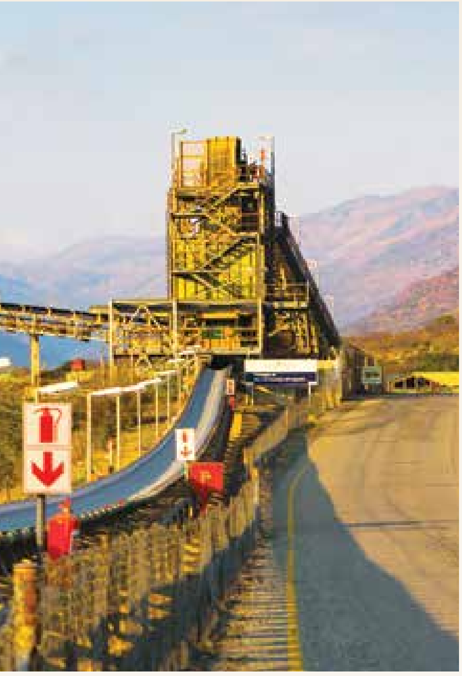
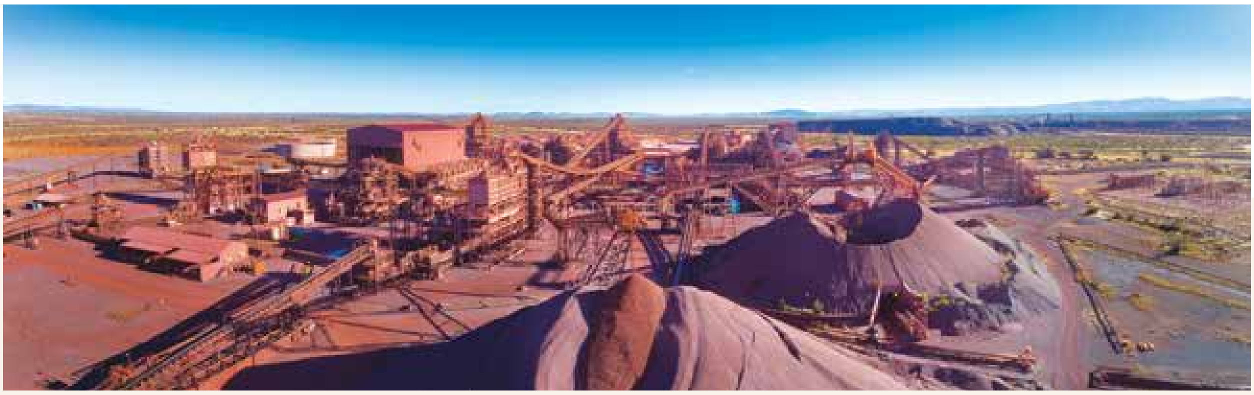
African Rainbow Minerals

ANNUAL FINANCIAL STATEMENTS

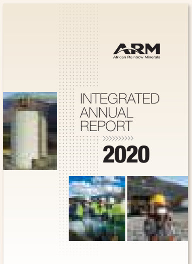
2020



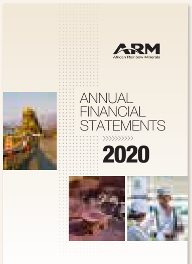
Contents



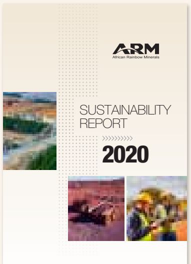
OUR 2020 SUITE OF REPORTS



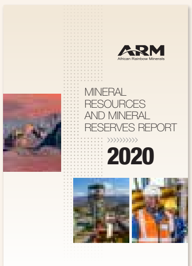
2020 INTEGRATED ANNUAL REPORT
A holistic assessment of ARM's ability to create sustainable value, with relevant extracts from the annual financial statements and supplementary reports, particularly the sustainability report covering non-financial aspects with a material impact on our performance and our business.



2020 ANNUAL FINANCIAL STATEMENTS
The audited annual financial statements have been prepared according to International Financial Reporting Standards (IFRS).



2020 SUSTAINABILITY REPORT
Detailed information on our performance on key environmental and social matters.



2020 MINERAL RESOURCES AND MINERAL RESERVES REPORT
In line with JSE Listings Requirements, ARM prepares Mineral Resources and Mineral Reserves statements for all its assets as per SAMREC Code guidelines and definitions (2016).

2020 CORPORATE GOVERNANCE REPORT
The corporate governance report includes detailed disclosure on the framework, processes and intended outcomes of ARM's governance structures and detailed disclosure on ARM's application of the principles of King IV™.

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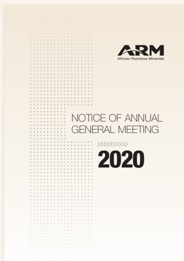
2020 KING IV™ APPLICATION REGISTER



2020 NOTICE OF AGM

REFERENCES

IAR	AFS	SR	RR	CGR	
2020 Integrated annual report	2020 Annual financial statements	2020 Sustainability report	2020 Mineral Resources and Mineral Reserves Report	2020 Corporate governance report	www.arm.co.za

All monetary values in this report are in South African rand unless otherwise stated. Rounding may result in computational discrepancies on management and operational review tabulations.

Contact details

African Rainbow Minerals Limited

Registration number: 1933/004580/06
Incorporated in the Republic of South Africa
JSE share code: ARI
A2X share code: ARI
ISIN: ZAE000054045

Registered and corporate office

ARM House
29 Impala Road
Chislehurston
Sandton
2196

PO Box 786136, Sandton, 2146
Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: ir.admin@arm.co.za
Website: **www.arm.co.za**

Group company secretary and governance officer

Alyson D'Oyley BCom, LLB, LLM
Telephone: +27 11 779 1300
Fax: +27 11 779 1312
E-mail: cosec@arm.co.za

Investor relations

Jongisa Magagula
Executive director: Investor relations and new business
Telephone: +27 11 779 1507
Fax: +27 11 779 1312
E-mail: jongisa.magagula@arm.co.za

Auditors

External auditor: Ernst & Young Inc.
Internal auditors: Deloitte & Touche and BDO South Africa

External assurance provider

IBIS ESG Consulting Africa (Pty) Ltd

Bankers

Absa Bank Limited
FirstRand Bank Limited
The Standard Bank of South Africa Limited
Nedbank Limited

Sponsors

Investec Bank Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196

Private Bag X9000, Saxonwold, 2132
Telephone: +27 11 370 5000
Fax: +27 11 688 5222
E-mail: web.queries@computershare.co.za
Website: www.computershare.co.za

Directors

Dr PT Motsepe (executive chairman)
MP Schmidt (chief executive officer)
F Abbott*
M Arnold**
TA Boardman*
AD Botha*
JA Chissano (Mozambican)*
WM Gule*
AK Maditsi*
J Magagula
TTA Mhlanga (finance director)
HL Mkatshana
P Mnisi*
DC Noko*
Dr RV Simelane*
JC Steenkamp*

* *Independent non-executive*
** *Non-executive*

FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute forward-looking statements that are neither reported financial results nor other historical information. They include statements that predict or indicate future earnings, savings, synergies, events, trends, plans or objectives. Such forward-looking statements may or may not take into account and may or may not be affected by known and unknown risks, uncertainties and other important factors that could cause actual results, performance or achievements of the company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other important factors include: economic, business and political conditions in South Africa; decreases in the market price of commodities; hazards associated with underground and surface mining; labour disruptions; changes in government regulations, particularly environmental regulations; changes in exchange rates; currency devaluations; inflation and other macro-economic factors; and the impact of the Covid-19 pandemic. The forward-looking statements apply only as of the date of publication of these pages. The company undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after the date of publication of these pages or to reflect any unanticipated events.

Directors’ responsibility for the annual financial statements

The company’s directors are responsible for the preparation, integrity and fair presentation of these consolidated and separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 71 of 2008, as amended. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The going-concern basis has been used to prepare the consolidated and separate annual financial statements. The directors are satisfied that the group and company have access to adequate resources to continue as a going concern for the ensuing year.

The directors are also responsible for the group’s system of internal controls. These are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. In this respect, the directors refer to note 7 to the financial statements, which sets out details of a potential overstatement of the long-term receivables.

A description of the audit and risk committee’s functions appears on pages 2 to 4. The audit and risk committee has confirmed that effective systems of internal control and risk management are maintained. There were no breakdowns in the functioning of internal financial control systems during the year that had a material impact on the group and company annual financial statements.

The board considers that, in preparing the consolidated and separate annual financial statements, the most appropriate accounting policies have been consistently applied, besides the adoption of IFRS 16, and supported by reasonable and prudent judgements and estimates in line with IFRS. The directors are satisfied that the annual financial statements of the group and company fairly present the results of operations and their cash flows for the year ended 30 June 2020, and the financial position at 30 June 2020. The directors are also satisfied that additional information included in the integrated annual report is accurate and consistent with the financial statements in this report.

The responsibility of the external auditor, Ernst & Young Incorporated, is to express an independent opinion on the fair presentation of the annual financial statements, based on its audit of the group and company. The audit and risk committee has satisfied itself that the external auditor was independent.

The consolidated and separate annual financial statements on pages 1 to 126 were approved by the board and are signed on its behalf by:

Dr Patrice Motsepe
Executive chairman

Mike Schmidt
Chief executive officer

Johannesburg
8 October 2020

Certificate of the group company secretary and governance officer

In my capacity as group company secretary and governance officer, I hereby confirm, to the best of my knowledge and belief, that in terms of section 88(2)(e) of the Companies Act 71 of 2008, as amended, for the year ended 30 June 2020, the company has lodged with the commissioner of the Companies and Intellectual Property Commission all such returns and notices that are required for a public company in terms of this Act, and that all such returns and notices are true, correct and up to date.

Alyson D’Oyley
Group company secretary and governance officer

Johannesburg
8 October 2020

Report of the audit and risk committee

This report is provided by the audit and risk committee appointed for the 2020 financial year (F2020) in compliance with section 94 of the Companies Act 71 of 2008, as amended (the Companies Act).

CGR Information on the membership and composition of the committee, terms of reference and procedures appears in the corporate governance report on the company's website: **www.arm.co.za**.

EXECUTING DESIGNATED FUNCTIONS

The committee has executed its duties and responsibilities during the financial year in line with its terms of reference relating to ARM's accounting, internal auditing, internal control, risk and financial reporting practices.

In the review period, in terms of the external auditor and external audit, the committee:

- Recommended to shareholders that Ernst & Young Inc be reappointed as the external auditor and that Mr PD Grobbelaar be reappointed as the designated auditor
- Requested the required accreditation information from the audit firm to assess its suitability for appointment as well as the suitability of the designated audit partner
- Ensured the appointment of the external auditor complied with the Companies Act and all applicable legal and regulatory requirements
- Approved the external audit plan and audit fees payable to the external auditor
- Confirmed it is satisfied that the external auditor is independent of the company and group, and considered the following in its determination:
  - » Reviewed and evaluated the effectiveness of the external auditor and its independence
  - » Obtained and accepted an annual written statement from the auditor that its independence was not impaired
  - » Determined the nature and extent of all non-audit services provided by the external auditor
  - » Pre-approved all permissible non-audit services provided by the external auditor in terms of its policy on approving audit services and pre-approving non-audit services
  - » Considered the tenure of the external audit firm, Ernst & Young Inc, and its predecessor firms, which have been the auditor of African Rainbow Minerals Limited for 47 years. It was noted that in 2004, Ernst & Young Inc continued as the auditor of the African Rainbow Minerals Limited group, which was created following a range of indivisible transactions involving certain interests of Anglovaal Mining Limited, African Rainbow Minerals & Exploration Investments Proprietary Limited and Harmony Gold Mining Company Limited. Ernst & Young Inc has been the auditor of the group for 17 years
- Considered mandatory audit-firm rotation
- Evaluated the quality of the external audit.

For the financial statements, the committee:

- Confirmed the going-concern status of the group and company as the basis of preparing the interim, provisional and annual financial statements.
- Examined and reviewed these financial statements, as well as all financial information disclosed to the public prior to submission and approval by the board
- Ensured that the annual financial statements fairly present the financial position of the group and company at the end of the financial year, and the results of operations and cash flows for the financial year of the group and company, in line with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act
- Considered accounting treatments, significant unusual transactions and accounting judgements
- Considered the appropriateness of accounting policies adopted and any changes
- Reviewed management's implementation of IFRS 16 Leases
- Reviewed the independent auditor's report
- Considered key audit matters, as set out in the independent auditor's report
- In terms of the JSE letter on the proactive monitoring process, dated 19 February 2020, considered the JSE's report titled 'Reporting back on proactive monitoring of financial statements in 2019'
- Oversaw the proactive monitoring review by the JSE of the company's financial statements
- Considered any issues identified and reviewed any significant legal and tax matters that could have a material impact on the financial statements
- Considered management's recommendation to the board on the going-concern solvency and liquidity assessment after paying dividends to shareholders
- Met separately with management, the external auditor and internal auditor.

The committee considered, inter alia, the impact of the Covid-19 pandemic, the increase in the rehabilitation provision of Nkomati mine, the ARM Coal impairment and an ARM Coal receivable which is being investigated as further set out in note 7 to the financial statements.

For internal control and internal audit, the committee:

- Reviewed significant issues raised by the internal audit process and the adequacy of corrective action in response to significant internal audit findings
- Engaged with executives from Deloitte & Touche on allegations and developments in the internal audit profession
- Reviewed and approved the internal audit plan
- Evaluated the independence, effectiveness and performance of the internal auditor, Deloitte & Touche, and found the internal auditor to be independent and effective
- Considered reports of the internal auditor on the group's systems of internal control
- Considered the internal auditor's finding that: "Overall, controls were functioning as intended to provide reasonable assurance that the organisation is safeguarded against inherent risks and were assessed to be effective during the period under review."
- Considered the effectiveness of group systems of internal financial controls, with due regard to reports by management, noted reports by the internal auditor and considered reports by the external auditor on the consolidated and separate annual financial statements.

Based on the above, the committee concluded that nothing had come to its attention that would suggest internal financial controls were not effective for the year ended 30 June 2020. In addition, the committee considered the accounting practices and annual financial statements of the group and company and consider these to be fair and reasonable.

In terms of risk management and its oversight role of the management risk and compliance committee, the audit and risk committee:

- Reviewed the enterprise risk management framework setting out ARM's policies and processes on risk assessment and risk management throughout the group and company
- Ensured the group and company have applied a combined assurance model for a coordinated approach to all assurance activities.

Considered and reviewed the findings and recommendations of the management risk and compliance committee. For legal and regulatory requirements that may have an impact on the consolidated and separate annual financial statements, the committee:

- Reviewed with management and, to the extent deemed necessary, internal and/or external counsel, legal matters that could have a material impact on the group and company
- Discharged the statutory obligations of an audit committee prescribed by section 94 of the Companies Act
- Monitored complaints received via ARM's whistleblowers' hotline
- Considered reports from management and the internal auditor on compliance with legal and regulatory requirements.

The committee considered the experience, expertise and effectiveness of the former finance director, Ms AM Mukhuba and finance function and concluded that these were appropriate. As Ms AM Mukhuba stepped down as finance director from 30 September 2020, committee members, together with the nomination committee, also considered the qualifications and experience of Ms TTA Mhlanga, the new finance director effective 1 October 2020.

In F2021, the audit and risk committee will consider, inter alia:

- The internal control process for the chief executive officer and finance director to sign off the F2021 annual financial statements
- Finalising the investigation of the ARM Coal receivable which has not yet been validated
- The effective operation of the group and company's financial systems, processes and controls, and their capacity to respond to industry and environment changes
- Management's implementation of the financial provisioning regulations of the National Environmental Management Act and other pronouncements and standards
- The impact of developments in the audit industry to ensure continued audit independence and objectivity.

QUALIFICATIONS OF AUDIT AND RISK COMMITTEE MEMBERS[1, 2, 3]

TOM BOARDMAN (70)

BCom (Wits), CA(SA)

Member since February 2011

Committees

Independent non-executive director. Chairman of audit and risk committee; member of investment, non-executive directors' and remuneration committees

ALEX MADITSI (58)

BProc (University of the North), LLB (Wits), HDip company law (Wits), LLM company and labour law (Pennsylvania, USA), LLM international commercial law (Harvard, USA)

Member since July 2004

Committees

Lead independent non-executive director. Chairman of nomination committee and non-executive directors' committees; member of audit and risk, investment, remuneration and social and ethics committees

ANTON BOTHA (67)

BCom (marketing) (University of Pretoria), BProc (Unisa), BCom (hons) (University of Johannesburg), senior executive programme (Stanford)

Member since June 2010

Committees

Independent non-executive director. Chairman of remuneration committee; member of audit and risk, investment, non-executive directors' committees

DR REJOICE SIMELANE (68)

BA (economics and accounting) (University of Botswana, Lesotho and Swaziland), MA (econ) (University of New Brunswick, Canada, and University of Connecticut, USA), PhD (econ) (University of Connecticut), LLB (Unisa)

Member since July 2004

Committees

Independent non-executive director. Chairman of social and ethics committee, member of audit and risk, nomination and non-executive directors' committees

1 *The résumés of audit and risk committee members standing for re-election appear in the notice of annual general meeting, available on the website.*
2 *All members of the audit and risk committee standing for re-election are independent non-executive directors. Dr MMM Bakane-Tuoane resigned from the board in September 2020.*
3 *The résumé of Ms P Mnisi, an independent non-executive director who is standing for election, also appears in the notice of annual general meeting, available on the website.*

INDEPENDENCE OF EXTERNAL AUDITOR

The committee is satisfied that Ernst & Young Inc is independent of ARM. This conclusion was arrived at, *inter alia*, after considering the factors on page 2 and those below:

- Representations made by Ernst & Young Inc to the committee
- The external auditor does not, except as external auditor or in rendering permitted non-audit services, receive any remuneration or other benefits from the group and company
- The external auditor's independence was not impaired by any consultancy, advisory or other work undertaken
- The external auditor's independence was not prejudiced by any previous appointment as auditor.

RECOMMENDATION

Following our review of the consolidated and separate annual financial statements for the year ended 30 June 2020, we believe that, in all material respects, they comply with the relevant provisions of the Companies Act, International Financial Reporting Standards as issued by the International Accounting Standards Board, and fairly present the consolidated and separate results of operations, cash flows, and the financial position of the group and company. On this basis, the audit and risk committee recommended the consolidated and separate annual financial statements of ARM to the board for approval.

The board subsequently approved the 2020 annual financial statements, which will be open for discussion at the annual general meeting.

TA Boardman
Chairman of the audit and risk committee

8 October 2020

Independent auditor's report

TO THE SHAREHOLDERS OF AFRICAN RAINBOW MINERALS LIMITED

Report on the audit of the consolidated and separate annual financial statements

Opinion

We have audited the consolidated and separate annual financial statements of African Rainbow Minerals Limited and its subsidiaries ('the group') and company set out on pages 22 to 116 which comprise of the consolidated and separate statements of financial position as at 30 June 2020, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate annual financial statements, including a summary of significant accounting policies and the directors' remuneration section in the Director's report on pages 12 to 20.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 30 June 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for qualified opinion

As disclosed in note 7, ARM Coal (Pty) Ltd, an entity jointly controlled by African Rainbow Minerals Limited and Glencore Operations South Africa (Pty) Ltd ('GOSA'), has recorded an amount of R452 million as a long term receivable ('receivable') from GOSA. Both the group's and the company's attributable share of this receivable is R230 million which is included in the loans and long term receivables balance of R278 million and R812 million in the consolidated and separate statements of financial position, respectively.

We requested a confirmation for this receivable however, the counterparty did not confirm this balance in their response which has resulted in our identification of a discrepancy of R230 million between the amount recorded by the group and company and the amount confirmed by the counterparty. Management has been unable to provide sufficient appropriate audit evidence to substantiate the receivable and further has also been unable to provide sufficient appropriate audit evidence explaining the origin or cause of this difference as it remains unreconciled. As disclosed in note 7, management is investigating the matter internally and has appointed a forensic expert to perform a parallel investigation. However, this process is not yet complete.

We were therefore unable to obtain sufficient appropriate audit evidence to support the existence, valuation, and completeness of this receivable, including the identified counterparty, and the nature, amount, and accounting treatment of any adjustment which might be required. Owing to the nature of the accounting records and the absence of reconciliations or other support, we have been unable to perform alternative procedures or to satisfy ourselves by alternative means as to this balance at year end. We are therefore unable to conclude on whether any adjustments may be required to the consolidated and separate annual financial statements in respect of this receivable.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate annual financial statements* section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 and separate annual financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated and separate annual financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate annual financial statements.

In addition to the matter described in the B*asis for qualified opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

The Key audit matters applies equally to the audit of the consolidated and separate annual financial statements.

INDEPENDENT AUDITOR'S REPORT continued

<table>
<tr><th>KEY AUDIT MATTER</th><th>HOW THE MATTER WAS ADDRESSED IN THE AUDIT</th></tr>
<tr><td>

Impairment of property, plant and equipment and investments (assets)

The carrying values of property, plant and equipment and investments are as follows:

R million – 2020	Group	Company
Property, plant and equipment	**7 211**	**1 513**
Investment in associate	**795**	**260**
Investment in joint venture	**17 545**	**259**
Other investments	**5 635**	**9 459**

At the end of each reporting period, the group and company assess whether there are any indications that property, plant and equipment and investments may be impaired. If any such indications exist, the group and company estimates its recoverable amounts of those assets.

The carrying values of these assets, specifically those relating to the ARM Coal segment, have been impacted by the combination of a decline in saleable production and the above inflation increases in unit costs. During the current year the group and company recorded impairments relating to this segment of:

- R559 million (before tax) against Property, Plant and Equipment of group and company;
- R1,121 million (before tax) (Company: R581 million) investment in associate in group.

Management determines the recoverable amount and any impairment in reference to the discounted future cash flows of each cash generating unit ('CGU'). The discounted future cash flows use forward looking estimates, such as commodity prices, foreign exchange rates and inflation rates, as well as incorporating significant judgements made by management about the discount rate, capital expenditures, production volumes, and cost per ton.

We determined this to be a key audit matter in the current year due to the significant impact on the group and company results and the degree of audit effort involved, including the involvement of specialists in the audit of the discounted future cash flows.

The disclosure associated with impairment is set out in the consolidated and separate annual financial statements in Note 38.

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Our audit procedures involved, amongst others, the following:

- We obtained and read the assessment performed by management to identify indicators of impairment and have assessed this against our understanding of the business and the performance of the CGU's;
- With the assistance of our specialists, we:
  - » Evaluated the valuation methodology against acceptable industry methods and accounting standards
  - » Assessed the reasonability of the discount rate applied by comparing management's inputs to industry benchmarks within a given range
  - » Compared future commodity prices, inflation rates, and foreign exchange rates to external market data
  - » Compared capital expenditure made in the current year to what was forecast in the latest Life of Mine Plan
  - » Assessed the reasonability of the forecast production volumes and cost per ton with reference to historical performance and actual performance post year end
  - » Performed a scenario analysis by considering the impact on the recoverable amount of changes in model inputs to determine our own estimation of the recoverable amounts
  - » Assessed the forecast capital expenditure against our expectation about the timing and amount of capital expenditure over the life of mine
- We evaluated the adequacy of financial statement disclosures regarding assumptions applied and impairments recognised.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the 134-page document titled "ARM 2020 Integrated Annual Report", the document titled "ARM 2020 Sustainability Report", the 58-page document titled "ARM 2020 Mineral Resources and Mineral Reserves Report", the 78-page document titled "ARM 2020 Corporate Governance Report", the 9-page document titled "ARM 2020 King IV Application Register", the 16-page document titled "ARM 2020 Notice of annual general meeting", and in the 126-page document titled "African Rainbow Minerals 2020 Annual Financial Statements", which includes the Directors' Report (except the directors' remuneration section on pages 12 to 20), the Report of the Audit and Risk Committee and the Certificate of the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate annual financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate annual financial statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate annual 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 and separate annual 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 Ernst & Young Inc., and its predecessor firms, have been the auditor of African Rainbow Minerals Limited for 47 years.

In 2004, Ernst & Young Inc. continued as the auditor of the African Rainbow Minerals Limited group, which was created following a range of indivisible transactions involving certain interests of Anglovaal Mining Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd and Harmony Gold Mining Company Limited. Ernst & Young Inc. has been the auditor of the group for 17 years.

Ernst & Young Inc.
Director – Philippus Dawid Grobbelaar
Registered Auditor
Chartered Accountant (SA)

8 October 2020

102 Rivonia Road
Sandton
2146

Directors' report

The directors have pleasure in presenting their report on ARM for the year ended 30 June 2020.

NATURE OF BUSINESS

ARM is a diversified South African mining company with long-life, low unit-cost operations in key commodities. ARM, its subsidiaries, joint ventures, joint operations and associates explore, develop, operate and hold interests in the mining and minerals industry.

IAR For more on ARM's strategy, see page 42 of the integrated annual report.

The current operational focus is on precious metals, base metals, ferrous metals and alloys, which include platinum group metals, nickel, coal, iron ore, manganese ore and ferromanganese. ARM also has an investment in Harmony Gold Mining Company Limited.

ARM's partners at the various South African operations are Anglo American Platinum Limited, Assore Limited, Impala Platinum Holdings Limited, Norilsk Nickel Africa Proprietary Limited and Glencore Operations South Africa Proprietary Limited.

HOLDING COMPANY

The company's largest shareholder is African Rainbow Minerals & Exploration Investments Proprietary Limited (ARMI), holding 39.74% of its issued ordinary share capital at 30 June 2020 (30 June 2019: 39.82%). The sole shareholder of ARMI is Ubuntu-Ubuntu Commercial Enterprises Proprietary Limited, the shares of which are held by trusts, all of which, except The Motsepe Foundation, own those shares for the benefit of Dr PT Motsepe and his immediate family. The Motsepe Foundation applies the benefits of its indirect shareholding in ARM for philanthropic purposes.

In addition, at 30 June 2020, 0.50% of the issued share capital of ARM was held by Botho-Botho Commercial Enterprises Proprietary Limited (30 June 2019: 0.50%), in turn owned by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Dr Motsepe and his immediate family. As one of the largest black-controlled mineral resource companies in South Africa, ARM is committed to the spirit and objectives of the Mineral and Petroleum Resources Development Act 28 of 2002, and the broad-based socio-economic charter for the South African mining industry (the mining charter). Accordingly, and for the benefit of historically disadvantaged South Africans (HDSAs), the company created the ARM Broad-Based Economic Empowerment Trust (ARM Trust). The beneficiaries of this trust include seven regional upliftment trusts, a women's upliftment trust, union representatives, a church group and community leaders. The ARM Trust owns 15 897 412 ARM shares (30 June 2019: 15 897 412) or 7.12% of ARM's issued share capital at 30 June 2020 (30 June 2019: 7.16%).

REVIEW OF OPERATIONS

IAR For a review of operations, see reviews by the executive chairman, chief executive officer and finance director, and reviews of operations for F2020 in the integrated annual report.

CORPORATE GOVERNANCE

The board is committed to high standards of corporate governance and continuously reviews governance matters and control systems to ensure these are in line with global good practices. These standards are evident throughout the company's systems of internal controls, practices, policies and procedures to ensure the sustainability of the business.

In 2017, ARM introduced the principles of King IV. For details of how the company applies these principles, see the King IV application register on our website.

FINANCIAL RESULTS

The consolidated and separate financial statements and accounting policies appear on pages 21 to 116.

The results for the year ended 30 June 2020 have been prepared in accordance with IFRS and interpretations of those standards as adopted by the International Accounting Standards Board (IASB), the SAICA financial reporting guides issued by the Accounting Practices Committee, financial reporting pronouncements issued by the Financial Reporting Standards Council, the requirements of the Companies Act and JSE Listings Requirements. The annual financial statements fairly present the state of affairs of the group and company, and adequate accounting records have been maintained.

Borrowings and cash

Borrowings of R264 million (R2019: R595 million) were repaid in the period, reducing gross debt to R1 925 million (F2019: R2 2031 million). ARM was in a net cash position of R3 790 million (30 June 2019: R2 601 million). There are no borrowing-power provisions in ARM's memorandum of incorporation.

AFS Details of cash and borrowings appear in notes 15, 18 and 23 to the financial statements.

Going concern

To determine whether the group and company are going concerns, the directors have considered facts and assumptions, including group and company cash-flow forecasts for the year to 30 June 2021. The board believes the company and group has adequate resources to continue business in the foreseeable future. For this reason, the group and company continue to adopt the going-concern basis in preparing these financial statements.

Taxation

The latest tax assessment for the company is for the financial year ended 30 June 2019. All tax submissions up to and including those for F2019 have been submitted.

SUBSIDIARIES, JOINT ARRANGEMENTS, ASSOCIATES AND INVESTMENTS

AFS The company's direct and indirect interests in its principal subsidiaries, joint arrangements (which include joint ventures and joint operations), associates and investments are reflected in separate schedules on pages 114 to 116.

Dividends

An interim gross dividend of 500 cents per ordinary share was declared on 28 February 2020 for the six months ended 31 December 2019 (1H F2019: 400 cents) amounting to a distribution of approximately R1 119 million (1H F2019: R888 million) which was paid on Monday, 23 March 2020. The following additional information is disclosed:

- The dividend was declared out of income reserves
- The South African dividends withholding tax (dividends tax) rate is 20%
- The gross local dividend amount was 500 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend amount was 400 cents per ordinary share for shareholders liable to pay dividends tax, and
- As at the date of the dividend declaration, ARM had 223 879 043 ordinary shares in issue.

A final gross dividend of 700 cents per ordinary share was declared on Monday, 31 August 2020 for the year ended 30 June 2020 (F2019: 900 cents per share), amounting to a distribution of approximately R1 563 million (F2019: R1 998 million) which was payable on 5 October 2020. The following additional information is disclosed:

- The dividend was declared out of income reserves
- The South African dividends withholding tax (dividends tax) rate is 20%
- The gross local dividend amount was 700 cents per ordinary share for shareholders exempt from dividends tax
- The net local dividend amount was 560 cents per ordinary share for shareholders liable to pay dividends tax, and
- As at the date of the dividend declaration, ARM had 223 325 857 ordinary shares in issue.

In line with section 4 of the Companies Act, the board determined that the prescribed solvency and liquidity requirements were met for the payment of dividends.

ARM's income tax reference number is 9030/018/60/1.

Capital expenditure

Capital expenditure for F2020 totalled R1 333 million (F2019: R1 134 million).

Full details of capital expenditure appear in the operational reviews in the integrated annual report.

Events after the reporting date

ARM and Harmony have obtained approval to enter into new loans with the ARM BBEE Trust at, inter alia, zero percent interest or such rate determined by ARM and Harmony from time to time. The new loans will be used by the ARM BBEE Trust to repay in full all amounts outstanding to ARM and Harmony under the existing ARM and Harmony loans. The financial effect of this transaction cannot be determined at this point, as no agreement has been entered into yet.

Subsequent to the financial year end, Assmang declared a dividend of R3 000 million. ARM's attributable portion of the dividend is R1 500 million.

AFS For additional events after the reporting date, see note 47 of the annual financial statements.

SHARE CAPITAL

The share capital of the company, both authorised and issued, is set out in note 16 to the consolidated and separate annual financial statements. Information about the share repurchase programme and treasury shares is set-out in notes 16 and 17.

SHAREHOLDER ANALYSIS

A comprehensive analysis of shareholders, together with direct or indirect beneficial holdings exceeding 5% of the ordinary shares of the company at 30 June 2020, is set out on pages 124 and 125.

DIRECTORATE

Changes in the directorate since the previous report are noted below.

Messrs AJ Wilkens and ZB Swanepoel and Dr MMM Bakane-Tuoane resigned from the board on 18 December 2019, 2 March 2020 and 29 September 2020, respectively Mesdames J Magagula and P Mnisi were appointed to the board on 18 December 2019 and 30 September 2020, respectively. Ms AM Mukhuba, the finance director, resigned from the board from 30 September 2020 Ms TTA Mhlanga was appointed as the new finance director from 1 October 2020.

The memorandum of incorporation provides for one-third of elected non-executive directors to retire by rotation. The non-executive directors affected by this requirement are Messrs TA Boardman, AD Botha, and JA Chissano, and Dr RV Simelane, each of whom is available to stand for re-election at the forthcoming annual general meeting.

At the date of this report, the directors of the company were:

- **Executive directors:** Dr PT Motsepe (executive chairman), MP Schmidt (chief executive officer), J Magagula, HL Mkatshana and TTA Mhlanga (finance director).
- **Independent non-executive directors:** AK Maditsi (lead independent non-executive director), F Abbott, TA Boardman, AD Botha, JA Chissano, WM Gule, P Mnisi, DC Noko, JC Steenkamp and Dr RV Simelane.
- **Non-executive director:** M Arnold.

Detailed résumés of the directors are included in the notice of annual general meeting and in the corporate governance report on our website.

INTERESTS OF DIRECTORS

The direct and indirect beneficial and non-beneficial interests of directors in the issued share capital of the company were as follows:

	30 June 2020				30 June 2019			
	Direct		Indirect		Direct		Indirect	
Director	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial	Beneficial	Non-beneficial
Dr PT Motsepe[1]	**–**	**–**	**89 865 787**	**–**	–	–	89 526 698	–
MP Schmidt	**435 067**	**–**	**–**	**–**	326 533	–	–	–
M Arnold[2]	**159 037**	**–**	**–**	**–**	131 561	–	–	–
AD Botha	**–**	**–**	**22 450**	**–**	–	–	22 450	–
J Magagula[3]	**6 209**	**–**	**–**	**–**	1 100	–	–	–
HL Mkatshana	**107 459**	**–**	**–**	**–**	70 003	–	–	–
AM Mukhuba[4]	**27 986**	**–**	**–**	**–**	–	–	–	–
Dr RV Simelane	**1 350**	**–**	**–**	**–**	1 350	–	–	–
JC Steenkamp	**275 651**	**–**	**–**	**–**	205 729	–	–	–
AJ Wilkens[5]	**492 313**	**–**	**194 334**	**–**	422 391	–	194 334	–
Total	**1 505 072**	**–**	**90 082 571**		1 158 667	–	89 743 482	–

1 Between 30 June 2020 and the date of this report, 22 964 share options were exercised by Dr PT Motsepe and 22 964 shares were transferred by him to African Rainbow Minerals & Exploration Investments (Pty) Ltd.

