Rolfes GROUP

ANNUAL FINANCIAL STATEMENTS 2019

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

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AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' STATUTORY REPORT

The directors have pleasure in presenting their annual report for the year ended 30 June 2019.

NATURE OF BUSINESS

Rolfes Holdings Limited ("Rolfes" or "the company" or "the group") is a holding company listed on the JSE under the category Basic Materials: Chemicals. The group provides a wide range of market-leading products to customers through dedicated teams of industry specialists in the Agricultural, Industrial Chemicals, Colour, Food Chemicals and Water divisions.

FINANCIAL RESULTS

The results of the year's operations are set out on pages 9 to 71 and incorporate the consolidated results of the company and its subsidiaries.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated financial statements, except for the first time adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, refer to note 1.2 for more details regarding the impact of these adoptions.

DIVIDENDS

An interim dividend of 4 cents per share was declared on 4 March 2019 and consideration of a final dividend in respect of the year ended 30 June 2019 has been deferred subject to the outcome of the possible corporate action, as per the current cautionary announcements.

SHARE CAPITAL

Authorised

During the year, the company's authorised share capital remained unchanged. The authorised and issued share capital of the company at 30 June 2019 is set out in note 9 to the annual financial statements. Details of beneficial shareholders holding more than 5% of the share capital of the company are set out in the shareholders' information section of the integrated annual report.

Issued

No shares were issued during the year under review.

ACQUISITIONS AND DISPOSALS

There were no acquisitions or disposals during the year under review, however the Colour business assets was sold subsequent to year end with the proceeds expected to be received on 4 November 2019.

DISCONTINUED OPERATIONS

The Silica mining business became unviable due to the remaining life of mine and trading losses experienced; as such during the 2017 financial year it was classified as a discontinued operation. In the 2018 financial year the mining operations and liabilities were sold subject to approval by the Department of Minerals and Resources. As a result the assets and liabilities of the mine were reclassified as assets and liabilities held for sale and have since been disposed of; refer to notes 14 and 27 for further disclosure.

SUBSIDIARY COMPANIES

The principal subsidiaries of the group are reflected in note 28 of the group financial statements. The subsidiaries adopted special resolutions relating to financial assistance in terms of sections 44 and 45 of the Companies Act.

DIRECTORS

The names of the directors at the date of this report are detailed in note 22 of the consolidated financial statements. Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration are also reflected in note 22 of the consolidated financial statements.

DIRECTORS' AND PRESCRIBED OFFICERS' SHAREHOLDINGS

At 30 June 2019, the directors of the company beneficially held a total of 100,316,344 ordinary shares, equivalent to 62,2% in the company (2018: 80,483,850 ordinary par value shares, equivalent to 49,7%, were held by directors). Mr Jarred Winer, a non-executive director on the Board, and is employed by Westbrooke Alternative Asset Management. Westbrooke Alternative Asset Management is the investment manager of the Westbrooke Special Opportunities SNN QI Hedge Fund. The fund holds 13,302,393 shares in Rolfes Holdings Limited. (30 June 2018: 13,386,640).

DIRECTORS' STATUTORY REPORT (CONTINUED)

DIRECTORS' INTEREST IN CONTRACTS

No material or non-material interests in contracts involving directors were entered into during the year under review.

SPECIAL RESOLUTION

At the AGM held on 27 November 2018, the following special resolutions were approved:

- Special resolution 1: Remuneration for non-executive directors
- Special resolution 2: General authority to issue shares for cash
- Special resolution 3: General authority to repurchase shares of the company; and
- Special resolution 4: General authority to provide financial assistance to related or inter-related entities.

At the next AGM to be held on 26 November 2019, shareholders will be asked to renew the above four approvals as set out in the notice to shareholders.

HOLDING COMPANY

Rolfes Holdings Limited has no holding company.

AUDITORS

The audit and risk committee has nominated for election at the AGM, KPMG Inc and Mr H Opperman as designated auditor to continue in office in accordance with section 94(7) of the Companies Act, No 71 of 2008.

COMPANY SECRETARY

The company secretary of Rolfes Holdings Limited is CorpStat Governance Services Proprietary Limited. The business and postal address of the company secretary is Hurlingham Office Park, Block C, 59 Woodlands Avenue, Sandton, 2196 and postal is PO Box 724 Melville, 2109.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events that arose between the end of the financial year and the date of this report which requires adjustment of the results presented for the reporting period, except for the disposal of the Colour business refer to note 30.

GOING CONCERN

The board has formally considered the going concern assumption for Rolfes and its subsidiaries. The board has no reason to believe that the company and group will not operate as a going concern in the foreseeable future. The board minuted the facts and assumptions used in the assessment of the going concern status of the company and group as at 30 June 2019.

OPERATING ENVIRONMENT AND PROSPECTS

The group has made sound progress in a tough operating environment and have concentrated on maximising market share, working capital management and debt reduction. In the current difficult economic environment the Board expects the Group to trade satisfactorily and to continue with good cash generation. Shareholders are referred to the Cautionary Announcement published on SENS on Friday, 26 July 2019, and are advised that negotiations are still ongoing. An expression of interest has been received relating to a potential offer for all, or a majority, of the shares in issue and a due diligence is currently under way.

Any forward-looking statements in this announcement have not been reviewed and reported on by the company's auditors.

APPROVAL

The annual financial statements of the group set out on pages 9 to 71 have been approved by the board.

Signed on behalf of the board of directors by: MS Teke and RM Buttle.

AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2019

The audit and risk committee ("the committee") presents its report for the financial year ended 30 June 2019. The committee is a formal committee in terms of the Companies Act. The committee functions within its approved terms of reference and complies with relevant legislation, regulation and governance codes. This report is presented to shareholders in compliance with the requirements of the Companies Act and the King Code of Governance Principles ("King IV").

COMPOSITION, MEETINGS AND ASSESSMENT

The committee consists of four independent non-executive directors, MG Mokoka (chairman), SS Mafoyane, MM Dyasi and DM Mncube. These members are suitably skilled directors having recent and relevant financial experience.

The term of the committee is one year and its composition and membership are reviewed annually by the board. The members of the committee were recommended by the board to shareholders and were formally appointed at the AGM on 27 November 2018. The members have been nominated for election at the AGM to be held on 26 November 2019.

Closed sessions are arranged with key relevant parties and private sessions of members are held from time to time to ensure confidential assessments and discussions can occur.

Three meetings were held during the financial year and attendance of current members was as follows:

MG Mokoka (chairman)	2(3)
MM Dyasi	2(3)
SS Mafoyane	3(3)
DM Mncube	2(3)

The chairman of the board and executive directors attend meetings by invitation of the committee, together with the external auditor. In addition, all non-executive directors are welcome to attend meetings by invitation whilst CS Seabrooke and JR Winer are permanent invitees.

The committee's terms of reference prescribe that the effectiveness of the committee, its chairman and individual members is assessed annually.

ROLES AND RESPONSIBILITIES

The committee is satisfied that it has executed its responsibilities in keeping with the requirements of the Companies Act, the JSE Listings Requirements and the recommendations of King IV, as well as its additional requirements prescribed by its terms of reference which have been endorsed by the board of directors. Its key areas of responsibilities are to:

- perform its statutory duties as prescribed by the Companies Act, including the assessment of the independence of the external auditors and recommendation to the board for appointment of the external auditors;
- oversee the integrated reporting process and assess disclosures made to all stakeholders, which included the financial statements for the year under review and recommended it to the board for approval;
- oversee and evaluate the governance of risk and related internal control environment, and considered the recommendation of management in respect of the effectiveness of the system of internal controls;
- monitor and assess all internal and external assurance providers;
- obtain assurance from management on the effectiveness of internal controls;
- assess the expertise and experience of the group financial director and the resources within the financial function; and
- recommend the financial statements and integrated annual report for approval by the board.

In order to execute her responsibilities, the chairman of the committee met separately during the course of the year with management, the company secretary and the external auditors.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The committee has satisfied itself that the external auditor of the group is independent. The requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the year under review. There is a formal procedure and policy that governs the process whereby the auditor is considered for non-audit services.

In compliance with paragraph 3.84 (g)(ii) of the JSE Listings Requirements, the committee assessed the suitability for re-appointment of KPMG Inc and H Opperman.

The committee has nominated, for election at the AGM, KPMG Inc as the external audit firm and H Opperman, as the designated auditor, for the 2020 financial year.

AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE (CONTINUED)

FINANCIAL STATEMENTS AND ACCOUNTING POLICIES

The committee has assessed the group's accounting policies and the consolidated financial statements for the year ended 30 June 2019 and is satisfied that they are appropriate and comply in all respects with IFRS. The committee supports the opinion of the board and the external auditor with regard to the annual financial statements which have been approved by the board and will be presented to shareholders at the AGM to be held on 26 November 2019. Based on the information and explanations given by management and the external auditors, the committee is of the opinion that the accounting and internal controls, including the internal financial controls, are adequate and that the financial records may be relied upon for preparing the financial statements in accordance with IFRS and maintaining accountability for the group's assets and liabilities.

GOVERNANCE OF RISK

The committee is responsible for overseeing the governance of risk across the group. The risk management framework has been revised and adopted by the board based on the committee's recommendations, and its continued implementation will be managed.

INTERNAL AUDIT

The executive directors and management have provided assurance of strategic, operational and financial risk mitigation and reliability of internal controls in the group. An internal audit function has been established and appropriate long-term plans are in place to continually enhance the function.

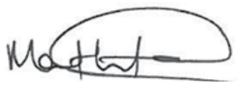
EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE CFO

The committee is satisfied that the expertise and experience of the CFO are appropriate to meet the responsibilities of the position; this is based on the qualifications, experience, continuing professional education and the board's assessment of the financial knowledge of the officer.

GOING CONCERN

Based on the results of management's assessment of the solvency and liquidity and the applicability of the going concern assertion as to the affairs of the group, the committee concluded to the board that the company shall be a going concern for the foreseeable future.

The committee is satisfied that it has met the requirements of its terms of reference.



MG Mokoka
Chair of the audit and risk committee

30 September 2019

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

The directors are responsible for the preparation and integrity of the consolidated financial statements of Rolfes Holdings Limited, which have been prepared in accordance with IFRS, the Companies Act, No 71 of 2008 and the JSE Listings Requirements, under the supervision of the CFO, Mr AP Broodryk CA(SA).

In preparing the consolidated financial statements, the group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the consolidated financial statements fairly present the financial position of the group at 30 June 2019, the results of its operations and cash flows for the year then ended. The directors have considered the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and are of the opinion that the company and the group will continue as a going concern.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviours are applied and managed within predetermined procedures and constraints. The audit and risk committee performs an oversight role in matters related to financial and internal controls.

The directors are of the opinion that, based on the information and explanations given by management, the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the subsequent year and, in light of this review and the current financial position, they are satisfied that the group have access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated financial statements, which have been prepared on the going concern basis, were approved by the board of directors on 30 September 2019 and are signed on its behalf by:

MS Teke
Chairman

RM Buttle
CEO

COMPANY SECRETARY COMPLIANCE STATEMENT

I certify, that to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission ("CIPC") all such returns as are required of a public company in terms of the Companies Act in respect of the year ended 30 June 2019 and that all such returns appear to be true, correct and up to date.

KWaldeck

K Waldeck
CorpStat Governance Services Proprietary
Limited Company secretary

30 September 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rolfes Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Rolfes Holdings Limited and its subsidiaries (the group) set out on pages 9 to 71, which comprise the consolidated statement of financial position at 30 June 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rolfes Holdings Limited and its subsidiaries at 30 June 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

Impairments of intangible assets and goodwill relating to agriculture cash generating unit

Refer to note 1.7 Accounting policy for intangible assets, note 1.25 Critical accounting estimates an assumptions, note 3 Intangible assets and goodwill and note 26 Impairments.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Cash generating units to which goodwill is allocated, needs to be tested for impairment on an annual basis. Further, other intangible assets in use should be tested for impairment as soon as there is an indicator of impairment. Management assessed and determined the recoverable amount of all identified cash generating units. The main focus was on the agriculture cash generating unit due to recent continued drought and the impact this had on the financial performance in the current financial period, the re-establishment of management teams and the forecasted trading activities. Based on recent and current performance of the agriculture business segment, planned future business activities and the results of the impairment assessment performed, the board of directors have impaired the goodwill and intangible assets relating to this cash generating unit. Goodwill was impaired by R31,0 million and intangible assets were impaired by R52,7 million.	Our audit procedures in response to the key audit matter included the following: • Obtained an understanding of management's process of identifying impairment indicators and the performance of impairment assessments; • Assessed the appropriateness of the assets allocated to the agriculture cash generating unit; • In respect of the discounted cash flow models used to determine the recoverable amounts, we: – reviewed management's impairment model, including their sensitivities for reasonableness and compliance with IAS 36 Impairment of Assets („IAS 36"); – evaluated the assumptions applied and judgements made to determine the recoverable amount of the agriculture cash generating unit. This was achieved by assessing the accuracy of historical cash flows by comparing the forecasted cash flows to the actual current year results and following up on significant variances identified;

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Impairments of intangible assets and goodwill relating to agriculture cash generating unit (CONTINUED)

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
The impairment assessment was based on a value-in use calculation using discounted cash-flow forecasts. The key judgements in assessing goodwill and other intangible assets for impairment are the future cash flow projections, with revenue and margins being the key assumptions, the perpetual growth rate and the discount rate. The impairment of the agriculture cash generating unit was considered to be a key audit matter in our audit of the consolidated financial statements due to the judgement required in determining this recoverable amount and the amount of the related impairment loss.	– challenged the assumptions applied in calculating the discount rate by comparing to external benchmarks, with the assistance of our valuation specialists, as well as evaluating the accuracy of managements discount rate calculations; and – performed sensitivity analyses to evaluate potential impacts of changes in key assumptions to the discounted cash flow models; • Assessed the adequacy of the group's disclosures, including those disclosures relating to the critical accounting estimates and assumptions used in determining the recoverable amount in terms of the requirements of IAS 36.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled „Rolfes Group Annual Financial Statements 2019", which includes the Directors' statutory report, the Audit and risk committee's report and the Company secretary compliance statement as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Integrated annual report 2019, which is expected to be made available to us after that date . 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 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 on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

