

AFINE INVESTMENTS LIMITED
(REGISTRATION NUMBER 2020/852422/06)
REVIEWED INTERIM FINANCIAL INFORMATION
FOR THE 6 MONTH PERIOD ENDED 31 AUGUST 2021

AFINE INVESTMENTS LIMITED

The report of the reviewed interim financial information of Afine for the 6 month period ended 31 August 2021 set out below is the responsibility of the Directors.

1. **Review of activities**

Main business and operations

The company is an Investment Property Holding Company. There were no major changes herein during the period.

Business Combinations

After year-end, the group has acquired an additional 50% interest in Lizalor Investments (Pty) Ltd thereby changing the Investment from a Joint Venture to a wholly-owned subsidiary of the group. The group obtained the additional 50% at a consideration of R 17 189 688. Refer to note 8 for additional information hereon. The group has also acquired a 50% interest in Coral Lagoon Investments (Pty) Ltd on 1 March 2021 at the consideration of R 7 001 514. Lizalor Investments (Pty) Ltd also holds 50% interest in Coral Lagoon Investments (Pty) Ltd, thereby making Coral Lagoon Investments (Pty) Ltd a wholly-owned subsidiary of the group. Refer to note 8 for additional information hereon. The directors have also decided to list the Afine Investments (Pty) Ltd Group on a suitable South African stock exchange as a REIT entity in order to generate public interest and gain additional capital in order to fund future investments. In preparation for the listing Afine Investment (Pty) Ltd was converted from a private company to a public company on 26 May 2021.

Investment Property

Valuation technique

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of the property being valued. Valuations are done on the open-market value basis and the valuers use either the discounted cash flow method or the capitalisation of net income method or a combination of the methods. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. Immediately prior to disposal of investment property, the investment property is revalued to the net sales proceeds and such revaluation is recognised in profit or loss during the period in which it occurs. Investment property is maintained, upgraded, and refurbished, where necessary, in order to preserve and/or to improve the capital value. Maintenance and repairs which neither materially add value to the properties nor prolong their useful lives are recognised in profit or loss.

Investment property was acquired through business combinations of R164 500 000 (2021: R10 946 000). Revaluations were performed during the 6 months ending 31 August 2021, resulting in a total revaluation of R129 466 955. a Straightline rental accrual was also recognised at R2 387 045 during the 6 month period.

The total Fair value of Investment Property is R307 300 000 (2021: R10 946 000).

The operating results and statement of financial position of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. Going concern

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

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

The directors have given due consideration to the potential impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges the directors are of the view that the company has sufficient resources to continue as a going concern.

3. Events after reporting date

The board has declared an interim dividend of 25 (twenty-five) cents per ordinary share for the six months half-year to 31 August 2021. The interim dividend is, and is hereby, declared payable on 20 November 2021 to shareholders registered in the books of the company at the close of business day on 15 October 2021.

All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial period to the date of this report that could have a material effect on the financial position of the company.

4. Authorised and issued share capital

Subsequent to year end the entity decided to increase its authorised ordinary shares to 1 000 000 000 no par value shares.

5. Dividend

Dividend of R0 (2021: R0) was paid to shareholders.

6. Directors

The directors of the company during the period and up to the date of this report are as follows:

D Kohler (Appointed 1 June 2021)
JT Loubser (Jnr) (Appointed 1 June 2021)
JT Loubser (Snr) (Appointed 1 June 2021)
PM Todd (Appointed 1 June 2021)
MJ Watters (Appointed 1 June 2021)

7. Secretary

The company designated secretary is S Vosloo.

8. Shareholder

There have been no changes in ownership during the current financial period.

The shareholder and its interest at the end of the 6month period is:

KSP Offshore Limited	Holding 100.00%
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9. Interest in subsidiaries

The interest of the holding company in the profits and losses of its subsidiaries for the period ended 31 August 2021 are as follows:

Lizalor Investments (Pty) Ltd	100%
Thunder Cats Investments 78 (Pty) Ltd	100%
Clifton Dunes Investments 10 (Pty) Ltd	100%
Clifton Dunes Investments 79 (Pty) Ltd	100%
Investment Facility Company Three Three Six (Pty) Ltd	100%
Coral Lagoon Investments (Pty) Ltd	100%

During this financial period, the group has acquired an additional 50% interest in Lizalor Investments (Pty) Ltd and an additional 50% interest in Coral Lagoon Investments (Pty) Ltd, thereby changing the Investments from Joint Ventures to wholly-owned subsidiaries of the group. The directors has also decided to list the Afine Investments (Pty) Ltd Group on the AltX stock exchange as a REIT entity in order to generate public interest and gain additional capital in order to fund future investments. In preparation of the listing Afine Investment (Pty) Ltd was converted from a private company to a public company on 26 May 2021.

