract.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains, a lease management determines whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is, or contains, a lease requires significant judgement, the relevant disclosures are provided in the "significant judgements and sources of estimation uncertainty" section of these accounting policies.

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20. Financial lease liabilities and right of use assets (continued)

Group as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date for all lease agreements for which the group is a lessee, except for short-term leases of 12 months or less, or leases of low-value assets. For these leases the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

Right-of-use assets

Right-of-use assets are presented as a separate line item on the statement of financial position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset using the straight-line method. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

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20. Financial lease liabilities and right of use assets (continued)

Group as lessor

Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

When the group is an intermediate lessor it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the group applies the exemption described previously, then it classifies the sublease as an operating lease.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated by applying IFRS 15.

The group leases several assets, including the office building, computer equipment (including printers, binders and laptops) and a storage facility. The average lease term is three years (2021: two years).

Details pertaining to leasing arrangements, where the company is the lessee, are presented below.

During the 2021 financial year there was a lease modification on the lease of the building. The lease of the building (together with the non-lease items) was extended by 12 months from 28 February 2022 to 28 February 2023.

	2021 R'000	2020 R'000
Net carrying amounts of right-of-use assets		
The carrying amount of right-of-use assets are as follows:		
Buildings	<u>6,110</u>	<u>3,061</u>

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss.

Building	(2,932)	2,642
Right-of-use assets		
Opening balance	3,100	5,685
Depreciation	(2,932)	(2,624)
Lease modification	5,942	-
Balance at the end of the year	<u>6,110</u>	<u>3,061</u>

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20. Financial lease liabilities and right of use assets (continued)

	2021	2020
	R'000	R'000
Other Disclosures		
Notional finance costs on lease liabilities	348	761
Expenses on short-term leases and leases of low-value assets included in operating expenses	799	501
Variable lease payments not included in the measurement of lease liabilities included in operating expenses	2,035	1,909
Non-lease components not included in the measurement of lease liabilities included in operating expenses	2,803	1,755
Total cash outflow from lease liabilities including notional finance costs	5,400	4,611

At 31 December 2021 the group is committed to R798 852 (2020: R501,177) for short-term leases and low-value leases.

Lease liabilities

Lease liabilities have been included in the financial liabilities line item on the statement of financial position.

Future cash outflows not reflected in lease liabilities

The group has a total of R2,374 954 (2020: R3,319,715) and R1, 324 438 (2020: R1,904,879), including VAT, future cash outflows not reflected in the lease liabilities. These relate to non-lease components and variable lease payments that will be included in expenses when incurred.

21. Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade payables are initially carried at the fair value of the consideration agreed for goods or services that have been received or supplied and invoiced or formally agreed with the supplier. Subsequently, they are measured at amortised cost using the effective interest rate method.

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21. Trade and other payables (continued)

	2021	2020
	R'000	R'000
Trade payables	61,201	52,853
Other payables	17,744	17,198
Financial liabilities	78,945	70,051
Accruals	14,035	7,443
Vat liabilities	290	1,453
Deposits	12	9,371
Deferred income	17,447	20,877
Non-financial liabilities	31,784	39,144
Current	110,729	109,195

22. Revenue

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided and goods delivered, net of discounts and Value Added Tax (VAT) and where there is reasonable expectation that the income will be received and all attaching conditions will be complied with.

School fees and Boarding fees

School fees and Boarding fees are recognised at the beginning of the period in which the services are due to be rendered as agreed to in the contract between the parents and Lebone College at the rate agreed to in the contract. Provision for Expected Credit Loss against the fees due are calculated according to the requirements of IFRS 9.

Rental income

Rental income is obtained from the rental of various assets to various leases. The rental income is recognised on a straight-line basis over the lease term.

Royalty income

Royalty income is derived from the leasing of the land owned by the RBN(A) to mining entities mining in the RBN(A) lease area. The royalty income is recognised as revenue when the income accrues to RBN(A) based on the contractual terms.

Revenue from sale of products

Accommodation revenue

The entity generates revenue from the hotel rooms and is included in accommodation revenue. This revenue is recognised as the performance obligations are met overtime as the guests use the rooms. Payments for services rendered are either received in advance, upon check in/out or within the agreed credit terms.

