AFRIMAT®
LIMITED

Integrated annual report 2019

CONSISTENTLY DELIVERING

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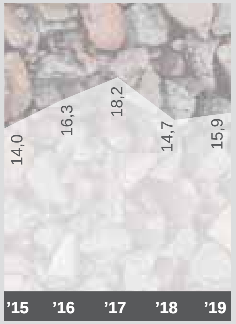
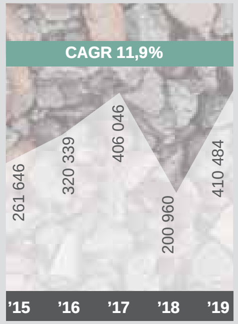
PERFORMANCE FOR THE YEAR

Operating profit margin (%)

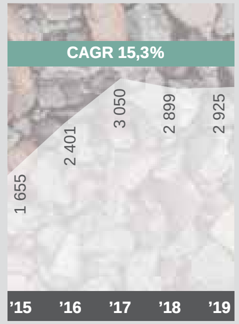


Net debt:equity ratio (%)

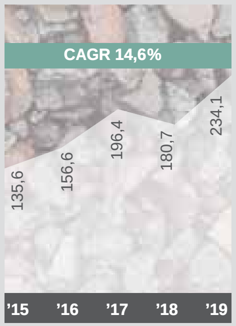
Net cash from operating activities (R'000)



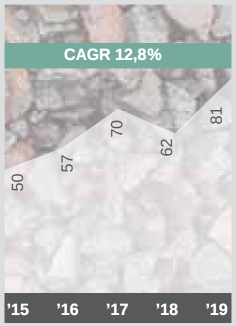
Share price at year-end (cents)



HEPS (cents)



Total dividend per share (cents)



Strong balance sheet

Return on shareholders' funds **22,7%**

2,75 times dividend cover

Return on net operating assets **25,4%**

Since 2009, Afrimat's share price rose 1 400% and over the past five years it is up 127% – during the time when most other companies felt the pain of an economic deterioration.

Afrimat is hedged against economic volatility through wide diversification, which generates a balanced, consistent income stream.

Afrimat has a superb track record in acquiring, assimilating and then growing businesses.

INTEGRATED REPORTING

Afrimat is a leading black empowered Group with its main business and core competence in open pit mining. The Group supplies industrial minerals and construction materials to a range of industries across southern Africa. It further supplies bulk commodities to local and international markets. It is listed in the 'Construction & Materials' sector of the JSE Main Board and has been since 2006.

Corporate information

The Group's executive directors are Andries J van Heerden ('CEO') and Pieter GS de Wit ('CFO'). They can be contacted at the registered office of the Company. The Company Secretary is Mariëtte Swart. See contact details on the inside back cover of this integrated annual report.

The integrated annual report 2019 is available in hard copy, on request, from the Company Secretary and is published electronically on the Group's website www.afrimat.co.za.

Our integrated annual report 2019 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with accurate, balanced and transparent reporting. The report aims to share our performance across FY2019, including demonstrating how our strategy of entering the industrial minerals business, continues to add value. The Group entered bulk commodities by entering the iron ore industry with the acquisition of a small iron ore mine, and is further investigating the possibility of entering the coal industry. In line with this strategy, a non-binding indicative offer was made to Universal Coal plc. Overall the report is intended to give our stakeholders a better understanding of the issues, risks and opportunities that we face in business sustainability, value creation and growth.

Reporting parameters

This integrated annual report 2019 presents the annual financial results and the economic, environmental, social and governance performance of the Group for the year ended 28 February 2019.

For more information, see the annual financial statements on pages 46 to 105.

Frameworks applied

In compiling this report, Afrimat considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in December 2013 and endorsed by the IRC South Africa in March 2014, as well as the information papers issued by the IRC South Africa in December 2014 and 2015. Our report conforms to the requirements of local and international integrated reporting frameworks, the South African Companies Act 2008 and the JSE Listings Requirements. We continue to use the GRI guidelines for our sustainable development reporting. The Company applies the majority of principles in the King IV Report. An explanation and summary for each principle is provided and published on the Group's website www.afrimat.co.za. This is to allow stakeholders to make an informed decision as to whether Afrimat is achieving the four good governance outcomes required by King IV.

The following frameworks are applicable to Afrimat:

JSE Listings Requirements

Afrimat is a JSE listed company and is subject to the JSE Listings Requirements (www.jse.co.za).

King IV

King IV is a compliance requirement for all JSE listed companies, effective in South Africa from 1 April 2017 and applies to all entities regardless of the manner of incorporation (www.iodsa.co.za).

Companies Act

The South African Companies Act 71 of 2008, as amended by the Companies Amendment Act 3 of 2011 (the Companies Act), and the regulations promulgated thereunder (the Companies Regulations) came into effect on 1 May 2011 (www.acts.co.za).

Framework for integrated reporting

The International Integrated Reporting Framework came into effect in December 2013 (www.integratedreporting.org).

Mining Charter*

Afrimat focuses on the transformation relating to Broad-Based Socio-Economic Empowerment (www.dmr.gov.za).

* *On 27 September 2018, the Minister of Mineral Resources gazetted the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2018 ('2018 Mining Charter').*

Materiality

Afrimat's definition of materiality is aligned with the Integrated Reporting Framework's definition of materiality as those 'matters that substantively affect the organisation's ability to create value over the short, medium and long term'.

Risk management

Risk is inherent in all Afrimat's business activities. We are committed to identify, assess and prioritise risks in order to minimise, monitor and control the probability and impact of unfortunate events to support the achievement of our objectives.

Refer to page 35 for the risk management report.

Forward-looking disclaimer

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the Company's expectations as at 28 February 2019. Actual results may differ materially from the Company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions realise differently. The Company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements even if new information becomes available as a result of future events or for any other reason.

Six capitals categorisation

The Company has not formally adopted the six capitals categorisation of the International <IR> Framework. However, throughout the integrated annual report we explain our dependence and impact on the forms of capital that are fundamental to our ability to achieve our strategy. The capitals are covered throughout the report and highlighted and explained on page 4 and 23.

Approval of the report

The Afrimat Board approved this integrated report and authorised its release on 18 June 2019.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

18 June 2019

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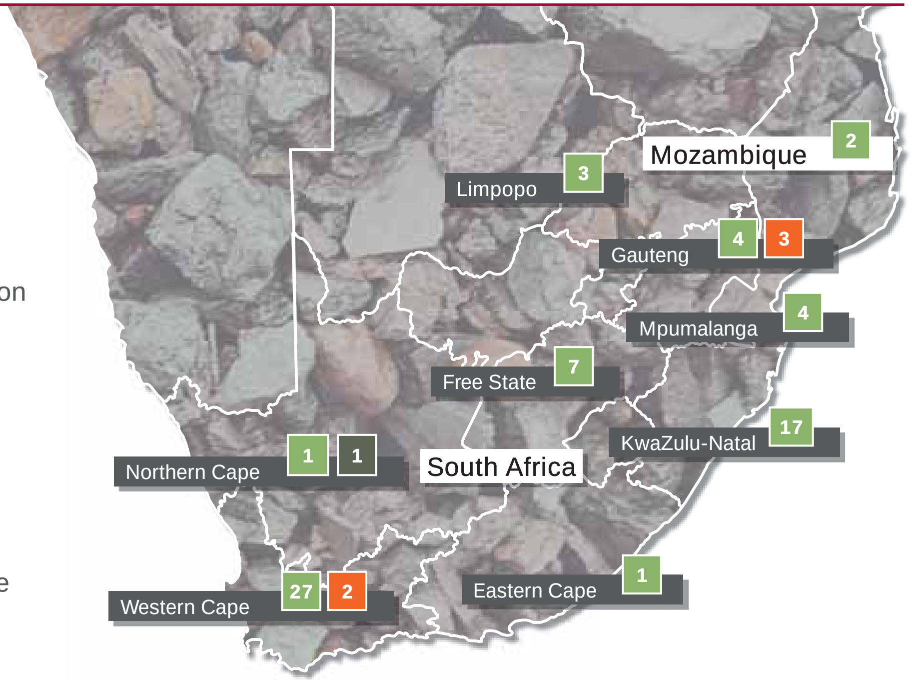
About Afrimat

BUSINESS OVERVIEW

Footprint

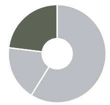
Afrimat primarily engages in open pit mining, processing and the supply of a broad range of industrial minerals and construction materials to an assortment of industries across southern Africa. In addition, Afrimat supplies bulk commodities to local and international markets.

The Group has extensive in-house industry experience, and a stable employee base.



Business operations

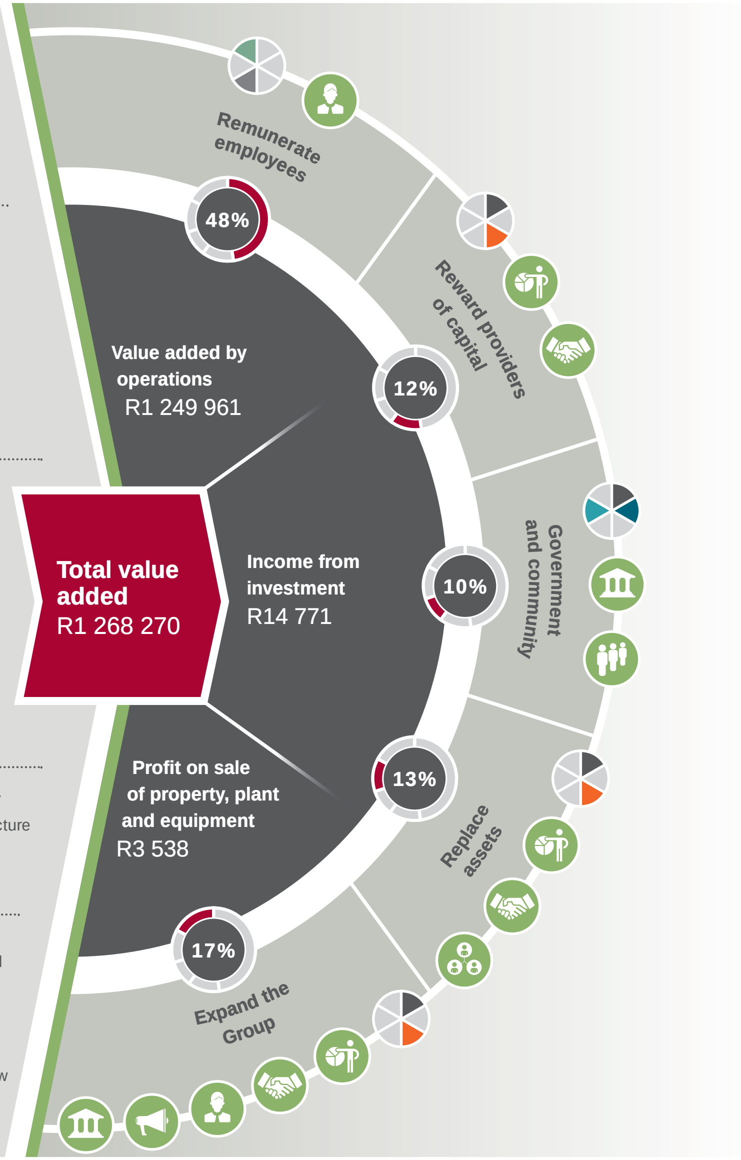
Construction Materials				Industrial Minerals		Bulk Commodities	
25	Commercial quarries	4	Clinker sources	2	Dolomite mines	1	Iron ore and manganese mine
22	Readymix batching sites		Mobile crushing and screening	2	Limestone mines		
9	Concrete brick and block factories		Drilling and blasting	1	Silica mine		
6	Sand and gravel mines						

	Construction Materials	Industrial Minerals	Bulk Commodities
	Aggregates | Contract crushing, drilling and blasting Concrete products | Readymix	Limestone | Dolomite | Silica	Iron ore
Core activities	Open pit mining and processing of aggregates products Contract crushing, drilling and blasting Concrete brick and block manufacturing and readymix concrete batching	Open pit mining and processing of industrial minerals	Open pit iron ore and manganese mining and processing
Revenue contribution	59% 	18% 	23% 
Products	■ Clinker ash ■ Aggregates: roadstone, concrete stone, layer-works materials, ballast ■ Manufactured and natural sand ■ Stone dust ■ Building blocks and bricks ■ Pavers ■ Lintels ■ Readymix concrete	■ Metallurgical dolomite ■ Metallurgical quartzite ■ Metallurgical limestone ■ High calcium neutralisation limestone ■ Agricultural lime ■ Hydrated lime ■ Un-slaked lime – calcium oxide ■ Slaked lime – calcium hydroxide ■ Silica sand ■ Ultra-fine limestone and dolomite ■ Dolomite fillers	■ Top end quality iron ore from Hematite geology +65% Fe ■ Lump and fine fraction product range ■ Siliceous manganese ore ■ Mixed metal manganese ore
Services	■ **Mobile crushing** ■ **Mobile screening** ■ **Drilling** ■ **Blasting** ■ **Readymix concrete batched on demand and transported to customers by concrete mixer trucks** ■ **Readymix mortars**	■ **Open cast mining services** ■ **Limestone beneficiation**	■ **Iron ore beneficiation** ■ **Open cast mining services**
Markets/ applications	■ Building and construction ■ Low-cost housing ■ Residential and commercial property ■ Civil engineering and infrastructure projects ■ Renewable energy projects ■ Power distribution network ■ Mines ■ Road and bridge building ■ Railroads ■ Concrete product manufacturers ■ Readymix producers ■ Power stations	■ Metallurgical manufacturers ■ Water and sewage treatment ■ Acid mine drainage treatment ■ Paints and plastics ■ Foundries ■ Glass manufacturers ■ Tile adhesive manufacturers ■ Agriculture ■ Renewable energy projects ■ Power distribution network ■ Chemical	■ International export ■ Local consumption ■ Mine to road to train to port logistics
Quality assurance	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.**	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.**	**All ore products manufactured in accordance with customer specifications and sold in terms of the Platts iron ore 62% grade for export. The utilisation of an in-house test laboratory for continuous process control and quality and specification statements are generated by an outsourced accredited laboratory.**
Vertical integration	**Supply the majority of aggregates used by Afrimat's own Concrete Based Product ('CMP') divisions.**		**In-house mining services provided:** ■ **Mobile crushing, drilling and blasting performed by the Group's contracting segment. Furthermore, this segment is utilised to manage and operate a railway load out station with direct access to the Oryx Sishen-Saldanha rail link.**

VALUE CREATION

Capital		Input	Page reference
FINANCIAL CAPITAL	The money obtained from providers of capital and the retained earnings generated by operations to support all business activities and invest in the strategy. Furthermore, creating and managing stakeholder value (including social development, dividends for shareholders and salaries for employees).	The providers of financial capital include the Group's shareholders, bankers and suppliers.	10 CFO's report 46 Annual financial statements
NATURAL CAPITAL	We depend on natural resources to create value and returns for our stakeholders. Environmental management is a critical part of the management process.	Managing, preserving and minimising the destruction of natural capital. Resource acquisition adds economic value to the mineral resource and to potential development, slightly offset by prospecting and drilling processes that disturb a relatively unused environment. Mine rehabilitation performed throughout, restores the environment to its original or predetermined condition.	15 Environmental responsibility
MANUFACTURED CAPITAL	The tangible and intangible infrastructure used to conduct our business activities. We leverage off our asset base (including plant and equipment), successful awarding of mining rights and information technology assets to service customers.	The sites, distribution network and general infrastructure (including technology) throughout southern Africa which enable us to produce, deliver and sell our products and services. Mining and run-of-mine operations have a positive impact on manufactured capital, but negative for financial capital, marginally offset by rising product value. Metallurgical and beneficiation leads to multiple product development, sales and associated benefits.	15 Environmental responsibility 37 Legal and mining right compliance 45 ITBS report 46 Annual financial statements
HUMAN CAPITAL	How we select, develop and manage our people.	Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork.	13 Health and safety 33 Governance structure 38 Our employees 40 Remuneration
SOCIAL AND RELATIONSHIP CAPITAL	To operate as a responsible corporate citizen. Fostering a good relationship with stakeholders (including customers, capital providers, regulators and other stakeholders).	Actively engage with communities surrounding our mining operations and production plants. Creating an effective shareholder engagement strategy.	5 Stakeholders 21 Social, ethics and sustainability 17 Transformation
INTELLECTUAL CAPITAL	Our strong brand, procedures and processes and the knowledge of our people constitutes our intellectual capital. The balance of new opportunities and core strengths ensures growth.	Enabling growth through sound business principles and new opportunities. The intangibles that constitute our product and service offering and provide our competitive advantage.	2 Business overview 46 Annual financial statements

Value creation (R'000)



STAKEHOLDERS

We recognise that developing and nurturing dialogue with our key stakeholders, and actively listening and responding to feedback, is a driver of business sustainability. The process of identifying and monitoring stakeholder relationships is reviewed annually by the Board. Our internal open-door policy and strong communication extends to all external stakeholders, and we pride ourselves on our timely, consistent and transparent communication.

Our approach

Afrimat recognises that it operates in areas where sustainable social and economic development are of utmost importance. Our goal is to have formal and informal stakeholder engagement processes to identify key stakeholders, list items that matter to them and to provide responses on how these matters are addressed. Sustainability is dependent on the maintenance of mining licences in order to operate. Important factors considered by Afrimat include operating safely and meeting regulatory obligations, all of which are included in the stakeholder engagement process.

Stakeholder groups

Afrimat's stakeholders are those with a vital interest in the business or its activities. Our stakeholders are critical to the business' success and the sustainability of operations. Critical stakeholder groupings include:

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Shareholders	▪ Profitability ▪ ROI (share price and dividends) ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Cost reductions ▪ Labour relations ▪ Sustainability ▪ Ethics	▪ Annual and interim results announcements ▪ Integrated annual report ▪ SENS announcements and trading updates ▪ Website publications ▪ Group results presentations ▪ 1:1 meetings ▪ Roadshows ▪ AGM ▪ Results of decisions taken at shareholders' meetings published on the Company's website following the meetings ▪ Media releases ▪ Site visits ▪ Investor open days ▪ Regular investor perception polls	▪ CEO assisted by the CFO	▪ Feedback from results presentations and 1:1 meetings relayed to and dealt with at Board level ▪ Consistent dividend payments ▪ Publishing of voluntary SENS announcements to address shareholder concerns ▪ Educating shareholders regarding business processes by means of arranging site visits ▪ Feedback on Company performance, future prospects and strategy ▪ Feedback on economic, social, environmental and governance risks
Lenders/ providers of capital	▪ Capital management ▪ Sustainability ▪ Profitability ▪ Liquidity and solvency ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Punctuality and ability to meet capital and interest payments ▪ To comply with covenant requirements	▪ Contractually required information flow ▪ Annual and interim results announcements ▪ Regular meetings	▪ CFO assisted by financial managers	▪ Feedback from meetings relayed to and dealt with at Board level ▪ 1:1 meetings with financier relationship managers to identify risks and discuss viable funding options
Employees	▪ Job security ▪ Sustainability ▪ Personal growth and development ▪ Skills development ▪ Remuneration and incentives ▪ Safety ▪ Health and wellness ▪ Transformation ▪ Job satisfaction	▪ Annual culture climate survey ▪ Training sessions ▪ News updates ▪ Employment equity forums ▪ Regular reinforcement of Code of Conduct and policies/procedures ▪ Understanding 'The Afrimat Way' ▪ Annual performance reviews ▪ Union meetings as required	▪ Executive Head: HR & Sustainability and General Manager: HR assisted by all management	▪ Investment in training and talent management ▪ Skills Development and Employment Equity Consultative Committees established for each subsidiary ▪ Dedicated skills development division ▪ Ongoing health and safety programme ▪ Weekly 'toolbox talks'

STAKEHOLDERS (continued)

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Customers	▪ Quality ▪ Service ▪ Value for money ▪ Product availability ▪ Credit facility levels	▪ Annual customer surveys conducted to determine service improvement opportunities ▪ Contractual engagement ▪ Personal interaction with main customers ▪ Product brochures ▪ Traditional and social media ▪ Product testing	▪ CEO, MDs of subsidiaries and sales teams	▪ Commitment to quality products and service excellence ▪ Product and quality feedback ▪ Account queries and payment
Trade unions	▪ Wage negotiations ▪ Bargaining council agreements ▪ Conditions of employment ▪ Engagement on safety issues ▪ Engagement on health and wellness issues	▪ Regular meetings at the relevant levels	▪ General Manager: HR assisted by all management	▪ Ongoing focus on labour and employee relations ▪ Consistency in industrial relations ▪ Recognition agreements at industry level
Major contractors, suppliers and business partners	▪ Consistent offtake ▪ Group payment record ▪ Local economic development	▪ Contract and service agreements ▪ Whistle-blower's hotline ▪ Results presentations ▪ Supplier days	▪ CEO and MDs of subsidiaries	▪ Regular business updates to suppliers ▪ Vision and values ▪ Group strategy and financial performance ▪ Group policies and guidelines ▪ Transformation and employment equity ▪ Health and safety ▪ B-BBEE compliance
Government, local authorities and regulatory bodies	▪ Compliance with mining licence requirements ▪ Regulatory compliance ▪ B-BBEE status and black shareholding ▪ Environmental compliance ▪ Skills development ▪ Enterprise development ▪ Job creation ▪ Employment equity ▪ Uplift communities and environments in which we operate	▪ Lobbying with government departments ▪ Regular communication ▪ Report our impact on communities and environment	▪ CEO, Executive Head: HR & Sustainability and MDs of subsidiaries	▪ Developing DMR required social and labour plans in conjunction with local municipalities ▪ Raising awareness of local economic, social and infrastructure conditions and gaining approval for government funded projects ▪ Focus on procurement from suppliers with BEE shareholding ▪ Energy, water and waste reduction ▪ Education and job creation
Local communities	▪ Environmental issues – dust, emission, water, traffic, noise, unsightly development ▪ Infrastructure development ▪ Economic upliftment ▪ Job creation ▪ Enterprise development ▪ Preferential procurement	▪ Dialogue with local community interest groups	▪ Executive Head: HR & Sustainability and MD's of subsidiaries and branch operational managers	▪ Supplementing labour force from surrounding communities ▪ Practicing a limited automation policy ▪ Prioritising environmental management of operations

CHAIRMAN'S REPORT

Matie von Wielligh

The expanded diversification drive across Afrimat is proving to be a solid strategy which continues to be well executed.

The year that was

Diversification is synonymous with Afrimat and despite challenging construction industry fundamentals still being in play, the Group's diversification into iron ore has ensured a solid contribution to Group results. We embarked on this strategy to ensure that Afrimat's earnings are based on a more balanced set of market sectors. This has ensured that Afrimat is well hedged against the current downturn in the construction sector.

The slow economic growth in 2017 continued this year, and perhaps even intensified. Our focus on being a well-structured and diversified Group was exactly for this reason, and that is to ensure that Afrimat has enough momentum when times are tough to carry it through and provide shareholder value.

The limited Government spend on infrastructure projects has, as you are acutely aware, impacted the South African construction firms, which were forced to look at other geographies for projects, which in our opinion, contributed to their demise.

Despite this, the Group's agility played out well, with teams moving quickly to secure alternative markets for Construction Materials, ensuring our presence in the market was maintained.

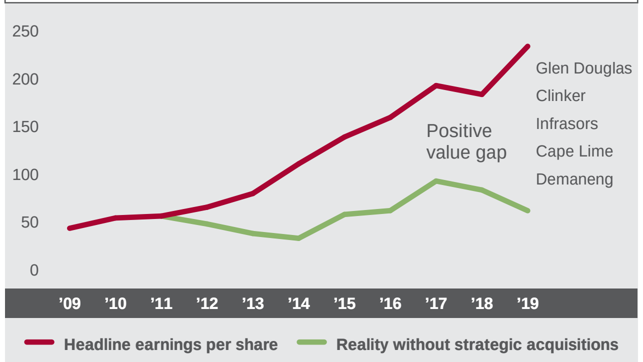
The Industrial Minerals segment suffered slight revenue and margin reduction. However, there can be no doubt that the attractive iron ore price benefited the Bulk Commodities segment which made a strong contribution to our results. In hindsight, the ramp-up of Demaneng proved to be well timed. Afrimat further benefited from Vale having to pull back on supplying roughly 40 million tonnes of iron ore to the world market, resulting in increased prices for iron ore.

Management is extremely cost conscious, has spent time right-sizing affected operations and is fastidious in its delivery of premium products to our customers. Whilst being vigilant on capital allocation Afrimat succeeded in adding value to our products to ensure continued sales.

Strategic focus remains core to Afrimat

It cannot be emphasised enough that the Group is meticulous with regard to ensuring its strategic focus and not deviating from its core expertise. This focus in turn drives shareholder value through sustainable earnings. The Group has not only survived a dismal climate but has thrived. Had we remained exclusively focused on aggregates, the outcome would not have been the same. The graph below, which we present at every investor roadshow, tells the story of our diversification:

HEPS history with and without acquisitions



Environment, Social, Governance ('ESG')

Our ESG principles remain sound across the business, with employees being a core component of our efforts. A vast amount of time is dedicated to staff well-being and the result of this is zero labour action across the year. Environmentally, we are governed by the DMR and we have an excellent relationship with the department, which we respect and go beyond simply adherence to all their principles. From a governance perspective, Afrimat observes the spirit and principles of the JSE Listings Requirements, King IV, the Framework for Integrated Reporting, Mining Charter and the Companies Act.

Governance across the Group is strong, with a unitary Board in place as well as all the necessary Committees. Afrimat also adheres to fair remuneration practises. All the ordinary and special resolutions as set out in the notice of AGM were approved by the requisite majority of shareholders present at the meeting or represented by proxy.

What we expect for the future

What we do know is that even a small change in economic growth will make an even greater impact on Afrimat, but we will continue to sensibly diversify to ensure growth.

In my last report I indicated 'Afrimat management will continue to research new markets, new commodities, product combination and applications'. Given this, we are now attempting to enter the coal market through the possible acquisition of coal assets held in South Africa by Universal Coal. Again, this acquisition ticks all the criteria which Afrimat is known for and it will add an excellent set of coal assets to the Group if acquired.

This is an extremely exciting project for Afrimat and the largest we have tackled to date. Afrimat is also evaluating a number of alternatives in the event that this specific project does not materialise.

Appreciation

It remains for me to thank Andries van Heerden for his leadership and astute management of capital, costs and for having a great rapport with his management teams and staff. He is always able to bring out the best in people across the Group.

To my fellow directors, thank you for your dedication to the task of being committed Board members and for chairing your respective Committees with the dedication you do. The time you commit to Board and Committee meeting preparation, the meetings themselves as well as your advice and guidance is appreciated.

To all the Afrimat employees, your dedication and hard work during the year has not gone unnoticed and I hope that you understand that great things lie ahead for Afrimat as it continues to grow.

Of course, Afrimat could not succeed without the support of our stakeholders, shareholders, business partners, customers and suppliers. Thank you for your continued support throughout the year.

Matie von Wielligh
18 June 2019

CEO'S REPORT

Andries van Heerden

The crux of what Afrimat has achieved is to diversify in a sustainable manner to protect the Group from the economic downturn.

What is the defining event this financial year?