KPMG Inc.
Per H Opperman
Chartered Accountant (SA)
Registered Auditor

Director
30 September 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets		270 650	356 432
Property, plant and equipment	2	90 576	86 612
Intangible assets and goodwill	3	154 722	251 688
Deferred tax asset	4	25 352	18 132
Current assets		603 738	667 216
Inventories	5	349 530	334 739
Trade and other receivables	6	239 823	250 533
Derivative asset	7	—	6 454
Cash and cash equivalents	8	8 017	43 148
Current tax asset		6 368	10 205
		603 738	645 079
Assets classified as held for sale	14	—	22 137
Total assets		874 388	1 023 648
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	9	207 721	207 721
Retained earnings		204 166	260 313
Share-based payment reserve	10. 1	2 913	2 496
Foreign currency translation reserve	10. 2	(87)	(1 679)
Total equity		414 713	468 851
Non-current liabilities		143 585	233 509
Interest-bearing liabilities	11	135 250	208 395
Deferred tax liability	4	5 119	17 155
Provisions	12	3 216	7 959
Current liabilities		316 090	321 288
Trade and other payables	13	268 505	284 143
Provisions	12	5 000	—
Derivative liability	7	3 311	—
Interest-bearing liabilities	11	22 589	26 562
Bank overdraft	8	15 290	—
Current tax liability		1 395	835
		316 090	311 540
Liabilities directly associated with assets classified as held for sale	14	—	9 748
Total equity and liabilities		874 388	1 023 648

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE

Continuing operations	Notes	2019 R'000	Restated@ 2018 R'000
Revenue	15	1 532 533	1 421 648
Cost of sales – salaries and wages	29	(25 910)	(23 636)
Cost of sales – cost of materials sold	29	(1 209 022)	(1 106 888)
Gross profit		297 601	291 124
Other income	17	9 227	12 938
Operating expenses	16, 29	(210 645)	(225 178)
Impairment of trade and other receivables	1.2, 29	(3 424)	(2 741)
Adjusted EBITDA#		92 759	76 143
Depreciation and amortisation		(16 002)	(15 010)
Adjusted EBIT&		76 757	61 133
Impairment	26	(95 993)	(19 016)
Profit on sale of property, plant and equipment		363	1 050
Share-based payment expense	10. 1. 3	(417)	(2 496)
Operating (loss)/profit before interest		(19 290)	40 671
Finance income	18	1 739	1 309
Finance cost	19	(26 192)	(29 558)
(Loss)/profit before taxation		(43 743)	12 422
Income tax	20	269	(12 717)
(Loss) from continuing operations		(43 474)	(295)
Discontinued operations			
Profit/(Loss) from discontinued operations, net of tax	27	231	(583)
(Loss) for the year		(43 243)	(878)
Other comprehensive income/(loss), net of taxation			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations *	10. 2	1 592	(982)
Total comprehensive (loss)		(41 651)	(1 860)
(Loss)/profit for the year attributable to:			
Owners of the parent		(43 243)	1 494
Non-controlling interest		—	(2 372)
		(43 243)	(878)
Total comprehensive (loss)/income attributable to:			
Owners of parent		(41 651)	512
Non-controlling interest		—	(2 372)
		(41 651)	(1 860)
Earnings earnings per share:			
Group (includes continuing and discontinued):			
– Earnings (basic) (cents)	21	(26,81)	0,93
– Earnings (diluted) (cents)	21	(26,81)	0,92
Continuing operations:			
– Earnings (basic) (cents)	21	(26,95)	1,29
– Earnings (diluted) (cents)	21	(26,95)	1,28
Discontinued operations:			
– Earnings (basic) (cents)	21	0,14	(0,36)
– Earnings (diluted) (cents)	21	0,14	(0,36)

** Note that the discontinued operations did not have any transactions that affected the other comprehensive income section, therefore the results are only presented for the continuing operations.*

@ Refer to note 29 for more details regarding the reclassification adjustments made to the Consolidated statement of profit or loss and other comprehensive income.

 # Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

& Adjusted EBIT is earnings before interest and tax, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE

			Reserves			
	Stated capital R'000	Retained earnings R'000	Share-based payment reserve R'000	Foreign currency translation reserve R'000	Non-controlling interest R'000	Total equity R'000
Balance at 30 June 2017	207 721	281 778	—	(697)	(3 169)	485 633
Total comprehensive income for the year	—	1 494	—	(982)	(2 372)	(1 860)
Share-based payment expense	—	—	2 496	—	—	2 496
Dividends paid	—	(12 919)	—	—	—	(12 919)
Acquisition of non-controlling interest	—	(10 040)	—	—	5 541	(4 499)
Balance at 30 June 2018	**207 721**	**260 313**	**2 496**	**(1 679)**	**—**	**468 851**
Total comprehensive (loss)/income for the year	—	(43 243)	—	1 592	—	(41 651)
Share-based payment expense	—	—	417	—	—	417
Dividends paid	—	(12 904)	—	—	—	(12 904)
Balance at 30 June 2019	**207 721**	**204 166**	**2 913**	**(87)**	**—**	**414 713**
More information is disclosed in notes:	9		10. 1	10. 2		

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE

	Notes	2019 R'000	2018 R'000
Cash received from customers		1 549 955	1 420 170
Cash paid to suppliers and employees		(1 467 177)	(1 355 928)
Cash generated from operations	25. 1	82 778	64 242
Interest received		1 990	1 309
Interest paid		(26 015)	(29 447)
Tax paid	25. 2	(13 592)	(26 334)
Cash generated from operations available for investment and redistribution		45 161	9 770
Dividends paid		(12 904)	(12 919)
Cash generated/(utilised in) operating activities		32 257	(3 149)
Additions to property, plant and equipment	2	(14 171)	(7 615)
Additions to intangible assets	3	(5 570)	(5 852)
Proceeds from disposal of property, plant and equipment	2	935	3 720
Proceeds from disposal of assets and liabilities held for sale	14	11 650	—
Cash (utilised in) investing activities		(7 156)	(9 747)
Interest-bearing liabilities raised	11	180 280	10 537
Interest-bearing liabilities repaid	11	(257 398)	(20 523)
Purchase of non-controlling interest		—	(4 500)
Cash (outflow) from financing activities		(77 118)	(14 486)
Net decrease in cash and cash equivalents		(52 017)	(27 382)
Effects of exchange rate fluctuation on cash balances		1 596	(1 440)
Cash and cash equivalents – beginning of the year	8	43 148	71 970
Cash and cash equivalents – end of the year	8	(7 273)	43 148

Cash and cash equivalents is the net amount after deducting the group's bank overdraft. Refer to note 8 for more detail.

Refer to note 27 for the cash flow information relating to the discontinued operations.

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Reporting entity

Rolfes Holdings Limited ("Rolfes" or "the company" or "the group") is a limited company incorporated in the Republic of South Africa. It is furthermore the ultimate parent of the group as well as the listed entity in terms of the JSE main board listing for the Rolfes group. The registered address is First Floor, The Oval West, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196.

The principal activities of the company and its subsidiaries are disclosed in note 28.

Authorisation of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 30 September 2019.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and comply with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, and are prepared in accordance with the requirements of the Companies Act of South Africa.

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet the mandatory repayment terms of the banking facilities as disclosed in note 11. The Group has recognised a net loss after tax for the year ended 30 June 2019 of R43,2m (2018: R0,9m) as at that date the assets exceeded the liabilities by R414,7m (2018: R468,9m).

These consolidated financial statements are presented in Rand after translating the foreign entities (AgChem Europe from RON to Rand) and (Anticor from Pula to Rand). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The financial statements have been prepared on the historical cost basis, except for the measurement of financial assets and financial liabilities, which are measured according to the policies set out in note 1.5 and incorporate the principal accounting policies set out below.

Changes in significant accounting policies

The Group has initially applied IFRS 15 (see note 15) and IFRS 9 (see note 6) from 1 July 2018. A number of other new standards are also effective from 1 July 2018 but they do not have a material effect on the Group's financial statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment loss on trade receivables.

There was no material effect of initially applying these standards and changes are mainly attributed to the updated disclosure requirements as per IFRS 15 & 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated, i.e., it is presented, as previously reported, under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The Group performed a detailed assessment on the revenue streams and determined an insignificant impact on the position and performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

1.2 Basis of preparation continued

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Previously, the Group's approach was to include the impairment of trade receivables in operating expenses. Consequently, the Group reclassified impairment losses amounting to R3,511m, recognised under IAS 39, from 'operating expenses' to 'impairment trade and other receivables' in the statement of profit or loss and other comprehensive income for the year ended 30 June 2018.

Additionally, the Group has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019 but have not been generally applied to comparative information.

The Group performed a detailed assessment of the requirements of IFRS 9 Financial Instruments and determined an insignificant impact on the position and performance of the Group. The Group has taken an exemption not to restate comparative information for prior periods in respect of measurement, i.e. impairment, requirements. Accordingly, there was no amount recognised in retained earnings and the information presented in 2018 does not reflect the requirements of IFRS 9 but rather those of IAS 39. Refer to note 1.5 for more details regarding the changes implemented in the current year.

Other than the significant changes made due to IFRS 15 & 9 becoming effective in the current financial period, the accounting policies applied are consistent with those followed in the preparation of the financial statements for the year ended 30 June 2018.

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets:
- measured at amortised cost:
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVTPL)

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1.5.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 July 2018 had no material impact and accordingly no adjustment was required to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

1.2 Basis of preparation continued

IFRS 9 Financial Instruments continued

In thousands of Rand	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
FINANCIAL ASSETS					
Derivative asset		Fair value – hedging instrument	Fair value – hedging instrument	6 454	6 454
Trade and other receivables	(a)	Loans and receivables	Amortised cost	250 533	250 533
Cash and cash equivalents		Loans and receivables	Amortised cost	43 148	43 148

(a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. There was no increase in the allowance for impairment over these receivables that had to be recognised in opening retained earnings at 1 July 2018 on transition to IFRS 9.

No additional trade receivables were recognised at 1 July 2018 on the adoption of IFRS 15, and therefore no additional allowance for impairment had to be recognised.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 July 2018:

In thousands of Rand	IAS 39 carrying amount at 30 June 2018	Reclassification	Remeasurement	IFRS 9 carrying amount at 1 July 2018
FINANCIAL ASSETS				
Amortised cost				
Trade and other receivables:				
Brought forward: Loans and receivables	250 533	(250 533)	—	—
Reclassified to: Amortised cost	—	250 533	—	250 533
Cash and cash equivalents:				
Brought forward: Loans and receivables	43 148	(43 148)	—	—
Reclassified to: Amortised cost	—	43 148	—	43 148
Total amortised cost	293 681	—	—	293 681

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39 – see Note 1.25 .

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of IFRS 9's impairment requirements at 1 July 2018 results in an no additional allowance for impairment.

Additional information about how the Group measures the allowance for impairment is described in Note 1.25 .

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. There were also no differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 that had to be recognised in

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES CONTINUED

1.2 Basis of preparation continued

IFRS 9 Financial Instruments continued

retained earnings as at 1 July 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

- The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.

Measurement principles

Below follows a summary of key measurement principles which is also contained in each accounting policy in more detail:

Statement of financial position caption	Measurement principle	Notes
ASSETS		
Property, plant and equipment	Historical cost, less accumulated depreciation and impairment losses	1.4
Intangible assets	Historical cost, less accumulated amortisation and impairment losses	1.7
Goodwill	Historical cost, less impairment losses	1.7
Deferred tax assets	Undiscounted amount measured at the tax rates that have been substantively enacted and are expected to apply to the period when the asset is realised	1.11
Non-current assets held for sale	Lower of carrying amount and fair value, less costs to sell	1.9
Inventories	Lower of cost or net realisable value	1.8
Trade receivables	Amortised cost, less impairments	1.5
Prepayments	Cost	1.5
Sundry debtors and advances	Amortised cost	1.5
Current tax asset	Amount expected to be recovered from tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	1.5
Derivative assets	Fair value through profit/(loss)	1.5
Cash and cash equivalents	Amortised cost	1.5

Statement of financial position caption	Measurement principle	Notes
LIABILITIES		
Interest-bearing liabilities	Amortised cost	1.5
Deferred tax liabilities	Undiscounted amount measured at the tax rates that have been substantively enacted and are expected to apply to the period when the liability is realised	1.11
Provisions	Present value of settlement amount	1.12
Trade and other payables	Amortised cost	1.5
Current tax liabilities	Amount expected to be paid to tax authorities, using tax rates that have been enacted or substantively enacted at the reporting date	1.5
Derivative liabilities	Fair value through profit/(loss)	1.5
Bank overdraft	Amortised cost	1.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES

1.3 Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company ("its subsidiaries"). Subsidiaries are entities controlled by the group. The group controls an investee when the investor is exposed, or has rights, to variable returns from its involvements with the investee and has the ability to affect those returns through its power over the investee. Power is achieved through existing rights that give rise to the current ability to direct the relevant activities of the investee.

Income and expenses of subsidiaries acquired or disposed are included in the consolidated statement of profit or loss and other comprehensive income from the date control is obtained up to the date when control cease.

Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:
- the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an equity-accounted investee.

