AFRIMAT LIMITED

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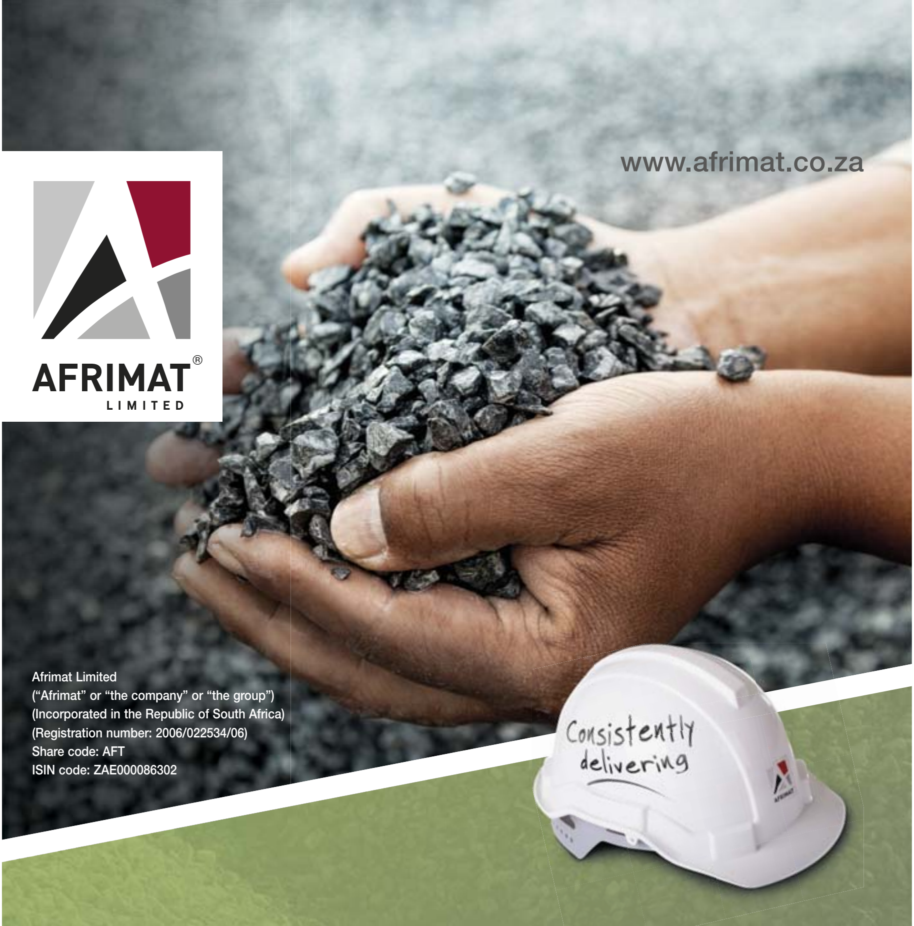

Afrimat Limited
("Afrimat" or "the company" or "the group")
(Incorporated in the Republic of South Africa)
(Registration number: 2006/022534/06)
Share code: AFT
ISIN code: ZAE000086302

Unaudited condensed consolidated interim financial results

for the six months ended 31 August 2017

Highlights

- HEPS up **7,4%** to **102,2** cents
- Contribution from operations' margin **16,4%**
- NAV per share of **809** cents
- Interim dividend **20,0** cents per share
- Return on net operating assets **22,3%**

Commentary

Basis of preparation

The unaudited condensed consolidated interim financial results ("financial statements") for the six months ended 31 August 2017 ("the period") have been prepared in accordance with and contain, as a minimum, the information required by IAS 34: *Interim Financial Reporting* and have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and in the manner required by the South African Companies Act No. 71 of 2008, as amended. The accounting policies and method of computation applied in preparation of the financial statements are in accordance with the International Financial Reporting Standards ("IFRS") and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2017, except as stated in note 16. The above information has not been audited or reported on by Afrimat's auditors.

The financial statements have been prepared under the supervision of the Chief Financial Officer, PGS de Wit CA(SA).

Introduction

The group continues to deliver satisfactory results supported by its diversification strategy despite very difficult trading conditions during the first quarter of the financial year.

The traditional aggregates business delivered pleasing results for the period and the performance of the industrial minerals division picked up well during the second quarter. The first quarter was impacted by an unusually low number of effective trading days in April 2017 and by major political events that severely impacted business confidence.

The group successfully entered the iron ore industry with the acquisition of a small iron ore mine.

Financial results

Headline earnings per share increased by 7,4% from 95,2 cents to 102,2 cents. Mineral producing operations across all regions as well as the traditional aggregates businesses were the main contributors to the satisfactory set of results.

The net debt:equity ratio increased from 24,0 in August 2016 to 42,4 in the current period, mainly due to a new R300,0 million amortising five-year term facility introduced to purchase the Investec securities, fund the offer to creditors in terms of the business rescue plan and provide working capital requirements for Diro Manganese Proprietary Limited and Diro Iron Ore Proprietary Limited ("DIRO").

The net cash from operations was impacted by an increase in working capital as a result of the acquisition of the Emfuleni Clinker Ash Dump, included in the inventory, and further working capital requirements relating to the DIRO operations, since acquisition.

Operational review

All operating units are strategically positioned to deliver excellent service to the group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is well diversified to include aggregates and concrete based products as construction materials as well as limestone, dolomite and silica as industrial minerals. The group added bulk commodities to an already diversified offering, by entering the iron ore industry.

Labour relations continued to be satisfactory during the period under review, with no labour action having occurred in the period. The group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively.

The **Aggregates and Industrial Minerals** segment generated satisfactory results supported by an improvement in the contribution from the traditional aggregates businesses and the mineral producing operations across all regions.

The acquisition of the Emfuleni Clinker Ash Dump, situated in Vereeniging and close to Afrimat's clients, will ensure an additional three to four years to the lifespan for both Clinker Supplies Proprietary Limited ("Clinker") and SA Block Proprietary Limited. Clinker continues to investigate further options in order to secure additional clinker resources for the group.