It has to be iron ore. Afrimat was fortunate enough to have purchased the Demaneng mine at the bottom of the iron ore commodity cycle. Once we had concluded the transaction and realised that the price was moving upward, we fast-tracked production, overcame logistics issues and in so doing, positioned the Group to handsomely benefit from the increase in the iron ore price. We currently find ourselves in a pleasing position as Demaneng has helped with strong cash flow, which was partially used to pay down debt.

In your opinion, can South Africa again have a viable construction sector?

As a country, it is an imperative that we have a strong construction sector. It is unfortunate that the larger companies in the sector are in such a dire state at the moment. We feel this is due to a culmination of events, not least of which is the fact that Government spend on large infrastructure projects has declined. All is not lost though and there are many private mid-tier construction companies remaining who are executing the current projects in the country. The fact that Construction Materials contributed almost half of Afrimat's profit's bears testimony to this. We anticipate that going forward, spend will be there, but it will be spread far more widely and be made up of a collection of smaller projects. We tend to agree with this drive by Government, as it should ensure entrepreneurship and that the pie is more evenly distributed.

Could you give more insight as to the segmental contribution included in the results?

The Construction Materials division contributed significantly to Group profits even though its contribution was less than the prior year. I have previously emphasised the Group's agility and our teams moved quickly to secure alternative markets for Construction Materials. This agility assisted the segment to find additional markets resulting in an increase in revenue of 5,7% compared to 2018. Given the rise in the iron ore price, the Bulk Commodities segment produced a stellar result increasing revenue by some 287,6% and restoring a positive margin. The Industrial Minerals segment performance was slightly down after a slow first half of the year and a better second half.

Your venture into Mozambique seems to be going well, what other African countries are being considered?

In Mozambique we are supplying materials for the construction of the resettlement village at Palma. The liquid natural gas ('LNG') projects are proceeding well; however, Afrimat has on one occasion had to pull staff from Mozambique after a terrorist attack in the area. Additional security is now in place.

Projects in other southern African countries continue to be reviewed but with extreme care and caution. Despite the projects having possible higher margins, things can easily go wrong and we want to ensure that we are not caught off guard. At the moment there are potential projects being evaluated, but we want to make sure that this is done at as low a risk as possible.

As the business grows, are staff relations becoming more difficult?

We believe that our Company culture is an important part of our competitive advantage. This is one part of the business that I personally spend a huge amount of time and effort on. Surprisingly, as the business has grown, the culture has been naturally reinforced by those who have been in the business for a long time. In addition to this, we drive a scientific cultural development programme throughout the business to ensure that the desired culture is maintained. The senior management team spends sufficient time on operational visits enabling us to get the pulse of the organisation and address anything untoward immediately.

What was the impact of load shedding on Afrimat?

Load shedding, especially unplanned, impacted Afrimat's production efficiency but fortunately there was almost no effect on sales as stock levels remained sufficient. Special arrangements are in place at operations where frequent power interruptions can cause serious safety risks, such as at certain kilns. Where feasible, alternatives such as solar and diesel generators are used.

What is your rationale for entering coal mining?

Afrimat stated that it will 'strategically diversify to prosper in a tough environment' and this further diversification into a second, high-demand, bulk commodity – coal – seems the next logical step for us to take. We saw the devastating effects of load shedding on the economy of our country. South Africa will remain reliant on coal fired electricity generation for the next few decades. It is a known fact that Eskom is concerned about future supplies of good quality coal in sufficient quantities and we believe that Afrimat can make a significant contribution as a responsible and sustainable coal miner.

What is your outlook for the medium to long term?

Having just been through a national election with a result that we believe is good for business in South Africa, we are hopeful that infrastructure spend will kick in, that foreign investment will flow to lift the economic growth rate, even if slightly, and that demand for product will increase based on this. South Africa has huge potential and we need to ensure that we unlock as much of this as possible. We continue to see pockets of growth and we will explore possible acquisition opportunities to bolster our current segments.

For the long term, we are confident that we understand our segments and their respective markets. We will continue to ensure that we have a strong moat around the niche products in the business, which we understand very well and which provide the diversity we require to protect the Group against downturns.

Appreciation

We are confident in our ability to execute our strategy, and in so doing, ensure that Afrimat remains able to provide shareholders with acceptable returns. We strive to create a space for all our people in which they can thrive and build meaningful livelihoods for themselves, to support their families and grow and develop their skills base. We want to ensure that our stakeholders have a clear understanding of our goals and how we reach these by working together.

To all our shareholders, staff and stakeholders, I do want to thank you for always delivering beyond what is expected of you. To my management team, you continue to surprise me in the best ways and I am extremely proud of how you approach situations, no matter how challenging – you always rise to the occasion.

To my fellow Board members, thank you for your guidance during the year. This is one that has called on your collective wisdom and guidance as Afrimat enters a phase in which the largest acquisition made to date will need to be concluded. Thank you for all the support and the faith you have placed in us.

Andries van Heerden
18 June 2019

Achievements

- **Completion of both dense media separation plants of Demaneng during the first half of the year and reaching stable production volumes during the second half of the year**
- **Improvement in procurement spend on black-owned suppliers, services and consumables**
- **Continuous improvement in Mining Charter scores**
- **Continued reduction of Section 54* and 55** notices**
- **Improvements on the implementation of the Social and Labour Plan**
- **Continuous improvement on environmental industry ASPASA audits**
- **Continuous improvement in health and safety standards, presidential audits and industry Initiating Safety, Health, Education (‘ISHE’) ASPASA audits**
- **Successful cost improvement initiatives**
- **Bulk Commodities segment delivered an exceptional contribution to Group results**
- **Over seven consecutive calendar years without a fatality**

Challenges

- **Increased input costs, such as diesel, explosives, salaries and equipment**
- **Current South African and global economic environment**
- **Continuous changes in legislation governing the industry, i.e. environmental laws, B-BBEE and DMR requirements**
- **Establishing a reporting framework and measurement of emissions to comply with impending carbon tax laws**
- **Stagnant economic growth and rising cost of finance**
- **Increased competition in the brick and block manufacturing activities given the low barriers to entry**
- **Foreign exchange fluctuations and commodity price volatility**
- **LTIFR increased slightly from 0,45 to 0,56 during the current financial year**
- **Availability of sufficient logistics and distribution channels for iron ore**
- **Economic slowdown in the construction sector experienced by Lyttelton mine**

* *Occurrence, practice or condition endangering the health or safety of any person.*
** *Employer failed to comply with any provision of the Mine Health and Safety Act.*

CFO'S REPORT

Pieter de Wit

The adoption of financial automation has reduced decision-making time and enabled Afrimat to quickly respond to the numbers.

Introduction

The Group continues to deliver satisfactory results supported by its diversification strategy despite very difficult trading conditions experienced by the Construction Materials businesses. Revenue increased by 24,6% to R3,0 billion (2018: R2,4 billion), with an operating profit 34,5% ahead of the previous period and a profit after tax for the year of R304,2 million (2018: R245,4 million). Headline earnings per share grew by 29,6% from 180,7 cents to 234,1 cents per share. Industrial mineral producing operations across all regions as well as the iron ore business were the main contributors to the satisfactory results.

The accounting policies applied in the preparation of the consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the implementation of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*. Details of the implementation of these standards are disclosed in note 21.

Our approach to financial reporting

The overarching financial achievement for the year, aside from a strong set of results, is the transformation of Afrimat's financial reporting system, whereby we have improved reporting through an automation process so that as a Group we are able to make quicker decisions. This adoption of automation has reduced decision-making time and enabled Afrimat to quickly respond to possible gaps in the numbers. Our nimbleness on the financial front, coupled with the ability to react to what the predictive analytics are telling us, is a massive achievement for the Group.

We were spurred to thinking about automation because I believe that the Finance team is no longer just 'a bunch of accountants hidden in a back room somewhere, recording transactions and reporting historical financial figures'. The team is a strategic business partner, fully involved in setting the direction of the organisation, and as such needs to give meaningful input.

We have included an ITBS Report as part of this integrated annual report on page 45, which I urge you to read to better understand how technology is enabling us to work more efficiently.

Quality of earnings

Afrimat is fastidious when it comes to analysing and understanding costs, and careful in our approach to capital allocation, ensuring strong cash flows in order to always maintain a strong balance sheet. This is so that when opportunities do present themselves, we are able to move quickly.

The operating profit margin is 15,9% (2018: 14,7%), the increase largely due to the iron ore operation. If the once-off goodwill impairment of R20,5 million in the Construction Materials segment is excluded, the margin would have settled at 16,6%.

Management evaluated any possible impairments on goodwill, property, plant and equipment and all financial assets and concluded that no further impairment losses besides those disclosed were required.

The effective tax rate of the Group increased from 24,2% to 27,8% mainly due to the income tax deductibility of expenditure incurred in the settlement of the shares exercised in the Share Appreciation Rights Scheme.

Currency translation differences account for the operations in Mozambique, where Afrimat is paid in US Dollars, which are then converted to Meticais and, upon reporting, is converted to Rands. While the operations remain small and are close to breaking even, Afrimat is committed to the project in Mozambique for the upside potential of the larger LNG (liquefied natural gas) projects.

Balance sheet management continues to be a focus for Afrimat. The Board is very conservative and prefers the net debt: equity position to not be more than 25%. The proposed Universal Coal transaction might push the ratio up again, but each time we enter into a transaction we ensure that cash generation is strong enough to allow us to reduce debt fast.

A similar stance is taken when thinking about dividends. We will stick to the dividend cover and endeavour to use additional cash to pay down debt. We feel that this is a prudent approach, again so as to move quickly when an opportunity presents itself.

Our debtors' book remains healthy and well managed, with 95% of the book being in either current or at 30 days.

Net cash from operating activities increased by 46,4% to R410,5 million – excluding once-off employee-related accruals of R79,5 million relating to the Afrimat BEE Trust, paid in the prior year – resulting in a decrease of the net debt: equity ratio from 35,5% in the prior year to 23,8% in the current year.

At the risk of being repetitive, our goal is to keep the balance sheet as strong as possible to ensure that when opportunities present themselves, the balance sheet is not overly geared as a result. Please refer to the Chairman's Report on page 7 of this integrated annual report for a graph that shows how we have successfully implemented this discipline in order to keep driving returns for our shareholders.

Economic fundamentals

There is no doubt that economic pressure has weighed on the Group. Doing business in the current climate is difficult but because we are able to make decisions quickly and have a very competent business development team in place, along with a robust ethos in terms of how we select opportunities, this has helped to steer the Group in a positive direction.

While there are many cases of companies going into business rescue, Afrimat has managed to steer clear of large exposure to these, with our write-offs being immaterial.

Internal controls and risk management

Risk management processes are entrenched across the entire Group and risks are carefully managed. For detail on the risk management process, combined assurance model and internal control framework see pages 35 to 37 of this integrated annual report. Management has considered the risks involved in the business, the size of the business and the nature of transactions and is satisfied that the internal controls in place are adequate to address the key risks in the business.

During the year under review there were no material breakdowns in internal control, but several cases of non-material theft of products, assets and stock occurred in areas of the business. These cases were properly investigated and corrective measures implemented. The Group experienced an increase in attempted cyber threats, hacking and cyber fraud during the year, which were all successfully averted.

The Group maintains a transparent tax policy to ensure diligent and timeous reporting and payment of taxes to the respective authorities.

Tax queries

During the year, SARS issued the Group with a demand letter of R74,3 million to Afrimat Demaneng Proprietary Limited, relating to debts owed prior to the commencement of business rescue proceedings. The Board, in consultation with its tax advisors, remains confident that it will be able to prove that SARS has erred in demanding payment of such debts and consequently, no liability has been raised.

More information on this matter is available in note 16 of the annual financial statements.

Going concern

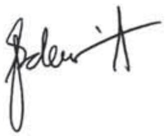
Management performed an assessment of the Group's ability to remain a going concern and is satisfied that Afrimat will continue to be in operational existence for the following financial year.

Secondary listing

In November 2017, the Company secured a secondary listing on the A2X Markets Stock Exchange. This offers investors the opportunity to trade the Company's shares on either the JSE or A2X. A2X offers lower trading costs for investors and presents an opportunity to increase liquidity for the Company's shares, improve market quality and broaden the current shareholder base.

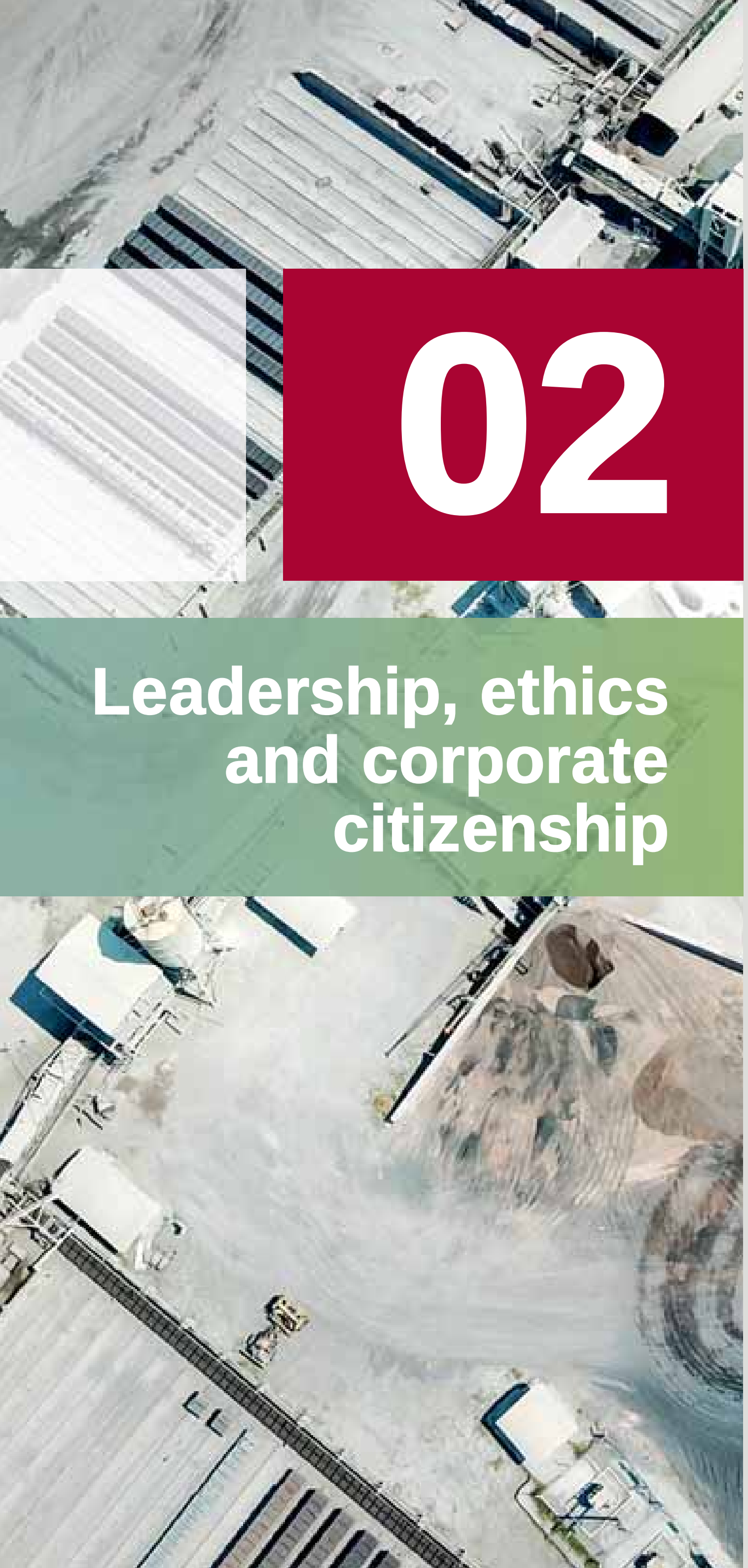
Conclusion

Technology is assisting us in financial decision-making – we are having to move more quickly because the business environment is changing so quickly and need close to real-time information to do this. I am extremely proud that Afrimat has worked hard to get to this stage. We will continue to refine and improve on the processes but our fundamentals of being cost conscious, interrogating capital allocation and making sound business decisions, will remain core to our operations.



Pieter de Wit
18 June 2019

Revenue increased by 24,6% to R3,0 billion (2018: R2,4 billion), with an operating profit 34,5% ahead of the previous period and a profit after tax for the year of R304,2 million (2018: R245,4 million).



02

Leadership, ethics and corporate citizenship

'THE AFRIMAT WAY'

Caring environment

- Family
- Caring for people
- Growing people
- Treating everyone as equals
- Atmosphere of joy and positivity
- Commitment
- Embrace diversity
- See people as people not as objects
- Zero harm to employees, the community and the environment
- Community development

Results driven

- Profitability
- Non-bureaucratic, not a corporate Company
- Big vision and stretching goals
- Healthy finances
- Effective and reliable systems

Skills and competence

- Right people in the right place
- Ownership and responsibility
- Learning culture
- In-depth knowledge and compliance of legislation and requirements

Entrepreneurial drive

- Innovation and creativity
- See opportunities and pursuing them
- Agility and flexibility
- Calculated risk taking

Humility and belief

- Acknowledge mistakes
- Servant leadership
- Confidence with modesty

Important relationships

- Delighted and satisfied customers
- Customer centric
- Cooperative and collaborative
- Respect for stakeholders
- Integrity
- Transparency
- Ethical
- Brutal honesty

Teamwork

- Inspire a shared vision
- Interdependence
- Imperfect unity
- Trust and accountability
- Sharing
- Respect
- Motivated personnel
- Communication and feedback

Empowering

- Support across boundaries
- Finding talent in unusual places
- Modelling the way
- Celebrate small successes
- Recognition

Winning attitude

- Tenacity
- Fighting spirit
- Stretching each other
- Outside comfort zone, not in panic zone
- Perseverance and determination
- Healthy competition
- Passionate

VISION

To be globally respected for excellence in unlocking and enhancing the earth's mineral potential to build a better world.

MISSION

To operate mines, add value through the beneficiation of mined products and provide contracting services to customers.

VALUES

Trust
Integrity
Respect
Accountability
Customer Satisfaction
Teamwork and
Safety

ETHICAL LEADERSHIP

The Board strives to ensure that the Group conducts its business with integrity and leads by example. This commitment is formalised in a Code of Conduct (available at www.afrimat.co.za) which applies across the board and to all employees of the Group. The Code is designed to provide guidance as to ethical conduct in all areas, appropriate policies in respect of safeguarding assets and information, and the appropriate corrective measures to enforce these policies. The performance of the Board in terms of being held accountable for ethical and effective leadership is reviewed annually by the directors.

Furthermore, the strong value system embedded in the Group culture is constantly reinforced by the CEO and supported by business unit heads and human resources management. Strict adherence to the provisions of the Code of Conduct is a condition of employment within Afrimat, and is incorporated as part of the induction process.

The Code sets out the Group's values and practices over and above requirements of formal governance codes and legal requirements such as the King IV Report and the Companies Act.

Ethical conduct is an area which the Social, Ethics & Sustainability Committee is tasked by the Board to oversee. As part of its responsibility, the Committee ensures that the Company's ethics performance is assessed, monitored, reported and disclosed. It reviews cases of conflicts of interest, misconduct or fraud, or any other unethical activity engaged in by employees or the Company. Further, the Committee reviews the Code annually and recommends it to the Board for approval.

All senior employees are required to sign an annual declaration confirming compliance to laws and regulations. The Group has an independent whistle-blower's hotline and all reported matters are investigated by appropriate employees and the results reported to the Audit & Risk Committee. Unethical behaviour is not tolerated within the Group and all criminal behaviour is reported to the police. Management reports to the Committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities. Mechanisms to encourage ethical behaviour such as the Code of Conduct, corporate citizenship policy and whistle-blower's hotline, were confirmed as adequate by the Social, Ethics & Sustainability Committee in the year.

As part of the improvement process, annual interest declarations were requested from all senior employees. A revised procurement policy incorporating ethical standards for the selection of suppliers has been drafted and will be rolled out in the ensuing year. Ethical standards for the selection of customers will also be considered.

HEALTH AND SAFETY

Our employees work in an environment which poses potential health and safety risks. We proactively manage this risk to prevent health and safety incidents. We are committed to providing a safe and healthy working environment which is in strict compliance with the South African Occupational Health and Safety Act, Mine Health and Safety Act and other relevant regulations and recognised standards and guidelines.

> The LTIFR increased slightly from 0,47 to 0,56 at the end of the current financial year.

Responsibility for health and safety devolves down from the Executive Head: HR & Sustainability and Group SHEQ Manager to all levels of employees, and radiates up again with the CEO taking ultimate responsibility.

Regional managers assume full accountability for SHEQ management throughout their respective regions. They are responsible and accountable for the proper resource utilisation and day-to-day management. Regional H&S officers have a functional reporting relationship to the regional managers and to the Group SHEQ Manager.

The Group SHEQ Manager, Letisha van den Berg, is responsible for devising new policies. These are communicated through Company notice boards, management meetings and each operation's monthly safety meeting. Responsibility for compliance rests at every level throughout the Group down to each individual employee. The Health and Safety Policy was reviewed and approved by management during the year. (A copy of our Health and Safety Policy is available at www.afrimat.co.za)

Health and safety risk process

Health and safety risks are identified through annual HIRAs at each site. HIRAs establish a rating of hazards according to the likelihood of occurrence. The HIRA process will be standardised to be able to present a risk profile for the entire Group.

Identified risks are mitigated through the following processes:

- Engineering devices – guards, safety devices, personal protective equipment, etc.
- Administration – Safe Operating Procedures describing the hazards and mitigation factors. These too are reviewed annually.
- Training – on the Safe Operating Procedures to ensure employees are fully conversant with the relevant hazards and the purpose of the engineering devices installed.

In addition, Codes of Practice are in place for the mitigation of generic mining-related risks. Codes of Practice are mandatory documents that must be prepared and implemented on request of the Chief Inspector of Mines. These are reviewed as per prescription in their guidelines.

Afrimat's Incident Management System guides reporting on all incidents resulting in property damage; having a negative impact on the environment; related to injuries being treated by first aid only; related to lost-time injuries; and related to fatal injuries. Any reported incidents are set out in the following reports:

- Injury On Duty Report – lost-time injuries, used to report on the LTIFR;
- Statistics on hazard and risk categories – trending focus areas;
- Near misses and property damage report; and
- First aid and medical treatment cases report. The first aid and medical treatment cases reported increased from 42 to 82 cases in the current year. This can be attributed to improved incident reporting in all categories of incidents.

The regional H&S officer responsible for the affected site is responsible for investigating the report further, reporting to the regional manager and the Group SHEQ Manager.

Afrimat is a member of independent associations ASPASA, which annually audits the mines, and internal audits are conducted at the readymix plants. The DMR also performs random inspections and scheduled audits at the Group's mines. The Department of Labour performs random inspections at the Group's concrete product plants and workshops. Areas for improvement identified during these audits/inspections are addressed by management where practical.

At Afrimat operations the overall number of regulatory stoppages have decreased year-on-year, and resulted in decreased associated production losses. A priority for the business remains the engagement with regulators to increase safety standards at our operations and to ensure that such interventions are minimised.

HEALTH AND SAFETY (continued)

The focus in the upcoming year will be on leading indicators (pro-active steps in preventing injury) rather than lagging LTIFR indicators:

Key focus area	Leading indicators	Near miss reporting	Identifying critical tasks	Planned task observations	Procedure and guideline training
FY2020 goal	90% compliance	60% improvement	80% formal interaction – SHE representatives	80% conducted	95% compliance testing
Long-term goal	Entrench uniform SHEQ culture within the Group	Increase accuracy of near miss reporting and reduction of LTIFR and Medical Treatment Injuries ('MTI')	Reduction of LTIFR	Reduction of LTIFR	Reduction of LTIFR

Effectiveness against FY2019 goals:

Key focus area	Leading indicators	Near miss reporting	Identifying critical tasks	Planned task observations	Procedure and guideline training
FY2019 goal	Standardisation of the SHEQ system with employee input	Redefine the definitions of the various incidents. Re-train all employees on incident reporting	Identify critical tasks relevant to each operation	Measure planned task observations performed on critical tasks	Measure and monitor training planned and executed
Long-term goal	The following completed: 4 out of 4 policies; 13 out of 13 code of practices; 8 out of 31 procedures and 1 out of 7 guidelines.	Proactive near misses reported exceeded the target by 200%	62% planned critical tasks identified	52% task observations on critical tasks completed	100% completion of training matrix

Health and safety training

During the year a range of health and safety training was conducted:

- SHE induction for new employees (and annual refresher for all existing employees);
- First aid;
- HIRA as per job specifications on each site;
- Safe Operating Procedures as per job specifications on each site;
- General firefighting;
- Operators/drivers training;
- NOSAs Samtrac courses; and
- SHE representatives.

Our employees' well-being

We have an occupational healthcare system for our employees that is geared towards total wellness and incorporates annual medical testing for all employees.

The following medicals are conducted:

- Annual medical: all employees exposed to occupational health risks at operational sites: mines, workshops, concrete product plants, readymix plants and administration employees who frequently visit the sites;
- Entry medicals: all employees before entering Afrimat's service in order to establish whether the individual is fit to perform the specific work and to establish a medical baseline;
- Exit medicals: all employees leaving Afrimat's service in order to establish an exit reference and baseline comparative;
- Follow-up medicals: identified during annual and/or entry medicals by the health professionals; and
- Annual health checks for senior management.

Processes were developed to measure and monitor health statistics to determine the health status of the Group on a monthly basis. Occupational hygiene measurements are now linked to the health process to identify potential over exposures and prevent illnesses. A dedicated Safety Committee is committed to researching new technological advances in order to enhance and maintain a superior safety standard throughout the Group's operations.

ENVIRONMENTAL RESPONSIBILITY

Voluntary HIV/AIDS counselling and testing is offered at annual medical examinations and on an ongoing basis at all of Afrimat's onsite clinics. Our response to the HIV/AIDS pandemic is set out in a formal policy (Afrimat's HIV/AIDS, STI and TB Policy is available at www.afrimat.co.za). The policy strives to prevent discrimination against employees living with HIV/AIDS and encourages early detection and treatment. Awareness around HIV/AIDS issues is highlighted through the following channels:

- Posters communicating information on HIV/AIDS, STIs and TB symptoms and awareness;
- Staff newsletters; and
- Information leaflets distributed prior to World AIDS Day.

Public health and safety

We maintained responsibility for public safety during the past financial year and reinforced robust controls in access to our mines and the surrounding properties. Of concern are the repeated breaches of security perimeters, both by members of our communities and by criminals' intent on illegal activities.

Community forums were added to existing programmes, where further awareness of safety conditions and hazardous environments were discussed including processes (e.g. breathalyser tests, perimeter dust monitoring and the allocation of dedicated areas on entering premises).

We operate in an industry (open pit mining) that has a significant impact on the environment. Environmental management is therefore a critical part of the day-to-day management processes at Afrimat.

We comply with all environmental legislation and to support this, our mines' environmental performance is audited annually by the environmental team and by ASPASA every second year. Furthermore, annual internal environmental performance audits are conducted at the readymix plants. The DMR also performs random inspections at the Group's mines. Areas for improvement identified during these audits/inspections are addressed by management. Third-party audits and external consultants support our environmental conservation and protection efforts and provided added opportunity for refinement of its EMPs.