Business combinations

All business combinations are accounted for by applying the acquisition method. The cost of the business combination is the fair values at the date of exchange of the assets given, liabilities incurred or assumed, and equity instruments issued by the group, in exchange for control of the acquiree. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Contingent consideration is included in the cost of the business combination at the fair value determined at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not effected against goodwill, unless they are valid measurement period adjustments. The interest of non-controlling shareholders may be measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. When a business combination is achieved in stages, the group's previously held interests in the acquired entity are re-measured to fair value on the date the group attains control and the resulting gain or loss is recognised in profit or loss.

Where the previously held interest was classified as an financial asset through profit or loss, the cumulative fair value adjustments recognised in other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment. At the acquisition date, the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill in accordance with the group's accounting policy for goodwill. The acquisition date is the date on which the group effectively obtains control of the acquiree. The excess of the fair value of the net identifiable assets and contingent liabilities of the entity acquired over the cost of acquisition results in a bargain purchase which is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.3 Basis of consolidation continued

Business combinations continued

If the initial accounting for business combinations has been determined provisionally, then these provisional amounts are adjusted during the measurement period to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that, if known, would have affected the amounts initially recognised. The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date, subject to a maximum of one year.

Acquisition of non-controlling interest in subsidiary

The cost of the purchase of shares is measured at the aggregate of the fair value of assets given at the date of exchange, liabilities incurred or assumed and the fair value of the equity instruments issued by the group in exchange for shares purchased in a controlled entity with the excess of the cost of the purchase of shares recognised in equity.

1.4 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Finance income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property represents land and buildings which are owner occupied from a group perspective. Plant and equipment are measured at cost less accumulated depreciation and any impairment losses. Property is carried at cost less accumulated depreciation and any impairment losses. Land is not depreciated.

Property, plant and equipment, excluding land, are depreciated on the straight-line basis at rates considered appropriate to reduce carrying amounts to estimated residual values over their estimated useful lives. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. Depreciation ceases when residual value equals or exceeds the carrying amount of the specific item of property, plant and equipment.

The useful lives, depreciation method and residual values of the individual items of property, plant and equipment are reviewed on an annual basis and any revision to these are accounted for as a change in accounting estimate in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The estimated average useful lives for the current and comparative years of the classes of assets are as follows:

Furniture and fittings	6 years
Computer equipment	3 years
Rehabilitation asset	Aligned to directly attributable asset
Vehicles	5 years
Plant and equipment	5 to 15 years
Buildings	5 to 50 years
Mining licence	Life of mine
Land	Land are not depreciated

Derecognition

The carrying amount of an item of property, plant and equipment shall be derecognised:
(a) on disposal; or
(b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. Gains are not included with revenue, but in other income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.4 Property, plant and equipment continued

Decommissioning and rehabilitation cost

An decommissioning asset is recognised at the present value of the estimated rehabilitation obligation to the extent that the obligation is created as a result of anything other than producing inventories and is depreciated in accordance with the policies applicable to equivalent items of property, plant and equipment.

The estimated obligation will be evaluated annually. The effect of any changes to the existing obligation is added to or deducted from the cost of the related asset and depreciated prospectively over the remaining useful life of the asset, ie treated as a change in estimate. The effects of discounting are recognised in profit or loss.

1.5 Financial instruments

Initial recognition

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

The group recognise a financial asset or a financial liability in their statement of financial position when the group become party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 July 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 July 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.5 Financial instruments continued

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

The group's financial instruments consist primarily of the following instruments and their measurement principles:

Principles under IAS 39 Financial Instruments: Recognition and Measurement

Categories of instrument	Initial measurement	Subsequent measurement
Loans and receivables	Fair value plus directly attributable transaction costs	Amortised cost using the effective interest method
Financial assets and liabilities at fair value through profit or loss	Fair value	Fair value
Other financial liabilities	Fair value plus directly attributable transaction costs	Amortised cost using the effective interest method

- Loans and receivables consists of trade and other receivables and cash and cash equivalents
- Financial assets and liabilities at fair value through profit or loss consists of derivative assets and liabilities
- Other financial liabilities consists of interest bearing liabilities and trade and other payables

Principles under IFRS 9 Financial Instruments: Recognition and Measurement

Categories of instrument	Initial measurement	Subsequent measurement
Financial assets at amortised cost	Amortised cost	Amortised cost using the effective interest method, The amortised cost is reduced by impairment losses. Interest income and impairment losses are recognised in profit or loss. Any derecognition gain or loss is recognised in profit or loss.
Financial assets and liabilities at fair value through profit or loss	Fair value	Fair value, net gains or losses are recognised in profit or loss.
Other financial liabilities	Fair value plus directly attributable transaction costs	Amortised cost

- Financial assets at amortised cost consists of trade and other receivables and cash and cash equivalents
- Financial assets and liabilities at fair value through profit or loss consists of derivative assets and liabilities
- Other financial liabilities consists of interest bearing liabilities and trade and other payables

Fair value

Where financial instruments are recognised at fair value, the instruments are measured at the price that should be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on measurement date.

Fair values have been determined as follows:
- Where market prices are available, these have been used; and
- Where market prices are not available, fair values have been determined using valuation techniques incorporating observable market inputs or discounting expected cash flows at market rates.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and financial liability and of allocating finance income/cost over the relevant period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.5 Financial instruments continued

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period. Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at fair value through profit or loss.

Impairment of non-derivative financial assets

Principles under IAS 39 Financial Instruments: Recognition and Measurement

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

For financial assets, measured at amortised cost using the effective interest method, the following objective evidence is considered in determining when an impairment loss has been incurred:

- A breach of contract, such as a default or delinquency in repayments; and
- It is becoming probable that the debtor will enter bankruptcy or other financial re-organisation (such as business rescue).

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. For financial assets measured at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for credit losses account.

Subsequent recoveries of amounts previously impaired are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

Principles under IFRS 9 Financial Instruments: Recognition and Measurement

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost. The Group measures loss allowances at an amount equal to lifetime ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The simplified approach by means of a provision matrix is applied.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.5 Financial instruments continued

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 120 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Derecognition of financial assets

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

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. A debt instrument represents a contractual obligation to pay cash or transfer another financial asset. An equity instrument represents the residual interest in the group after all liabilities are settled.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group, comprising ordinary shares, are recorded at the proceeds received, net of direct issue costs.

Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are shown in equity as a deduction, net of taxation, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.5 Financial instruments continued

Treasury shares

Where the company or its subsidiaries purchase the company's equity share capital, the shares are treated as treasury shares. The shares are treated as a deduction from the issued and weighted average number of shares and the amount paid, including any directly attributable incremental external costs net of income taxes relating to the shares, is deducted from share capital in the statement of financial position on consolidation. Dividends received on treasury shares are eliminated on consolidation. When treasury shares are subsequently reissued or sold, the amount received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognised as an increase in equity.

Reserves

The foreign currency translation reserve may be reclassified to profit or loss when the underlying subsidiary is derecognised or sold. The share-based payment reserve would not be reclassified to profit and loss.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

1.6 Impairment of non-financial assets

The group assesses at the reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of a unit is less than the carrying amount of collective units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit on the following basis: Impairment losses are first recognised against goodwill and any surplus is recognised against other assets.

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit and loss. Impairment losses on goodwill are not reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.7 Intangible assets

Intangible assets are recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

1.7.1 Goodwill

Goodwill is capitalised as an intangible asset with any subsequent impairment losses being recognised in profit or loss. Internally generated goodwill is not recognised as an asset.

Goodwill is tested annually at the reporting date for impairment and measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

1.7.2 Other intangible assets

Expenditure on research (or on the research phase of an internal project) is recognised in profit or loss when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

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

The residual value, amortisation period and the amortisation method for intangible assets are reviewed annually.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives and not yet in use are tested for impairment on an annual basis.

The significant intangible assets recognised by the group along with its useful economic life, is as follows:

Intellectual property	15 – 30 years
Computer software	3 years
Development cost	10 – 15 years
Product registration	15 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The inventory net realisable value adjustment is calculated if there is any indication that the net realisable value of stock items is lower than their original cost price. Adjustments are also raised for obsolete and slow moving stock if there is any uncertainty whether the value will not be fully recovered through the subsequent sale of the stock item.

1.9 Non-current assets held for sale

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

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs of disposal. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement, are recognised in profit or loss.

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

1.10 Leases

At inception of an arrangement, the group determines whether the arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the group's incremental borrowing rate.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The land and buildings elements of property leases are considered separately for the purposes of lease classification.

The group does not have any finance leases assets.

Operating leases

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments is recognised as an operating lease asset or liability. Any contingent rent is expensed in the period it is incurred.

Lease income from operating leases shall be recognised in profit or loss on a straight-line basis over the lease term with an accompanying operating lease asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.11 Taxation

Income tax

Income tax expense comprises current and deferred tax

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

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

Current tax and deferred taxes are recognised directly in equity if the tax relates to items that are recognised, in the same or a different period, directly in equity.

Current tax assets and liabilities

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

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

Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the differences can be utilised.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted at the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax is recognised in profit or loss, except when it relates to items recognised directly in equity, in which case the deferred tax is recognised in equity.

Dividend withholding tax

Dividend withholding tax is levied on the beneficial owner of the shares when dividends are declared or paid. The tax is withheld by the group and paid over to SARS on behalf of the shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.12 Provisions

Provisions are recognised for liabilities of uncertain timing or amount that have arisen as a result of past transactions and are discounted at a pre-tax rate reflecting current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions, due to passage of time, is recognised as finance costs in profit or loss.

Decommissioning and rehabilitation cost

Decommissioning and rehabilitation costs are recognised when a present legal obligation arises to restore the environment to its previous status or according to stipulated requirements in the mining licence. A decommissioning and rehabilitation provision is recognised at the present value of the estimated obligation and is increased annually with finance charges calculated at market-related discount rates and the unwinding of the provision is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.13 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The Group's products and services include the following streams:

- Sale of goods which comprise:
  - Speciality fertilisers, adjuvants and remedies from its Agriculture division.
  - Food ingredient chemicals and personal care chemicals from its Food as well as Other divisions.
  - Industrial solvents and commodity chemicals, speciality chemicals as well as water treatment chemicals from its Chemicals and Other divisions.
  - Solvent and-water based products as well as traded products from its Colour and Other divisions.
  - Provision of value-added services and solutions (including chemicals products) by the Water division to its customers in the commercial cooling and industrial and mining industries.

The following table provides information about the nature and timing of the satisfaction of performance obligations (POs) in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product or service	Nature and timing of satisfaction of POs, including significant payment terms	Revenue recognition under IFRS 15 (policy after 1 March 2018)	Revenue recognition under IAS 18 (policy before 1 March 2018)
Sale of goods	Customers obtain control of the products when the goods are either collected from the Group entities or delivered to the customer. Invoices are generated at that point in time. Invoices are usually payable within 30 days. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods or credit on the customers account, i.e., no cash refunds are offered.	Revenue is recognised when the goods are either collected from the Group entities or delivered to the customers at their premises.	Revenue from the sale of goods was recognised when delivery to the buyer had taken place, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.
Provision of value-added services and solutions (Water segment)	Invoicing is done monthly on actual services provided to date and the consideration is payable when invoiced. The Group does not invoice in advance for performance obligations.	The Group recognises revenue over time based on the actual services and goods provided to the customer in terms of the contract. There is no estimation involved in the recognition of the revenue to be recognised as it is based on the goods and services provided to date. The reason for the classification of this revenue stream as being provided over time is because although goods are supplied at a specific point in time, the labour/service component is over time. The rate charged to the customer is an all inclusive rate.	Revenue from the rendering of services was recognised when the outcome of the transaction involving the service could be estimated reliably. Monthly services rendered were recognised on a monthly basis after the service had been performed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.14 Other income

Rental income from leasing of property (operating lease)
Rental income is recognised on the accrual basis in accordance with the substance of the relevant agreement.

1.15 Finance income

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

1.16 Dividends

Dividend distribution to the group's shareholders is recognised in the statement of changes in equity upon authorisation of a dividend by the board in adherence to the memorandum of incorporation.

1.17 Translation of foreign currencies

Foreign currency transactions
Transactions entered into by group entities in a currency other than the currency of the primary economic environment in which the specific group entity operate (their functional currency) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Rand at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into Rand at the average exchange rate for the period in which they arise. Foreign currency differences relating to the translation of the assets and liabilities, and the income and expenses of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve, except to the extent that the translation difference is allocated to non-controlling interest.

1.18 Employee benefits

Short-term employee benefits
The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered and is not discounted.

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

The expected cost of bonus payments is recognised as an expense in profit or loss when there is a legal or constructive obligation to make such payments as a result of past performance. Bonuses remain at the discretion of the remuneration committee.

Defined contribution plans
Payments to defined contribution retirement benefit plans are recognised as an expense in profit or loss when incurred.

1.19 Earnings per share

The company presents basic and diluted earnings per share for its ordinary shares. Basic and diluted earnings per share are calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. In instances when the company does not have any potential ordinary shares, basic and diluted earnings per share would be equal.

1.20 Headline earnings per share

Headline earnings per ordinary share are calculated using the weighted average number of ordinary shares in issue during the period and are based on the earnings attributable to ordinary shareholders, after excluding those items as required by the latest circular issued by the South African Institute of Chartered Accountants ("SAICA").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.21 Events after the reporting period

Should events after the reporting date but prior to authorisation of the financial statements be confirmation of circumstances existing prior to the reporting date, the financial statements will be accordingly adjusted to include the effects of the events. However, should such events not have any bearing on circumstances that existed prior to the reporting date, such events will be disclosed separately in the notes to the financial statements. Such disclosure includes the nature of the event and its estimated financial effects.