10. Liquidity and solvency

The Board declares that it has considered the maintenance of solvability and liquidity of the Company and that, in its opinion, the payment of the dividend in November 2021 will not lead to the Company not being able to meet its commitments, in the ordinary course of business.

11. Compilers

LDV Accountants Incorporated compiled the condensed financial statements for the period under review.

Condensed Statement of Financial Position

Figures in R	Notes	Reviewed	Audited
		31 August 2021	28 February 2021
Assets			
Non-current assets			
Investment property	3	307,300,000	10,946,000
Equity accounted investments		-	13,237,836
Total non-current assets		307,300,000	24,183,836
Current assets			
Trade and other receivables		158,185	6,065,436
Cash and cash equivalents		15,118,487	228,412
Total current assets		15,276,672	6,293,848
Total assets		322,576,672	30,477,684
Equity and liabilities			
Equity			
Issued capital		5,302,000	6,002,000
Retained income / (accumulated loss)		174,473,206	(1,195,848)
Total equity		179,775,206	4,806,152
Liabilities			
Non-current liabilities			
Deferred tax liabilities		59,336,282	2,358,101
Bank loans		31,472,729	-
Total non-current liabilities		90,809,011	2,358,101
Current liabilities			
Trade and other payables		878,529	100,524
Current tax liabilities		268,547	14,736
Other financial liabilities		-	382,616
Bank loans		9,373,394	-
Loans from related parties		41,471,985	22,815,555
Total current liabilities		51,992,455	23,313,431
Total liabilities		142,801,466	25,671,532
Total equity and liabilities		322,576,672	30,477,684

Condensed Statement of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	Reviewed	Audited
		6 month ended 31 August 2021	1 month ended 28 February 2021
Revenue	6	21,834,984	-
Other expenses		(2,014,625)	-
Profit from operating activities		19,820,359	-
Gain on bargain purchase in a business combination		55,627,004	2,756,004
Fair Value adjustment		131,854,000	-
Finance income		121,997	-
Finance costs		(2,183,940)	-
Share of loss from equity accounted investments		-	(3,951,852)
Profit / (loss) before tax		205,239,420	(1,195,848)
Income tax expense		(29,570,366)	-
Profit / (loss) for the period		175,669,054	(1,195,848)
Earnings per share from continuing and discontinuing operations attributable to owners of the parent during the period			
Basic earnings per share			
Basic earnings / (loss) per share	7	274.4829	(1,868.5100)
Diluted earnings per share			
Diluted earnings / (loss) per share	7	274.4829	(1,868.5100)
Headline earnings per share			
Headline earnings per share	7	27.7475	-

Condensed Statement of Changes in Equity

Figures in R	Issued capital	Retained income / (accumulated loss)	Total
Balance at 1 March 2020	6,002,000	-	6,002,000
Changes in equity			
Loss for the period	-	(1,195,848)	(1,195,848)
Total comprehensive income for the period	-	(1,195,848)	(1,195,848)
Balance at 28 February 2021	6,002,000	(1,195,848)	4,806,152
Balance at 1 March 2021	6,002,000	(1,195,848)	4,806,152
Changes in equity			
Profit for the period	-	175,669,054	175,669,054
Total comprehensive income for the period	-	175,669,054	175,669,054
Reduction in share capital	(700,000)	-	(700,000)
Balance at 31 August 2021	5,302,000	174,473,206	179,775,206

Condensed Statement of Profit or Loss and Other Comprehensive Income

Figures in R	Notes	Reviewed 6 month ended 31 August 2021	Audited 1 month ended 28 February 2021
Net cash flows from operations	13	14,140,200	-
Interest paid		(2,183,940)	-
Interest received		121,997	-
Net cash flows from operating activities		12,078,257	-
Cash flows from investing activities			
Cash acquired through business combination		2,501,810	-
Cash acquired through business combinations		-	228,412
Cash flows from investing activities		2,501,810	228,412
Cash flows used in financing activities			
Reduction in share Capital		(700,000)	-
Repayment of borrowings		(4,115,173)	-
Proceeds from shareholders loans		91,023	-
Repayment of loans from related parties		(6,199,867)	-
Cash flows used in financing activities		(10,924,017)	-
Net increase in cash and cash equivalents		3,656,050	228,412
Cash and cash equivalents at beginning of the period		228,412	-
Cash and cash equivalents at end of the period		3,884,462	228,412

1. General information

Afine Investments Limited ('the company') is an Investment Property Holding Company.