In line with Afrimat's strategy to diversify, an additional greenfield project was initiated in KwaZulu-Natal.

The **Concrete Based Products** segment was impacted by difficult market conditions. The company's strategy remains focused on assets with a competitive advantage.

Afrimat created a **Commodities** segment by entering the iron ore industry. It concluded an agreement to purchase 60% of DIRO, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. The acquisition became unconditional following section 11 approval by the Department of Mineral Resources ("DMR"), effective 30 June 2017.

This segment was impacted by the DIRO acquisition and start-up costs with the DIRO results included as from 30 June 2017. The operations of DIRO are currently in a ramp-up phase with the first dense medium separation ("DMS") plant already in production. DIRO concluded a final product sale agreement for its iron ore product on 16 August 2017 and commenced delivery soon thereafter. Good progress is being made with the recommissioning of DIRO.

Business development

New business development remains a key component of the group's growth strategy. The dedicated business development team continues to successfully identify and pursue opportunities in existing markets, as well as in anticipated new high growth areas in southern Africa.

Acquisition

Following the finalisation of the agreement to purchase 60% of DIRO from Diro Resources Proprietary Limited, as well as a cession and delegation agreement with Investec Limited, the company concluded a sale of shares and claims agreement with the minorities of DIRO to acquire the remaining 40% stake in DIRO, effective 31 July 2017.

Prior to Afrimat's acquisition, DIRO's operations were halted as a consequence of it being under financial distress and was accordingly placed into formal business rescue on 7 June 2016. Diro Manganese Proprietary Limited has filed a notice of substantial implementation of its business rescue plan with the Companies and Intellectual Property Commission, confirming that it exited business rescue on 16 August 2017 and commenced with delivery, under the ownership of Afrimat.

For further details, refer to a SENS announcement published by the company on 22 August 2017.

B-BBEE

Existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 30,25% of Afrimat's issued shares (excluding treasury shares and mandated investments).

Notwithstanding the fully empowered ownership platform in line with the Mining Charter requirements, the group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and has had a successful period in terms of sustained training, skills development and all-round employee upliftment.

Dividend

The group's dividend policy is to maintain a 2,75 times dividend cover. An interim gross dividend of 20,0 cents per share (August 2016: 20,0 cents) for the period was declared on 1 November 2017. The dividend payable to shareholders who are subject to dividend tax is 16,0 cents per share (August 2016: 17,0 cents per share).

Prospects

The group is well positioned to capitalise on its strategic initiatives, foresees continued growth from an excellent asset base, the further expansion of its range of unique products and turnaround initiatives of selective acquisitions.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees, remains a key focus in all operations.

Afrimat expects the current business climate to continue with the group's future growth driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market.

On behalf of the board

MW von Wielligh
Chairman

AJ van Heerden
Chief Executive Officer

2 November 2017

Dividend declaration

Notice is hereby given that an interim gross dividend, No. 21 of 20,0 cents per share, in respect of the six months ended 31 August 2017, was declared on Wednesday, 1 November 2017.

There are 143 262 412 shares in issue at reporting date, of which 7 044 486 are held in treasury. The total dividend payable is R28,7 million (August 2016: R28,7 million).

The board has confirmed that the solvency and liquidity test as contemplated by the Companies Act No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 16,0 cents and 20,0 cents per share, respectively. The income tax number of the company is 9568738158.

Relevant dates to the final dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 28 November 2017
Commence trading *ex* dividend	Wednesday, 29 November 2017
Record date	Friday, 1 December 2017
Dividend payable	Monday, 4 December 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 November 2017 and Friday, 1 December 2017, both dates inclusive.

Condensed consolidated statement of profit or loss and other comprehensive income

	Unaudited six months ended 31 August 2017 R'000	Restated unaudited six months ended 31 August 2016 R'000	Change %	Audited year ended 28 February 2017 R'000
Revenue	**1 184 592**	1 153 258	2,7	2 228 157
Cost of sales	**(791 563)**	(765 950)		(1 464 494)
Gross profit	**393 029**	387 308	1,5	763 663
Operating expenses	**(199 225)**	(187 451)		(357 897)
Profit/(loss) on disposal of plant and equipment	**700**	2 252		(165)
Contribution from operations	**194 504**	202 109	(3,8)	405 601
Impairment of property, plant and equipment (refer note 2)	**(260)**	–		(3 049)
Profit on disposal of subsidiary	**–**	4 043		4 043
Operating profit	**194 244**	206 152	(5,8)	406 595
Investment revenue	**25 612**	14 813		36 073
Finance costs	**(25 306)**	(19 929)		(41 589)
Share of profits of joint venture	**–**	1 047		1 047
Share of (losses)/profits of associate	**(20)**	27		82
Profit before tax	**194 530**	202 110	(3,8)	402 208
Income tax expense (refer note 5)	**(56 048)**	(62 884)	10,9	(122 814)
Profit for the period	**138 482**	139 226	(0,5)	279 394
Profit attributable to:				
Owners of the parent	**139 417**	138 571		277 824
Non-controlling interests	**(935)**	655		1 570
	138 482	139 226		279 394
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Net change in fair value of available-for-sale financial assets	**108**	98		68
Income tax effect on available-for-sale financial assets	**(24)**	(66)		(63)
Currency translation differences (refer note 6)	**998**	(6 964)		(7 270)
Income tax effect on currency translation differences	**–**	–		–
Other comprehensive income/(loss) for the period, net of tax	**1 082**	(6 932)		(7 265)
Total comprehensive income for the period	**139 564**	132 294	5,5	272 129
Total comprehensive income attributable to:				
Owners of the parent	**140 499**	131 639		270 559
Non-controlling interests	**(935)**	655		1 570
	139 564	132 294		272 129
Earnings per share				
Earnings per ordinary share (cents)	**102,4**	97,6	4,9	196,0
Diluted earnings per ordinary share (cents)	**101,5**	96,4	5,3	194,0
Note to statement of profit or loss and other comprehensive income				
Shares in issue				
Total shares in issue	**143 262 412**	143 262 412		143 262 412
Treasury shares (refer note 8)	**(7 044 486)**	(998 162)		(7 187 643)
Net shares in issue	**136 217 926**	142 264 250		136 074 769
Weighted average number of net shares in issue	**136 112 937**	141 976 864		141 712 540
Diluted weighted average number of shares	**137 309 432**	143 752 950		143 209 240