1.22 Contingent liabilities

A description of contingent liabilities is disclosed in the financial statements unless the possibility of the outflow of economic benefits is remote. Assessment of the likelihood of the economic outflows taking place is reviewed on a continual basis.

The contingent liabilities are disclosed by providing an estimate of the financial effect as well as any uncertainties in relation to the financial effects and the timing of the economic outflow and/or inflow that may take place.

1.23 Discontinued operation

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

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal, when the operation meets the criteria to be classified as held-for-sale or when it is decided to abandon a component.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

1.24 Share-based payments

The grant date fair value of equity settled share-based payment arrangements granted to employees is recognised as an expense, with the corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related services and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

1.25 Critical accounting estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Financial assets at amortised cost

Allowance for impairment of financial assets

An estimate is made for credit losses based on a review of all outstanding amounts at the reporting date, taking into account the difference between the carrying amount of assets and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. Credit losses are recognised directly in profit or loss in the year in which they are identified. Refer to note 6.

The directors assess the loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recognised in profit or loss, the directors make judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.25 Critical accounting estimates and assumptions continued

Useful lives of items of property, plant and equipment

Useful lives, depreciation methods, and residual values of items of property, plant and equipment are reviewed annually. For residual values, the estimates are made after taking into account the condition and age of the item if it were at the end of its useful life.

Taxation

Judgement is required in determining the estimate of income tax due to the complexity of legislation and in some cases the availability of information. 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 recognised in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Estimated tax loss

The group determines the tax expenses and deferred tax calculation on the estimated tax loss of the individual subsidiaries. The estimated tax loss is calculated in accordance with the South African Revenue Service ("SARS") stipulations, indicated in the Income Tax Act, No 71 of 2008. Once SARS has assessed the company and agrees with the calculation of the estimated assessed loss, SARS grants the company an assessed loss. Should the situation occur that SARS does not agree with the estimated assessed loss, it will be rectified in the first tax expense calculation being performed with clear indication of such an event.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact estimates and may then require a material adjustment to the carrying value of assets.

The group tests annually whether goodwill has been impaired, in accordance with the accounting policy stated in note 1.7.1 for goodwill. Determining the recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, including expected future cash flows, projected growth rates and discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.26 Standards and interpretations that have been issued but are not yet effective at 30 June 2019

Standard	Details of amendment	Date effective for annual periods beginning on or after
Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures* on sale or contribution of assets	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. *Impact: The impact of the proposed amendment will be evaluated once the IASB's broader review is completed.*	Effective date postponed
IFRS 16 *Leases*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, 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. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. *Impact: The accounting for leases which will result in the recognition of the obligation and asset for long-term leases, of which the leasing of offices and warehouses is expected to be most material for the group.* *Management will implement revised lease disclosure on adoption of IFRS 16. Management will also apply the modified retrospective approach. The group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means the group will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.* *Management has performed an assessment on the current leases in place and has determined that the expected is an increase of between R35m – R40m on the right of use asset and lease liability respectively and an decrease in profit/(loss) for the year of between R1,8m – R2,2m. No significant impact is expected for leases in which the group is a lessor.*	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

1. ACCOUNTING POLICIES CONTINUED

1.26 Standards and interpretations that have been issued but are not yet effective at 30 June 2019 continued

Standard	Details of amendment	Date effective for annual periods beginning on or after
IFRIC 23 Uncertainty over Income Tax Treatments	IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: – judgements made; – assumptions and other estimates used; and – the potential impact of uncertainties that are not reflected. *Impact: No significant impact expected, but the group will comply with once effective.*	1 January 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings R'000	Furniture and fittings R'000	Computer equipment R'000	Vehicles R'000	Rehabilitation asset R'000	Mining license R'000	Plant and equipment R'000	Total R'000
Group								
– Cost	49 252	5 881	7 088	29 594	7 331	2 634	108 437	210 217
– Accumulated depreciation and impairment	(7 672)	(4 177)	(5 778)	(22 379)	(4 609)	(2 634)	(58 661)	(105 910)
Carrying amount at 30 June 2017	41 580	1 704	1 310	7 215	2 722	—	49 776	104 307
Net foreign currency differences	125	2	2	(1)	—	—	2	130
Reclassification to assets held for sale	(9 510)	1	13	(417)	—	—	(1 749)	(11 662)
Additions	2 005	667	1 172	760	—	—	3 011	7 615
Disposals	(1 336)	(10)	(36)	(961)	—	—	(322)	(2 665)
Transfers	8 845	(55)	89	130	—	—	(9 009)	—
Impairment	(1 966)	—	—	—	—	—	(398)	(2 364)
Depreciation	(312)	(761)	(1 015)	(1 985)	(272)	—	(4 404)	(8 749)
– Cost	39 688	5 489	6 902	18 737	2 722	—	72 129	145 667
– Accumulated depreciation and impairment	(257)	(3 941)	(5 367)	(13 996)	(272)	—	(35 222)	(59 055)
Carrying amount at 30 June 2018	39 431	1 548	1 535	4 741	2 450	—	36 907	86 612
Net foreign currency differences	—	(8)	—	—	—	—	1	(7)
Additions	1 890	647	1 454	4 543	—	—	5 637	14 171
Disposals	—	(97)	(45)	(206)	—	—	(394)	(742)
Depreciation	(154)	(537)	(1 143)	(1 028)	(272)	—	(6 324)	(9 458)
– Cost	41 372	4 836	7 892	20 869	2 722	—	63 475	141 166
– Accumulated depreciation and impairment	(205)	(3 283)	(6 091)	(12 819)	(544)	—	(27 648)	(50 590)
Carrying amount at 30 June 2019	41 167	1 553	1 801	8 050	2 178	—	35 827	90 576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT CONTINUED

During the prior year assets were reclassified as held for sale. Refer to note 14 for more detail and to below for the breakdown of cost and accumulated depreciation that was reclassified for the respective entities:

Silica	
– Cost	R55,5m
– Accumulated depreciation	R52,2m
Anticor	
– Cost	R9,7m
– Accumulated depreciation	R5,7m

Included in total plant and equipment are assets with the following carrying amounts which have been encumbered as security for repayment of instalment sale liabilities (refer to note 11):

- Vehicles R5,4m (2018: R1,6m)
- Plant and equipment R3,7m (2018: R2,6m)

The directors performed an impairment test on the assets. Refer to notes 14 and 26 for details on these impairments recognised.

The rehabilitation asset relates to underground storage tank rehabilitation, which are still in use for the Chemicals business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

3. INTANGIBLE ASSETS AND GOODWILL

	Intellectual Property R'000	Computer software R'000	Develop-ment cost R'000	Product registration R'000	Goodwill R'000	Total R'000
– Cost	32 820	737	40 647	8 989	210 243	293 436
– Accumulated amortisation and impairment	(3 864)	(541)	(5 905)	(2 790)	(11 164)	(24 264)
Carrying amount at 30 June 2017	28 956	196	34 742	6 199	199 079	269 172
Acquisitions	—	19	5 062	771	—	5 852
Net foreign currency differences	1	—	—	330	—	331
Impairment	—	—	—	(714)	(15 938)	(16 652)
Amortisation	(2 377)	(198)	(3 390)	(1 050)	—	(7 015)
– Cost *	32 812	756	45 709	9 861	210 541	299 679
– Accumulated amortisation and impairment *	(6 232)	(739)	(9 295)	(4 325)	(27 400)	(47 991)
Carrying amount at 30 June 2018	26 580	17	36 414	5 536	183 141	251 688
Additions	—	—	5 570	—	—	5 570
Impairment	(21 655)	—	(41 984)	(1 387)	(30 967)	(95 993)
Amortisation	(2 377)	(17)	—	(4 149)	—	(6 543)
– Cost *	33 250	755	51 280	9 171	210 577	305 033
– Accumulated amortisation and impairment *	(30 702)	(755)	(51 280)	(9 171)	(58 403)	(150 311)
Carrying amount at 30 June 2019	**2 548**	**—**	**—**	**—**	**152 174**	**154 722**

** The closing cost and accumulated amortisation and impairment balances were affected by immaterial changes from scrapings and translation differences.*

Product registration consist of internally developed products within Rolfes Agri (Pty) Ltd. It is amortised on a straight-line basis over a period of 15 years.

The directors review the intangible assets annually to identify any impairment losses to be recognised. Refer to note 26 for a full list of impairments recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

3. INTANGIBLE ASSETS AND GOODWILL CONTINUED

3.1 Goodwill

	Agriculture R'000	Food R'000	Chemicals R'000	Colour R'000	Water R'000	Total R'000
Carrying amount at 30 June 2017	30 967	115 226	36 948	6 713	9 225	199 079
Impairment	—	—	—	(6 713)	(9 225)	(15 938)
Carrying amount at 30 June 2018	30 967	115 226	36 948	—	—	183 141
Impairment	(30 967)	—	—	—	—	(30 967)
Carrying amount at 30 June 2019	**—**	**115 226**	**36 948**	**—**	**—**	**152 174**

Impairment of goodwill

Goodwill is tested for impairment at each year-end, or if there are indicators during the year that an impairment may be necessary.The recoverable amount of each cash generating unit is determined based on value-in-use calculations. These calculations use discounted cash flow projections based on the 2020 budgeted figures and forecasts for 2021 and 2022 as approved by management. 2022 figures are then escalated by 6% per annum for a further 2 years with a perpetual growth rate of 4,5%. These cumulative cash flows were discounted using weighted average cost of capital (WACC).

The WACC of 19,96% (2018: 17,43%) was based on a Required rate of return on equity of 23,16% (2018: 21,81%) and a cost of debt of 7,2% (2018: 7,2%) with a debt leveraging of 20% (2018: 30%).

Based on the current performances of the Agriculture and Water businesses, the re-establishment of management teams and forecasted trading activities the board decided to impair the goodwill and intangible assets relating to this cash generating segment.

Details after impairment testing (2019)	Agriculture R'000	Food R'000	Chemicals R'000	Colour R'000	Water R'000	Total R'000
Carrying amount of segment assets for impairment testing purposes*	117 311	259 853	116 325	28 050	15 259	536 798
Present value of segment future cashflows or carrying amount	117 311	318 716	206 036	28 050	15 259	685 372
Excess over carrying value	—	58 863	89 711	—	—	148 574

Details after impairment testing (2018)	Agriculture R'000	Food R'000	Chemicals R'000	Colour R'000	Water R'000	Total R'000
Carrying amount of segment assets for impairment testing purposes*	180 836	227 890	111 594	41 838	23 780	585 938
Present value of segment future cashflows or carrying amount	216 337	326 280	190 248	41 838	23 780	798 483
Excess over carrying value	35 501	98 390	78 654	—	—	212 545

** The carrying value of the cash generating units excludes cash and property.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

4. DEFERRED TAX (ASSET)/LIABILITY

Deferred tax is calculated in full on temporary differences arising on assets and liabilities using a tax rate of 28%. Movement on the deferred tax account is indicated below:

	2019 R'000	2018 R'000
Opening balance	(977)	7 280
Per the statement of profit or loss and other comprehensive income	(19 256)	(8 257)
Closing balance	(20 233)	(977)
Reconciliation of deferred tax liability		
Property, plant and equipment	12 529	12 343
Estimated tax loss	(24 769)	(19 413)
Intangible assets	—	14 379
Leave pay accrual	(945)	(966)
Operating lease smoothing	(55)	(8)
Other	(1 595)	(1 118)
Provisions	(5 398)	(7 190)
Assets held for sale	—	996
Closing balance	(20 233)	(977)
The closing balance can be broken down as follows:		
– Deferred tax liability	5 119	17 155
– Deferred tax asset	(25 352)	(18 132)
	(20 233)	(977)
There are no time limits on the utilisation of unused tax losses.		
Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which to utilise the deferred tax asset.		
The tax losses available for set-off against future taxable income, consist of the following gross amounts in the individual companies:		
Recognised:		
Rolfes Colour Pigments Proprietary Limited	14 164	19 287
Rolfes Holdings Limited	21 346	18 669
Rolfes Agri Proprietary Limited	32 842	15 949
Absolute Science Proprietary Limited	1 607	624
Rolfes Water Proprietary Limited	15 696	13 493
Gallus Technologica Ventersdorp Proprietary Limited	2 805	1 310
	88 460	69 332
Unrecognised: Rolfes Silica Proprietary Limited	17 350	31 009
	17 350	31 009

In recognising the deferred tax asset, management assessed the forecasted future taxable income within the next five years to determine whether it is probable that these estimated losses will be recovered.

The recognised estimated tax losses arose from trading losses and will be utilised in future periods against taxable profit. The unrecognised tax loss relating to Rolfes Silica Proprietary Limited does not expire, but is not expected to be utilised due to the discontinuing of the operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

5. INVENTORIES

	2019 R'000	2018 R'000
Finished goods	230 328	231 880
Raw materials	43 092	36 176
Work in progress	4 567	5 068
Goods in transit	73 591	64 008
Consumable stores	51	88
Inventory impairment allowance	(2 099)	(2 481)
	349 530	334 739
Inventory written off during the year	—	21 632
The cost of inventories recognised as an expense during the period and included in cost of sales amounted to	1 170 507	1 056 608
Inventory reclassified as assets held for sale	—	10 475

No inventories are expected to be recovered after more than 12 months.