The company is incorporated as a Public Company and domiciled in South Africa. The address of its registered office is Unit 4602, Greenways, Strand, Western Cape, 7140.

2. Basis of preparation and summary of significant accounting policies

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements.

3. Investment property

3.1 Accounting policies

Definition

Investment property is property (land or a building—or part of a building—or both) held by the entity to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for administrative purposes; or
- sale in the ordinary course of business.

Recognition

Investment property is recognised as an asset when:

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

Initial measurement

Investment property is initially measured at cost, with transaction costs and other directly attributable expenditure being included in the the initial measurement.

The initial cost of investment property interest held under a lease is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability.

Subsequent measurement - Fair value model

After initial recognition, investment property is measured at fair value.

Disposals

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period of the retirement or disposal.

3.2 Balances at year end and movements for the year

	Reviewed 31 August 2021	Audited 28 February 2021-
Reconciliation for the period		
Balance at the beginning of the period		
At fair value	10,946,000	-
Carrying amount	10,946,000	-
Movements for the period		
Acquisitions through business combinations	164,500,000	10,946,000
Gains (losses) on fair value adjustment	129,466,955	-
Straight-line rental accrual	2,387,045	-
Investment property at the end of the period	307,300,000	10,946,000
Closing balance at the end of the period		
At fair value	307,300,000	10,946,000
Carrying amount	307,300,000	10,946,000

3.3 Valuation techniques used to derive level 3 fair values

3.4 Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

Fair values are determined annually by external independent professional valuers with appropriate and recognised professional qualifications and recent experience in the location and category of the property being valued. Valuations are performed using either the discounted cash flow method or the capitalisation of net income method or a combination of both methods. The most recent valuation was performed by Appraisal Corporation on 31 May 2021 using a capitalisation and a discounted rate of 10.5%. Gains or losses arising from changes in the fair values are included in profit or loss for the period in which they arise. Investment property is maintained, upgraded, and refurbished, where necessary, in order to preserve and/or to improve the capital value. Maintenance and repairs which neither materially add value to the properties nor prolong their useful lives are recognised in profit or loss.

Investment property was acquired through business combinations of R164 500 000 (2021: R10 946 000). Revaluations were performed during the 6 months ending 31 August 2021, resulting in a total revaluation of R129 466 955. A straightline rental accrual was also recognised at R2 387 045 during the 6 month period.

The significant increase in the fair value of the investment properties held by Thunder Cats Investments 78 (Pty) Ltd, Clifton Dunes Investments 10 (Pty) Ltd, Clifton Dunes Investments 79 (Pty) Ltd and Investment Facility Company Three Three Six (Pty) Ltd resulted from lease agreements being renegotiated during March 2021 at significantly higher lease income rates than was previously earned from these properties. This resulted in the upwards revaluation of R129 466 955.

The total Fair value of Investment Property is R307 300 000 (2021: R10 946 000).

3.5 Information about fair value measurements using significant unobservable inputs (Level 3)

	<u>Group Assets</u>
Fair value at 31 August 2021	
Valuation technique	Discounted Present Value
Unobservable inputs - Discount rate	10.5%
Unobservable inputs - Capitalisation rate	10.5%
Fair value at 28 February 2021	
Valuation technique	Discounted Present Value
Unobservable inputs - Discount rate	9%
Unobservable inputs - Capitalisation rate	9%

Fair Value Sensitivity analysis

The discount and capitalisation rates used in the property valuation are dependent on a number of factors such as location, condition of improvements, current market conditions, lease covenants and the risk inherent in the property. These rates are assessed for each individual property based on its specific circumstances.