Reconciliation of headline earnings

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Change %	Audited year ended 28 February 2017 R'000
Profit attributable to owners of the parent	**139 417**	138 571		277 824
(Profit)/loss on disposal of plant and equipment attributable to owners of the parent	**(700)**	(2 252)		165
Impairment of property, plant and equipment (refer note 2)	**260**	–		3 049
Profit on disposal of subsidiary attributable to owners of the parent	**–**	(4 043)		(4 043)
Total income tax effects of adjustments	**123**	2 831		1 301
	139 100	135 107	3,0	278 296
Headline earnings per ordinary share ("HEPS") (cents)	**102,2**	95,2	7,4	196,4
Diluted HEPS (cents)	**101,3**	94,0	7,8	194,3

Condensed consolidated statement of financial position

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
Assets			
Non-current assets			
Property, plant and equipment*	**1 422 590**	996 717	1 058 240
Investment property	**3 040**	3 040	3 040
Intangible assets	**13 623**	15 576	14 575
Goodwill	**133 194**	133 194	133 194
Investment in associate	**195**	213	244
Other financial assets (refer note 7)	**57 450**	168 754	276 942
Deferred tax	**40 405**	25 427	30 288
Total non-current assets	**1 670 497**	1 342 921	1 516 523
Current assets			
Inventories	**229 760**	168 392	162 960
Current tax receivable	**11 372**	10 627	9 279
Trade and other receivables	**405 559**	368 886	332 766
Other financial assets (refer note 7)	**364**	6 316	107
Cash and cash equivalents (refer note 9)	**135 594**	157 192	244 690
Total current assets	**782 649**	711 413	749 802
Total assets	**2 453 146**	2 054 334	2 266 325
Equity and liabilities			
Equity			
Stated capital	**270 925**	255 224	285 842
Business combination adjustment	**(105 788)**	(105 788)	(105 788)
Treasury shares	**(68 784)**	(21 214)	(70 999)
Net issued stated capital	**96 353**	128 222	109 055
Other reserves	**3 464**	2 889	4 525
Retained earnings	**1 002 710**	973 748	1 085 792
Attributable to equity holders of parent	**1 102 527**	1 104 859	1 199 372
Non-controlling interests	**6 299**	6 976	7 547
Total equity	**1 108 826**	1 111 835	1 206 919
Liabilities			
Non-current liabilities			
Borrowings (refer note 10)	**333 087**	241 599	94 999
Deferred tax	**113 286**	114 404	113 845
Provisions	**138 846**	89 417	96 190
Total non-current liabilities	**585 219**	445 420	305 034
Current liabilities			
Borrowings (refer note 10)	**153 071**	90 421	79 090
Other financial liabilities (refer note 11)	**59 571**	–	38 111
Current tax payable	**13 514**	11 238	8 997
Trade and other payables	**468 264**	298 596	352 150
Obligation of share of joint venture's losses	**4 481**	4 481	4 481
Bank overdraft (refer note 9)	**60 200**	92 343	271 543
Total current liabilities	**759 101**	497 079	754 372
Total liabilities	**1 344 320**	942 499	1 059 406
Total equity and liabilities	**2 453 146**	2 054 334	2 266 325
Note to the statement of financial position			
Net asset value per share (cents)	**809**	777	881
Net tangible asset value per share (cents)	**702**	672	773
Total borrowings and other financial liabilities	**545 729**	332 020	212 200
(Surplus cash)/overdraft less cash and cash equivalents	**(75 394)**	(64 849)	26 853
Net debt	**470 335**	267 171	239 053
Net debt:equity ratio (%)	**42,4**	24,0	19,8

* *Increase due to DIRO acquisition.*

Condensed consolidated statement of cash flows

	Unaudited six months ended 31 August 2017 R'000	Restated unaudited six months ended 31 August 2016 R'000	Restated audited year ended 28 February 2017 R'000
Cash flows from operating activities			
Cash generated from operations	**118 898**	180 344	531 114
Interest revenue	**6 985**	8 823	35 674
Dividends received	**29**	64	88
Finance costs	**(22 117)**	(17 380)	(36 487)
Tax paid	**(63 205)**	(58 103)	(124 343)
Net cash inflow from operating activities	**40 590**	113 748	406 046
Acquisition of property, plant and equipment	**(56 501)**	(21 973)	(78 693)
Proceeds on disposal of property, plant and equipment	**8 517**	11 804	17 688
Purchase of financial assets	**(55 615)**	(7 276)	(254 916)
Proceeds on sale of financial assets	**5 482**	316	138 940
Proceeds on disposal of businesses	**–**	9 083	9 083
Acquisition of businesses (refer note 14)	**4 228**	(251 263)	(280 263)
Net cash outflow from investing activities	**(93 889)**	(259 309)	(448 161)
Repurchase of Afrimat shares	**(5 598)**	(9 656)	(9 656)
Acquisition of additional non-controlling interest (refer note 13)	**(21)**	(66)	(66)
Net movement in borrowings (refer note 10.2)	**250 895**	201 565	5 376
Tax paid on disposal of shares to ARC*	**–**	–	(8 200)
Proceeds from other financial liabilities (refer note 11)	**–**	–	38 111
Repayment of other financial liabilities	**(21 292)**	–	–
Dividends paid (refer note 15.2)	**(68 438)**	(58 796)	(87 666)
Net cash inflow/(outflow) from financing activities	**155 546**	133 047	(62 101)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**102 247**	(12 514)	(104 216)
Cash, cash equivalents and bank overdrafts at the beginning of the period	**(26 853)**	77 363	77 363
Cash, cash equivalents and bank overdrafts at the end of the period	**75 394**	64 849	(26 853)