2 Mr M Arnold sold 59 000 shares between 30 June 2020 and the date of this report.

3 Ms J Magagula was appointed as an executive director from 18 December 2019.

4 Ms AM Mukhuba resigned as finance director from 30 September 2020.

5 Mr AJ Wilkens resigned as an executive director from 18 December 2019 and remains a senior executive of the company.

DIRECTORS' REMUNERATION: EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS

The remuneration of executive directors and prescribed officers comprises:

- **Total cost-to-company,** which is base salary plus benefits
- **Incentive-based** rewards in the form of competitive incentives compared to those offered by other employers in the mining and mineral resources sector, earned through achieving performance targets consistent with shareholder expectations over the short-term and long-term:
  - **Short-term incentives,** i.e. cash bonuses based on performance measures and targets, and structured to reward effective operational performance
  - **Long-term (share-based) incentives** used to align the long-term interests of management with those of shareholders and responsibly implemented to avoid exposing shareholders to unreasonable or unexpected financial impact.

Executive directors and prescribed officers do not receive directors' fees.

EMOLUMENTS PAID TO EXECUTIVE DIRECTORS AND PRESCRIBED OFFICERS (AUDITED)

	2020							
				Allowances				
R000	Basic salary	Retirement fund contributions (including pension scheme contributions)	Medical benefits	Non-cash benefit[4]	Other benefits[5]	**Total annual package before incentives**	Cash bonus[6]	**Total annual package**
Executive directors								
Dr PT Motsepe	8 302	–	–	8 298	2	**16 602**	10 532	**27 134**
MP Schmidt	7 996	537	–	–	138	**8 671**	8 869	**17 540**
J Magagula[1]	1 596	126	90	–	7	**1 819**	1 727	**3 546**
HL Mkatshana	4 184	346	–	–	124	**4 654**	4 307	**8 961**
AM Mukhuba	4 433	484	83	–	17	**5 017**	4 855	**9 872**
AJ Wilkens[2]	2 690	–	32	75	28	**2 825**	2 350	**5 175**
Total for executive directors	29 201	1 493	205	8 373	316	**39 588**	32 640	**72 228**
Prescribed officer[3]								
A Joubert	4 573	514	–	6	232	**5 325**	5 929	**11 254**
Total for prescribed officer	4 573	514	–	6	232	**5 325**	5 929	**11 254**
Total for executive directors and prescribed officer	33 774	2 007	205	8 379	548	**44 913**	38 569	**83 482**

Total annual package before incentives = cost-to-company

1 *Ms J Magagula was appointed as an executive director from 18 December 2019. The amounts included in the schedule for total annual package before incentives and the cash bonus are for the portion of the year when Ms Magagula was an executive director. No long-term incentives are shown as these were settled prior to her appointment as executive director.*

2 *Mr AJ Wilkens stepped down from the board from 18 December 2019. Mr Wilkens' salary decreased by 30% on 1 August 2019 and he did not receive an annual increase on 1 July 2019. The amounts included in the schedule for total annual package before incentives and the cash bonus are for the portion of the year when Mr Wilkens was an exeutive director. The long-term incentives were settled when Mr Wilkens was an executive director and the full amount is shown.*

3 *Prescribed officers of the company were determined under section 66(10) of the Companies Act 71 2008, as amended, and as further described in section 38 of its regulations. Their remuneration is disclosed in terms of the Companies Act, section 30(4)(a).*

4 *Includes protection services.*

5 *Includes travel, UIF and risk benefits.*

6 *No bonuses were deferred in F2020. Refer to the remuneration report in the intergrated annual report for additional information about accrued bonuses.*

For more information, see the summarised remuneration report in the integrated annual report on the company's website.

R000	Basic salary	Retirement fund contributions (including pension scheme contributions)	Medical benefits	Allowances: Non-cash benefit[6]	Allowances: Other benefits[7]	Total annual package before incentives	Cash bonus[8]	Total annual package
	2019							
Executive directors								
Dr PT Motsepe	7 832	–	–	4 994	2	12 828	9 719	22 547
MP Schmidt	7 515	511	–	–	154	8 180	8 185	16 365
J Magagula[1]	–	–	–	–	–	–	–	–
HL Mkatshana[2]	3 951	325	–	–	114	4 390	3 953	8 343
AM Mukhuba[3]	4 220	445	–	–	68	4 733	4 261	8 994
AJ Wilkens	7 735	–	68	162	78	8 043	7 096	15 139
Total for executive directors	31 253	1 281	68	5 156	416	38 174	33 214	71 388
Prescribed officer[4]								
A Joubert[5]	4 321	483	–	3	214	5 021	5 480	10 501
Total for prescribed officer	4 321	483	–	3	214	5 021	5 480	10 501
Total for executive directors and prescribed officer	35 574	1 764	68	5 159	630	43 195	38 694	81 889

Total annual package before incentives = cost-to-company

1 *Ms J Magagula was appointed as an executive director from 18 December 2019, and did not receive any remuneration as an executive director in F2019.*
2 *Following a benchmarking study by the remuneration consultants in F2019, Mr HL Mkatshana received a 4% increase in cost-to-company with effect from 1 July 2018, in addition to the annual cost-to-company increase of 6%.*
3 *Following a benchmarking study by the remuneration consultants in F2019, Ms AM Mukhuba received a 12% increase in cost-to-company with effect from 1 July 2018, in addition to the annual cost-to-company increase of 6%.*
4 *Prescribed officers of the company were determined under section 66(10) of the Companies Act 71 2008, as amended, and as further described in section 38 of its regulations. Their remuneration is disclosed in terms of the Companies Act, section 30(4)(a).*
5 *Following a benchmarking study by the remuneration consultants in F2019, Mr A Joubert received a 4% increase in cost-to-company with effect from 1 July 2018, in addition to the annual cost-to-company increase of 6%.*
6 *Includes protection services.*
7 *Includes travel, UIF and risk benefits.*
8 *No bonuses were deferred in F2019. Refer to the remuneration report in the intergrated annual report for additional information about accrued bonuses.*

CGR

For more information, see the summarised remuneration report in the integrated annual report on the company's website.

CONDITIONAL SHARES UNDER THE 2018 CONDITIONAL SHARE PLAN

Awards of conditional shares were made to eligible participants in the Paterson grade F band under the 2018 conditional share plan. Conditional shares will be settled after three years, subject to the company achieving prescribed performance criteria over this period.

CGR For additional information about performance criteria, see part III of the remuneration report in the corporate governance report on our website.

The total number of conditional shares awarded in F2020 was 632 020. In F2020, no conditional shares were settled or forfeited. The total number of conditional shares at 30 June 2020 was 1 400 873.

The number of conditional shares awarded to executive directors and the prescribed officer is summarised below.

CONDITIONAL SHARES: MOVEMENTS IN F2020

	Executive directors						Prescribed officer
	Dr PT Motsepe	J Magagula[1]	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens[2]	A Joubert
	Number of shares						
Opening balance at 1 July 2019	159 694	–	45 313	48 849	126 274	81 351	51 796
Conditional shares awarded 6 December 2019	107 420	–	40 027	43 150	93 663	47 455	45 754
Conditional shares awarded 11 May 2020	–	16 445	–	–	–	–	–
Closing balance as at 30 June 2020	**267 114**	**16 445**	**85 340**	**91 999**	**219 937**	**128 806**	**97 550**

1 Ms J Magagula was appointed to the board on 18 December 2019.
2 Mr AJ Wilkens stepped down from the board on 18 December 2019 and remains a senior executive of the company.

CONDITIONAL AWARDS UNDER THE 2018 CASH-SETTLED CONDITIONAL SHARE PLAN

Conditional awards under the 2018 cash-settled conditional share plan were made to an executive director prior to her appointment to the board, as set out below. The total number of conditional awards in F2020 to eligible management (in the Paterson grade D and E bands) was 326 903.

CASH-SETTLED CONDITIONAL AWARDS: MOVEMENTS IN F2020

	Executive director
	J Magagula[1]
	Number of awards
Opening balance at 1 July 2019	6 650
Awards of cash-settled conditional awards 6 December 2019	5 874
Closing balance as at 30 June 2020	**12 524**

1 Awards were made prior to Ms J Magagula's appointment to the board on 18 December 2019.

PERFORMANCE SHARES UNDER THE 2008 SHARE PLAN

Conditional awards of performance shares were made to eligible participants under the 2008 share plan until November 2018. Performance shares vest and are settled after three years, subject to the company achieving prescribed performance criteria over this period.

CGR For additional information about performance criteria, see part III of the remuneration report in the corporate governance report on our website.

In the review period, 1 860 455 performance shares vested and were settled, including 2 700 performance shares held by employees who retired during the year, and 41 209 performance shares were forfeited. The total number of performance shares at 30 June 2020 was 1 359 602.

The number of performance shares awarded to and settled by executive directors and the prescribed officer is summarised below.

PERFORMANCE SHARES: MOVEMENTS IN F2020

	Executive directors						Prescribed officer
	Dr PT Motsepe	J Magagula[1]	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens[2]	A Joubert
	Number of shares						
Opening balance at 1 July 2019	604 671	16 825	116 826	87 655	335 961	205 820	126 005
Performance shares settled[1]							
15 November 2019	(47 218)	–	–	–	–	–	–
10 December 2019	(244 653)	(10 188)	(66 762)	–	(193 452)	(124 630)	(76 300)
18 May 2020	–	–	–	(43 829)	–	–	–
Closing balance as at 30 June 2020	**312 800**	**6 637**	**50 064**	**43 826**	**142 509**	**81 190**	**49 705**

1 Ms J Magagula was appointed to the board on 18 December 2019.
2 Mr A J Wilkens stepped down from the board on 18 December 2019 and remains a senior executive of the company.

BONUS SHARES UNDER THE 2008 SHARE PLAN

In terms of the 2008 share plan, eligible participants received grants of bonus shares that matched a portion of the annual cash incentive accruing to them according to a specified ratio. Bonus shares are only settled to participants after three years, conditional on continued employment. Bonus shares have not been granted in annual allocations since 2015, and the final deferred bonus shares were granted in November 2018.

CGR For additional information about bonus shares, see part III of the remuneration report in the corporate governance report on our website.

The total number of bonus shares granted in November 2018 was 102 812. In the review period, 57 584 bonus shares vested and were settled. No bonus shares were held by employees who retired during the year, and no bonus shares were forfeited. The total number of bonus shares at 30 June 2020 was 221 348.

The number of bonus shares settled by executive directors and the prescribed officer is summarised below.

BONUS SHARES: MOVEMENTS IN F2020

	Executive directors						Prescribed officer
	Dr PT Motsepe	J Magagula[1]	HL Mkatshana	AM Mukhuba	MP Schmidt	AJ Wilkens[2]	A Joubert
	Number of shares						
Opening balance at 1 July 2019	200 640	–	6 572	8 077	16 486	–	–
Bonus shares settled 15 November 2019	(47 218)	–	–	–	–	–	–
Closing balance as at 30 June 2020	**153 422**	**–**	**6 572**	**8 077**	**16 486**	**–**	**–**

1 Ms J Magagula was appointed to the board on 18 December 2019.
2 Mr AJ Wilkens stepped down from the board on 18 December 2019 and remains a senior executive of the company.

DIRECTORS' REPORT continued

SHARE OPTION SCHEME

Between 2008 and 2013, annual allocations of share options under The African Rainbow Minerals share incentive scheme (the scheme) were made to eligible participants, but on a much-reduced scale after the company adopted the 2008 share plan. Share options have not been allocated to executive directors and prescribed officers since October 2013. Schedules of share option awards accruing to executive directors and the prescribed officer, and transactions in F2020, are set out below.

SHARE OPTION AWARDS: MOVEMENTS IN F2020

	Executive directors					
	Dr PT Motsepe		J Magagula		HL Mkatshana	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance at 1 July 2019	62 583	183.27	6 699	183.29	22 874	183.62
Options lapsed	(19 396)	182.67	(1 907)	182.67	(6 861)	182.19
Closing balance at 30 June 2020	**43 187**	**183.54**	**4 792**	**183.54**	**16 013**	**184.23**
Grant date						
15 October 2012	22 964	168.37	2 548	168.37	8 167	168.37
29 October 2013	20 223	200.75	2 244	200.75	7 846	200.75

1 Ms J Magagula was appointed to the board on 18 December 2019.

	Executive directors				Prescribed officer	
	MP Schmidt		AJ Wilkens[1]		A Joubert	
	No of options	Avg price R	No of options	Avg price R	No of options	Avg price R
Opening balance at 1 July 2019	31 291	191.89	34 502	190.72	28 103	183.29
Options lapsed	(15 328)	182.67	(19 124)	182.67	(7 997)	182.67
Closing balance at 30 June 2020	**15 963**	**200.74**	**15 378**	**200.73**	**20 106**	**183.54**
Grant date						
15 October 2012	–	–	–	–	10 691	168.37
29 October 2013	15 963	200.75	15 378	200.75	9 415	200.75

1 Mr AJ Wilkens stepped down from the board on 18 December 2019 and remains a senior executive of the company.

VESTING DATES

Conditional shares

Annual and interim allocations

Conditional shares conditionally awarded to senior executives on or after 7 December 2018: Conditional shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF CONDITIONAL SHARES VESTING DATES

	Number of conditional shares
Conditional shares outstanding at 30 June 2020	**1 400 873**
Vesting on	
8 December 2021	768 853
7 December 2022	615 575
12 May 2023	16 445

Conditional awards

Annual and interim allocations

Conditional awards conditionally awarded to participants other than senior executives under the cash-settled conditional share plan on or after 7 December 2018: Conditional awards vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF CONDITIONAL AWARDS VESTING DATES

	Number of conditional shares
Conditional awards outstanding at 30 June 2020	**633 172**
Vesting on	
8 December 2021	284 866
28 May 2022	21 403
7 December 2022	266 829
12 May 2023	39 907
23 May 2023	20 167

Performance shares

Performance share allowances are no longer made.

For performance shares awarded after 5 December 2014, retirement does not accelerate the vesting period.

Annual and interim allocations

Performance shares conditionally awarded to participants other than senior executives after 1 November 2011: Performance shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Performance shares conditionally awarded after 1 November 2014: Performance shares vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Deferred bonus/co-investment scheme

Matching performance shares conditionally awarded under the deferred bonus/co-investment scheme vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

Waived bonus method

Matching performance shares conditionally awarded under the waived bonus method vest and are settled after a performance period of three years, subject to achieving predetermined performance criteria.

SCHEDULE OF PERFORMANCE SHARES VESTING DATES

	Award type	Number of shares
Performance shares outstanding at 30 June 2020		**1 359 602**
Vesting on		
17 November 2020	PS3	1 082 169
17 November 2020	DB	118 536
12 December 2020	PSA	18 644
12 June 2021[1]	PSI	37 441
7 November 2021	DB	102 812

1 Performance shares granted to management other than senior executives.
PS3: Annual award (3-year)
DB: Deferred bonus/co-investment scheme matching award
PSA: Additional interim award
PSI: Interim award

Bonus shares

Bonus share allocations are no longer made.

For bonus shares awarded after 5 December 2014, retirement does not accelerate the vesting period.

Annual and interim allocations

Bonus shares vest and are settled after three years, subject to continued employment.

Deferred bonus/co-investment scheme

Bonus shares granted under the deferred bonus/co-investment scheme vest and are settled after three years.

Waived bonus method

Bonus shares granted under the waived bonus method vest and are settled after three years.

DIRECTORS' REPORT continued

SCHEDULE OF BONUS SHARES VESTING DATES

	Award type	Number of shares
Bonus shares outstanding at 30 June 2020		**221 348**
Vesting on		
17 November 2020	DB	118 536
7 November 2021	DB	102 812

DB: Deferred bonus/co-investment scheme

Share options

Share options are no longer allocated.

Options granted after 1 December 2008: No options could be exercised before the third anniversary of the issue date for such options.

Options granted to senior executives between 1 November 2011 and 30 June 2014: No options could be exercised prior to the fourth anniversary of the issue date for such options.

Options may not be exercised later than the eighth anniversary of the issue date, after which they lapse.

SCHEDULE OF SHARE OPTIONS VESTING DATES

		Number of options	Average issue price per option
Share options outstanding at 30 June 2020		**343 541**	**R187.91**
Vested on	Lapse on		
16 October 2016	15 October 2020	131 327	R168.37
30 October 2016[1]	29 October 2021	109 070	R200.75
27 April 2017[1]	26 April 2021	4 615	R181.00
21 May 2017[1]	20 May 2022	6 899	R191.14
30 October 2017	29 October 2021	91 630	R200.75

1 Share options granted to management other than senior executives.

Below are summaries of movements in the company's long-term share-based incentive schemes.

MOVEMENTS: LONG-TERM SHARE-BASED INCENTIVES

	Share options		Performance shares		Bonus shares	
	F2020	F2019	**F2020**	F2019	**F2020**	F2019
Opening balance at 1 July	**607 401**	898 759	**3 251 802**	5 029 074	**278 932**	566 632
Exercised	**–**	–	**–**	–	**–**	–
Settled	**(22 342)**	(28 688)	**(1 850 991)**	(1 874 528)	**(57 584)**	(390 512)
Granted/awarded	**–**	–	**–**	102 812	**–**	102 812
Forfeited/cancelled/lapsed	**(241 518)**	(262 670)	**(41 209)**	(5 556)	**–**	–
Closing balance at 30 June	**343 541**	607 401	**1 359 602**	3 251 802	**221 348**	278 932
Post year-end:						
Forfeited/cancelled/lapsed	**–**	–	**–**	–	**–**	–
Balance at 30 June 2020	**343 541**	607 401	**1 359 602**	3 251 802	**221 348**	278 932

MOVEMENTS: LONG-TERM SHARE-BASED INCENTIVES CONTINUED

	Conditional shares[1]		Conditional awards[2]	
	F2020	F2019	**F2020**	F2019
Opening balance at 1 July	**768 853**	–	**333 070**	–
Exercised	**–**	–	**–**	–
Settled	**–**	–	**–**	–
Granted/awarded	**632 020**	768 853	**327 491**	333 070
Forfeited/cancelled/lapsed	**–**	–	**(27 389)**	–
Closing balance at 30 June	**1 400 873**	768 853	**633 172**	333 070

1 *Awards made to senior executives.*
2 *Awards made to and forfeited by management other than senior executives.*

DIRECTORS' REMUNERATION: NON-EXECUTIVE DIRECTORS (AUDITED)

The remuneration of non-executive directors comprises directors' fees. Board retainers and attendance fees and committee attendance fees are paid quarterly in arrears. The table below sets out emoluments paid to non-executive directors for F2020 and F2019.

NON-EXECUTIVE DIRECTORS' FEES

	F2020					F2019				
R000	**Board fees**	**Committee fees**	**Consultancy fees excl VAT[12]**	**VAT**	**Total including VAT**	Board fees	Committee fees	Consultancy fees excl VAT[12]	VAT	Total including VAT
Non-executive directors[1]										
AK Maditsi[2] (independent lead)	**630**	**1 272**	**–**	**285**	**2 187**	697	1 238	–	290	2 225
F Abbott	**559**	**118**	**–**	**102**	**779**	569	132	–	105	806
M Arnold[3]	**559**	**118**	**428**	**166**	**1 271**	589	84	243	108	1 024
Dr MMM Bakane-Tuoane[4]	**559**	**692**	**–**	**188**	**1 439**	589	688	–	192	1 469
TA Boardman[5]	**559**	**921**	**–**	**222**	**1 702**	569	884	–	218	1 671
AD Botha	**559**	**602**	**–**	**174**	**1 335**	569	646	–	182	1 397
JA Chissano[6]	**538**	**118**	**679**	**98**	**1 433**	467	28	634	74	1 203
WM Gule[7]	**559**	**22**	**–**	**–**	**581**	589	–	375	–	964
JP Möller[8]	**–**	**–**	**–**	**–**	**–**	548	521	–	160	1 229
DC Noko[9]	**538**	**233**	**–**	**–**	**771**	569	–	–	–	569
Dr RV Simelane[10]	**559**	**690**	**–**	**187**	**1 436**	589	510	–	165	1 264
JC Steenkamp	**559**	**236**	**233**	**–**	**1 028**	569	167	62	–	798
ZB Swanepoel[11]	**367**	**286**	**–**	**98**	**751**	569	242	–	121	932
Total for non-executive directors	**6 545**	**5 308**	**1 340**	**1 520**	**14 713**	7 482	5 140	1 314	1 615	15 551

1 *Payments to reimburse out-of-pocket expenses have been excluded.*
2 *Mr AK Maditsi received an additional board fee in F2019 for a site visit.*
3 *Mr Arnold, former financial director, became a non-executive director from 11 December 2017. He was appointed to the investment committee from 10 October 2018. An additional board fee was received for a site visit in F2019.*
4 *Dr MMM Bakane-Tuoane stepped down as chairman of the remuneration committee from 9 May 2018, but remains a member. An additional board fee was received in F2020 for attending an investment committee meeting. An additional board fee was received in F2019 for a site visit.*
5 *Mr TA Boardman received an additional committee fee in F2020 for attending an investment committee meeting.*
6 *Mr JA Chissano was appointed to the social and ethics committee from 30 August 2019. An additional board fee was received in F2019 for a site visit.*
7 *Mr WM Gule received a committee fee in F2020 for attending an investment committee meeting. An additional board fee was received in F2019 for a site visit.*
8 *Mr JP Möller resigned from the board on 30 June 2019 to pursue other interests.*
9 *Mr DC Noko was appointed to the investment and social and ethics committees from 30 August 2019 and appointed chairman of the investment committee from 2 March 2020.*
10 *Dr RV Simelane received an additional committee fee in F2020 for attending an investment committee meeting and an additional board fee in F2019 for a site visit.*
11 *Mr ZB Swanepoel resigned from the board on 2 March 2020.*
12 *Additional information appears under service agreements: non-executive directors in the remuneration report.*

Additional remuneration: non-executive directors

Mr JC Steenkamp was appointed as a non-executive director from 10 October 2017. He was a prescribed officer at the time of retiring from the company on 30 June 2017. Mr M Arnold, the former financial director, became a non-executive director of ARM from 11 December 2017. As non-executive directors, Messrs Arnold and Steenkamp are no longer eligible for long-term incentive allocations. Their performance shares, bonus shares and share options are noted below:

PERFORMANCE SHARES

	Non-executive directors	
	M Arnold	JC Steenkamp
	Number of shares	
Opening balance at 1 July 2019	198 619	124 630
Performance shares settled 10 December 2019	(120 270)	(124 630)
Closing balance at 30 June 2020	**78 349**	**–**

SHARE OPTION AWARDS[1]

	Non-executive directors	
	M Arnold	
	Number of options	Average price
Opening balance at 1 July 2019	21 204	R192.26
Options exercised	–	–
Options lapsed	(21 204)	R192.26
Options cancelled	–	–
Closing balance at 30 June 2020	**–**	**–**

1 *Mr JC Steenkamp no longer had any share options as at 1 July 2019.*

EXTERNAL AUDITOR

Ernst & Young Inc (EY) continued in office as the external auditor for the company. At the annual general meeting, shareholder approval will be sought to reappoint EY as ARM's external auditor and Mr PD Grobbelaar as the designated individual registered auditor for F2021.

GROUP COMPANY SECRETARY AND GOVERNANCE OFFICER

Ms AN D'Oyley is the group company secretary and governance officer of ARM. Her business and postal addresses appear on the inside back cover of this report.

For additional information on the office of the group company secretary and governance officer, see page 104 of the integrated annual report on our website.

LISTINGS

The company's shares are listed on the JSE (general mining) under the share code: ARI. In November 2018, the company completed a secondary listing on the A2X Exchange, where its shares are listed under the share code: ARI.

In April 2019, ARM terminated its participation in a sponsored level 1 American depositary receipt (ADR) programme, effective 15 July 2019. The programme had been available to investors for over-the-counter or private transactions. Holders of ADRs had until at least 15 January 2020 to surrender ADRs for cancellation and to take delivery of the underlying ARM shares.

STRATE (SHARE TRANSACTIONS TOTALLY ELECTRONIC)

The company's shares were dematerialised on 5 November 2001. If shareholders wish to trade certificated ARM (previously Avmin) shares on the JSE, they are urged to deposit them with a central securities depository participant or qualifying stockbroker as soon as possible. Trading in the company's shares on the JSE is only possible if the shares are in electronic format in the Strate environment. If members have any queries, they should contact the company's transfer secretaries, Computershare Investor Services Proprietary Limited (details on the inside back cover).

CONVENIENCE TRANSLATIONS INTO UNITED STATES DOLLARS

To assist users of this report, translations of convenience into United States dollars are provided in these annual financial statements. These translations are based on average rates of exchange for the statements of profit or loss, comprehensive income and cash flows, and at rates prevailing at year end for statement of financial position items. These statements appear on pages 117 to 123.

Annual financial statements

AUDITED BY INDEPENDENT AUDITOR

The financial information has been audited by the external auditor, Ernst & Young Inc. (the designated auditor PD Grobbelaar CA (SA)).

Any reference to future financial performance included in these results has not been audited or reported on by ARM's external auditor.

BASIS OF PREPARATION

The audited Group and Company results for the year have been prepared under the supervision of the former Finance Director, Ms AM Mukhuba CA(SA), until 30 September 2020 and thereafter under the supervision of the current Finance Director, Ms TTA Mhlanga CA(SA), from 1 October 2020. The Group and Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that are fairly valued. The accounting policies used are in terms of IFRS. Please refer to note 1 to the financial statements.

CONTENTS

Statements of financial position

at 30 June 2020

	Notes	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	3	**7 211**	7 062	**1 513**	2 018
Investment properties	5	**24**	–	**24**	–
Intangible assets	6	**83**	114	**83**	114
Deferred tax assets	19	**–**	485	**–**	485
Loans and long-term receivables	7	**278**	283	**812**	772
Other financial asset	8	**230**	–	**230**	319
Investment in associate	9	**795**	1 837	**260**	841
Investment in joint venture	10	**17 545**	16 702	**259**	259
Other investments	11	**5 635**	2 648	**9 459**	6 679
		31 801	29 131	**12 640**	11 487
Current assets					
Inventories	12	**568**	676	**394**	388
Trade and other receivables	13	**3 023**	2 743	**402**	669
Taxation	37	**132**	34	**–**	8
Financial assets	14	**1 309**	–	**1 191**	–
Cash and cash equivalents	15	**5 715**	4 632	**3 409**	2 787
		10 747	8 085	**5 396**	3 852
Total assets		**42 548**	37 216	**18 036**	15 339
EQUITY AND LIABILITIES					
Capital and reserves					
Ordinary share capital	16	**11**	11	**11**	11
Share premium	16	**4 950**	4 700	**4 950**	4 700
Treasury shares	17	**(2 405)**	(2 405)	**–**	–
Other reserves		**4 367**	1 958	**4 221**	2 014
Retained earnings		**25 157**	23 909	**5 230**	5 417
Equity attributable to equity holders of ARM		**32 080**	28 173	**14 412**	12 142
Non-controlling interest		**2 028**	1 530	**–**	–
Total equity		**34 108**	29 703	**14 412**	12 142
Non-current liabilities					
Long-term borrowings	18	**1 512**	1 095	**970**	1 023
Deferred tax liabilities	19	**2 085**	1 517	**245**	301
Long-term provisions	20	**1 953**	1 599	**1 367**	1 040
		5 550	4 211	**2 582**	2 364
Current liabilities					
Trade and other payables	21	**1 637**	1 608	**424**	419
Short-term provisions	22	**737**	648	**496**	311
Taxation	37	**103**	110	**12**	19
Overdrafts and short-term borrowings – interest bearing	23	**413**	936	**68**	42
– non interest bearing	23	**–**	–	**42**	42
		2 890	3 302	**1 042**	833
Total equity and liabilities		**42 548**	37 216	**18 036**	15 339

Statements of profit or loss

for the year ended 30 June 2020

	Notes	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
Revenue	26	**12 386**	9 596	**3 123**	3 538
Sales	26	**11 653**	8 834	**2 387**	2 773
Cost of sales	27	**(7 492)**	(7 449)	**(2 818)**	(2 866)
Gross profit		**4 161**	1 385	**(431)**	(93)
Other operating income	28	**1 160**	974	**1 031**	1 326
Other operating expenses	29	**(2 050)**	(1 575)	**(1 522)**	(1 275)
Profit/(loss) from operations before capital items		**3 271**	784	**(922)**	(42)
Income from investments	30	**446**	334	**5 040**	4 115
Finance costs	31	**(397)**	(309)	**(230)**	(152)
Income from associate	9	**33**	276	**–**	–
Income from joint venture	10	**4 450**	4 502	**–**	–
Profit before taxation and capital items		**7 803**	5 587	**3 888**	3 921
Capital items before tax	32	**(1 693)**	(1 491)	**(1 128)**	(1 376)
Profit before taxation		**6 110**	4 096	**2 760**	2 545
Taxation	33	**(1 076)**	(242)	**170**	179
Profit for the year		**5 034**	3 854	**2 930**	2 724
Attributable to:					
Equity holders of ARM					
Profit for the year		**3 965**	3 554	**2 930**	2 724
Basic earnings for the year		**3 965**	3 554	**2 930**	2 724
Non-controlling interest					
Profit for the year		**1 069**	300		
		1 069	300		
Profit for the year		**5 034**	3 854	**2 930**	2 724
Earnings per share	34				
Basic earnings per share (cents)		**2 042**	1 848		
Diluted basic earnings per share (cents)		**2 011**	1 815		

Group statement of comprehensive income

for the year ended 30 June 2020

	Notes	Financial instruments at fair value through other comprehensive income Rm	Other Rm	Retained earnings Rm	Total shareholders of ARM Rm	Non-controlling interest Rm	Total Rm
For the year ended 30 June 2019							
Profit for the year to 30 June 2019		–	–	3 554	3 554	300	3 854
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		627	–	–	627	–	627
Revaluation of listed investment[1]	11	808	–	–	808	–	808
Deferred tax on above	19	(181)	–	–	(181)	–	(181)
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		–	16	–	16	–	16
Total other comprehensive income		627	16	–	643	–	643
Total comprehensive income for the year		627	16	3 554	4 197	300	4 497
For the year ended 30 June 2020							
Profit for the year to 30 June 2020		**–**	**–**	**3 965**	**3 965**	**1 069**	**5 034**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		**2 325**	**–**	**–**	**2 325**	**–**	**2 325**
Revaluation of listed investment[1]	11	**2 996**	**–**	**–**	**2 996**	**–**	**2 996**
Deferred tax on above	19	**(671)**	**–**	**–**	**(671)**	**–**	**(671)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		**–**	**203**	**–**	**203**	**–**	**203**
Total other comprehensive income		**2 325**	**203**	**–**	**2 528**	**–**	**2 528**
Total comprehensive income for the year		**2 325**	**203**	**3 965**	**6 493**	**1 069**	**7 562**

1 The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).

Company statement of comprehensive income

for the year ended 30 June 2020

	Notes	Financial instruments at fair value through other compre-hensive income Rm	Other Rm	Retained earnings Rm	Total Rm
For the year ended 30 June 2019					
Profit for the year to 30 June 2019		–	–	2 724	2 724
Other comprehensive income that may not be reclassified to the income statement in subsequent periods					
Net impact of revaluation of listed investment		627	–	–	627
Revaluation of listed investment[1]	11	808	–	–	808
Deferred tax on above	19	(181)	–	–	(181)
Total other comprehensive income		627	–	–	627
Total comprehensive income for the year		627	–	2 724	3 351
For the year ended 30 June 2020					
Profit for the year to 30 June 2020		**–**	**–**	**2 930**	**2 930**
Other comprehensive income that may not be reclassified to the income statement in subsequent periods					
Net impact of revaluation of listed investment		**2 325**	**–**	**–**	**2 325**
Revaluation of listed investment[1]	11	**2 996**	**–**	**–**	**2 996**
Deferred tax on above	19	**(671)**	**–**	**–**	**(671)**
Foreign currency translation reserve movement		**–**	**1**	**–**	**1**
Total other comprehensive income		**2 325**	**1**	**–**	**2 326**
Total comprehensive income for the year		**2 325**	**1**	**2 930**	**5 256**

1 *The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*

Group statement of changes in equity

for the year ended 30 June 2020

	Notes			Other reserves						
		Share capital and premium Rm	Treasury shares Rm	Financial instruments at fair value through other comprehensive income Rm	Share-based payments Rm	Other[1] Rm	Retained earnings Rm	Total shareholders of ARM Rm	Non-controlling interest Rm	Total Rm
Balance at 30 June 2018		4 409	(2 405)	392	1 107	(80)	22 484	25 907	1 471	27 378
Net fair value adjustment of ARM Coal Richards Bay Coal Terminal (RBCT)		–	–	–	–	–	52	52	–	52
Gross fair value adjustment[2]		–	–	–	–	–	72	72	–	72
Deferred tax		–	–	–	–	–	(20)	(20)	–	(20)
Re-measurement adjustment Modikwa[2]		–	–	–	–	–	25	25	–	25
Balance at 1 July 2018 (restated)		4 409	(2 405)	392	1 107	(80)	22 561	25 984	1 471	27 455
Total comprehensive income for the year		–	–	627	–	16	3 554	4 197	300	4 497
Profit for the year to 30 June 2019		–	–	–	–	–	3 554	3 554	300	3 854
Other comprehensive income		–	–	627	–	16	–	643	–	643
Bonus and performance shares issued to employees	16	302	–	–	(302)	–	–	–	–	–
Dividend paid	34	–	–	–	–	–	(2 206)	(2 206)	–	(2 206)
Dividend paid to Impala Platinum		–	–	–	–	–	–	–	(241)	(241)
Share-based payments expense		–	–	–	198	–	–	198	–	198
Balance at 30 June 2019		**4 711**	**(2 405)**	**1 019**	**1 003**	**(64)**	**23 909**	**28 173**	**1 530**	**29 703**
Total comprehensive income for the year		**–**	**–**	**2 325**	**–**	**203**	**3 965**	**6 493**	**1 069**	**7 562**
Profit for the year to 30 June 2020		**–**	**–**	**–**	**–**	**–**	**3 965**	**3 965**	**1 069**	**5 034**
Other comprehensive income		**–**	**–**	**2 325**	**–**	**203**	**–**	**2 528**	**–**	**2 528**
Bonus and performance shares issued to employees	16	**307**	**–**	**–**	**(298)**	**–**	**–**	**9**	**–**	**9**
Dividend paid[3]	34	**–**	**–**	**–**	**–**	**–**	**(2 717)**	**(2 717)**	**–**	**(2 717)**
Dividend paid to minorities[4]		**–**	**–**	**–**	**–**	**–**	**–**		**(571)**	**(571)**
Share repurchase[5]	16	**(57)**	**–**	**–**	**–**	**–**	**–**	**(57)**		**(57)**
Share-based payments expense		**–**	**–**	**–**	**179**	**–**	**–**	**179**	**–**	**179**
Balance at 30 June 2020		**4 961**	**(2 405)**	**3 344**	**884**	**139**	**25 157**	**32 080**	**2 028**	**34 108**

1 *Other reserves consist of the following:*

	F2020 Rm	*F2019 Rm*	*F2018 Rm*
Dilution in Two Rivers	***(26)***	*(26)*	*(26)*
Foreign currency translation reserve – Assmang	***167***	*24*	*13*
Foreign currency translation reserve – other entities	***69***	*9*	*4*
Capital redemption and prospecting loans written off	***28***	*28*	*28*
Tamboti assets sale to Two Rivers	***(99)***	*(99)*	*(99)*
Total	***139***	*(64)*	*(80)*

2 *Opening balance adjusted as a result of the initial application of IFRS 9 (Details of which was included in the financial results 30 June 2019, which can be found on www.arm.co.za).*

3 *Interim dividend paid of 500 cents per share and final dividend paid of 900 cents per share.*

4 *Dividends paid to the Impala Platinum and Modikwa minorities.*

5 *ARM repurchased 622 843 shares at an average price of R90.86 from the market, which were then cancelled.*

Company statement of changes in equity

for the year ended 30 June 2020

	Notes	Share capital and premium Rm	Financial instruments at fair value through other comprehensive income Rm	Share-based payments Rm	Other[1] Rm	Retained earnings Rm	Total Rm
Balance at 30 June 2018		4 409	392	1 063	36	5 488	11 388
Net fair value adjustment ARM Coal RBCT		–	–	–	–	52	52
Gross fair value adjustment[2]		–	–	–	–	72	72
Deferred tax		–	–	–	–	(20)	(20)
Re-measurement adjustment Modikwa[2]		–	–	–	–	(312)	(312)
Balance at 1 July 2018 (restated)[2]		4 409	392	1 063	36	5 228	11 128
Total comprehensive income for the year		–	627	–	–	2 724	3 351
Profit for the year to 30 June 2019		–	–	–	–	2 724	2 724
Other comprehensive loss		–	627	–	–	–	627
Bonus and performance shares issued to employees	16	302	–	(302)	–	–	–
Dividend paid	34	–	–	–	–	(2 535)	(2 535)
Share-based payments expense		–	–	198	–	–	198
Balance at 30 June 2019		**4 711**	**1 019**	**959**	**36**	**5 417**	**12 142**
Total comprehensive income for the year		**–**	**2 325**	**–**	**1**	**2 930**	**5 256**
Profit for the year to 30 June 2020		**–**	**–**	**–**	**–**	**2 930**	**2 930**
Other comprehensive income		**–**	**2 325**	**–**	**1**	**–**	**2 326**
Bonus and performance shares issued to employees	16	**307**	**–**	**(298)**	**–**	**–**	**9**
Dividend paid	34	**–**	**–**	**–**	**–**	**(3 117)**	**(3 117)**
Share-based payments expense		**–**	**–**	**179**	**–**	**–**	**179**
Share repurchase[3]	16	**(57)**	**–**	**–**	**–**	**–**	**(57)**
Balance at 30 June 2020		**4 961**	**3 344**	**840**	**37**	**5 230**	**14 412**

1 Other reserves consist of the following:

	F2020 Rm	*F2019 Rm*	*F2018 Rm*
General reserve	***35***	*35*	*35*
Foreign currency translation	***2***	*1*	*1*
Total	***37***	*36*	*36*

2 Opening balance adjusted as a result of the initial application of IFRS 9 (Details of which was included in the financial results 30 June 2019, which can be found on www.arm.co.za).