The valuations of investment properties are sensitive to changes in the unobservable inputs used in such valuations. Changes to one of the unobservable inputs, while holding other inputs constant, would have the following effects on the fair value of the investment property in the statement of comprehensive income:

	2022	2021
Increase in discount and capitalisation rates 0.5% change (2021: 0.5% change)	(13,968,182)	(575,718)
Decrease in discount and capitalisation rates 0.5% change (2021: 0.5% change)	15,365,000	643,449

3.6 Detail of properties

3.6.1 Stand 15848 and Stand 15851

Somerset West, Province of Western Cape

Purchase price	114,000	114,000
Valuation	44,186,000	2,306,000
	44,300,000	2,420,000

3.6.2 Erf 1 Thandekile Township

IT Devison, Mpumalanga, Piet Retief

Purchase price	96,900	96,900
Valuation	46,303,100	231,100
	46,400,000	328,000

3.6.3 Erf 2490 Witbank Ext 13 Township

JS Division, Mpumalanga

Purchase price	51,300	51,300
Valuation	23,048,700	2,366,700
	23,100,000	2,418,000

3.6.4 Portion 2 of Erf 654 Parkdene, Ext 3 Township

IR Division, Gauteng		
Purchase price	90,000	90,000
Valuation	9,810,000	1,140,000
	9,900,000	1,230,000

3.6.5 Erf 14399 Protea Park, Ext 1

IR Division, North West		
Purchase price	68,000	68,000
Valuation	19,032,000	2,392,000
	19,100,000	2,460,000

3.6.6 Remainder Erf 35 Riverside Park, Ext 4

JT Division, Mpumalanga		
Purchase price	2,144,340	-
Valuation	45,855,660	-
	48,000,000	-

3.6.7 Extent 2.1877HA & 0.9157HA of portion 150 & portion in extent 1.8042HA of portion 151 Doornpoort no. 295

JR Division, Gauteng		
Purchase price	4,730	-
Valuation	116,495,270	-
	116,500,000	-

4. Financial assets

4.1 Carrying amount of financial assets by category

	<u>At amortised cost</u>	<u>Total</u>
Period ended 31 August 2021		
Trade and other receivables excluding non-financial assets	158,185	158,185
Cash and cash equivalents	15,118,587	15,118,487
	15,276,672	15,276,672
	<u>At amortised cost</u>	<u>Total</u>
Period ended 28 February 2021		
Trade and other receivables excluding non-financial assets	6,065,436	6,065,436
Cash and cash equivalents	228,412	228,412
	6,293,848	6,293,848

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Except as noted above, the carrying values of financial instruments are a reasonable approximation of their fair values.

5. Revenue

5.1 Accounting policies

Revenue is income arising in the course of an entity's ordinary activities.

The company is in the business of leasing of investment property. The company's mainstream revenue is rental income for the letting of property which is recognised and measured according to IFRS16 (Leases). Recoveries, rebates, and levies received are income recognised and measured in accordance with IFRS 15 (Revenue from Contracts with Customers).

A contract with a customer is recognised when all of the following criteria are met:

- the contract has been approved and all parties to the contract are committed to performing their respective obligations;
- each party's rights regarding the goods or services to be transferred are identifiable;
- payment terms for the goods or services to be transferred are identifiable;
- the contract has commercial substance; and
- it is probable that the consideration in exchange for the goods or services that will be transferred will be collected.

At the inception of a contract, the goods or services promised in the contract are assessed and a performance obligation is identified for each promise to transfer to the customer either:

- a good or service that is distinct; or
- a series of distinct goods or services that are substantially the same and that have the same pattern of transfer.

Revenue is recognised when or as the performance obligation is satisfied by transferring a promised good or service to a customer. Assets are transferred when or as the customer obtains control of that asset.

Measurement

When a performance obligation is satisfied, revenue is recognised as the amount of the transaction price that is allocated to the performance obligation, but excluding estimates of variable consideration that are constrained and any amounts collected on behalf of third parties. The transaction price may include fixed amounts, variable amounts, or both.

The company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customer.

The company recognises as an asset the incremental costs of obtaining a contract with a customer if the company expects to recover those costs.

If the costs incurred in fulfilling a contract with a customer are not within the scope of another Standard (for example, IAS 2 Inventories, IAS 16 Property, Plant and Equipment or IAS 38 Intangible Assets), the company recognises an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the company can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
- the costs generate or enhance resources of the company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

When either party to a contract has performed, the company presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the company's performance and the customer's payment. The company presents any unconditional rights to consideration separately as a receivable.

Contract balances

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Leases

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

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

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

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

The Group recognise lease payments from operating leases as income on a straight-line basis.