We manage our environmental footprint with mandatory EMPs at all the mines, in the absence of which no mining activities will commence. These focus on:

- Responsible mining;
- Reducing emissions;
- Reducing spillages;
- Recycling;
- Monitored resource usage; and
- Rehabilitation.

During the year, focus was renewed on responsible mine planning. Developing an appropriate and adequate mining plan is a fundamental part of the planning operation. A sound mining plan is essential to achieve optimal and sustainable resource development and utilisation. Sustainable mining requires an approach that balances the curbing of environmental degradation with the optimising of materials extraction and the minimisation of cost.

The EMPs focus on responsible mining, reducing emissions through upgrades to diesel-driven equipment, decreasing noise pollution, recycling products where viable, and maintaining all plants at optimum working levels and efficiency.

The EMPs and Environmental HIRAs during the year were reviewed by management and independent consultants/specialists and only minor changes were required, all of which were implemented.

The Group SHEQ Manager is responsible for ensuring compliance with the site EMPs, assisted by the regional managers and the Group environmental conservation officer. The regional managers assume responsibility for all sites in their respective regions and have full control of regional environmental resources.

Environmental training

Training was identified as the first step in improving the mitigation of the risks identified in an ever-changing environment. In order to remain up to date with laws and regulations, specialist training was provided. Annual training is provided on specific environmental matters identified in consultation with ASPASA. These matters include day-to-day environmental management processes to reduce the risk of environmental degradation. In addition, programmes conducted for all employees, included training on the conservation of water and the quantification of carbon emissions.

Carbon footprint

The following measures were implemented to conserve precious resources and decrease Afrimat's carbon footprint:

- Benchmarking of operational output and the use of electricity, fuel and explosives;
- Determination of the basic requirements to deliver optimum production leading to the establishment of a standard energy consumption rate per machine;
- Ongoing monitoring of power factor corrector capacitors to ensure a decreasing trend in electricity usage;
- Sequential start-up of electrical motors at each start-up procedure;
- Shifting production times to fall in non-peak electricity consumption periods;
- Monitor water usage at all sites in an effort to implement initiatives to reduce water consumption; and
- Used oil and scrap steel to be sold to accredited companies for recycling purposes.

Environmental progress reports are submitted annually to the DMR in terms of mining right requirements

Afrimat did not incur any fines for infringement of environmental legislation during the year

ENVIRONMENTAL RESPONSIBILITY (continued)

The Group is committed to undertaking formal carbon footprint assessments with the assistance of an internal specialist. The assessments can be summarised as follows:

Key focus area	Electricity consumed	Water usage	Carbon emissions	Waste management	Bio-diversity
FY2020 goal	Determine reduction % from baselines				
Long-term goal	Measure electricity consumed per product tonne produced, compare usage at different operations and reduce usage in line with best practices	Measure water usage per product tonne produced, compare usage at different operations and reduce usage in line with best practices	Register all sites with the South African National Atmospheric Emissions Inventory System ('NAEIS') in order to measure carbon emissions. Compare emissions between different sites and identify initiatives to reduce emissions	Compare waste generated between various operations, reduce, reuse and recycle the waste generated	Set annual target percentage on rehabilitation of operations (in hectares)

Effectiveness against FY2019 goals:

Key focus area	Electricity consumed*	Water usage**	Carbon emissions***	Waste management*	Bio-diversity****
FY2019 goal	Benchmark the use of electricity by all operations	Water supplied by the municipality is currently measured. Meters to be installed at all sites utilising extraction points to draw water from natural resources. Recycling and conservation of water	Register 50% of all our sites with NAEIS to enable the site to measure emissions accurately	Measure all waste generated	Quantify all hectares rehabilitated on the environmental performance assessment
Evaluation	Electricity usage for F2019 has been measured for all operations	The installation of water meters at operations utilising extraction points has not been completed. Water usage by operations (including municipal water supply as well as extraction points) is available for FY2019, based on a 90% measurement of all operations	All operations have been registered with NAEIS	A waste stream identification list has been compiled for all operations	In FY2019, 90% of all operations were quantified in terms of hectares rehabilitated
Benchmark comparison	5,1% increase from 43,2 thousand kwh in F2018 to 45,4 thousand kwh in FY2019	1,6 million cm^3 water used in FY2019	30,0% increase from 125,3 thousand tCO_2e in FY2018 to 162,9 thousand tCO_2e in FY2019	114,0% increase from 86,9 tCO_2e in FY2018 to 186,0 tCO_2e in FY2019	156,0% increase from 5,0 ha in FY2018 to 12,8 ha in FY2019

The Group undertook an initiative to reduce greenhouse gas emissions and to adhere to limiting the increase in global temperature to below pre-industrial level or the so-called 2º C climate environment. Greenhouse gas emissions is measured and monitored at all operations and the Group is compliant to the latest regulations on GHG ('Greenhouse gases') reporting, carbon tax, carbon budget and carbon offset. Greenhouse gas emissions have been measured from 1 January 2018 and the Group is focusing on developing mitigating measures to reduce emissions across all business units.

The GHG Protocol ('Protocol') is a widely used methodology, suitable for companies. The Protocol defines emissions as either 'direct' or 'indirect', where direct emissions are from sources that are owned or controlled by the Group. Three scopes are defined:

- Scope 1: Direct emissions and emissions from sources owned and controlled by the Group (includes direct emissions from the combustion of liquid fuels in Group-owned vehicle fleet and the combustion of diesel generators);
- Scope 2: Indirect emissions associated with the generation of electricity, heating/cooling and steam purchased for own consumption (includes indirect emissions associated with purchased electricity from Eskom); and
- Scope 3: Indirect emissions other than those covered in Scope 2 (comprises a range of indirect emissions including business travel, air travel, employee commuting, purchased goods and services such as food, paper products, water supply and solid waste).

* *Electricity consumption and waste generated increased compared to prior year, due to Demaneng increasing production volumes during the year.*

** *Water consumption intensity was 0,17 cm^3 per tonne produced. No water consumption readings were available for FY2018.*

*** *Total carbon emissions are inclusive of carbon dioxide emissions from electricity consumption, process emissions, mobile combustion, stationery combustion, paper, waste, business travel and employee commute. Carbon emissions intensity for FY2019 was 0,016 tCO_2e as compared to 0,018 tCO_2e per tonne produced in FY2018, representing a reduction of 12,5%.*

**** *The increase in hectares rehabilitated was due to the closure of several mining permits and prospecting rights.*

Total greenhouse emissions per scope:

Emissions per scope	Category	Emission source	2019 tCO_2e	2018 tCO_2e	Increase/ (decrease)
Scope 1	Process emissions*	Lime production	**66 395,1**	41 120,2	61,5%
Scope 1	Mobile combustion**	Diesel – business travel	**18 536,2**	13 828,1	34,1%
Scope 1	Stationary combustion	Diesel – generator	**481,0**	606,7	(20,7%)
Total scope 1			**85 412,3**	55 555,0	53,7%
Scope 2	Electricity	Electricity	**43 146,3**	41 064,7	5,1%
Total scope 2			**43 146,3**	41 064,7	5,1%
Scope 3	Paper	Paper consumption	**10,4**	12,1	(14,0%)
Scope 3	Waste	Municipal waste	**186,0**	86,9	114,0%
Scope 3	Business travel	Business travel – car hire	**32 483,2**	27 084,9	19,9%
Scope 3	Employee commute	Employee commute	**1 629,7**	1 541,6	5,7%
Total scope 3			**34 309,2**	28 725,5	19,4%
Total carbon footprint			**162 867,8**	125 345,2	29,9%

Intensity emissions per scope	Description	2019 intensity	2018 intensity	Increase/ (decrease)
Scope 1 and 2	tCO_2e/employee***	**73,1**	56,2	30,1%
Scope 1 and 2	tCO_2e/tonnes	**0,016**	0,018	(11,1%)

* *Increase due to unavailability of data in 2018 for Langvlei operation.*
** *Increase due to carbon dioxide emissions at Demaneng and Lyttelton Dolomite, consistent with the number of mobile-fleet owned by the relevant sites.*
*** *Increase due to Demaneng reaching full production during current year.*

The Group reported a reduction of 11,1% in the short-term intensity emissions from prior year, which is an improvement from the set target of 10%.

A report detailing the 2019 (January to December 2018) carbon footprint of the Group is currently under review by Deloitte Touche Tohmatsu Limited. The review is performed in terms of the Greenhouse Gas Protocol – Corporate Accounting and Reporting Standard.

TRANSFORMATION

We are committed to integrating genuine transformation that permeates the organisation, and understand this to be critical for the sustainability of our business in South Africa. Each subsidiary has a dedicated BEE Committee which actions the plans and recommendations of the Social, Ethics & Sustainability Committee in this regard, and further proactively drives improvements in all B-BBEE categories.

Ownership

Our main BEE partners, which are all black-owned organisations are:

- Afrimat BEE Trust: 4,2%;
- Mega Oils Proprietary Limited: 2,1%;
- Old Mutual Life Assurance Company (South Africa) Limited: 1,8%;
- Mazi Asset Management Proprietary Limited: 5,6%;
- ARC: 18,3%; and
- Other: 0,6%.

Black ownership in the Group totals 32,6% in line with Mining Charter requirements.

The Group's B-BBEE ratings are set out below:

Company/subsidiary name	2019 B-BBEE rating level	2018 B-BBEE rating level
Afrimat Limited (Consolidated)	**5**	7
Ikapa Quarries Proprietary Limited	**QSE***	QSE*
Afrimat Readymix (Cape) Proprietary Limited	**5**	5
Afrimat Readymix Inland Proprietary Limited	**7**	7
Afrimat Aggregates (KZN) Proprietary Limited	**4**	4
Afrimat Aggregates (Operations) Proprietary Limited	**4**	4
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**4**	7
Afrimat Contracting International Proprietary Limited	**3**	4
Afrimat Concrete Products Proprietary Limited	**5**	8
Glen Douglas Dolomite Proprietary Limited	**2**	3

* *Qualifying Small Enterprise as per the Broad Based Black Economic Empowerment Act.*

TRANSFORMATION (continued)

Management control

Our Board includes two black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective Board of directors. We are focused on ensuring participation of historically disadvantaged individuals at decision-making positions and core occupational categories through the Afrimat Management Development Programme ('AMDP') and Afrimat Leadership Programme ('Afrilead'). AMDP is a four-year programme aimed at training future foremen and mine managers. Afrilead is aimed at training junior and middle managers. Through these programmes, we aim to ensure leadership continuity in key positions, encourage individual advancement within the organisation and find a match between the current talents to the required future talent.

Employment equity

A total of 82,7% (2018: 82,7%) of the Group's 2 258 employees are black.

A formal Employment Equity Policy is in place for all employees and potential candidates, which promotes equal opportunities by encouraging good practice in the recruitment and selection process complying with the Employment Equity Act. (Afrimat's employment equity policy is available on www.afrimat.co.za.) The policy is an integral part of our commitment to building an effective and representative workforce and to ensure that historically disadvantaged individuals are appointed at management level to reflect the demographics of the country. This has been achieved through the implementation of individual development plans, skills audits, career progression plans, talent identification, fast tracking, training and mentoring. Particular efforts are directed at identifying historically disadvantaged individuals with potential and providing training and development initiatives to assist their progression.

In recruitment and promotion, the governing principle is 'from within the Group' and priority is given to the advancement of black employees.

Employment equity goals are communicated to employees via the various subsidiaries' Skills Development and Employment Equity Consultative Committees.

We are also proactive in recognising and rewarding initiative, effort and merit. Attractive remuneration and incentive schemes are outlined in the remuneration policy to attract and retain employees over the short, medium and long term. (See remuneration report page 40.)

Employment equity reports

The Group is in compliance with the requirements of the Employment Equity Act.

Each business registers its report on BEE employment status at the Department of Labour by 15 January 2019.

Summary of reports:

	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Afrimat Limited	–	–	–	3	–	–	–	1	–	–	**4**
Afrimat Management Services Proprietary Limited	2	2	–	18	–	4	–	10	–	–	**36**
Afrimat Shared Services Proprietary Limited	2	1	–	22	2	1	–	8	–	–	**36**
Afrimat Aggregates (Operations) Proprietary Limited	124	131	1	36	6	25	–	12	–	–	**335**
Afrimat Aggregates (Eastern Cape) Proprietary Limited	30	8	–	9	5	2	–	4	–	–	**58**
Afrimat Readymix (Cape) Proprietary Limited	30	25	1	11	2	6	–	4	2	–	**81**
Afrimat Silica Proprietary Limited	22	–	–	4	3	–	–	1	–	–	**30**
Afrimat Contracting International Proprietary Limited	146	16	–	44	14	2	–	11	–	–	**233**
Afrimat Aggregates (KZN) Proprietary Limited	113	2	1	23	22	3	1	12	–	–	**177**
Afrimat Concrete Products Proprietary Limited	225	–	–	15	20	–	–	9	–	–	**269**
Cape Lime Proprietary Limited	8	71	–	18	1	4	–	4	–	–	**106**
Boublok Proprietary Limited	26	12	–	1	3	2	–	2	–	–	**46**
Clinker Supplies Proprietary Limited	53	1	–	3	1	–	1	4	–	–	**63**
Afrimat Demaneng Proprietary Limited	64	18	–	11	11	2	–	–	–	–	**106**
Glen Douglas Dolomite Proprietary Limited	105	–	–	18	19	–	–	12	–	–	**154**
Infrasors Holdings Proprietary Limited	–	–	–	8	–	–	–	4	–	–	**12**
Lyttelton Dolomite Proprietary Limited	122	–	–	12	27	–	–	6	3	–	**170**
SA Block Proprietary Limited	119	–	–	19	158	1	–	7	–	–	**304**
Totals	1 191	287	3	275	294	52	2	111	5	–	**2 220**

A African C Coloured I Indian W White

The employment equity reports have a different cut-off period than the financial year under review.

Skills development and training

We prioritise training and upskilling of our employees, to ensure continuous leadership in key positions. We have moved beyond treating this as a 'tick-box' exercise to creating a culture of learning. This is performed through offering employees study assistance or bursaries, learnerships, Afrimat training programmes as well as core business training to ensure employees do their jobs safely and optimally. We currently have 56 people on learnership programmes and 41 employees were awarded bursaries to study further. Employees are encouraged to take every opportunity afforded to them by the Group to upskill themselves.

Preferential procurement

The Department of Trade and Industry ('DTI') defines preferential procurement as 'the procurement of goods and services from empowering suppliers as a percentage of total procurement'.

Our sustainable development programmes and initiatives provide active support to targeted qualifying suppliers, which actively participate or may potentially participate within our supply chain. These suppliers play an important role in the growth of the local communities we operate in and to bring previous disadvantaged individuals into the mainstream economy.

Our Preferential Procurement Philosophy supports transformation in South Africa by:

- Promoting compliance, and providing training where necessary, with legislation relating to broad-based economic empowerment ('B-BBEE');
- Supporting and promoting preferential procurement initiatives for purposes of improving procurement from qualifying suppliers;
- Improving existing suppliers' B-BBEE level rating annually, and this principle will be contracted with the suppliers; and
- Promoting supplier rotation, allowing for new entrants to participate in our supply chain.

Our procurement practices are aligned to the codes of practice, as well as the Mining Charter to be able to continue contributing to the transformation of the supply chains we are active in. Our spend profile reflects our positive commitment to spend with transformed suppliers within South Africa.

Through the tools introduced to track B-BBEE ratings, the Group intensified its focus on BEE procurement during the year. The procurement spend from companies with a 25%+ black shareholding was increased in FY2019 compared to prior years.

Procurement days were held to increase the awareness of B-BBEE amongst existing suppliers and to create an opportunity for new BEE suppliers to meet with the Group's procurement management. Existing suppliers are continuously encouraged to implement transformation processes within their companies and those that demonstrate compliance to BEE empowerment, are given preferred supplier status. A continued focus on supplier development resulted in the identification of BEE suppliers who may otherwise not have been identified by the Group, contributing towards an improvement in BEE procurement of the Company. The Group assisted qualifying small enterprises to provide a relevant affidavit for the purposes of confirming B-BBEE exemption.

Enterprise and supplier development

As part of our commitment to achieving sustainable growth and having an impact on the wider communities we operate in, we continue to promote enterprise and supplier development. We are invested in and committed to the process of assisting small businesses to thrive as they are one of the key vehicles through which poverty alleviation and inequality can be tackled effectively in South Africa.

All of our enterprise and supplier development initiatives are aimed at ensuring that businesses become capable of supplying their products and services to diverse supply chains. The aim is to help these suppliers become more agile and competitive to foster a strong likelihood of meaningful market share gain and sustainable job creation. This approach will form part of the Afrimat culture and long-term strategy, to create commercially valuable relationships with all stakeholders within our supply chain.

During the year, we contributed towards enterprise and supplier development programmes by providing extensive management advice, administration services and working capital funding to qualifying enterprises. In addition, several services and goods were ring-fenced in order for the Group to only procure from these enterprises. Working capital funding had outstanding balances during FY2019 of R15,8 million (2018: R10,4 million).

Types of businesses that qualify:

- investment business;
- mining services, vehicle rentals and training business;
- various transport sub-contractor schemes;
- various lorry owner/driver schemes;
- sand mining business;
- earthmoving business;
- railroad maintenance business; and
- employee transport service business.

These enterprises are further assisted by settling monthly purchases earlier than the normal payment terms applicable to suppliers and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. A continued focus is placed on converting these enterprises into fully fledged suppliers (if applicable).

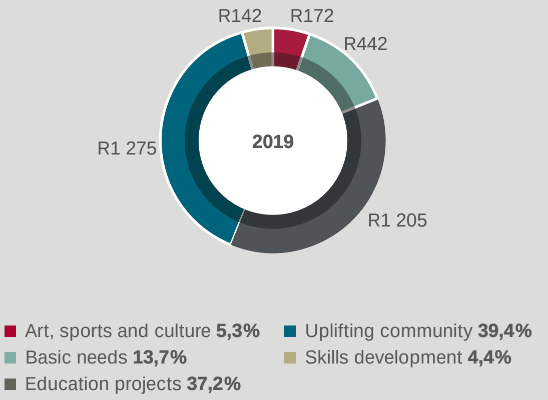
Socio-economic development

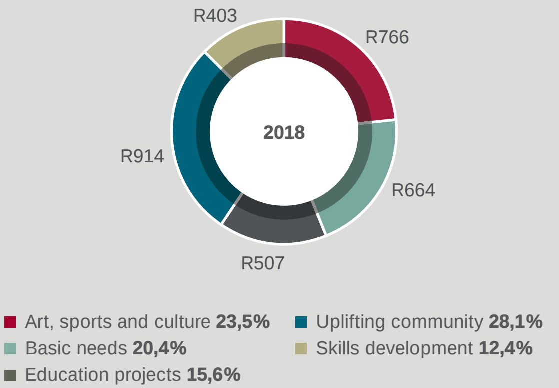
Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. We consult with different stakeholders to ensure the needs of the communities are met through the projects. The Group targets 1,0% of PAT for contribution to the projects. Projects include building classrooms, a kitchen and toilet facilities, a toy library for an early childhood development centre, maths programme in schools, training unemployed youth, adult basic education training programme for illiterate community members and a back to school uniform drive. CSI expenditures during FY2019 amounted to R3,2 million (2018: R3,2 million). Refer to value added statement on page 4.

All planned FY2019 local economic development projects were completed during the year.

TRANSFORMATION (continued)

CSI spend: Categorisation (R'000)





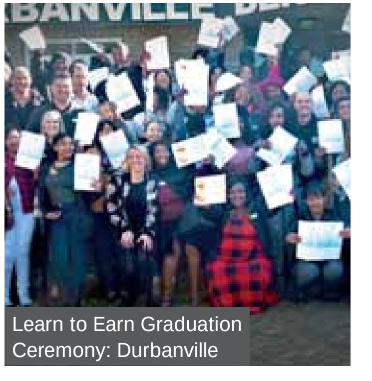
With over 35 mining rights across the country, we continue contributing immensely in the communities in which we operate. In the next financial year, several of the Group's social and labour plans will be revised and this means that new projects will be identified. The impact in the communities is not only through projects but also through learnerships, bursaries, internships and jobs created through local small medium and micro enterprises supported and mentored.

A detailed breakdown of projects completed in the financial year:

Area	Type of project	Project description	Beneficiaries
Worcester	School support programme	This project has been running for several years. Due to the great success of the project, the Company continues subsidising a maths teacher's salary and hosting maths awards for top students at Vusisiswe High School.	Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School
Grabouw	Toy library	Construction and upgrade of an early childhood development ('ECD') centre to include a toy library.	Community of Grabouw
Dunoon and Fisantekraal	Unemployed youth training programme	An ongoing programme where unemployed youth from Dunoon and Fisantekraal is trained by Learn to Earn, a division of Fisantekraal Centre of Development. The aim is to provide the youth with skills relevant to the labour market and empower them to be employable.	Unemployed youth in Dunoon and Fisantekraal
Robertson	Unemployed youth driver's licence training programme	The programme provides code 14 driver's licence training to unemployed youth in Robertson. The project is done in partnership with the local municipality.	Unemployed youth in Robertson
Ladysmith Quarry	Construction: Siyathanda Crèche	Built two classrooms and furnished them with kids' plastic furniture, a kitchen and four flushing toilets.	Forty (40) children at Siyathanda Crèche
Greenbushes	Adult Education Training ('AET') Programme for illiterate community members	The programme trains illiterate community members to read and write.	Illiterate community members in Greenbushes
White River (Nelspruit) and 7de Laan (Keimoes)	Back to School Uniform Drive	Purchase of school uniforms for less fortunate learners.	Sixty (60) less fortunate learners


Toy library: Grabouw


Learn to Earn: Fisantekraal


Learn to Earn Graduation Ceremony: Durbanville

SOCIAL, ETHICS AND SUSTAINABILITY

The Social, Ethics & Sustainability Committee's responsibilities encompass monitoring and regulating the impacts of the Group on its material stakeholders and environments. Although management is tasked with overseeing the day-to-day operational sustainability of its respective areas of business, and reporting thereon to the Committee, the Board retains ultimate responsibility for Group sustainability.

The Committee is chaired by non-executive director Loyiso Dotwana and further comprises CEO Andries J van Heerden, non-executive director Gert J Coffee, independent non-executive director Phuti RE Tsukudu and independent non-executive Board Chairman Marthinus W von Wielligh. Details of meeting attendance are on page 34.

Key indicators monitored by the Committee include:

Indicator	Standard or future goal
Transformation and B-BBEE ratings including: ▪ Equity ownership ▪ Management control ▪ Skills development ▪ Preferential procurement ▪ Enterprise development and supplier development ▪ Socio-economic development	Level 4 B-BBEE Group rating achieved annually
Labour relations	Maintain employee satisfaction (turnover rate; industrial action, etc.) Effectively manage expectations and union relations to minimise labour unrest
Health and safety	Zero LTIFR
Environment including: ▪ Carbon footprint ▪ Water and forestry compliance and returns	To mine within approved environmental management plans for all of the Group's mining activities and zero harm to the environment for all other activities Compliance with mining rights' EMPs
DMR compliance including: ▪ Mine Works Programme ▪ Social and labour plan ▪ EMP ▪ Mining Charter returns	All existing mining rights maintained All future mining right applications predicated on Group's reliable track record of compliance
Mining rights status including: ▪ New applications ▪ NEMA/LUPO regulations ▪ Water use licence	Business expansion not restricted by insufficient mining rights
Compliance with laws and regulations	Full compliance with all laws and regulations

The full purpose of the Committee is to regularly monitor the Group's activities with regard to any relevant legislation, other legal requirements or prevailing codes of best practice, in respect of the following:

- Social and economic development including the Group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles;
  - Organisation for Economic Cooperation and Development recommendations regarding corruption;
  - Employment Equity Act; and
  - B-BBEE Act.
- Good corporate citizenship, including the Group's:
  - promotion of equality, fair remuneration, prevention of unfair discrimination, safety, health, dignity and development of employees;
  - economic transformation, prevention, detection and response to fraud and corruption, and responsible and transparent tax policy;
  - contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.
- Environment, health and public safety, including the impact of the Group's activities and its services.
- Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the Group's:
  - standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - employment relationships, and our contribution towards the educational development of our employees.

The Committee draws these matters to the attention of the Board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the Committee are reported on pages 17 and 38.

The Group fosters a culture of respect, with zero-tolerance of discriminatory behaviour. No incidents of discrimination were reported during the year. Afrimat fully complies with employment laws and practices and is committed to the protection of human rights.

Effectiveness against 2019 KPIs and Committee evaluation

2019 KPI	Evaluation score*
Stakeholder initiatives: Interaction with government and the format of such engagements	4,5
Evaluating the impact of Afrimat's activities specifically on public safety	4
Sharing best practice: individual directors actively sharing deemed appropriate and applicable best practice from other Committees with the Committee/Company	3,5

* *Scored out of five. Scores above 3,5 rated as green, 3 to 3,5 as amber and below 3 as red.*

KPIs for FY2020

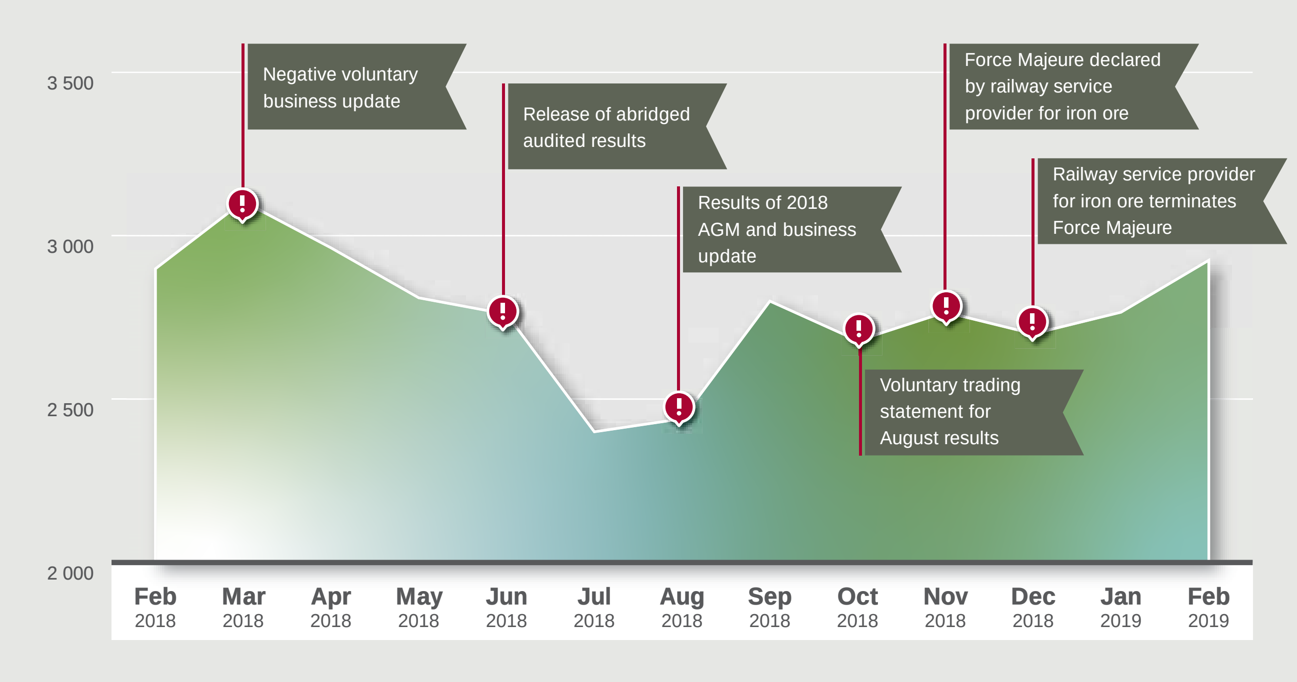
- Committee visible felt leadership initiatives: formal and informal visits to business units
- Oversight of safety culture: commission detailed audit on HIRAs throughout the Group and consider adequacy of remedial plans to address identified areas for improvement to enhance the efficacy of HIRAs at all business units
- Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other Committees with the Committee/Company

SHARE PERFORMANCE

at year-end

	FY2019	FY2018	FY2017	FY2016	FY2015
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**7 573**	6 654	7 188	1 919	506
Net number of ordinary shares in issue ('000)	**135 689**	136 608	136 074	141 343	142 756
Weighted number of ordinary shares in issue ('000)	**136 271**	136 271	141 713	142 240	142 524
Headline earnings per share (cents)	**234,1**	180,7	196,4	156,6	135,6
Price:earnings ratio	**12,5**	16,0	15,5	15,3	12,2
Market price per share at date of listing (7 November 2006 – issue price 500 cents)					
Market price per share at year-end (cents)	**2 925**	2 899	3 050	2 401	1 655
Market capitalisation based on issued shares (R'000)	**4 190 414**	4 153 177	4 369 504	3 439 731	2 370 993
Market capitalisation based on issued shares less treasury shares (R'000)	**3 968 904**	3 960 278	4 150 280	3 393 661	2 362 621

Share price (cents)



GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS

Our strategy requires sustainable value creation in the immediate and longer term. The Board reviews the relevancy of our strategic objectives annually. An integrated approach to strategy, risk management and performance has been adopted.