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22. Revenue recognition continued)

Food and beverage

For the sale of food and beverage the revenue is recognised at a point in time when the food and drinks are sold to the customer.

Sale of Goods and Other income

Sales of goods and Other Income are recognised at the time of the transaction and recorded in the period the transaction occurred.

Other revenues

Other revenue streams including conference fees, telephone, sports field hire, laundry, housekeeping, tourism levy, transport, spa treatment, game drives and other miscellaneous services are recognised as the activity or performance of service is provided to the customers.

22.1 Revenue recognition and measurement

	2021	2020
	R'000	R'000
Sale of products	28,365	23,857
Royalty income	108,545	110,513
Dividends income	2,045,885	284,729
Deferred royalty income	1,936,527	1,737,735
Investment revenue	86,759	113,650
Other revenue	89,367	73,229
	<u>4,295,448</u>	<u>2,343,713</u>

23. Impairment loss

23.1 For non-financial assets

Property, plant and equipment and other non-current assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, that is, the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets, other than goodwill that suffered impairment, are reviewed for possible reversal of the impairment at each reporting date.

23.2 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that

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23.2 Impairment of financial assets (continued)

there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

Critical accounting estimates and assumptions

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. The determination requires significant judgement. In making the judgement, the Group evaluates the duration and the extent to which the fair value of a financial asset is less than its cost, and the financial health of the near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flows.

Impairment loss

	2021	2020
	R'000	R'000
Impairment loss - Finance lease receivable	-	(2,510)
	-	(2,510)
Impairment loss for equity accounted investments	(9,319)	(30,703)
Total impairments	(9,319)	(33,213)

24. Other income

Other income is recognised on an accrual basis when it is both probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where the items are remeasured. Foreign exchange gain or 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 other income.

The Group recognises dividend income when the Group's right to receive payment is established. This is on the last day to trade for listed shares and on the date of declaration for unlisted shares. The Group includes dividend income under 'other income' in the statement of profit or loss.

Other income	23,574	32,359
Amortisation of deferred income	1,024	1,024
	24,598	33,383

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25. Other gains/(losses)

	2021	2020
	R'000	R'000
Other gains		
Gains from financial assets at fair value through profit and loss	6,710,178	529,091
Profit on sale of associate	6,473,940	110,479
Foreign currency translation gains	78,225	76,969
	13,262,343	716,539
Other losses		
Losses from financial assets at fair value through profit and loss	-	(2,788,227)
Foreign currency translation loss	-	-
Loss of disposal of subsidiary	-	-
	-	(2,788,227)
Net loss	13,262,343	(2,071,688)

26. Net finance cost

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period of maturity, when it is probable that such income will accrue to the Group.

Borrowing costs are charged to interest expense.

Finance (cost)

Interest paid - Borrowings	(230,002)	(315,360)
Interest paid - bank overdraft and credit card	-	-
Notional interest on deferred royalty income	(1,533,861)	(1,335,069)
Unwinding of discount on decommissioning and restoration provision	-	-
Interest paid - Other	(12,544)	(14,978)
	(1,776,407)	(1,665,407)

Finance income

Interest received from the banks	16,773	12,960
Interest received from joint venture partner	6,857	32,137
Interest received - Other	156,796	50,840
	180,426	95,937
Net finance (cost)	(1,595,981)	(1,569,470)

27. Income tax expense

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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27. Income tax expense (continued)

Current and deferred 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.

Current tax comprises tax payable calculated on the basis of the tax laws enacted at the reporting date.

Critical accounting estimates and assumptions

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 anticipated tax audit 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 determinations are made.

	2021	2020
	R'000	R'000
Current tax		
South African	378,747	204,376
Foreign	4,356	3,759
Under / (Over) provision	37	(1)
	-	-
Deferred tax		
Statement of profit or loss charge	822,953	(643,741)
Withholding tax	2,500	-
	1,208,593	(435,607)
Tax rate reconciliation		
Net profit before tax	20,722,271	(1,106,229)
Tax rate percentage	28%	28%
Tax at standard rate	13,232,960	(355,726)
Non-deductible expenditure	56,491	286,119
Under/(over) provision of tax in prior year	(2)	(1)
Non-taxable income	(4,223,704)	(263,405)
Profits taxed at CGT rates	825,565	3,781
Housing contribution	297,057	(198)
Changes in tax rate	377	-
Tax on equity accounted earnings	(1,607,135)	(284,359)
Withholding tax [^]	6,856	35
Tax loss utilised	(116,052)	-
Deferred tax not raised *	(7,263,820)	178,146
	1,208,593	(435,607)
	5.83%	39.32%

[^] Withholding tax relates to securities transfer tax paid on the redemption of the preference shares in the current year.