6.1 Revenue comprises:

Levies and other income on investment property	128,985	-
Rebates	1,766,670	-
Operating lease income - rental income	19,939,329	-
Total revenue	21,834,984	-

6.2 Sources of revenue

Contracts with customers	1,895,655	-
Lease agreements	19,939,329	-

7. Earnings per share

7.1 Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

Profit for the period attributable to owners of the company for continuing operations	175,669,054	(1,195,848)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	64,000,000	64,000

7.2 Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

Earnings used in the calculation of basic earnings per share for continuing operations	175,669,054	(1,195,848)
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7.3 Headline earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of headline earnings per share are as follows:

Profit for the period attributable to owners of the company for continuing operations	175,669,054	(1,195,848)
IAS33 earnings	175,669,054	(1,195,848)
Less Fair Value adjustment	(131,854,000)	-
Less the re-measurements included in equity-accounted earnings of associates	-	3,951,852
Total tax effects of adjustments	29,570,366	-
Bargain Purchase	(55,627,004)	(2,756,004)
Earnings used in the calculation of headline earnings per share for continuing operations	17,758,416	-
Weighted average number of ordinary shares used in the calculation of headline earnings per share	64,000,000	64,000

8. Segment information

8.1 General information

Factors used to identify the entity's reportable segments, as determined by management that chose to organise the entity around different geographical areas, where certain operating segments have been aggregated together.

Operating segments that have been aggregated together are less than the 10% margin as per IAS34.13 (Quantitative threshold).

Each reportable segment derives its revenues mainly from Rental Income, Rebates and reimburse expensive.

8.2 Segment revenues

Period ended 31 August 2021	Gauteng and North-West	Mpumalanga	Western Cape	Inter-segment Revenue	Revenue from external customers
Revenue	8,832,340	8,588,194	4,821,064	(406,614)	21,834,984

8.3 Other incomes and expenses

	Interest expense	Fair value changes - Investment Property	Interest received	Other expenses	Gain on bargain purchase	Share of profit or loss from joint ventures	Income tax expense - Deferred tax
Period ended 31 August 2021							
Gauteng and North-West	(2,183,855)	25,399,254	10,960	(227,674)	-	-	(5,704,832)
Mpumalanga	(87)	63,243,388	-	(1,061,925)	-	-	(14,484,736)
Western Cape	-	40,824,312	-	(38,130)	-	-	(9,381,120)
Head Office	-	-	111,036	(743,596)	55,627,004	-	-
Total other incomes and expenses	(2,183,942)	129,466,954	121,997	(2,071,324)	55,627,004	-	(29,570,688)
Period ended 28 February 2021							
Gauteng and North-West	-	-	-	-	2,756,004	-	-
Head Office	-	-	-	-	-	(3,951,852)	-
Total other incomes and expenses	-	-	-	-	2,756,004	(3,951,852)	-

8.4 Assets and liabilities

	Segment profit /(loss) before discontinued operations and tax	Total assets	Total liabilities
Period ended 31 August 2021			
Gauteng and North-West	31,391,771	147,439,790	65,305,504
Mpumalanga	72,190,271	119,025,012	25,891,039
Western Cape	46,662,934	44,839,965	9,969,006
Head Office	54,994,444	11,271,905	41,635,916
Total assets and liabilities	205,239,420	322,576,673	142,801,465
Period ended 28 February 2021			
Gauteng and North-West	2,756,004	3,697,733	813,828
Mpumalanga	-	4,906,573	1,098,474
Western Cape	-	2,633,542	943,675
Head Office	(3,951,852)	19,239,836	22,815,555
Total assets and liabilities	(1,195,848)	30,477,684	25,671,532

9. Related parties

9.1 Accounting policies

A related party is a person or entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person:
 - has control or joint control of the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - Both entities are joint ventures of the same third party;
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
 - The entity is controlled or jointly controlled by a person identified as a related party;
 - A person identified as having control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity;

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

9.2 Group companies

Parent company	Afine Investments Limited
Subsidiaries	Lizalor Investments (Pty) Ltd Thunder Cats Investments 78 (Pty) Ltd Clifton Dunes Investments 10 (Pty) Ltd Clifton Dunes Investments 79 (Pty) Ltd Investment Facility Company Three Three Six (Pty) LtdCoral Lagoon Investments 163 (Pty) Ltd

9.3 Other related parties

Entity name	Nature of relationship
Petroland Group (Pty) Ltd	Common management of the directors of the Group
Katherine Street Properties (Pty) Ltd	Common Management of the directors of the Group
Lyndham Trust	Common Management of the directors of the Group
Petroland Developments (Pty) Ltd	Common Management of the directors of the Group