3 ARM repurchased 622 843 shares at an average price of R90.86 from the market, which were then cancelled.

Statements of cash flows

for the year ended 30 June 2020

	Notes	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from customers		**12 499**	9 611	**3 431**	3 561
Cash paid to suppliers and employees		**(8 633)**	(7 488)	**(3 528)**	(3 329)
Cash generated from operations	36	**3 866**	2 123	**(97)**	232
Interest received		**373**	264	**221**	160
Interest paid		**(79)**	(80)	**(20)**	(10)
Taxation paid	37	**(800)**	(309)	**(72)**	(48)
		3 360	1 998	**32**	334
Dividends received from joint venture	10	**3 750**	3 315	**3 750**	3 315
Dividends received from other		**2**	8	**844**	438
Dividend paid to non-controlling interest – Impala Platinum		**(566)**	(241)	**–**	–
Dividend paid to shareholders	34	**(2 717)**	(2 206)	**(3 117)**	(2 535)
Net cash inflow from operating activities		**3 829**	2 874	**1 509**	1 552
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment to maintain operations		**(651)**	(931)	**(156)**	(364)
Additions to property, plant and equipment to expand operations		**(154)**	–	**–**	–
Proceeds on disposal of property, plant and equipment		**1**	1	**1**	1
Investment in Harmony	11	**–**	(211)	**–**	(211)
Acquisition of Machadodorp Works	40	**–**	(130)	**–**	(130)
Investments in financial assets	8, 14	**(1 539)**	–	**(1 181)**	–
Proceeds from loans		**–**	–	**495**	85
Net cash outflow from investing activities		**(2 343)**	(1 271)	**(841)**	(619)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from exercise of share options		**4**	4	**4**	4
Share buy back		**(57)**	–	**(57)**	–
Long-term borrowings raised		**–**	295	**–**	295
Long-term borrowings repaid		**(216)**	(595)	**(8)**	(367)
Short-term borrowings raised		**43**	15	**–**	–
Short-term borrowings repaid		**(48)**	–	**(6)**	(1)
Net cash outflow from financing activities		**(274)**	(281)	**(67)**	(69)
Net increase in cash and cash equivalents		**1 212**	1 322	**601**	864
Cash and cash equivalents at beginning of year		**4 239**	2 910	**2 751**	1 887
Foreign currency translation on cash balance		**61**	7	**4**	–
Cash and cash equivalents at end of year	15	**5 512**	4 239	**3 356**	2 751
Made up as follows:					
– Available		**4 767**	3 004	**3 259**	2 537
– Cash set aside for specific use		**745**	1 235	**97**	214
		5 512	4 239	**3 356**	2 751
Overdrafts		**203**	393	**53**	36
Cash and cash equivalents per statement of financial position		**5 715**	4 632	**3 409**	2 787
Cash generated from operations per share (cents)	34	**1 991**	1 104		

Notes to the financial statements

1. ACCOUNTING POLICIES

Statement of compliance

The Group and Company financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council, requirements of the South African Companies Act 71 of 2008 and the Listings Requirements of the JSE Limited.

Basis of preparation

The Group and Company financial statements for the year have been prepared under the supervision of the former Finance Director, Ms A M Mukhuba CA(SA), until 30 September 2020 and thereafter under the supervision of the current Finance Director, Ms TTA Mhlanga CA(SA), from 1 October 2020.

The principal accounting policies as set out below are consistent in all material aspects with those applied in the previous years, except for the application of IFRS 16 and comply with IFRS.

The Group and Company financial statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at fair value.

The financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) unless otherwise indicated.

The Company financial statements are included with the Group financial statements.

Impact of new standards

The Group has adopted the following standards and interpretations issued by IASB that became effective on or after for the financial year starting 1 July 2019.

Standards	Subject	Effective date
IFRS 3	Business Combinations – Previously held Interests in a joint operation	1 January 2019
IFRS 9	Prepayment Features with Negative Compensation – Amendments	1 January 2019
IFRS 11	Joint Arrangements – Previously held Interests in a joint operation	1 January 2019
IFRS 16	Leases	1 January 2019
IAS 12	Income Taxes – Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	1 January 2019
IAS 23	Borrowing Costs – Borrowing costs eligible for capitalisation	1 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures – Amendments	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

Apart from IFRS 16 the adoption of the other standards had no significant effect on the Group financial statements.

IFRS 16 Leases

The ARM Group adopted IFRS 16 using the modified retrospective method with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative initial adoption effect recognised at the date of initial application.

The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases') and lease contracts for which the underlying asset is of low value ("low-value assets").

The effect of adopting IFRS 16 as at 1 July 2019 was as follows:

	Rm
Assets	
Property, plant and equipment	41
Deferred tax asset	11
Prepayments	–
Total assets	52
Liabilities	
Interest-bearing loans and borrowings	41
Deferred tax liabilities	11
Trade and other payables	–
Total liabilities	52
Total adjustment on equity:	
Retained earnings	–
Non-controlling interests	–

The ARM Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Not to separate lease and non-lease components from determining the lease liability.

Based on the foregoing, as at 1 July 2019:

- Right-of-use assets of R41 million were recognised and presented separately in the statement of financial position
- Additional lease liabilities of R41 million (included in interest-bearing loans and borrowings) were recognised
- Both deferred tax assets and liabilities increased by R11 million because of the deferred tax impact of the changes in assets and liabilities
- These adjustments had no effect on retained earnings and non-controlling interest.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

Operating lease commitments as at 30 June 2019	**R62 million**
Weighted average incremental borrowing rate as at 1 July 2019	**8.3%–10.9%**
Discounted operating lease commitments at 1 July 2019	**R41 million**
Less:	
Commitments relating to short-term leases	**–**
Commitments relating to leases of low-value assets	**–**
Add:	
Commitments relating to leases previously classified as finance leases	**–**
Payments in optional extension periods not recognised as at 30 June 2019	**–**
Lease liabilities as at 1 July 2019	**R41 million**

In F2019 the entity only disclosed operating lease commitments for land and buildings of R4 million instead of all operating lease commitments of R62 million. The opening balance for operating lease commitments have been correctly stated as R62 million above.

IFRS 16 accounting policy

Right-of-use assets

The Group recognises right-of-use assets at the lease commencement date (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are disclosed under property, plant and equipment on the statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in – substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of certain classes of assets. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Set out below, are the carrying amounts of the Group's right-of-use assets, which are included in the property, plant and equipment on the statement of financial position and lease liabilities and the movements during the period:

	Right-of-use assets				
	Land and buildings Rm	Plant and machinery Rm	Furniture, equipment and vehicles Rm	Total Rm	Lease liabilities Rm
At 1 July 2019	21	19	1	41	41
Additions	95	194	3	292	311
Disposals	–	(7)	–	(7)	–
Transfer from existing financing leases	–	161	–	161	140
Depreciation expenses	(9)	(85)	(2)	(96)	–
Impairment	–	(1)	–	(1)	–
Interest expense	–	–	–	–	24
Payments	–	–	–	–	(140)
At 30 June 2020	**107**	**281**	**2**	**390**	**376**

Basis of consolidation

The consolidated financial statements comprise the financial statements of African Rainbow Minerals Limited and its subsidiaries, joint operations, joint ventures and associates at 30 June each year.

Inter-company transactions and balances

Consolidation principles relating to the elimination of inter-company transactions and balances and adjustments for unrealised inter-company profits are applied in all intra-group dealings, for all transactions with subsidiaries, joint operations, associated companies or joint ventures.

Subsidiary companies

Subsidiary companies are investments in entities in which the Company has control over the financial and operating decisions of the entity. Subsidiaries are consolidated in full from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated.

Non-controlling interest represents the portion of the statement of profit or loss and equity not held by the Group and is presented separately in the statement of profit or loss and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Losses of subsidiaries are attributed to the non-controlling interest, even if that results in a deficit balance. Before 1 January 2009, losses in subsidiaries were carried by the Group only.

Investments in subsidiaries in the Company financial statements are accounted for at cost less impairment.

Joint operations

Joint operations are a type of joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. The Group accounts for joint operations, its assets, liabilities, income, expenses and cash flows and/or share thereof.

Unincorporated joint operations are recognised in the financial statements on the same basis as above.

Investment in associate and joint ventures

An associate is an investment in an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

Joint ventures are a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

At Group level, investments in associates and joint ventures are accounted for using the equity method of accounting. Investments in the associates and joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the

Group's share of net assets of the associates or joint ventures, less any impairment in value. The statement of profit or loss reflects the Group's share of the post-acquisition profit after tax of the associate or joint ventures. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment losses. Investments in associates or joint ventures in the Company financial statements are accounted for at cost less impairment.

Trusts

When control of a trust exists or a change results in control, from that date the trust is consolidated.

Business combinations

The acquisition method of accounting is used to account for the acquisition of subsidiaries, joint operations, joint ventures and associates by the Group. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed in the statement of profit or loss. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interest is measured at each business combination at either the proportionate share of the identifiable net assets or at fair value.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested for impairment on an annual basis. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of profit or loss.

When an acquisition is achieved in stages and control is achieved, the fair values of all the identifiable assets and liabilities are recognised. The difference between the previous equity held interest value and the current fair value for the same equity is recognised in the statement of profit or loss.

When there is a change in the interest of a subsidiary that does not result in the loss of control, the difference between the fair value of the consideration transferred and the change in non-controlling interest is recognized directly in the statement of changes in equity.

Current taxation

The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that have been enacted or substantively enacted at the reporting date, that are applicable to the taxable income. Taxation is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, or in other comprehensive income, in which case the tax amounts are recognised directly in equity or in other comprehensive income.

Deferred taxation

A deferred tax asset is the amount of income taxes recoverable in future periods in respect of deductible temporary differences, the carry forward of unused tax losses and the carry forward of unused tax credits.

A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available, against which deductible temporary differences can be utilised.

Three-year business plans, the first year of which is approved by the Board and the content of the next two years being noted, are used to determine whether deferred tax assets will be utilised from taxable income in the future. These plans use many assumptions and estimates and will be adjusted every year as more information becomes available.

A deferred tax liability is the amount of income taxes payable in future periods in respect of taxable temporary differences.

Temporary differences are differences between the carrying amount of an asset or liability and its tax base. The tax base of an asset is the amount that is deductible for tax purposes if the economic benefits from the asset are taxable or the carrying amount of the asset if the economic benefits are not taxable. The tax base of a liability is the carrying amount of the liability less the amount deductible in respect of that liability in future periods. The tax base of revenue received in advance is the carrying amount less any amount of the revenue that will not be taxed in future periods.

Deferred tax is recognised for all temporary differences, unless specifically exempt, at the tax rates that have been enacted or substantively enacted at the reporting date and is not discounted.

Deferred tax arising on investments in subsidiaries, associates, joint operations, and joint ventures is recognised except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except for (a) where the VAT incurred on a purchase of an asset or service cannot be recovered from the taxation authorities; and (b) receivables and payables that are stated with the VAT included. The net amount of VAT recoverable or payable is included under receivables or payables in the statement of financial position.

Provisions

Provisions are recognised when the following conditions have been met:

- A present legal or constructive obligation to transfer economic benefits as a result of past events exists; and
- A reasonable estimate of the obligation can be made.

A present obligation is considered to exist when there is no realistic alternative but to make the transfer of economic benefits. The amount recognised as a provision is the best estimate at the reporting date of the expenditure required to settle the obligation. Only expenditure related to the purpose for which the provision is raised is charged against the provision. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Insurance contract technical provisions

For insurance contracts, judgements and estimates have to be made for both the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, insurance contract technical provisions form the majority of the liability in the statement of financial position.

Due to the nature of the claims arising under the insurance contracts, the use of past claims development to project future claims development and hence ultimate claims costs, is considered not to be a suitable method for the setting of insurance contract technical provisions. Instead, the Directors assess the level of unexpired risk reserve ("URR"); adverse development reserve ("ADR"); and incurred but not reported reserve ("IBNR") held for each underwriting year at every year-end based on the claims information available at that time. Accordingly, as such assessment is based upon the use of judgements, best estimates and assumptions, there is inherent risk that such assessment will be significantly different from the actual outcome.

The estimation of URR, ADR and IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. Some IBNR claims may not become apparent to the insured until many years after the event which gave rise to the claims has occurred.

The use of judgements, estimates and assumptions is also employed in the assessment of the adequacy for provisions for unearned premiums, i.e. in determining whether the pattern of insurance service provided by the insurance contracts requires the earning of premium on a basis other than time apportionment.

Premiums written

Premiums written comprise premiums due on contracts entered into during the financial year, regardless of whether such amounts may relate in whole or part to a later financial year, exclusive of taxes levied on premiums. Other underwriting income and expenses, comprising commissions, brokerage, fronting fees and outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related direct insurance.

Claims paid

Claims paid include all payments made in respect of the year with associated claim settlement expenses, net of any salvage or subrogation recoveries.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Insurance contract technical provisions

Insurance contract technical provisions comprise provisions for unearned premium ("UPR"); and reserves for claims outstanding ("OLR"), unexpired risk, adverse development and claims incurred but not reported.

Provisions for unearned premiums, deferred other underwriting income and prepaid underwriting expenses

Unearned premiums, deferred other underwriting income and prepaid underwriting expenses represent the proportion of premiums written, other underwriting income and underwriting expenses which is estimated to be earned in future financial years, computed separately for each insurance contract using the daily pro rata method. For certain policies, the daily pro rata method may not be appropriate and in such circumstances the earning pattern will be adjusted to more accurately reflect the pattern of insurance service provided by the underlying insurance contracts.

Claims outstanding, unexpired risk reserves and adverse development reserves

Claims outstanding and adverse development reserves comprise of provisions for the estimated cost of settling all claims reported but not paid at the reporting date.

Claims outstanding comprise provisions for the estimated cost of settling all claims incurred up to, but not paid at, the balance sheet date together with the relevant claims settlement expenses based on information provided by insured, fronting insurers, and loss adjusters.

The adverse development reserves provide for the expected deterioration of claims reported.

The unexpired risk reserves bring the value of claims incurred during an unexpired policy period up to the expected loss level for the policy.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Incurred but not reported reserve

The incurred but not reported reserve is based on the estimated ultimate cost of all claims incurred but not reported at the reporting date. Delays can be experienced in the discovery, notification and settlement of certain types of claims that may arise under the insurance contracts written, therefore the ultimate cost of these claims cannot be known at the reporting date.

Reinsurers' share of insurance contract technical provisions

PROVISIONS FOR UNEARNED REINSURANCE PREMIUMS

The provision for unearned reinsurance premiums represents the proportion of outward reinsurance premiums which is estimated to be earned in future financial years, computed separately for each reinsurance contract using the daily pro rata method. For certain policies, the daily pro rata method may not be appropriate, and in such circumstances, the earning pattern will be adjusted to more accurately reflect the pattern of reinsurance service provided by the underlying reinsurance contracts.

REINSURANCE RECOVERIES

Provisions for claims are calculated gross of any reinsurance recoveries. A separate estimate is made for the amounts recoverable from reinsurers based upon the gross claims provisions and/or settled claims that are associated with the reinsurer's policies and are calculated in accordance with the related reinsurance contract.

Environmental rehabilitation obligations

The estimated cost of rehabilitation, comprising liabilities for decommissioning and restoration, is based on current legal requirements and existing technology, and is reassessed annually. Cost estimates are not reduced by the potential proceeds from the sale of assets.

Decommissioning

The present value of estimated decommissioning obligations, being the cost to dismantle all structures and rehabilitate the land on which it is located that arose through establishing the mine, is included in long-term provisions. The unwinding of the obligation is included in the statement of profit or loss under finance cost. The initial related decommissioning asset is recognised in property, plant and equipment.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Restoration

The present value of the estimated cost of restoration, being the cost to correct damage caused by ongoing mining operations, is included in long-term provisions.

This estimate is revised annually and any movement is expensed in the statement of profit or loss. Expenditure on ongoing rehabilitation is charged to the statement of profit or loss under cost of sales as incurred.

NOTES TO THE FINANCIAL STATEMENTS continued

Trust funds

Annual payments are made to rehabilitation trust funds in accordance with statutory requirements. The investment in the trust funds is carried at cost in the Company financial statements. These funds are consolidated as ARM Group companies are the sole contributors to the funds and exercise full control through the respective boards of trustees. The balances are included under cash set aside for specific use and financial assets.

Treasury shares

Own equity instruments that are reacquired are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss in the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium.

Financial instruments

Financial instruments recognised in the statement of financial position include, cash and cash equivalents, investments, trade and other receivables, trade and other payables and long- and short-term borrowings.

The recognition methods adopted are disclosed in the individual policy statements associated with each item.

The Group does not apply hedge accounting.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through the statement of profit or loss.

Financial assets at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Long-term borrowings and trade and other receivables are measured at amortised cost less impairment losses or reversals which are recognised in the statement of profit or loss.

Unlisted investments are carried at fair value.

Listed financial assets are measured at fair value with gains and losses being recognised directly in comprehensive income. Impairment losses are recognised in the statement of profit or loss.

Any impairment reversals on debt instruments classified as listed investments are recognised in the statement of comprehensive income. Decreases in fair value of equity investments are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised in other comprehensive income.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Listed investments

For listed investments, the Group assesses at each reporting date whether there is objective evidence that an investment or group of investments is impaired.

Listed investments are classified as fair value through other comprehensive income, whereby fair value gains and losses are recognised in equity (other comprehensive income) and will not be reclassified through profit or loss.

Financial liabilities

Financial liabilities at fair value through the statement of profit or loss are measured at fair value with gains and losses being recognised in the statement of profit or loss.

Financial liabilities at amortised cost are initially measured at fair value and subsequently at amortised cost using the effective interest method.

Derivative instruments

Derivatives, including embedded derivatives, are initially and subsequently measured at fair value. Fair value adjustments are recognised in the statement of profit or loss. Forward exchange contracts are valued at the reporting date using the forward rate available at the reporting date for the remaining maturity period of the forward contract. Any gain or loss from valuing the contract against the contracted rate is recognised in the statement of profit or loss.

A corresponding forward exchange asset or liability is recognised. On settlement of a forward exchange contract, any gain or loss is recognised in the statement of profit or loss.

Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. These are classified as:

- Cash and cash equivalents available for any use at any time; or
- Cash and cash equivalents set aside for specific short-term cash commitment purposes but still accessible, if need be, although after certain processes (stated separately at the carrying value in the notes).

For cash flow purposes, overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Investments

Investments, other than investments in subsidiaries, associates, joint operations and joint ventures, are considered to be listed or unlisted financial assets carried at fair value. Increases and decreases in fair values of listed investments are reflected in the financial instruments at fair value through other comprehensive income reserve. Increases and decreases on unlisted investments are reflected in statement of profit or loss. On disposal of an investment, the balance in the revaluation reserve is recognised in the statement of profit or loss. Where active markets exist, fair values are determined with reference to the stock exchange quoted selling prices at the close of business on the reporting date.

Where there are no active markets, fair value is determined using valuation techniques like recent similar transactions, reference to similar transactions, discounted cash flow and option pricing models.

All regular purchases and sales of financial assets are recognised on the trade date, i.e. the date the Group commits to purchasing the asset.

Receivables

Trade receivables, which generally have 30–90 day terms, are initially recognised at fair value including transaction costs and subsequently at amortised cost using the effective interest rate method less expected credit losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate.

Receivables are financial assets classified as loans and receivables. Some receivables are classified at fair value through the statement of profit or loss. These are receivables where the amount that will be received in the future is dependent on the commodities or concentrate content, and/or the price at the date of settlement. For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime expected credit losses at each reporting date. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment including forward-looking information.

Payables

Trade and other payables are not interest-bearing and are initially recorded at fair value including transaction costs and subsequently at amortised cost and classified as financial liabilities at amortised cost.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and classified as financial liabilities at amortised cost. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement.

Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised, as well as through the amortisation process.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass through” arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the statement of profit or loss.

Offsetting of financial instruments

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities and the Group intends to settle on a net basis or to realise the asset and settle the liability simultaneously, all related financial effects are netted.

Intangible assets

Intangible assets acquired are reflected at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over their useful economic life and assessed for impairment where there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Amortisation is based on units of production or units of export sales. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Investment property

Investment properties are carried at cost and depreciated on a straight-line basis over their estimated useful lives to an estimated residual value. Where the residual value exceeds the carrying amount, amortisation is continued at a zero charge until its residual value subsequently decreases to an amount below the carrying amount.

Where the building has changed from owner occupied to investment property in order to earn rentals and for capital appreciation, the cost deemed is the carrying amount if applicable. An impairment is taken in the statement of profit or loss when the recoverable amount is less than the carrying amount.

Property, plant and equipment

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

Costs of evaluation of a smelter prior to approval to develop are capitalised, provided that there is a high degree of confidence that the project will be deemed commercially viable. Costs incurred with commissioning the new asset, in the period before it is capable of operating in the manner intended by management, are capitalised. Development costs incurred after the commencement of production are capitalised to the extent that they are expected to give rise to future economic benefit.

Land and buildings

Land and buildings are carried at cost less accumulated depreciation and impairment losses. Some land contains change in estimates, resulting from fair value adjustments made on variable consideration payable. Land is only depreciated where the form is changed so that it affects its value. Land is then depreciated on a straight-line method over the mining activity to a maximum of 25 years to its estimated residual value. Buildings are depreciated on a straight-line basis over their estimated useful lives to an estimated residual value, if such value is significant. The annual depreciation rates used vary between 2% and 5%. New acquisitions and additions to existing land and buildings are reflected at cost.

Mine development and decommissioning

Costs to develop new ore bodies, to define further mineralisation in existing ore bodies and to expand the capacity of a mine or its current production, site preparation and pre-production stripping costs, as well as the decommissioning thereof, are capitalised when it is probable that the future economic benefits will flow to the entity and it can be measured reliably. Development expenditure is net of proceeds from the sale of ore extracted during the development phase. Capitalised development costs are classified under mine development and decommissioning assets and are recognised at cost. Development costs to maintain production are expensed as incurred.

Mine development and decommissioning assets are depreciated using the units-of-production method based on estimated proven and probable ore reserves from which future economic benefits will be realised, resulting in these assets being carried at cost less depreciation and any impairment losses. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves which can be recovered in future from known mineral deposits. These reserves are reassessed annually. The maximum period of amortisation using this method is 25 years.

Production stripping costs

The capitalisation of pre-production stripping costs as part of mine development and decommissioning assets ceases when the mine is commissioned and ready for production.

Subsequent stripping activities that are undertaken during the production phase of a surface mine may create two benefits, being either the production of inventory or improved access to the ore to be mined in the future.

Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where production stripping costs are incurred and where the benefit is the creation of mining flexibility and improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a “stripping activity asset”, if:

- future economic benefits (being improved access to the ore body) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset included under mine development and decommissioning asset. If all the criteria are not met, the production stripping costs are charged to the statement of profit or loss as operating costs.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the stripping activity asset and the inventory produced are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset.

The stripping activity asset is subsequently depreciated over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Based on proven and probable reserves, the units-of-production method is used to determine the expected useful life of the identified component of the ore body that became more accessible. As a result, the stripping activity asset is carried at cost less depreciation and any impairment losses.

Mineral rights

Mineral rights that are being depleted are depreciated over their estimated useful lives using the units-of production method based on proven and probable ore reserves. The maximum rate of depletion of any mineral right is 25 years.

Plant and machinery

Mining plant and machinery is depreciated on the units-of-production method over the lesser of its estimated useful life based on estimated proven and probable ore reserves.

Non-mining plant and machinery is depreciated over its useful life. The maximum life of any single item as used in the depreciation calculation is 25 years.

When plant and equipment comprises major components with different useful lives, these components are accounted for as separate items, provided these meet the definition of property, plant and equipment. Expenditure incurred to replace or modify a significant component of a plant is capitalised and any remaining book value of the component replaced is written off in the statement of profit or loss.

Mine properties

Mine properties (including houses and administration blocks) are depreciated on the straight-line basis over their expected useful lives, to estimated residual values. The residual value is the amount currently expected to be obtained for the asset after deducting estimated costs of the disposal, if the asset was already at the end of its useful life.

Furniture, equipment and vehicles

Furniture, equipment and vehicles are depreciated on a straight-line basis over their expected useful lives, to estimated residual values.

Finance leases

The IAS 17 accounting policies are effective for F2019, thereafter the IFRS 16 accounting policies become applicable. Finance leased assets are depreciated on a straight-line basis over their expected useful lives or the lease term, if less, to estimated residual values.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development; and
- the ability to use the intangible asset generated.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales.

During the period of development, the asset is tested for impairment annually.

Depreciation rates

Depreciation rates that are based on units-of-production take into account proven and probable ore reserves. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In assessing asset lives, factors such as technological innovation, asset life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal value. The annual depreciation rates generally used in the Group are:

- furniture and equipment 10% to 33%;
- mine properties 4% to 7%;
- motor vehicles 20%;
- mine development assets, plant and machinery, mineral rights and land over 10 to 25 years;
- investment properties 2%; and
- intangible assets over life-of-mine to a maximum of over 25 years.

Exploration expenditure

All exploration expenditures are expensed until they result in projects that are evaluated as being technically and commercially feasible and a future economic benefit is highly probable. In evaluating if expenditures meet these criteria to be capitalised, the Group utilises several different sources of information and also differentiates projects by levels of risks, including:

- degree of certainty over the mineralisation of the ore body;
- commercial risks, including but not limited to country risk; and
- prior exploration knowledge available about the target ore body.

Exploration expenditure on Greenfields sites, being those where the Group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a bankable feasibility study has been completed, after which the expenditure is capitalised.

Exploration expenditure on Brownfields sites, being those adjacent to any mineral deposits which are already being mined or developed, is only expensed as incurred until the Group has obtained sufficient information from all available sources to ameliorate the project risk areas identified above and which indicates by means of a prefeasibility study that future economic benefits are highly probable.

Exploration expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralization of such mineral deposits, is capitalised.

Activities in relation to evaluating the technical feasibility and commercial viability of mineral resources are treated as forming part of exploration expenditures.

Costs related to property acquisitions and mineral and surface rights are capitalised.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale (under current assets) if the carrying amount of these assets will be recovered principally through a sale transaction rather than through continued use. This condition will only be regarded as met if the sale transaction is highly probable and the asset (or disposal group) is available-for-sale in its present condition. For the sale to be highly probable, management must be committed to the plan to sell the asset and the transaction should be expected to qualify for recognition as a complete sale within 12 months of the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amounts and their fair values less costs to sell and are not depreciated.

Impairment of non-financial assets

The carrying value of assets is reviewed at each statement of financial position date to assess whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. The recoverable amount is the higher of fair value less cost of disposal or value in use. Value in use is determined by an estimated future cash flow discounted at a pre-tax discount rate. Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount and the difference is expensed in the statement of profit or loss. If the circumstances leading to the impairment no longer exist, the appropriate portion of the impairment loss previously recognised is written back. Intangible assets with an indefinite life are tested annually for impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset that requires a substantial period of time to be prepared for its intended use, are capitalised. Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when:

- expenditures for the asset are being incurred;
- borrowing costs are being incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are in process.

Capitalisation is suspended when the active development is interrupted and ceases when the activities necessary to prepare the asset for its use are complete.

Other borrowing costs are charged to finance costs in the statement of profit or loss as incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value with due allowances being made for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined using the following basis:

- Consumables and maintenance spares are valued at weighted average cost.
- Ore stockpiles are valued at weighted average cost.
- Finished products are valued at weighted average cost.
- Houses are valued at their individual cost.
- Work-in-progress is valued at weighted average cost, including an appropriate portion of direct overhead costs.
- Unallocated overhead costs due to below normal capacity are expensed as short workings.
- Raw materials are valued at weighted average cost.
- By-products are valued at weighted average cost.

Inventories are classified as current when it is reasonable to expect them to be sold within their normal cycle, which could be the next financial year. If not, they are classified as non-current.

Foreign currency translations

The Group and Company financial statements are presented in South African Rand, which is the Company's functional currency.

Foreign entities

Financial statements of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency using the exchange rates applicable at the reporting date, as follows:

Assets and liabilities at rates of exchange ruling at the reporting date.

Income and expenditure at the average rate of exchange for the year, except where the date of income or expense for significant transactions can be identified, in which case the income or expense is translated at the rate of exchange ruling at the date of the flow.

Cash flow items at the average rate of exchange for the year, except where the date of cash flow for significant transactions can be identified, in which case the cash flows are translated at the rate of exchange ruling at the date of the cash flow.

Fair value adjustments of the foreign entity are translated at the rate prevailing on date of valuation.

Goodwill is considered to relate to the reporting entity and is translated at the closing rate.

Differences arising on translation are classified as equity until the investment is disposed of when it is recognised in the statement of profit or loss.

Foreign currency transactions and balances

Transactions in foreign currencies are converted to the functional currency at the rate of exchange ruling at the date that the transaction is recorded.

Foreign denominated monetary assets and liabilities (including those linked to a forward exchange contract) are stated in the functional currency using the exchange rate ruling at the reporting date, with the resulting exchange differences being recognised in the statement of profit or loss.

Leases

IFRS 16 accounting policies

The ARM Group has lease contracts for various items of plant, machinery, vehicles and other equipment. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

LEASES PREVIOUSLY CLASSIFIED AS FINANCE LEASES

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 July 2019.

LEASES PREVIOUSLY ACCOUNTED FOR AS OPERATING LEASES

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application
- Not to separate lease and non-lease components from determining the lease liability.

RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the lease commencement date (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The right-of-use assets are disclosed under property, plant and equipment on the statement of financial position.

LEASE LIABILITIES

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period on which the event or condition that triggers payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of certain classes of assets. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

SIGNIFICANT JUDGEMENT IN DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL OPTIONS

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

IAS 17 accounting policies

The IAS 17 accounting policies are effective for F2019, thereafter the IFRS 16 accounting policies become applicable.

The IAS 17 accounting policies are effective for F2019, thereafter the IFRS 16 accounting policies become applicable. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to control the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed directly against the statement of profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Employee benefits

The Group operates two defined contribution pension schemes, both of which require contributions to be made to separately administered funds. The Group has also agreed to provide certain additional post-employment healthcare benefits to senior employees. These benefits are unfunded. The cost of providing benefits under the plans is determined separately for each plan using the projected unit credit actuarial valuation method.

Other long-term benefits

The Group provides certain long-term incentive schemes to attract, retain, motivate and reward eligible senior employees. The cost of providing these incentives is determined by actuaries using the projected unit credit method. Actuarial gains and losses are recognised as an income or expense when incurred. The past service costs are recognised as an expense on a straight-line basis over the period until the benefits vest.

Share-based payments

The Company issues equity-settled share-based instruments to certain employees. Equity-settled share-based payments are measured at the fair value of the instruments at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period on a straight-line basis, based on management's estimate, which is considered annually, of shares that are expected to vest.

Fair value is measured using an option pricing model. The fair values used in the model have been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Equity-settled options expense is recognised over the expected vesting period.

Broad-based Black Economic Empowerment (BBBEE) transactions

When entering into BBBEE share-based transactions any excess of the fair value of the shares over the consideration received is recognised as an expense in that period.

Dividend income

Dividends are accounted for on the last day of registration for listed investments and when declared in respect of unlisted investments.

Rental income

Rental income is accounted for on a straight-line basis over the term of the operating lease.

Interest

Interest is recognised on a time proportion basis that takes account of the effective yield on the asset and an appropriate accrual is made at each accounting reference date.

Revenue from contracts with customers

Revenue, which includes by-products, is recognised under the following five step model:

- Identify the contract with customers;
- Identify the performance obligations;
- Determine the transaction price;
- Allocate the transaction price; and
- Recognise revenue when performance obligations are satisfied.