Our strategic objectives address material issues that have been identified as risks that could significantly affect the Group's ability to create value in the immediate and longer term.

The following strategies and their value creation in terms of the six capitals are represented below:

Capital created
Refer to capital inputs for value creation reflected on page 4

- Financial capital
- Human capital
- Natural capital
- Social and relationship capital
- Manufactured capital
- Intellectual capital

Stakeholders
Refer to stakeholders list on page 5

- Shareholders
- Lenders/providers of capital
- Employees
- Customers
- Trade unions
- Major contractors, suppliers and business partners
- Government, local authorities and regulatory bodies
- Local communities

Growth through diversification

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2019	Outcomes FY2019
Hedge against economic volatility			Ramp up of Demaneng to reach full production during the current year, which will result in an efficient hedge against volatile local business conditions and exchange rate fluctuations.	Reduce reliance on local economic business environment.
Continuous research of business environment			Research into possible new markets is ongoing.	Reduce reliance on one key market via organic expansion.
Focus on value enhancing acquisitions* and successful execution thereof			Ramp up of Demaneng during the current year.	Support organic growth with acquisitive growth.

** Acquisition purchase consideration should preferably be below 15,0% of Afrimat's market capitalisation, be in Afrimat's space of expertise and create value for shareholders*

Material issues and key risks	Risk mitigation and opportunities
Availability of trains from Transnet and harbour capacity restrictions	Alternative operational options are being investigated and discussions with Transnet are under way. Exploring various supply alternatives.
Fluctuations in the iron ore price	Maintaining a low cost of production and the ability to 'mothball' operations when the price drops to a specified level.
Access to the market for iron ore	Alternative inland supply was negotiated. Establishment of own load-out station with Transnet. Various other alternatives are being investigated.

Focus areas for next year

- Expand current iron ore resources;
- Strengthen the export logistical channel for iron ore; and
- Diversification into other products within Afrimat's space of expertise.

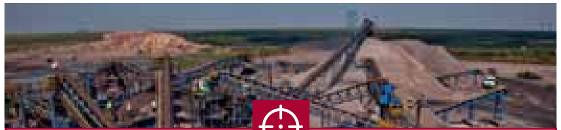
GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

Maintain competitive advantage

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2019	Outcomes FY2019
Extensive geographic footprint			Ramp up of Demaneng and expanding footprint within the Northern Cape. Continuous exiting of unproductive spaces.	The Demaneng operation reached planned production targets by August 2018 and contributed materially to the Group's profits for FY2019.
Structural cost advantage			The operating profit margins of the Construction Materials and Industrial Minerals segments decreased from 16,7% to 10,9% and 15,8% to 14,3%, respectively.	The Group was able to maintain an improvement in overall operating profit margin from 14,7% to 15,9%, mainly due to the improved margin of the Bulk Commodities segment.
Unique metallurgies			The Group successfully entered the iron ore industry in the prior year with the acquisition of Demaneng.	The Demaneng operation reached planned production targets by August 2018 and contributed materially to the Group's profits for FY2019.
Flexible business model			Focus on efficiency improvement and cost reduction initiatives in all business units.	The KwaZulu-Natal ('KZN') businesses successfully concluded a restructuring process in order to right-size the business for reduced volumes due to a slowdown in the market.
Solid presence in growth markets			Revenue was R3,0 billion, up by 24,6%. Revenue excluding Bulk Commodities increased by 3,6%.	Revenue growth in Construction Materials and Industrial Minerals were slow, with the slow down exacerbated in November and December in construction material products. The slow down was felt more strongly in KwaZulu-Natal and southern Gauteng where the operations experienced reduced volumes. The overall increase in revenue was as a result of an increase of 287,6% in the Bulk Commodities segment, mainly driven by favourable pricing towards the latter part of FY2019.

Material issues and key risks	Risk mitigation and opportunities
Information and technology data and network loss	▪ Ensure proper access controls are in place, protection software is installed and backups are made regularly; ▪ Regular penetration tests are performed by external service providers of virus, web security and mail analysing software to ensure the security within Afrimat; and ▪ An appropriate Disaster Recovery Plan is in place.
South African economic slowdown	Diversification into products sold in a different currency than the local currency and diversification into international markets
Limited life of the Vaal Clinker dump in the Clinker Group operations and decline in demand for the product	The life of the Vaal Clinker dump has been extended by three to four years through the purchase of the Emfuleni Clinker Ash Dump. The Group is further investigating various alternatives on replacing the clinker ash dump and is also investigating alternative block mixes.
Limited life of Demaneng	The new business development team is investigating the acquisition of additional iron ore resources.
Local community unrest	Good relationships are built with local communities. Various skills development and educational programmes are implemented to uplift communities.



Focus areas for next year

- Expand current iron ore resources;
- Focus on improving sales volumes and pricing and strong margin management; and
- Investigate further alternatives to replace the contribution from the Vaal Clinker dump.

Organic growth through innovation

Objectives	Capital created	Stakeholders	Outputs FY2019 (Performance against objective)	Outcomes FY2019 (Performance against objective)
Cost efficiency drive			Refer to 'structural cost advantage' reflected in 'Maintain competitive advantage'.	
Strong operational efficiency			Improved operational efficiencies were delivered through the implementation and management of an effective KPI system.	The management of and effective key performance indicator ('KPI') system has resulted in better operational efficiency.
Efficient processing plant design and process flow			The planned crushing and DMS production target has been set at 72,5 thousand tonnes per month.	The Demaneng operation reached planned production targets by August 2018 and contributed materially to the Group's profits for FY2019.
Excellent maintenance and care			Afrimat prides itself in the excellent maintenance and care of its plant and machinery.	Large machinery operator training, adding and testing lubricants frequently, checking for wear and tear, keeping machinery clean and maintaining a clean environment. The Group has a dedicated engineering department that keeps a maintenance and repair schedule and good record of all large machinery.

Material issues and key risks	Risk mitigation and opportunities
Water shortages/drought	Investigation into various alternatives to ensure sufficient water supply to Cape Town and affected high-risk operations. The extensive geographic footprint of the Group will mitigate the risk.
Electrical and supply of municipal services to operations	Usage of diesel generators.
Compliance to the new Mining Charter	Steps are taken to understand the amendments to the Mining Charter and where reasonable to implement strategies to improve or adhere.

Focus areas for next year

- Further focus on cost savings and costs incurred within the Group;
- Further focus on improving operational efficiency; and
- Focus on further improvements in maintaining current plant and equipment.

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

People-led Company

Objectives	Capital created	Stakeholders	Outputs FY2019 (Performance against objective)	Outcomes FY2019 (Performance against objective)
Values-based entrepreneurial culture			Regular reinforcement of the value system within the Group.	Culture survey action plans have been implemented across the business to address opportunities for improvement and preserve positive areas.
Leveraging Afrimat's 'combined intellect' through synergistic teamwork			We have a strong value system, which is deeply entrenched in the Group and a pervasive culture of teamwork to create a climate of growth, including skills programmes, empowerment training and active involvement by leadership in mentoring and advancing employees.	Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork.
Appointing the right people in the right position			Proper succession planning by means of tracking critical positions via a talent matrix will ensure the correct internal candidate is available when the need arises.	Various internal restructurings within business units were possible without necessitating the appointment of external candidates.
Tangible leadership			Leadership development through Afrilead (refer to Skills Initiatives page 39) to improve on internal leadership development.	The introduction of external human capital to complement our homegrown talent is vital to our competitiveness.

Material issues and key risks	Risk mitigation and opportunities
Industrial action and labour unrest	Regular meetings are held with unions. Employees are remunerated for their contribution by means of production bonus schemes. Focus is placed on creating a healthy culture. All wage negotiations for FY2019 have been settled.
Retention of key employees	Initiation of a Group Forfeitable Share Plan ('FSP') and a competitive remuneration structure.
Operating safely	Dedicated focus on safety, making it an anchor of our culture. The incorporation of a safety and environmental management system throughout all business units. Increase safety standards at our operations and ensure interventions are minimised.

Focus areas for next year

- Achievement of EE targets;
- Drive a formal KPA process and instil a Group-wide focus on the vision, mission and values of the Group; and
- Maximising benefits of an integrated HR Management System.

Outstanding customer service

			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2019**	**Outcomes FY2019**
Strategically positioned to deliver excellent service			Expanded footprint within the Northern Cape with the acquisition of Demaneng.	The Group continues to expand the business and to strategically position the operating units to ensure flexible services which are supplemented by mobile mining and crushing facilities.
Engaged customer relationships			Keeping lines of communication with customers open and providing customer support.	The business plan/model is continuously adapted. Reduce reliance on one key market via organic expansion.
Customer advocacy through service, reliability and quality of supply			Acquisition of quality geological resources and compliance to high quality standards (including COLTO standards). The Company keeps up to date with its services and products and ensures it meets its customers' needs and expectations.	The marketing team spends time getting to know their customers, standardising its processes, focusing on employee training and ensuring a unified customer experience across all channels.

Material issues and key risks	Risk mitigation and opportunities
Dependence on key customers	Diversification into different products and markets. A dedicated business development team continues to successfully pursue opportunities. Alternative markets are investigated.

Focus areas for next year

- Improve lost market share by strong product execution;
- Rollout of technology that improves the customer's experience; and
- Continued focus on market research.

OPERATIONAL REVIEWS

CONSTRUCTION MATERIALS

Highlights FY2019

- KwaZulu-Natal business successfully completed a restructuring process
- Traditional business based in the Western Cape continued to deliver solid results
- Mozambique business supplied construction materials to a resettlement village in the north of the country
- Operational efficiency improvement initiatives delivering results
- Rationalisation of sales to less profitable markets
- Emfuleni Clinker Ash Dump will ensure an additional three to four-year lifespan for Clinker Group

Key distinguishing features

- Operations are geographically well positioned
- Diverse customer base
- Wide product range complemented by ability to customise solutions
- Well-maintained plant and equipment
- Efficient processing plant design and process flows
- High quality standards (including compliance with COLTO standards)
- Readymix products meet SARMA standards
- Flexible customised solutions for individual customer needs

Review of FY2019

Financial performance

	Audited February 2019	Audited February 2018	% change
Revenue (R'000)	**1 739 496**	1 645 252	5,7
Operating profit (R'000)	**190 182**	274 580	(30,7)
Operating profit margin (%)*	**10,9**	16,7	
Capital expenditure (R'000)	**110 643**	114 080	
Headcount**	**1 717**	1 975	

* *Excluding goodwill impairment, 12,1%.*
** *Reduction due to restructuring process in the KwaZulu-Natal business.*

The **Construction Materials** segment felt the brunt of the slowdown in economic activity, with the KwaZulu-Natal and Gauteng businesses being impacted the most.

The KwaZulu-Natal business successfully completed a restructuring process during the year in order to improve the business. The Western Cape aggregates business continued to deliver solid results.

In Mozambique, the business mainly supplied construction materials to a resettlement village in the north of the country.

The Emfuleni Clinker Ash Dump, situated in Vereeniging and close to Afrimat's customers, will ensure an additional three to four-year lifespan for both Clinker Supplies Proprietary Limited ('Clinker') and SA Block Proprietary Limited. Clinker continues to investigate further options in order to secure additional resources for the Group.

INDUSTRIAL MINERALS

Highlights FY2019

- Cost reduction initiatives successfully introduced
- Solid results delivered by all businesses across all regions
- Successful market penetration
- Cape Lime fully integrated within the business with new marketing initiatives under way

Key distinguishing features

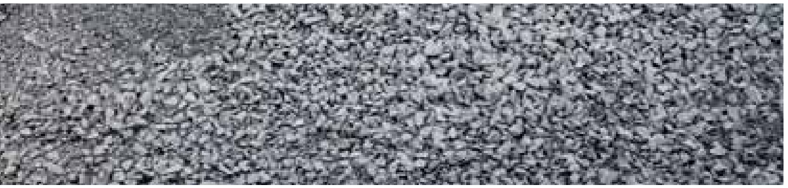
- Quality geological resources
- Wide product range
- Diverse customer base
- Well-maintained plant and equipment

Review of FY2019

Financial performance

	Audited February 2019	Audited February 2018	% change
Revenue (R'000)	**544 705**	559 757	(2,7)
Operating profit (R'000)	**78 012**	88 393	(11,7)
Operating profit margin (%)	**14,3**	15,8	
Capital expenditure (R'000)	**63 593**	40 707	
Headcount	**346**	305	

The **Industrial Minerals** businesses across all regions delivered solid results, although the impact of the economic slow down in the construction sector was experienced by the Lyttelton mine.



BULK COMMODITIES

Highlights FY2019

- Ramp up of Demaneng to reach full production
- Commissioning of a new load-out facility to enable Afrimat to load trains on the Sishen-Saldanha railway line
- Recommissioned both the DMS plants during the first half of the year
- Experienced favourable pricing towards the latter part of the current year
- The new business development team is investigating the acquisition of additional iron ore resources to supplement the lifespan of Demaneng

Key distinguishing features

- All ore products manufactured in accordance with customer specifications and sold in terms of the Platts Iron Ore 62% grade for export
- High quality Hematite origin iron ore up to 65% ferrum ('Fe')
- An in-house test laboratory is used for continuous process control
- Quality and specification statements are generated by an outsourced accredited laboratory

Review of FY2019

Financial performance

	Audited February 2019	Audited February 2018	% change
Revenue (R'000)	**682 198**	175 985	287,6
Operating profit (R'000)	**201 329**	(33 443)	702,0
Operating profit margin (%)	**29,5**	(19,0)	
Capital expenditure (R'000)	**25 975**	41 633	
Headcount	**116**	96	

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, delivered an exceptional contribution to the Group results. The business reached stable production volumes during the second half of the year. The business also experienced favourable pricing towards the latter part of the current year.

SERVICES

Highlights FY2019

- Full rollout of enterprise resource planning financial software to all business units within the Group
- Group sustainability function ensured a high compliance standard
- Dedicated new business development team ensures new business opportunities are investigated for sustainable growth
- Improvement of internal audit efficiency and migration through the implementation of an approved analytical tool to assist with internal audit function. Further focus placed on the implementation of a combined assurance model
- Shared services function geared to support growth
- Two dividend pay-outs were effected during the year, after the establishment of an employee benefit scheme through the Afrimat BEE Trust
- Significant investment in technology and infrastructure
- Automisation of monthly and annual reporting by means of utilising intelligent business tools
- Initiation of a Group Forfeitable Share Plan ('FSP')
- Initiation of combined method approach in terms of the Group's culture assessment
- Further development and improvement of the Afrimat Management Development Programme ('AMDP')

Review of FY2019

Financial performance

	Audited February 2019	Audited February 2018	% change
Operating profit (R'000)*	**1 629**	20 869	(92,2)
Capital expenditure (R'000)	**7 332**	5 800	
Headcount	**79**	75	

** Prior year profit included once-off recovery of historical costs by management companies.*

FIVE-YEAR REVIEW

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Financial results and status					
Revenue	**2 966 399**	2 380 994	2 228 157	1 969 786	1 998 600
Construction Materials	**1 739 496**	1 645 252	1 756 799	1 650 573	1 662 796
Industrial Minerals	**544 705**	559 757	471 358	319 213	335 804
Bulk Commodities	**682 198**	175 985	–	–	–
Revenue split					
Construction Materials	**58,6%**	69,1%	78,8%	83,8%	83,2%
Industrial Minerals	**18,4%**	23,5%	21,2%	16,2%	16,8%
Bulk Commodities	**23,0%**	7,4%	–	–	–
Operating profit	**471 152**	350 399	406 595	320 388	280 047
Construction Materials	**190 182**	274 580	343 665	283 204	258 010
Industrial Minerals	**78 012**	88 393	67 511	38 212	23 594
Bulk Commodities	**201 329**	(33 443)	–	–	–
Services	**1 629**	20 869	(4 581)	(1 028)	(1 557)
Profit after tax	**304 215**	245 378	279 394	224 192	200 342
Headline earnings	**319 284**	246 216	278 296	222 755	193 282
Net operating assets	**1 856 983**	1 758 415	1 309 760	986 455	965 891
Total assets	**2 687 012**	2 534 715	2 323 781	1 647 706	1 567 671
Total equity	**1 409 517**	1 229 320	1 206 919	1 025 086	949 437
Total liabilities	**1 277 495**	1 305 395	1 116 862	622 620	618 234
Net cash from operating activities	**410 484**	200 960	406 046	320 339	261 646
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**7 573**	6 654	7 188	1 919	506
Net number of ordinary shares in issue ('000)	**135 689**	136 608	136 074	141 344	142 757
Weighted number of ordinary shares in issue ('000)	**136 387**	136 271	141 713	142 240	142 524
Profitability ratios					
Operating profit margin					
Construction Materials	**10,9%**	16,7%	19,6%	17,2%	15,5%
Bulk Commodities	**14,3%**	15,8%	14,3%	12,0%	7,0%
Industrial Minerals	**29,5%**	(19,0%)	–	–	–
Total	**15,9%**	14,7%	18,2%	16,3%	14,0%
Earnings per ordinary share (cents)	**221,0**	180,3	196,0	156,2	139,0
Headline earnings per share (cents)	**234,1**	180,7	196,4	156,6	135,6
Dividends declared (cents)					
Interim	**19,0**	20,0	20,0	16,0	13,0
Final	**62,0**	42,0	50,0	41,0	37,0
Total	**81,0**	62,0	70,0	57,0	50,0

	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
PBIT return on net operating assets/liabilities	**25,4%**	19,9%	31,0%	32,5%	29,0%
Return on shareholders' funds	**22,7%**	20,0%	23,1%	21,7%	20,4%
Utilisation of assets ratios					
Revenue: fixed assets ratio	**1,8**	1,4	2,1	2,6	2,7
Revenue: net operating assets ratio	**1,6**	1,4	1,7	2,0	2,1
Net asset value per share (cents)	**1 030**	893	881	720	656
Tangible net asset value per share (cents)	**867**	714	731	615	549
Capital expenditures					
Construction Materials	**110 643**	114 080	106 234	105 880	136 144
Industrial Minerals	**63 593**	40 707	17 037	23 411	19 138
Bulk Commodities	**25 975**	41 633	–	–	–
Services	**7 332**	5 800	11 250	1 973	7 185
	207 543	202 220	134 521	131 264	162 468
Liquidity and solvency ratios					
Current assets: current liabilities	**1,3**	1,1	1,0	1,4	1,3
Debt/overdraft less cash: equity	**23,8%**	35,5%	19,8%	3,5%	10,2%
Total liabilities: shareholders' funds	**90,6%**	106,2%	92,5%	60,7%	65,1%
Dividend cover (based on headline earnings)	**2,75**	2,77	2,78	2,73	2,80
Interest cover	**9,1**	12,7	35,3	27,1	21,3
Productivity, efficiencies and consumption					
Number of employees at year-end	**2 258**	2 451	2 298	2 257	2 220
Revenue per weighted number of employees	**1 314**	971	970	873	900
Depreciation	**144 712**	122 566	98 628	79 585	74 048
Amortisation of intangible assets	**1 629**	1 727	2 003	2 296	2 562
	146 341	124 293	100 631	81 881	76 609
Sustainability measurements					
Electricity usage (R'000)	**77 804**	73 386	71 755	60 936	53 373
Fuel usage (R'000)	**181 155**	136 339	107 297	112 679	143 405
– Average fuel price (Western Cape) (Rand/litre)	**13,51**	12,79	11,80	11,76	12,45
Cement usage (R'000)	**188 867**	165 003	174 955	133 700	153 243
Lost time injuries frequency rate	**0,56**	0,47	1,04	0,77	1,03

04

Governing structures and delegations

CORPORATE GOVERNANCE

The Afrimat Board takes responsibility for the holistic application of the principles contained in King IV, without diluting the Group's focus on sustainable performance. The Group has evaluated governance processes and reporting in the context of King IV to foster integrated thinking to create value over time. The Board appreciates all governance codes assisting companies with further value creation to stakeholders without adding cumbersome compliance requirements.

Our Board

Directors appointed by the Board between AGMs, to fill a casual vacancy, hold office only until the next AGM and are eligible for election. They are not included in the number of directors who retire by rotation. Gert J Coffee was appointed as a non-executive Board member with effect from 1 January 2019, after retiring as an executive director on 31 December 2018.

A brief curriculum vitae in respect of the newly appointed Board member and Board members appointed by annual rotation, appear in the notice of AGM on page 110 of the integrated report.

The roles of the Chairman and CEO are separate and clearly defined and no director has unrestricted decision-making powers. The Board and executive management work closely in determining the strategic objectives of the Group. The Board delegates authority to the CEO and executive management for the implementation of the strategy and the day-to-day operations of the Group.

To ensure a balance of power and authority remains on the Board and no one individual has unfettered decision-making power, the Board annually elects an independent non-executive director to act as lead independent director ('LID'). The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman.

1 Training and development

- The directors are primarily responsible for acquiring the skills necessary for effective discharge of their duties.
- A comprehensive induction programme is in place for new directors.
- A formal internal annual process is followed whereby the performance of the Board, Chairman and all Board Committees are reviewed by the directors. The FY2019 evaluation indicated an adequate discharge of responsibilities and no exceptions were identified. This is supported by a development and succession plan. The effectiveness of the Chairman is assessed by the LID.
- To improve the effectiveness of the directors and to understand the Company's business, the Afrimat directors scheduled key Company site visits during the year. These included visits to the KwaZulu-Natal and Demaneng operations. These visits are vital in order to provide context to any Board deliberations.

Board skill and composition 2

- Afrimat has a unitary Board of 11 members, with a balance of skills and experience. The Board consists of a majority of non-executive directors (9 out of 11), of whom the majority are independent (7 out of 9).
- There is a strong representation of engineering experience, blended with diversity of experience in other disciplines to strengthen the Board's collective business acumen.
- The Remuneration & Nominations Committee ensures that there is proper succession planning for the Board. Director appointments are made by the Board in a formal and transparent manner and are ratified at the following AGM.
- In identifying and considering potential candidates, the Remuneration & Nominations Committee and Board will, amongst skills, experience, race and age diversity, suitability and the specific

CORPORATE GOVERNANCE (continued)

Diversity **82%** White **18%** Black

Gender **91%** Male **9%** Female

Board skill and composition (continued) 2

requirement to be addressed, take gender diversity into consideration to ensure that the Company's policy on employment equity, particularly gender diversity is aligned with that of the 2013 Codes of Good Practice of the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended, namely:
- 25% exercisable voting rights of black female directors as a percentage of all directors; and
- 25% black executive female directors as a percentage of all executive directors.

- The Remuneration & Nominations Committee shall establish relevant criteria for nominating and appointing a gender diverse Board.
- The Board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. Successions are planned well in advance, so that newly appointed individuals have an opportunity to learn about their new role before the actual succession occurs. The Company strives to improve its talent pool and reports back to the directors on a quarterly basis by tabling the current talent pool and their development needs.

3 Information and communication

- There is full disclosure from Board Committees to the Board. Committee chairmen provide the Board with a verbal report on recent Committee activities at each Board meeting, and the minutes of Committee meetings are available to the directors in support thereof. Board members receive packs for each Committee meeting held.
- Relevant and timely information is supplied to the Board, in the form of comprehensive quarterly reports from management.
- Access to the advice and services of the Company Secretary and to Company records, information, documents and property is unrestricted. Non-executive directors also have unfettered access to the external auditors and to management at all time. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the Group.

4 Board charter

- The Board is guided by a charter which is reviewed annually. The charter includes a delegation of authority, which states the matters to be dealt with by the Board Committees. A number of governance policies support and frame the delegation of authority, which are reviewed on an annual basis. The Board approves all amendments. (Afrimat's Board Charter and key governance policies are available at www.afrimat.co.za.)
- Each new Board member acknowledges the Code of Conduct when joining the Group. On an annual basis, all senior associates of the Group are required to submit a declaration confirming their continued compliance with the code. Any areas of non-compliance or any perceived conflicts of interest are addressed through the appropriate levels of divisional management, with ultimate reporting to the Board. For the year under review an item of management conflict was identified and sufficiently addressed. This related to the misappropriation of Company assets within a business unit.
- The Board delegates certain of its functions to well-structured Committees without abdicating its own responsibilities. The Committees as established by the Board will have formal charters, approved annually by the Board.
- The Board appoints the CEO to manage the Group on its behalf. The CEO serves as the principal link between management and the Board.
- The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by executive management and that the necessary systems and controls are in place for effective risk management.

5 Independence

- Afrimat believes that there are a sufficient number of independent non-executive directors on the Board of directors to create a suitable balance of power and prevent the dominance of the Board by one individual or by a small number of individuals.
- The classification of independent non-executive directors is determined by the Board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King IV. During F2019, a rigorous review of independence and performance were performed on Marthinus W von Wielligh, Hendrik JE van Wyk and Phuti RE Tsukudu. An annual independence review will be conducted on all directors serving in an independent capacity for longer than nine years.
- Directors' independence is measured giving consideration to: director involvement with other companies; external directorships held; relationship with material suppliers and competitors; material contracts with the Group; employment of the director by the Group in an executive capacity during the preceding three years; whether the director has a direct or indirect interest in the Company which is material to their personal wealth.
- All directors regularly declare their directorships and commercial interests to the Board.

Company Secretary

The Board of directors is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary is Mariëtte Swart, a chartered accountant. On completing her CSSA International Qualifying Board Examination, Mariëtte has been admitted as an Associate Member of the Chartered Secretaries of southern Africa ('ACIS'). The Board, through the Remuneration & Nominations Committee considered the competence, qualifications and experience of the Company Secretary and concluded that she is competent to carry out her duties.