All inventory has been ceded to the bank as security for debt obtained from the bank (refer to note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

6. TRADE AND OTHER RECEIVABLES

			2019 R'000	2018 R'000
Trade receivables			223 631	213 253
Foreign trade receivables			10 956	30 654
	2019 '000	2018 '000		
US dollar ("USD")	425	1 155	5 982	15 860
Euro ("EUR")	7	—	116	—
Zambian kwacha ("ZMK")	2 657	4 066	2 913	5 591
Botswana pula ("BWP")	—	2 218	—	2 924
Romanian lei ("RON")	574	1 826	1 945	6 279
Allowance for credit losses			(7 955)	(9 961)
Trade receivables at amortised cost			226 632	233 946
Deposits			1 413	946
Sundry debtors			1 795	2 453
Salary advance			10	580
Financial assets at amortised cost			3 218	3 979
Prepaid expenses			1 082	804
VAT receivable			8 891	11 804
Non-financial assets			9 973	12 608
			239 823	250 533

Movement in the allowance for credit losses:

	2019 R'000	2018 R'000
Balance at the beginning of the year	9 961	7 236
Change in accounting policy (refer to note 1.2 – Represents the impact of adopting IFRS 9)	—	—
Adjusted opening balance on initial application of IFRS 9 on 1 July 2018	9 961	7 236
Movement in allowance	(1 035)	3 445
Amounts recovered	(971)	(721)
Balance at the end of the year	7 955	9 961
Impairment losses recognised on receivables in profit and loss	5 430	548

All receivables has been ceded to the bank as security for debt obtained from the bank (refer to note 11).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

6. TRADE AND OTHER RECEIVABLES CONTINUED

Exposure to credit risk

Trade receivables inherently expose the company to credit risk, being the risk that the company will incur financial loss if customers fail to make payments as they fall due. The carrying amount of trade receivables represents the maximum credit exposure.

In order to mitigate the risk of financial loss from defaults, the company only deals with reputable customers with consistent payment histories. Major customers are analysed individually for creditworthiness before terms and conditions are offered.

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

The average credit period on trade receivables is 49 days (2018: 55 days). No interest is charged on outstanding trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation.

The company measures the loss allowance for trade receivables by applying the simplified approach using a provision matrix which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

The estimation techniques explained have been applied for the first time in the current financial period, as a result of the adoption of IFRS 9. Trade receivables were previously impaired only when there was objective evidence that the asset was impaired. The impairment was calculated as the difference between the carrying amount and the present value of the expected future cash flows.

At 30 June 2019 the total allowance for impairment of trade receivables comprised both portfolio allowances and specific allowances. The majority of the allowance related to specific allowances.

The ageing of trade receivables as well as the amount of the impairment allowance per age class is presented below:

Disaggregation of Trade Receivables based on risk categorisation:

	2019 Carrying value R'000	2019 Credit loss allowance R'000	2019 Expected loss rate * %
A1. Local Large, Medium to Small enterprises (Low default rate)	190 751	171	0,1%
A2. Local Large, Medium to Small enterprises (Lower medium default rate)	19 982	174	1,0%
A4. Local Large, Medium to Small enterprises (Higher risk of default due to extended terms rate)	622	41	7,5%
A6. Local Large, Medium to Small enterprises (in default)	9 010	6 917	100,0%
F1. Foreign enterprises (Low default rate)	11 698	294	3,5%
F2. Foreign enterprises (Lower medium default rate)	595	30	5,0%
F4. Foreign enterprises (Higher risk of default due to extended terms rate)	1 878	277	10,0%
F6. Foreign enterprises (in default)	51	51	100,0%
	234 587	7 955	3,4%

** The expected loss rate is the rate applied to the carrying value of the individual debtors after adjusting for VAT, subsequent receipts and payment plans in place.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

6. TRADE AND OTHER RECEIVABLES CONTINUED

Credit risk disclosures for comparatives under IAS 39

The following sections provide comparative information for trade and other receivables which have not been restated. The information is provided in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

	2018 R'000
Trade receivables (net of allowances) held by the group amounted to:	233 945
Neither past due nor impaired	195 289
No interest is charged on trade receivables.	
Before accepting any new customers, the group uses credit references, credit history, bank codes and credit rating information to assess the potential customer's credit quality, and credit limits are defined per customer.	
Past due but not impaired	37 056
Included in the group's trade receivables are past due trade receivables at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.	
Ageing of past due but not impaired:	
Past due 1 – 30 days	19 639
Past due 30 – 60 days	3 922
Past due 60+ days	13 495
	37 056
Analysis of impaired trade receivables:	
Included in the allowance for credit losses are individually impaired trade receivables with a gross value of R11,56 million (2017: R8,98 million).	
The impairment recognised represents the difference between the carrying value of these trade receivables and the present value of any expected collections. All impairment amounts incurred during the year are charged to the income statement and recorded within operating costs.	
Gross value of trade receivables that have been individually impaired	11 560
Less: Impairment loss against these trade receivables	(9 961)
	1 599
Ageing of gross value of trade receivables that have been individually impaired:	
Current	365
Past due 1 – 30 days	136
Past due 30 – 60 days	269
Past due 60+ days	10 790
	11 560

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to a large and unrelated customer base. Accordingly, the directors believe that there is no further credit allowance required.

The carrying value of trade and other receivables approximates its fair value, due to the short-term nature of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

7. DERIVATIVE ASSET/(LIABILITY)

	2019 R'000	2018 R'000
Foreign exchange contracts – liabilities	(3 311)	—
Foreign exchange contracts – assets	—	6 454
	(3 311)	6 454

The forward exchange contracts will be settled within 12 months.

The notional principal amounts of the outstanding forward foreign exchange contracts amounted to:	2019 '000	2018 '000
US dollar ("USD")	7 937	7 996
Euro ("EUR")	806	803

Further information relating to foreign exchange exposures and policies are provided in note 23.

8. CASH AND CASH EQUIVALENTS

			2019 R'000	2018 R'000
Call account			383	8 246
Current bank account			463	13 576
	2019 '000	2018 '000		
– US dollar ("USD") account	482	1 305	6 794	17 914
– Euro ("EUR") account	—	32	5	511
– Zambian kwacha ("ZMK") account	126	1 201	138	1 652
– Botswana pula ("BWP") account	25	13	33	18
– Romanian lei ("RON") account Petty cash	12	322	40	1 108
Petty cash			161	123
			8 017	43 148
Bank overdraft			(15 290)	—
Statement of cash flows			(7 273)	43 148

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

9. STATED CAPITAL

	2019 R'000	2018 R'000
Authorised		
500 000 000 ordinary shares		
Opening balance 1 July	207 721	207 721
Issued	—	—
Balance at 30 June	207 721	207 721

Fully paid ordinary shares carry one vote per share and rights to dividends. There are no par-value shares.

Subject to meeting the relevant requirements of the Companies Act of 2008, the JSE Listings Requirements and obtaining the necessary JSE approval, the board may be given approval to issue authorised shares through either a special resolution or an ordinary resolution by shareholders.

A special resolution is required in instances of shares being issued to:
- a director, future director, prescribed officer or future prescribed officer of the company; or
- a person related or inter-related to the company or to a director or prescribed officer of the company; or
- a nominee of any person described above.

Furthermore, a special resolution is required in instances where the proposed share issue will have an impact on the voting power of the class of shares being issued, equal to or greater than 30% of the voting power of the class of shares prior to the share issue taking place.

Any other proposed issuing of a class of shares require an ordinary resolution from shareholders.

At year end 641 332 (2018: 641 332) ordinary shares in the company was held in treasury by Rolfes Asset Holding Proprietary Limited, a subsidiary within the Group.

The shareholding adheres to the requirements of the JSE Limited and the memorandum of incorporation of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

10. RESERVES

Nature and purpose of reserves

10.1 Share-based payments

The share-based payment reserve relates to the IFRS 2 share-based payment expense recognised in equity. This reserve will not recycle to profit or loss.

10.1.1 Rolfes Holdings Conditional Share Plan "CSP"

Shareholders approved the implementation of the CSP at the general meeting held on 10 April 2017.

The purpose of the Rolfes Holdings Limited CSP is to provide selected employees with the opportunity of receiving shares in the company through the awards of conditional rights to shares (either in the form of Performance Shares or Retention Shares) thereby providing participants with the opportunity to share in the success of the group and provide alignment between these participants and shareholders.

Shares are allocated to eligible employees by the remuneration committee after taking executive management's motivations into account. The Remuneration Committee is under no obligation to allocate shares annually, or to allocate shares to all eligible employees or participants each time an allocation is made.

The CSP is equity settled and the IFRS 2 charge is booked to the Statement of Comprehensive income over the vesting period of the grants.

The vesting of performance shares is subject to the fulfilment of 3 year employment and certain performance conditions.

The vesting of retention share is subject only to the fulfilment of 3 year employment conditions.

10.1.2 Information regarding awards

Allocation Summary	Performance Shares	Retention Shares	Total
Grant Date	1/12/2017	20/2/2018	
* Grant Date fair value	2,71	2,85	
Number of remaining participants	9	7	
Granted during previous financial years	4 133 584	2 750 000	6 883 584
Forfeited during the year	(300 000)	(450 000)	(750 000)
Outstanding at the end of the year	**3 833 584**	**2 300 000**	**6 133 584**

** Grant date fair value based on the quoted share price on grant date*

10.1.3 Amounts recognised relating to share-based payments

Share-based payment reserve	Performance Shares R'000	Retention Shares R'000	Total R'000
Balance at the beginning of the year	1 697	799	2 496
Charged during the year	(1 697)	2 114	417
Balance at the end of the year	—	2 913	2 913

Due to the fact that the performance metrics are not expected to be met at the end of the vesting term, the expense relating to the performance shares is Rnil.

10.2 Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations. This reserve will recycle to profit or loss on disposal of the foreign investment

Other comprehensive income accumulated in reserves, net of tax

	2019 R'000	2018 R'000
Carrying value 1 July	(1 679)	(697)
Foreign operations – foreign currency translation differences	1 592	(982)
Carrying value 30 June	(87)	(1 679)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

11. INTEREST-BEARING LIABILITIES

	2019 R'000	2018 R'000
Secured	157 839	234 957
– Instalment sale agreements	7 797	4 205
– Medium-term bank loans	150 042	230 752
Short-term portion	(22 589)	(26 562)
	135 250	208 395
Instalment sale agreements – secured over motor vehicles	6 266	5 668
Instalment sale agreements – secured over plant and equipment	1 531	1 510
Instalment sale agreements bear average interest of	10,00%	10,98%

	Carrying value 30 June 2019	Effective interest rate %	Months to repay	Last payment	Carrying value 30 June 2018
A medium-term loan and revolving credit facility was obtained by Rolfes Holdings Limited for funding purposes	—	—	—	29/3/2019	71 526
A medium-term working capital facility loan	—	—	—	29/3/2019	155 297
A medium-term loan was obtained by Rolfes Holdings Limited for funding purposes	70 042	10,40	42	31/12/2022	—
A revolving credit facility was obtained by Rolfes Holdings Limited for funding purposes	80 000	10,25	33	31/3/2022	—
A bond was registered over the construction of a building in Gaborone, Botswana	—	—	—	30/11/2018	3 930
Total	150 042				230 753

	2019 R'000	2018 R'000
Total minimum payments		
Total payments		
– Repayments	196 504	249 809
– Finance cost	(38 665)	(14 852)
Present value	157 839	234 957
Payments – up to one year		
– Minimum repayments	38 342	34 155
– Finance cost	(15 753)	(7 593)
Present value	22 589	26 562
Payments – two years and more		
– Minimum repayments	158 162	215 654
– Finance cost	(22 912)	(7 259)
Present value	135 250	208 395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

11. INTEREST-BEARING LIABILITIES CONTINUED

The fair value of the medium-term loans and instalment sale agreements are approximately equal to their carrying value.

As security for the funding obtained from Rand Merchant Bank (a division of FirstRand Bank Limited), the following has been granted by the group:

- General notarial bond over all inventory owned by the group;
- Cession of debtors' books owned by the group;
- GNB/SNB over plant and equipment (where unencumbered in terms of instalment sales agreement refer to note 2)
- First covering mortgage bond over properties;
- Cross guarantees from all wholly owned subsidiary companies;
- Cession of shares and claims of all wholly owned subsidiary companies;
- Cession of all bank accounts owned by the group;
- Cession of insurance policies owned by the group;
- Negative pledge from all wholly owned subsidiaries and the company; and
- Subordination of all shareholder loans and claims in the group.

12. PROVISIONS

	2019 R'000	2018 R'000
Rehabilitation provision		
Opening balance	2 959	13 722
Provisions raised/(utilised) during the current year	—	(2 501)
Notional finance charges	257	738
Reclassified to liabilities held for sale	—	(9 000)
Closing balance	3 216	2 959
Due after more than a year	3 216	2 959
Total rehabilitation provision	3 216	2 959
Provision for claim		
Opening balance	5 000	—
Provision for claim	—	5 000
Closing balance	5 000	5 000
Due within one year or less	5 000	—
Due after more than a year	—	5 000
Total provision for claim	5 000	5 000
Total provisions	8 216	7 959

The group is involved in various legal proceedings. In consultation with its legal counsel, management is assessing the outcome of these proceedings on an ongoing basis. On a particular case, based on legal counsel advice, management has decided to provide R5m for a potential claim. This amount may be higher or lower, depending on a ruling by the court.

Upon the closure of the Rolfes Chemicals operations there will be an expected outflow of economic benefits in the form of the rehabilitation of the site where the underground storage tanks are currently situated. The expected timing and amount of the outflows are uncertain at this stage.

Details regarding the provisions are indicated in the accounting policies notes 1.12 .

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

13. TRADE AND OTHER PAYABLES

	2019 '000	2018 '000	2019 R'000	2018 R'000
Trade payables			104 859	104 338
Foreign trade payables			134 441	145 091
• US dollar ("USD")	8 540	9 387	120 276	128 838
• Euro ("EUR")	884	817	14 151	13 104
• Zambian Kwacha ("ZMK")	13	411	14	566
• Romanian Lei ("RON")	—	751	—	2 583
Financial liabilities			239 300	249 429
Accruals			14 852	13 577
Leave pay accrual			5 306	5 462
Bonus accrual			5 645	11 397
Credit cards			17	20
VAT payable			809	2 816
Sundry creditors			2 576	1 442
Total trade and other payables			**268 505**	**284 143**

The carrying value of trade and other payables approximates its fair value, due to the short-term nature of the payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

14. ASSETS AND DIRECTLY ASSOCIATED LIABILITIES HELD FOR SALE

During June 2017, management committed to a plan to discontinue the Rolfes Silica mining business, due to the mine being unprofitable.