Assay estimates

Commodity sales are subject to assay estimates, which means that the transaction price is variable. The adjustments to revenue arising from assay adjustments will be included in revenue from contracts with customers.

Provisional pricing

Commodity sales are subject to provisional pricing features such as commodity prices and foreign exchange rates which are only finalised sometime after transfer of the commodities.

On initial recognition, revenue is recognised at fair value. The revenue and related trade receivable is then re-measured at every subsequent month-end until the sale has been finalised. The sale is finalised at average commodity prices and exchange rate for the month preceding the month of invoicing.

The related trade receivables are measured at fair value.

Penalties and treatment charges

Adjustments, in the form of penalties and treatment charges, are made to the pricing to the extent the commodities sold do not meet certain specifications and as part of the terms of the various off-take agreement. These penalties and treatment charges are excluded from revenue from contracts with customers.

Revenue is measured at the fair value of the amount received or receivable net of VAT, cash discounts and rebates.

Mining products

Revenue from the sale of mining and related products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer.

In some cases, where the terms of the executed sales agreement allow for an adjustment to the selling price based on a survey of the goods by the customer, recognition of the sales revenue is based on the most recently determined estimate of product specification.

Sales on FOB (free on board) and CIF (cost insurance freight) are recognised on the date of loading.

In the case of certain commodities the final selling price is determined a number of months after the concentrate is delivered. Revenue is measured at the best estimate of future prices and adjusted subsequently in revenue.

Cost of sales

All costs directly related to the producing of products are included in cost of sales. Costs that cannot be directly linked are included separately or under other operating expenses. When inventories are sold, the carrying amount is recognised in cost of sales. Any write-down, losses or reversals of previous write-downs or losses are recognised in cost of sales.

Early settlement discounts and rebates

These are deducted from revenue and cost of inventories when applicable.

Reinsurance

Premiums are disclosed on a gross basis in other operating income. Claims are presented on a gross basis in receivables and payables. The Group cedes insurance risk in the normal course of business for the majority of its business.

Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from other operations, whose operating results are regularly reviewed by the entity's chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance.

A geographical segment is a group of products and services within a particular economic environment that is subject to risks and returns that are different from segments operating in other economic environments.

Contingent liabilities

A contingent liability is a possible obligation that arises from past events and which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that arises from past events but is not recognised because it is not probable the obligation will be required to be settled, or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognised as liabilities.

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make certain estimates. The principles used are the same as in previous years. When estimates are compared to actual and variances occur, the estimates are adjusted accordingly. Adjustments to estimates are a normal occurrence in light of the significant judgements and estimates involved. Factors influencing changes in the above include, amongst others, revisions to estimated reserves, resources and life of operations, developments in technology, regulatory requirements and environmental management strategies, changes in estimated costs of anticipated activities, inflation rates, foreign exchange rates and movements in interest rates affecting the discount rate applied. For assumptions on certain specific estimates used, refer to individual notes. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described below.

Capitalised stripping costs

Waste removal costs (stripping costs) are incurred during the development and production phases at surface mining operations. Furthermore, during the production phase, stripping costs are incurred in the production of inventory as well as in the creation of future benefits by improving access and mining flexibility in respect of the ore to be mined, the latter being referred to as a "stripping activity asset". Judgement is required to distinguish between these two activities at each of the surface operations.

The ore bodies need to be identified in its various separately identifiable components for each of its surface mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Judgement is required to identify and define these components, and also to determine the expected volumes (tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments may vary between mines because the assessments are undertaken for each individual mine and are based on a combination of information available in the mine plans, specific characteristics of the ore body, the milestones relating to major capital investment decisions, and the type of minerals being mined.

Judgement is also required to identify a suitable production measure that can be applied in the calculation and allocation of production stripping costs between inventory and the stripping activity asset. The ratio of expected volume (tonnes) of waste to be stripped for an expected volume (tonnes) of ore to be mined for a specific component of the ore body, compared to the current period ratio of actual volume (tonnes) of waste to the volume (tonnes) of ore is considered to determine the most suitable production measure.

These judgements and estimates are used to calculate and allocate the production stripping costs to inventory and/or the stripping activity asset(s). Furthermore, judgements and estimates are also used to apply the units-of-production method in determining the depreciable lives of the stripping activity asset.

Mine rehabilitation provisions

Mine rehabilitation provisions are assessed annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceed the carrying value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss.

Other resources and reserves estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the mining properties. Ore reserves and mineral resource estimates are based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and require complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production depreciation methodologies are available to choose from; the Group adopts a run-of-the-mine tonnes of ore produced methodology for mining costs and an ounces/pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

Impairment of assets

Each cash-generating unit is assessed annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future approved expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted by an appropriate discount rate, taking into account factors, including weighted average cost of capital and applicable risk factors, to determine the net present value.

Asset useful lives and residual values

These are assessed annually and may differ from previous years as many estimates and assumptions are used to determine the values. Estimates and assumptions are updated to improve the judgements made.

Share-based payments

Estimation of the fair value of share-based payments requires determining the most appropriate model, inputs such as the expected life of the option, volatility and dividend yields.

Definitions

Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. These are classified as:

- Cash and cash equivalents available for any use at any time; or
- Cash and cash equivalents set aside for specific short-term cash commitment purposes but still accessible, if need be, although after certain processes (stated separately at the carrying value in the notes).

For cash flow purposes, overdrafts are deducted from cash and cash equivalents that are on the statement of financial position.

Cash set aside for specific use

Cash and cash equivalents which is set aside for specific use and is stated separately at the carrying value in the notes and statement of cash flows. It includes cash and cash equivalents set aside for specific short-term cash commitment purposes but still accessible, although after certain processes, if need be.

Financial assets

Include cash on hand and call deposits, as well as short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value but are not available for use as they are not accessible due to externally imposed restrictions (i.e. technically 'restricted') as the cash is ring-fenced for specific/dedicated use. This is not considered to be Cash and cash equivalents.

Active market

This is normally a stock exchange where the public can purchase and sell shares on a regular basis and prices are determined by the market conditions.

Basic earnings per share

Basic earnings divided by the weighted average number of shares in issue.

Headline earnings per share

Headline earnings comprise earnings for the year, adjusted for profits/losses as a remeasurement in accordance with the requirements of Circular 1 of 2019 issued by SAICA. Adjustments against earnings take account of attributable taxation and non-controlling interests. The adjusted earnings figure is divided by the weighted average number of shares in issue to arrive at headline earnings per share.

Amortised cost

This is calculated using the effective interest method less any provision for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Fair value

Where an active market is available, it is used to represent fair value. Where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions with reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; or other valuation models.

Effective interest method

This method determines the rate that discounts the estimated future cash flow payments or receipts through the expected life of the financial liability or financial asset to the net carrying amount of the financial liability or asset.

Diluted earnings per share

Diluted earnings per share is arrived at by dividing earnings (as used in calculating basic earnings per share) by the weighted average number of ordinary shares, adjusted for any financial instruments or other contracts that may entitle the holder thereof to ordinary shares. Diluted headline earnings per share are calculated on the same basis as diluted earnings per share.

Cash generated from operations per share

Cash generated from operations divided by the weighted average number of shares in issue during the year.

Capital items

These are items that are of a capital nature and not part of the operating activities and that qualify for adjustment to the calculation of headline earnings. These were previously classified as special items.

EBITDA before capital items, income from associates and joint venture

This comprises basic earnings, to which is added back non-controlling interest, taxation, capital items, income from associate, income from joint venture, finance cost, income from investments, amortisation and depreciation.

New standards issued but not yet effective

The following new standards and/or amendments have been issued but are only applicable for future periods.

Standards	Subject	Effective date
IAS 1	Presentation of financial statements – Amendment	1 January 2020
IAS 8	Accounting policies, changes in accounting estimates and errors – Amendment	1 January 2020
IFRS 3	Business Combinations − Amendment	1 January 2020
IFRS 9, IFRS 7 and IAS 39	Interest Rate Benchmark Reform – Amendment	1 January 2020
IFRS 17	Insurance Contracts	1 January 2023

New accounting standards, amendments issued to accounting standards, and interpretations which are relevant to ARM, but not yet effective on 30 June 2020, have not been adopted.

The Group does not intend early adopting any of the above amendments, standards or interpretations.

ARM continuously evaluates the impact of these standards and amendments, the adoption of which, are not expected to a significant effect on the Group Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS continued

2. PRIMARY SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is organised into the following operating divisions: ARM Platinum (which includes platinum and nickel), ARM Ferrous, ARM Coal and ARM Corporate.

Machadodorp Works, Corporate and other and Gold are included in ARM Corporate.

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjust-ment[2] Rm	Total per IFRS financial state-ments Rm
2.1 Year to 30 June 2020							
Sales	10 548	15 717	1 056	49	27 370	(15 717)	11 653
Cost of sales	(6 165)	(8 768)	(1 201)	(92)	(16 226)	8 734	(7 492)
Other operating income[3]	120	538	232	713	1 603	(443)	1 160
Other operating expenses[3]	(1 098)	(1 334)	(20)	(932)	(3 384)	1 334	(2 050)
Segment result	3 405	6 153	67	(262)	9 363	(6 092)	3 271
Income from investments	99	305	13	334	751	(305)	446
Finance cost	(120)	(53)	(173)	(104)	(450)	53	(397)
Income from associate[4]	–	–	33	–	33	–	33
Loss from joint venture	–	(127)	–	–	(127)	4 577	4 450
Capital items before tax	–	(38)	(937)	(756)	(1 731)	38	(1 693)
Taxation	(1 174)	(1 746)	211	(96)	(2 805)	1 729	(1 076)
Profit/(loss) after tax	2 210	4 494	(786)	(884)	5 034	–	5 034
Non-controlling interest	(1 068)	–	–	(1)	(1 069)	–	(1 069)
Consolidation adjustment[5]	–	(44)	–	44	–	–	–
Contribution to basic earnings/(losses)	1 142	4 450	(786)	(841)	3 965	–	3 965
Contribution to headline earnings/(losses)	1 142	4 479	(2)	(85)	5 534	–	5 534
Other information							
Segment assets, including investment in associate	10 179	22 835	3 375	11 449	47 838	(5 290)	42 548
Investment in associate			795		795		795
Investment in joint venture						17 545	17 545
Segment liabilities	2 924	2 090	1 748	1 580	8 342	(2 090)	6 252
Unallocated liabilities (tax and deferred tax)					5 388	(3 200)	2 188
Consolidated total liabilities					13 730	(5 290)	8 440
Cash inflow/(outflow) generated from operations	4 055	7 463	144	(333)	11 329	(7 463)	3 866
Cash inflow/(outflow) from operating activities	2 608	6 080	161	(2 690)	6 159	(2 330)	3 829
Cash outflow from investing activities	(829)	(2 183)	(192)	(1 322)	(4 526)	2 183	(2 343)
Cash (outflow)/inflow from financing activities	(127)	9	–	(147)	(265)	(9)	(274)
Capital expenditure	1 132	2 173	197	4	3 506	(2 173)	1 333
Amortisation and depreciation	448	994	197	7	1 646	(994)	652
Impairment before tax	–	7	941	750	1 698	(7)	1 691
EBITDA	3 853	7 147	264	(255)	11 009	(7 086)	3 923

1 Refer to ARM Ferrous segment note 2.4 and note 10 for more detail.
2 Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.
3 The re-measurement of the ARM Coal loans amounts to R147 million loss with no tax effect. The re-measurement of the Modikwa loans amounts to R8 million loss.
4 The re-measurement of the ARM Coal loans amounts to a profit of R279 million with no tax effect. Impairment losses included in income from associate are R4 million before tax of R1 million.
5 Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.

There were no significant inter-company sales.

2. PRIMARY SEGMENTAL INFORMATION CONTINUED

2.2 Year to 30 June 2019

Attributable	ARM Platinum Rm	ARM Ferrous[1] Rm	ARM Coal Rm	ARM Corporate Rm	Total Rm	IFRS Adjustment[2] Rm	Total per IFRS financial statements Rm
Sales	7 584	17 807	1 162	88	26 641	(17 807)	8 834
Cost of sales	(6 345)	(9 223)	(1 019)	(53)	(16 640)	9 191	(7 449)
Other operating income	78	158	201	600	1 037	(63)	974
Other operating expenses	(530)	(1 856)	(12)	(1 033)	(3 431)	1 856	(1 575)
Segment result	787	6 886	332	(398)	7 607	(6 823)	784
Income from investments	51	296	11	272	630	(296)	334
Finance cost	(87)	(38)	(167)	(55)	(347)	38	(309)
Profit from associate	–	–	276	–	276	–	276
Loss from joint venture[3]	–	(506)	–	–	(506)	5 008	4 502
Capital items before tax	(1 344)	(180)	(1)	(146)	(1 671)	180	(1 491)
Taxation	(68)	(1 911)	(38)	(118)	(2 135)	1 893	(242)
(Loss)/profit after tax	(661)	4 547	413	(445)	3 854	–	3 854
Non-controlling interest	(297)	–	–	(3)	(300)	–	(300)
Consolidation adjustment[4]	–	(45)	–	45	–	–	–
Contribution to basic (losses)/earnings	(958)	4 502	413	(403)	3 554	–	3 554
Contribution to headline earnings/(losses)	112	4 960	411	(257)	5 226	–	5 226
Other information							
Segment assets, including investment in associate	8 444	22 268	4 962	7 108	42 782	(5 566)	37 216
Investment in associate			1 837		1 837	–	1 837
Investment in joint venture						16 702	16 702
Segment liabilities	2 411	2 422	1 319	2 156	8 308	(2 422)	5 886
Unallocated liabilities (tax and deferred tax)					4 771	(3 144)	1 627
Consolidated total liabilities					13 079	(5 566)	7 513
Cash inflow generated from operations	1 739	7 177	281	103	9 300	(7 177)	2 123
Cash inflow/(outflow) from operating activities	1 298	5 913	284	(2 023)	5 472	(2 598)	2 874
Cash (outflow)/inflow from investing activities	(713)	(2 053)	(214)	(344)	(3 324)	2 053	(1 271)
Cash (outflow)/inflow from financing activities	(237)	–	(63)	19	(281)	–	(281)
Capital expenditure	885	2 108	244	5	3 242	(2 108)	1 134
Amortisation and depreciation	524	1 037	163	5	1 729	(1 037)	692
Impairment before tax	1 344	528	3	146	2 021	(528)	1 493
EBITDA	1 311	7 923	495	(393)	9 336	(7 860)	1 476

1 Refer to ARM Ferrous segment note 2.4 and note 10 for more detail.
2 Includes IFRS 11 – Joint Arrangements – adjustments related to ARM Ferrous.
3 Impairment loss included in income from joint venture R528 million before tax of R6 million.
4 Relates to fees capitalised in ARM Ferrous and reversed upon consolidation.

There were no significant inter-company sales.

The ARM Platinum segment is analysed further into Two Rivers Platinum Mine, ARM Mining Consortium (which includes Modikwa Platinum Mine) and Nkomati Nickel Mine.

2. PRIMARY SEGMENTAL INFORMATION

CONTINUED

2.3 Year to 30 June 2020

Attributable	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum total Rm
External sales	1 282	6 173	3 093	10 548
Cost of sales	(1 475)	(2 994)	(1 696)	(6 165)
Other operating income	12	21	87	120
Other operating expenses[1]	(523)	(383)	(192)	(1 098)
Segment result	(704)	2 817	1 292	3 405
Income from investments	7	25	67	99
Finance cost	(32)	(83)	(5)	(120)
Taxation	25	(786)	(413)	(1 174)
(Loss)/profit after tax	(704)	1 973	941	2 210
Non-controlling interest	–	(908)	(160)	(1 068)
Contribution to basic (losses)/earnings	(704)	1 065	781	1 142
Contribution to headline (losses)/earnings	(704)	1 065	781	1 142
Other information				
Segment and consolidated assets	445	6 029	3 705	10 179
Segment liabilities	1 009	1 339	576	2 924
Unallocated liabilities (tax and deferred tax)				1 363
Consolidated total liabilities				4 287
Cash (outflow)/inflow generated from operations	(121)	2 641	1 535	4 055
Cash (outflow)/inflow from operating activities	(132)	1 261	1 479	2 608
Cash outflow from investing activities	(51)	(428)	(350)	(829)
Cash outflow from financing activities	(6)	(72)	(49)	(127)
Capital expenditure	–	813	319	1 132
Amortisation and depreciation	–	355	93	448
EBITDA	(704)	3 172	1 385	3 853

1 *Includes R370 million for rehabilitation and decommissioning. The joint venture partners of Nkomati continue to scale down production volumes in preparation for care and maintenance, currently anticipated to be early in 2021.*

2. PRIMARY SEGMENTAL INFORMATION
CONTINUED

2.3 Year to 30 June 2019

Attributable	Nkomati Rm	Two Rivers Rm	Modikwa Rm	Platinum total Rm
External sales	1 523	3 994	2 067	7 584
Cost of sales	(1 744)	(2 949)	(1 652)	(6 345)
Other operating income	10	20	48	78
Other operating expenses	(140)	(159)	(231)	(530)
Segment result	(351)	906	232	787
Income from investments	7	12	32	51
Finance cost	(14)	(70)	(3)	(87)
Capital items before tax (refer note 32)	(1 344)	–	–	(1 344)
Taxation	317	(251)	(134)	(68)
(Loss)/profit after tax	(1 385)	597	127	(661)
Non-controlling interest	–	(275)	(22)	(297)
Contribution to basic (losses)/earnings	(1 385)	322	105	(958)
Contribution to headline (losses)/earnings	(315)	322	105	112
Other information				
Segment and consolidated assets	520	5 168	2 756	8 444
Segment liabilities	511	1 465	435	2 411
Unallocated liabilities (tax and deferred tax)				715
Consolidated total liabilities				3 126
Cash inflow generated from operations	(89)	1 229	599	1 739
Cash (outflow)/inflow from operating activities	(86)	761	623	1 298
Cash outflow from investing activities	(146)	(436)	(131)	(713)
Cash outflow from financing activities	(7)	(66)	(164)	(237)
Capital expenditure	168	587	130	885
Amortisation and depreciation	110	319	95	524
Impairment before tax	1 344	–	–	1 344
EBITDA	(241)	1 225	327	1 311

NOTES TO THE FINANCIAL STATEMENTS continued

2. PRIMARY SEGMENTAL INFORMATION

CONTINUED

2.4 Analysis of the ARM Ferrous segment on a 100% basis

	Iron ore division Rm	Manganese division Rm	ARM Ferrous total Rm	ARM share Rm	IFRS adjustment[1] Rm	Total per IFRS financial statements Rm
Year to 30 June 2020						
Sales	20 638	10 795	31 433	15 717	(15 717)	–
Cost of sales	(10 033)	(7 503)	(17 536)	(8 768)	8 768	–
Other operating income	1 235	701	1 936	538	(538)	–
Other operating expense	(2 267)	(1 258)	(3 525)	(1 334)	1 334	–
Segment result	9 573	2 735	12 308	6 153	(6 153)	–
Income from investments	595	15	610	305	(305)	–
Finance cost	(48)	(56)	(104)	(53)	53	–
Loss from joint venture	–	(254)	(254)	(127)	127	–
Capital items before tax	(64)	(13)	(77)	(38)	38	–
Taxation	(2 730)	(764)	(3 494)	(1 746)	1 746	–
Profit after tax	7 326	1 663	8 989	4 494	(4 494)	–
Consolidation adjustment				(44)	44	–
Contribution to basic earnings	7 326	1 663	8 989	4 450	–	4 450
Contribution to headline earnings	7 376	1 672	9 048	4 479	–	4 479
Other information						
Consolidated total assets	22 002	25 132	47 134	22 835	(5 291)	17 545
Consolidated total liabilities	4 953	6 036	10 989	2 090	(2 090)	–
Capital expenditure	2 223	2 314	4 537	2 173	(2 173)	–
Amortisation and depreciation	1 419	637	2 056	994	(994)	–
Cash inflow from operating activities	4 980[2]	3 429	8 409	6 080	(6 080)	–
Cash outflow from investing activities	(2 099)	(2 267)	(4 366)	(2 183)	2 183	–
EBITDA	10 992	3 372	14 364	7 147	(7 147)	
Additional information for ARM Ferrous at 100%						
Non-current assets						
Property, plant and equipment			27 306		(27 306)	–
Investment in joint venture			1 442		(1 442)	–
Other non-current assets			1 542		(1 542)	–
Current assets						
Inventories			5 198		(5 198)	–
Trade and other receivables			5 131		(5 131)	–
Financial assets			99		(99)	–
Cash and cash equivalents			6 416		(6 416)	–
Taxation			189		(189)	–
Non-current liabilities						
Other non-current liabilities			8 303		(8 303)	–
Current liabilities						
Trade and other payables			1 813		(1 813)	–
Short-term provisions			1 024		(1 024)	–

1 Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.
2 Dividend paid amounting to R3.8 billion included in cash flows from operating activities.

Refer note 2.1 and note 10 for more detail on the ARM Ferrous segment.

2. PRIMARY SEGMENTAL INFORMATION CONTINUED

2.4 Analysis of the ARM Ferrous segment on a 100% basis continued

	Iron ore division Rm	Manganese division Rm	Chrome division Rm	ARM Ferrous Total Rm	ARM share Rm	IFRS adjust-ment[1] Rm	Total per IFRS financial state-ments Rm
Year to 30 June 2019							
Sales	20 827	14 786	–	35 613	17 807	(17 807)	–
Cost of sales	(10 151)	(8 295)	1	(18 445)	(9 223)	9 223	–
Other operating income	750	544	5	1 299	158	(158)	–
Other operating expense	(2 599)	(2 083)	(11)	(4 693)	(1 856)	1 856	–
Segment result	8 827	4 952	(5)	13 774	6 886	(6 886)	–
Income from investments	583	31	–	614	296	(296)	–
Finance cost	(44)	(52)	–	(96)	(38)	38	–
Loss from joint venture	–	(1 012)	–	(1 012)	(506)	506	–
Capital items before tax	(2)	(358)	–	(360)	(180)	180	–
Taxation	(2 569)	(1 254)	–	(3 823)	(1 911)	1 911	–
Profit/(loss) after tax	6 795	2 307	(5)	9 097	4 547	(4 547)	–
Consolidation adjustment				–	(45)	45	–
Contribution to basic earnings	6 795	2 307	(5)	9 097	4 502	–	4 502
Contribution to headline earnings	6 795	3 221	(5)	10 011	4 960	–	4 960
Other information	–						
Consolidated total assets	24 113	21 793	–	45 906	22 268	(5 566)	16 702
Consolidated total liabilities	6 865	4 672	–	11 537	2 422	(2 422)	–
Capital expenditure	2 097	2 310	–	4 407	2 108	(2 108)	–
Amortisation and depreciation	1 457	681	–	2 138	1 037	(1 037)	–
Cash inflow from operating activities	2 856[2]	5 654	–	8 510	5 913	(5 913)	–
Cash outflow from investing activities	(2 040)	(2 065)	–	(4 105)	(2 053)	2 053	–
EBITDA	10 284	5 633	(5)	15 912	7 923	(7 923)	–
Additional information for ARM Ferrous at 100%							
Non-current assets							
Property, plant and equipment				24 823		(24 823)	–
Investment in joint venture				1 412		(1 412)	–
Other non-current assets				919		(919)	–
Current assets							
Inventories				4 961		(4 961)	–
Trade and other receivables				7 473		(7 473)	–
Financial assets				188		(188)	–
Cash and cash equivalents				6 105		(6 105)	–
Non-current liabilities							
Other non-current liabilities				7 522		(7 522)	–
Current liabilities							
Trade and other payables				2 664		(2 664)	–
Short-term provisions				983		(983)	–
Taxation				308		(308)	–

1 Includes consolidation and IFRS 11 – Joint Arrangements – adjustments.
2 Dividend paid amounting to R3.3 billion included in cash flows from operating activities.

Refer note 2.1 and note 10 for more detail on the ARM Ferrous segment.

ARM Corporate as presented in the table on pages 48 and 49 is analysed further into Machadodorp, Corporate and other, and Gold segments.

2. PRIMARY SEGMENTAL INFORMATION

CONTINUED

2.5 Additional information

	Machadodorp Works Rm	Corporate and other[1] Rm	Gold[2] Rm	F2020 Total ARM Corporate Rm
Year to 30 June 2020				
Sales	49	–		49
Cost of sales	(142)	50		(92)
Other operating income	5	708		713
Other operating expenses	(133)	(799)		(932)
Segment result	(221)	(41)		(262)
Income from investments	–	334		334
Finance costs	(18)	(86)		(104)
Capital items before tax (refer note 32)[3]	(7)	(749)		(756)
Taxation	76	(172)		(96)
Loss after tax	(170)	(714)		(884)
Non-controlling interest	–	(1)		(1)
Consolidation adjustments[4]		44		44
Contribution to basic losses	(170)	(671)		(841)
Contribution to headline (losses)/earnings	(163)	78		(85)
Other information				
Segment and consolidated assets	89	5 994	5 366	11 449
Segment liabilities	370	1 210		1 580
Cash inflow/(outflow) from operating activities	4	(2 694)		(2 690)
Cash outflow from investing activities	–	(1 322)		(1 322)
Cash outflow from financing activities	–	(147)		(147)
Capital expenditure	–	4		4
Amortisation and depreciation	2	5		7
Impairment before tax	7	743		750
EBITDA	(219)	(36)		(255)

1 Includes a re-measurement loss on the loans to Modikwa and ARM Coal of R68 million (F2019: R40 million).

2 The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).

3 Corporate and other includes an impairment on the investment in associate of R743 million with no tax effect.

4 Relates to fees capitalised in ARM Ferrous and reversed on consolidation.

2. PRIMARY SEGMENTAL INFORMATION
CONTINUED

2.5 Additional information continued

	Machadodorp Works Rm	Corporate and other[1] Rm	Gold[2] Rm	F2020 Total ARM Corporate Rm
Year to 30 June 2019				
Sales	88			88
Cost of sales	(103)	50		(53)
Other operating income	1	599		600
Other operating expenses	(39)	(994)		(1 033)
Segment result	(53)	(345)		(398)
Income from investments	–	272		272
Finance costs	(6)	(49)		(55)
Capital items before tax (refer note 32)	(146)	–		(146)
Taxation	23	(141)		(118)
Loss after tax	(182)	(263)		(445)
Non-controlling interests[3]		(3)		(3)
Consolidation adjustment[3]		45		45
Contribution to basic losses	(182)	(221)		(403)
Contribution to headline losses	(36)	(221)		(257)
Other information				
Segment and consolidated assets	208	4 530	2 370	7 108
Segment liabilities	268	1 888		2 156
Cash inflow/(outflow) from operating activities	5	(2 028)		(2 023)
Cash outflow from investing activities	–	(344)		(344)
Cash inflow from financing activities	–	19		19
Capital expenditure	–	5		5
Amortisation and depreciation	2	3		5
Impairment before tax	146	–		146
EBITDA	(51)	(342)		(393)

1 *Includes a re-measurement loss on the loans to Modikwa and ARM Coal of R68 million (F2019: R40 million).*
2 *The share price of Harmony increased from R31.74 per share at 30 June 2019 to R71.86 at 30 June 2020 and increased from R21.22 at 30 June 2018 to R31.74 per share at 30 June 2019. The valuation of the investment in Harmony is based on a level 1 fair value hierarchy level in terms of International Financial Reporting Standards (IFRS).*
3 *Relates to fees capitalised in ARM Ferrous and reversed on consolidation.*

2. PRIMARY SEGMENTAL INFORMATION CONTINUED

2.6 Segmental information

Geographical segments

The Group operates principally in South Africa however, Sakura operates in Malaysia.

	Group F2020 Rm	Group F2019 Rm
Assets by geographical area in which the assets are located are as follows:		
– South Africa	**36 569**	34 257
– Europe	**878**	446
– Americas	**139**	–
– Far and Middle East	**4 962**	2 441
– Other	**–**	72
	42 548	37 216
Sales by geographical area:		
– South Africa	**10 453**	7 499
– Europe	**1 200**	1 335
	11 653	8 834
Sales to major customers:		
The only segment that is affected by the requirement to show this analysis is the platinum segment and the breakdown is as follows:		
– Rustenburg Platinum Mines Limited	**3 093**	2 067
– Impala Platinum Limited	**6 173**	3 994
Capital expenditure		
– South Africa	**1 333**	1 134
	1 333	1 134

3. PROPERTY, PLANT AND EQUIPMENT

	Group								
	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral rights Rm	Mine properties Rm	Furniture equipment and vehicles Rm	Finance leases Rm	Right-of-use assets Rm	Total property, plant and equipment Rm
Cost									
Balance at 30 June 2018	7 041	5 065	638	2 431	369	946	396	–	16 886
Additions	745	200	3	–	–	78	108	–	1 134
Acquisition of Machadodorp Works	–	8	1	–	33	–	–	–	42
Change in estimates[1]	(2)	–	6	–	–	–	–	–	4
Reclassifications	(71)	32	–	–	–	45	–	–	6
Derecognition	–	–	–	–	–	(6)	(44)	–	(50)
Disposals	(4)	(14)	–	–	–	(34)	–	–	(52)
Balance at 30 June 2019	7 709	5 291	648	2 431	402	1 029	460	–	17 970
Balance at 1 July 2019	**7 709**	**5 291**	**648**	**2 431**	**402**	**1 029**	**460**	**41**	**18 011**
Additions	**667**	**260**		**–**	**1**	**104**	**–**	**292**	**1 324**
Change in estimates[1]	**–**	**–**	**(34)**	**–**	**–**	**–**	**–**	**–**	**(34)**
Reclassifications[2]	**(48)**	**13**	**1**	**–**	**(24)**	**34**	**(394)**	**394**	**(24)**
Capitalised stock	**–**	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
Derecognition	**–**	**–**	**–**	**–**	**–**	**–**	**(66)**	**–**	**(66)**
Disposals	**(113)**	**(358)**	**(6)**	**–**	**–**	**(77)**	**–**	**(10)**	**(564)**
Balance at 30 June 2020	**8 215**	**5 231**	**609**	**2 431**	**379**	**1 090**	**–**	**717**	**18 672**
Accumulated amortisation, depreciation and impairment									
Balance at 30 June 2018	4 010	2 304	244	1 500	4	626	282	–	8 970
Charge for the year	232	206	38	67	–	91	52	–	686
Reclassifications	–	7	–	–	–		–	–	7
Derecognition	–	–	–	–	–	(6)	(44)	–	(50)
Disposals	(4)	(12)	–	–	–	(33)	–	–	(49)
Impairment (refer note 38)	678	588	63	–	–	4	11	–	1 344
Balance at 30 June 2019	**4 916**	**3 093**	**345**	**1 567**	**4**	**682**	**301**	**–**	**10 908**
Balance at 1 July 2019	**4 916**	**3 093**	**345**	**1 567**	**4**	**682**	**301**	**–**	**10 908**
Charge for the year	**199**	**182**	**24**	**40**		**103**	**–**	**96**	**644**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**	**(233)**	**233**	**–**
Derecognition	**–**	**–**	**–**	**–**	**–**	**–**	**(66)**	**–**	**(66)**
Disposals	**(113)**	**(360)**	**(6)**	**–**	**–**	**(76)**	**–**	**(3)**	**(558)**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**(2)**	**–**	**(2)**
Impairment (refer note 38)	**278**	**140**	**17**	**94**	**3**	**2**	**–**	**1**	**535**
Balance at 30 June 2020	**5 280**	**3 055**	**380**	**1 701**	**7**	**711**	**–**	**327**	**11 461**
Carrying value at 30 June 2019	2 793	2 198	303	864	398	347	159	–	7 062
Carrying value at 30 June 2020	**2 935**	**2 176**	**229**	**730**	**372**	**379**	**–**	**390**	**7 211**

1 Change in estimates relates to Land, the fair value adjustment made on the variable consideration payable by Two Rivers to Dwarsrivier. The effect in future periods is not disclosed because estimating it is impracticable.

2 Certain mine properties were reclassified to Investment property (refer note 5).

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Borrowing costs

No borrowing costs were capitalised for the year to 30 June 2020 (F2019: nil).

Pledged assets

The carrying value of assets pledged as security for loans amounts to R3.5 billion (F2019: R5.1 billion). Refer to note 18 for security granted in respect of loans to Two Rivers and ARM Coal. The carrying value of plant and machinery held under finance leases at year end was Rnil (F2019: R158 million). Refer note 4 for IFRS 16 Right-of-use assets.

Leased assets are pledged as security for the related finance lease.

Registers containing details of mineral and mining rights and land and buildings are available for inspection during business hours at the registered addresses of the respective Company or associated entities by members or their duly authorised agents.

3. PROPERTY, PLANT AND EQUIPMENT
CONTINUED

	Company								
	Mine development and decom-missioning assets Rm	Plant and machinery Rm	Land and buildings Rm	Mineral properties Rm	Mine rights Rm	Furniture equipment and vehicles Rm	Finance leases Rm	Right-of-use assets Rm	Total property, plant and equipment Rm
Cost									
Balance at 30 June 2018	3 649	2 547	205	–	574	249	62	–	7 286
Additions	305	102	3	–	–	7	–	–	417
Acquisition of Machadodorp Works	–	8	1	33	–	–	–	–	42
Reclassifications	–	6	–	–	–	–	–	–	6
Derecognition	–	–	(1)	–	–	–	–	–	(1)
Disposals	(4)	(13)	–	–	–	(5)	–	–	(22)
Balance at 30 June 2019	**3 950**	**2 650**	**208**	**33**	**574**	**251**	**62**	**–**	**7 728**
Balance at 1 July 2019	**3 950**	**2 650**	**208**	**33**	**574**	**251**	**62**	**42**	**7 770**
Additions	**104**	**81**	**–**	**–**	**–**	**8**	**–**	**–**	**193**
Reclassifications[1]	**–**	**1**	**(1)**	**(24)**	**–**	**–**	**(62)**	**62**	**(24)**
Disposals	**(60)**	**(177)**	**–**	**–**	**–**	**(4)**	**–**	**(7)**	**(248)**
Capitalised stock	**–**	**25**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
Balance at 30 June 2020	**3 994**	**2 580**	**207**	**9**	**574**	**255**	**–**	**97**	**7 716**
Accumulated amortisation, depreciation and impairment									
Balance at 30 June 2018	2 323	1 364	69	–	186	120	46	–	4 108
Charge for the year	84	154	7	–	16	6	5	–	272
Derecognition	–	(1)	–	–	–	–	–	–	(1)
Disposals	(4)	(11)	–	–	–	(5)	–	–	(20)
Impairment (refer note 38)	678	588	63	–	–	4	11	–	1 344
Reclassifications		7	–	–	–	–	–	–	7
Balance at 30 June 2019	**3 081**	**2 101**	**139**	**–**	**202**	**125**	**62**	**–**	**5 710**
Balance at 1 July 2019	**3 081**	**2 101**	**139**	**–**	**202**	**125**	**62**	**–**	**5 710**
Charge for the year	**43**	**117**	**2**	**–**	**16**	**6**	**–**	**18**	**202**
Disposals	**(60)**	**(177)**	**–**	**–**	**–**	**(4)**	**–**	**(3)**	**(244)**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**	**(62)**	**62**	**–**
Impairment (refer note 38)	**278**	**140**	**17**	**3**	**94**	**2**	**–**	**1**	**535**
Balance at 30 June 2020	**3 342**	**2 181**	**158**	**3**	**312**	**129**	**–**	**78**	**6 203**
Carrying value at 30 June 2019	869	549	69	33	372	126	–	–	2 018
Carrying value at 30 June 2020	**652**	**399**	**49**	**6**	**262**	**126**	**–**	**19**	**1 513**

1 *Certain mine properties were reclassified to Investment property (refer note 5).*

3. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Borrowing costs

No borrowing costs were capitalised for the year to 30 June 2020 (F2019: nil).