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27. Income tax expense (continued)

** Deferred tax not raised relates to movements on deferred tax assets which are not considered recoverable and is made up of:*

Royal Bafokeng Tholo Investment Holding Company
Royal Bafokeng Impala Investment Holding Company
Lisinfo 222 Investments (Pty) Ltd
Jenzotype (Pty) Ltd
Lisinfo 209 Investments (Pty) Ltd
Royal Bafokeng Platinum Holdings (Pty) Ltd
RBH Industrial Holdings (Pty) Ltd
Emikaway (Pty) Ltd
Royal Bafokeng Management Services (Pty) Ltd
Platinum Stars FC (Pty) Ltd
Moumo Integrated Development (Pty) Ltd
Royal Bafokeng Nation Development Trust
Royal Bafokeng Sports (Pty) Ltd
Cross Point Trading 67 (Pty) Ltd

28. Operating loss is stated after charging the following, amongst others:

	2021	2020
	R'000	R'000
Expenses		
Depreciation	(72,772)	(72,534)
Impairment of assets	(13,862)	-
Legal fees	(23,582)	(17,730)
Professional fees	(80,804)	(28,418)
Corporate office expenses	(110,802)	(136,169)
Auditors remuneration	(13,880)	(9,904)
Audit fees	(13,880)	(9,858)
Audit fees - other services	-	(46)
Operating lease rental	(2,083)	(1,810)
Bad debt write-off	(768)	(5,212)
Repairs and maintenance	(60,269)	(63,514)
Net foreign exchange	(78,225)	(76,969)
Realised foreign exchange	(8,393)	176
Unrealised foreign exchange	(69,832)	(77,145)
Employee benefits(note 28.1)	(383,190)	(347,028)
Educational expenses	(51,917)	(43,241)
Water expenses	(98,560)	(100,391)
Executives, directors and trustee's remuneration	(56,677)	(60,511)
Depreciation and amortisation		
Depreciation included as part of administration expenses	(4,318)	(4,265)
28.1 Employee benefits		
Salaries and wages	(313,951)	(313,247)
Incentive bonus	(24,912)	(16,473)
Leave provision	397	(15,069)
Staff fringe benefits	(1,627)	(1,403)
Provision for long-term benefits	(43,097)	(836)
	(383,190)	(347,028)

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29.1 Leopard Guernsey BK JV LP ("Leopard Guernsey")

Zenprop UK and Royal Bafokeng Holdings (RBH) have established an exclusive partnership to pursue property investment opportunities in the UK and continental Europe through a separate vehicle Leopard Guernsey. RBH holds 50% in Leopard Guernsey. Leopard Guernsey was established in Guernsey; and its principal place of business is Guernsey. (Refer to Note 10).

RBH committed GBP50 million to Leopard Guernsey. As at 31 December 2021, GBP49.9 million (2020: GBP 49.9 million) had been drawn.

29.2 I-Squared Infrastructure Fund 2 ("ISQ")

ISQ is an independent global infrastructure investment manager focusing on projects in the energy, utilities, telecom and transport industry in the Americas, Europe and Asia. ISQ Global Infrastructure Fund III is a closed private equity fund managed by I Squared Capital Advisors, LLC.

On 30 June 2021, RBH committed \$50 million to ISQ. As at 31 December 2021, \$3,9 million had been drawn, and the remaining undrawn commitment amounts to \$46,1 million.

30. Related party disclosure

Refer note 11 for related party receivables and note 21 for related party payables.