* *African Rainbow Capital Proprietary Limited.*

Condensed consolidated statement of changes in equity

	Stated capital R'000	Business combination adjustment R'000	Treasury shares R'000	Other reserves R'000	Retained income R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2016	263 611	(105 788)	(40 181)	8 619	892 088	6 737	1 025 086
Adjustment to non-controlling interest due to:							
– Infrasors (refer note 13)	–	–	–	–	(163)	97	(66)
Share-based payments	–	–	–	2 737	–	–	2 737
Purchase of treasury shares	–	–	(9 656)	–	–	–	(9 656)
Treasury shares used for acquisition	(312)	–	23 908	–	–	–	23 596
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(8 075)	–	4 715	(1 535)	1 535	–	(3 360)
Profit for the period	–	–	–	–	138 571	655	139 226
Other comprehensive income for the period	–	–	–	(6 932)	–	–	(6 932)
Net change in fair value of available-for-sale financial assets	–	–	–	98	–	–	98
Income tax effect	–	–	–	(66)	–	–	(66)
Currency translation differences (refer note 6)	–	–	–	(6 964)	–	–	(6 964)
Income tax effect	–	–	–	–	–	–	–
Dividends paid (refer note 15.2)	–	–	–	–	(58 283)	(513)	(58 796)
Balance at 31 August 2016	255 224	(105 788)	(21 214)	2 889	973 748	6 976	1 111 835
Balance at 1 March 2016	263 611	(105 788)	(40 181)	8 619	892 088	6 737	1 025 086
Changes:							
Adjustment to non-controlling interest due to:							
– Infrasors (refer note 13)	–	–	–	–	(169)	103	(66)
Treasury shares used for acquisition	(312)	–	23 908	–	–	–	23 596
Share-based payments	–	–	–	6 023	–	–	6 023
Purchase of treasury shares	–	–	(69 310)	–	–	–	(69 310)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax	(28 911)	–	14 584	(2 852)	2 852	–	(14 327)
Effect on disposal of treasury shares to ARC	51 454	–		–	–	–	51 454
Profit for the year	–	–	–	–	277 824	1 570	279 394
Other comprehensive income for the year	–	–	–	(7 265)	–	–	(7 265)
Net change in fair value of available-for-sale financial assets	–	–	–	68	–	–	68
Income tax effect	–	–	–	(63)	–	–	(63)
Currency translation differences (refer note 6)	–	–	–	(7 270)	–	–	(7 270)
Income tax effect	–	–	–	–	–	–	–
Dividends paid (refer note 15.2)	–	–	–	–	(86 803)	(863)	(87 666)
Balance at 28 February 2017	285 842	(105 788)	(70 999)	4 525	1 085 792	7 547	1 206 919

Condensed consolidated statement of changes in equity *(continued)*

	Stated capital R'000	Business combination adjustment R'000	Treasury shares R'000	Other reserves R'000	Retained income R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2017	**285 842**	**(105 788)**	**(70 999)**	**4 525**	**1 085 792**	**7 547**	**1 206 919**
Changes:							
Share-based payments	–	–	–	1 723	–	–	1 723
Purchase of treasury shares	–	–	(5 598)	–	–	–	(5 598)
Initial non-controlling interest acquired (refer note 14)	–	–	–	–	–	(114 219)	(114 219)
Additional non-controlling interest acquired due to:							
– Infrasors (refer note 13)	–	–	–	–	(98)	77	(21)
– DIRO (refer note 14)	–	–	–	–	(158 219)	114 219	(44 000)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(14 917)	–	7 813	(3 866)	3 866	–	(7 104)
Profit for the period	–	–	–	–	139 417	(935)	138 482
Other comprehensive income for the period	–	–	–	1 082	–	–	1 082
Net change in fair value of available-for-sale financial assets	–	–	–	108	–	–	108
Income tax effect	–	–	–	(24)	–	–	(24)
Currency translation differences (refer note 6)	–	–	–	998	–	–	998
Income tax effect	–	–	–	–	–	–	–
Dividends paid (refer note 15.2)	–	–	–	–	(68 048)	(390)	(68 438)
Balance at 31 August 2017	**270 925**	**(105 788)**	**(68 784)**	**3 464**	**1 002 710**	**6 299**	**1 108 826**

	Split six months ended 31 August 2017 %	Unaudited six months ended 31 August 2017 R'000	Split six months ended 31 August 2016 %	Unaudited six months ended 31 August 2016 R'000	Split year ended 28 February 2017 %	Audited year ended 28 February 2017 R'000
1. Segment information						
Revenue						
External sales						
Aggregates and Industrial Minerals	69,2	819 563	70,8	816 452	69,7	1 553 285
Commodities	2,5	29 037	–	–	–	–
Concrete Based Products	28,3	335 992	29,2	336 806	30,3	674 872
	100,0	1 184 592	100,0	1 153 258	100,0	2 228 157
Inter-segment sales						
Aggregates and Industrial Minerals	98,2	89 823	97,4	57 214	98,1	118 818
Commodities	–	–	–	–	–	–
Concrete Based Products	1,8	1 601	2,6	1 540	1,9	2 357
	100,0	91 424	100,0	58 754	100,0	121 175
Total revenue						
Aggregates and Industrial Minerals	71,3	909 386	72,1	873 666	71,2	1 672 103
Commodities	2,3	29 037	–	–	–	–
Concrete Based Products	26,4	337 593	27,9	338 346	28,8	677 229
	100,0	1 276 016	100,0	1 212 012	100,0	2 349 332
Contribution from operations						
Aggregates and Industrial Minerals	103,1	200 558	97,2	196 530	92,5	374 986
Commodities	(2,8)	(5 474)	–	–	–	–
Concrete Based Products	1,0	1 927	4,8	9 789	9,7	39 238
Other	(1,3)	(2 507)	(2,0)	(4 210)	(2,1)	(8 623)
	100,0	194 504	100,0	202 109	100,0	405 601
Contribution from operations margins on external revenue (%)						
Aggregates and Industrial Minerals		24,5		24,1		24,1
Commodities		(18,9)		–		–
Concrete Based Products		0,6		2,9		5,8
Overall contribution		16,4		17,5		18,2
Other information						
Assets						
Aggregates and Industrial Minerals		1 409 902		1 305 506		1 319 965
Commodities		361 913		–		–
Concrete Based Products		271 368		235 417		219 722
Other		409 963		513 411		726 638
		2 453 146		2 054 334		2 266 325