Pre-stripping cost

The pre-stripping cost asset included under mine development and decommissioning assets amounts to nil (F2019: nil).

Pledged assets

The carrying value of assets pledged as security for loans amounts to R3.1 billion (F2019: R4.9 billion). Refer to note 18 for security granted in respect of loans to ARM Coal. The carrying value of plant and machinery held under finance leases at year end was nil (F2019: nil). Refer note 4 for IFRS 16 Right-of-use assets.

Registers containing details of mineral and mining rights and land and buildings are available for inspection during business hours at the registered addresses of the respective Company or associated entities by members or their duly authorised agents.

4. LEASES

The Group has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

There are several lease contracts that include extension and termination options which are further discussed below.

	Group			
	Plant and machinery Rm	**Land and buildings Rm**	**Furniture equipment and vehicles Rm**	**Total right-of-use assets Rm**
Cost				
Balance at 1 July 2019	19	21	1	41
Additions	194	95	3	292
Reclassifications	394	–	–	394
Derecognition	(10)	–	–	(10)
Balance at 30 June 2020	**597**	**116**	**4**	**717**
Accumulated amortisation, depreciation and impairment				
Balance at 1 July 2019	–	–	–	–
Charge for the year	85	9	2	96
Reclassifications	233	–	–	233
Derecognition	(3)	–	–	(3)
Impairment (refer note 38)	1	–	–	1
Balance at 30 June 2020	**316**	**9**	**2**	**327**
Carrying value at 30 June 2020	**281**	**107**	**2**	**390**

4. LEASES CONTINUED

Set out below are the carrying amounts of lease liabilities included under interest-bearing loans and borrowings (refer note 18) and the movements during the period:

	F2020 Rm
Reconciliation of lease liabilities	
Opening balance 1 July 2019	41
Additions	311
Reclassification	140
Interest	24
Repayments	(140)
Closing balance at 30 June 2020	**376**
Current	143
Non-current	233
The maturity analysis of lease liabilities are disclosed in note 18.	
The following are the amounts recognised in profit or loss:	
Depreciation and impairment expense of right-of-use assets	97
Interest expense lease liabilities	24
Expense relating to leases of low-value assets (included in other operating expenses)	–
Variable lease payments (included in cost of sales)	–
Total amount recognised in profit or loss	**121**

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years, while motor vehicles and other equipment generally have lease terms between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Company is restricted from assigning and subleasing the leased assets and some contracts require the Company to maintain certain financial ratios.

There are several lease contracts that include extension and termination options which are further discussed below.

	Company		
	Plant and machinery Rm	Land and buildings Rm	Total right-of-use assets Rm
Cost			
Balance at 1 July 2019	19	23	42
Reclassifications	62		62
Derecognition	(7)	–	(7)
Balance at 30 June 2020	**74**	**23**	**97**
Accumulated amortisation, depreciation and impairment			
Balance at 1 July 2019	–	–	–
Charge for the year	11	7	18
Derecognition	(3)	–	(3)
Reclassifications	62	–	62
Impairment (refer note 38)	1	–	1
Balance at 30 June 2020	**71**	**7**	**78**
Carrying value at 30 June 2020	**3**	**16**	**19**

4. LEASES CONTINUED

Set out below are the carrying amounts of lease liabilities included under interest-bearing loans and borrowings (refer note 18) and the movements during the period:

	F2020 Rm
Reconciliation of lease liabilities	
Opening balance 1 July 2019	42
Derecognition	(3)
Interest	2
Repayments	(18)
Closing balance at 30 June 2020	**23**
Current	15
Non-current	8
The maturity analysis of lease liabilities are disclosed in note 18.	
The following are the amounts recognised in profit or loss:	
Depreciation and impairment expense of right-of-use assets	19
Interest expense on lease liabilities	2
Expense relating to short-term leases (included in cost of sales)	–
Expense relating to leases of low-value assets (included in other operating expenses)	–
Variable lease payments (included in cost of sales)	–
Total amount recognised in profit or loss	**21**

5. INVESTMENT PROPERTY

	Group		Company	
	F2020 Rm	2019 Rm	F2020 Rm	2019 Rm
Cost				
Transfer from mine properties	**24**	–	**24**	–
Accumulated amortisation	**–**	–	**–**	–
Carrying value	**24**	–	**24**	–

Mine properties at Machadodorp Works that were transferred from property, plant and equipment that are now rented out to non-employees.

The rental income received included in the statement of profit or loss is R5 million (F2019: nil).

6. INTANGIBLE ASSETS

	Group			Company
	Total Rm	Other Rm	RBCT entitlement Rm	RBCT entitlement Rm
Cost				
Balance at 30 June 2018	225	1	224	224
Additions	–	–	–	–
Balance at 30 June 2019	225	1	224	224
Additions	8	–	8	8
Disposals	(3)	–	(3)	(3)
Balance 30 June 2020	**230**	**1**	**229**	**229**
Accumulated amortisation and impairment				
Balance at 30 June 2018	105	1	104	104
Charge for the year	6	–	6	6
Balance at 30 June 2019	111	1	110	110
Charge for the year	8	–	8	8
Disposals	(3)	–	(3)	(3)
Impairment	31	–	31	31
Balance at 30 June 2020	**147**	**1**	**146**	**146**
Carrying value at 30 June 2019	114	–	114	114
Carrying value at 30 June 2020	**83**	**–**	**83**	**83**

Finite life intangible assets which are amortised comprise of the RBCT entitlement held by the Glencore Operations South Africa Proprietary Limited to which ARM Coal has a right of R83 million (F2019: R114 million).

There are no indefinite life intangible assets. The export rights relating to the entitlement in RBCT are amortised on a units of export sales method. The remaining amortisation period of the RBCT entitlement is limited to 15 years (F2019: 16 years).

NOTES TO THE FINANCIAL STATEMENTS continued

	Group		Company	
	F2020 Rm	2019 Rm	**F2020 Rm**	2019 Rm
7. LOANS AND LONG-TERM RECEIVABLES				
Long-term receivables	**278**	283	**812**	772
Total	**278**	283	**812**	772
Long-term receivables are held are as follows:				
ARM Coal	**48**	59	**48**	59
Glencore South Africa	**230**	224	**230**	224
Loan to PCB from ARM	**–**	–	**534**	489
	278	283	**812**	772

The ARM Coal (Pty) Ltd ("ARM Coal") loan relates to a loan to RBCT for the construction of the phase V expansion of RBCT. (refer note 18).

The Glencore South Africa loan represents balances between GOSA and ARM Coal.

ARM Coal, an entity jointly controlled by ARM Limited (51%) and Glencore Operations South Africa (Pty) Ltd ("GOSA") (49%), has recorded an amount payable by GOSA to ARM Coal of R452 million (ARM's attributable portion: R230 million) as a long-term receivable ('receivable'). This amount is included in the total long-term receivables for group and company of R278 million and R812 million respectively.

ARM Coal, to the date of this report, is unable to provide sufficient evidence to validate this receivable in its accounting records. As such, the long-term receivables are potentially overstated by R452 million (ARM's attributable portion: R230 million) in the financial results of ARM and ARM Coal.

ARM is investigating the matter internally to determine whether the receivable can be validated. An independent forensic expert has been appointed to commence a parallel, external and independent investigation process.

Due to the uncertainty whether the receivable can be validated ARM management has taken the view to continue to recognise the asset, consistent with prior years, until the outcome of the investigation processes reveals otherwise. The above matters have resulted in the qualification in the audit report by the external auditor of the loans and long-term receivables line item in the Statements of Financial Position in the ARM Group and Company Financial Statements.

The R230 million receivable represents 0.72% of group non-current assets, 0.54% of group total assets, 1.8% of company non-current assets and 1.3% of company total assets.

	Group		Company	
	F2020 Rm	2019 Rm	**F2020 Rm**	2019 Rm
8. OTHER NON-CURRENT FINANCIAL ASSETS				
Insurance reimbursement[1]	**–**	–	**189**	319
Mannequin Captive Cell (Cell AVL 18)	**189**	–	**–**	–
ARM Coal[2]	**41**	–	**41**	–
	230	–	**230**	319

1 *The insurance reimbursement relates to the Silicosis and tuberculosis class action (refer note 20).*

2 *Guarantees issued by ARM Coal to the DMRE amounting to R41 million (F2019: Rnil).*

9. INVESTMENT IN ASSOCIATE

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Through ARM's 51% investment in ARM Coal and ARM's 10% direct investment, the Group holds a 20.2% investment in the Participative Coal Business of Glencore Operations South Africa Proprietary Limited (GOSA).				
Opening balance	**1 837**	1 936	**841**	841
Share of profit for the current year	**33**	276	**–**	–
(Loss)/profit for the current year	**(246)**	221	**–**	–
Re-measurement of loans (refer note 29)	**279**	55	**–**	–
Loan movements	**46**	(237)	**–**	–
Impairment on investment (refer note 38)	**(1 121)**	–	**(581)**	–
Closing balance	**795**	1 975	**260**	841
Less: Dividend received in prior years	**–**	(138)	**–**	–
Total investment	**795**	1 837	**260**	841
PCB at 100%[1]				
Revenue	**9 901**	12 895		
(Loss)/profit from operations	**(467)**	2 762		
Loss for the year	**(462)**	(1 221)		
Statement of financial position				
Non-current assets	**21 840**	25 050		
Current assets	**1 327**	3 697		
Total assets	**23 167**	28 747		
Less:				
Non-current liabilities	**(13 123)**	(18 180)		
Current liabilities	**(558)**	(1 473)		
Net assets	**9 486**	9 094		

1 An impairment was recognised at ARM Coal for the investment in associate.

10. INVESTMENT IN JOINT VENTURE

The investment relates to ARM Ferrous and consists of Assmang as a joint venture which includes iron ore, manganese and for part of F2019 chrome operations, until the disposal of Machadodorp Works (refer note 40).

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Opening balance	**16 702**	15 504	**259**	259
Net income for the period[1]	**4 450**	4 502	**–**	–
Income for the period	**4 494**	4 547	**–**	–
Consolidation adjustment	**(44)**	(45)	**–**	–
Foreign currency translation reserve	**143**	11	**–**	–
Less: Cash dividend received for the period	**(3 750)**	(3 315)		
Closing balance	**17 545**	16 702	**259**	259

1 Includes expected credit losses recorded of R74 million less tax of R1 million (F2019: R123 million less tax of R16 million). F2019 includes a profit on sale of Machadodorp Works of R91 million less tax of R26 million.

Refer to notes 2.1, 2.2 and 2.4 for more detail on the ARM Ferrous segment.

NOTES TO THE FINANCIAL STATEMENTS continued

	Group		Company	
	F2020 Rm	2019 Rm	**F2020 Rm**	2019 Rm
11. OTHER INVESTMENTS				
Listed investment[1]				
Harmony				
Opening balance	**2 370**	1 351	**2 370**	1 351
Additional purchase of 11 032 623 shares	**–**	211	**–**	211
Financial instruments at fair value through other comprehensive income	**2 996**	808	**2 996**	808
	5 366	2 370	**5 366**	2 370
Preference shares	**1**	1		
Total – listed investments classified as fair value through other comprehensive income	**5 367**	2 371	**5 366**	2 370
Market value of listed investments	**5 367**	2 371	**5 366**	2 370
Other investments				
Guardrisk	**30**	26	**30**	26
RBCT[2]	**238**	251	**238**	251
Loans (refer page 116)[3]	**–**	–	**1 267**	1 147
Subsidiaries companies unlisted				
Cost of investments in subsidiaries (refer page 114)			**1 476**	1 476
Loans owing by subsidiaries (refer page 114)[3]			**1 082**	1 409
Total subsidiaries			**2 558**	2 885
Total unlisted investments	**268**	277	**4 093**	4 309
Total carrying amount investments	**5 635**	2 648	**9 459**	6 679

On 17 July 2018, ARM subscribed to 11 032 623 shares in Harmony at a total cost of R211 million (i.e. R19.12 per share).

ARM Treasury Investments Proprietary Limited holds R1 million (F2019: R1 million) listed preference shares.

The market value of the listed investments are determined by reference to the market share price at 30 June 2020 and 30 June 2019.

Certain listed shares have been pledged as security for the ARM corporate loan which at 30 June 2020 was nil (F2019: nil) (refer note 18). The book value of the pledged shares amounts to R3 162 million (F2019: R1 397 million).

A report on investments appears on pages 114 to 116.

1 Harmony Gold 74 665 545 shares at R71.86 per share at 30 June 2020 (30 June 2019: 74 665 545 shares at R31.74 per share).

2 Unlisted investments subject to adjustment – Investment in Richards Bay Coal Terminal (RBCT).
This investment is held by ARM Coal which is a jointly-controlled operation of ARM and Glencore Operations South Africa Proprietary Limited (GOSA), and hence ARM's share of the investment is recognised in the ARM company financial statements. The fair value of the investment was determined by calculating the present value of the future wharfage cost savings by being a shareholder in RBCT as opposed to the wharfage payable by non-shareholders.
The current financial year's fair value adjustment is accounted for through profit or loss. This is a level 3 valuation in terms of IFRS 7 and 13. The fair value is most sensitive to wharfage cost. The current RBCT valuation is based on a wharfage cost differential of R42/tonne (F2019: R44/tonne). If increased by 10% this would result in a R24 million (F2019: R25 million) increase in the valuation on the RBCT investment. If decreased by 10% this would result in a R24 million (F2019: R25 million) decrease in the valuation on the RBCT investment. The valuation is calculated based on the duration of the RBCT lease agreement with Transnet SOC Limited to 31 December 2038 (including renewal options), using a pre-tax discount rate of 19.4% (F2019: 20.9%).

	Group		Company	
	F2020 Rm	*F2019 Rm*	***F2020 Rm***	*F2019 Rm*
Opening balance	***251***	*176*	***251***	*176*
Fair value (loss)/gain	***(13)***	*75*	***(13)***	*75*
Closing balance	***238***	*251*	***238***	*251*

3 These loans are interest-free with no fixed terms of repayment except for:
(i) The loan to Venture Building Trust of R14 million (F2019: R14 million) bears interest at 2 % below the prime bank overdraft rate, which is currently 7.25 % (F2019: 10.25%) pa.,
(ii) ARM BBEE Trust of R1 267 million (F 2019: R1 147 million) which currently bears interest at LIBOR plus 4.25% (F2019 LIBOR plus 4.25%).
The maturity date of the ARM BBEE Trust loan was extended to 31 December 2022. The other terms and conditions remain unchanged.
The interest free non-current liability owed by ARM Mining Consortium Ltd to Rustenburg Platinum Mines Ltd (Anglo American Platinum Ltd) was remeasured resulting in a cumulative net fair value loss of R8 million (F2019: R13 million gain, of which R25 million fair value gain relates to prior periods (fair value gain recorded against retained earnings), and R12 million loss recorded in statement of profit or loss. African Rainbow Minerals Platinum Proprietary Limited repaid R485 million (F2019: R82 million) of its partner loans for the Company and includes a re-measurement gain of R127 million (F2019: R175 million).

	Group		Company	
	F2020 Rm	2019 Rm	**F2020 Rm**	2019 Rm
12. INVENTORIES				
Consumable stores	**61**	290	**61**	173
Finished goods	**296**	204	**253**	132
Ore stockpiles	**131**	107	**–**	8
Work-in-progress	**80**	75	**80**	75
	568	676	**394**	388

Stockpile quantities are determined using assumptions such as densities and grades which are based on studies, historical data and industry norms.

Value of inventories carried at net realisable value is R86 million (F2019: R72 million). Inventories to the value of R99 million (F2019: R102 million) have been pledged as security for loans in ARM Coal (refer note 18).

	Group		Company	
	F2020 Rm	2019 Rm	**F2020 Rm**	2019 Rm
13. TRADE AND OTHER RECEIVABLES				
Other receivables	**265**	353	**107**	208
Related parties (refer note 46)	**2 651**	2 030	**176**	97
Trade receivables	**107**	360	**119**	364
	3 023	2 743	**402**	669
Trade and other receivables are non-interest-bearing and are generally on 30–90 day payment terms.				
The carrying amount of trade and other receivables approximate their fair value.				
Payment terms which vary from the norm are: – PGM's which are paid approximately four months after delivery – 20 % of nickel delivered which is paid approximately five months after delivery				
Debtors analysis				
Outstanding on normal cycle terms	**3 023**	2 609	**402**	535
Outstanding longer than 30 days outside normal cycle	**–**	–	–	–
Outstanding longer than 60 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than 90 days outside normal cycle	**–**	–	**–**	–
Outstanding longer than 120 days outside normal cycle[1]	**–**	168	**–**	168
Less: expected credit loss	**–**	(34)	**–**	(34)
Total	**3 023**	2 743	**402**	669

1 No expected credit losses have been raised in F2020 on debtors (F2019: R34 million) as the balance is considered recoverable.

14. FINANCIAL ASSETS

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
– ARM Corporate	**1 074**	–	**1 074**	–
– Two Rivers	**25**	–	**–**	–
– Modikwa	**105**	–	**–**	–
– Nkomati	**51**	–	**51**	–
– Other	**54**	–	**66**	–
	1 309	–	**1 191**	–

During F2020, a portion of cash and cash equivalents were invested in fixed deposits with maturities longer than 3 months to achieve better returns. R1 024 million matures before 30 September 2020. To the extent that amounts are not re-invested in new investments with maturities of longer than 3 months, they again form part of cash and cash equivalents. The carrying amounts of the financial assets shown above approximate their fair value.

The following guarantees issued are included in financial assets:
- Guarantees issued by Two Rivers to DMRE, Eskom and BP Oil amounting to R25 million (F2019: Rnil).
- Guarantees issued by Nkomati to DMRE and Eskom amounting to R51 million (F2019: Rnil).
- Guarantees issued by Modikwa to DMRE and Eskom amounting to R105 million (F2019: Rnil).

Other include short term portion of Mannequin of R39 million (F2019: Rnil) and trust funds of R15 million (F2019: Rnil)

15. CASH AND CASH EQUIVALENTS

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Cash at bank and on deposit	**4 970**	3 397	**3 312**	2 573
Cash set aside for specific use	**745**	1 235	**97**	214
Cash and cash equivalents per statement of financial position	**5 715**	4 632	**3 409**	2 787
Less: overdrafts (refer note 23)	**(203)**	(393)	**(53)**	(36)
Cash and cash equivalents per statement of cash flows	**5 512**	4 239	**3 356**	2 751
The cash per statement of financial position is held as follows:				
Total cash at bank and on deposit	**4 970**	3 397	**3 312**	2 573
– African Rainbow Minerals Limited	**3 294**	2 562	**3 294**	2 562
– ARM BBEE Trust	**66**	1	**–**	–
– ARM Finance Company SA	**295**	236	**–**	–
– ARM Platinum Proprietary Limited	**1 217**	519	**–**	–
– ARM Treasury Investments Proprietary Limited	**41**	40	**–**	–
– Nkomati	**1**	–	**1**	–
– Two Rivers Platinum Proprietary Limited	**21**	11	**–**	–
– Other cash at bank and on deposit	**35**	28	**17**	11
Total cash set aside for specific use	**745**	1 235	**97**	214
– Mannequin Captive Cell (Cell AVL 18)[1]	**644**	891	**–**	–
– Rehabilitation trust funds[1]	**45**	191	**45**	150
– Other cash set aside for specific use[1]	**56**	153	**52**	64

Cash at bank and on deposit earns interest at floating rates based on daily bank deposit rates. Refer note 1 for accounting policy and definitions on cash set aside for specific use.

1 *Cash set aside for specific use in respect of group includes:*
- *Mannequin captive cell is used as part of the group insurance program. The cash held in the cell is invested in highly liquid investments and is used to settle claims as and when they arise as part of the risk finance retention strategy.*
- *The ARM Trust of R12 million (F2019: R20 million).*
- *Guarantees issued by ARM Coal to DMRE amounting to R41 million (F2019: R76 million).*
- *Guarantees issued by Two Rivers to DMRE, Eskom and BP Oil amounting to R4 million (F2019: R27 million).*
- *Guarantees issued by Nkomati to DMRE and Eskom amounting to R44 million (F2019: R91 million).*
- *Guarantees issued by Modikwa to DMRE and Eskom amounting to Rnil (F2019: R104 million).*

16. SHARE CAPITAL

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Authorised				
500 000 000 (F2019: 500 000 000)	**25**	25	**25**	25
	25	25	**25**	25
Issued				
Opening balance	**11**	11	**11**	11
1 317 533 (F2019:2 297 197) additional shares issued[1]	**–**	–	**–**	–
Shares repurchased 622 843[1] (F2019: nil)	**–**	–	**–**	–
223 325 857 (F2019: 222 008 324); (F2018: 219 709 127)	**11**	11	**11**	11
Share premium	**4 950**	4 700	**4 950**	4 700
– Balance at beginning of the year	**4 700**	4 398	**4 700**	4 398
– Premium on bonus and performance shares issued to employees	**307**	302	**307**	302
– Share repurchase	**(57)**	–	**(57)**	
Total issued share capital and share premium	**4 961**	4 711	**4 961**	4 711

1 *The movement in shares issued and repurchased was less than R1 million.*

Shares are held at no par value.

17. TREASURY SHARES

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
The restructuring of the ARM BBEE Trust in F2016 resulted in ARM effectively controlling 28 614 740 ARM shares (refer note 34).				
The carrying value of these treasury shares are as follows:				
– 12 717 328 shares at R51.19 bought from the ARM BBEE Trust by Opilac Proprietary Limited	**651**	651	**–**	–
– 15 897 412 shares at R110.31 held in the ARM BBEE Trust	**1 754**	1 754	**–**	–
	2 405	2 405	**–**	–

18. LONG-TERM BORROWINGS

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Secured				
ARM Corporate – loan facility	**–**	–	**–**	–
ARM Corporate Revolving Credit Facility for an amount of R2 250 million was entered into during September 2018. This facility is available until September 2021. The interest rate has a JIBAR base with an additional margin between 2.20% and 2.45% depending on the utilisation of the facility. At 30 June 2020 and 30 June 2019 this facility was unutilised. This loan had been secured by a pledge of shares (refer note 11).				
ARM BBEE Trust – loan facility – Harmony Gold	**316**	287	**–**	–
The original loan was R200 million from Harmony Gold with an interest rate of JIBAR plus 4.25% and is repayable the earlier of the ARM Corporate loan payment date or 31 December 2022. The interest rate at 30 June 2020 was 9.93% (F2019: 11.28%).				
ARM BBEE Trust – loan facility – Nedbank	**–**	81	**–**	–
The original loan was R301 million from Nedbank with an interest rate of JIBAR plus 4.07 % and is repayable before 31 December 2019.				
The interest rate at 30 June 2020 was NA (F2019: 11.1%). The loan was settled in October 2019.				
Nkomati – Lease liability	**–**	6	**–**	6
F2019 includes finance leases over Eskom substation and over land lines constructed on Nkomati property with no book value bear interest at prime plus 2% and were payable in varying monthly instalments over a maximum period of 60 months which commenced in April 2015 and a final payment due in March 2020 (refer note 42). As at 30 June 2020 the interest rate was NA (F2019: 12.25%). This lease was settled during the year.				
Two Rivers – Lease liability (F2019: Finance leases)	**303**	140	**–**	–
F2020 includes leases for land and buildings; plant and machinery and furniture, equipment and vehicles for periods between 2–20 years discounted at an incremental borrowing rate of 8.3% (refer note 4).				
F2019 includes finance leases over property, plant and equipment with a book value of R158 million bearing interest at prime less 1.5 %. As at 30 June 2019 the interest rate was 8.75%. Instalments were payable in varying monthly instalments over a maximum period of 60 months (refer note 42).				
Modikwa – lease liability	**62**	–	**–**	–
F2020 includes leases for land and buildings for a period of 24 years discounted at an incremental borrowing rate of 8.55% and plant and machinery for a period of 3 years discounted at an incremental borrowing rate of 5.55% (refer note 4).				
ARM Corporate – Lease liability (F2019: Finance leases)	**5**	–	**16**	–
Leases for land and buildings for a period 3 years discounted at an incremental borrowing rate of 9.23% (refer note 4).				

	Group		Company	
	F2020 Rm	2019 Rm	F2020 Rm	2019 Rm
18. LONG-TERM BORROWINGS CONTINUED				
ARM Coal – Lease liability				
Leases for plant and machinery for a remaining period of less than 1 year discounted at an incremental borrowing rate of 10.90%. (refer note 4).	**6**	–	**6**	–
ARM Coal – partner loan – loan facility				
ARM, ARM Coal, Glencore and GOSA successfully concluded the restructuring of ARM Coal debt on 25 June 2018, with an effective date of 1 July 2017.				
All operating cash generated by GGV and the PCB operations, attributable to ARM and ARM Coal, shall be applied in repayment of the debt until the earlier of 31 December 2029 or full repayment of these loans.				
GOSA's obligation (acting through the PCB) to repay ARM the amount of R700 million under the PCB shareholders loan from ARM was set off against ARM's obligation to pay GOSA (acting through the non-PCB) the amount of R700 million under the PCB revolving credit facility such that both loans have been fully and settled and discharged. This resulted in the PCB being indebted to the non-PCB in an amount of R700 million, which debt will rank pari passu to the remaining shareholder loan from ARM Coal to PCB.				
All distributions to be received by ARM Coal in respect of the PCB shareholders loan, shall be utilised by ARM Coal in the settlement of its shareholder loans from GOSA and ARM. The payments to be received by GOSA and ARM, shall immediately be advanced back to ARM Coal through a shareholder's loan, bears contractual interest at 0%, and ARM Coal will utilise these funds to service the GGV debt.				
The old loans were derecognised and the following new loans were recognised at fair value:				
ARM Coal – GGV acquisition loan (partner loan)	**168**	185	**168**	185
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				
ARM Coal – GGV project facility phase 1 loan (partner loan)	**596**	615	**596**	615
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				
ARM Coal – GGV project facility phase 2 loan (partner loan)	**199**	223	**199**	223
This loan is repayable by 31 December 2029 and bears contractual interest at 0%.				
These are secured by:				
– a cession in favour of GOSA creating a first ranking security interest over ARM Coal's participating interest in the Goedgevonden joint operation;				
– a cession in favour of GOSA creating a first ranking security interest over all the preference shares in GOSA held by ARM Coal;				
– a cession in favour of GOSA creating a first ranking security interest over ARM Coal's right, title and interest in and to the joint venture account;				

18. LONG-TERM BORROWINGS CONTINUED

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
– mortgage bonds to be registered by ARM Coal in favour of GOSA over all immovable property of ARM Coal; and				
– notarial bonds to be registered by ARM Coal in favour of GOSA over all movable assets owned by ARM Coal (refer note 11).				
	1 655	1 537	**985**	1 029
Less: repayable within one year included in short-term borrowings (refer note 23)	**(143)**	(442)	**(15)**	(6)
Total long-term borrowings	**1 512**	1 095	**970**	1 023
Held as follows:				
– ARM BBEE Trust – Harmony	**316**	–	**–**	–
– ARM Coal Proprietary Limited – GGV acquisition loan (partner loan)	**168**	185	**168**	185
– ARM Coal Proprietary Limited – GGV project facility phase 1 (partner loan)	**596**	615	**596**	615
– ARM Coal Proprietary Limited – GGV project facility phase 2 (partner loan)	**199**	223	**199**	223
– ARM Corporate	**2**	–	**7**	–
– Modikwa	**39**	–	**–**	–
– Two Rivers Platinum Proprietary Limited	**192**	72	**–**	–
	1 512	1 095	**970**	1 023

The Group changes in borrowings arising from financing activities were made up of cash repayments of R264 million (F2019: R595 million), borrowings raised of R43 million (F2019: R310 million), re-measurement gain of R165 million (F2019: R39 million re-measurement loss) and other changes of R504 million (F2019: R18 million).

The Company changes in borrowings arising from financing activities were made up of cash repayments of R14 million (F2019: R368 million), borrowings raised of Rnil million (F2019: R295 million), re-measurement gain of R165 million (F2019: R39 million re-measurement loss) and other changes of R135 million (F2019: R181 million).

The carrying amount of the long-term borrowings approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS continued

18. LONG-TERM BORROWINGS CONTINUED

	Group							
			Repayments schedule – undiscounted cash flows					
	Total borrowings F2020 Rm	Discounted Cash flows F2021 Rm	F2021 Rm	F2022 Rm	F2023 Rm	F2024 Rm	F2025 – onwards Rm	Total Rm
ARM BBEE Trust – loan facility – Harmony Gold	316	–	–	382	–	–	–	382
ARM Coal – GGV acquisition loan (partner loan)	168	–	–	–	–	–	271	271
ARM Coal – GGV project facility phase 1 loan (partner loan).	596	–	–	–	–	–	960	960
ARM Coal – GGV project facility phase 2 loan (partner loan).	199	–	–	–	–	–	320	320
ARM Coal Lease liability	6	6	6	–	–	–	–	6
ARM Corporate Lease liability	5	3	3	3	–	–	–	6
Modikwa – Lease liability	62	23	23	22	15	–	19	79
Two Rivers – Lease liability	303	111	121	81	34	7	224	467
Total borrowings at 30 June 2020	**1 655**	**143**	**153**	**488**	**49**	**7**	**1 794**	**2 491**

Undiscounted cash flows	F2019	F2020	F2020	F2021	F2022	F2023	F2024 – onwards	Total
Total borrowings at 30 June 2019	**1 537**	**442**	**449**	**61**	**26**	**–**	**1 353**	**1 889**

18. LONG-TERM BORROWINGS
CONTINUED

	Company							
	Total borrowings F2020 Rm	Discounted cash flows F2021 Rm	Repayments schedule – undiscounted cash flows					Total Rm
			F2021 Rm	F2022 Rm	F2023 Rm	F2024 Rm	F2025 – onwards Rm	
Secured Loans								
ARM Coal – GGV acquisition loan (partner loan)	**168**	**–**	**–**	**–**	**–**	**–**	**271**	**271**
ARM Coal – GGV project facility phase 1 loan (partner loan).	**596**	**–**	**–**	**–**	**–**	**–**	**960**	**960**
ARM Coal – GGV project facility phase 2 loan (partner loan).	**199**	**–**	**–**	**–**	**–**	**–**	**320**	**320**
ARM Coal Lease liability	**6**	**6**	**6**	**–**	**–**	**–**	**–**	**6**
ARM Corporate lease liability	**16**	**9**	**9**	**9**	**–**	**–**	**–**	**18**
Total borrowings at 30 June 2020	**985**	**15**	**15**	**9**	**–**	**–**	**1 551**	**1 575**

Undiscounted cash flows	F2019	F2020	F2020	F2021	F2022	F2023	F2024 – onwards	Total
Total borrowings at 30 June 2019	1 029	6	6	–	–	–	1 353	1 359

19. DEFERRED TAXATION

	Group F2020 Rm	Group 2019 Rm	Company F2020 Rm	Company 2019 Rm
Deferred tax assets				
Deferred capital loss tax movements on listed investment recognised in other comprehensive income	–	416	–	416
Deferred tax assets – Acquisition of Machadodorp Works	–	37	–	37
Provisions	–	32	–	32
Deferred tax assets on the statement of financial position	–	485	–	485
Deferred tax liabilities				
Property, plant and equipment	**1 582**	1 450	**183**	538
Intangible assets	**23**	32	**23**	32
Inventories	**303**	89	–	–
IFRS 9 – Opening balance adjustment – RBCT Investment	–	20	–	20
Deferred capital gain tax movements on listed investment recognised in other comprehensive income	**255**	–	**255**	–
Deferred capital gains tax movements on listed investment – ARM BBEE Trust	**465**	465	–	–
Financial instruments	**41**	–	**41**	–
Deferred tax liabilities	**2 669**	2 056	**502**	590
Borrowings	**(109)**	–	**(14)**	–
Provisions	**(450)**	(514)	**(218)**	(264)
Post-retirement healthcare provisions	**(25)**	(25)	**(25)**	(25)
Deferred tax assets	**(584)**	(539)	**(257)**	(289)
Net deferred tax liabilities on the statement of financial position	**2 085**	1 517	**245**	301
Reconciliation of opening and closing balance				
Opening deferred tax liabilities	**1 517**	1 634	**301**	527
Opening deferred tax assets	**(485)**	(620)	**(485)**	(597)
Net deferred tax liabilities opening balance	**1 032**	1 014	**(184)**	(70)
IFRS 9 – Opening balance adjustment – RBCT Investment		20		20
Net deferred tax liabilities opening balance – restated	**1 032**	1 034	**(184)**	(50)
Temporary differences from:	**1 053**	(2)	**429**	(134)
Assessed loss	–	23	–	–
Acquisition of Machadodorp Works (refer note 40)	–	(37)	–	(37)
Borrowings	**(109)**	–	**(14)**	–
Inventories	**214**	1	–	–
Intangible assets	**(9)**	(1)	**(9)**	(1)
Financial instruments	**21**	–	**21**	–
Property, plant and equipment	**132**	72	**(355)**	(113)
Provisions	**133**	(241)	**115**	(164)
Revaluation of investment – directly in other comprehensive income	**671**	181	**671**	181
Total deferred tax	**2 085**	1 032	**245**	(184)
Deferred tax liabilities	**2 085**	1 517	**245**	301
Deferred tax assets	–	(485)	–	(485)

Deferred tax liability balances are shown net of deferred tax assets where a legal right of offset exists at settlement.

Deferred tax assets are raised only when they can be utilised against future taxable profits after taking possible future uncertainties into account. Future taxable profits are estimated based on approved business plans which include various estimates and assumptions regarding economic growth, interest, inflation, metal prices, exchange rates, taxation rates and competitive forces.

A cumulative deferred tax asset for deductible temporary differences of R300 million (F2019: R154 million) at Nkomati was not raised, as it is not probable that there will be sufficient taxable profit available against which the deductible temporary differences can be utilised.