30.1 Executives

Refer to note 2 of the Supreme Council report for a full list of Council members. The following were Executive Committee members of Royal Bafokeng Nation (Administration) during the financial year:

Kgosi Leruo Molotlegi	Kgosi/Chairman
Bothata Molotlegi	Ambassador/Strategic Relations
Bashi Makgale	Director Operations
Dr Kebalepile Mokgethi	Health & Safety Executive and Acting GCOO

30.2 Executive's remuneration

	2021	2020
	R'000	R'000
Short-term employee benefits		
Supreme council emoluments	29,606	27,455
Executive management emoluments	14,289	16,942
	43,895	44,397

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31. Deferred royalty income

	2021	2020
	R'000	R'000
Impala Holdings Limited		
Opening balance	7,046,688	7,449,355
Notional interest recognised	1,533,861	1,335,069
Amortisation	(1,936,527)	(1,737,736)
	6,644,022	7,046,688
<hr/>		
Non-current liabilities	6,241,322	6,643,988
Current liabilities	402,700	402,700
	6,644,022	7,046,688
	<hr/>	

The Impala Holdings Limited royalty income relates to an advance payment on all royalties due to the RBN(A) on the Notarial Mineral Lease K5966/03LM in respect of the period between 1 July 2007 and the last day of the lease period.

The lease period ends 30 June 2038.

Per the agreement the royalty income accrues on a straight-line basis over the lease period. Deferred income is therefore recognised on a straight-line basis to reflect the substance of the agreement.

Deferred income

Department of Trade and Industry		
Opening balance	20,877	21,901
Amortisation	(1,024)	(1,024)
	19,853	20,877
	<hr/>	

The deferred income relates to a grant received from Department of Trade and Industry in 2011 amounting to R 28,084,838. The grant has been amortised on straight-line basis to reflect the substance of the agreement.

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32. Cash generated from operations

	Note	2021 R'000	2020 R'000
Profit / (Loss) before tax		20,722,373	(1,106,229)
Impairment loss other		-	2,208
Impairment loss on investments		9,319	32,319
Interest income		(260,181)	(193,959)
Interest accrued from associate		(6,857)	(7,325)
Profit on sale of PPE		-	21
Profit on sale of interest in associates		(6,473,940)	(93,280)
Foreign exchange gain		(78,225)	(368)
Loss on scrapping of assets		128	4,233
Other gains		(6,682,432)	(31,623)
Other losses		-	2,195,153
Depreciation		72,772	72,533
STT		(2,500)	-
Other expenses		8,998	-
Reversal of trade payables		3,565	-
Deferred income amortisation		(1,024)	(1,024)
Mogs preference share interest		-	(7,637)
Dividends received		(2,046,226)	(285,041)
Share of (profit) / losses from equity accounted investments	9	(5,746,094)	(1,015,163)
SARS interest		(10)	(163)
Interest expenses	26	1,776,407	1,665,407
Movement in provisions		-	(8,195)
Deferred royalties	31	(1,936,527)	(1,737,736)
Operating cash before working capital changes		(640,454)	(515,869)
Change in working capital		94,646	(87,167)
- Increase in trade and other receivables		45,393	(92,803)
- (Increase) / decrease in inventory		(462)	(74)
- Increase / (decrease) in trade and other payables		49,715	5,711
Net cash used in operating activities		(545,808)	(603,038)

32.1 Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

Cash and cash equivalents	3,773,703	1,610,697
Cash investments	2,085,631	1,420,635
Borrowings repayable within one year	(51,355)	(813,703)
Borrowings repayable after one year	(3,075,183)	(4,077,568)
Net debt	2,732,796	(1,859,939)

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32.1 Net debt reconciliation (continued)

	Invest- ments R'000	Cash and cash equivalents R'000	Borrowings repayable within one year R'000	Borrowings repayable after one year R'000	Total R'000
Balance at 1 January 2021	1,420,635	1,610,697	(813,703)	(4,077,568)	(1,859,939)
Cash flows	664,996	2,163,006	793,174	1,002,385	4,623,561
Interest accrued	-	-	(32,899)	-	(32,899)
Other non-cash movements	-	-	2,073	-	2,073
Balance at 31 December 2021	2,085,631	3,773,703	(51,355)	(3,075,183)	2,732,796
Balance at 1 January	1,351,411	1,662,771	(423,321)	(4,389,613)	(1,798,752)
Cash flows	69,224	(52,074)	(274,541)	312,045	54,654
Interest accrued	-	-	(118,849)	-	(118,849)
Other non-cash moven	-	-	3,008	-	3,008
Balance at 31 Deceml	1,420,635	1,610,697	(813,703)	(4,077,568)	(1,859,939)