Refer to note 27 for the disclosure regarding the discontinued operations.

On 20 February 2018 an agreement was concluded to sell stock, equipment, property and mining rights together with the rehabilitation provision relating to the Rolfes Silica business. Accordingly, the assets and liabilities that forms part of the sale agreement are disclosed as assets and liabilities held for sale. The purchase price amounted to R7,5m for the assets and liabilities as well as the settlement value of the interest-bearing liabilities at the date of transfer.

All suspensive conditions have been met for the sale and the approval from the Department of Mineral Resources for the Section 11 transfer of the mining license was granted in December 2018. The sale was therefore successfully concluded during the current financial year.

During June 2018 the board approved a plan to dispose of the remaining properties held in Rolfes PWM Anticor Proprietary Limited. The sale of the property was concluded during the current financial year.

As at 30 June 2018, the assets held for sale was stated at fair value less costs to sell and comprised the following assets and liabilities

Assets held for sale:	Silica R'000	Anticor R'000	2018 R'000
Property, plant and equipment	7 732	3 930	11 662
Inventories	10 475	—	10 475
Assets held for sale	18 207	3 930	22 137
Interest-bearing liabilities	(748)	—	(748)
Provisions	(9 000)	—	(9 000)
Liabilities directly associated with assets held for sale	(9 748)	—	(9 748)

The fair value of the assets and liabilities above was based on offers to purchase the assets & liabilities.

During the current year the disposal of the assets and liabilities held for sale of the Silica and Anticor operations was finalised and the proceeds was collected. Refer to the Cash Flow Statement for the amount of the proceeds.

Refer to note 30. 2 for more details regarding the subsequent event relating to the sale of the Colour business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

15. REVENUE (CONTINUING OPERATIONS)

The Group manufactures or procures and sells:

- Speciality fertilisers, adjuvants and remedies from its Agriculture division.
- Food ingredient chemicals and personal care chemicals from its Food as well as Other divisions.
- Industrial solvents and commodity chemicals, speciality chemicals as well as water treatment chemicals
- from its Chemicals and Other divisions.
- Solvent and water-based products as well as traded products from its Colour and Other divisions.
- The Water division provides value-added services and solutions (including chemicals products) to its customers in the commercial cooling and industrial and mining industries.

Sales from these products are recognised when control is transferred to the customer. Transfer of control is dependent on each contract. In some contracts, transfer of control of the product takes place when the product is collected from Group entities while in others it is upon delivery to the customer.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, as allowed by the practical expedient in IFRS 15, the Group does not adjust any of the transaction prices for the time value of money.

Revenue from providing services (in the Water division) is recognised over a period of time. Revenue is recognised based on the actual services and goods provided to the customer as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. Invoicing is done monthly on actual services provided to date and the consideration is payable when invoiced. There is not a practice to invoice in advance for performance obligations and accordingly at the reporting date there are no outstanding performance obligations.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

All inter-segment revenue eliminates on a group level. Refer to note 24 for the full segmental reporting.

Revenue per region for the year ended 30 June 2019:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
South-Africa	268 232	660 078	391 717	70 750	41 996	—	1 432 773
Africa	4 918	84 003	33 059	2 677	94	17 282	142 033
International	4 228	—	1	—	—	—	4 229
Total (gross)	**277 378**	**744 081**	**424 777**	**73 427**	**42 090**	**17 282**	**1 579 035**
Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502
External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533

Revenue per region for the year ended 30 June 2018:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
South-Africa	238 419	599 761	353 424	64 791	39 534	—	1 295 929
Africa	11 156	73 347	42 877	7 993	2 410	29 900	167 683
International	36 235	—	—	1 929	—	—	38 164
Total (gross)	**285 810**	**673 108**	**396 301**	**74 713**	**41 944**	**29 900**	**1 501 776**
Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	80 128
External revenue	276 502	656 779	355 410	63 244	39 813	29 900	1 421 648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

15. REVENUE (CONTINUING OPERATIONS) CONTINUED

Revenue (timing of recognition) for the year ended 30 June 2019:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
Sales at a point in time	277 378	744 081	424 777	73 427	36 405	17 282	1 573 350
Sales recognised over time	—	—	—	—	5 685	—	5 685
Total (gross)	**277 378**	**744 081**	**424 777**	**73 427**	**42 090**	**17 282**	**1 579 035**
Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502
External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533

Revenue (timing of recognition) for the year ended 30 June 2018:

	Agriculture	Food	Chemicals	Colour	Water	Other	Continuing operations
Sales at a point in time	285 810	673 108	396 301	74 713	37 274	29 900	1 497 106
Sales recognised over time	—	—	—	—	4 670	—	4 670
Total (gross)	**285 810**	**673 108**	**396 301**	**74 713**	**41 944**	**29 900**	**1 501 776**
Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	80 128
External revenue	276 502	656 779	355 410	63 244	39 813	29 900	1 421 648

Refer to note 27 for the revenue from discontinued operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

16. OPERATING EXPENSES

		2019 R'000	Restated 2018 R'000
Operating expenses is arrived at after taking the following items into account:			
Foreign currency transaction loss/(gains)		2 080	(2 901)
Legal fees		3 304	3 302
RMB transaction fees		1 617	—
New banking facility legal fees		1 335	—
Investec settlement fees		4 066	—
Provision for claim		—	5 000
Auditor's remuneration		2 124	5 324
Research costs expensed and not capitalised		3 139	4 016
		15 585	17 642
Donations		1 467	660
Insurance		5 890	7 743
Repairs and maintenance		5 005	5 797
		12 362	14 200
Executive directors' emoluments for services as directors	22.1	7 578	11 432
Non-executive directors' emoluments for services as directors	22.1	2 845	1 597
Salaries and wages included in other expenses		108 631	113 486
Contributions to pension and provident funds		5 933	5 545
		124 987	132 060
Minimum lease payments under operating leases recognised in profit or loss for the year		12 165	9 318
At the end of the reporting period, the group had outstanding commitments for future minimum lease payments under fixed-term operating leases, which fall due as follows:			
Within one year		9 045	7 407
In two to five years		21 728	22 466
The material leasing arrangements of the group consist of leasing arrangements for equipment and warehouse space. These arrangements include terms of renewal that vary between one and five years. There are no options to purchase and escalation clauses refer to market rates.			
Other expenses		43 466	54 859
Total operating expenses		210 645	225 178

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

17. OTHER INCOME

Leasing arrangements

Included in other income is rental income relating to property owned by the Group with a lease term of 10 years and a 6 month cancellation clause; the earliest notice can be given is on 31 December 2019. The lessee does not have an option to purchase the property at the expiry period.

	2019 R'000	2018 R'000
Rental income earned by the Group from property which is leased out under operating leases amounted to:	7 399	8 592
Total future minimum lease income under non-cancellable operating leases for the following periods:		
Not later than one year	5 700	6 823

18. FINANCE INCOME

	2019 R'000	2018 R'000
Finance income relates to the following items:		
Current account	1 576	1 297
SARS interest	163	12
	1 739	1 309
Finance income earned on financial assets, categorised as at amortised cost (including cash and bank balances note 8)	1 576	1 297

Refer to note 27 for the finance income and cost attributable to the discontinued operations.

19. FINANCE COST

	2019 R'000	2018 R'000
Finance costs relate to the following items:		
Instalment sale agreements	708	849
Current account	551	274
Interest-bearing liabilities	23 840	28 198
Rehabilitation provision	257	237
Overdraft	836	—
	26 192	29 558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

20. INCOME TAX EXPENSE/(BENEFIT)

	Group 2019 R'000	Continuing operations 2019 R'000	Dis-continued operations 2019 R'000	Group 2018 R'000	Continuing operations 2018 R'000	Dis-continued operations 2018 R'000
Current tax:						
South African normal tax	15 445	15 445	—	20 436	20 436	—
Deferred tax	(19 256)	(18 260)	(996)	(8 257)	(7 387)	(870)
Prior year (overstatement) understatement	2 546	2 546	—	(332)	(332)	—
Amounts recognised in profit or loss	(1 265)	(269)	(996)	11 847	12 717	(870)
	%	%	%	%	%	%
Tax rate reconciliation						
• Statutory rate	(28,0)	(28,0)	(28,0)	28,0	28,0	28,0
• Effect of non-allowable expenditure/exempt income*	1,8	1,8	—	14,4	12,6	(1,3)
• Effect of research and development allowance	(0,9)	(0,9)	—	(1,9)	(1,7)	—
• Effect of different tax rates of subsidiaries operating in other jurisdictions	(0,6)	(0,6)	—	6,2	5,5	—
• Effect of IFRS 2 charge	0,2	0,2	—	6,4	5,6	—
• Effect of prior year (overstatement)/ understatement	5,2	5,3	—	0,7	0,6	—
• Effect of deferred tax not recognised	19,5	21,6	(102,3)	54,3	51,8	33,1
Effective rate	(2,8)	(0,6)	(130,3)	108,1	102,4	59,8

** Mainly relates to legal fees, SARS penalties and interest as well as donations.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

21. EARNINGS PER SHARE

	2019 Group R'000	2019 Continuing operations R'000	2019 Dis-continued operations continued operations R'000	2018 Group R'000	2018 Continuing operations R'000	2018 Dis-continued operations continued R'000
Numerator						
(Loss)/profit for the year attributable to equity holders of the parent	(43 243)	(43 474)	231	1 494	2 077	(583)
Adjusted for:						
(Gain) from sale of property, plant and equipment (net)	(261)	(261)	—	(759)	(756)	(3)
(Gain) from sale of property, plant and equipment (gross)	(363)	(363)	—	(1 054)	(1 050)	(4)
(Gain) from sale of property, plant and equipment (tax)	102	102	—	295	294	1
Loss from sale of property, plant and equipment (net)	655	—	655	—	—	—
Loss from sale of property, plant and equipment (gross)	910	—	910	—	—	—
Loss from sale of property, plant and equipment (tax)	(255)	—	(255)	—	—	—
Impairment property, plant and equipment (gross)	—	—	—	2 364	2 364	—
Impairment intangible assets and goodwill (net)	81 358	81 358	—	16 652	16 652	—
Impairment intangible assets and goodwill (gross)	95 993	95 993	—	16 652	16 652	—
Impairment intangible assets and goodwill (tax)	(14 635)	(14 635)	—	—	—	—
Headline earnings	38 509	37 623	886	19 751	20 337	(586)
Denominator						
Weighted average number of shares used in basic earnings per share and headline earnings per share ('000)	161 302	161 302	161 302	161 302	161 302	161 302
Dilutive shares	843	843	843	648	648	648
Weighted average number of shares used in diluted earnings per share and diluted headline earnings per share ('000)	162 145	162 145	162 145	161 950	161 950	161 950
Earnings per share (cents)						
Basic	(26,81)	(26,95)	0,14	0,93	1,29	(0,36)
Diluted	(26,81)	(26,95)	0,14	0,92	1,28	(0,36)
Headline Earnings per share (cents)						
Basic	23,87	23,32	0,55	12,24	12,61	(0,36)
Diluted	23,75	23,20	0,55	12,20	12,56	(0,36)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

22. RELATED PARTIES

22.1 Directors' remuneration

	Basic remuneration/ Fees R'000	Incentive R'000	Car/Travel allowance R'000	Fringe benefit petrol R'000	**Total 2019 R'000**	Total 2018 R'000
Executive						
RM Buttle	3 708	642	144	34	**4 528**	5 795
AP Broodryk	2 448	428	120	54	**3 050**	2 378
L Lynch#	—	—	—	—	**—**	3 259
Non-executive						
MM Dyasi	410	—	—	—	**410**	235
SS Mafoyane	475	—	—	—	**475**	235
DM Mncube	350	—	—	—	**350**	176
MG Mokoka	450	—	—	—	**450**	288
MS Teke	498	—	—	—	**498**	316
CS Seabrooke	350	—	—	—	**350**	174
JR Winer	312	—	—	—	**312**	174
	9 001	1 070	264	88	**10 423**	13 030

 # Resigned 16 October 2017

In terms of the conditional share plan the following awards were made with their related expenses for the applicable directors as noted below:

	Shares	**2019 Cumulative expense**	2018 Cumulative expense	Movement Cumulative expense
RM Buttle				
Performance shares	1 177 240	**—**	477 042	(477 042)
Retention shares	500 000	**633 333**	158 333	475 000
		633 333	635 375	(2 042)
AP Broodryk				
Performance shares	706 344	**—**	286 225	(286 225)
Retention shares	450 000	**570 000**	142 500	427 500
		570 000	428 725	141 275

The directors did not receive remuneration from subsidiaries.

Employment contracts of the individual executive directors all incorporate the same information and restrictions.

The contracts include a restraint of trade paragraph to ensure the group does not incur losses or loss of business due to the resignation of its directors. The contracts do not indicate any term of employment and employment will cease with the resignation or dismissal of the director. The contracts do not specify any age or time period to indicate retirement of directors.

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

22. RELATED PARTIES CONTINUED

22.2 Other related party transactions

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation.

Below is a summary of related party transactions:

	Relationship	2019 R'000	2018 R'000
Strategic management fees paid			
MCIH Services Proprietary Limited	Associated to director	850	801

23. GROUP RISK

The group is exposed, through its operations, to the following financial risks:

- interest rate risk;
- foreign currency risk;
- liquidity risk; and
- credit risk.