	Split six months ended 31 August 2017 %	Unaudited six months ended 31 August 2017 R'000	Split six months ended 31 August 2016 %	Unaudited six months ended 31 August 2016 R'000	Split year ended 28 February 2017 %	Audited year ended 28 February 2017 R'000
1. Segment information *(continued)*						
Liabilities						
Aggregates and Industrial Minerals		**392 718**		395 635		**351 907**
Commodities		**122 731**		–		**–**
Concrete Based Products		**91 940**		78 797		**46 438**
Other*		**736 931**		468 067		**661 061**
		1 344 320		942 499		**1 059 406**

* *Includes the R300,0 million amortising five-year facility with SBSA and FNB.*

	Split six months ended 31 August 2017 %	Unaudited six months ended 31 August 2017 R'000	Split six months ended 31 August 2016 %	Unaudited six months ended 31 August 2016 R'000	Split year ended 28 February 2017 %	Audited year ended 28 February 2017 R'000
Capital expenditure (excluding acquisitions through business combinations)						
Aggregates and Industrial Minerals		**94 213**		28 391		**106 234**
Commodities		**6 913**		–		**–**
Concrete Based Products		**11 637**		9 347		**17 037**
Other		**3 031**		1 805		**11 250**
		115 794		39 543		**134 521**

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
2. Impairment of property, plant and equipment			
Impairment of property, plant and equipment	**(260)**	–	(3 049)

An impairment loss was recognised, relating to property, plant and equipment items written off at Afrimat Aggregates (KZN) Proprietary Limited (F2017: Delf Silica Coastal Proprietary Limited), which had no further economic value and have been removed from the register.

3. Disposal of subsidiary

During F2017, the group disposed of 100% of its shareholding in AFT Aggregates Proprietary Limited ("AFT Aggregates") to Nityn Proprietary Limited on 1 April 2016. The company was previously included in the "Aggregates and Industrial Minerals" segment.

3. Disposal of subsidiary *(continued)*

Details of the disposal are as follows:

	AFT Aggregates Total R'000
Carrying amount of net assets over which control was lost	
Property, plant and equipment	**12 655**
Inventories	**1 892**
Trade and other receivables	**1 972**
Tax liability	**(2 824)**
Trade and other payables	**(3 553)**
Deferred tax liability	**(2 553)**
Provisions	**(2 549)**
Cash and cash equivalents	**917**
Net assets derecognised	**5 957**
Consideration received	
Cash	**10 000**
Total consideration	**10 000**
Profit on disposal of subsidiary	
Consideration received	**10 000**
Net asset derecognised	**(5 957)**
Profit on disposal of subsidiary	**4 043**
Net cash inflow from disposal of subsidiary	
Cash consideration received	**10 000**
Cash and cash equivalents disposed of	**(917)**
	9 083

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
4. Depreciation and amortisation			
Depreciation	**58 073**	48 024	98 628
Amortisation	**952**	1 002	2 003
	59 025	49 026	100 631

5. Income tax expense

The effective tax rate of the group decreased from 31,1% to 28,8% in the current period mainly due to the income tax deductibility of expenditure actually incurred in settlement of the shares exercised in terms of the Share Appreciation Rights Scheme, by means of the formalisation of appropriate cost recharge agreements in the Afrimat group.

6. Currency translation differences

Foreign currency transactions relating to the Mozambique operations are translated into the presentation currency (ZAR or R) by means of translating assets and liabilities at closing rate at the date of the statement of financial position and income and expenses at an average exchange rate for the period and recognising all resulting exchange differences in other comprehensive income. Exchange differences arising on monetary items that form part of the group's net investment in the Mozambique operations are recognised in other comprehensive income, whilst all other translations including those on short-term receivables are recognised in profit or loss.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
7. Other financial assets			
Funding provided to Afrimat employees (BEE share purchase scheme)	**–**	145 999	–
Rehabilitation fund trusts and other	**57 814**	29 071	37 520
Diro Manganese Proprietary Limited	**–**	–	239 529
	57 814	175 070	277 049
Non-current other financial assets	**57 450**	168 754	276 942
Current other financial assets	**364**	6 316	107
	57 814	175 070	277 049

Included in the above balance are investments in environmental insurance policies of R47,7 million (August 2016: R14,7 million) measured at fair value. The group reinvested previously released unit trusts, resulting in an increase in the investment in environmental insurance policies as noted. Further investments in environmental insurance policies were acquired as part of the business combination of DIRO. The fair value of unquoted unit trusts is derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment in the unit trust by reference to the fair value of the individual assets and liabilities recognised in a unit trust's statement of financial position. The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

Funding provided to Afrimat employees

On 9 November 2016, Afrimat announced on SENS that the ARC Transaction, to acquire 26,3 million shares in Afrimat from Afrimat Empowerment Investments Proprietary Limited ("AEI"), became unconditional. The shares comprise approximately 18,36% of the total issued Afrimat ordinary shares. The transaction became unconditional as the participants of the Afrimat BEE Trust voted in favour of the offer and all other conditions were met. ARC agreed to be locked in for at least four years. Following the implementation of the ARC Transaction, the beneficiaries received their respective consideration net of any liabilities, and ceased to be participants under the Current Scheme. All the funding associated with the Afrimat shares was settled on 8 December 2016.