33. Events after the reporting period

33.1 Additional investments

KEG Holdings Limited

Subsequent to year-end RBH, through its SPV K2021425842 Proprietary Limited, acquired 20.5% in KEG Holdings for \$99 million (R1.5 billion). KEG Holdings is an integrated import and distribution LPG business. KEG Holdings is domiciled in Mauritius and has business operations in Kenya.

Lango Real Estate Management Limited (Lango Manco)

Subsequent to year-end RBH, through its subsidiary Royal Bafokeng Automotive Proprietary Limited, acquired 10% in Lango Manco for \$700 000, on a fully vendor financed basis. Lango Real Estate Limited (Lango Fund) is a real estate company focused on generating sustainable investor returns through the acquisition of prime commercial real estate assets in key gateway cities across the African continent. Lango Manco was appointed by Lango Fund as an external management company to perform all the asset management functions of the Lango Fund portfolio.

Unbundling of RMI

Subsequent to year-end RMI unbundled its stake of 25% in Discovery Limited and 26.8% in Momentum Metropolitan Holdings Limited to its shareholders in April 2022. As a result of the unbundling RBH, through its SPV Salestalk 268 Proprietary Limited, owns 23 684 955 shares in Discovery Limited (3.54%) and 56 796 566 shares in Momentum Metropolitan Holdings Limited (3.79%).

33.2 Change in tax rate

On 23 February 2022 the Finance Minister noted in the Budget Speech that there will be a reduction in the corporate income tax rate from 28% to 27% for years of assessment ending on or after 31 March 2023 (i.e. for years of assessment beginning on or after 1 April 2022 with the possible exception where a financial year has changed). The rate change has been substantively enacted after 31 December 2021 and has been determined to be a non-adjusting subsequent event. The financial effect will be a decrease of R172 674 313 to the deferred tax liability.

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33. Events after the reporting period (continued)

33.3 Impact of Ukraine/Russia war

The Group portfolio assets have not been directly impacted by the Ukraine/Russia war, other than:

- the general market impact;
- commodity exposures (RBPlat and Northam) expected to benefit from higher USD basket prices, albeit off-set by a stronger currency; and
- liquid listed assets (FirstRand and RMI) have benefited from increased foreign investor flows into South African markets, although higher inflation is expected to impact spending power of the South African consumer.

33.4 Disposal of investments

33.4.1 Deferred consideration received

During the current financial year RBH, through its SPV RBIH, sold a stake of 32.7% in RBPlat in exchange for 34 million shares in Northam, a cash amount of R3 billion and deferred consideration of R5.58 billion (to be received in 2022). Subsequent to year-end cash of R4.2 billion was received from Northam in April 2022.

33.4.2 Sale of Kwese TV licence

Subsequent to year-end RBH, through its SPV RBH Services Holdings Proprietary Limited, sold the entire Kwese TV licence for R45.

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34. Financial instruments

34.1 Categories of financial instruments

Financial assets	Notes	Financial assets at fair value through profit and loss R'000	Financial assets at amortised cost R'000	Total R'000
2021				
Assets per balance sheet				
Other financial assets	7	17,153,337	-	17,153,337
Investments in associates at FVTPL	8	21,532,347	-	21,532,347
Trade and other receivables (excludes VAT, prepaid, deposits)	10	-	532,015	532,015
Cash and cash equivalents	15	-	3,773,703	3,773,703
Cash Investments	16	-	2,085,631	2,085,631
		38,685,684	6,391,349	45,077,033
2020				
Assets per balance sheet				
Other financial assets	7	12,838,776	-	12,838,776
Investments in associates at FVTPL	8	10,899,354	-	10,899,354
Trade and other receivables (excludes VAT, prepaid, deposits)	10	-	752,312	752,312
Cash and cash equivalents	15	-	1,610,699	1,610,699
Cash Investments	16	-	1,420,635	1,420,635
		23,738,130	3,783,646	27,521,776
Financial liabilities				
2021				
Liabilities per balance sheet				
Borrowings	19	-	3,126,538	3,126,538
Trade and other payables (excludes VAT, deposits, deferred income and accruals)	21	-	78,945	78,945
Lease liabilities	19	6,454	-	6,454
Bank overdraft	15	-	7	7
		6,454	3,205,490	3,211,944