Risk management policies recommended by the executive directors are, upon agreement thereto, ratified by the board. Certain risks are managed centrally while others are managed locally, following guidelines communicated by the board. These risk management policies are described in detail in the following paragraphs.

Capital management

Capital is managed through optimising the debt and equity utilisation across the group. This is done to ensure that all entities within the group continue to function on a going concern basis while maximising returns to stakeholders.

The overall group capital management strategy has remained unchanged from the previous financial year. The capital structure of the group consists of debt and equity, as follows:

Debt

- medium to long-term borrowings; and
- bank facilities.

Equity

- share capital;
- reserves; and
- retained earnings.

Gearing ratio

The group's capital structure is reviewed on a bi-annual basis by the board of directors. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital.

The gearing ratio at reporting date was as follows:

	2019 R'000	2018 R'000
Interest-bearing debt	157 839	234 957
Cash and cash equivalents	(7 273)	43 148
Net debt	165 112	191 809
Equity	414 713	468 851
Net debt to equity ratio	0,40	0,41

Debt is defined as long and short-term interest-bearing borrowings and bank overdraft. Equity includes all capital and reserves of the group.

The groups bankers (RMB) requires the group to adhere to certain covenants (Gross Leverage Ratio, Interest Cover Ratio and Collateral Cover Ratio) in terms of facilities granted. The covenants are measured on a quarterly basis and the group has complied with all requirements. No loans were in default at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

23. GROUP RISK CONTINUED

Below follows details in respect of each class of financial asset and financial liability.

	Fair value hierarchy	2019 R'000	2018 R'000
Categories of financial instruments			
Financial assets – carrying values			
Trade and other receivables		226 632	233 946
Derivative asset		—	6 454
Cash and cash equivalents		8 017	43 148
Fair value			
Trade and other receivables	2	226 632	233 946
Derivative asset	2	—	6 454
Cash and cash equivalents	2	8 017	43 148
Financial liabilities – carrying values			
Interest-bearing liabilities		135 250	208 395
Derivative liability		3 311	—
Current portion of interest-bearing liabilities		22 589	26 562
Trade and other payables		239 300	249 429
Fair value			
Interest-bearing liabilities	2	135 250	208 395
Derivative liability	2	3 311	—
Current portion of interest-bearing liabilities	2	22 589	26 562
Trade and other payables		239 300	249 429

The fair values of financial assets and financial liabilities approximate their carrying values due to the short-term nature of these assets as well as short-term until maturity.

The fair values of financial assets and financial liabilities are determined as follows:

- For financial instruments with standard terms and conditions that are traded in active liquid markets, fair value is determined with reference to quoted market prices; and
- For financial instruments that are not traded in active liquid markets, fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices from observable current market transactions and dealer quotes for similar instruments; inputs includes expected payment dates, market related interest rates and forward exchange rates.

Foreign currency forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

At the reporting date there were no significant concentrations of credit risk for financial assets. The carrying amount of financial instruments as reflected above represents the group's maximum exposure to credit risk.

Financial risk management objectives

The group's financial department provides services across the group; coordinates access to domestic and international financial markets; and monitors and manages the financial risks relating to the operations of the group. These risks include market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

23. GROUP RISK CONTINUED

Financial risk management objectives continued

The group seeks to minimise the effects of these risks by using derivative financial instruments to economically hedge these risk exposures. Compliance with policies and exposure limits is reviewed on a continuous basis. Where the group uses derivative financial instruments it is used for specific transactions. The group does not enter into or trade financial instruments for speculative purposes, including derivative financial instruments.

Market risk

The group's activities expose it primarily to currency risk and interest rate fluctuations.

There has been no change in the group's exposure to market risk or the manner in which it manages and measures market risk.

Foreign currency risk management

The group undertakes transactions denominated in foreign currencies as part of its operations.

The group imports products from Europe and Asia in the currencies below. It is group policy to enter into forward foreign exchange contracts to cover specific foreign currency payments, these future exposures are hedged according to these principles matching the supplier payment terms.

Furthermore, currency risk is managed by negotiating favourable payment terms with foreign suppliers and by actively managing group banking facilities for foreign debt repayments. Where possible, natural hedges are maintained where amounts receivable from foreign customers are matched to amounts payable to foreign suppliers.

The carrying amounts, which represents the exposure amount, of the group's foreign currency denominated financial assets and financial liabilities at the reporting date, are as follows:

	2019 '000	2018 '000
Foreign currency		
Assets		
US dollar ("USD")	907	2 460
Euro ("EUR")	7	32
Zambian kwacha ("ZMK")	2 783	5 267
Botswana pula ("BWP")	25	2 231
Romanian lei ("RON")	586	2 148
Liabilities		
US dollar ("USD")	8 540	9 387
Euro ("EUR")	884	817
Zambian kwacha ("ZMK")	13	411
Romanian lei ("RON")	—	751

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

23. GROUP RISK CONTINUED

Foreign currency sensitivity analysis

The table below details the group's sensitivity to the relevant foreign currencies, if assumed that the exposure is uncovered.

The sensitivity analysis is calculated on a net asset/liability exposure basis.

A positive number indicates an increase in profit and other equity for a 10% strengthening in the foreign currency. For a 10% weakening in the foreign currency, there would be an equal and opposite impact on profit and other equity of the group. The same method and assumptions were used in the sensitivity analysis for the prior year.

	2019 '000	2018 '000
Foreign currency		
US dollar ("USD")	(763)	(693)
Euro ("EUR")	(88)	(79)
Zambian kwacha ("ZMK")	277	486
Botswana pula ("BWP")	3	223
Romanian lei ("RON")	59	140
Net increase/(decrease) in profit and other equity	(512)	77

Interest rate risk

Utilisation of long-term interest-bearing liabilities is minimised as far as possible in order to limit the exposure to interest rate risk. The group's long-term interest rate is linked to prime.

Cash requirements are managed and monitored in order to limit unnecessary utilisation of overdraft facilities, thereby reducing the group's exposure to cash flow interest rate risk.

Interest rate sensitivity analysis

The group interest rate risk originates mainly from interest bearing liabilities. The sensitivity analysis has been performed based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the liability value at the end of the reporting period was the same during the whole year.

A 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the group's profit for the year and equity would decrease by R0,789 million (2018: R1,412 million).

For a 50 basis point strengthening in the interest rate, there would be an equal and opposite impact on the group's profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

23. GROUP RISK CONTINUED

Credit risk

Financial assets potentially subject to group concentrations of credit risk consist primarily of trade receivables in terms of credit sales, which amounted to R234 million (2017: R225 million).

Group policy is to assess credit risk of new customers before entering into sales agreements. Such assessments take into account local business practices and are factored into a credit risk profile. Credit references, credit history, bank codes and credit rating information are utilised in determining the credit rating of a new credit customer. The credit risk with regard to trade receivables is limited due to the fact that the customer base is spread over a wide variety of small and large receivables. The group does not enter into complex derivatives to manage credit risk. Where appropriate, it is group policy to obtain sufficient collateral as a means of mitigating the risk of financial loss from defaults. Collateral held consist of sureties signed by selected customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Liquidity risk

The group minimises liquidity risk by ensuring it has adequate banking facilities and reserve borrowing capacity with high-quality financial institutions or related companies.

Liquidity risk is managed centrally by the group executive directors. Budgets are set and agreed in advance on an annual basis by the board. This enables suitable anticipation of cash flow requirements. Where an increase in group facilities is required, approval is sought in accordance with authority limits set by the board.

Liquidity risk is managed by maintaining adequate reserves, banking facilities and reserve borrowing facilities; by continuously monitoring forecast against actual cash flows; and by matching the maturity profiles of financial assets and liabilities.

	2019 R'000	2018 R'000
Derivative and non-derivative maturity analysis – financial liabilities		
Up to 3 months		
Trade and other payables	239 300	249 429
Loans and borrowings	—	6 641
3 to 12 months		
Loans and borrowings	38 342	34 155
2 to 5 years		
Loans and borrowings	158 162	215 654

Price risk

The group is exposed to price risk due to the volatility of commodity prices. These risks are limited by monitoring the market and competitors to identify risks in advance and executing appropriate pricing actions and adjustments in order to mitigate these identified risks. The group however do not enter into any forward commitments in respect of commodity prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

24. SEGMENT REPORTING

Business segments

The segmental report of the group is based on the information used by the chief operating decision makers, being the executive management. The segmental analysis is presented after taking certain inter-company and inter-segmental transactions into account.

For management purposes the entity is organised on an international basis in six operating divisions, ie Agriculture, Food, Chemicals, Colour, Water and Other. The Silica Mine was previously reported as part of the Water divisions, but has been discontinued during a previous financial period. It operates in the mining industry therefore disclosed separately. These divisions are the basis on which the entity reports its primary information.

The main operating activities of the segments are described below:

Agriculture	The Agriculture division manufactures and distributes products that include herbicides, insecticides, fungicides, adjustments, foliar feeds, enriched compost pellets, and soluble fertilisers promoting general plant, root, foliage and soil health.
Food	The Food division imports and distributes chemicals used in the food, beverage, bakery, dairy, pharmaceutical and cosmetics industries.
Chemicals	The Industrial division distributes alkyd resins, additives, leather chemicals products and solutions, solvents, lacquer thinners, surfactants, cleaning solvents, creosotes, waxes and other industrial chemicals.
Colour	The Industrial division manufactures and distributes various organic and inorganic pigments, additives, in-plant and point-of-sale dispersions.
Water	The Water activities involve providing specialised water purification solutions and products to the industrial, agricultural, mining, home and personal care markets.
Silica (discontinued)	The discontinued operation's activities involved the quarrying and processing of pure beneficiated silica for the metallurgical, filtration and construction industries.
Other	The Other segments include the letting of property, plant and equipment, the Rolfes Logistics (Pty) Ltd operations as well as the head office functions.

Geographical segments

The group primarily operates in the Southern Africa region.

All inter-group management fees were eliminated in the separate segments to ensure more accurate presentation to the stakeholders regarding the various business segments in the current and prior year presented.

During the current year the information for Rolfes Logistics (Pty) Ltd was moved from the Colour segment into the Other segment. Additionally the segment report was adjusted to conform with the way management now manage gross profit. The segmental report was aligned accordingly and is in line with what is reported to key decision makers. The comparatives were accordingly adjusted as well.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

24. SEGMENT REPORTING CONTINUED

The following table provides financial information on the aforementioned segments:

	Agri-culture 2019 R'000	Food 2019 R'000	Chemi-cals 2019 R'000	Colour 2019 R'000	Water 2019 R'000	Other 2019 R'000	Total (Contin-uing) 2019 R'000	Discon-tinued (Silica) 2019 R'000	Total 2019 R'000
Total revenue	277 378	744 081	424 777	73 427	42 090	17 282	1 579 035	—	1 579 035
– External revenue	270 535	736 584	396 551	69 620	41 980	17 263	1 532 533	—	1 532 533
– Inter-segment revenue	6 843	7 497	28 226	3 807	110	19	46 502	—	46 502
Gross profit/(loss)	74 802	109 511	74 725	10 040	26 173	2 350	297 601	—	297 601
Adjusted EBITDA	17 590	66 068	37 869	333	3 516	(32 617)	92 759	(25)	92 734
HEPS adjustments	(83 454)	(18)	180	(83)	(12 590)	335	(95 630)	(910)	(96 540)
Depreciation & amortisation	(7 617)	(1 405)	(1 337)	(843)	(1 905)	(2 895)	(16 002)	—	(16 002)
Share-based payment expense	—	(124)	(157)	—	(78)	(58)	(417)	—	(417)
PBIT	(73 481)	64 521	36 555	(593)	(11 057)	(35 235)	(19 290)	(935)	(20 225)
Total assets	166 894	436 547	178 103	35 949	20 146	36 749	874 388	—	874 388
Total liabilities	27 331	173 117	69 206	7 718	4 898	177 405	459 675	—	459 675
NAV	139 563	263 430	108 897	28 231	15 248	(140 656)	414 713	—	414 713
Inventories	77 855	180 598	66 454	20 077	4 546	—	349 530	—	349 530
Trade receivables	32 134	119 225	56 321	6 319	8 700	3 935	226 634	—	226 634
Trade payables	(14 365)	(160 530)	(52 921)	(6 320)	(1 622)	(3 260)	(239 018)	—	(239 018)
Net working capital	95 624	139 293	69 854	20 076	11 624	675	337 146	—	337 146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

24. SEGMENT REPORTING CONTINUED

	Agri-culture 2018 R'000	Food 2018 R'000	Chemi-cals 2018 R'000	Colour 2018 R'000	Water 2018 R'000	Other 2018 R'000	**Total (Con-tinuing) 2018 R'000**	Discon-tinued (Silica) 2018 R'000	**Total 2018 R'000**
Total revenue	285 810	673 108	396 301	74 713	41 944	29 900	**1 501 776**	1 307	**1 503 083**
– External revenue	276 502	656 779	355 410	63 244	39 813	29 900	**1 421 648**	1 307	**1 422 955**
– Inter-segment revenue	9 308	16 329	40 891	11 469	2 131	—	**80 128**	—	**80 128**
Gross profit/(loss)	68 529	110 217	77 609	8 444	22 758	3 567	**291 124**	—	**291 124**
Adjusted EBITDA	18 649	64 171	39 918	(3 715)	(7 628)	(35 252)	**76 143**	(77)	**76 066**
HEPS adjustments	(714)	(76)	(83)	(5 621)	(5 328)	(6 144)	**(17 966)**	4	**(17 962)**
Depreciation & amortisation	(6 972)	(1 192)	(1 386)	(1 371)	(2 300)	(1 789)	**(15 010)**	(753)	**(15 763)**
Share-based payment expense	(317)	(319)	(476)	—	(239)	(1 145)	**(2 496)**	—	**(2 496)**
PBIT	10 646	62 584	37 973	(10 707)	(15 495)	(44 330)	**40 671**	(826)	**39 845**
Total assets	276 479	383 922	213 639	52 851	39 882	36 063	**1 002 836**	20 812	**1 023 648**
Total liabilities	60 430	137 646	96 780	7 331	11 227	229 713	**543 127**	11 670	**554 797**
NAV	216 049	246 276	116 859	45 520	28 655	(193 650)	**459 709**	9 142	**468 851**
Inventories	82 430	127 288	86 306	29 790	3 726	5 199	**334 739**	—	**334 739**
Trade receivables	45 721	111 506	58 677	11 629	6 162	(289)	**233 406**	638	**234 044**
Trade payables	(35 872)	(129 510)	(82 021)	(4 632)	(5 355)	8 285	**(249 105)**	(716)	**(249 821)**
Net working capital	92 279	109 284	62 962	36 787	4 533	13 195	**319 040**	(78)	**318 962**

All non-current assets are domiciled in South Africa, except for certain holdings in Botswana, Zambia and eastern Europe.