The Company Secretary is not a director of Afrimat, reports to the Chairman of the Board and is accountable to the Board as a whole and accordingly maintains an arm's length relationship with the Board of directors.

GOVERNANCE STRUCTURE

Statement of compliance

The Board is committed to uphold the fundamental tenets of governance, which include discipline, independence, responsibility, fairness, social responsibility, transparency and accountability of directors to all stakeholders.

Board

The Board is responsible for determining the Company's strategic direction and exercising prudent control over the Company and its affairs. The Board and the individual directors will, at all times, act in the best interest of the Company and adhere to all relevant legal standards of conduct.

Executive directors

Andries J van Heerden (CEO)
Pieter GS de Wit (CFO)

The Board meets four times per year.

Non-executive directors

Loyiso Dotwana
Gert J Coffee

Independent non-executive directors

Marthinus W von Wielligh (Chairman)
Francois M Louw (Lead Independent director 'LID')
Phuti RE Tsukudu
Jacobus F van der Merwe
Hendrik JE van Wyk
Johan HP van der Merwe
Helmut N Pool

Committees

Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Investment Review Committee	Strategic Committee	Management Committee
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the Group.	Assists the Board with the development of the Afrimat remuneration policy. Regularly reviews the structure, size and composition (including diversity) of the Board and makes recommendations to the Board with regard to any adjustments that are deemed appropriate.	Monitors and reviews the Group's safety, health and environmental activities, labour practices and the Company's approach to transformation.	Monitors and reviews high impact investments defined in terms of potential value addition or value destruction for the Company.	Assists the CEO in devising a strategic plan with outcome-orientated goals and objectives.	Assists the CEO to implement strategies and operational matters.
Hendrik JE van Wyk (Chairman) Loyiso Dotwana Helmut N Pool Jacobus F van der Merwe Marthinus W von Wielligh	Marthinus W von Wielligh (Chairman – Nominations Committee) Phuti RE Tsukudu (Chairman – Remuneration Committee) Loyiso Dotwana Francois M Louw	Loyiso Dotwana (Chairman) Gert J Coffee Phuti RE Tsukudu Andries J van Heerden Marthinus W von Wielligh	Francois M Louw (Chairman) Pieter GS de Wit Johan HP van der Merwe Helmut N Pool	Andries J van Heerden (Chairman) Pieter GS de Wit Grant Dreyer Marthinus G Odendaal Carl P Malan Davin V Giles Collin Ramukhubathi Anton Barnard Andrew Wray Johan du Plessis	Executive directors Regional directors Various departmental, regional and operational heads
Number of independent director members					
4	3	2	3	n/a	n/a
Number of meetings per year					
4	3	2	n/a	n/a	n/a
Self-evaluation completed					
Yes	Yes	Yes	n/a	n/a	n/a
(for further information see page 47)	(for further information see page 40)	(for further information see page 21)			

Overall, the Board is satisfied with the performance of the Chairman, the Committees and the chairmen of the Committees.

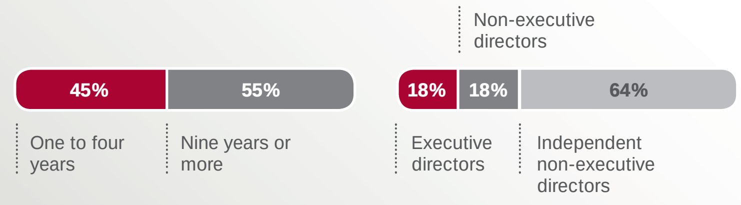
In accordance with King IV the Chairman of the Board should not be a member of the Audit Committee and all members of the Audit Committee should be independent, non-executive directors. The Board notes that Matie W von Wielligh (Chairman of the Board) and Loyiso Dotwana (non-executive director) are both members of the Audit & Risk Committee, although not prescribed by King IV.

A JSE governance guidance letter allows the Board Chairman to be a member of the Audit & Risk Committee. In line with this and to address the shortage of independent non-executive directors, the Chairman of the Board is a member of the Audit & Risk Committee. The non-executive directors have demonstrated the ability to act independently, considered the composition of the Committee and decided to approve the membership as noted. Based on the above, the Board has considered and decided to approve the membership as noted.

DIRECTORATE

The Board meets at least four times a year with ad hoc meetings when necessary to review strategy, planning and financial performance, resources, operations, risk, internal control, capital expenditure, standards of conduct, transformation, diversity, employment equity, human resources and environmental management. Attendance of Board and Board Committee meetings are as follows:

Directors: Length of service	Mix of directors



Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Meeting attendance 2019 (%)				
100	**100**	**100**	**100**	**100**
Meeting attendance 2018 (%)				
98	100	90	90	96

Executive Directors

Andries J van Heerden (53)
CEO

BEng (Mech), MBA, Government Certificate of Competence, Advanced management programme

Length of service: 12 years

Pieter GS de Wit (45)
(CFO)

BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax, MBA (Cum Laude), Strategic financial leadership programme

Length of service: 3 years

Non-Executive Directors

Gert J Coffee (68)

BSc BEng (Mech) (Industrial)

Length of service: 9 years

Loyiso Dotwana (55)◈

BSc Civil Eng

Length of service: 12 years

Independent Non-Executive Directors

Francois M Louw (58)■

BEng (Mech), MBA

Length of service: 2 years

Phuti RE Tsukudu (65)◇

MEd, Postgraduate Diploma in Adult Education BA (SW)

Length of service: 10 years

Jacobus F van der Merwe (65)

BCompt (Hons), CA(SA), Associate member of the Chartered Institute of Building

Length of service: 4 years

Hendrik JE van Wyk (75)○

BCompt (Hons), CA(SA)

Length of service: 12 years

Marthinus W von Wielligh (67)◆
Chairman

BSc (Mech Eng), MBA, Stanford Executive Programme

Length of service: 12 years

Johan HP van der Merwe (54)

CA(SA), Master in Income Tax, MPhil Finance, Advanced Management Programme, Challenge of Leadership

Length of service: 2 years

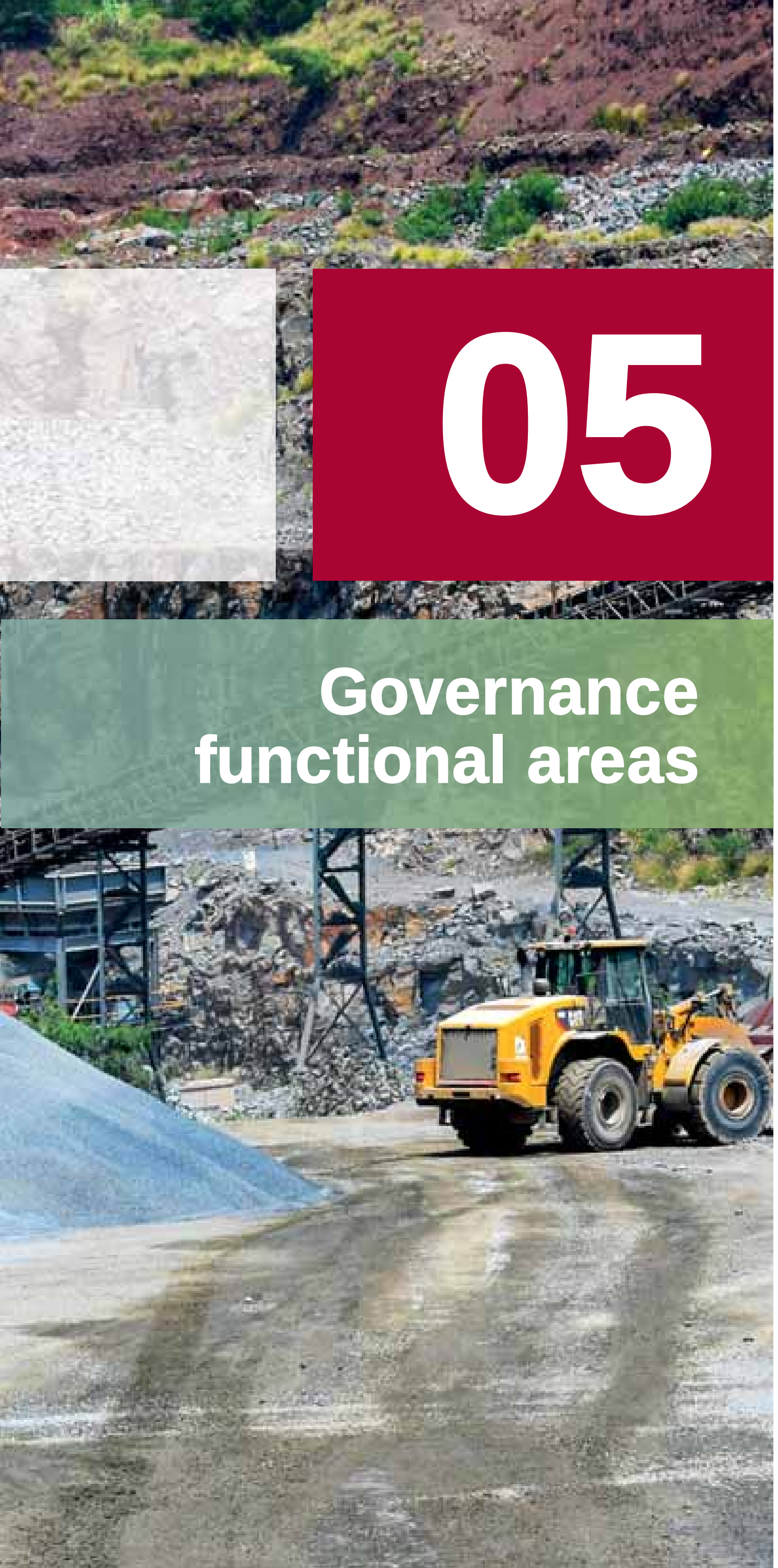
Helmut N Pool (57)

BCom (Law)

Length of service: 2 years

Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Andries J van Heerden	4/4	4/4•	3/3•	2/2	
Pieter GS de Wit	4/4	4/4•	3/3•	2/2•	
Gert J Coffee	4/4			2/2	
Loyiso Dotwana	4/4	4/4	3/3	2/2 (Committee Chairman)	4/4
Francois M Louw	4/4		3/3		4/4
Phuti RE Tsukudu	4/4		3/3 (Committee Chairman)	2/2	4/4
Jacobus F van der Merwe	4/4	4/4			4/4
Hendrik JE van Wyk	4/4	4/4 (Committee Chairman)			4/4
Marthinus W von Wielligh	4/4	4/4	3/3 (Committee Chairman)	2/2	4/4
Johan HP van der Merwe	4/4				4/4
Helmut N Pool	4/4	4/4			4/4

• Invitee ▬ Committee Chairman ■ Investment Review Committee Chairman ◇ Remuneration Committee Chairman ◆ Nominations Committee Chairman ◈ Social & Ethics Committee Chairman ○ Audit & Risk Committee Chairman



05

Governance functional areas

RISK MANAGEMENT

The Board, assisted by the Audit & Risk Committee, is ultimately responsible for the risk management process.

During the year under review, the Board fulfilled its risk mandate by meeting quarterly to discuss the following key risk governance and risk management matters:

Risk management effectiveness

Management is accountable to the Board for designing, implementing, monitoring and improving the systems and processes of risk management and integrating these into the day-to-day activities of the Group. The Board is satisfied that the systems and processes in place to govern and manage risk are adequate and that management has generally executed its risk management responsibilities satisfactorily.

Afrimat views the management of risk central to its operational strategy of delivering sustained growth to stakeholders. While the CEO and CFO are the key drivers of risk management, the different management teams in the Group, Strategic Committee, Management Committee, Audit & Risk Committee and Board, as well as all employees, further assist with identifying, evaluating and managing key risk areas. Management has effectively implemented an adequate and effective risk management framework, which identifies, evaluates and responds to key opportunities and risks that may affect strategic objectives. The risk management policy is widely distributed throughout the Group and is integrated into the daily activities of the Group.

Risk appetite

Risk appetite and tolerance are the fundamental concepts that provide the context for strategy identification, entrepreneurial flair and the pursuit of Group objectives. It clarifies what risks the Group can, or is willing to, take and the risks that the Group will avoid.

The Board has formally defined its appetite for risk and annually reviews this. It confirms an appropriate risk management policy, including the Company's risk appetite, to guide strategy and the engagement of risk. The Board confirms there were no material deviations from the Group's risk appetite in the period.

Key business risks and opportunities

Key business opportunities and risks were discussed comprehensively by the Board during its quarterly strategy meetings. The Board, having considered the Group's key risks, is satisfied that the identified strategy and business plans do not give rise to risks not thoroughly assessed and confirms there were no undue, unexpected or unusual risks taken by the Group and no material losses were incurred during the year.

RISK MANAGEMENT (continued)

Risk register

- Risk identification is a continuous process applied frequently to update and accommodate changes in a volatile environment.
- The risks contained on the risk register are prioritised, ranked and responses documented.

Key control drivers

- Key control drivers originate from the following: policies and procedures; internal control system; management control system; authorisation levels; risk analysis when major decisions are made; financial risk targets (capital, liquidity, credit, market); financial and management reporting.
- Uncontrollable risks are insured where applicable and affordable.

Adherence to key controls

To ensure that key controls are adhered to, the following compliance activities are in place:

- Management supervision and reviews;
- HIRA in respect of safety and health;
- Internal audits;
- Self-audits;
- Loss control officer (operational auditor) inspections;
- Government departments inspectors;
- Industry body audits;
- Audits by external consultants and specialists;
- Compulsory reporting and returns to government departments; and
- Whistle-blowing hotline.

Risk incidents reporting

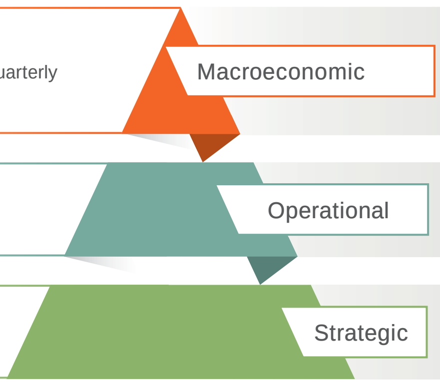
Risk incidents must be reported as follows:

- All instances of theft, fraud, injuries and damage to the Group's assets are recorded in a register and reported to the corporate office each month. Each instance of fraud is investigated to determine if internal and management controls functioned properly, i.e. fraud was timeously detected. Each injury is investigated and corrective actions implemented.
- All cases of theft and fraud committed by employees and external persons are reported to the South African Police Service.

Identifying principal risks

The risks that affect the Group's ability to create value in the immediate and longer term can be grouped into three categories:

- Mancom and Board risk assessment, quarterly



Macroeconomic: Which are, to an extent, beyond the Group's control although the effects or this type of risk can be minimised.

- Baseline risk assessment, quarterly
- Mini HIRA

Operational: Which are managed proactively by implementing policies, guidelines and internal process controls.

- Commodity risk assessment, periodically
- Project risk assessment, periodically

Strategic: Which impact the Group's ability to implement its strategy.

ASSURANCE

Combined assurance model

A combined assurance model is applied to provide a coordinated approach to assurance activities. The assurance activities are conducted by Board Committees, external auditors, internal auditors, via self-audits by specialist staff, external consultants, industry bodies, DMR and government agencies.

The assurance model clarifies the roles of management, internal assurance providers and independent assurance providers. In addition, it increases collaboration and facilitates a shared and more holistic view of the Group's risk profile. The internal audit function plays a vital role as an independent third line of defence. Afrimat applies four lines of defence:

- internal control framework;
- oversight of controls by management;
- internal control functions – internal audit, quality management functions, specific management functions, i.e. sustainability; and
- external assurance providers – external consultants, industry bodies, DMR and government agencies.

The independent external auditor, PricewaterhouseCoopers Inc., as recommended by the Audit & Risk Committee and appointed by the shareholders, is responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS and the Companies Act. The preparation of the annual financial statements remains the responsibility of the directors.

The CEO and CFO, supported by Mancom and the Audit & Risk Committee, are responsible for identifying, evaluating and managing key risk areas and performance indicators for Afrimat (crossing the financial and non-financial divide). Risk appetite and levels of tolerance are set out in the Group's risk management policy, which is reviewed annually (available at www.afrimat.co.za).

An ad hoc additional risk analysis is also conducted for major strategic decisions. During the prior year, an investment review Committee was formed, which will give comfort to the Board that all significant risks in high impact investments have been addressed. High impact investments have been defined in terms of potential value addition or value destruction for Afrimat.

To ensure ongoing relevance, a formal risk assessment is conducted quarterly and the necessary updates are made to the risk register. In addition, throughout the year changes in risk relative to the formal register are reported to the Audit & Risk Committee (and the Board), together with an impact assessment and how the identified risk will be managed.

In assessing risk, Afrimat reviews performance in terms of profit growth, return on new investments and debt levels against targets set during the annual budget process. In addition, the Group monitors profitability, utilisation of assets, liquidity/solvency, and productivity levels on a monthly basis.

The Group's reputational risk is managed through strategic relationships and liaison with stakeholders. The CEO is the central point of contact assisted by investor and communications service providers and executives (for further detail on this and other risks, see Group strategy, material issues and key risks on page 23).

The Board, assisted by the Audit & Risk Committee, is satisfied with the effectiveness of the risk management process.

External audit

The Board, assisted by the Audit & Risk Committee, regularly meets with the external auditor and formally evaluates their independence annually. As a rule, the Board does not engage the external auditor for any non-audit services, including tax compliance and assisting with Company secretarial duties. Where the external auditor is, as an exception, appointed for non-audit services, the Board ensures that there is a strict separation of divisions in order to maintain independence.

Internal audit

The Group's Internal Audit Charter has its own terms of reference clearly defined and monitored by the Audit & Risk Committee, which conducts an annual review thereof (Afrimat's Internal Audit Charter is available at www.afrimat.co.za). The in-house internal audit function also adheres to the standards set by the Institute of Internal Auditors in fulfilling its key duties, including:

- Evaluating the Company's governance processes;
- Assessing the effectiveness of risk management and the internal control framework;
- Systematically analysing and evaluating business processes and associated controls; and
- Providing a source of information regarding instances of fraud, corruption, unethical behaviour and irregularities.

Taking over from André Smith, Carole Seddon was appointed as Chief Audit Executive with effect from 1 May 2018 and in this role reports directly to the Chairman of the Audit & Risk Committee and has unhindered access to the Board and Group Chairman.

A risk-based internal audit programme was followed during the year. The findings were reviewed and remediated by management where practical and follow-up audits were conducted to ensure corrective action was implemented.

Internal control framework

The Board is responsible for the Group's systems of internal control and risk management (as above). The Audit & Risk Committee, CFO and internal audit assist in this regard. Together they evaluate the adequacy and effectiveness of internal control systems and processes, and monitor whether internal control recommendations made by the CFO, external auditors and internal auditors have been implemented. The internal control framework together with the required assurance is formally documented and reviewed by the Audit & Risk Committee annually.

The system of internal control is primarily designed to safeguard and maintain accountability of the Group's assets. Further, these systems should identify and curtail significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

The system of internal control is designed to manage rather than eliminate risk. Absolute assurance cannot be provided. For instance, they provide only reasonable assurance as to the integrity and reliability of the annual financial statements. Inherent limitations to the system's effectiveness exist due to the possibility of human error and the circumvention or overriding of controls. The internal audit function, based on the field work undertaken during the year, has provided reasonable assurance on the adequacy of the internal controls tested and the associated risk management process.

The importance of internal control systems and management of risks is clearly communicated to all employees so that they have a clear understanding of their roles and obligations in this regard.

LEGAL AND MINING RIGHT COMPLIANCE

Legal compliance

The CEO, CFO, Company Secretary and senior management drive compliance. The Group has a legal and regulatory compliance checklist in place, which includes the Mining Charter. A risk-based compliance framework has been adopted to provide additional focus on compliance with priority legislation. Management considers and includes all material legislative requirements within the checklist and delegates this to the appropriate compliance owners across top and senior management levels. Further, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

Mancom and senior management make an annual declaration that all laws have been complied with, based on there being no reported instances of non-compliance. All deficiencies noted by Mancom and senior management are tabled to the Board on an annual basis. The effectiveness of the compliance framework is continuously monitored at Board level. The Board confirms that no material non-compliance has been brought to its attention. Furthermore, Afrimat fully complies with employment laws and practices and is committed to the protection of human rights.

Mining right compliance

We are committed to conducting our mining operations in strict compliance with the mining licence conditions set by the DMR, in the Mineral and Resources Petroleum Act, Mine Health and Safety Act, and other relevant regulations. This compliance is driven by the Executive Head: HR & Sustainability for the Afrimat Group and includes the following functions: Health and Safety, Environment, Quality, Mineral Resources and Compliance (in line with the sub-sections of the Mining Charter).

Mining right conditions set by the DMR are reflected in the following documents for each mining operation and annual compliance reports in this regard are submitted to the regional DMR offices:

- Mine Works Programme;
- Social and Labour Plan;
- Environmental Authorisation; and
- Mining Charter.

The DMR conducts compliance audits at the Group's mining operations and management addresses all issues identified. No fines for infringement were incurred.

The Group's level of compliance according to Social and Labour Plan ('SLP') compliance is 77%. This is calculated as an average of all the mining operation's level of social and labour compliance to all the SLP elements. The Group continues achieving its target on human resource development training of 6% of employee costs incurred. This included a mentoring programme for interns in the field of mining engineering, mechanical engineering and environmental specialists.

Other conditions are set by other authorities in the following documents:

- Water use licence;
- Air emissions licence; and
- Land use or consent use permission.

OUR EMPLOYEES

Our employees are key to our success. We follow a modern approach to talent management by developing people holistically in order to establish an engaged workforce with competent people and sound leadership. We are sensitive to the personal strengths of our leadership, and expose them to leadership development interventions. We track the engagement level of our staff in order to ensure that we optimise their contribution.

This is evident in our consistently low staff turnover resulting in a deepening skills pool. People development is dynamic and requires ongoing attention from the stage of recruitment through to advancement. We aim to identify, target and engage people that meet the technical requirements of their jobs and who share the values of Afrimat and then we actively seek ways to add value to their lives through attractive career opportunities, market-related remuneration and an inclusive and enabling work environment.

We also recognise that we have a responsibility in the wider employment context. Accordingly, we look to surrounding communities to supplement our project labour force and in this way create jobs, and practice a limited automation policy (particularly at our brick and block plants) aimed at preserving as many jobs as possible without impacting sustainability.

The Executive Head: HR & Sustainability, Collin Ramukhubathi, assisted by management, is responsible for our employee relations and overseeing initiatives in this regard.

We have also identified our culture as an intangible asset that gives us a competitive advantage. We have embarked on a culture journey ensuring a unified culture across Afrimat.

We have identified industrial action as a high risk (see material issues on page 23). No industrial actions were experienced during the year under review. We strictly comply with all applicable legislation and bargaining arrangements and, in addition, have a strategic engagement process with unions and employees (see our stakeholders on page 5). The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. These include:

- National Union of Mineworkers;
- Solidarity Trade Union;
- National Union of Metal Workers of South Africa;
- Building Wood and Allied Workers Union of South Africa;
- National Domestic Security Agriculture and Allied Workers Union;
- Association of Mineworkers and Construction Union; and
- United Association of South Africa.

Skills development

The HRD department planned and facilitated the execution of all forms of training during the year.

Afrimat's HRD department is responsible for identifying needs across the Group and implementing and monitoring initiatives. Skills development needs are determined during regular performance appraisals and the day-to-day interaction between line management and their employees.

Training and skills development is divided in four main categories, namely:

- **Core business skills:** Plant equipment, maintenance programmes, examine and make safe, blasting assistance, blasting practices, material testing, computer literacy, all the learnership programmes (boilermakers, diesel mechanics, fitters, electricians), adult educational training, health and safety training and sales training;
- **Statutory training:** Firefighting, first aid, driver licences, operator licences, SHE courses, and mine regulations;
- **Strategic training:** Leadership and management development programmes, study assistance to selected employees at tertiary institutions, i.e. diplomas, degrees and post-degree qualifications; and
- **HRIS training:** All training and development interventions are recorded on the internal HRIS. HRIS provides management with valuable information in terms of employee development programmes and progress. The system ensures effective reporting to the various skills education training authorities and assists with information required for workplace skills plans and annual training reports.

FY2019 review

R27,4 million (2018: R32,3 million) committed to skills development, bursaries, training, learnerships and internships for the year

83,1% of this expenditure was in respect of black employees

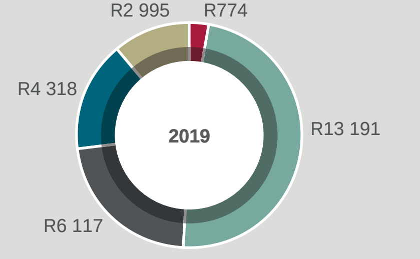
Our skills development programme forms a cornerstone of our employee attraction and retention strategy. We believe that a trained, informed and skilled workforce will be engaged in our business and also personally be satisfied and therefore retained, leading to a deepening skills pool and in turn driving higher productivity and profitability. In the wider perspective, skills development boosts the skills pool in our sector generally by equipping employees with new technical, administrative and management skills.

Afrimat's HRD department is responsible for identifying needs across the Group and implementing and monitoring training initiatives.

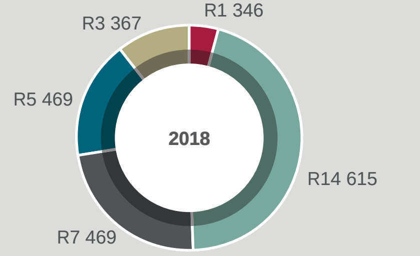
We focused on lower skills levels, as we see these as integral to entrenching our positive culture of teamwork and empowerment.