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34.1 Categories of financial instruments (continued)

	Notes	Financial liabilities at fair value through profit and loss R'000	Financial liabilities at amortised cost R'000	Total R'000
2020				
Liabilities per balance sheet				
Borrowings	18	-	4,891,271	4,891,271
Trade and other payables (excludes VAT, deposits, deferred income and accruals)	21	-	70,051	70,051
Lease liabilities	19	5,914	-	5,914
Bank overdraft	14	-	2	2
		5,914	4,961,324	4,967,238

35. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: liquidity risk, credit risk, market risk and commodity price risk. The Group's overall risk management programme focuses on the unpredictability of the 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 exposures.

35.1 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial commitments in any location or currency. This risk is minimised through the holding of cash balances and sufficient available borrowing facilities (refer to Note 19). In addition, detailed cash flow forecasts are regularly prepared and reviewed by the Finance Department and the Board. The cash needs of the Group are managed according to its requirements. The following table details the Group's contractual maturity for its non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to repay the liability. The cash flows include both the principal and interest payments.

	Notes	Due within 1 year R'000	Due within 1 to 2 year R'000	Due within 2 to 5 years R'000	Due thereafter R'000	Total R'000
2021						
Non-current borrowings	19	-	-	3,075,183	-	3,075,183
Current borrowings	19	51,355	-	-	-	51,355
Trade and other payables	21	110,729	-	-	-	110,729
Financial lease liability	19	5,969	485	-	-	6,454
		168,053	485	3,075,183	-	3,243,719

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35.1 Liquidity risk (continued)

	Notes	Due within 1 year R'000	Due within 1 to 2 year R'000	Due within 2 to 5 years R'000	Due thereafter R'000	Total R'000
2020						
Non-current borrowings	19	-	-	4,077,567	-	4,077,567
Current borrowings	19	813,703	-	-	-	813,703
Trade and other payables	21	109,195	-	-	-	109,195
Financial lease liability	19	4,954	960	-	-	5,914
		927,852	960	4,077,567	-	5,006,377

Redeemable preference shares and RCF

Financial guarantee

During the 2017 financial year, the Group refinanced the redeemable preference shares issued by RBH and the Revolving Credit Facility raised by Central Lake Trading 342 (Pty) Ltd from the proceeds of R6 billion redeemable preference shares issued by Salestalk Holdco (Pty) Ltd. The preference shares are redeemable on 14 December 2022 and a new revolving credit facility (the New RCF) of R2 billion raised by RBH repayable on 14 June 2022.

Salestalk Holdco's obligations under the New Preference Shares and RBH's obligations under the New RCF are guaranteed by RBH, Lisinfo 222 Investments (Pty) Ltd, Royal Bafokeng Impala Investment Holdings Company (Pty) Ltd, Salestalk 268 (Pty) Ltd and Royal Bafokeng Platinum Holdings (Pty) Ltd (collectively the "Obligors").

The funding structure provides for certain financial covenants that need to be maintained. Should the terms of the funding agreement be breached and the issuer of the New Preference Shares or the borrower of the New RCF fail to pay, the Obligors will be required to repay the New Preference Shares and the new RCF outstanding balance. The finance agreements provide for a process to be followed in the event that there is a breach of the covenants and the mechanisms to remedy the breach before any security can be enforced.

During the prior financial year the covenant terms of the preference shares were renegotiated. The NAV covenant of 18 billion was reduced to 15 billion from 1 March 2020 to 30 September 2020, with an extension to 31 October 2020 to facilitate the signing of new covenants. Effective from 23 October 2020 the NAV covenant was replaced with the total asset cover ratio.