DIRO

During F2017, Afrimat concluded an agreement to purchase 60% of DIRO, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. The effective date of the acquisition is the first business day following the date on which the conditions precedent are fulfilled or waived and the agreement becomes unconditional and enforceable in all respects. DIRO was not incorporated into the F2017 financial results, as the company awaited the section 11 approval from the DMR. As at F2017, an amount of R239,5 million was contributed towards the purchase consideration payable and has therefore been classified as a loan and receivable until all conditions precedent are met and the results of DIRO incorporated. As announced on SENS on 13 July 2017, all conditions precedent to the 60% acquisition of DIRO were fulfilled or waived and the agreement became unconditional and enforceable. DIRO was incorporated from the effective date of acquisition of 30 June 2017. For further details, refer to the SENS announcement published on 13 July 2017.

	Number of shares		
	30 August 2017	31 August 2016	28 February 2017
8. Movement in number of treasury shares			
Opening balance	**7 187 643**	1 918 751	1 918 751
Utilised for share appreciation rights scheme	**(343 250)**	(221 242)	(685 615)
Utilised for Cape Lime acquisition	**–**	(1 139 347)	(1 139 347)
Shares held by AEI	**–**	–	6 653 854
Purchased during the period/year	**200 093**	440 000	440 000
Closing balance	**7 044 486**	998 162	7 187 643

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 653 854 shares representing 4,64% of the issued share capital of the company.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
9. Cash and cash equivalents			
Current assets	**135 594**	157 192	244 690
Current liabilities	**(60 200)**	(92 343)	(271 543)
	75 394	64 849	(26 853)

Funding towards the DIRO acquisition (refer note 7) was obtained by means of utilising the company's current general banking facilities with The Standard Bank of South Africa Limited ("SBSA") as well as FirstRand Bank Limited ("FNB"). During the current period, the group refinanced the debt included in the general bank facilities into a R300,0 million amortising five-year term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments commencing 30 November 2017.

Included in the prior year's short-term bank deposits was an amount of R110,1 million relating to available cash in AEI after the disposal of shares to ARC. During the current period, R79,5 million of the available R110,1 million was paid to the South African Revenue Service ("SARS") in relation to PAYE, SDL and arrear taxes from participants of Afrimat BEE Trust.

	Unaudited six months ended 31 August 2017 R'000	Restated unaudited six months ended 31 August 2016 R'000	Restated audited year ended 28 February 2017 R'000
10. Borrowings			
10.1 Capital net movement			
Opening balance	**174 089**	112 885	112 885
Acquired through business combinations	**2 740**	–	–
New borrowings	**358 434**	268 551	306 811
Repayments	**(49 105)**	(49 416)	(245 607)
Closing balance	**486 158**	332 020	174 089
Analysis as per statement of financial position			
Borrowings non-current	**333 087**	241 599	94 999
Borrowings current	**153 071**	90 421	79 090
	486 158	332 020	174 089
10.2 Analysis as per statement of cash flows			
New borrowings	**300 000**	250 981	250 983
Repayments	**(49 105)**	(49 416)	(245 607)
	250 895	201 565	5 376

During the current period, the group refinanced the debt included in the general bank facilities into a R300,0 million amortising five-year term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments commencing 30 November 2017.

During F2017, the group financed plant and machinery with SBSA, to fund capital expenditure and working capital requirements to support the growth and expansion of the group. A vehicle asset finance facility of R109,6 million over 36 months, at the prime rate minus 1,5%, repayable in monthly instalments of capital and interest was agreed upon for this purpose.

During F2017, SBSA provided funding to AEI in the amount of R141,3 million for the redemption by AEI of all of its existing preference shares in issue and to pay the existing preference share aggregate redemption quantum to Afrimat Limited. The company's shares held by AEI/Afrimat BEE Trust served as security for the preference share funding provided by SBSA. On 8 December 2016, AEI repaid the debt from SBSA and was subsequently released from the company pledge and cession agreement as set out in the subscription agreement with SBSA.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
11. Other financial liabilities			
Net capital proceeds owing to Afrimat BEE Trust participants	**21 819**	–	38 111
Deferred liability: DIRO	**37 752**	–	–
	59 571	–	38 111

Upon implementation of the ARC Transaction, the beneficiaries of the Trust received their respective consideration net of liabilities and ceased to be participants under the current BEE scheme. This liability exists due to an amount owing to beneficiaries whom could not be traced, mostly deceased individuals. Afrimat is in the process of tracking these beneficiaries to ensure payment occurs timeously.

On 22 August 2017, the group announced on SENS that Afrimat has concluded a sale of shares and claims agreement with the minorities of DIRO to acquire the remaining 40% stake in DIRO as from 15 August 2017. The purchase consideration of R44,0 million is payable in nine tranches as follows: eight monthly instalments of R5,0 million per month for eight consecutive months commencing 15 August 2017; and R4,0 million in one final instalment.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
12. Authorised capital expenditure			
Not yet contracted for			
– Property, plant and equipment	**47 832**	85 198	140 013

	Infrasors Holdings Proprietary Limited R'000	**Total R'000**
13. Acquisition of additional non-controlling interest		
Infrasors Holdings Proprietary Limited		
August 2017		
Additional non-controlling interest acquired	**(77)**	**(77)**
Premium paid on additional shares acquired in subsidiary after initial acquisition	**98**	**98**
	21	**21**
August 2016		
Adjustment to non-controlling interest acquired	(97)	(97)
Premium paid on additional shares acquired in subsidiary after initial acquisition	163	163
	66	66
February 2017		
Adjustment to non-controlling interest acquired	(103)	(103)
Premium paid on adjustment to non-controlling interest after initial acquisition	169	169
	66	66