Information regarding major customers

Revenues from transactions with any single customer do not exceed 10% of revenue per any single reporting segment. Inter-segment transactions are eliminated on presentation of the segment report to present a more feasible segment. All related-party transactions occur at arm's length on the same terms and conditions that are available commercially.

Information regarding geographical areas

Revenues from transactions from any single geographical area outside of South Africa do not exceed 10% of revenue and therefore have not been disclosed separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

25. NOTES TO STATEMENT OF CASH FLOW

		2019 R'000	2018 R'000
25.1	Reconciliation of operating (loss)/profit before interest to cash generated from operations:		
	Operating (loss)/profit before interest (continuing and discontinued operations)	(20 225)	39 845
	Adjustments for non-cash items:	120 284	65 339
	Depreciation and amortisation	16 002	15 764
	Movement in allowance for credit losses	3 424	3 273
	Movement in provision for retrenchment cost	424	(4 000)
	Provision for obsolete stock	(381)	1 521
	Inventory related write-offs	—	21 632
	Impairment of property, plant and equipment	—	2 364
	Impairment of intangibles and goodwill	95 993	16 652
	Movement in leave pay accrual	(155)	434
	Movement in bonus accrual	(5 751)	10 994
	Loss/(profit) on disposal of asset	547	(1 054)
	Changes on rehabilitation provision affecting profit/(loss)	—	(2 501)
	Share-based payment expense	417	2 496
	Provision for claim	—	5 000
	Movement in derivative asset/liability	9 764	(7 236)
	Change in working capital:	(17 281)	(40 942)
	(Increase) in inventories	(14 410)	(92 785)
	Decrease/(increase) in receivables	7 286	(15 989)
	(Decrease)/increase/ in payables	(10 157)	67 832
		82 778	64 242
25.2	Taxation paid:		
	Opening balance: net current tax asset	9 370	3 140
	Taxation charge for the year	(17 991)	(20 104)
	Closing balance: current tax asset	4 971	9 370
	Taxation (paid) during the year	(13 592)	(26 334)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

26. IMPAIRMENT OF ASSETS

The following impairment losses were recognised during the year.

The basis used to determine the impairment loss on goodwill and other intangible assets is the value in use and for the impairment recognised on property, plant and equipment is the fair value less cost to sell. Refer to note 3. 1 for key assumptions used in the determination of the impairments recognised.

Summary tables

Impairments recognised per segment

Segment	2019 R'000	2018 R'000
Agriculture		
– Impairment of intangible assets	43 370	714
– Impairment of Agriculture intangible assets (recognised at Group)	9 333	—
– Impairment of Agriculture goodwill (recognised at Group)	30 967	—
Chemicals		
– Impairment of property, plant and equipment	—	111
Colour		
– Impairment of goodwill	—	5 639
– Impairment of property, plant and equipment	—	287
Water		
– Impairment of goodwill	—	9 225
– Impairment of Water intangible assets	12 323	—
– Impairment of Property (classified as held for sale)	—	1 966
Group		
– Impairment of Colour goodwill	—	1 074
Total impairments	95 993	19 016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

27. DISCONTINUED OPERATION

The Silica mining business became unviable due to the reduction of the remaining life of mine and the current economic climate resulting in trading losses being incurred. The potential of restructuring the business was considered but the operating costs compared to the revenue (being a mix of volumes and price) remained uneconomical.

On 9 June 2017, the board resolved to discontinue the operation. The Silica mining business was accordingly separately presented as a discontinued operation.

Results of discontinued operation	Notes	2019 R'000	Restated@ 2018 R'000
Revenue		—	1 307
Cost of sales – salaries and wages		—	(584)
Cost of sales – cost of materials sold		—	(723)
Gross profit		—	—
Other income		—	266
Operating expenses		(25)	188
Impairment of trade and other receivables		—	(531)
Adjusted EBITDA#		(25)	(77)
Depreciation		—	(753)
Adjusted EBIT#		(25)	(830)
Loss on sale of property, plant and equipment		(910)	4
Operating loss before interest		(935)	(826)
Finance income		251	—
Finance cost		(81)	(627)
Loss before taxation		(765)	(1 453)
Income tax benefit	20	996	870
Profit/(loss) for the year		231	(583)
Total comprehensive income/(loss) for the year		231	(583)
Profit/(loss) for the year attributable to:			
Owners of the parent		231	(583)
Non-controlling interest		—	—
		231	(583)
Earnings and headline earnings per share (cents):	21		
– Earnings (basic and diluted)		0,14	(0,36)
– Headline earnings (basic and diluted)		0,14	(0,36)

@ Refer to note 29 for more details regarding the reclassification adjustments made to the Consolidated statement of profit or loss and other comprehensive income.

 # Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

& Adjusted EBIT is earnings before interest and tax, before impairment, profit on sale of property, plant and equipment and share-based payment expense.

Cash flow statement for discontinued operations	2019 R'000	2018 R'000
Cash flow utilised in operating activities	719	(4 384)
Cash utilised in/(from) investing activities	7 751	142
Cash flow as a result of financing activities	(8 778)	2 992
Cash (shortfall)/surplus for the period	(308)	(1 250)
Cash and cash equivalents – beginning of the period	308	1 558
Cash and cash equivalents – end of the period	—	308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

28. INTEREST IN SUBSIDIARIES

Name	Details of operations	Issued share capital R	Effective holding 2019 %	Effective holding 2018 %
Rolfes Colour Pigments International	Manufacturing and distribution of resins, dispersions, organic and inorganic pigments, pigments pastes, additives, dyes and water-based pigments dispersions	1 000	100	100
Rolfes Chemicals Proprietary Limited	Distribution of drum solvents, lacquer thinners, creosotes, waxes and other speciality chemicals. Also the importation of chemicals and equipment for supply into the water treatment, home care and personal care markets	100	100	100
Bragan Chemicals Proprietary Limited	Import and distribution of chemicals used in food production	100	100	100
Rolfes Silica Proprietary Limited	The manufacture and distribution of pure beneficiated silica	200 000	100	100
Rolfes Asset Holding	Rental of property, plant and equipment	100	100	100
Proprietary Limited Rolfes Europe Trading	Dormant	100	100	100
Proprietary Limited Rolfes Logistics Proprietary Limited	Distribution of pigments and industrial chemicals throughout the African continent	100	100	100
New Heights 390 Proprietary Limited	Property holding company	1000	100*	100*
AgChem Property Proprietary Limited	Property holding company	100	100	100
Amazon Colours Proprietary Limited	Dormant	300	100*	100*
AgChem Holdings Proprietary Limited	Investment holding company	100	100	100
Rolfes Agri Proprietary Limited	Development and manufacturing of high-quality agricultural chemicals	1 000	100*	100*
Absolute Science Proprietary Limited	Accredited laboratory that provides high-quality analytical data	100	100*	100*
Gallus Technologia Proprietary Limited	Dormant	100	100*	100*
Gallus Technologia Ventersdorp Proprietary Limited	Distribution of agricultural chemicals	100	100*	100*

** Indirect*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

28. INTEREST IN SUBSIDIARIES CONTINUED

Name	Details of operations	Issued share capital R	Effective holding 2019 %	Effective holding 2018 %
AgroChem Namibia Proprietary Limited (#incorporated in Namibia)	Dormant	100		
Tetralon Chemical Consultancy Proprietary Limited	Dormant	4 000	100	100
Rolfes Water Proprietary Limited	The business of water purification and treatment as well as manufacturing chemicals to be used in water treatment products and services products and services	142	100	100
PWM ProfessionaL Water Management (Cape) Proprietary Limited	The business of water purification and treatment as well as manufacturing chemicals to be used in water treatment	4 000	100	100
Rolfes PWM Anticor Proprietary Limited (#incorporated in Botswana)	The business of water treatment and purification	167	100	100
AgChem Europe SRL (#incorporated in Romania)	Development and manufacturing of high-quality agricultural	127 600	100*	100*

** Indirect*

All companies are incorporated in South Africa, except where indicated with a #.

As a result of 100% shareholding throughout all entities, there are no non-controlling interest.

The level of control which the group exercises over subsidiaries is not only attributable to shareholding. Control is strengthened through executive management involvement in operational activities and financial management activities at subsidiary level.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

29. RECLASSIFICATION ADJUSTMENTS

During the current year, management has decided to change the classification and presentation of expense items in the Consolidated statement of profit or loss and other comprehensive income. The reclassifications were made to disaggregate expenses according to their nature and by including a total for earnings before interest, tax, depreciation and amortisation (EBITDA), as the representation of expenses will provide more relevant information. In addition, impairment of trade and other receivables has been separately presented to provide comparative information in line with the new requirements of IFRS 9 Financial Instruments.

Reconciliation between previously presented information and restated information:

	2018 R'000
Previous separately presented items:	
Cost of sales	(1 132 489)
Distribution expenses	(9 200)
Marketing expenses	(4 334)
Administration expenses	(32 159)
Other expenses	(195 271)
	(1 373 453)
New separately presented items:	
Cost of sales – salaries and wages	(23 636)
Cost of sales – cost of materials sold	(1 106 888)
Operating expenses	(225 178)
Depreciation and amortisation (previously presented under Other expenses)	(15 010)
Impairment of trade and other receivables (previously presented under Other expenses)	(2 741)
	(1 373 453)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE (CONTINUED)

30. EVENTS AFTER REPORTING PERIOD

30 Sale of Colour business

Shareholders are advised that Rolfes has entered into an agreement with Chromaflo Technologies South Africa (Pty) Ltd. In terms of the agreement, Rolfes will dispose of the business, stock and fixed assets of Rolfes Colour Pigments International (Pty) Ltd (a 100% subsidiary of Rolfes), for a purchase consideration amounting to R36,2 million ("Purchase Consideration") before adjustments referred to under point 30.2. The agreement was concluded on 5 August 2019.

30.1 Background and rationale for the proposed transaction

RCPI has not delivered Rolfes' required return for an extended period of time and a sale is therefore considered to be in the best interests of Rolfes shareholders.

30.2 Key terms of the proposed transaction

- Sale of assets and Effective Date: In terms of the agreement, adjustments based on closing inventory and fixed assets balances as at 31 October 2019, may be applied to determine the final Purchase Consideration. These adjustments will not exceed 10% (R3,62 million) of the Purchase Consideration. The Effective date of the transaction is 1 November 2019.
- The Purchase Consideration: The purchase consideration will be paid in cash on 4 November 2019 and the proceeds will be used by the Company to reduce the Company's debt.
- Suspensive Conditions: There are no suspensive conditions to the Transaction Agreement other than the adjustments that may be applied to the Purchase Consideration as set out above. The Transaction Agreement contains legal warranties and indemnities which are considered standard for a transaction of this nature.

30.3 Financial information relating to Rolfes Colour Pigments International (Pty) Ltd

Assets held for sale (subsequent to year end):	RCPI R'000
Property, plant and equipment	5 593
Inventories	20 177
Assets	25 770
Income statement (loss after tax):	289

There are no additional material events, other than those reported above, that have occurred between 30 June 2019 and the date of this report which may have a material impact on the understanding of this report and the financial information presented.

DEFINITIONS

"BBBEE"	Broad-based black economic empowerment
"the board"	The board of directors of Rolfes Holdings Limited as set out on page 47
"CEO"	Chief executive officer, Rolfes' CEO is Richard Buttle
"the company" or "Rolfes"	Rolfes Holdings Limited listed on the JSE Limited in the Specialty Chemicals sector
"GRI"	Global Reporting Initiative, a best practice benchmark in reporting
"the group"	Rolfes and its subsidiaries
"JSE"	JSE Limited incorporating the JSE Securities Exchange, the main bourse in South Africa
"King IV"	King IV Report on Corporate Governance
"LTIFR"	Lost-time injury frequency rate
"the previous year"	The year ended 30 June 2018
"SENS"	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
"SHEQ"	Safety, Health, Environment and Quality
"the year" or "the year under review"	The year ended 30 June 2019

FINANCIAL DEFINITIONS

"EBITDA"	Earnings before interest, taxation, depreciation and amortisation
"FY"	Financial year, for Rolfes ending 30 June
"HEPS"	Headline earnings per share
"IFRS"	International Financial Reporting Standards
"PAT"	Profit after tax
"PBT"	Profit before tax
"ROI"	Return on investment

CONTACT DETAILS

DIRECTORS
MS Teke* (chairman)
SS Mafoyane*# (lead independent director)
RM Buttle (chief executive officer)
AP Broodryk (chief financial officer)
MM Dyasi*#, DM Mncube*#
MG Mokoka*#, CS Seabrooke*, JR Winer*
* Non-executive
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