The financial covenants stipulated in the agreements are as follows:

	Listed assets cover ratio	Total asset cover ratio
Discussion Triggers	2.75	3.70
Default Triggers	2.25	3.20
As at 31 December 2021 the financial covenants were as follows:		
Financial covenants	11.55	15.61
As at 31 December 2020 the financial covenants were as follows:		
Financial covenants	6.66	8.01

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35.1 Liquidity risk (continued)

Valuation

Due to the change in IFRS 9, the financial guarantee was valued by considering the price that the issuer would demand for accepting the guarantee obligation. This was estimated using a probability adjusted discounted cash flow analysis. The technique looks at the probability of default by Salestalk Holdco (Pty) Ltd ("SHC") and loss in the event of default.

The valuation was estimated using a monte carlo simulation, this simulates the portfolio value over the maturity of the SHC preference shares. If a default event occurs the simulation calculates a recoverable value based on an average portfolio value over a 100 day period following default. The loss in the default events is the difference between the recoverable value and debt.

According to the monte carlo simulation the loss in the default event is Rnil, as in all default events the recovery value exceeds the value of the debt (in the default events SHC is always able to repay the debt without the financial guarantors). The financial guarantee liability as at 31 December 2021 is Rnil for all the financial guarantors listed above. Therefore the financial guarantee asset in the fair value of SHC is Rnil.

The probability of the VWAP** falling by the percentages stipulated above is remote as at year-end and highly unlikely. An assessment is performed on a monthly basis to track the financial covenants and assess the risk of potential default.

***Volume weighted average price*

35.2 Credit risk

Credit risk arises from the risk that the financial asset counterparty may default or not meet its obligations timeously. The Group's exposure to the credit risk is represented by the carrying amount of Trade and other receivables, cash and cash equivalents, and derivative financial instruments. Credit risk is managed on a subsidiary by subsidiary basis and is monitored on a group level through board representation.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but exclude those measured at fair value through profit or loss. Credit loss allowance are also recognised for loan commitments and financial guarantee contracts if not designated through profit or loss.

Cash and cash equivalents and cash investments across the Group are only held by approved institutions with acceptable credit-worthiness. At year end, the Group's cash was invested as financial institutions with the following Moody's credit rating of at least Baa2.

The counterparty for the derivative financial instrument is a bank with a Moody's credit rating of Baa3.

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35.2 Credit risk (continued)

Due to the fact the trade receivables are monitored differently by each subsidiary, management of credit risk disclosure has been disclosed on a subsidiary by subsidiary basis. Refer below for the summary:

	2021	2020
	R'000	R'000
Summary of trade and other receivables*		
TJET	183	228
Current related party loans	618,211	620,771
Total current trade receivables	618,394	620,999
Non-current related party loans	71,526	281,193
Total trade and other receivables	689,920	902,193

* Excludes VAT and prepaid expenses.

Credit risk management has been disclosed for the material subsidiaries below:

35.2.1 RBH and its SPVs

Trade receivables

The credit risk exposure for Royal Bafokeng Holdings and its SPVs on trade receivables is not considered material as relates mostly to loans advanced to related entities.

35.3 Market risk

35.3.1 Foreign exchange risk

The Group has direct exposure to foreign currency risk through foreign denominated invoices incurred during the year and accruals raised at year-end.

The portfolio is exposed to foreign currency risk through foreign investments held by its underlying SPVs.

The net carrying amounts, in foreign currency, of the above exposure was as follows:

Financial liabilities

Investment	Currency	2021	2020
		R'000	R'000
Leopard Guernsey	GBP	28,922	39,871
Big Yellow Group	GBP	50,228	32,349
InfraSalience	USD	1,000	1,000
I-Squared Global Infrastructure Fund III	USD	3,927	-

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35.3.2 Interest rate risk

Fluctuations in interest rates impact on the long-term loans and preference shares, which result in interest rate risk. The impact of the change in the interest is indicated below:

	2021	2020
	R'000	R'000
Financial liabilities		
Variable interest rate borrowings (Cash flow interest rate risk)	3,084,496	4,847,155

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would increase (decrease) future equity and profit or loss by the amounts shown below. This assumes that all variables in particular foreign currency rates remain constant.

The table below show the shows the analysis of the increase in the interest rate by 1%.