20. LONG-TERM PROVISIONS

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Environmental rehabilitation obligation				
Provision for decommissioning				
Balance at beginning of year	**434**	237	**354**	175
Provision for the year	**77**	35	**49**	22
Acquisition of Machadodorp Works	**–**	144	**–**	144
Transfer to short term provision	**(10)**	–	**(10)**	–
Transfer to restoration	**(93)**	–	**(93)**	–
Unwinding discount rate	**27**	18	**22**	13
Balance at end of year	**435**	434	**322**	354
Provision for restoration				
Balance at beginning of year	**366**	125	**264**	103
Provision for the year	**323**	168	**386**	90
Acquisition of Machadodorp Works	**–**	61	**–**	61
Transfer to short term provision	**(53)**	–	**(53)**	–
Transfer from decommissioning	**93**	–	**93**	–
Unwinding of discount rate	**34**	12	**26**	10
Balance at end of year	**763**	366	**716**	264
Total environmental rehabilitation obligation	**1 198**	800	**1 038**	618

The net present value of current rehabilitation liabilities is based on discount rates taking into consideration zero coupon swap curve rates of between 3.66% to 9.28% (F2019: between 7.14% and 8.45%), inflation rates of approximately 1.92% and 6.39% (F2019: approximately 5% and 6%) and life of mines of between 1 and 25 years (F2019: 1 and 25 years). The South African Reserve Bank long-term inflation target of between 3% and 6% (F2019: 3% and 6%).

Refer to note 25 for amounts held in trust funds.

These provisions are based on estimates of cash flows which are expected to occur at the end of life of mines.

These assumptions have inherent uncertainties as they are derived from future estimates of mining and financial parameters, such as commodity prices, exchange rates and inflation.

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Post-retirement healthcare benefits				
Balance at beginning of year	**91**	82	**91**	82
Actuarial loss	**–**	2	**–**	2
Acquisition of Machadodorp Works	**–**	12	**–**	12
Benefits paid	**(4)**	(12)	**(4)**	(12)
Interest cost	**1**	7	**1**	7
Balance at end of year (refer note 44)	**88**	91	**88**	91

20. LONG-TERM PROVISIONS CONTINUED

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Silicosis and tuberculosis class action provision[1]				
Balance at beginning of year	**319**	330	**319**	330
Settlement term changes	**–**	(27)	**–**	(27)
Unwinding of discount rate	**25**	26	**25**	26
Demographic assumptions changes	**(12)**	(10)	**(12)**	(10)
Administration costs	**–**	–	**–**	–
Special purpose vehicle trust costs	–	–	–	–
Payments made	**(92)**	–	**(92)**	–
Transfer to short-term provisions (refer note 22)	**(51)**	–	**(51)**	–
Balance at end of year	**189**	319	**189**	319
Other long-term provisions[2]				
Balance at beginning of year	**389**	361	**12**	–
Change in estimate of variable purchase price for mine properties	**60**	6	**–**	–
Payments made during the year	**(86)**	–	**–**	–
Provision for the year	**80**	91	**35**	13
Unwinding of discount rate	**30**	30	**–**	–
Transfer from/(to) short-term provisions (refer note 22)	**5**	(99)	**5**	(1)
Balance at end of year	**478**	389	**52**	12
Total long-term provisions at end of year	**1 953**	1 599	**1 367**	1 040

1 ARM has a contingency policy in this regard which covers environmental impairment liability and silicosis liability with Guardrisk Insurance Company Limited ('Guardrisk'). In turn, Guardrisk has reinsured the specified risks with Mannequin Insurance PCC Limited – Cell AVL 18, Guernsey which cell captive is held by ARM.

Following the High Court judgement previously reported, the Tshiamiso Trust was registered in November 2019. As part of the settlement a guarantee of R304 million was issued by Guardrisk on behalf of ARM in favour of the Tshiamiso Trust on 13 December 2019.

Details of the provision were discussed in the 30 June 2019 financial results, which can be found on www.arm.co.za.

2 Other long-term provisions include: (i) long-term incentive schemes aimed at attracting, retaining and rewarding eligible senior employees and (ii) variable consideration payable by Two Rivers to Dwarsrivier due to Dwarsrivier's inability to mine the chrome ore as a result of Two Rivers having a tailings dam on part of the mining area of Dwarsrivier.

21. TRADE AND OTHER PAYABLES

	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
Trade payables	**564**	555	**328**	324
Related parties (refer note 46)	**12**	3	**5**	–
Insurance cell captive	**778**	792	**–**	–
Other[1]	**283**	258	**91**	95
Total trade and other payables	**1 637**	1 608	**424**	419

1 Trade and other payables are generally non-interest-bearing and are typically on 30–120 day payment terms.

22. SHORT-TERM PROVISIONS

	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
Bonus provision				
Balance at beginning of year	**386**	252	**226**	155
Provision for the year	**457**	583	**196**	240
Payments made during the year	**(471)**	(453)	**(223)**	(173)
Acquisition of Machadodorp Works	**–**	3	**–**	3
Transfer from long-term provision (refer note 20)	**3**	1	**3**	1
Balance at end of year	**375**	386	**202**	226
Leave pay provision				
Balance at beginning of year	**130**	122	**49**	45
Acquisition of Machadodorp Works	**–**	3	**–**	3
Provision for the year	**9**	25	**15**	14
Payments made during the year and leave taken	**(16)**	(20)	**(11)**	(13)
Transfer to long-term provision (refer note 20)	**(8)**	–	**(8)**	–
Balance at end of year	**115**	130	**45**	49
Other provisions[1]				
Balance at beginning of year	**132**	–	**36**	2
Provision for the year	**134**	33	**134**	33
Payments made during the year	**(35)**	–	**(35)**	–
Change in estimate	**(98)**	–	**–**	–
Transfer from long-term provision (refer note 20)	**114**	99	**114**	1
Balance at end of year	**247**	132	**249**	36
Total short-term provisions	**737**	648	**496**	311

1 Other provisions for F2020 include retrenchment provision and rehabilitation provision for Nkomati and Silicosis and tuberculosis class action provision.

The bonus provision is based on the policy as approved by each operation.

The leave pay provision is calculated based on total pensionable salary packages multiplied by the leave days due at year end.

23. OVERDRAFTS AND SHORT-TERM BORROWINGS

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Current portion of long-term borrowings (refer note 18)	**143**	442	**15**	6
Loans from subsidiaries – non-interest bearing (refer page 114)	**–**	–	**42**	42
Overdrafts (refer note 15)	**203**	393	**53**	36
Short-term borrowings	**67**	101	**–**	–
	413	936	**110**	84
Short-term borrowings are held as follows:				
– Rustenburg Platinum Mines Limited (Anglo American Platinum Limited) (partner loan – refer to note 46)	**67**	101	**–**	–
– Rustenburg Platinum Mines Limited (Anglo American Platinum Limited) lease	**23**	–	**–**	**–**
– ARM BBEE Trust[1]	**–**	368	**–**	–
– Nkomati	**–**	6	**–**	6
– Two Rivers Platinum Proprietary Limited	**–**	68	**–**	–
– Loans from subsidiaries	**–**	–	**42**	42
– Two Rivers Platinum Proprietary Limited (lease liability)	**111**	–	–	–
– ARM Coal Proprietary Limited (lease liability)	**6**	–	**6**	–
– African Rainbow Minerals Limited (lease liability)	**3**	–	**9**	–
	210	543	**57**	48
Overdrafts are held as follows:				
– Nkomati	**26**	16	**26**	16
– Two Rivers Platinum Proprietary Limited	**150**	357	**–**	–
– Other	**27**	20	**27**	20
	203	393	**53**	36
Overdrafts and short-term borrowings	**413**	**936**	**110**	**84**
Unutilised short-term borrowing and overdraft facilities:				
– African Rainbow Minerals Limited	**500**	500	**500**	500
– ARM Mining Consortium Limited	**100**	100	**–**	–
– Nkomati	**34**	44	**34**	44
– Two Rivers Platinum Proprietary Limited	**350**	144	**–**	–
	984	788	**534**	544

1 *The maturity date of the ARM BBEE Trust loan was extended to 31 December 2022. The other terms and conditions remain unchanged.*

All of the above overdraft facilities are reviewed annually.

Overdrafts accrue interest at floating rates. Short-term borrowings accrue interest at market-related rates. Loans from dormant subsidiaries are interest free and are payable on demand.

24. JOINT OPERATIONS

The share of the following joint operations has been incorporated into the Group results:

- 50% share in the Nkomati Mine
- 51% share in ARM Coal Proprietary Limited (consolidated)
- 50% share in Modikwa joint operation which is held as an 83% subsidiary through ARM Mining Consortium and is consolidated as a subsidiary

The company results include the share of the following joint operations:

- 50% share in the Nkomati Mine
- 51% share in ARM Coal Proprietary Limited
- 34% share in Teal Minerals (Barbados) Incorporated joint operation

The share of joint operations in the financial statements are:

	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
Statement of profit or loss				
Sales	**5 431**	4 752	**2 338**	2 685
Cost of sales	**(4 372)**	(4 416)	**(2 676)**	(2 763)
Other operating income	**331**	259	**244**	211
Other operating expenses	**(736)**	(386)	**(544)**	(155)
Income from investments	**87**	50	**20**	18
Finance costs	**(210)**	(184)	**(205)**	(181)
Profit from associate	**33**	276		
Capital items	**(937)**	(1 345)	**(937)**	(1 345)
Loss before tax	**(373)**	(994)	**(1 760)**	(1 530)
Taxation	**(177)**	144	**236**	278
Loss for the year after taxation	**(550)**	(850)	**(1 524)**	(1 252)
Non-controlling interest	**(160)**	(22)		
Attributable to equity holders of ARM	**(710)**	(872)	**(1 524)**	(1 252)
Statement of financial position				
Non-current assets	**3 919**	4 390	**2 255**	2 952
Current assets	**2 823**	2 342	**782**	1 024
Non-current liabilities (interest bearing)	**1 002**	1 023	**963**	1 023
Non-current liabilities (non interest bearing)	**1 377**	912	**934**	770
Current liabilities (non interest bearing)	**899**	645	**559**	349
Current liabilities (interest bearing)	**121**	122	**32**	22
Statement of cash flows				
Net cash inflow from operating activities	**1 508**	821	**21**	198
Net cash outflow from investing activities	**(593)**	(491)	**(243)**	(360)
Net cash outflow from financing activities	**(55)**	(234)	**(6)**	(70)

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
25. ENVIRONMENTAL REHABILITATION TRUST FUNDS				
Balance at beginning of year	**191**	178	**150**	141
Interest earned (refer note 30)	**12**	13	**11**	10
Other	**4**	–	**4**	
Total	**207**	191	**165**	151
Transfer to financial assets	**(162)**	–	**(120)**	–
Total (included in cash and cash equivalents) (refer note 15)	**45**	191	**45**	151
Total environmental rehabilitation obligations (refer note 20)	**1 198**	800	**1 038**	618
Less: amounts in trust funds (see above)	**(207)**	(191)	**(165)**	(151)
Unfunded portion of liability	**991**	609	**873**	467
Part of the unfunded portion of the liability is secured by guarantees in favour of the Department of Mineral Resources and Energy as required of R205 million (F2019: R168 million) (refer note 41).				
26. SALES AND REVENUE				
Sales	**11 653**	8 834	**2 387**	2 773
Made up as follows:				
Local sales	**9 618**	6 639	**352**	577
Export sales	**2 035**	2 195	**2 035**	2 196
Revenue	**12 386**	9 596	**3 123**	3 538
Fair value adjustments to revenue	**539**	353	**(9)**	64
Revenue from contracts with customers	**11 847**	9 243	**3 132**	3 474
Sales – mining and related products	**11 527**	8 850	**2 495**	2 773
Penalty and treatment charges	**(413)**	(369)	**(99)**	(64)
Modikwa	**(11)**	–	**–**	–
Nkomati	**(99)**	(64)	**(99)**	(64)
Two Rivers	**(303)**	(305)	**–**	–
Fees received (refer note 28)	**733**	762	**736**	765

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
27. COST OF SALES				
Amortisation and depreciation	**647**	690	**199**	275
Consultants, contractors and other	**227**	202	**17**	17
Electricity	**528**	496	**184**	179
Inventory written off to net realisable value	**86**	72	**86**	72
Provisions – long-term	**19**	150	**37**	(6)
– short-term	**409**	420	**154**	67
Raw materials, consumables used and change in inventories	**2 532**	2 627	**1 197**	1 460
Railage and road transportation	**304**	255	**263**	208
Diesel rebate	**203**	34	**203**	34
Staff costs	**2 040**	2 071	**250**	336
– salaries and wages	**1 772**	1 820	**227**	319
– pension – defined contribution	**173**	162	**20**	16
– medical aid	**95**	89	**3**	1
Other costs	**497**	432	**228**	224
	7 492	7 449	**2 818**	2 866
28. OTHER OPERATING INCOME				
Commission received	**–**	2	**–**	2
Fees received	**733**	762	**736**	765
Re-measurement gain on loans	**147**	–	**274**	175
Insurance income received	**84**	74	**–**	319
Realised foreign exchange gains	**9**	18	**9**	17
Royalties received	**80**	41	**–**	–
Other	**107**	77	**12**	48
	1 160	974	**1 031**	1 326
29. OTHER OPERATING EXPENSES				
External audit remuneration – audit fees	**25**	21	**15**	15
– other services	**–**	–	**–**	–
Consulting fees	**33**	49	**32**	49
Depreciation	**6**	2	**10**	2
Re-measurement of loans	**8**	36	–	25
Insurance	**95**	88	**12**	10
Mineral royalty tax	**381**	140	**6**	18
Provisions – long-term	**386**	64	**386**	64
– short-term	**188**	222	**188**	222
Research and development	**115**	108	**115**	108
Rent paid	**–**	6	**–**	10
Secretarial and financial services	**4**	3	**4**	3
Share-based payments expense	**211**	211	**211**	211
Staff cost	**348**	276	**348**	276
– termination benefits	**77**	–	**77**	–
– pension – defined contribution	**9**	9	**9**	9
– salaries and wages	**257**	259	**257**	259
– training	**5**	8	**5**	8
Unrealised foreign exchange loss	**2**	16	**1**	16
Other	**248**	333	**194**	246
	2 050	1 575	**1 522**	1 275

29. OTHER OPERATING EXPENSES CONTINUED

Loan re-measurement gains and losses

	Group		Company	
	F2020 Rm	F2019 Rm	F2020 Rm	F2019 Rm
ARM Coal				
Included in other operating income and profit from associate for F2020 are re-measurements with no tax effect in both years relating to the GGV and PCB loans. The gain and loss is as a result of a re-measurement of debt between ARM and Glencore Operations South Africa Proprietary Limited (GOSA) and ARM Coal Proprietary Limited.				
The re-measurement adjustments are as follows:				
Other operating income increase (re-measurement gain on loans) – ARM coal segment	**206**	190	**206**	190
ARM Corporate (re-measurement loss)	**(59)**	(215)	**(59)**	(215)
Re-measurement gain/(loss) in operating income/(expenses)	**147**	(25)	**147**	(25)
Income from associate (re-measurement gain/(loss) on loans) (refer note 9)	**279**	55	**–**	–
Net ARM Coal re-measurement gain/(loss)	**426**	30	**147**	(25)
The re-measurements are as a result of changes in the future repayment cash flows applied to the net present value calculations. The discount rate used in the calculation of the re-measurement is 10%. A $1 increase in commodity prices would reduce the re-measurement gain by R6 million (F2019: R15 million). A $1 decrease in commodity prices would increase the re-measurement gain by R17 million (F2019: R17 million).				
Modikwa				
Included in other operating expenses for F2020 is a re-measurement loss attributable to ARM. The re-measurements are as a result of changes in future repayment cash flows applied to the net present value calculations. The discount rate used in the calculation of the re-measurement is 5% (F2019: 5%). A $1 increase in commodity prices would reduce the re-measurement gain by R2 million (F2019: R2 million). A $1 decrease in commodity prices would increase the re-measurement gain by R2 million (F2019: R2 million).				
The re-measurement adjustments are as follows:				
Other operating expenses increase	**(8)**	(12)	**127**	175
ARM platinum segment – (re-measurement loss on loans)	**(135)**	(187)	**–**	–
ARM Corporate (re-measurement gain)	**127**	175	**127**	175
Non-controlling interest	**23**	31	**–**	–
Group re-measurement gain	**15**	19	**127**	175

	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
30. INCOME FROM INVESTMENTS				
Dividend income – unlisted	**2**	8	**4 594**	3 772
Interest received – subsidiaries companies and other investments (refer note 46)	**–**	–	**130**	123
– environmental trust funds (refer note 25)	**12**	13	**11**	10
– short-term bank deposits and other	**432**	313	**305**	210
	446	334	**5 040**	4 115
31. FINANCE COSTS				
Interest on IFRS 16 lease liabilities/finance leases F2019	**24**	12	**2**	1
Gross interest paid long- and short-term borrowings and overdrafts	**257**	211	**155**	102
Unwinding of discount rate	**116**	86	**73**	49
	397	309	**230**	152
32. CAPITAL ITEMS				
Impairment loss of goodwill – Machadodorp Works	**–**	(146)	**–**	(146)
Impairment loss of property, plant and equipment – Machadodorp Works	**(7)**	–	**(7)**	
Impairment reversal of loan – Kalplats	**–**	–	**25**	11
Loss on sale of Lubambe – other	**(6)**	–	**(6)**	–
Impairment loss of property, plant and equipment – Nkomati (refer note 38)	**–**	(1 344)	**–**	(1 344)
Loss on sale of property, plant and equipment – ARM Coal	**–**	(1)	**–**	(1)
Impairment loss of property, plant and equipment and intangible assets – ARM Coal	**(559)**	–	**(559)**	–
Impairment loss on investment in 20.2% PCB – ARM (refer note 38)	**(1 121)**	–	**(581)**	–
Profit on disposal of Anglovaal Air	**–**	–		104
Capital items per statement of profit or loss before taxation effect	**(1 693)**	(1 491)	**(1 128)**	(1 376)
Impairment (loss)/reversal on property, plant and equipment accounted for directly in associate – ARM Coal (refer note 38)	**(4)**	3	**–**	–
Impairment loss on investment in Sakura accounted for directly in joint venture – Assmang (refer note 38)	**–**	(194)	**–**	–
Impairment loss on property, plant and equipment accounted for directly in joint venture – Assmang (refer note 38)	**(7)**	(21)	**–**	–
Impairment loss on property, plant and equipment on Sakura accounted for directly in joint venture – Assmang (refer note 38)	**–**	(313)	**–**	–
Profit on sale of Machadodorp Works accounted directly in joint venture – Assmang (refer note 40)	**–**	91	**–**	–
Loss on sale of property, plant and equipment accounted for directly in joint venture – Assmang	**(31)**	(2)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS continued

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
32. CAPITAL ITEMS CONTINUED				
Capital items before taxation effect	**(1 735)**	(1 927)	**(1 128)**	(1 376)
Taxation accounted for in joint venture – impairment loss at Assmang	**–**	6	**–**	–
Taxation accounted for in joint venture – profit on disposal of Machadodorp Works – Assmang	**–**	(26)	**–**	–
Taxation accounted for in joint venture – loss on disposal of fixed assets at Assmang	**9**	1	**–**	–
Taxation accounted for in associate – (reversal)/impairment loss at ARM Coal	**1**	(1)	**–**	(1)
Taxation loss on sale of property ARM Coal	**–**	1	**–**	1
Taxation on impairment loss of property, plant and equipment and intangible assets – ARM Coal	**156**	–	**156**	–
Taxation – impairment loss of Nkomati assets	**–**	274	**–**	274
Total	**(1 569)**	(1 672)	**(972)**	(1 102)
33. TAXATION				
South African normal taxation:				
– current year	**713**	348	**89**	95
– mining	**589**	228	**–**	–
– non-mining	**124**	120	**89**	95
– prior year	**(64)**	4	**(16)**	4
Dividends tax	**45**	36	**–**	–
Total current taxation	**694**	388	**73**	99
Deferred taxation	**382**	(146)	**(243)**	(278)
Total taxation charge per statement of profit or loss	**1 076**	242	**(170)**	(179)
Attributable to:				
Profit before capital items	**1 233**	516	**(14)**	95
Capital items (refer note 32)	**(157)**	(274)	**(156)**	(274)
	1 076	242	**(170)**	(179)
Amounts recognised directly in other comprehensive income or equity:				
Unrealised gain on Harmony Investment	**671**	181	**671**	181
Acquisition of Machadodorp Works	**–**	(37)	**–**	(37)
IFRS 9 – Opening balance adjustment – RBCT Investment	**–**	20	**–**	20
Total movement in deferred tax	**1 053**	18	**428**	(114)

South African mining tax is calculated based on taxable income less capital expenditure allowances.

Where there is insufficient taxable income to offset capital expenditure, the remaining balance is carried forward as unredeemed capital expenditure.

33. TAXATION CONTINUED

	F2020 %	F2019 %	F2020 %	F2019 %
Reconciliation of rate of taxation:				
Standard rate of Company taxation	**28**	28	**28**	28
Adjusted for:				
Disallowed expenditure[1]	**10**	7	**10**	–
Deferred tax asset not recognised	**2**	4	**5**	6
Exempt income[2]	**(1)**	–	**(48)**	(41)
Prior year over provision	**–**	–	**(1)**	–
Share of associate and joint venture income after tax	**(21)**	(33)	**–**	–
Effective rate of taxation	**18**	6	**(6)**	(7)

1 These amount relate largely to impairments and foreign exchange movements.
2 In Group they relate mainly to re-measurement gains in ARM Coal.
In company they relate mainly to re-measurement gains in ARM Coal and dividends received.

	Group		Company	
	F2020 %	F2019 %	F2020 %	F2019 %
Reconciliation of rate of taxation before capital items:				
Standard rate of Company taxation				
Adjusted for:	**28**	28	**28**	28
Disallowed expenditure	**2**	4	**2**	–
Deferred tax asset not recognised	**2**	1	**4**	1
Exempt income	**–**	–	**(34)**	(27)
Share of associate and joint venture income after tax	**(16)**	(24)	**–**	–
Effective rate of taxation	**16**	9	**–**	2

	Rm	Rm	Rm	Rm
Profit before taxation and capital items per statement of profit or loss	**7 803**	5 587	**3 888**	3 921
Taxation per statement of profit or loss	**1 076**	242	**(170)**	(179)
Taxation on capital items (refer note 32)	**157**	274	**156**	274
Tax – excluding tax on capital items	**1 233**	516	**(14)**	95

	%	%	%	%
Percentage on above	**16**	9	**–**	2

	Rm	Rm	Rm	Rm
Estimated assessed losses available for reduction of future taxable income	**–**	–	**–**	–
Unredeemed capital expenditure available for reduction of future mining income[1]	**755**	1 508	**755**	600

1 Deferred tax has been raised on these estimated tax benefits.

The latest tax assessment for the Company relates to the year ended June 2019.

All returns due up to and including June 2019 have been submitted.

34. CALCULATIONS PER SHARE

The calculation of basic earnings per share is based on basic earnings of R3 965 million (F2019: R3 554 million basic earnings) and a weighted average of 194 188 thousand (F2019: 192 269 thousand) shares in issue during the year. In the calculation for dilutive weighted average shares, options were excluded as they were anti-dilutive.

The calculation of adjusted basic earnings per share is calculated on basic earnings of R3 965 million (F2019: R3 554 million basic earnings) and excludes re-measurement gains of R441 million (F2019: R49 million).

The calculation of headline earnings per share is based on headline earnings of R5 534 million (F2019: R5 226 million) and a weighted average of 194 188 thousand (F2019: 192 269 thousand) shares in issue during the year.

The calculation of diluted basic earnings per share is based on basic earnings of R3 965 million (F2019: R3 554 million basic earnings) with no reconciling items to derive at diluted earnings and a weighted average of 197 170 thousand (F2019: 195 800 thousand) shares in issue during the year calculated as follows:

	Group	
	F2020 Rm	F2019 Rm
Weighted average number of shares used in calculating basic earnings per share (thousands)	**194 188**	192 269
Potential ordinary shares due to long term share incentives granted (thousands)	**2 982**	3 531
Weighted average number of shares used in calculating diluted earnings per share (thousands).	**197 170**	195 800
The calculation of diluted headline earnings per share is based on headline earnings of R5 534 million (F2019: R5 226 million) with no reconciling items to derive at diluted headline earnings and a weighted average of 197 170 thousand (F2019: 195 800 thousand) shares.		
The calculation of net asset value per share is based on net assets of R32 080 million (F2019: R28 173 million restated) and the number of shares at year end of 223 326 thousand (F2019: 222 008 thousand) shares.		
The calculation of cash generated from operations per share (cents) is based on cash generated from operations of R3 866 million (F2019: R2 123 million) and the weighted average number of shares in issue of 194 188 thousand (F2019: 192 269 thousand).		
Headline earnings (R million)	**5 534**	5 226
Headline earnings per share (cents)	**2 850**	2 718
Basic earnings (R million)	**3 965**	3 554
Basic earnings per share (cents)	**2 042**	1 848
Diluted headline earnings per share (cents)	**2 807**	2 669
Diluted basic earnings per share (cents)	**2 011**	1 815
Number of shares in issue at end of year (thousands)	**223 326**	222 008
Weighted average number of shares (thousands)	**194 188**	192 269
Weighted average number of shares used in calculating diluted earnings per share (thousands)	**197 170**	195 800
Net asset value per share (cents)	**14 365**	12 690
EBITDA (R million)	**3 923**	1 476
Interim dividend declared (cents per share)	**500**	400
Dividend declared after year-end (cents per share)	**700**	900

34. CALCULATIONS PER SHARE CONTINUED

ARM BBEE Trust restructuring effect on weighted and diluted average number of shares

Following the restructuring of the ARM BBEE Trust, the ARM BBEE Trust is consolidated into the ARM consolidated financial results, as ARM controls the Trust for reporting purposes.

The consolidation of the ARM BBEE Trust results in ARM shares bought back by Opilac, a wholly-owned subsidiary of ARM, and the remaining shares owned by the Trust, reducing the number of shares used in the calculation of headline, basic and diluted earnings per share.

The treasury shares are excluded, effectively from 22 April 2016, in the weighted average and diluted average number of shares (refer note 17).

The number of shares in issue are however not affected.

Dividend per share

After the year end a dividend of 700 cents per share (F2019: 900 cents per share; F2018: 750 cents per share) was declared and paid which amounted to R1 563 million (F2019: R1 998 million; F2018: R1 648 million). This dividend was declared on 31 August 2020 (F2019: 30 August 2019; F2018: 7 September 2018), before approval of the financial statements but was not recognised as a distribution to owners during the period to June 2020.

An interim dividend of 500 (1H2019: 400) cents per share, R1 119 million (1H 2019: R888 million) was declared on 28 February 2020 (1H 2019:1 March 2019).

35. HEADLINE EARNINGS

	Group	
	F2020 Rm	F2019 Rm
Basic earnings attributable to equity holders of ARM	**3 965**	3 554
– Impairment loss on property, plant and equipment – Nkomati	**–**	1 344
– Impairment loss on property, plant and equipment and intangible assets – ARM Coal	**559**	–
– Impairments loss/(reversal) of property, plant and equipment in associate – ARM Coal	**4**	(3)
– Impairments loss of property, plant and equipment in joint venture – Assmang	**7**	21
– Impairments loss of property, plant and equipment in Sakura in joint venture – Assmang	**–**	313
– Loss on sale of property, plant and equipment in joint venture Assmang	**31**	2
– Impairment loss of property, plant and equipment – Machadodorp Works	**7**	
– Impairment on Goodwill – Machadodorp Works	**–**	146
– Impairment on investment in Sakura in joint venture – Assmang	**–**	194
– Profit on sale of Machadodorp Works – Assmang	**–**	(91)
– Impairment loss on investment in 20.2% PCB – ARM	**1 121**	
– Loss on sale of Lubambe – other	**6**	–
– Loss on disposal of property, plant and equipment – ARM Coal	**–**	1
	5 700	5 481
– Taxation accounted for in joint venture – impairment loss at Assmang	**–**	(6)
– Taxation accounted for in joint venture – loss/(profit) on disposal of fixed assets at Assmang	**(9)**	25
– Taxation accounted for in associate ARM Coal – impairment reversal/(loss) at ARM Coal	**(157)**	1
– Taxation loss on sale of property ARM Coal	**–**	(1)
– Taxation – impairment loss of Nkomati assets	**–**	(274)
Headline earnings	**5 534**	5 226

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
36. RECONCILIATION OF NET PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS				
Profit from operations before capital items	**3 271**	784	**(922)**	(42)
Profit/(loss) from operations before capital items	**3 271**	784	**(922)**	(42)
Profit from associate	**33**	276	**–**	–
Income from joint venture	**4 450**	4 502	**–**	–
Capital items (refer note 32)	**(1 693)**	(1 491)	**(1 128)**	(1 376)
Profit/(loss) from operations after capital items	**6 061**	4 071	**(2 050)**	(1 418)
Adjusted for:	**(1 006)**	(1 393)	**2 093**	1 822
– Amortisation and depreciation of property, plant and equipment and intangible assets	**652**	692	**209**	277
– Re-measurement adjustment on loans	**(139)**	36	**(274)**	(151)
– Income from joint venture	**(4 450)**	(4 502)	**–**	–
– Impairment loss of property, plant and equipment and intangible assets	**566**	1 344	**566**	1 344
– Impairment loss of investment	**1 121**	1	**581**	–
– Impairment Machadodorp Works	**–**	146	**–**	146
– Inventory write down	**86**	72	**86**	72
– Profit on disposal of investment	**–**	–	**–**	(104)
– Profit from associate	**(33)**	(276)	**–**	–
– Insurance income – Silicosis and tuberculosis	**–**	–	**–**	(319)
– Loss on sale of Lubambe	**6**	–	**6**	–
– (Profit)/loss on disposal of property, plant and equipment	**(1)**	–	**(1)**	1
– Loan impairment loss/(reversal)	**–**	17	**(36)**	(11)
– Movement in long and short-term provisions	**1 003**	856	**765**	347
– Share based payments expense	**211**	211	**211**	211
– Foreign exchange movements	**2**	18	**1**	17
– Silicosis	**–**	–	**12**	–
– Revaluation of investments	**9**	–	**9**	–
– Other non-cash flow items	**(39)**	(8)	**(42)**	(8)
Cash from operations before working capital changes	**5 055**	2 678	**43**	404
Movement in inventories	**(3)**	(64)	**(116)**	(28)
Movement in payables and provisions	**(1 029)**	(294)	**(254)**	(100)
Movement in receivables	**(157)**	(197)	**230**	(44)
Cash generated from operations	**3 866**	2 123	**(97)**	232
37. TAXATION PAID				
Balance at beginning of year	**76**	(3)	**11**	(40)
South African taxation	**694**	388	**73**	99
Current tax (refer note 33)	**694**	388	**73**	99
Other	**1**	–	**–**	–
Balance at year end receivable/(payable)	**29**	(76)	**(12)**	(11)
Tax payable at year end	**(103)**	(110)	**(12)**	(19)
Tax receivable at year end	**132**	34	**–**	8
Taxation paid	**800**	309	**72**	48

38. IMPAIRMENT

38.1 Property, plant and equipment impairment

38.1.1 ARM Coal

CASH GENERATING UNITS

At 30 June 2020 impairment losses in the GGV and PCB cash generating units were recognised by ARM, due to a combination of:

- A decline in saleable production; and
- Above inflation increases in unit costs.

A discounted cash flow (DCF) valuation model was prepared to determine the net present value (NPV) of the GGV operation and the investment in PCB.

The recoverable amount of ARM's attributable share for Group and Company of GGV amounted to R1.5 billion. The recoverable amount of ARM's net investment in PCB amounted to R795 million for Group and R260 million for Company.

The level 3 valuation recoverable amounts of the GGV operation and investment in PCB cash generating units were determined based on the fair value less cost of disposal calculation performed in terms of IFRS. ARM's attributable share of the impairment losses amounted to R1 680 million before tax and R1 524 million after tax.

	Group		
	Gross Rm	Tax Rm	After tax Rm
GGV impairment	559	(156)	403
GGV: Property, plant and equipment	528	(148)	380
GGV: Intangible asset (RBCT entitlement)	31	(8)	23
PCB 20.2%: impairment of investment (refer note 9)	1 121	–	1 121
Total attributable to ARM	**1 680**	**(156)**	**1 524**

	Company		
	Gross Rm	Tax Rm	After tax Rm
GGV impairment	559	(156)	403
GGV: Property, plant and equipment	528	(148)	380
GGV: Intangible asset (RBCT entitlement)	31	(8)	23
PCB 20.2%: impairment of investment (refer note 9)	581	–	581
Total attributable to ARM	**1 140**	**(156)**	**984**

A pre-tax discount rate of 20.1% was used for the impairment calculation together with the following commodity prices and exchange rates.

		FY2021 Real	FY2022 Real	FY2023 Real	Long-term Real
Exchange rate	R/US$	16.61	15.36	15.00	15.05
Richards Bay Free on Board (FoB) Price	US$/t	60.00	66.70	69.20	70.86

Other impairment losses were recognised in F2020 on property, plant and equipment for R4 million before tax of R1 million were recoverable amounts does not exceed the carrying amounts (refer note 2.1 and 32).

An impairment reversal was recognised in F2019 on property plant and equipment for R3 million before tax of R1 million (Refer note 2.1 and 32). This is accounted for in the income from associate line in the statement of profit or loss.

These were accounted for in the income from associate line in the statement of profit or loss.

38. IMPAIRMENT CONTINUED

38.1 Property, plant and equipment impairment continued

38.1.2 Nkomati Nickel Mine

Notwithstanding the increase in the nickel price over the reporting period, as at 31 December 2018 an impairment loss (ARM's attributable share of R1 166 million before tax and R892 million after tax) of the Nkomati Nickel Mine was recognised. This was largely as a result of:

i) A decline in head grade, resulting in decreased metal output;
ii) Inability to generate sufficient cash for operational requirements; and
iii) An increase in production costs.

A pre-tax discount rate of 20.2% was used for the impairment calculation together with the following metal prices and exchange rate assumptions.

	F2019 Nominal	F2020 Nominal	F2021 Nominal	F2022 Nominal	Long-term Real
Platinum – US$/ounce	**855**	1 090	1 138	1 172	1 173
Palladium – US$/ounce	**1 027**	1 050	1 050	1 032	965
Gold – US$/ounce	**1 273**	1 315	1 323	1 355	1 183
Nickel – US$/tonne	**12 998**	13 498	13 999	15 539	15 364
Copper – US$/tonne	**6 221**	6 925	7 040	7 241	6 516
Cobalt – US$/lb	**35**	33	30	25	19
Chrome concentrate – US$/tonne	**62**	75	75	77	72
Exchange rate – R/US$	**14.40**	14.08	13.61	13.92	13.72

A reduction in the economic life of mine from 2026 to 2021 resulted in a further impairment loss of R178 million with no tax effect being recognised at 30 June 2019.