14. Acquisition of businesses

Diro Manganese Proprietary Limited and Diro Iron Ore Proprietary Limited ("DIRO")

The group acquired 60% of the issued shares of DIRO, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. The aggregate purchase consideration (including funding provided) for the acquisition of DIRO was R276,0 million. On 13 July 2017 all conditions precedent, including section 11 approval from the Department of Mineral Resources, were fulfilled and the agreement became unconditional. On 22 August 2017, the group announced on SENS that Afrimat has concluded a sale of shares and claims agreement with the minorities of DIRO to acquire the remaining 40% stake in DIRO, effectively from 31 July 2017, for an aggregate purchase consideration of R44,0 million. The acquisition will complement and augment Afrimat's product offering and further expand its footprint across South Africa. Given the nature of DIRO's reserves and the access to infrastructure, together with Afrimat's existing competencies, the transaction allows the ability to leverage the combined strengths which will result in developing new revenue opportunities for Afrimat in the iron ore space.

Details of the acquisition are as follows:

	DIRO – Initial acquisition R'000	DIRO – Additional shares acquired R'000	Total R'000
Carrying amount/fair value of net assets acquired			
Property, plant and equipment*	**313 705**	**–**	**313 705**
Deferred tax assets	**1 119**	**–**	**1 119**
Other financial assets	**17 557**	**–**	**17 557**
Inventories	**12 446**	**–**	**12 446**
Trade and other receivables	**8 912**	**–**	**8 912**
Borrowings	**(2 741)**	**–**	**(2 741)**
Trade and other payables	**(127 557)**	**–**	**(127 557)**
Loans from Afrimat group	**(305 111)**	**–**	**(305 111)**
Provisions	**(37 777)**	**–**	**(37 777)**
Cash and cash equivalents	**5 228**	**–**	**5 228**
Additional non-controlling interest acquired	**114 219**	**(114 219)**	**–**
Premium paid on additional shares acquired in subsidiary after initial acquisition	**–**	**158 219**	**158 219**
Net assets**	**–**	**44 000**	**44 000**
Net cash inflow from acquisition of subsidiary			
Cash consideration paid	**–**	**–**	**–**
Cash and cash equivalents acquired	**5 228**	**–**	**5 228**
	5 228	**–**	**5 228**
Unaudited *pro forma* revenue assuming the business combination for the full period ended 31 August 2017			**51 910**
Unaudited *pro forma* loss after tax assuming the business combination for the full period ended 31 August 2017			**(80 495)**
Revenue included in results			**29 037**
Loss after taxation included in results			**(8 281)**
Acquisition costs (including business rescue costs) included in operating expenses for the period ended 31 August 2017			**5 782**

* *Property, plant and equipment includes the fair valuation of mining assets acquired.*

** *The purchase consideration of R44,0 million is payable in nine tranches as follows: eight monthly instalments of R5,0 million per month for eight consecutive months commencing 15 August 2017; and R4,0 million in one final instalment (refer note 11).*

At acquisition, the fair value of trade and other receivables was R8,9 million and includes trade receivables of R8,0 million. An amount of R8,0 million is reflected as neither impaired nor past due.

14. Acquisition of businesses *(continued)*

Cape Lime Proprietary Limited ("Cape Lime")

The group acquired 100% of the issued ordinary shares of lime and associated products producer, Cape Lime, on 31 March 2016. The aggregate purchase consideration paid for the acquisition of Cape Lime was R282,6 million and was settled in cash amounting to R259,0 million and reissuing of treasury shares of R23,6 million. Included in the purchase consideration was an interest amount of R6,6 million. The original cash consideration of R252,4 million bore interest at the Standard Bank of South Africa Limited's prime overdraft rate less 2% from 10 December 2015, or from such earlier date in the event that all approvals were received from the authorities. The acquisition will complement and augment Afrimat's industrial mineral product offering and further expand its footprint across South Africa.

The parties to the acquisition recognise the scale of potential business opportunities that such a relationship presents, as Afrimat and Cape Lime have different and complementary strengths. Leverage from the combined strengths will result in developing new revenue opportunities for Afrimat and Cape Lime.

Details of the acquisition are as follows:

	Cape Lime Total R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	**264 248**
Intangible assets	**28**
Other financial assets	**3 695**
Inventories	**16 467**
Trade and other receivables	**29 054**
Tax liability	**(1 093)**
Trade and other payables	**(17 004)**
Deferred tax liability	**(6 753)**
Provisions	**(13 783)**
Cash and cash equivalents	**7 792**
Net assets	**282 651**
Consideration paid	
Cash	**259 055**
Treasury shares issued (issued at R20,71 per share)	**23 596**
Total consideration	**282 651**
Net cash outflow from acquisition of subsidiary	
Cash consideration paid	**259 055**
Cash and cash equivalents acquired	**(7 792)**
	251 263

* *Property, plant and equipment includes the fair valuation of mining assets acquired.*

At acquisition, the fair value of trade and other receivables is R29,1 million and includes trade receivables of R26,9 million. An amount of R25,1 million is reflected as neither impaired nor past due.