Skills initiatives

Training and development initiatives (R'000)



- Bursaries/study loans **2,8%**
- Training costs **48,2%**
- Skills development department costs **22,3%**
- Learnerships **15,8%**
- Internship remuneration **10,9%**



- Bursaries/study loans **4,2%**
- Training costs **45,3%**
- Skills development department costs **23,2%**
- Learnerships **16,9%**
- Internship remuneration **10,4%**

Initiative	Detail	Target participants
Talent Management Programme	Targeted at the Group's top employees. The programme is aimed at managing their performance and retention through recognition, reward and motivation, and in so doing developing young talent for good succession planning. We ensure that these employees remain abreast of new technology and are equipped with appropriate leadership skills for future promotion.	The Group's top 60 employees are identified through a prescribed evaluation process.
Afrimat Management Development Programme	A three-year in-house programme, custom-designed for Afrimat's employees as part of its strategy to create a sustainable team for the future. This eight-module programme focuses on technical and leadership development. During the year, nine and five employees completed Module 2 ('M2') and 3 ('M3') of the eight-module programme, respectively. M2 being Mine Management and M3 being Plant Equipment and Maintenance Management. The Sales and Marketing module, i.e. Module 4 ('M4') was completed and commenced on 16 April 2019.	Production managers, quarry supervisors, concrete products production managers and supervisors of readymix and concrete products plants.
Afrimat Graduate Development Programme	A two-year programme where Afrimat, in partnership with the Mining Qualification Authority ('MQA'), the Mining sector SETA, hosts external qualified engineering technicians and graduates as interns. The interns follow a structured programme that exposes them to all the disciplines and business units of the Group and with specific focus on their respective fields of expertise. During the year, 11 internships were in place. In the event that a suitable vacancy is available in the Group, these interns are considered for placement.	Engineering technicians and graduates in the field of mining, mechanical engineering, geology, civil and environmental management.
Afrimat Internships	Afrimat also provides workplace experience for non-MQA candidates who have completed their studies. During the year, nine internships were undertaken.	External persons who have completed their studies in the field of finance, human resources, health and safety and compliance.
Afrimat Learnerships	The Afrimat Learnership Programme focuses on the recruitment of learners to be trained and developed as qualified artisans and for other technical occupations in the Group. During the year 53 artisan learnerships and three other learnerships were in place. During the year, 14 learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. These qualified learnership employees are considered for placement, in the event that a suitable vacancy is available in the Group.	Employees and external persons with the required aptitude.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 41 employees were assisted, of which 26 were black employees.	Employees who will benefit by improving their qualifications.
Leadership development for Afrimat employees	Afrimat implemented an internal leadership development programme – Afrilead – for junior and middle level employees. During the year, 51, 46 and 43 employees completed Module 1 ('M1'), 2 ('M2') and 3 ('M3') of the three-module programme, respectively. M1 being Leading Self; M2 being Leading Others and M3 being Leading Business and Community. Afrimat continued developing its senior management in terms of Strength Finder coaching, Self-deception and Leadership challenge modules. During the year, 168 coaching interventions of these leadership modules were completed.	Employees nominated by their business unit leaders as potential senior leaders of the future. Senior managers in Group (Management Committee and one level down).
Adult Education Training	Numeric and communications skills improvement programmes for selected employees. During the year 150 employees participated in these programmes.	Assessed and selected employees with education levels lower than Grade 9.
Statutory Training	Compulsory and legislative training as prescribed by the industry and includes training such as firefighting, first aid, health and safety and operator licences. During the year, 760 employees received statutory training.	Responsible employee representatives and/or employees per operation.
Core Business Skills	Training interventions required all employees to function effectively in their current positions. The Group had 762 training interventions related to core skills.	All employees.

REMUNERATION

The Remuneration & Nominations Committee assists the Board in ensuring that Group remuneration and recruitment is aligned with the overall business strategy, with the aim of enabling Afrimat to attract and retain personnel who will create long-term value for all stakeholders.

The Committee is an independent and objective body, which monitors and strengthens the credibility of the Group's executive remuneration system. It ensures that executive remuneration is linked, in part, to individual performance, the Group's performance and market conditions and benchmarks. The Committee considers and makes recommendations to the Board on remuneration packages and policies in this regard. It is therefore authorised by the Board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the Group. The requirement for external advisors is assessed annually in context of issues at hand and the recommendations by these advisors are only used as guide, and do not serve as a substitute to the Board's thorough consideration of the relevant matters. In order to be aligned with current remuneration trends, and in consultation with independent consultations, Afrimat extended its retention strategy with the introduction of a Forfeitable Share Plan.

The manner in which the Committee is structured and its responsibility demonstrates to all stakeholders that the remuneration of executives is set by independent, objective persons who have no personal interest in the outcome of their decisions and who will give due regard to the interests of all stakeholders and to the financial and commercial health of the Group in reaching their recommendations.

Prescribed officers are defined as those who exercise general executive control over and manage the whole or significant portion of the business and activities of the Group, or who regularly participate to a material degree in such exercise of general executive control and management. The executive directors are deemed the prescribed officers of the Company. Their remuneration is disclosed in the integrated annual report on page 100.

The Committee is further responsible for devising a general remuneration policy for the Group, which is tabled annually at the AGM for a non-binding advisory vote by shareholders. Shareholders thereby express their view on the Company's remuneration policy and its implementation. As a vote of confidence, the shareholders at the 2018 AGM passed the non-binding advisory note. During the prior year, various amendments to the Company's remuneration policy were suggested and adopted by the Committee. These included amendments because of the adoption of King IV as well as a value-added tax guide issued in terms of non-executive director services provided.

The remuneration policy, its implementation and directors' fees for FY2019 were approved by shareholders at the AGM held on 1 August 2018 as follows:

Advisory vote	For %	Against %	Abstain %
Remuneration policy	**87,68**	**12,32**	**0,27**
Implementation Report	**97,67**	**2,33**	**0,27**
Special Resolution 2			
Future non-executive directors' remuneration	**96,73**	**3,27**	**0,22**

The CEO and CFO attend Remuneration & Nominations Committee meetings by invitation to assist with deliberations, except with discussions on their own remuneration.

Share appreciation right plan ('SAR')

Upon recommendation of the CEO and the Remuneration & Nominations Committee, the Board may approve and grant equity-based remuneration in the form of SARs.

SARs are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the Group and the need to retain the skills of the employee. The instruments provide a right to future delivery of Afrimat shares (the value equating to the growth in share price from grant date to exercise date of the instruments, e.g. if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares [five shares at R20 on exercise date]. Overall levels of SARs granted are reviewed annually in accordance with market best practice. Every qualifying position will be capped in terms of the maximum total SARs. When SARs vest the performance criteria stipulated in the SAR plan rules (and agreed with participants in terms of grant letters) determine whether individuals qualify to receive shares and the quantum of shares. The vesting period of the SARs is typically three years, but SARs may vest up to five years after grant date (with a further exercise period). For early termination of employment (based on resignation, dismissal) all unvested SARs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested SARs will vest pro rata based on time employed and the extent to which performance conditions were met.

The aggregate number of shares at any one time, which may be settled in respect of this SAR to all participants, shall not exceed 10 million shares, which equates to approximately 7% of the number of issued shares at the date of adoption of the SAR. The maximum number of shares settled to any single participant in terms of this SAR, will not exceed one million shares, which equates to approximately 0,7% of the number of issued shares at the date of adoption of the SAR, which is considered in line with best market practice. The limits will be aggregated with the forfeitable share plan as discussed below.

All awards in terms of the SAR scheme were subject to financial performance conditions and it is the Company's intention to continue with the award policy of making SAR awards subject to financial performance conditions rather than retention conditions.

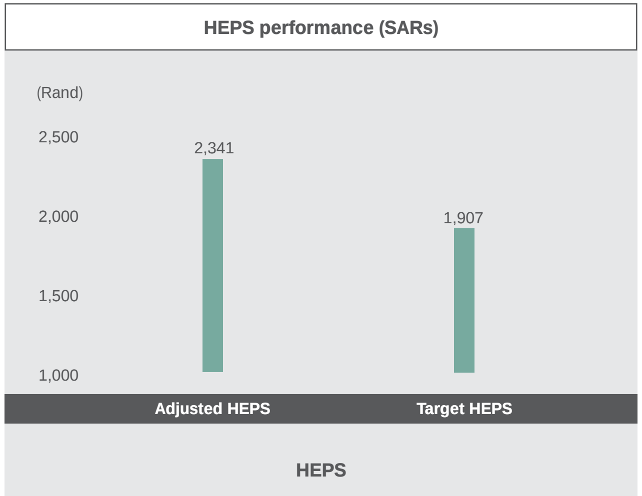
The nature of performance conditions to be imposed in terms of the SAR plan rules provides the Committee with the flexibility to determine the most appropriate conditions to impose on an annual basis and taking cognisance of the economic and business conditions at the time of the SAR award. The financial performance conditions for the vesting of SARs is agreed in the SAR award letter to participants annually.

The achievement of the performance conditions for the SAR awards vesting during the year is as follows:

Performance measure	Targets
Target year 3	HEPS growth of cumulative CPI for the three-year performance period + 6% from base year
Target year 4	HEPS growth of cumulative CPI for the four-year performance period + 8% from base year
Target year 5	HEPS growth of cumulative CPI for the five-year performance period + 10% from base year

Vesting of Grant 11 SAR allocation:
The performance conditions for the Grant 11 SAR allocation vesting on 23 May 2019 were tested to determine if vesting had been achieved.

The performance condition for SARs is HEPS growth of cumulative CPI plus 6% over the three-year performance period. The graph shows the target HEPS, which is required for the full vesting of the May 2016 SAR, against, adjusted HEPS. Adjusted HEPS achieved was 234,1 cps, 22,7% above the target HEPS of 190,7 cps. Based on the outcome, the May 2016 allocations have vested and was exercisable as from 23 May 2019, subsequent to approval by the Board on recommendation of the Remuneration & Nominations Committee.



Forfeitable share plan ('FSP')

An FSP is in place as a long-term incentive for selected employees to encourage delivery of the Group's business strategy and to serve as a retention mechanism.

Forfeitable shares are awarded annually to qualifying executives based on achieving individual performance objectives for the year under review. A forfeitable share award vests after a period of three years. Forfeitable share awards will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the scheme rules). Participants become beneficial owners of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Depository Participant ('CSDP') on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date.

The FSP provides for the delivery of full shares (performance and/or restricted shares) on grant. The shares are subject to forfeiture and disposal restrictions and are held on behalf of a participant until it vests. A participant will have all other shareholder rights (i.e. dividends and voting rights) from grant. Overall levels of FSPs granted are reviewed annually in accordance with market best practice. The number of FSPs granted to participants is based on the participant's Total Cost of Employment ('TCOE'), grade, performance, retention requirements and market benchmarks. Every qualifying position will be capped in terms of the maximum total FSPs. The vesting period of the FSP is typically three years. For early termination of employment (based on resignation, dismissal) all unvested FSPs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested FSPs will vest pro rata based on time employed.

Refer to limits set in aggregate with the SAR plan as presented above.

Short-term variable incentives

The short-term incentive bonus scheme ('STIBS') is discretionary and is linked to the achievement of targets led by the short-term performance target of headline PBIT. Bonuses are paid proportional to TCOE relative to achievement of financial and operational targets.

Bonuses are created after the achievement of predefined targets aligned to the Group's strategic plan. Bonuses are increased in value as threshold, target or stretch targets are attained. Bonuses are capped at the following percentages of TCOE:

Grades (typical paterson brand)	Category	Bonus cap	Performance rating
F U	Group CEO	On-target 77% Stretch 23%	**100%** **84%**
F L	Group executive director	On-target 47% Stretch 33%	**100%** **95%**

All bonuses paid are subject to approval by the Board on recommendation of the Remuneration & Nominations Committee.

Remuneration policy

The Group pays market-related salaries relevant to an individual's position and the region/area in which he/she will be employed, taking into account his/her qualifications, experience and performance. The administration of the Group's retirement and provident funds is outsourced to ACA Employment Benefits (Pty) Ltd, which advises on market trends in retirement benefits.

The Group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and (in some instances) long-term share appreciation rights scheme and (in some instances) a forfeitable share plan. The remuneration packages are structured on a 'cost to company' basis and include contributions to healthcare and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living and market-related changes. Performance incentives are calculated in terms of defined profit targets and KPIs, including risk management efficacy. Details of the share appreciation rights scheme and forfeitable share plan for executive directors and senior management are disclosed on page 97 of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za).

REMUNERATION (continued)

Detailed disclosure of the CEO performance scorecard is as follows:

Key performance areas	Weight	Performance: Target	Performance: Actual	Performance rating
Financial returns	16,67	HEPS, operating profit margin, RONA, working capital management and ROE	Increase in all relevant metrics mainly due to the contribution of the industrial minerals and bulk commodities segments	Full performance
Safety, health and environment	16,67	0,8 LTIFR, no reported environmental compliance incidence and clean audit result with health legislation compliance	0,56 LTIFR, no reported incidence and clean audit result	Full performance
People management	16,67	Performance management, develop organisational culture, succession planning and drive leadership development programme	Management of Company-wide performance management system, integration of acquisitions and driving culture programme Group-wide, assessment of leadership talent and enhancing of individual development plans	Full performance
B-BBEE	16,67	Compliance to revised B-BBEE criteria	Comply with all targets in Mining Charter and employment equity plans. Improvement on all targets	Full performance
Business strategy	16,67	Approved strategy which focus on five-year growth objective	Cost reduction optimisation, sustainable HEPS growth	Full performance
Ensuring Afrimat has a positive image with investors	16,67	Positive relations with investors, good profile in the media and compliance to values and legislation	Bi-annual visits to top 10 investors, clean audit reports, functional internal audit and annual financial statements	Full performance
Overall performance	**100**			**Full performance**

Stretched targets in relation to the CEO's performance included:

Key performance areas	Weight	Performance: Target	Performance: Actual	Performance rating
Reverse negative trend in earnings	25,00	Return KZN business to profitability, prevent further decline in HEPS	KZN businesses are not yet profitable. HEPS improved ahead of target	Partial performance
Optimise Demaneng's performance	25,00	Measured on PBIT	Stable production volumes reached during the second half of the year. Demaneng delivered an exceptional contribution to the Group results	Full performance
Develop strategy to replace the contribution from assets reaching the end of their useful lives	25,00	Quantified strategic plan, identifying and quantifying earnings impact when assets reach their end and a workable plan to address it	Investigating options in order to secure additional resources and earnings for the Group	Partial performance
Optimise cash flow and improve Group's balance sheet	25,00	Net cash from operating activities to exceed R300,0 million and improve debt: equity ratio of the business	Net cash from operating activities increased to R410,5 million, which resulted in a decrease of the net debt: equity ratio from 35,5% to 23,8%	Full performance

The following section sets out the manner in which the Group's remuneration policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.

Some of the principles driving fair and responsible remuneration are:

- consideration given to minimum wage legislative requirements;
- equal pay for work of equal value specifically addressing any income disparities based on gender, race, age and cultural preference;
- participation of senior permanent employees in some form of short-term incentive scheme and/or forfeitable share scheme, the distribution of which is based on the achievement of performance metrics;
- participation of permanent employees in operational business units in some form of a Committee-approved production incentive bonus scheme that is self-funded and affordable. The distribution to individual employees of this bonus pool is based on the achievement of performance metrics; and
- participation in equal measure on product discounts of all permanent employees.

The Group measures the business unit's respective positioning relative to minimum wage legislation. All annual salary increases are informed by affordability, Company performance, internal parity, individual performance and responsibility of the role.

Employee share benefit scheme

Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6,6 million shares representing 4,64% of the issued share capital of the Company. The Company established a revised scheme in FY2017 to facilitate the participation of qualifying employees who may otherwise not have been able to become beneficiaries under the previous scheme.

Qualifying employees will be an individual who must:

- be a permanent employee of the Group, and be employed for at least three uninterrupted years;
- not be serving his/her notice period; and
- not be participating in any other short-term incentive scheme of the Group. The participation by the qualifying employee in a self-funded productivity incentive bonus scheme shall not disqualify his/her participation in the revised scheme.

The beneficiaries have been allocated units in relation to the shares held. A beneficiary shall not be entitled to dispose and/or encumber or in any way deal with his/her trust unit, but will have a vested right to receive distributions, i.e. dividends commensurate with his/her participation rights. Dividends to the amount of R2,6 million (2018: R4,5 million) were distributed to the qualifying participants during the current financial year.

At least 85% of the beneficiaries under the revised scheme shall be people defined as 'black' in terms of the Broad Based Black Economic Empowerment Act. The Company's qualifying employees constitute a representation of more than 85% black people, i.e. 90,2%.

Staff

Collective wage increases for employees in bargaining units i.e. where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. Trade union membership in bargaining units comprises 57,8% (2018: 63,0%) of the total workforce.

Pay mix

Remuneration packages of executives consist of a combination of:

- **Annual compensation**
  - Base salary ('BS');
  - Pension and medical payments;
  - Other perks including travel allowances; and
  - Short-term ('ST') incentive bonus tied to the annual performance of the Company.

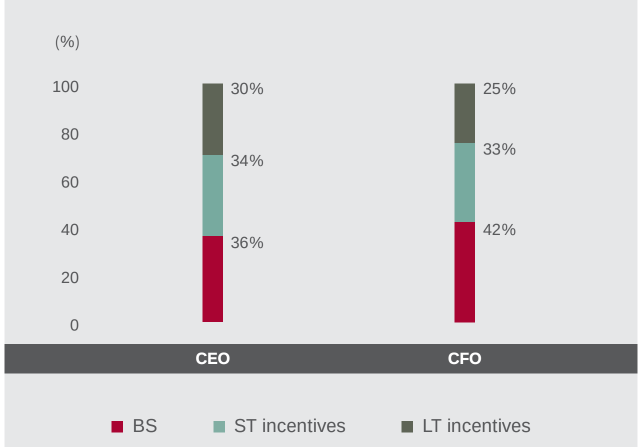
- **Long-term ('LT') compensation (applicable to select executives)**
  - Share appreciation rights
  - Forfeitable shares

The Company ensures that the salaries of executives constitute a mix of fixed and variable elements as well as short-term and long-term compensation. In terms of the Group's remuneration policy, it weighs the variable remuneration of executives heavier than guaranteed remuneration. Variable remuneration is subject to performance conditions, which need to be met. The base salaries of executives are benchmarked against PE Corporate Services' annual industry remuneration paper, which is employed particularly for this purpose to ensure independence and integrity of information. The industry remuneration paper reflects the median levels based on the role and individual skills and experience of key individuals.

Share appreciation rights and forfeitable shares are issued to select executives to align the interest of executives with those of the shareholders. The award of share options and forfeitable shares to key management is recommended by the Remuneration & Nominations Committee and approved by the Board. Refer to note 18 of the annual financial statements for further information. Share appreciation rights are not issued to non-executive directors as to not adversely affect the independence and objectivity of such directors.

The below graph has been inserted to reflect the Company policy to ensure an acceptable mix of short-term, long-term and cost to Company remuneration for executives:

On-target policy pay mix



Employment contracts

Refer to note 19 of the annual financial statements for further information.

REMUNERATION (continued)

Non-executive directors' remuneration

The proposed annual fee to Board members has been increased in line with market rates applicable to the size of Afrimat.

The remuneration of non-executive directors is paid monthly and does not include short-term or long-term incentives. The directors are therefore not paid Board attendance fees, as historically, 100% attendance of meetings is evident. The Company reimburses reasonable travel and accommodation to attend meetings. The Board and Committee member remuneration structure consists of a fixed fee as set out in the table below:

Type of fee	**Proposed annual fee 2019/20 R**	Existing annual fee 2018/19 R
Board		
Chairman	**714 500**	649 500
Board member	**250 700**	227 900
Audit & Risk Committee		
Chairman	**150 450**	136 750
Member	**82 750**	75 230
Remuneration & Nominations Committee		
Chairman – Remuneration	**58 850**	53 500
Chairman – Nominations	**58 850**	53 500
Member	**46 150**	41 950
Social, Ethics & Sustainability Committee		
Chairman	**71 450**	64 950
Member	**46 150**	41 950
Investment Review Committee		
Chairman	**71 450**	64 950

On advice from the Remuneration & Nominations Committee, the Board recommends the increase for all non-executive director fees for approval by shareholders at the next AGM. Only once the shareholder resolution is passed, will the proposed fees be paid.

Service contracts: Non-executive directors

A daily rate of R20 000 for non-executive directors is currently paid for extraordinary duties. A daily rate of R20 000 will be requested for approval by shareholders at the next AGM.

There are no other service contracts between the Company and its non-executive directors.

No agreements to pay fixed fees on termination have been entered into with any of the non-executive directors.

Shareholder engagement

The Company is committed to shareholder engagement on its remuneration policy and its consistent implementation on an annual basis.

The Company will put the remuneration policy and implementation report (refer to note 19 of the annual financial statements) to two separate non-binding votes. In the event that 25% or more of the shareholders vote against either or both the remuneration policy and implementation report, Afrimat will engage with shareholders in accordance with the format and requirements of the JSE Listings Requirements.

INFORMATION TECHNOLOGY AND BUSINESS SYSTEMS ('ITBS') REPORT

Overview

During the current year, where emerging technologies like robotics ('RPA'), artificial intelligence ('AI') and machine learning ('ML'), augmented reality ('AR'), internet of things ('IoT'), software defined networks, etc. flooded the IT environment, Group ITBS positioned itself in such a way that it is able to take advantage of any usable technologies that present themselves, despite the difficulties and challenges the country experienced on the industrial, economic and political front.

ITBS deployed a standard reporting methodology with the assistance of the financial and operational departments. This was possible due to the stability of our financial and operational systems, the wide area network ('WAN') to business level architecture for all sites and the ability to capture data as close to source as possible.

We continue to strengthen the Group's ITBS governance structures through executive and non-executive oversight of all ITBS matters. Independent experts are co-opted to support the future growth and to assist with the selection of the best possible technology and solution for the task. As an integral part of our business, Group ITBS adheres to the relevant governance frameworks, standards and policies as set by ISO, COBIT and King IV.

Our strategy

The main purpose of Group ITBS is to provide infrastructure and systems where the key characteristics are agility, elasticity and reliability to effectively enable Afrimat to pre-empt trends in order to sustain and grow profitability for all stakeholders.

To achieve this, one needs to make sure that all new technology selections are driven by principle, sustainable technologies and supported by good thought-through policies and guidelines as enforced by law and supported by international IT governance guidelines. Tested to the questions of:

- Is it aligned with the Company strategy and goals?
- Is it meaningful?
- Do all agree?
- Is it really what we want?; and
- When will it be achieved?

To make sure that our support structures and information networks are not at risk but reliable and sustainable, we will evaluate all our service providers to a set of criteria that include: service level agreements ('SLA'), Company profile, product composition and technology.

Our disaster recovery ('DR') strategy is twofold: Firstly, to ensure that all Company data is backed up and that back-ups are checked and tested for reliability on a daily basis. Secondly, to ensure that all systems are replicated to an offsite location from where it can be accessed by the users if the main server is in distress, without losing data and long periods of processing time.

Short and medium-term goals include:

- to stay on the latest workable technology for our network infrastructure;
- upgrade our network access security (cyber security) and intellectual property ('IP') protection;
- standardised use of the Sage ERP software to all Afrimat subsidiaries;
- use of our systems in all business units to ensure data integrity;
- provide financial reporting directly out of Sage ERP without manual intervention or Excel exports; and
- make financial and operational reports available daily, incorporating near real-time information.

The ultimate goal is to provide an integrated system that supports the entire business data flow chain, where all data is contained in one place, on one database supported by world-class business intelligence ('BI'), data mining and robotics software with the ability to incorporate AI and ML.

The structure of Group ITBS is composed in such a way that the strategy can be achieved by making use of employed staff and managed specialised consultants to ensure current and future sustainability of infrastructure, systems and services provided to the different business units.

Risk mitigation and governance

Risks are considered those that adversely affect business continuity. We continuously review and invest in our physical and digital security systems and risk management processes. Weekly reviews of risks and mitigation strategies are performed and quarterly reporting is provided to management measured against the ITBS governance framework.

Our weekly business plan review ('BPR') meeting oversees the detail actions and progress, align the efforts with the strategy and goal of the business and monitors any deviations from the agreed plans.

Compliance to our own charters is overseen and monitored by the IT Steering Committee, Audit & Risk Committee and the Board on a quarterly basis.

The future

In most cases, the application of IT is driven by short-term tactical problems or 'flavour of the day' technology and/or products. If one allows this sort of technology and/or product into the organisation, it becomes a legacy, which is hard, or in most cases, very expensive to change or get rid of.

For the past year, we focused on our cyber security strategy, which proved to be a huge success, with all major attacks blocked. This led to the discovery of potential future enhancements to our cyber security strategy. We successfully introduced a user awareness program on cyber security, drastically reducing the 'harmful click' results.

The use of the financial framework, to assist all subsidiaries to execute day, week and month-ends in a standardised manner to ensure financial data integrity and timeous financial reporting, is now compulsory.

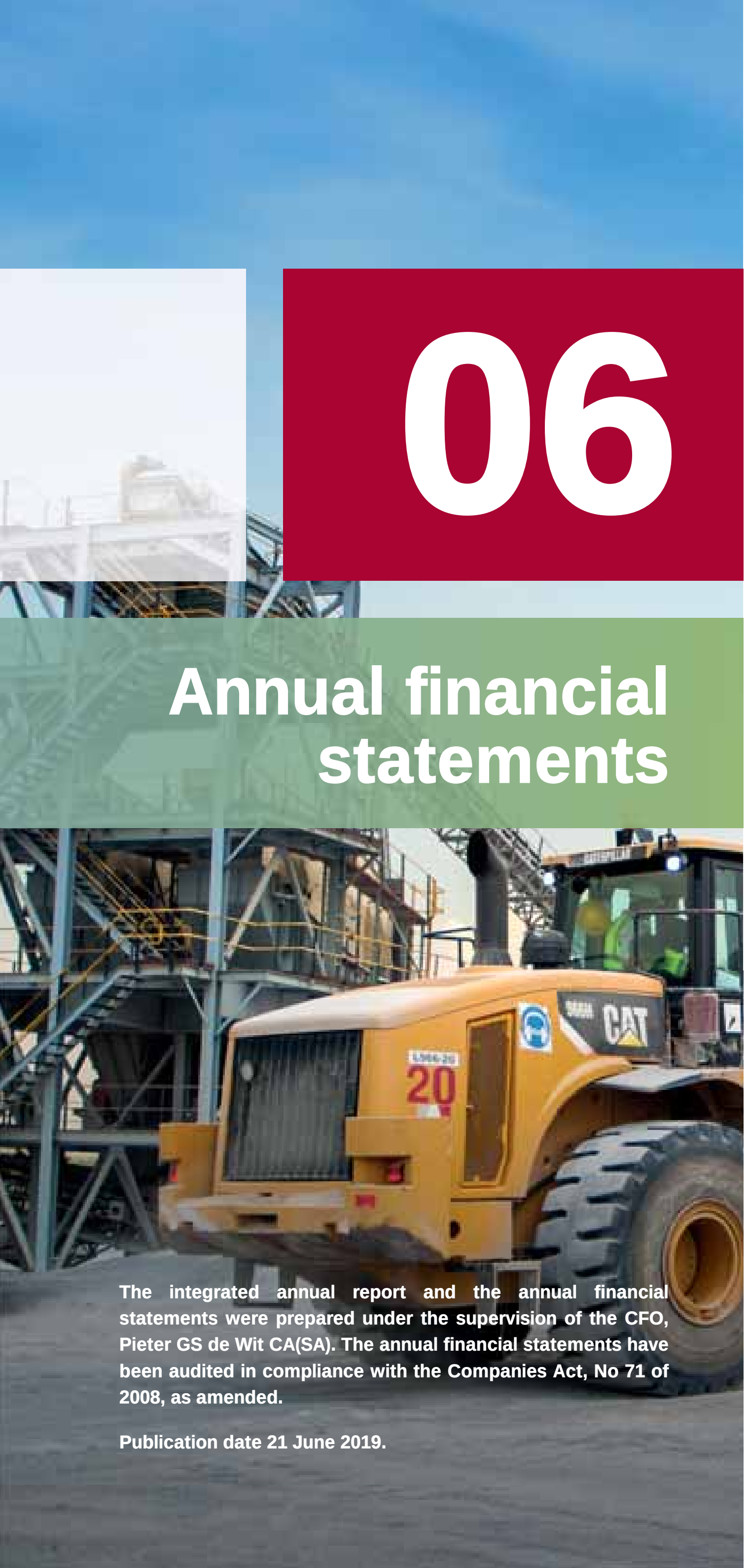
Our internal clients increasingly expect information in a near to real-time manner and to be connected to operating systems 24/7. To be able to achieve the strategy of operational excellence means fully integrating our financial systems with the operational systems (maintenance and plant performance) when we execute our 'connected' initiative. With this initiative, we will provide the relevant information, as near to real-time as possible, to our operations, managers and clients.