		Profit/loss	
	Balance at	Increase in	Decrease in
	year end	interest rate	interest rate
	R'000	variable	variable
	R'000	R'000	R'000
31 December 2021			
Variable interest rate borrowings - Sensitivity analysis	3,084,496	(30,845)	30,845
31 December 2020			
Variable interest rate borrowings - Sensitivity analysis	4,847,155	(48,472)	48,472

35.3.3 Price risk

The group through its subsidiaries is exposed to equity securities price risk because of the investments it holds that are classified on the consolidated statement of financial position as either available-for-sale investment or at fair value through profit and loss. To manage the risk, the Group diversifies its portfolio. The Group's investments in equities of other entities are publicly traded and are included as part of the All Share Index (ALSI). The portfolio's foreign listed equities are publicly traded and are included as part of the Financial Times Stock Exchange (FTSE).

The table below summarises the impact of increases or decreases of the ALSI on the Group's equity and profit for the year. The analysis is based on assumptions that equity indexes had increased or decreased by 100 basis points with all other variables held constant and all the Group's equity instruments moved according to historic correlation with the index.

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35.3.3 Price risk (continued)

			Equity movements	
	Index	Name	Increase by 100 basis points	Decrease by 100 basis points
2021				
JSE	J300	ALSI	47,637	(47,637)
2020				
JSE	J300	ALSI	286,621	(286,621)

The table below summarises the impact of increases or decreases of the FTSE 100 on the Group's equity and profit for the year. The analysis is based on assumptions that equity indexes had increased or decreased by 100 basis points with all other variables held constant and all the Group's equity instruments moved according to historic correlation with the index.

			Equity movements	
	Index	Name	Increase by 100 basis points	Decrease by 100 basis points
LSE	FTSE100	FTSE	6,503	(6,503)
2020				
LSE	FTSE100	FTSE	6,503	(6,503)

Available-for-sale reserves and profit or loss will increase/decrease as a result of gains/losses on equity securities classified as available-for-sale investment and investments held at fair value through profit or loss.

35.4 Capital risk management

The Group's objective when managing capital (which includes share capital, liabilities, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the group's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The Group manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure the group may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The Group measures capital through its debt covenant ratios which are disclosed in note 35.

36. Fair value estimation

The group has adopted IFRS 7 for financial instruments that are measured in the statement of financial position at fair value and this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy i.e. Quoted price, inputs other than quoted prices that are based on the observable data and inputs that are based on unobservable inputs.

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36. Fair value estimation (continued)

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for the identical assets or liabilities.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The assumptions relating to the level 3 valuations have been included in the applicable notes.

	Notes	Level 1 R'000	Level 3 R'000	Total R'000
2021				
Financial assets at FVTPL	7 & 8	23,731,835	3,605,306	27,337,141
Financial liability	19	-	6,454	6,454
Cash investments	16	2,085,631	-	2,085,631
2020				
Financial assets at FVTPL	7 & 8	20,289,340	3,427,789	23,717,129
Financial liability	19	-	5,914	5,914
Cash investments	16	1,420,635	-	1,420,635

37. Material direct subsidiaries

37.1 Subsidiaries

Entity	Ownership interest	
	2021	2020
Subsidiaries		
Royal Bafokeng Nation Development Trust	100%	100%
Royal Bafokeng Holdings (Pty) Ltd	100%	100%
Crosspoint Trading (Pty) Ltd	100%	100%
Lebone II College NPC	100%	100%
Platinum Stars FC (Pty) Ltd	100%	100%
Royal Bafokeng Institute NPC	100%	100%
Royal Bafokeng Sports (Pty) Ltd	100%	100%
Royal Bafokeng Nation Platinum Province BBBEE Trust	100%	100%
Royal Bafokeng Enterprise Development	100%	100%
Moumo Integrated Development (Pty) Ltd	100%	100%
Bafokeng Civil Works (Pty) Ltd	100%	100%
Struthio (Pty) Ltd	100%	100%
Boitshemoledi (Pty) Ltd	100%	100%
Boitshemoledi boswa (Pty) Ltd	100%	100%
Dimeneral (Pty) Ltd	100%	100%
Kwena Chrome (Pty) Ltd	100%	100%
Kwena Granite (Pty) Ltd	100%	100%