9.4 Related party transactions

	Petroland Group (Pty) Ltd	Katherine Street Properties (Pty) Ltd	Lyndham Trust	Petroland Develop- ments (Pty) Ltd	Total
Period ended 31 August 2021					
Related party transactions					
Purchase of investments	24,191,202	-	-	-	24,191,202
Management fees paid	984,439	-	-	22,024	1,006,462
Period ended 28 February 2021					
Related party transactions					
Purchase of investments	4,616,382.77	504,742.15	18,694,430.08	-	23,815,555

10. Business combinations

10.1 Details of acquisition

Name of acquiree	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration paid R
Lizalor Investments (Pty) Ltd	Investment Property	1 March 2021	50	30,427,524
Coral Lagoon Investments 163 (Pty) Ltd	Investment Property	1 March 2021	50	7,001,514
Thunder Cats Investments 78 (Pty) Ltd	Investment Property	28 February 2021	100	1,878,861
Clifton Dunes Investments 10 (Pty) Ltd	Investment Property	28 February 2021	100	1,898,038
Clifton Dunes Investments 79 (Pty) Ltd	Investment Property	28 February 2021	100	1,678,969
Investment Facilities Company 336 (Pty) Ltd	Investment Property	28 February 2021	100	170,000

10.2 Assets acquired and liabilities recognised at the date of acquisition

	31-Aug-21	28-Feb-21
Non-current assets		
Investment property	164,500,000	10,946,000
Current assets		
Trade and other current receivables	-	63,436
Current tax assets	24,884	2,582
Cash and cash equivalents	2,501,810	228,412
Non-current liabilities		
Deferred tax liabilities	(27,412,299)	(2,358,101)
Other non-current financial liabilities	(44,961,296)	-
Current liabilities		
Trade and other current payables	(1,330,169)	(100,524)
Current tax liabilities	(266,888)	(17,318)
Other current financial liabilities	-	(382,616)
Assets acquired and liabilities recognised at the date of acquisition	93,056,042	8,381,871
Consideration paid	37,429,038	5,625,867
Bargain purchase	55,627,004	2,756,003

10.3 Gain recognised in bargain purchase transaction

Recognised in comprehensive income as follows:

Description	Line item in comprehensive income in which recognised		
Subsidiaries and joint ventures combined	Other income - Gain from bargain Purchase	55,627,004	2,756,003

The Fair Value of Investment Property according to the Company's valuation was higher than the valuation performed by the Directors of Lizalor Investments (Pty) Ltd and Coral Lagoon Investments (Pty) Ltd, and that it gave rise to the gain on bargain purchase. The valuation difference arose due to the previous directors valuation using a more prudent approach to the variable cashflows from the agreements, as well as more prudent discount and capitalisation rates, taking the COVID-19 impact into account. These factors decreased the previous directors valuations performed considerably when compared to the independent valuer's valuations.

11. Events after the reporting date - Non-adjusting event

The board has de declared an interim dividend of 25 (twenty-five) cents per ordinary share for the six months half-year to 31 August 2021. The interim dividend is, and is hereby, declared payable on 20 November 2021 to shareholders registered in the books of the company at the close of business day on 15 October 2021.

Subsequent to 31 August 2021, the related parties loan from Petroland and Lyndham Trust will be converted to a shareholders loan from KSP Offshore, financed by Investec Bank Mauritius, which loan is not short-term in nature. KSP Offshore will obtain loan financing from Investec Bank Mauritius. KSP Offshore will lend these funds to the company in order for the company to utilise the funds in settling the loans from Petroland and Lyndham Trust.

All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

The directors are not aware of any matter or circumstance arising since the end of the financial period to the date of this report that could have a material effect on the financial position of the company.

12. Going concern

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

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis.

The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements.

13. Cash flows from operating activities

Profit / (loss) for the period	175,669,054	(1,195,848)
Adjustments for:		
Income tax expense	29,570,366	-
Finance income	(121,997)	-
Finance costs	2,183,940	-
Fair value gain on investment property	(131,854,000)	-
Undistributed losses / (profits) of joint ventures	-	3,951,852

Gain on bargain purchase in a business combination	(55,627,004)	(2,756,004)
Change in operating assets and liabilities:		
Trade and other receivables	(5,319,741)	-
Trade and other payables	(360,418)	-
Net cash flows from operations	14,140,200	-