The latest industrial revolution is changing the way in which business is conducted. Although we are in the most connected times through technology, it can also create a situation whereby people are disconnected in the business. With the 'connected' initiative, we try to eliminate the 'disconnect' by not only focusing on technology, but also on the person.

With the ever-increasing size of data that is available and the need for it to be analysed, robotics, artificial intelligence and machine learning have become very important. This creates an opportunity to enhance some processes, eliminate tedious manual processing and give us the ability to provide timeous, accurate information to our stakeholders.

Summary

Group ITBS is fully aware and informed of the challenges and opportunities that the business is facing. We are well-placed to support business with these challenges by means of finally combining our 'human forces' and 'digital forces' to supply an infrastructure that is stable and agile, systems that support the business processes, business intelligence that is built on world standards and a disaster recovery strategy that supports business continuity.



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Annual financial statements

The integrated annual report and the annual financial statements were prepared under the supervision of the CFO, Pieter GS de Wit CA(SA). The annual financial statements have been audited in compliance with the Companies Act, No 71 of 2008, as amended.

Publication date 21 June 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The annual financial statements set out on pages 53 to 105 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

The Audit & Risk Committee confirmed that effective systems of internal control and risk management are being maintained. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. There were no breakdowns of the internal financial control systems during the year under review, which had a material impact on the annual financial statements. The Group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the independent external auditors.

The Board of directors are satisfied that the annual financial statements fairly present the results of the operations and the financial position at year-end and that any additional information included in this integrated annual report is accurate and consistent with the financial statements.

The annual financial statements were prepared on the going concern basis since the directors have every reason to believe that the Company and the Group have adequate resources in place to continue operations for the foreseeable future. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with International Standards on Auditing. The annual financial statements were approved by the Board of directors and were signed on its behalf by:

Andries J van Heerden
CEO

Pieter GS de Wit
CFO

Cape Town
18 June 2019

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, No 71 of 2008, as amended, I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public Company in terms of the Companies Act of South Africa, in respect of the financial year ended 28 February 2019 and that all such returns and notices are true, correct and up to date.

Mariëtte Swart
Company Secretary

Cape Town
18 June 2019

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee is pleased to present its report for the financial year ended 28 February 2019 to the shareholders of Afrimat Limited.

Composition

The Committee is chaired by independent non-executive director Hendrik JE van Wyk and further comprises independent non-executive Board Chairman Marthinus W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Helmut N Pool and Jacobus F van der Merwe. The Board of directors is satisfied that these directors act independently for the purposes of the Committee. A brief summary of qualifications of the Committee members appear on page 34 of the integrated annual report.

Afrimat acknowledges that in accordance with the King IV Report all members of the Committee should be independent non-executive directors, which will be borne in mind when considering future Board and Committee appointments. Presently, membership of the Committee is based on the skills and experience available on Afrimat's Board to ensure full efficacy and discharge of the Committee's responsibilities. All members are suitably qualified chartered accountants and/or experienced business leaders.

The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process.

Attendance

The Committee met four times during the year and attendance is set out in the table on page 34. The Committee assists the Board in fulfilling its review and control responsibilities.

The Committee has established an annual meeting plan agenda. The Chairman of the Committee reports to the Board after each Committee meeting and also attends the AGM of shareholders to answer any questions that may arise concerning the activities of the Committee.

The CEO, CFO, CAE, General Manager: Technology Systems and representatives of the external auditors attend Committee meetings by invitation.

Role and responsibilities

The Committee's role and responsibilities include its statutory duties as per the Companies Act, as well as the responsibilities assigned to it by the Board.

The Committee acts as an Audit & Risk Committee for the subsidiaries of the Company and has performed the functions required under the Companies Act on behalf of the subsidiaries of the Company.

Charter

The Committee regulated its affairs as set out in the terms of the Committee charter that is reviewed and approved by the Board on an annual basis. During the year the Audit & Risk Committee Charter was reviewed by the Committee and the Board, in terms of King IV requirements, amongst others.

The Committee has assessed the compliance with its charter and is satisfied that it has discharged its responsibilities as stated in the charter, a copy of which may be found on the website: www.afrimat.co.za.

Review of interim and integrated annual reports

The Committee reviewed the interim and integrated annual reports, culminating in a recommendation to the Board to adopt them. In conducting its review the Committee took appropriate steps to ensure that the annual financial statements were prepared in accordance with IFRS and in the manner required by the Companies Act. The accounting policies were assessed for appropriateness in relation to the current business environment and industry specific requirements. The Committee has reviewed the disclosures in the integrated annual report and is satisfied that it is reliable and does not conflict with the annual financial statements. The Committee considered the need for assurance of the integrated annual report and decided not to obtain independent assurance at this time.

The Committee advised and updated the Board on issues ranging from accounting standards to published financial information. The Committee has considered the JSE Proactive Monitoring Reports and the impact thereof on the annual financial statements.

In accordance with revised International Standards on Auditing, independent auditors' reports for financial years ending on or after 15 December 2016 are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2019, the Audit Committee considered a preliminary view by the external auditors of key audit matters that might arise during the course of the audit, which in their judgement, were of significance to the audit of the financial statements. The Committee concluded that it had adequately considered the key audit matters as reported in the independent auditor's report.

Audit procedures and internal controls

The Committee performed the following functions relating to audit procedures and internal controls:

- reviewed the internal control framework and procedures including accounting policies, legislative compliance, regulatory matters and governance;
- considered and dealt with any concerns or complaints;
- approved the internal audit plan;
- considered and reviewed the internal audit charter for approval by the Board;
- considered and reviewed the information technology and business systems governance framework for approval by the Board;
- confirmed and reviewed the internal audit process and assessed the quality of the internal audit function;
- reviewed the internal and external audit reports;
- reviewed the effectiveness of the system of internal control including IT internal controls and risk management, based on a written annual report received from the CAE;
- considered updates on key internal and external audit findings in relation to the IT control environment; and
- reviewed legal matters that could have a significant impact on the financial statements.

The Committee reviewed the appropriateness of processes in place to ensure compliance with legal and regulatory provisions. The Committee was not made aware of any material compliance breaches of laws and regulations during the current financial year.

The CAE reports to the Audit & Risk Committee and meets with the Chairman of the Committee independently of management.

The Committee has reviewed the written assessment performed by internal audit and the design, implementation and effectiveness of the internal financial controls of the Company. Based on the results of this review, the Committee is of the opinion that the internal financial controls form a sound basis for the preparation of reliable financial statements.

The Company's internal audit department is an effective independent appraisal function and forms an integral part of the risk management system that provides assurance on the effectiveness of the Company's system of internal control. The internal audit department of the Company is staffed by qualified and experienced personnel and provides services to all companies in the Group.

Risk management

During the year management reviewed the risk policy, which assists the Committee in meeting its duty to ensure appropriate risk management processes are in place.

In addition the following risk assessment actions were taken by the Committee:

- continuous review of key risks with findings reported to the Board;
- confirmation that the risk policy is widely distributed throughout the Group (and management provided assurance that risk management is integrated into the daily activities of the Group); and

AUDIT & RISK COMMITTEE REPORT (continued)

- ensured that the combined assurance model was appropriate to address all the significant risks facing the Group.

External auditor

The Committee considered and recommended the following in respect of the external auditor:

- the appointment of an external auditor for approval by shareholders at the AGM;
- the external audit plan; and
- the remuneration of the external auditor for approval to the Board (note 4.6 on page 65).

The principles for recommending the use of an external auditor for non-audit purposes to the Board were reconfirmed. The non-audit services provided by the external auditor during the year was guidance on remuneration practices and guidance on IFRS-related interpretations and disclosures.

The Committee also performed an annual assessment of the independence of the external auditor and confirms that it is satisfied therewith and with the independence of the respective audit partner. The external auditors confirmed that they had complied with the ethical requirements regarding independence and were considered independent with respect to the Group as required by the codes endorsed and administered by the Independent Regulatory Board for Auditors, the South Africa Institute of Chartered Accountants and the International Federation of Accountants.

In accordance with the JSE Listings Requirements the Committee requested the required information in its assessment of the external auditor. It has further assessed the performance of the external auditor and confirms that it is satisfied with it.

The Committee reviewed the external auditor's opinion on the financial statements and considered any reports on risk exposure and weaknesses in internal controls. The Committee also met with the external auditors separately without management being present.

The Committee nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2020 financial year. The Committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors. Shareholders will therefore be requested to re-elect PricewaterhouseCoopers Inc. as the independent external auditor for the 2020 financial year at the AGM on 31 July 2019.

Significant financial and reporting matters

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management judgement underpinning the financial statements. The Committee considered a number of significant issues in the year, taking into account in all instances the views of the Company's external auditor. All accounting policies can be found in the related notes to the financial statements. Where further information is provided in the notes to the financial statements, we have included the note reference. The issues and how they were addressed by the Committee are detailed below:

Impairment of intangible assets and goodwill (refer note 6.2)

The Committee reviewed management's process for testing goodwill and intangible assets for potential impairment and ensuring appropriate sensitivity disclosure. This included challenging the key assumptions: principally cash flow projections, growth rates and discount rates. The Group has significant mining assets and goodwill. In the process of performing the annual goodwill impairment test, it was identified that the carrying value of the Afrimat Concrete Products Proprietary Limited cash-generating unit, exceeded its recoverable amount. This was mainly due to the reduction in sales volumes as a result of small medium enterprises ('SMEs') entering the market, which added to the level of competition. As a result of the aforementioned a goodwill impairment of R20,5 million was recorded in the current year.

Environmental rehabilitation provision (refer note 6.5)

The Committee considered the assessments made in relation to the estimation of the costs and associated provisions for the rehabilitation obligation. This includes detailed reports from management outlining the accounting treatment of the costs and the basis for the key assumptions used in the estimation of the cost. The Committee concurred with the 'individual disturbance, unit based' calculations used in determining the rehabilitation provision for IFRS reporting purposes and acknowledges that this differs with the DMR-based calculations in determining the provisions for submission to the DMR. The Committee takes note that the environmental rehabilitation provision was reviewed and reassessed by an independent consultant during FY2018.

The Committee challenged management and is satisfied that these provisions are appropriate. The Committee is satisfied that appropriate costs were used to recognise associated provisions.

Revenue recognition (refer notes 3 and 21)

The Group adopted IFRS 15: *Revenue from Contracts with Customers* from 1 March 2018 using the modified retrospective transition method and has therefore not restated the comparatives for FY2018. In terms of IFRS 15 revenue is recognised based on the satisfaction of specifically identified performance obligations, when control of goods or services transfers to a customer.

In addition, the internal audit function reported to the Committee on the controls and processes in this area. The Committee routinely monitors the views of the external auditors on revenue recognition issues.

The Committee considered the key judgements made by management in accounting for revenue, especially in relation to the estimates used in determining the value of provisionally priced sale of bulk commodities, and concur with the conclusion and reporting thereof.

Inventory valuation (refer note 6.4)

The Committee considered the key judgements made by management regarding measurement of stockpile quantities and provisioning for inventory obsolescence and is satisfied that a sufficiently robust process was followed to confirm quantities and quantities of slow-moving inventory and a provision was made against inventory for obsolescence. Where cost at year-end exceeds the net realisable value of inventory, the difference was written off.

The Committee challenged management on the consistency of the approach and ultimately was satisfied that the approach taken continued to be appropriate.

Contingent liabilities (refer note 16)

The Committee considered the key judgements made by management regarding the identification and classification of contingent liabilities. This include evaluating external expert opinions and concur with management's classification and reporting thereof.

Tax and deferred tax (refer note 6.3)

The Committee agreed with management's judgement that the deferred tax assets were appropriately supported by forecasted taxable profits, taking into account the Group's long-term financial and strategic plans.

The Committee is aware of the letter of demand from SARS issued to Demaneng in relation to pre-business rescue debt in the amount of R74,3 million and concur with management in the treatment of said demand as a contingent liability, after taking legal advice. Refer note 16 for further information in this regard.

The Committee confirms that the entity is in compliance with material legislative requirements and has accurately disclosed the impact of all taxes applicable to the entity.

Trade and other receivables (refer note 7.3.2)

The Committee evaluated management's impact assessment of IFRS 9's forward-looking expected credit loss ('ECL') calculation as a replacement of the incurred credit loss model in IAS 39 to calculate impairments of financial assets. This included the reviewal of disclosures regarding the adoption of the new standard and concur with management's calculation, classification and reporting thereof.

Finance function

As per the JSE Listings Requirements, the Committee considered and is satisfied with the appropriateness of the expertise and experience of Pieter GS de Wit as CFO. It further considered the expertise, experience and resources of the finance function as required by the King IV Report and is satisfied with the expertise and experience of the Group's financial staff.

Sustainability

The Committee reviewed the disclosure of sustainability issues in the integrated annual report and is satisfied that it does not conflict with the financial information.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Company. The Committee is in agreement with management that the Company will remain a going concern going forward and conveyed this to the Board.

Election of Committee members

The following members have made themselves available for election to the Committee. They are proposed to the shareholders for consideration and approval at the next AGM:

- Mr Loyiso Dotwana
- Mr Helmut N Pool
- Mr Jacobus F van der Merwe
- Mr Hendrik JE van Wyk
- Mr Marthinus W von Wielligh

Statutory duties

The Committee is of the opinion that it has discharged its statutory duties in terms of its charter and as ascribed to it by the Companies Act.

Hendrik JE van Wyk
Audit & Risk Committee Chairman

18 June 2019

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Afrimat Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited (the 'Company') and its subsidiaries (together the 'Group') as at 28 February 2019, and its consolidated and separate financial performance and its 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.

What we have audited

Afrimat Limited's consolidated and separate financial statements set out on pages 56 to 105 comprise:

- the consolidated and separate statements of financial position as at 28 February 2019;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

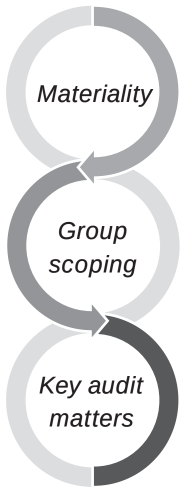
Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (Revised November 2018) (together the 'IRBA Codes') and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)*, respectively.



Our audit approach

Overview

Overall Group materiality

- Overall Group materiality: R21,1 million, which represents 5% of consolidated profit before tax.

Group audit scope

- Full scope audits were performed for all significant components;
- Audits or independent reviews were performed for components that are financially significant in aggregate with other components; and
- Analytical procedures were performed over the remaining insignificant components.

Key audit matters

Consolidated financial statements

- Environmental rehabilitation provisions;
- Goodwill impairment assessments; and
- Finalisation of accounting for the acquisition of Afrimat Demaneng Proprietary Limited.

Separate financial statements

- Impairment assessment of investments in subsidiaries.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 28 February 2019

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	R21,1 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because it is, in our view, the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included 46 components, which were either a financially significant component, a component of which an identified financial statement line item or items were considered to be significant or an area of higher risk, or components which were financially significant in aggregate with other components. Full scope audits were performed on components which are financially significant or of which an identified financial line item or items were considered significant or an area of higher risk. In addition, full scope audits or independent reviews were performed for components that are not individually significant, but significant in aggregate with other components. The remainder of the components were considered non-significant, individually and in aggregate. We performed high-level analytical procedures on these remaining non-significant components.

The Group engagement team audited the consolidation, financial statement disclosures and a number of complex items. These include goodwill impairment testing, share-based payments and critical accounting positions.

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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provision	
Given the nature of its operations, the Group incurs obligations to close, restore and rehabilitate its sites. These activities are governed by a combination of legislative requirements and Group policy. As at 28 February 2019, the consolidated statement of financial position includes environmental rehabilitation provisions of R110,7 million as per note 6.5 to the consolidated financial statements. The Group applies the guidelines issued by the South African Department of Mineral Resources ('DMR') to determine the rehabilitation provision for submission to the DMR. For International Financial Reporting Standards ('IFRS') reporting purposes, it utilises its own internal and external environmental experts to determine the value of the environmental rehabilitation provision. We considered the environmental rehabilitation provision to be a matter of most significance to our current year audit due to the degree of estimation and significant judgement applied by management in the determination of: ▪ When the rehabilitation of each site will take place, including the life of mine; and ▪ The closure costs and the expected increase in the costs associated with the rehabilitation activities.	We utilised our sustainability and climate change expertise to perform the following procedures: ▪ We obtained management's provision calculations and compared the calculation methodology that was applied by the Group's external environmental experts to the Group's policy and found these to be in line with the Group's policy; ▪ We obtained explanations from management for differences between their policy and the DMR guidelines. We obtained corroborating evidence, taking into consideration the Group's specific sites and found management's explanations to be reasonable; ▪ We corroborated a sample of inputs used by the Group's experts, such as the costs per hectare, with industry benchmarks. No material differences were noted; ▪ We assessed the increase rate applied by management with reference to industry benchmarks and no material differences were noted; ▪ We performed an independent life of mines assessment, through physical site inspection, and compared this to management's life of mines assessment and did not identify any material differences; and ▪ Assessed the competency, experience and objectivity of the Group's internal and external experts through inspection of their qualifications and did not note aspects that required further consideration. We tested the mathematical accuracy of management's calculations and no material differences were noted.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessments	
The Group has goodwill of R210,7 million allocated to cash-generating units ('CGUs') as disclosed in note 6.2 to the consolidated financial statements. The Group is required to perform annual impairment tests on goodwill in terms of International Financial Reporting Standards. The recoverable amount of the CGUs to which goodwill has been allocated was based on value-in-use calculations, using discounted cash flows. Management concluded that an impairment loss of R20,5 million was required to fully impair the goodwill allocated to Afrimat Concrete Products Proprietary Limited, but that no impairment loss was required to impair the goodwill allocated to any of the other CGUs. Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs for which no impairment was required. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in additional impairment losses. We considered goodwill impairment assessments to be a matter of most significance to our current year audit because the impairment assessment performed by the Group required the exercise of significant management judgement, including making assumptions regarding growth rates and discount rates applied to each CGU.	We obtained management's impairment calculations per CGU and tested the reasonableness of the discounted cash flow calculations and the key assumptions therein, specifically the growth rates and discount rates: ▪ We agreed amounts per the base year of the calculation to current year financial statements; ▪ We compared the inflation rates applied by management in the forecast expenditure to economic benchmarks and found them to be reasonable; ▪ We assessed the revenue growth rate applied by management in the context of the actual growth rate of the base year and the Group's current revenue contracts in place on a sample basis and found it to be reasonable; and ▪ We utilised our valuations expertise to test the reasonableness of the discount rates applied by management to each CGU. This was performed by recalculating the entities' cost of capital with reference to industry benchmarks and economic forecasts. We found the discount rates used by management to be within a reasonable range. We performed an independent sensitivity analysis by changing inputs such as growth rates applied to revenue and expenses as well as the discount rates. The results of our procedures indicated sufficient headroom for reasonably possible changes in key assumptions. We concurred with management's conclusion that an impairment loss of R20,5 million was required to fully impair the goodwill allocated to Afrimat Concrete Products Proprietary Limited, and that no further impairment losses were required.
Finalisation of accounting for the acquisition of Afrimat Demaneng Proprietary Limited	
During the 2018 financial year, the Group completed the acquisition of Afrimat Demaneng Proprietary Limited ('Afrimat Demaneng'). Details of the acquisition are disclosed in note 12 to the consolidated financial statements. At 28 February 2018, the accounting for the acquisition was considered to be provisional and was disclosed as such in the 2018 consolidated financial statements. Management finalised the accounting for the acquisition during the current year as required by IFRS 3: *Business Combinations*. The result was a decrease in liabilities and goodwill of R55,9 million respectively. Subsequently, the Group received a letter of demand from the South African Revenue Service ('SARS'), requesting settlement of taxation due by Afrimat Demaneng, a subsidiary, amounting to R74,3 million. The claim relates to the period prior to the acquisition during which the entity was in business rescue. Management assessed the claim by SARS with the assistance of an expert and concluded that the claim has no merit to it. As the possibility of settlement is not considered probable, management disclosed the matter as a contingent liability in note 16 to the consolidated financial statements. We considered finalisation of accounting for the acquisition of Afrimat Demaneng to be a matter of most significance to our current year audit due to the following: ▪ the significance of the measurement period adjustment and the contingent liability; ▪ significant judgement applied by management to determine the adjustments required to the provisional accounting for the acquisition; and ▪ management's assessment of the claim by SARS as a contingent liability.	We obtained management's assessment of adjustments required to finalise the accounting for the acquisition of Afrimat Demaneng and performed the following procedures: ▪ We tested this assessment by agreeing the adjustment amounts to the provisional acquisition accounting as per the prior year signed financial statements and the approved business rescue plan. No material differences were noted; ▪ We assessed correspondence received from management's tax expert in relation to the provisional acquisition and found the amounts to be related to the period prior to acquisition; and ▪ We independently assessed the completeness of the adjustments identified through discussion with management, the review of minutes and the results of our audit of Afrimat Demaneng in the current year. We did not identify any other adjustments to the accounting for the acquisition of Afrimat Demaneng. We obtained the letter of demand from SARS, the correspondence with management's external legal counsel, the Company's response to the claim and performed the following procedures: ▪ We obtained an understanding of the matter through discussion with management and inspection of the correspondence with SARS and management's external legal counsel; ▪ We obtained and inspected an opinion from our own legal expert regarding the letter of demand from SARS in order to test management's conclusions; ▪ We discussed the opinion with the legal expert and assessed his competency through inspection of his qualifications; and ▪ We assessed the legal expert's opinion against the requirements of IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* and we found it appropriate for the matter to be disclosed as a contingent liability.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 28 February 2019

Separate financial statements

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries	
The Company holds investments in subsidiaries with a historical cost of R937 million as disclosed in note 13.1 to the consolidated financial statements. Investments are tested for impairment if impairment indicators exist. Impairment indicators were noted for the following investments: ▪ Afrimat Aggregates (Eastern Cape) Proprietary Limited; ▪ Afrimat Bulk Commodities Proprietary Limited; ▪ Phahamo Enterprises Proprietary Limited; ▪ Afrimat Minerals Proprietary Limited; ▪ Cape Lime Proprietary Limited; ▪ Capmat Proprietary Limited; ▪ Meepo YA Mmu Resources Proprietary Limited; and ▪ SA Block Proprietary Limited. Management determined the recoverable value of each of these investments and concluded that no impairment loss was required to write off any of the investments to their recoverable amounts. The impairment assessment of investments in subsidiaries was considered to be a matter of most significance to our current year audit due to the following: ▪ management's judgement that no impairment loss was required; and ▪ the estimation involved in determining the growth and discount rates used by management in calculating the recoverable amount of each investment.	We obtained management's impairment assessment of investments in subsidiaries, understood the process followed by management and performed the following procedures: ▪ We compared the Company's carrying value of investments in subsidiaries to the value-in-use calculations used for goodwill impairment assessment by management, which were subject to audit procedures as part of our Group audit; ▪ We made use of our valuation expertise to test the reasonableness of the key assumptions underpinning management's value-in-use calculations of the Company's investments, including the selection of growth rates and discount rates. We found the discount and growth rates used by management to be reasonable; and ▪ We evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required through reperformance and found that any impairment loss would be immaterial. Based on our work performed, we concurred with management's conclusion that any impairment loss would be immaterial to the financial statements of the Company.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled *'Afrimat Limited 2019 integrated annual report'*, which includes the Directors' Report, the Audit & Risk Committee Report and the Declaration by the Company Secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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 financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the 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/or the Company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 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 financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the 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's and the 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 PricewaterhouseCoopers Inc. has been the auditor of Afrimat Limited for two years.

PricewaterhouseCoopers Inc.
Director: FHS Weilbach
Registered Auditor

Stellenbosch
18 June 2019

DIRECTORS' REPORT

for the year ended 28 February 2019

The directors of Afrimat present their report for the Group for the year ended 28 February 2019.

Nature of business

Afrimat is a black empowered open pit mining Company that supplies beneficiated materials and contracting services to the industrial minerals, building, construction, road building, railroad and mining sectors. It operates in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State, Northern Cape, Gauteng, Limpopo and Mpumalanga as well as in Mozambique.

Financial results

The annual financial statements and accompanying notes presented on pages 56 to 105 set out fully the Group's financial position, results of operations and cash flows for the year, and in the directors' opinion require no further comment.

Headline earnings per share increased by 29,6% from 180,7 cents to 234,1 cents per share.

Operational review

Impact on the operations are reviewed in detail in the CEO's report and operational reviews (pages 8 and 28), which form part of this integrated annual report.

Corporate governance

The directors endorse the principles contained in King IV. Full details on how these principles are applied, are set out in the supplementary information on the website www.afrimat.co.za, as well as limited information in this integrated annual report.

Accounting policies

Detailed accounting policies are set out in relating notes of the annual financial statements.

Dividend

A final dividend of 62,0 cents per share (2018: 42,0 cents per share), was declared for the year on 22 May 2019. This equates to 49,6 cents a share (2018: 33,6 cents a share) for shareholders who are subject to dividend tax. This remains in line with the Group's dividend policy of 2,75 times cover.

The total dividend (interim and final) for the year amounts to 81,0 cents per share (2018: 62,0 cents per share).

DIRECTORS' REPORT (continued)

for the year ended 28 February 2019

Taxation

The latest tax assessment of the Company relates to the year ended 28 February 2018. All tax submissions up to and including February 2018 have been submitted. Tax returns for 28 February 2019 will be submitted during the next financial year.

Stated capital

The total authorised ordinary stated capital at year-end, consisted of 1 000 000 000 (2018: 1 000 000 000) no par value ordinary shares of which 143 262 412 (2018: 143 262 412) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

The directors of the Company at the date of the annual financial statements are set out below:

Mr Gert J Coffee (non-executive director)
Mr Pieter GS de Wit (CFO)
Mr Loyiso Dotwana (non-executive director)
Mr Francois M Louw (independent non-executive director)
Mr Helmut N Pool (independent non-executive director)
Mrs Phuti RE Tsukudu (independent non-executive director)
Mr Jacobus (Derick) F van der Merwe (independent non-executive director)
Mr Johannes (Johan) HP van der Merwe (independent non-executive director)
Mr Andries J van Heerden (CEO)
Mr Hendrik (Hennie) JE van Wyk (independent non-executive director)
Mr Marthinus (Matie) W von Wielligh (independent non-executive Chairman)

Mr Helmut N Pool and Mr Johannes (Johan) HP van der Merwe will retire by rotation at the upcoming AGM and, being eligible, will stand for re-election.

Mr Gert J Coffee retired as an executive director on 31 December 2018 and will continue to serve on the Board in a non-executive director capacity. His appointment will be recommended for ratification at the upcoming general meeting.

Directors' and officers' interests in contracts

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 14 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 19 to the annual financial statements.

Shareholder analysis

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3,0% of the ordinary shares of the Company at 28 February 2019, is set out on page 106.