This was largely due to:

i) The mine's inability to generate sufficient cash to meet operational requirements; and
ii) An increase in overall costs.

ARM's attributable share of the total impairment charge for the year amounted to R1 344 million before tax and R1 070 million after tax.

The difference between the pre- and post-tax charge does not correspond with the South African Corporate tax rate of 28%, as the tax charge on the impairment was limited to the corresponding deferred tax liability available for off-set on the statement of financial position.

Management did not recognise a deferred tax asset as the recoverability of such an asset is uncertain in the foreseeable future.

38.2 Other impairment

38.2.1 Goodwill

At 30 June 2019, the goodwill for Machadodorp Works was tested for impairment. Since exploratory work for Machadodorp Works is still on-going, future economic benefits and the recoverable amount could not be reliably estimated or measured. An impairment loss amounting to R146 million was recognised in ARM Company and Group at 30 June 2019 (refer note 32 and 40).

38. IMPAIRMENT CONTINUED

38.2 Other impairment continued

38.2.2 ARM Ferrous

An impairment loss was recognised in F2020 on property plant and equipment for R7 million (F2019: R21 million) before tax of R2 million (F2019: R6 million) were recoverable amounts does not exceed the carrying amounts (Refer note 2.1 and 32). This is accounted for in the income from joint venture line in the statement of profit or loss.

In F2019 an impairment loss of R1 013 million after tax was recognised on Assmang's investment in its equity-accounted investment, Sakura Ferroalloys Sdh Bhd. ARM's attributable share of the impairment loss amounted to R313 million for the property, plant and equipment and R194 million for the investment (refer note 10) million after tax.

This impairment was largely due to a combination of:

- A consistent decline in manganese alloys prices; and
- An increase in production costs resulting primarily from high manganese ore prices.

The recoverable amount of the investment was determined based on a fair value discounted cash flow Malaysian Ringgit (MYR) valuation model performed in terms of International Financial Reporting Standards.

The model was calculated over a 20 year period using a terminal value at the end of year 20.

A pre-tax Malaysian discount rate of 8.07% was used in the impairment calculation. The Malaysian Ringgit valuation was converted to South African Rand using an exchange rate of R3.42 at 30 June 2019.

The following assumptions were used in the valuation model:

		FY2020	FY2021	FY2022	FY2023
Manganese Ore Price Assumptions	$/dmtu CIF	4,34–5,97	4,37–6,00	4,48–6,14	4,91–6,65
Manganese Alloy Price Assumptions	USD/mt DDP	727–341	770–1 393	804–1 455	867–1 550
Manganese Alloy Price Assumptions	EUR/mt DDP	1 011	996	1 075	1 113
Exchange Rates					
USD/ZAR	ZAR nominal	14,08	14,20	14,50	14,98
USD/MYR	MYR nominal	4,10	4,00	4,00	4,00
USD/EUR	EUR nominal	0,85	0,82	0,83	0,81
Discounts on Manganese Alloy Prices					
USA		6–12%	6–12%	6–12%	6–12%
Europe		8.5%	8.5%	6%	6%
Japan/Other		6.5%	6.5%	6%	6%

38.3 Impairment summary

Summary	Impairment Rm	Taxation Rm	Net Rm	Group F2020 Rm	Group F2019 Rm	Company F2020 Rm	Company F2019 Rm
F2020							
ARM Coal	**1 684**	(157)	1 527	**1 527**	–	**984**	–
Machadodorp Works	**7**	–	7	**7**	–	**7**	–
ARM Ferrous	**38**	(9)	29	**29**	–	**–**	–
				1 563	–	**991**	–
F2019							
Nkomati	1 344	(274)	1 070	–	1 070	–	1 070
Machadodorp	146		146	–	146	–	146
ARM Coal	(3)	1	(2)	–	(2)	–	(2)
ARM Ferrous	528	(6)	522	–	522	–	–
Total – pre-tax and non-controlling interest				–	1 736	–	1 214

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to certain financial risks in the normal course of its operations. To manage these risks, a treasury risk management committee monitors transactions involving financial instruments.

The Group does not acquire, hold or issue derivative instruments for trading purposes.

The following risks are managed through the policies adopted below:

Currency risk

The commodity market is predominantly priced in US Dollars which exposes the Group's cash flows to foreign exchange currency risks (refer note 39 for sensitivity analysis).

In addition, there is currency risk on long lead-time capital items which may be denominated in US Dollars, Euros or other currencies.

Derivative instruments which may be considered to hedge the position of the Group against these risks include forward sale and purchase contracts as well as forward exchange contracts. There were no derivatives taken out at year end.

The use of these derivative instruments is considered when appropriate for long lead-time capital items.

Below is a summary of amounts included in the statement of financial position denominated in a foreign currency.

	Group		Company	
	Foreign currency amount	Year-end exchange rate R/US$	Foreign currency amount	Year-end exchange rate R/US$
Financial assets				
Foreign currency denominated items included in receivables:				
30 June 2020	US$43 million	17,36	US$3 million	17,36
30 June 2019	US$51 million	14,09	US$6 million	14,09
Foreign currency denominated items included in cash and cash equivalents:				
30 June 2020	US$18 million	17,36	US$nil	17,36
30 June 2019	US$19 million	14,09	US$nil	14,09

Liquidity risk management

The Group's executives meet regularly to review long- and mid-term plans as well as short-term forecasts of cash flow.

Funding requirements are met by arranging banking facilities and/or structuring finance as applicable. All funding and related structures are approved by the Board of Directors.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2020 and 30 June 2019 based on discounted cash flows.

For undiscounted amounts refer note 18.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Liquidity risk management continued

Trade and other payables and overdrafts and short-term borrowings are due to their nature the same for discounted and undiscounted cash flows.

	Group F2020				Company F2020			
	Within one year	**2–4 years**	**Over 5 years**	**Total**	**Within one year**	**2–4 years**	**Over 5 years**	**Total**
Long-term borrowings (refer notes 18 and 23)	**143**	**441**	**1 071**	**1 655**	**15**	**7**	**963**	**985**
Trade and other payables (refer note 21)	**1 637**	**–**	**–**	**1 637**	**424**	**–**	**–**	**424**
Overdrafts and short-term borrowings (refer note 23)	**270**	**–**	**–**	**270**	**95**	**–**	**–**	**95**
Total	**2 050**	**441**	**1 071**	**3 562**	**534**	**7**	**963**	**1 504**

	Group F2019				Company F2019			
	Within one year	2–4 years	Over 5 years	Total	Within one year	2–4 years	Over 5 years	Total
Long-term borrowings (refer notes 18 and 23)	442	72	1 023	1 537	6	–	1 023	1 029
Trade and other payables (refer note 21)	1 608	–	–	1 608	419	–	–	419
Overdrafts and short-term borrowings (refer note 23)	494	–	–	494	78	–	–	78
Total	2 544	72	1 023	3 639	503	–	1 023	1 526

	Group		**Company**	
	F2020	F2019	**F2020**	F2019
Overdrafts and short-term borrowings (including short-term portion of long-term borrowings) are held as follows:				
– ABSA Bank Limited	**163**	291	**35**	16
– Interest free loans – subsidiaries	–		**42**	42
– Nedbank Limited	**150**	231	–	–
– Partner loans short-term	**67**	101	–	–
– ARM BBEE Trust Harmony loan	**–**	287	**–**	–
– Other	**33**	26	**33**	26
	413	936	**110**	84

Credit risk

Credit risk arises from possible defaults on payments by business partners or bank counterparties. The Group minimises credit risk by evaluating counterparties before concluding transactions in order to ensure the creditworthiness of such counterparties.

The maximum exposure for trade receivables is the carrying amounts disclosed in note 7, 11 and 13.

Major trade receivables include Impala Platinum R1 812 million (F2019: R1 290 million), Rustenburg Platinum Mines R660 million (F2019: R644 million), Norilsk Nickel R56 million (F2019: R79 million) and Glencore Operations SA R230 million (F2019: R224 million) (refer note 7).

Cash is only deposited with institutions which have exceptional credit ratings with the amounts distributed appropriately among these institutions to minimise credit risk through diversification. The maximum exposure is the carrying values as per note 8, 14 and 15.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Credit risk continued

The fair value through other comprehensive income financial asset (which is the Harmony investment) exposure is the carrying value of this asset as per note 11.

	Group		Company	
	F2020 Rm	F2019 Rm	F2020 Rm	F2019 Rm
Cash and cash equivalents and financial assets are held at the following financial institutions:				
– ABSA Bank Limited	**1 995**	1 588	**768**	943
– Barclays Private Clients International	**198**	260	**–**	–
– Deutsche Bank	**295**	236	**–**	–
– Investec Limited	**502**	274	**502**	274
– FirstRand Limited	**36**	114	**36**	114
– HSBC	**116**	213	**–**	–
– Lloyds Bank Plc	**165**	210	**–**	–
– Nedbank Limited	**819**	914	**752**	912
– Royal Bank of Canada – Barbados	**22**	27	**7**	12
– Royal Bank of Scotland International Limited	**164**	207	**–**	–
– The Standard Bank of South Africa Limited	**1 346**	497	**1 331**	481
– Fixed deposits	**1 539**	–	**1 181**	–
– Other	**57**	92	**13**	51
	7 254	4 632	**4 590**	2 787

Treasury risk management

The treasury function is outsourced to Andisa Capital Proprietary Limited (Andisa), specialists in the management of third party treasury operations.

Together with ARM financial executives, Andisa coordinates the short-term cash requirements in the South African domestic money market.

A Treasury Committee, consisting of senior managers in the Company including the Financial Director and representatives from Andisa meet on a regular basis to analyse currency and interest rate exposures as well as future funding requirements within the Group.

The committee reviews the treasury operation's dealings to ensure compliance with Group policies and counterparty exposure limits.

Commodity price risk

Commodity price risk arises from the possible adverse effect of fluctuations in commodity prices on current and future earnings.

Most of these prices are US Dollar based and are internationally determined in the open market. From these base prices, contracts are negotiated. ARM does not actively hedge future commodity revenues of the commodities that it produces against price fluctuations.

The Nkomati, Two Rivers and Modikwa operations recognise revenue using the discounted forward commodity price relating to the month in which the sale will be finalised.

There is a risk that the spot price does not realise when the metal price fixes on out-turn at the refinery. Management is of the opinion that this method of revenue recognition is the most appropriate as opposed to using forward prices as an estimate. The risk is that where there are significant changes in metal prices after a reporting period end that the next reporting period is impacted. The value of accounts receivable for these three entities included in trade and other receivables (refer note 13) amounts to R2 528 million (F2019: R2 013 million) for the Group and R56 million (F2019: R79 million) for Company. Refer to the sensitivity below on page 103.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (refer to note 39 sensitivity).

The Group manages its interest cost using a mix of fixed and variable rates.

Fluctuations in interest rates give rise to interest rate risks through the impact these fluctuations have on the value of short-term cash and cash equivalents, financial assets and financing activities.

Fixed interest rate loans carry a fair value risk due to change in market rates.

Cash is managed to ensure that surplus funds are invested in a manner to achieve maximum returns while minimising risks.

The table quantifies the interest rate risk.

		Group		
Financial assets		Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2020				
Cash – financial institutions	US$18m	**316**	**Overnight**	**0–2%**
– financial institutions		**4 766**	**call deposit**	**0–8%**
– fixed		**633**	**July–20**	**4–9%**
Fixed deposits		**1 539**	**3–12 months**	**3–7%**
		7 254		
Year ended 30 June 2019				
Cash – financial institutions	US$19m	264	overnight	0–2%
– financial institutions		3 500	call deposit	0–8%
– fixed		868	July–19	4–9%
		4 632		

	Company		
Financial assets	Book value at year-end Rm	Maturity date*	Effective interest rate
Financial assets			
Year ended 30 June 2020			
Cash – financial institutions	**3 409**	**Call deposits**	**5–9%**
Fixed deposits	**1 181**	**3–12 months**	**3–7%**
	4 590		
Year ended 30 June 2019			
Cash – financial institutions	**2 787**	Call deposits	5 – 9%
	2 787		

** This relates to the financial year.*

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate risk continued

Financial liabilities	Group		
	Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2020			
Long-term borrowings			
ARM BBEE Trust – loan facility – Harmony Gold	**316**	**2023**	**JIBAR plus 4.25%**
ARM Corporate – lease liability	**5**	**2022**	**9.2%**
Two Rivers – lease liability	**303**	**2020–2040**	**8.3%**
Modikwa – lease liability	**62**	**2023–2044**	**5.6%–8.6%**
ARM Coal – lease liability	**6**	**2021**	**10.9%**
ARM Coal – GGV acquisition loan (partner loan)	**168**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**596**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**199**	**2029**	**Interest free**
	1 655		
Less: transferred to short-term borrowings	**(143)**		
Total	**1 512**		

Summary of variable and fixed rates

	Total	Transfer to short-term	Long-term
Variable rates	**316**	**–**	**316**
Fixed rates	**1 339**	**(143)**	**1 196**
Total	**1 655**	**(143)**	**1 512**

Financial liabilities	Group		
	Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2019			
Long-term borrowings			
ARM BBEE Trust – loan facility – Harmony Gold	287	2023	JIBAR plus 4.25%
ARM BBEE Trust – loan facility – Nedbank	81	2020	JIBAR plus 4.07%
Two Rivers – finance leases	140	2018	Prime less 1.5%
Nkomati – finance leases	6	2020	Prime plus 2%
ARM Coal – GGV acquisition loan (partner loan)	185	2029	Interest free
ARM Coal – GGV project facility phase 1 loan (partner loan)	615	2029	Interest free
ARM Coal – GGV project facility phase 2 loan (partner loan)	223	2029	Interest free
	1 537		
Less: transferred to short-term borrowings	(442)		
Total	1 095		

Summary of variable and fixed rates

	Total	Transfer to short-term	Long-term
Variable rates	514	(442)	72
Fixed rates – interest free	1 023	–	1 023
Total	1 537	(442)	1 095

** This relates to the financial year.*

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate risk continued

Short-term financial liabilities	Group			
	Book value at year-end	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2020				
– Financial institutions	**346**	**30/06/2020**	**30/06/2020**	**Variable rate between 2% and 11%**
– Anglo American Platinum (partner loan)	**67**			**No interest**
Total (refer note 23)	**413**			

Short-term financial liabilities	Group			
	Book value at year-end	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2019				
– Financial institutions	835	30/06/2019	30/06/2019	Variable rate between 2% and 11%
– Anglo American Platinum (partner loan)	101			No interest
Total (refer note 23)	936			

Financial liabilities	Company		
	Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2020			
Long-term borrowings			
ARM Corporate – lease liability	**16**	**2022**	**9.2%**
ARM Coal – lease liability	**6**	**2021**	**10.9%**
ARM Coal – GGV acquisition loan (partner loan)	**168**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 1 loan (partner loan)	**596**	**2029**	**Interest free**
ARM Coal – GGV project facility phase 2 loan (partner loan)	**199**	**2029**	**Interest free**
	985		
Less: transferred to short-term borrowings	**(15)**		
Total	**970**		

Summary of variable and fixed rates

	Total	Transfer to short term	Long-term
Variable rates	**–**	**–**	**–**
Fixed rates	**985**	**(15)**	**970**
Total	**985**	**(15)**	**970**

** This relates to the financial year.*

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Interest rate risk continued

Financial liabilities	Company Book value at year-end Rm	Maturity date*	Effective interest rate
Year ended 30 June 2019			
Long-term borrowings			
Nkomati – finance lease	6	2020	Prime plus 2%
ARM Coal – GGV acquisition loan (partner loan)	185	2029	Interest free
ARM Coal – GGV project facility phase 1 loan (partner loan)	615	2029	Interest free
ARM Coal – GGV project facility phase 2 loan (partner loan)	223	2029	Interest free
	1 029		
Less: transferred to short-term borrowings	(6)		
Total	1 023		

** This relates to the financial year.*

Summary of variable and fixed rates

	Total	Transfer to short term	Long-term
Variable rates	6	(6)	–
Fixed rates – interest free	1 023	–	1 023
Total	1 029	(6)	1 023

Short-term financial liabilities	Company Book value at year-end	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2020				
– Financial institutions	**68**	**30/06/2020**	**30/06/2020**	**10.25%**
– Loans from subsidiaries	**42**			**No interest**
Total (refer note 23)	**110**			

Short-term financial liabilities	Company Book value at year-end	Repricing date	Maturity date	Effective interest rate
Year ended 30 June 2019				
– Financial institutions	42	30/06/2019	30/06/2019	10.25%
– Loans from subsidiaries	42			No interest
Total (refer note 23)	84			

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Fair value risk

The carrying amounts of other receivables, cash and cash equivalents, financial assets, loans and long-term receivables and trade and other payables approximate fair value because of the short-term duration of these instruments.

Fair value hierarchy

The Group uses the following hierarchy for determining the level of confidence in the valuation technique used:

Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 – A technique where all inputs that have an impact on the value are observable, either directly or indirectly

Level 3 – A technique where all inputs that have an impact on the value are not observable

FINANCIAL INSTRUMENTS BY CATEGORIES

	Group F2020				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Long-term borrowings (refer note 18 and 29)[1]	**3**	**963**	**–**	**963**	**963**
Investments – listed (refer note 11)	**1**	**1**	**5 366**	**5 367**	**5 367**
Investments – Guardrisk (refer note 11)	**2**	**30**	**–**	**30**	**30**
Investments – RBCT (refer note 1 and 11)	**3**	**238**	**–**	**238**	**238**
Trade receivables[2]	**2**	**2 528**	**–**	**2 528**	**2 528**

	Group F2019				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Long-term borrowings (refer note 18 and 29)[1]	3	1 023	–	1 023	1 023
Investments – listed (refer note 11)	1	1	2 370	2 371	2 371
Investments – Guardrisk (refer note 11)	2	26	–	26	26
Investments – RBCT (refer note 1 and 11)	3	251	–	251	251
Trade receivables[2]	2	2 030	–	2 030	2 030

1 *Includes notional interest of R105 million (F2019: R114 million), re-measurement gains of R165 million (F2019: R39 million re-measurement loss) and repayments of Rnil (F2019: R361 million).*

2 *For inputs used refer note 39 sensitivity*

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Fair value risk continued

	Company F2020				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Long-term borrowings (refer note 18 and 29)[1]	**3**	**963**	**–**	**963**	**963**
Investments – loans (refer note 11 and 29)[2]	**3**	**1 062**	**–**	**1 062**	**1 062**
Investments – listed (refer note 11)	**1**	**–**	**5 366**	**5 366**	**5 366**
Investments – Guardrisk (refer note 11)	**2**	**30**	**–**	**30**	**30**
Investments – RBCT (refer note 11)	**3**	**238**	**–**	**238**	**238**
Trade receivables[3]	**2**	**56**	**–**	**56**	**56**

FINANCIAL INSTRUMENTS BY CATEGORIES

	Company F2019				
Category	Fair value hierarchy level	At fair value through profit and loss Rm	Financial instruments at fair value through other comprehensive income Rm	Total book value Rm	Total fair value Rm
Long-term borrowings (refer note 18 and 29)[1]	3	1 023	–	1 023	1 023
Investments – loans (refer note 11 and 29)[2]	3	1 389	–	1 389	1 389
Investments – listed (refer note 11)	1	–	2 370	2 370	2 370
Investments – Guardrisk (refer note 11)	2	26	–	26	26
Investments – RBCT (refer note 11)	3	251	–	251	251
Trade receivables[3]	2	97	–	97	97

1 *Includes notional interest of R105 million (F2019: R114 million), re-measurement gains of R165 million (F2019: R39 million re-measurement loss) and repayments of Rnil (F2019: R361 million).*
2 *Includes re-measurement gain of R127million (F2019: R175 million) and repayments of R460 million (F2019: R82 million).*
3 *For inputs used refer note 39 sensitivity.*

Acquisition risk

Acquisition risk is the risk that acquisitions do not realise expected returns. This risk is mitigated by ensuring that all major investments are reviewed by the ARM Investment Committee after being proposed by management.

Capital risk management

The management and maintenance of capital in ARM is a central focus of the Board and senior management.

The ability to continue as a going concern and to safeguard assets while optimally funding capital expenditure is continually monitored.

Capital is mainly monitored on the basis of the net gearing ratio while giving due consideration to Life of Mine plans and business plans.

Capital structure is maintained and improved by ensuring an appropriate level of borrowings, adjusting dividends and reviewing returns from operations. ARM does not have a fixed policy on gearing but targets a net gearing threshold of 30% for external funding.

Total capital is defined as total equity on the statement of financial position plus debt.

39. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Fair value risk continued

Sensitivity

The sensitivity calculations are performed on the variances in prices, exchange rates and interest rate changes.

The assumptions are calculated individually while keeping all other variables constant.

The effect is calculated only on the financial instruments as at year end.

It is relevant to note that the accounts receivable balance in note 13 of R2 528 million (F2019: R2 013 million) was valued using the following parameters: (i) Rand/US Dollar exchange rate of R17.36 (F2019: R14.09), (ii) platinum price of $824/oz (F2019: $836/oz), (iii) palladium price of $1 933/oz (F2019: $1 541/oz), rhodium of $8 000/oz (F2019: $3 350/oz) a nickel price of $12 675/tonne (F2019: $12 675/tonne).

The sensitivity was applied to profit or loss before taxation and non-controlling interest. There is no other impact on equity.

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
The increase in profit before tax if:				
The Rand/US Dollar exchange rate weakens by R1	**126**	133	**3**	6
The price of nickel increases by 10%	**6**	9	**6**	9
The price of PGM increases by 10%	**246**	182	**NA**	NA
The interest rate increases by 1%	**57**	29	**45**	27
The decrease in profit before tax if:				
The Rand/US Dollar exchange rate strengthens by R1	**(126)**	(133)	**(3)**	(6)
The price of nickel decreases by 10%	**(6)**	(9)	**(6)**	(9)
The price of PGM decreases by 10%	**(246)**	(182)	**NA**	NA
The interest rate decreases by 1%	**(57)**	(29)	**(45)**	(27)

The interest rate change impact is calculated on the net financial instruments at reporting date and does not take into account any repayments of long- or short-term borrowings.

The prices of all other commodities are contractually fixed and are thus not impacted by price fluctuations after the reporting date.

40. ACQUISITION OF MACHADODORP WORKS

On 28 February 2019, ARM acquired 100% of the Machadodorp Works business from Assmang, for a cash amount of R130 million.

A subsequent purchase price adjustment of R17 million which was received after 30 June 2019, reduced the amount to R113 million.

This resulted in ARM's effective ownership increasing to 100% from the previous indirect 50%.

ARM acquired Machadodorp Works to use its existing infrastructure for alternative smelting technology, to commercialise more efficient and cost effective ways of smelting, particularly in so far as energy (which is one of the biggest cost inputs in smelting) is required. Building a new facility for test work would have been more expensive than using existing Machadodorp Works facility.

Assets acquired and liabilities assumed

ARM measured the identifiable assets and liabilities of Machadodorp Works at their acquisition-date fair values.

The values are presented below:

	F2019 Rm
ASSETS	162
Non-current assets	42
Non-current financial assets	42
Current assets	120
Inventory	93
Trade and other receivables	27
LIABILITIES	232
Non-current liabilities	217
Long-term provision	217
Current liabilities	15
Short-term provision	6
Trade and other payables	9
Total identifiable net assets at fair value	(70)
Deferred tax asset raised on acquisition	37
Purchase price adjustment	17
Goodwill arising on acquisition	146
Cash outflow on acquisition	130

Goodwill of R146 million was recognised at acquisition. Goodwill represents the value paid in excess of the fair value of the net assets acquired (refer note 2.4 and 38).

41. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments

Commitments in respect of capital expenditure:

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Approved by directors				
– contracted for	**228**	188	**51**	107
– not contracted for	**–**	4	**–**	4
Total commitments	**228**	192	**51**	111
Commitments allocated as follows:				
ARM Mining Consortium Limited	**140**	57	**–**	–
ARM Coal Proprietary Limited	**51**	106	**51**	106
Nkomati	**–**	5	**–**	5
Two Rivers Platinum Proprietary Limited	**37**	24	**–**	–
	228	192	**51**	111

It is anticipated that this expenditure, which mainly relates to mine development and plant and equipment, will be financed from operating cash flows and by utilising available cash and borrowing resources.

Contingent liabilities

The estimates used to determine the rehabilitation provisions and funding of the Nkomati Mine Rehabilitation Trust Fund a 30 June 2019 and 31 December 2019 were determined by independent specialists in accordance with Department of Mineral Resources and Energy (DMRE) guidelines and rates.

During F2020, Nkomati Mine embarked on a process to its update rehabilitation obligations according to the new proposed and promulgated requirements under the National Environmental Management Act no 107 of 1998 (NEMA) and based on a shortened economic life of mine.

The Nkomati mine closure may have a potential exposure regarding rehabilitation and management of water post closure.

This is as a result of uncertainties regarding the assessment of long-term water management measures, and anticipated amendments to the existing Water Use License (WUL). The obligation will be recognised when it is probable and can be reliably estimated.

The provision at 30 June 2020 is the best independent estimate and is based on the most reliable information currently available.

It will be re-assessed on an ongoing basis as engineering designs evolve and new information becomes available, as well as when approvals of a revised Environmental Management Plan and Water Use Licence are secured.

Disputes

Eskom issued an invoice to Assmang, claiming an amount of R89 million plus interest for alleged liquidated damages incurred by it. In January 2020, Eskom served summons on Assmang, claiming an amount of R89 million, plus interest. Assmang has filed a Notice of Intention to defend despite the summons having been served on Assmang, the parties have agreed to negotiate the settlement of this matter, which discussions are ongoing.

ARM Mining Consortium made an application against the Department of Mineral Resources and Energy (DMRE) and third-party respondents requesting the court to order the DMRE to reassess applications for certain prospecting rights brought by Rustenburg Platinum Mines, ARM Mining Consortium's joint venture partner, that had been earlier rejected. Judgement on the matter was granted on 10 July 2020. The court found against ARM Mining Consortium. ARM Mining Consortium has applied for application for leave to appeal the court judgement to the Supreme Court of Appeal.

41. COMMITMENTS AND CONTINGENT LIABILITIES CONTINUED

Commitments continued

Guarantees

A back-to-back guarantee to Assore Limited (Assore) in respect of ARM's share of the guarantees issued to bankers by Assore to secure a short-term export finance agreement facility of R180 million (F2019: R180 million) by Assmang. Short-term export finance loans negotiated in terms of the above facility in the ordinary course of business at 30 June 2020 were Rnil (F2019: Rnil).

Guarantees to the Department of Mineral Resources and Energy for rehabilitation provision amounting to R205 million (F2019: R168 million).

Guarantees to Eskom amounting to R45 million (F2019: R45 million).

Assmang has issued a guarantee to the Sarawak Energy Board amounting to $100 million. Sponsor indemnities amounting to $45.64 million has been received by Assmang in respect of this guarantee. The net effect for Assmang is therefore $54.36 million.

ARM's 50 percent interest in Assmang would equate to R472 million (F2019: R383 million) or $27.18 million (F2019: $27.18 million).

An additional guarantee has been issued by Assmang to United Overseas Bank (UOB) in December 2019, $16 million being attributable to ARM. This guarantee is for Sakura debt funding, $2 million has since been drawn down by Sakura at reporting date.

42. LEASES

	Group				Company			
	F2020 Rm		F2019 Rm		**F2020 Rm**		F2019 Rm	
Finance leases (refer note 18)	**Minimum payments**	**Present value of payments**	Minimum payments	Present value of payments	**Minimum payments**	**Present value of payments**	Minimum payments	Present value of payments
Within one year	**–**	**–**	77	74	**–**	**–**	–	–
After one year but not more than five years	**–**	**–**	87	72	**–**	**–**	–	–
Total minimum lease payments	**–**	**–**	164	146	**–**	**–**	6	6
Less: amounts representing finance charges	**–**	**–**	(18)	–	**–**	**–**	–	
Present value of minimum lease payments	**–**	**–**	146	146	**–**	**–**	6	6

42. LEASES CONTINUED

This was transferred to IFRS 16 lease liabilities (refer note 4).

	Group	
	F2020	F2019
Operating leases – Group as lessee		
This is in respect of office building rentals paid		
Straight-lined and cash flows		
Within one year	**–**	1
After one year but not more than five years	**–**	3
Total	**–**	4

This was transfer to right-of-use leases.

43. RETIREMENT PLANS

The Group facilitates pension plans and provident funds substantially covering all employees. These are composed of defined contribution pension plans, which are governed by the Pension Funds Act, 1956, and defined contribution provident funds administered by employee organisations within the industries in which members are employed.

The benefits provided by the defined contribution plans are determined by accumulated contributions and returns on investment.

Members contribute between 5.0% and 7.5% and employers contribute between 6.2% and 18.12% of pensionable salaries to the funds.

Members' contribution for the current year amounts to R182 million (F2019: R171 million).

44. POST-RETIREMENT HEALTH CARE BENEFITS

The Group has obligations to fund a portion of certain pensioners' and retiring employees' medical aid contributions based on the cost of benefits in terms of a defined benefit plan. The anticipated liabilities arising from these obligations have been actuarially determined using the projected unit credit method and a corresponding liability has been raised

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
The post-retirement healthcare benefits are provided for in the following entity:				
African Rainbow Minerals Limited	**77**	81	**77**	81
Machadodorp Works	**11**	10	**11**	10
	88	91	**88**	91

The liability is assessed at three-yearly intervals by an independent actuary. The assumptions used are as follows:

- A real discount rate of 1.8% per annum (F2019: 1.8% per annum).
- An increase in healthcare costs at a rate of between 7% and 9% per annum (F2019: 7% to 9% per annum).
- A 1% change in the healthcare inflation rate used is estimated to have an impact of plus 8% or less 7% (F2019: plus 8% or less 7%) on the liability.
- The average expected working lifetime of eligible members was three years (F2019: four years) at the time of the latest valuation which was carried out during June F2018.

The provisions raised in respect of post-retirement healthcare benefits amounted to R88 million (F2019: R91 million) at the end of the year. For movements refer note 20.

The liabilities raised based on present values of the post-retirement benefit, have been recognised in full.

An actuarial valuation is carried out in respect of this liability at three-yearly intervals. No new employees get this benefit and the liability is relatively stable. The last actuarial valuation was carried out in F2018 and the next one will be in F2021.

At retirement members are given the choice to have an actuarially determined amount paid into their pension fund to cover the expected cost of the post-retirement health cover. Alternatively the Group will continue to fund a portion of the retiring employee's medical aid contributions.

45. SHARE-BASED PAYMENT PLANS

Equity-settled plan

The Company uses plans to attract, retain, motivate and reward eligible employees who are able to influence the performance of ARM on a basis which aligns their interest with those of the Company's shareholders.

Share options

Between F2008 and F2014 annual allocations of share options were made on a much reduced scale due to the adoption of the Share Plan. No share options have been allocated since the end of F2014 (refer remuneration report).

The Company granted share options to certain employees under the share incentive scheme. The exercise price of the options was equal to the market price of the shares on the date of the grant. Before July 2008 the options start to vest one year after the grant date in three equal tranches over three years and from 1 July 2008 the options vest after three years. Both schemes were subject to continued employment.

The contract life of each option is eight years from the grant date.

	F2020 Share options	F2019 Share options	F2020 Average price cents	F2019 Average price cents
Outstanding at beginning of year	**607 401**	898 759	**18 315**	18 315
Forfeited/cancelled/lapsed	**(241 518)**	(262 670)	**18 344**	17 945
Exercised during the year	**(22 342)**	(28 688)	**16 837**	16 917
Outstanding at the end of year	**343 541**	607 401	**18 791**	18 242
Exercisable at the end of the year	**343 541**	607 401		
Range of strike prices of options exercised (cents)			**16 837**	16 837
Range of strike prices of outstanding options (cents)			**16 837 to 20 075**	16 837 to 20 075

Bonus shares

Bonus shares are conditional rights to shares which were allocated annually, which allocations were determined according to a specified ratio of the annual cash incentive accruing to senior executives. Bonus shares vest and are settled between three and four years, subject to continued employment. Other than bonus shares awarded in terms of the bonus share/co-investment scheme method and the waived bonus method, no bonus shares have been awarded since 2015.

If a senior executive leaves due to a fault termination (e.g. resignation or dismissal), all unvested awards are forfeited. If a senior executive leaves due to a no-fault termination (e.g. retirement), all bonus shares awarded prior to December 2014 are settled in full (refer remuneration report).

Deferred bonus/co-investment scheme

The deferred bonus/co-investment scheme was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, as well as to enhance the retention characteristics of the current reward of senior executives. The Company is of the view that the deferral of a portion of immediate cash bonuses demonstrates a heightened commitment to performance and shareholder alignment, and promotes the retention of key employees and enhances the performance and shareholder alignment characteristics of the Share Plan.

Senior executives are offered the opportunity, before the end of March each year, to elect that a portion of any cash bonus calculated at the end of the performance year, be deferred and converted into an equivalent value of deferred bonus shares.

To encourage senior executives to take up the deferral(s), the deferred bonus shares are matched with the equivalent number of performance shares. The remainder of the deferred cash bonus, after any deferral, will accrue to senior executives and be paid out in cash.

Scheme to F2016: Senior executives could defer 25%, 33% or a maximum of 50%.

Scheme with effect from F2018: Senior executives may defer 25%, 33%, 50%, 75% or 100% (refer remuneration report).

The deferred bonus/co-investment scheme was discontinued in October 2019.

45. SHARE-BASED PAYMENT PLANS CONTINUED

Waived bonus method

The waived bonus method was implemented to closely align the interests of shareholders and senior executives by rewarding superior performance and by encouraging senior executives to build up a shareholding in the Company, and to enhance the retention characteristics of the current reward of senior executives.

In advance of the F2016 bonus being quantified or declared, and before any such bonus accrued, the Executive Chairman elected to waive and receive delivery of 100% of the value of any cash bonus which might accrue to him in respect of the F2016 performance year, on a pre-tax basis, in the form of 100% of the value of the waived F2016 bonus in bonus shares and the matching equivalent number of performance shares (refer remuneration report).

	F2020 Bonus shares	F2019 Bonus shares
Outstanding at beginning of year	**278 932**	566 632
Granted during the year	**–**	102 812
Forfeited/cancelled/lapsed	**–**	–
Shares vested	**(57 584)**	(390 512)
Outstanding at end of year	**221 348**	278 932
Fair value of outstanding shares (Rm)	**26**	32

Performance shares method

Performance shares are conditional rights to shares which are typically awarded on an annual basis in order to reduce the risk of unanticipated outcomes arising out of share price volatility and cyclical factors. Performance shares vest and are settled between three and four years, subject to the achievement of predetermined performance criteria.