Bethlehem Quarry and ancillary businesses from WG Wearne Limited ("Wearne")

Wearne Aggregates Proprietary Limited and Wearne Ready-Mix Concrete Proprietary Limited both wholly owned subsidiaries of Wearne entered into an agreement with Afrimat Aggregates (KZN) Proprietary Limited and Afrimat Concrete Products Proprietary Limited, both wholly owned subsidiaries of Afrimat on 6 July 2016 to dispose of the Bethlehem quarry and ancillary businesses as a going concern for R28,0 million. Furthermore Wearne also agreed to dispose of Erf 4038, Bethlehem, Free State to Rodag Holdings Proprietary Limited, a wholly owned subsidiary of Afrimat, for R2,0 million. The effective date of the transaction was 17 October 2016.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
14. Acquisition of businesses *(continued)*			
Carrying amount/fair value of net assets acquired			
Property, plant and equipment*	**1 000**		28 500
Inventories	**–**		2 536
Provisions	**–**		(2 036)
Net assets	**1 000**		29 000
Consideration paid			
Cash	**1 000**	–	29 000
Total consideration	**1 000**	–	29 000
Net cash outflow from acquisition of subsidiary			
Cash consideration paid**	**1 000**	–	29 000
Cash and cash equivalents acquired	**–**	–	–
	1 000	–	29 000

* *Property, plant and equipment includes the fair valuation of mining assets acquired.*

** *An amount of R1,0 million was payable on the approval of section 11 by the DMR.*

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
15. Dividends			
15.1 Afrimat Limited dividends declared/paid in respect of the current period profits			
Interim dividend declared/paid	**28 652**	28 652	28 652
Final dividend declared	**–**	–	71 631
	28 652	28 652	100 283
15.2 Dividends cash flow			
Current year interim dividend paid	**–**	–	28 652
Previous year final dividend paid	**71 631**	58 738	58 738
Dividends received on treasury shares	**(3 583)**	(455)	(587)
	68 048	58 283	86 803
Dividends paid by subsidiaries to non-controlling shareholders	**390**	513	863
	68 438	58 796	87 666

16. Comparative figures

Certain comparative figures have been reclassified to enhance disclosure. These changes have no impact on the overall profitability.

Condensed consolidated statement of profit or loss

Certain expenses have been reclassified from "cost of sales" to "operating expenses" to better reflect the nature of the expense.

The effects of the reclassification is as follows:

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
Cost of sales	**–**	21 007	–
Operating expenses	**–**	(21 007)	–

Condensed consolidated statement of cash flows

Non-cash transactions relating to instalment sale agreements have been excluded from "Acquisition of property, plant and equipment" and "Proceeds from borrowings" in terms of paragraph 43 to 44 of IAS 7: *Statement of Cashflows*.

As at year-end 28 February 2017, R69,3 million was reflected as "Repurchase of Afrimat shares" in the cash flow statement and included a non-cash flow item of R59,7 million. The only cash flow item that should have been reflected was for 440 000 of the company's own shares purchased on the JSE Limited via Afrimat Aggregates (Operations) Proprietary Limited. The total amount paid to acquire the shares was R9,7 million. The company identified that R59,7 million was a non-cash transaction and should have been offset against the R51,5 million "Effect on disposal of treasury shares to ARC" to reflect the only cash flow in the amount of R8,2 million which directly related to the CGT payable by AEI on the disposal of shares to ARC.

The effects of reclassification is as follows:

	Restated unaudited six months ended 31 August 2016 R'000	Previous unaudited six months ended 31 August 2016 R'000	Restated audited year ended 28 February 2017 R'000	Previous audited year ended 28 February 2017 R'000
Cash flows from investing activities				
Acquisition of property, plant and equipment	**(21 973)**	(39 543)	(78 693)	(134 521)
Net cash outflow from investing activities	**(259 309)**	(276 879)	(448 161)	(503 989)
Cash flows from financing activities				
Repurchase of Afrimat shares	**(9 656)**	(9 656)	(9 656)	(69 310)
Net movement in borrowings (refer note 10.2)	**201 565**	219 135	5 376	61 204
Tax paid on disposal of shares to ARC	**–**	–	(8 200)	51 454
Net cash inflow/(outflow) from financing activities	**133 047**	150 617	(62 101)	(6 273)

17. Events after reporting date

No material events occurred between the reporting date and the date of this announcement.

18. Contingencies

Guarantees to the value of R85,3 million (August 2016: R79,5 million) were supplied by SBSA to various parties, including the Department of Mineral Resources and Eskom, respectively during the period under review.

Guarantees to the value of R61,2 million (August 2016: R9,8 million) were supplied by FNB to various parties, including the Department of Mineral Resources and Eskom, respectively during the period under review. The increase in amount with FNB relates to guarantees provided to the business rescue practitioner and compromised creditors in terms of the DIRO acquisition.

Guarantees to the value of R2,9 million (August 2016: R23,5 million) by Lombard's Insurance Group, R0,6 million (August 2016: R1,4 million) by ABSA Bank Limited, R88,1 million (August 2016: R9,8 million) by Centriq Insurance Innovation and R2,7 million (August 2016: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the Department of Mineral Resources, Eskom and Chevron South Africa Proprietary Limited.

These guarantees are in respect of environmental rehabilitation and will only be payable in the event of default by the group.

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ("LED") commitments made to the Department of Mineral Resources in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R5,0 million (August 2016: R6,1 million). An accrual has been raised in respect of commitments made up to the end of the period.

The company received notice on 31 March 2017 from the Competition Commissioner that it has referred a complaint to the Competition Tribunal, alleging that the company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ("Clinker") has engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for F2016 which equates to R16,3 million.

	Unaudited six months ended 31 August 2017 R'000	Unaudited six months ended 31 August 2016 R'000	Audited year ended 28 February 2017 R'000
19. Related parties			
Loan balance owing by associate	**12 773**	8 117	11 591
Loan balance owing by joint venture	**24 437**	12 612	14 099
Obligation of share of joint venture's losses	**(4 481)**	(4 481)	(4 481)
Interest received from associate	**252**	404	806
Interest received from joint venture	**435**	66	420

Notes

Directors
MW von Wielligh*# (Chairman)
AJ van Heerden (CEO)
PGS de Wit (CFO)
GJ Coffee
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*#
HJE van Wyk*#
JHP van der Merwe*#
HN Pool*#
* *Non-executive director* # *Independent*

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15 – 21 Neutron Avenue, Technopark
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