With effect from May 2015, Total Shareholder Return (TSR) in terms of the RESI 10 was used to determine the number of performance shares which vest. The RESI 10 ceased to exist with effect from December 2015. Therefore, the Board, upon the recommendation of the Remuneration Committee, agreed that with effect from December 2015, the TSR in terms of the top 10 companies in the JSE Mining Resources Sector Index be used to determine the number of performance shares which vest and the 20-day VWAP would be used to determine the price.

	F2020 Performance shares	F2019 Performance shares
Outstanding at beginning of year	**3 251 802**	5 029 074
Awarded during the year	**–**	102 812
Forfeited/cancelled/lapsed	**(41 209)**	(5 556)
Shares vested	**(1 850 991)**	(1 874 528)
Outstanding at end of year	**1 359 602**	3 251 802
Fair value of outstanding shares (Rm)	**193**	441

Conditional share plan 2018

Awards of conditional shares are made to eligible participants (Paterson grade F band) in the 2019 conditional share plan. Conditional shares are settled after three years, subject to the company achieving prescribed performance criteria over this period.

	F2020 Performance shares	F2019 Performance shares
Outstanding at beginning of year	**768 853**	–
Awarded during the year	**632 020**	768 853
Forfeited/cancelled/lapsed	**–**	–
Closing balance	**1 400 873**	768 853
Fair value of outstanding shares (Rm)	**255**	125

45. SHARE-BASED PAYMENT PLANS CONTINUED

Cash-settled conditional share plan 2018

Awards of conditional shares are made to eligible participants (Paterson grade D-E band) in the 2019 cash-settled conditional share plan. Conditional shares are settled after three years, subject to the company achieving prescribed performance criteria over this period.

	F2020 Performance shares	F2019 Performance shares
Outstanding at beginning of year	**333 070**	333 070
Awarded during the year	**327 491**	–
Forfeited/cancelled/lapsed	**(27 389)**	–
Closing balance	**633 172**	333 070
Fair value of outstanding shares (Rm)	**138**	65

Assumptions used were as followes:

The bonus and performance share valuation was done using a Monte Carlo simulation on the Top 20 Shares (by market cap) of the Resources index (excluding gold shares), assuming no dividends on all shares.

All volatilities and correlation matrices are exponentially weighted, using a lambda of 0.99.

The TSR performance curve used in these calculations is taken from the supplied "Illustrative Example" provided in the share plan.

Under the accounting standards prescribed in IFRS 2 (2004), non-market related performance conditions, such as continued employment, are not taken into account when calculating the fair value of a share scheme. Adjustments according to these performance conditions should be made afterwards, at each accounting date.

The fair value of shares granted in options plans were estimated as at the date of the grant using an independent valuator that used the Cox- Ross-Rubinstein binomial tree model taking into account the terms and conditions upon which the performance shares were granted. The following table lists the range of inputs to the models used on the grant date for the years ended 30 June 2020 and 30 June 2019.

	F2020	F2019
Dividend yield %[1]	**N/A**	N/A
Expected volatility %	**37.82**	44.97
Risk-free interest rate %	**6.68**	7.85
Expected life of performance shares (years)	**1–4**	1–4
Average share price (cents)	**15 323**	14 333

1 No options granted anymore.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

	F2020	F2019
The effect on the statement of profit or loss was a charge of (Rm)	**211**	211
Equity settled expense	**179**	198
Cash settled expense	**32**	13

The cash settled liability for F2020 is R45 million (F2019: R13 million).

46. RELATED PARTY TRANSACTIONS

The Company in the ordinary course of business enters into various sale, purchase, service and lease transactions with subsidiaries, associated companies, joint ventures and joint operations. Transactions between the Company, its subsidiaries and joint operations relate to fees, insurances, dividends, rentals and interest and are regarded as intra-group transactions and eliminated on consolidation.

A report on investments in subsidiaries, associated companies, joint ventures and joint operations, that indicates the relationship and degree of control exercised by the Company and balances owed by entities, appears on pages 114 to 116

For sales to related parties refer note 2.6.

	Group		Company	
	F2020 Rm	F2019 Rm	**F2020 Rm**	F2019 Rm
Amounts accounted in the statement of profit or loss relating to transactions with related parties				
Subsidiaries				
Impala Platinum – Sale	**6 173**	3 994	**–**	–
Joint operations				
Anglo American Platinum – Sales	**3 093**	2 067	**–**	–
Joint venture				
Assmang Proprietary Limited				
– Management services	**730**	762	**730**	762
– Dividends received	**3 750**	3 315	**3 750**	3 315
Subsidiaries				
Opilac Proprietary Limited – dividend received	**–**	–	**178**	147
Two Rivers Platinum Proprietary Limited				
– dividend received	**–**	–	**644**	283
– provision of services	**–**	–	**3**	3
Venture Building Trust Proprietary Limited – interest received	**–**	–	**1**	2
Anglovaal Air (Pty) Ltd	**–**	–	**–**	19
ARM BBEE Trust – interest	**–**	–	**129**	121
Amounts outstanding at year-end (owing to)/receivable by ARM on current account				
Joint venture				
Assmang – debtor	**110**	38	**110**	38
Joint operations				
Anglo American Platinum – debtor	**660**	644	**–**	–
Norilsk Nickel – creditor	**(4)**	(3)	**–**	
Norilsk Nickel – debtor	**61**	97	**61**	97
Anglo American Platinum – short-term borrowing	**(66)**	(101)	**–**	–
Glencore Operations SA – long-term borrowing	**(927)**	(1 023)	**(927)**	(1 023)
Glencore Operations SA – debtor	**230**	224	**764**	713
Teal Minerals (Barbados)	**8**	–	**5**	–
Subsidiaries				
Impala Platinum – debtor	**1 812**	1 289	**–**	–
Impala Platinum – dividend paid	**566**	241	**–**	–

46. RELATED PARTY TRANSACTIONS CONTINUED

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity and comprise members of the board of directors and senior management (refer to Directors report).

Senior management compensation

	F2020 Rm	F2019 Rm
Salary	**34**	27
Accrued bonuses	**37**	30
Pension scheme contributions	**3**	3
Reimbursive allowances	**2**	2
Total	**76**	62

Share options

	Number of options	Average price cents	Average gross selling price cents
Held on 1 July 2018	**126 002**	**18 369**	
Exercised/lapsed during the year	**(20 082)**	**18 280**	
Staff movements	**(25 100)**	**18 234**	
Held on 30 June 2019	**80 820**	**18 432**	
Exercise/lapsed during the year	**(31 924)**	**18 044**	
Held on 30 June 2020	**48 896**	**18 686**	

Bonus and performance shares

	Number of bonus shares	Number of performance shares	Number of conditional shares
Held on 1 July 2018	**29 052**	**852 867**	**–**
Granted/awarded during the year	**27 697**	**27 697**	**235 917**
Settled during the year	**(9 592)**	**(209 323)**	**–**
Staff movements	**–**	**(69 313)**	**–**
Held on 30 June 2019	**47 157**	**601 928**	**235 917**
Granted/awarded during the year	**–**	**–**	**238 106**
Settled during the year	**(10 366)**	**(327 200)**	**–**
Held on 30 June 2020	**36 791**	**274 728**	**474 023**

Details relating to Directors emoluments and prescribed officers, share options and shareholdings in the Company are disclosed in the Directors' report.

Shareholders

The principal shareholders of the Company are detailed in the Shareholder Analysis report.

ARM's executive chairman, Dr Patrice Motsepe, is involved through shareholdings and/or directorships in various other companies and trusts. The Company rents office space from one of the entities as disclosed below. Dr Motsepe's Director's emoluments, share options, bonus shares, performance shares and shareholding in the Company are disclosed in the Directors' report.

46. RELATED PARTY TRANSACTIONS CONTINUED

	F2020 Rm	F2019 Rm
Rental paid for offices at 29 Impala Road, Chislehurston, Sandton	**2**	2

This rental is similar to rentals paid to third parties in the same area for similar buildings.

47. EVENTS AFTER THE REPORTING DATE

47.1 Subsequent to year end ARM received a dividend from Assmang of R1 500 million.

47.2 ARM declared a dividend of R7.00 per share.

47.3 ARM and Harmony obtained approvals from their respective Boards to enter into a new loan with the ARM BBEE Trust at, inter alia, zero percent interest or such other rate determined by ARM and Harmony from time to time. The new loans will be used by the ARM BBEE Trust to repay in full all amounts outstanding to ARM and Harmony under the existing ARM and Harmony loans. The estimate of the financial effect of this transaction cannot be determined at this point in time, as no agreement has been entered into yet.

Please refer to events after reporting date included on page 10 of the directors report.

48. MAJOR SHAREHOLDERS, AND SHAREHOLDER SPREAD

Please refer to major shareholders at 30 June 2020 on page 125 of the Investor Relations report and shareholder spread at 30 June 2020 on page 124 the Investor Relations report.

Principal subsidiary companies

for the year ended 30 June 2020

		Issued capital Amount Rm		Direct interest in capital %		Book value of the Company's interests: Shares Rm		Book value of the Company's interests: Indebtedness by/(to) Rm	
Name	Class	F2020	F2019	F2020	F2019	F2020	F2019	F2020	F2019
African Rainbow Minerals Platinum Proprietary Limited	Ord	**–**	–	**100**	100	**257**	257	**1 062**	1 389
African Rainbow Minerals Finance Company SA	Ord	**–**	–	**100**	100	**1 296**	1 296		
Provision ARM Finance Company						**(1 129)**	(1 129)		
Sub-total						**167**	167		
Atscot Proprietary Limited	Ord	**1**	1	**100**	100	**10**	10	**(23)**	(23)
Avmin Limited	Ord	**–**	–	**100**	100			**(17)**	(17)
Bitcon's Investments Proprietary Limited	Ord	**–**	–	**100**	100	**2**	2	**(2)**	(2)
Jesdene Limited	Ord	**–**	–	**100**	100			**6**	6
ARM Treasury Investments Proprietary Limited	Ord	**–**	–	**100**	100	**35**	35		
Mannequin Insurance PCC Limited (Cell AVL18)[1]	Ord	**4**	4	**100**	100	**4**	4		
Opilac Proprietary limited[2]	Ord	**–**	–	**100**	100	**651**	651		
Two Rivers Platinum Proprietary Limited	Ord	**914**	914	**54**	54	**331**	331		
TEAL Minerals (Barbados) Incorporated		**–**	–			**18**	18		
Venture Building Trust Proprietary Limited	Ord	**–**	–	**100**	100	**1**	1	**14**	14
Total value of unlisted investment in subsidiaries[3]						**1 476**	1 476		
Amounts owing to subsidiaries								**(42)**	(42)
Amounts owing by subsidiaries								**1 082**	1 409

Notes

Ord – Ordinary shares

Transactions with principal subsidiary companies are eliminated upon consolidation.

Unless otherwise stated, all companies are incorporated and carry on their principal operations in South Africa. Interests are shown to the extent that this information is considered material. A schedule with details of all other subsidiaries is available from the registered office.

1 Incorporated in Guernsey and has a March year-end. Reviewed June figures are consolidated.

2 February year-end June figures are consolidated.

3 The indirect subsidiary investment in Teal Minerals is included as part of joint operations.

Principal associate companies, joint ventures, joint operations and other investments

for the year ended 30 June 2020

	Group					
	Number of shares held		Effective percentage holding		Value of investment Rm	
Name of company	F2020	F2019	F2020	F2019	F2020	F2019
Associated companies						
Unlisted						
Glencore Operations South Africa Proprietary Limited[1]						
Non-convertible participating preference shares	**384**	384	**20.2**	20.2	**795**	1 837
Investment in other companies						
Listed						
Harmony Gold Mining Company Limited						
Ordinary shares	**74 665 545**	74 665 545	**12.4**	13.8	**5 366**	2 370
On 12 July 2018 ARM acquired a further 11 032 623 shares						
Unlisted						
Business Partners Limited	**323 177**	323 177	**0.2**	0.2	**–**	–
Guardrisk Insurance Company Limited Cell no 00298	**1**	1	**100.0**	100.0	**30**	26
Joint operations and partnerships						
ARM Coal Proprietary Limited (including Goedgevonden)	**51**	51	**51**	51	**–**	–
Modikwa joint operation[1]	**–**	–	**41.5**	41.5	**–**	–
Nkomati joint operation[2]	**–**	–	**50**	50	**–**	–
Vale/ARM joint operation[3]			**–**	–	**–**	–
– investment held directly by ARM						
– investment held indirectly by ARM (subsidiary)						
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture and Sakura Ferro Alloys Sdn Bhd joint venture)	**–**	–	**50**	50	**–**	–
K2018259017 (South Africa) Proprietary Limited[4]	**–**	–	**6.08**	6.08	**–**	–
Trust						
ARM BBEE Trust (refer note 17)	**–**	–	**–**	–	**–**	–

1 *December year end, audited June figures are consolidated.*
2 *Eliminates on a company level, as Nkomati joint operation is an unincorporated joint operation.*
3 *ARM owns 16% indirectly and 34% directly in Teal Minerals (Barbados) Incorporated (amount above is after non-controlling interest).*
4 *As part of the silicosis and tuberculosis class action settlement agreement, the Agent K2018259017 (South Africa) Proprietary Limited was setup to administrate the founders interest's in the Tshiamiso Trust claimants and their dependents.*

PRINCIPAL ASSOCIATE COMPANIES, JOINT VENTURES, JOINT OPERATIONS AND OTHER INVESTMENTS continued

	Company					
	Number of shares held		Value of investment Rm		Indebtedness by Rm	
Name of company	F2020	F2019	F2020	F2019	F2020	F2019
Associated companies						
Unlisted						
Glencore Operations South Africa Proprietary Limited[1]						
Non-convertible participating preference shares	**384**	384	**260**	432	**973**	941
Investment in other companies						
Listed						
Harmony Gold Mining Company Limited						
Ordinary shares	**74 665 545**	74 665 545	**5 366**	2 370	**–**	–
On 12 July 2018 ARM acquired a further 11 032 623 shares.						
Unlisted						
Business Partners Limited	**323 177**	323 177	**–**	–	**–**	–
Guardrisk Insurance Company Limited Cell no 00298	**1**	1	**30**	26	**–**	–
Joint operations and partnerships						
ARM Coal Proprietary Limited (including Goedgevonden)	**51**	51	**409**	409	**–**	–
Nkomati joint operation[1]	**–**	–	**–**	–	**635**	503
Assmang Proprietary Limited (including Cato Ridge Alloys joint venture and Sakura Ferro Alloys Sdn Bhd joint venture)	**1 774 103**	1 774 103	**259**	259	**–**	–
K2018259017 (South Africa) Proprietary Limited[2]	**–**	–	**6.08**	6.08	**–**	–
Division						
Machadodorp Works			**113**	113	**(164)**	28
Impairment			**(113)**	(113)		
Sub-total			**–**	–		
Trust						
ARM BBEE Trust (refer note 17)					**1 267**	1 147

1 Eliminates on a company level, as Nkomati joint operation is an unincorporated joint operation.

2 As part of the silicosis and tuberculosis class action settlement agreement, the Agent K2018259017 (South Africa) Proprietary Limited was setup to administrate the founders interest's in the Tshiamiso Trust claimants and their dependents.

Convenience translation into US Dollars

For the benefit of international investors, the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and the statement of cash flows of the Group presented in South African Rands and set out on pages 21 to 28, have been translated into United States Dollars and are presented on this page and pages 118 to 123. This information is only supplementary and is not required by any accounting standard and does not represent US GAAP.

The statement of financial position is translated at the rate of exchange ruling at the close of business at 30 June each year and the statements of profit or loss and statement of cash flows are translated at the average exchange rates for the years reported, except for the opening and closing cash balances of cash flows which are translated at the rate ruling at the close of business at 30 June each year.

The statement of comprehensive income is translated at the average rate of the years reported.

The statement of changes in equity is translated at the rate ruling at the close of business at 30 June each year.

The following exchange rates were used:

	F2020 R/US$	F2019 R/US$
Closing rate	**R17.36**	R14.09
Average rate	**R15.68**	R14.19

The US Dollar denominated statement of financial position, statements of profit or loss, statement of comprehensive income, statement of changes in equity and statements of cash flows should be read in conjunction with the accounting policies of the Group as set out on pages 29 to 47 and with the notes to the financial statements on pages 48 to 113.

US Dollar statement of financial position

at 30 June 2020

Convenience translation

	Note	F2020 US$m	F2019 US$m
ASSETS			
Non-current assets			
Property, plant and equipment	3	**415**	501
Investment properties	5	**1**	–
Intangible assets	6	**5**	8
Deferred tax assets	19	**–**	34
Loans and long-term receivables	7	**16**	20
Other non-current financial asset	8	**13**	–
Investment in associate	9	**46**	130
Investment in joint venture	10	**1 011**	1 185
Other investments	11	**325**	188
		1 832	2 066
Current assets			
Inventories	12	**33**	48
Trade and other receivables	13	**174**	195
Taxation	37	**8**	2
Financial assets	14	**75**	–
Cash and cash equivalents	15	**329**	329
		619	574
Total assets		**2 451**	2 640
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	16	**1**	1
Share premium	16	**285**	334
Treasury shares	17	**(139)**	(171)
Other reserves		**252**	139
Retained earnings		**1 449**	1 697
Equity attributable to equity holders of ARM		**1 848**	2 000
Non-controlling interest		**117**	109
Total equity		**1 965**	2 109
Non-current liabilities			
Long-term borrowings	18	**87**	78
Deferred tax liabilities	19	**120**	108
Long-term provisions	20	**113**	113
		320	299
Current liabilities			
Trade and other payables	21	**94**	112
Short-term provisions	22	**42**	46
Taxation	37	**6**	8
Overdrafts and short-term borrowings – interest bearing	23	**24**	66
		166	232
Total equity and liabilities		**2 451**	2 640

US Dollar statement of profit or loss

for the year ended 30 June 2020

Convenience translation

	Note	F2020 US$m	F2019 US$m
Revenue	26	**790**	676
Sales	26	**743**	623
Cost of sales	27	**(478)**	(525)
Gross profit		**265**	98
Other operating income	28	**74**	69
Other operating expenses	29	**(131)**	(111)
Profit from operations before capital items		**208**	56
Income from investments	30	**28**	24
Finance costs	31	**(25)**	(22)
Profit from associate	9	**2**	19
Income from joint venture	10	**284**	317
Profit before taxation and capital items		**497**	394
Capital items	32	**(108)**	(105)
Profit before taxation		**389**	289
Taxation	33	**(69)**	(17)
Profit for the year from		**320**	272
Profit for the year		**320**	272
Attributable to:			
Equity holders of ARM			
Profit for the year		**252**	251
Basic earnings for the year		**252**	251
Non-controlling interest			
Profit for the year		**68**	21
		68	21
Profit for the year		**320**	272
Earnings per share	34		
Basic earnings per share (cents)		**130**	130
Diluted basic earnings per share (cents)		**128**	128

US Dollar statement of comprehensive income

for the year ended 30 June 2020

Convenience translation

	Notes	Available-for-sale reserve US$m	Other US$m	Retained earnings US$m	Share-holders of ARM US$m	Non-controlling interest US$m	Total US$m
For the year ended 30 June 2019							
Profit for the year to 30 June 2019		–	–	251	251	21	272
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		44	–	–	44	–	44
Revaluation of listed investment	11	57	–	–	57	–	57
Deferred tax on above	19	(13)	–	–	(13)	–	(13)
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		–	1	–	1	–	1
Total other comprehensive income		44	1	–	45	–	45
Total comprehensive income for the year		44	1	251	296	21	317
For the year ended 30 June 2020							
Profit for the year to 30 June 2020		**–**	**–**	**252**	**252**	**68**	**320**
Other comprehensive income that will not be reclassified to the statement of profit or loss in subsequent periods							
Net impact of revaluation of listed investment		**148**	**–**	**–**	**148**	**–**	**148**
Revaluation of listed investment	11	**191**	**–**	**–**	**191**	**–**	**191**
Deferred tax on above	19	**(43)**	**–**	**–**	**(43)**	**–**	**(43)**
Other comprehensive income that may be reclassified to the statement of profit or loss in subsequent periods							
Foreign currency translation reserve movement		**–**	**13**	**–**	**13**	**–**	**13**
Total other comprehensive income		**148**	**13**	**–**	**161**	**–**	**161**
Total comprehensive income for the year		**148**	**13**	**252**	**413**	**68**	**481**

US Dollar statement of changes in equity

for the year ended 30 June 2020

Convenience translation

	Notes	Share capital and premium US$m	Treasury shares US$m	Financial instruments at fair value through other comprehensive income US$m	Share-based payments US$m	Other US$m	Retained profit US$m	Shareholders of ARM US$m	Non-controlling interest US$m	Total US$m
Balance at 30 June 2018		322	(175)	29	81	(7)	1 639	1 889	107	1 996
Net fair value adjustment of ARM Coal Richards Bay Coal Terminal (RBCT)		–	–	–	–	–	4	4	–	4
Gross fair value adjustment		–	–	–	–	–	5	5	–	5
Deferred tax		–	–	–	–	–	(1)	(1)	–	(1)
Re-measurement adjustment Modikwa		–	–	–	–	–	2	2	–	2
Balance at 1 July 2018 (Restated)		322	(175)	29	81	(7)	1 645	1 895	107	2 002
Total comprehensive income for the year		–	–	44	–	1	251	296	21	317
Profit for the year to 30 June 2019		–	–	–	–	–	251	251	21	272
Other comprehensive income		–	–	44	–	1	–	45	–	45
Bonus and performance shares issued to employees	16	21	–	–	(21)	–	–	–	–	–
Dividend paid	34	–	–	–	–	–	(155)	(155)	–	(155)
Dividend paid to Impala Platinum		–	–	–	–	–	–	–	(17)	(17)
Share-based payments expense		–	–	–	14	–	–	14	–	14
Translation adjustment		(8)	4	(1)	(2)	1	(44)	(50)	(2)	(52)
Balance at 30 June 2019		**335**	**(171)**	**72**	**72**	**(5)**	**1 697**	**2 000**	**109**	**2 109**
Total comprehensive income for the year		**–**	**–**	**148**	**–**	**13**	**252**	**413**	**68**	**481**
Profit for the year to 30 June 2020		**–**	**–**	**–**	**–**	**–**	**252**	**252**	**68**	**320**
Other comprehensive income		**–**	**–**	**148**	**–**	**13**	**–**	**161**	**–**	**161**
Bonus and performance shares issued to employees		**20**	**–**	**–**	**(19)**	**–**	**–**	**1**	**–**	**1**
Dividend paid	16	**–**	**–**	**–**	**–**	**–**	**(173)**	**(173)**	**–**	**(173)**
Dividend paid to minorities	34	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(36)**	**(36)**
Share repurchase	16	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**	**–**	**(4)**
Share-based payments expense		**–**	**–**	**–**	**11**	**–**	**–**	**11**	**–**	**11**
Translation adjustment		**(65)**	**32**	**(27)**	**(13)**	**–**	**(327)**	**(400)**	**(24)**	**(424)**
Balance at 30 June 2020		**286**	**(139)**	**193**	**51**	**8**	**1 449**	**1 848**	**117**	**1 965**

US Dollar statement of cash flows

for the year ended 30 June 2020

Convenience translation

	Note	F2020 US$m	F2019 US$m
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		**797**	677
Cash paid to suppliers and employees		**(551)**	(528)
Cash generated from operations	36	**246**	149
Translation adjustment		**(60)**	(3)
Interest received		**24**	19
Interest paid		**(5)**	(6)
Taxation paid	37	**(51)**	(22)
		154	137
Dividends received from joint venture	10	**239**	234
		393	371
Dividend paid to non-controlling interest – Impala Platinum		**(36)**	(17)
Dividend paid to shareholders	34	**(173)**	(155)
Net cash inflow from operating activities		**184**	199
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment to maintain operations		**(42)**	(66)
Additions to property, plant and equipment to expand operations		**(10)**	–
Investment in Harmony	11	**–**	(15)
Acquisition of Machadodorp Works	40	**–**	(9)
Investments in financial assets	8, 14	**(98)**	–
Net cash outflow from investing activities		**(150)**	(90)
CASH FLOW FROM FINANCING ACTIVITIES			
Share buy back		**(4)**	–
Long-term borrowings raised		**–**	21
Long-term borrowings repaid		**(14)**	(42)
Short-term borrowings raised		**3**	1
Short-term borrowings repaid		**(3)**	–
Net cash outflow from financing activities		**(18)**	(20)
Net increase in cash and cash equivalents		**16**	89
Cash and cash equivalents at beginning of year		**301**	212
Cash and cash equivalents at end of year	15	**317**	301
Cash generated from operations per share (US cents)	34	**127**	77

Financial summary (US Dollar)

for the year ended 30 June 2020

	F2020 US$m	F2019 US$m	F2018 US$m	F2017 US$m	F2016 US$m	F2015 US$m	F2014 US$m	F2013 US$m	F2012 US$m	F2011 US$m	F2010 US$m
Statement of profit or loss											
Sales	**743**	623	634	600	563	809	966	831	2 256	2 131	1 452
Headline earnings	**353**	368	375	235	72	152	397	423	444	483	226
Basic earnings/(loss) per share (US cents)	**130**	130	186	53	(18)	5	147	86	207	226	113
Headline earnings per share (US cents)	**182**	192	197	124	34	70	183	197	208	227	106
Dividend declared after year-end per share (US cents)	**40**	64	55	48	15	29	56	51	58	67	26
Statement of financial position											
Total assets	**2 451**	2 640	2 501	2 472	2 393	2 901	3 430	3 407	4 327	4 791	3 682
Cash and cash equivalents	**329**	329	240	114	90	186	202	198	437	543	396
Shareholders' equity	**1 965**	2 109	1 996	1 844	1 674	2 213	2 652	2 563	2 990	3 280	2 416
Statement of cash flows											
Cash generated from operations	**246**	149	151	118	85	219	200	177	768	857	451
Net cash outflow from investing activities	**(150)**	(90)	(30)	(47)	(54)	(174)	(118)	(195)	(525)	(484)	(306)
Net cash (outflow)/inflow from financing activities	**(18)**	(83)	(27)	(137)	(39)	(26)	(73)	54	22	(85)	(96)
JSE Limited performance											
Ordinary shares (US cents)											
– high	**1 233**	1 325	1 098	933	790	1 773	2 316	2 367	2 561	3 376	2 714
– low	**523**	754	608	493	238	710	1 380	1 574	2 046	2 092	1 542
– year end	**974**	1 292	795	644	627	680	1 759	1 508	2 035	2 788	2 099

Shareholder analysis

as at 30 June 2020

Shares held

	Number of holders	% of total shareholders	Number of shares	% of issued capital
1–1 000 shares	4 351	78.58	781 217	0.35
1 001–10 000 shares	720	13.00	2 455 872	1.10
10 001–100 000 shares	333	6.02	11 383 569	5.10
100 001–1 000 000 shares	114	2.06	33 569 742	15.03
1 000 001 shares and above	19	0.34	175 135 457	78.42
Total	**5 537**	**100.00**	**223 325 857**	**100.00**

Distribution of shareholders

	Excluding treasury shares		Including treasury shares	
	Number of shares held	%	Number of shares held	%
Black Economic Empowerment	105 763 199	50.22	105 763 199	47.36
Unit Trusts/Mutual Fund	36 956 173	17.55	36 956 173	16.55
Pension Funds	32 131 604	15.26	32 131 604	14.39
Own shares*			12 717 328	5.69
Sovereign Wealth	7 403 849	3.52	7 403 849	3.32
Trading Position	5 790 872	2.75	5 790 872	2.59
Insurance Companies	5 232 954	2.48	5 232 954	2.34
Private Investor	3 627 245	1.72	3 627 245	1.62
Exchange-Traded Fund	2 876 384	1.37	2 876 384	1.29
Custodians	808 631	0.38	808 631	0.36
Hedge Fund	586 713	0.28	586 713	0.26
Medical Aid Scheme	447 660	0.21	447 660	0.20
Charity	112 830	0.05	112 830	0.05
Local Authority	109 154	0.05	109 154	0.05
Corporate Holding	76 152	0.04	76 152	0.03
University	27 459	0.01	27 459	0.01
Remainder	8 657 650	4.11	8 657 650	3.88
Total	**210 608 529**	**100.00**	**223 325 857**	**100.00**

* *Own shares refers to treasury shares held by the 100% ARM owned subsidiary, Opilac Proprietary Limited.*

Investment management with more than 3% interest (including own shares)

	Number of shares held	%
African Rainbow Minerals & Exploration	88 753 455	39.74
PIC	17 537 427	7.85
ARM Broad Based Empowerment Trust	15 897 412	7.12
Fairtree Capital Pty Ltd	14 700 363	6.58
Opilac Pty Ltd*	12 717 328	5.69
Total	**149 605 985**	**66.98**

* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

Beneficial interest shareholding more than 3% interest (including own shares)

	Number of shares held	%
African Rainbow Minerals & Exploration	88 753 455	39.74
Government Employees Pension Fund (PIC)	19 020 952	8.52
ARM Broad Based Empowerment Trust	15 897 412	7.12
Opilac Pty Ltd*	12 717 328	5.69
Total	**136 389 147**	**61.07**

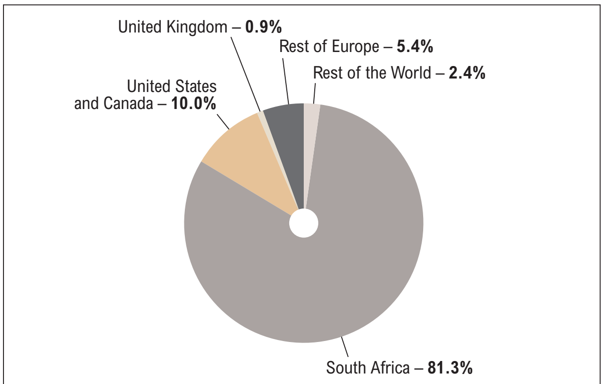
* *Opilac Proprietary Limited is a 100% held subsidiary of ARM.*

Public/non-public shareholders

	Number of holders	% of total shareholders	Number of shares	% of issued capital
Non-Public Shareholders*	**14**	**0.36**	**120 202 383**	**53.82**
Directors (Direct holdings)	**8**	**0.21**	**1 505 072**	**0.67**
Directors (Indirect holdings)	**2**	**0.05**	**216 784**	**0.10**
African Rainbow Minerals & Exploration	**1**	**0.03**	**88 753 455**	**39.74**
ARM Broad-based Black Empowerment Trust	**1**	**0.03**	**15 897 412**	**7.12**
Botho-Botho Commercial Enterprises	**1**	**0.03**	**1 112 332**	**0.50**
Opilac	**1**	**0.03**	**12 717 328**	**5.69**
Public Shareholders	**3 826**	**99.64**	**103 123 474**	**46.18**
Total	**3 840**	**100.00**	**223 325 857**	**100.00**

* *Non-public shareholders consist of Directors (whose interests are set out in the table on page 11 of the Annual Financial Statements, the ARM Broad-Based Economic Empowerment Trust, Opilac Proprietary Limited, African Rainbow Minerals & Exploration Investments (Pty) Ltd (ARMI) and Botho-Botho Commercial Enterprises (Pty) Ltd. The shares of ARMI and BBCE are held indirectly by trusts, all of which, with the exception of The Motsepe Foundation, hold those shares for the benefit of Dr Motsepe and his immediate family.*

Geographical split of beneficial shareholders



Top 20 shareholders

	Number of shares held	% holding of shares in issue
African Rainbow Minerals & Exploration	**88 753 455**	**39.74**
Public Investment Corporation	**17 537 427**	**7.85**
ARM Broad Based Empowerment Trust	**15 897 412**	**7.12**
Fairtree Asset Management	**14 700 363**	**6.58**
Opilac Proprietary Limited	**12 717 328**	**5.69**
LSV Asset Management	**5 018 603**	**2.25**
Kagiso Asset Management	**4 228 539**	**1.89**
Dimensional Fund Advisors	**3 793 818**	**1.70**
The Vanguard Group	**3 577 813**	**1.60**
Old Mutual	**3 535 833**	**1.58**
Sanlam Investment Management	**2 889 399**	**1.29**
Ninety One Plc	**2 451 475**	**1.10**
Truffle Asset Management (Pty) Ltd	**2 373 118**	**1.06**
BlackRock Inc	**2 142 144**	**0.96**
Prudential Investment Managers	**1 954 794**	**0.88**
FIL Limited	**1 769 264**	**0.79**
Momentum Asset Management	**1 441 529**	**0.65**
RMB Morgan Stanley (Pty) Ltd	**1 379 568**	**0.62**
Robeco Institutional Asset Management	**1 374 969**	**0.62**
State Street Global Advisors Ltd	**1 247 755**	**0.56**

Investor relations report

ARM's primary listing is on the JSE Limited.

SHARE INFORMATION

TICKER CODE	ARI
SECTOR	General Mining
NATURE OF BUSINESS	ARM is a diversified mining and minerals company with assets in ferrous metals, platinum group metals, thermal coal and nickel. ARM holds an interest in the gold mining sector through its 12.4% shareholding in Harmony.
ISSUED SHARE CAPITAL AT 30 JUNE 2020	223 325 857 shares
MARKET CAPITALISATION AT 30 JUNE 2020	R37.8 billion
	US$2.2 billion
CLOSING SHARE PRICE AT 30 JUNE 2020	R169.15
12-MONTH HIGH (1 JULY 2019 – 30 JUNE 2020)	R193.27
12-MONTH LOW (1 JULY 2019 – 30 JUNE 2020)	R82.06
AVERAGE VOLUME TRADED FOR THE 12 MONTHS	671 981 shares per day

SHAREHOLDERS' DIARY

ANNUAL GENERAL MEETING	Friday, 4 December 2020
FINANCIAL YEAR-END	Wednesday, 30 June 2021
INTEGRATED ANNUAL REPORT ISSUED	October 2020
INTERIM RESULTS ANNOUNCEMENT	March 2021
PROVISIONAL RESULTS ANNOUNCEMENT	September 2021

SHARE LIQUIDITY

Number of shares traded on the JSE Limited during F2020

Month	Volumes
June 2020	**17 432 473**
May 2020	**18 969 837**
April 2020	**14 565 499**
March 2020	**28 576 998**
February 2020	**15 895 736**
January 2020	**12 717 156**
December 2019	**11 536 180**
November 2019	**11 145 372**
October 2019	**13 345 977**
September 2019	**9 880 158**
August 2019	**7 472 068**
July 2019	**7 129 868**
Total	**168 667 322**

Source: JSE Limited.

African Rainbow Minerals

www.arm.co.za