Directors' shareholding at 28 February 2019

	Number of securities held				
Director	Direct beneficial	Indirect beneficial	Through associates	Total	% held
2019					
Gert J Coffee	**680 084**	**–**	**–**	**680 084**	**0,47**
Loyiso Dotwana	**–**	**3 064 529**	**–**	**3 064 529**	**2,14**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**4 017 700**	**853 564**	**1 199 628**	**6 070 892**	**4,24**
Hendrik JE van Wyk	**–**	**112 000**	**–**	**112 000**	**0,08**
Jacobus F van der Merwe	**20 000**	**–**	**–**	**20 000**	**0,01**
Pieter GS de Wit	**155 888**	**–**	**–**	**155 888**	**0,11**
Marthinus W van Wielligh	**400 000**	**60 000**	**–**	**460 000**	**0,33**
Johannes HP van der Merwe	**–**	**–**	**–**	**–**	**–**
Helmut N Pool	**–**	**397 662**	**–**	**397 662**	**0,28**
Francois M Louw	**535 714**	**–**	**–**	**535 714**	**0,36**
	5 809 386	**4 487 755**	**1 199 628**	**11 496 769**	**8,02**
2018					
Gert J Coffee	680 084	–	–	680 084	0,47
Loyiso Dotwana	–	3 314 529	–	3 314 529	2,31
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	3 975 026	853 564	1 198 543	6 027 133	4,21
Hendrik JE van Wyk	–	112 000	–	112 000	0,08
Jacobus F van der Merwe	14 000	–	–	14 000	0,01
Pieter GS de Wit	169 215	–	–	169 215	0,12
Marthinus W van Wielligh	400 000	60 000	–	460 000	0,33
Johannes HP van der Merwe	–	–	–	–	–
Helmut N Pool	40 000	357 662	–	397 662	0,28
Francois M Louw	535 714	–	–	535 714	0,36
	5 814 039	4 697 755	1 198 543	11 710 337	8,17

There has been no change in directors' interests since year-end to the date of this report.

Internal control

The directors are accountable for developing and maintaining systems of internal control. No material losses, exposures or financial misstatements and compliance breaches have been reported to the directors during the current financial year.

Going concern

The directors have reviewed the Group's cash flow forecast for the year to 28 February 2020 and, in light of this review and the current financial position, they are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Litigation statement

The directors are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or had a material impact on the Group's financial position during the current financial year.

Refer note 16 for information regarding the referral of one of the Company's subsidiaries to the Competition Tribunal for allegedly charging excessive prices. Afrimat Demaneng Proprietary Limited received notice from the South African Revenue Service ('SARS'), in terms of which SARS demands payment of debt owed prior to the commencement of business rescue proceedings.

Company Secretary

Mariëtte Swart is the Company Secretary. Her business and postal addresses, which are also the registered addresses of the Company, are set out on the inside back cover of this integrated annual report.

Auditor

PricewaterhouseCoopers Inc. will continue in office as the external auditor in accordance with section 90 of the Companies Act, No 71 of 2008, as amended.

Special resolutions

The following special resolutions were passed by shareholders of the Company during the year (at the AGM of shareholders held on 1 August 2018), and where necessary have been registered by the Companies and Intellectual Property Commission:

- special resolution providing general authority to repurchase shares;
- special resolution providing approval for fees payable to non-executive directors for the year ended 28 February 2019;
- special resolution providing authority for the provision of financial assistance to Group inter-related entities (in terms of section 45 of the Companies Act);
- special resolution providing authority for the financial assistance for subscription of securities (in terms of section 44 of the Companies Act); and
- special resolution to approve amendments to the Memorandum of Incorporation.

Borrowings

In terms of the Memorandum of Incorporation the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Events after the reporting date

Refer note 17 for disclosure of events after the reporting date.

The directors are not aware of any other circumstance arising between the reporting date and the date of the integrated annual report.

CONTENTS TO THE FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2019

		Group		Company	
	Note	**2019 R'000**	Restated 2018 R'000*	**2019 R'000**	2018 R'000
Revenue	3	**2 966 399**	2 380 994	**191 654**	898 388
Cost of sales	4.6	**(2 043 234)**	(1 623 629)	**–**	–
Gross profit		**923 165**	757 365	**191 654**	898 388
Operating expenses	4.6	**(451 497)**	(406 205)	**(27 490)**	(23 199)
Other income	4.1	**12 189**	–	**1 385**	–
Other net gains and losses	4.2	**4 225**	–	**–**	–
Profit on disposal of property, plant and equipment	4.3	**3 538**	638	**–**	–
Impairment of property, plant and equipment	4.4	**–**	(1 399)	**–**	–
Impairment of goodwill	4.5	**(20 468)**	–	**–**	–
Operating profit		**471 152**	350 399	**165 549**	875 189
Finance income	4.7	**14 771**	32 930	**7 411**	19 382
Finance costs	4.8	**(66 706)**	(59 432)	**(50 632)**	(101 082)
Share of profit/(loss) of associate and joint venture		**2 326**	(8)	**–**	–
Profit before tax		**421 543**	323 889	**122 328**	793 489
Income tax expense	5	**(117 328)**	(78 511)	**(12 303)**	4 514
Profit for the year		**304 215**	245 378	**110 025**	798 003

		Group		Company	
	Note	**2019 R'000**	Restated 2018 R'000*	**2019 R'000**	2018 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**–**	183	**–**	–
Currency translation differences		**(1 430)**	961	**–**	–
Income tax effect relating to these items		**–**	(41)	**–**	–
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments at fair value through other comprehensive income		**35**	–	**–**	–
Income tax effect relating to these items		**(8)**	–	**–**	–
Other comprehensive income for the year, net of tax		**(1 403)**	1 103	**–**	–
Total comprehensive income for the year		**302 812**	246 481	**110 025**	798 003
Profit attributable to:					
Owners of the parent		**301 363**	245 668	**110 025**	798 003
Non-controlling interests		**2 852**	(290)	**–**	–
		304 215	245 378	**110 025**	798 003
Total comprehensive income attributable to:					
Owners of the parent		**299 960**	246 771	**110 025**	798 003
Non-controlling interests		**2 852**	(290)	**–**	–
		302 812	246 481	**110 025**	798 003
Earnings per ordinary share (cents)	8.5	**221,0**	180,3	**–**	–
Diluted earnings per ordinary share (cents)	8.5	**219,5**	179,0	**–**	–

* *Comparative information has been reclassified. Refer note 23 for further disclosure.*

STATEMENTS OF FINANCIAL POSITION

at 28 February 2019

	Note	Group 2019 R'000	Group Restated 2018 R'000*	Company 2019 R'000	Company 2018 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	**1 469 837**	1 417 845	**–**	–
Investment property		**3 040**	3 040	**–**	–
Intangible assets	6.2	**221 873**	243 970	**–**	–
Loans to subsidiaries	13.1	**–**	–	**746 446**	666 931
Investments in subsidiaries	13.1	**–**	–	**936 987**	936 973
Investment in associate and joint venture	13.2	**164**	183	**8**	8
Other financial assets	7.1-7.3	**56 698**	59 446	**8 852**	8 837
Deferred tax	6.3	**33 680**	55 115	**2 937**	15 078
Total non-current assets		**1 785 292**	1 779 599	**1 695 230**	1 627 827
Current assets					
Inventories	6.4	**261 249**	242 124	**–**	–
Current tax receivable		**13 250**	9 181	**–**	–
Trade and other receivables	7.3.2	**435 458**	391 603	**7 183**	25 150
Cash and cash equivalents	7.3.3	**191 763**	112 208	**352**	400
Total current assets		**901 720**	755 116	**7 535**	25 550
Total assets		**2 687 012**	2 534 715	**1 702 765**	1 653 377
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	**258 292**	266 985	**187 179**	196 105
Treasury shares	8.2	**(85 822)**	(59 660)	**–**	–
Net issued stated capital		**172 470**	207 325	**187 179**	196 105
Other reserves	8.3	**(94 391)**	(99 900)	**3 830**	2 205
Retained earnings		**1 320 087**	1 111 915	**982 980**	959 762
Attributable to equity holders of the parent		**1 398 166**	1 219 340	**1 173 989**	1 158 072
Non-controlling interests	8.4	**11 351**	9 980	**–**	–
Total equity		**1 409 517**	1 229 320	**1 173 989**	1 158 072

	Note	Group 2019 R'000	Group Restated 2018 R'000*	Company 2019 R'000	Company 2018 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	**235 542**	271 954	**116 071**	210 000
Provisions	6.5	**141 080**	130 288	**–**	–
Deferred tax	6.3	**214 576**	207 583	**–**	–
Total non-current liabilities		**591 198**	609 825	**116 071**	210 000
Current liabilities					
Loans from subsidiaries	13.1	**–**	–	**179 016**	116 857
Other financial liabilities	7.3.5	**9 480**	21 856	**–**	–
Borrowings	7.3.4	**148 004**	165 004	**46 429**	72 954
Current tax payable		**4 143**	11 485	**–**	–
Trade and other payables	7.3.6	**390 517**	407 022	**53 244**	42 067
Bank overdraft	7.3.3	**134 153**	90 203	**134 016**	53 427
Total current liabilities		**686 297**	695 570	**412 705**	285 305
Total liabilities		**1 277 495**	1 305 395	**528 776**	495 305
Total equity and liabilities		**2 687 012**	2 534 715	**1 702 765**	1 653 377

* *Comparative information was amended due to a measurement period adjustment relating to business combinations. Refer note 12.*

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Group						
Balance at 1 March 2017	285 842	(70 999)	(101 263)	1 085 792	7 547	1 206 919
Total comprehensive income						
Profit for the year	–	–	–	245 668	(290)	245 378
Other comprehensive income for the year	–	–	1 103	–	–	1 103
Net change in fair value of available-for-sale financial assets	–	–	183	–	–	183
Income tax effect	–	–	(41)	–	–	(41)
Currency translation differences	–	–	961	–	–	961
Income tax effect	–	–	–	–	–	–
Total comprehensive income	–	–	1 103	245 668	(290)	246 481
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments (refer note 8.3)	–	–	5 456	–	–	5 456
Purchase of treasury shares (refer note 8.2)	–	(13 552)	–	–	–	(13 552)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	(20 357)	11 391	(5 196)	5 196	–	(8 966)
Dividends paid (refer note 8.7)	–	–	–	(95 600)	(640)	(96 240)
Total contributions and distributions	(20 357)	(2 161)	260	(90 404)	(640)	(113 302)
Changes in ownership interests						
Initial non-controlling interest acquired (refer note 12)	–	–	–	–	(64 257)	(64 257)
Additional non-controlling interest acquired due to:						
– Infrasors	–	–	–	(104)	83	(21)
– Afrimat Bulk Commodities	1 500	13 500	–	(19 268)	1 768	(2 500)
– Demaneng (refer note 7.3.5)	–	–	–	(109 769)	65 769	(44 000)
Total changes in ownership interests	1 500	13 500	–	(129 141)	3 363	(110 778)
Total transactions with owners of the parent	(18 857)	11 339	260	(219 545)	2 723	(224 080)
Balance at 28 February 2018 as originally presented	266 985	(59 660)	(99 900)	1 111 915	9 980	1 229 320
Change in accounting policy (refer note 21)	–	–	–	(10 812)	–	(10 812)
Restated balance at 1 March 2018	266 985	(59 660)	(99 900)	1 101 103	9 980	1 218 508
Notes	8.1	8.2	8.3		8.4	

	Stated capital R'000	**Treasury shares R'000**	**Other reserves R'000**	**Retained earnings R'000**	**Non-controlling interests R'000**	**Total equity R'000**
Restated balance at 1 March 2018	**266 985**	**(59 660)**	**(99 900)**	**1 101 103**	**9 980**	**1 218 508**
Total comprehensive income						
Profit for the year	**–**	**–**	**–**	**301 363**	**2 852**	**304 215**
Other comprehensive income for the year	**–**	**–**	**(1 403)**	**–**	**–**	**(1 403)**
Net change in fair value of equity instruments at fair value through other comprehensive income	**–**	**–**	**35**	**–**	**–**	**35**
Income tax effect	**–**	**–**	**(8)**	**–**	**–**	**(8)**
Currency translation differences	**–**	**–**	**(1 430)**	**–**	**–**	**(1 430)**
Income tax effect	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**(1 403)**	**301 363**	**2 852**	**302 812**
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments (refer note 8.3)	**–**	**–**	**7 247**	**–**	**–**	**7 247**
Deferred tax on share-based payments (refer note 8.3)	**–**	**–**	**2 039**	**–**	**–**	**2 039**
Purchase of treasury shares (refer note 8.2)	**–**	**(30 981)**	**–**	**–**	**–**	**(30 981)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	**(8 693)**	**4 819**	**(2 374)**	**2 374**	**–**	**(3 874)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(84 745)**	**(1 475)**	**(86 220)**
Total contributions and distributions	**(8 693)**	**(26 162)**	**6 912**	**(82 371)**	**(1 475)**	**(111 789)**
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Infrasors (refer note 8.4)	**–**	**–**	**–**	**(8)**	**(6)**	**(14)**
Total changes in ownership interests	**–**	**–**	**–**	**(8)**	**(6)**	**(14)**
Total transactions with owners of the parent	**(8 693)**	**(26 162)**	**6 912**	**(82 379)**	**(1 481)**	**(111 803)**
Balance at 28 February 2019	**258 292**	**(85 822)**	**(94 391)**	**1 320 087**	**11 351**	**1 409 517**
Notes	8.1	8.2	8.3		8.4	

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Company						
Balance at 1 March 2017	217 978	–	1 830	261 320	–	481 128
Total comprehensive income						
Profit for the year	–	–	–	798 003	–	798 003
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	798 003	–	798 003
Transactions with Company						
Contributions and distributions						
Share-based payments (refer note 8.3)	–	–	1 097	–	–	1 097
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	(21 873)	–	(722)	722	–	(21 873)
Dividends paid (refer note 8.7)	–	–	–	(100 283)	–	(100 283)
Total contributions and distributions	(21 873)	–	375	(99 561)	–	(121 059)
Total changes	(21 873)	–	375	698 442	–	676 944
Balance at 28 February 2018	196 105	–	2 205	959 762	–	1 158 072
Total comprehensive income						
Profit for the year	**–**	**–**	**–**	**110 025**	**–**	**110 025**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**110 025**	**–**	**110 025**
Transactions with Company						
Contributions and distributions						
Share-based payments (refer note 8.3)	**–**	**–**	**2 046**	**–**	**–**	**2 046**
Deferred taxation on share-based payments (refer note 8.3)	**–**	**–**	**162**	**–**	**–**	**162**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	**(8 926)**	**–**	**(583)**	**583**	**–**	**(8 926)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(87 390)**	**–**	**(87 390)**
Total contributions and distributions	**(8 926)**	**–**	**1 625**	**(86 807)**	**–**	**(94 108)**
Total changes	**(8 926)**	**–**	**1 625**	**23 218**	**–**	**15 917**
Balance at 28 February 2019	**187 179**	**–**	**3 830**	**982 980**	**–**	**1 173 989**
Notes	8.1	8.2	8.3		8.4	

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2019

	Note	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Cash flows from operating activities					
Cash generated from operations	9.1	**551 722**	344 542	**110 242**	42 128
Finance income received	9.2	**14 320**	31 623	**7 411**	19 382
Dividends received		**58**	54	**77 571**	125 694
Finance costs paid	9.3	**(58 565)**	(52 752)	**(50 632)**	(101 082)
Tax paid	9.4	**(97 051)**	(122 507)	**–**	–
Net cash inflow from operating activities		**410 484**	200 960	**144 592**	86 122
Cash flows from investing activities					
Acquisition of property, plant and equipment	6.1	**(93 889)**	(118 918)	**–**	–
Proceeds on disposal of property, plant and equipment	9.5	**14 369**	22 975	**–**	–
Acquisition of businesses and investments	12.0	**–**	4 228	**(14)**	(2 521)
Advances to subsidiaries	13.1	**–**	–	**(79 515)**	(479 391)
Purchase of financial assets	7.1	**(444)**	(68 060)	**(15)**	–
Proceeds on sale of financial assets	7.1	**–**	–	**–**	154 010
Net cash outflow from investing activities		**(79 964)**	(159 775)	**(79 544)**	(327 902)
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	**(30 981)**	(13 552)	**–**	–
Proceeds from borrowings	7.3.4	**144 635**	300 000	**60 000**	300 000
Repayment of borrowings	7.3.4	**(309 847)**	(119 871)	**(180 454)**	(17 046)
Repayments from other financial liabilities	7.3.5	**(3 488)**	(25 143)	**–**	–
Acquisition of additional non-controlling interest	8.4	**(9 014)**	(37 521)	**–**	–
Proceeds of loans by subsidiaries	13.1	**–**	–	**62 159**	224 989
Dividends paid	8.7	**(86 220)**	(96 240)	**(87 390)**	(100 283)
Net cash (outflow)/inflow from financing activities		**(294 915)**	7 673	**(145 685)**	407 660
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**35 605**	48 858	**(80 637)**	165 880
Exchange rate profit/(loss) on foreign cash and cash equivalents		**–**	–	**–**	–
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	**22 005**	(26 853)	**(53 027)**	(218 907)
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	**57 610**	22 005	**(133 664)**	(53 027)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

Accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate and are indicated with a grey background.

Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these annual financial statements, are included in the specific notes to which they relate and are indicated with a maroon border.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate. These policies have been consistently applied with the previous year, unless otherwise stated.

1.1 Statement of compliance

The annual financial statements are prepared on a going concern basis in compliance with the Companies Act of South Africa, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretation Committee ('IFRIC').

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain financial assets and investment property and the application of the equity method of accounting for investments in associated companies and joint ventures.

The Group has applied the following standards and amendments for the first time in the current year:

- IFRS 9: *Financial Instruments*; and
- IFRS 15: *Revenue from Contracts with Customers*.

Refer note 21 for further disclosure on the implementation of these standards.

Refer note 22 for details of new and amended standards issued but not yet effective in the current year.

The annual financial statements are expressed in South African Rand (ZAR or R), rounded to the nearest thousand, unless otherwise stated.

1. Significant accounting policies (continued)

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in South African Rand (ZAR or R), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions and balances are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, respectively. Foreign exchange gains and losses are recognised in the statement of profit or loss and other comprehensive income within 'other net gains and losses'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in equity through other comprehensive income.

1.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal and its value-in-use.

1.5 Significant accounting judgements and estimates

The preparation of the Group's annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

1. Significant accounting policies (continued)

1.5 Significant accounting judgements and estimates (continued)

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are highlighted below with more detail provided in the specific notes to which they relate:

(a) Estimates

- Trade and other receivables – refer note 7.3.2
- Deferred tax assets – refer note 6.3
- Decommissioning and rehabilitation provisions – refer note 6.5
- Impairment of goodwill and mining assets – refer note 6.2
- Share-based payment expense calculation – refer note 18
- Provision for stock obsolescence – refer note 6.4
- Measurement of stockpile quantities – refer note 6.4

(b) Judgements

- Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited (‘AEI’) – refer note 13.1
- Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust – refer note 13.1
- Consolidation of Infrasors Empowerment Trust – refer note 13.1
- Acquisition of businesses – refer note 12
- Impairment of goodwill and mining assets – refer note 6.2
- Contingent liabilities – refer note 16

How the numbers are calculated

2. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services, production processes and the type of class of customer for the products and services.

At 1 March 2018, the executive Committee, being the chief decision-making body, amended the basis upon which the various businesses within the Group are reported as a result of changes to the executive management of the Group. This aligned into three main operational pillars with five segments being allocated to these pillars, based on the market use of products.

The principal products and services of each of these segments are as follows:

- Construction Materials: Comprises aggregates, concrete-based products and contracting operations;
- Industrial Minerals: Comprises limestone, dolomite and industrial sand (previously included within the Aggregates segment); and
- Bulk Commodities: Iron ore.

Construction Materials comprises mainly aggregates and concrete-based products. Aggregates consist mainly out of the sales of sand, gravel and crushed stone and concrete-based products includes concrete made from rock, sand, water and cement. Although concrete-based products go through a longer manufacturing process than aggregates, the classification between the operations are influenced by the market use of products. The demand for these products are also similar and increases/decreases during the same period as customers use both aggregates and concrete-based products during construction.

Industrial Minerals consist mainly of the sale of limestone, dolomite and industrial sand. Industrial Minerals, previously reflected within the Aggregates segment, is separately disclosed. The rationale for the change was that over the years the Industrial Minerals business has become an integral contributor to the Group and serves a different market to Construction Materials. The manufacturing process and customers for both aggregates and industrial minerals are similar.

Bulk Commodities include iron ore. Iron ore has minimal manufacturing time and is readily available.

The chief operating decision-maker monitors the operating results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They primarily assess the performance of the operating segments based upon a measure of operating profit.

Inter-segment pricing is determined on an arm’s length basis in a manner similar to transactions with third parties.

Services consists of a Group shared services function geared to support growth.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

2. Segment information (continued)

	Construction Materials R'000	Industrial Minerals R'000	Bulk Commodities R'000	Services R'000	Total R'000
As at 28 February 2019					
Segmental revenue	**1 865 812**	**563 167**	**682 198**	**–**	**3 111 177**
Intersegmental	**(126 316)**	**(18 462)**	**–**	**–**	**(144 778)**
Revenue	**1 739 496**	**544 705**	**682 198**	**–**	**2 966 399**
Depreciation and amortisation	**81 478**	**28 233**	**32 656**	**3 974**	**146 341**
Impairment of goodwill	**20 468**	**–**	**–**	**–**	**20 468**
Operating profit	**190 182**	**78 012**	**201 329**	**1 629**	**471 152**
Operating profit margin on external revenue	**10,9%**	**14,3%**	**29,5%**	**–**	**15,9%**
Assets*	**1 080 543**	**610 521**	**467 230**	**528 718**	**2 687 012**
Equity	**721 939**	**478 661**	**410 860**	**(201 943)**	**1 409 517**
Liabilities**	**358 604**	**131 860**	**56 370**	**730 661**	**1 277 495**
Capital expenditure (excluding acquisitions through business combinations)	**110 643**	**63 593**	**25 975**	**7 332**	**207 543**
As at 28 February 2018 (restated)* **					
Segmental revenue	1 745 489	559 757	175 985	–	2 481 231
Intersegmental	(100 237)	–	–	–	(100 237)
Revenue* **	1 645 252	559 757	175 985	–	2 380 994
Depreciation and amortisation	73 105	27 504	20 042	3 642	124 293
Impairment of property, plant and equipment	1 399	–	–	–	1 399
Operating profit	274 580	88 393	(33 443)	20 869	350 399
Operating profit margin on external revenue	16,7%	15,8%	(19,0%)	–	14,7%
Assets*	1 072 080	582 634	382 777	497 224	2 534 715
Equity	747 373	494 410	300 788	(313 251)	1 229 320
Liabilities**	324 707	88 224	81 989	810 475	1 305 395
Capital expenditure (excluding acquisitions through business combinations)	114 080	40 707	41 633	5 800	202 220

2. Segment information (continued)

	2019 R'000	2018 R'000
* The following assets have not been allocated to segments:		
Goodwill	**210 654**	231 122
Other financial assets	**56 698**	59 446
Deferred tax	**33 680**	55 115
Current tax receivable	**13 250**	9 181
Cash and cash equivalents	**191 763**	112 208
Other assets	**22 673**	30 152
	528 718	497 224
** The following liabilities have not been allocated to segments:		
Provisions	**141 080**	130 288
Deferred tax	**214 576**	207 583
Current tax payable	**4 143**	11 485
Bank overdraft	**134 153**	90 203
Other liabilities****	**236 709**	370 916
	730 661	810 475

*** *Prior year figures were restated to reflect the amended basis in which various businesses within the Group are reported. A classification misstatement between revenue and cost of sales of R75,8 million was corrected in FY2018 (refer note 23 for further disclosure)*

**** *Includes the Group's R300,0 million amortising five-year facility with Standard Bank of South Africa Limited ('SBSA') and First National Bank ('FNB').*

Segment revenue reflects both sales to external parties and inter-Group transactions across segments. The segment result is presented as segment profit before net finance costs and taxation.

Segment operating assets and liabilities are only those items that can be specifically identified within a particular segment.

The Group views the entire southern African region as a single geographical area.

3. Revenue

The Group recognises revenue from the following major sources:

- Sale of construction materials: Comprises sand, gravel, crushed stone and concrete made from rock, sand, water and cement;
- Sales of industrial minerals: Comprises limestone, dolomite and industrial sand;
- Sales of bulk commodities: Comprises iron ore; and
- Rendering of services: Includes mobile crushing, screening, drilling and blasting.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

3. Revenue (continued)

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Revenue from the sale of construction materials, bulk commodities and industrial minerals is recognised when control of the products has transferred to the buyer. Control transfers when products are delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured at the invoiced amount net of value-added tax, trade discounts, returns, volume rebates and amounts collected on behalf of third parties. Shipping and handling is included in sale of goods as one component of revenue due to risks and rewards over goods only passing to the customer on delivery to site.

In terms of the agreement with Kumba International Trading S.A.R.L, commodity prices used in the calculation of the bulk commodity debtor are based on the average daily prices during the month prior to the relevant month of delivery. The amount of revenue recognised at the designated point of delivery ('FOB') is based on the best estimate of the amount expected to be received. Provisional pricing arrangements introduce an element of market variability into the sales contract. These changes are out of the scope of IFRS 15. As a result, the changes in the commodity prices are reflected as 'other revenue' within the revenue note to the annual financial statements and not revenue from contracts with customers.

Aggregates and industrial minerals are occasionally sold with retrospective volume discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue arising from the rendering of services, i.e. drilling, blasting and erection costs are performed over time and, therefore, is recognised as the performance obligations identified are satisfied by transferring control of the service to a customer. Revenue is measured at the fair value of the consideration received or receivable, which is represented by the invoiced amount net of value-added tax, trade discounts and amounts collected on behalf of third parties.

The Company

Finance income comprises interest revenue and dividend revenue. Interest revenue is recognised in profit or loss using the effective interest method. Dividend revenue is recognised when received or receivable.

Revenue arising from the rendering of services, i.e. management fee income earned are performed over time and, therefore, is recognised as the performance obligations identified are satisfied.

3. Revenue (continued)

	Group		Company	
	2019 R'000	2018 R'000*	**2019 R'000**	2018 R'000
Revenue from contracts with customers:				
Sale of construction materials	**1 724 017**	1 642 027	**–**	–
Sale of industrial minerals	**544 705**	559 757	**–**	–
Sale of bulk commodities	**618 002**	175 985	**–**	–
Rendering of services	**15 479**	3 225	**24 620**	39 577
Revenue from contracts with customers	**2 902 203**	2 380 994	**24 620**	39 577
Timing of revenue recognition				
At a point of time	**2 886 724**	2 377 769	**–**	–
Over time	**15 479**	3 225	**24 620**	39 577
	2 902 203	2 380 994	**24 620**	39 577
Revenue other than from contracts with customers:				
Group companies interest revenue	**–**	–	**89 463**	57 916
Group companies dividend revenue	**–**	–	**77 571**	800 895
Revenue other than from contracts with customers	**–**	–	**167 034**	858 811
Other revenue**	**64 196**	–	**–**	–
Total	**2 966 399**	2 380 994	**191 654**	898 388

* *Prior year revenue, in terms of IFRS 15, was not restated as the statement was not applied retrospectively (refer note 21 for further disclosure). A classification misstatement between revenue and cost of sales of R75,8 million was corrected in the prior year (refer note 23 for further disclosure).*

** *Provisional pricing arrangements, within the bulk commodities segment, introduce an element of market variability into the sales contract. These changes are out of the scope of IFRS 15 and as a result, the changes in the commodity prices are reflected as 'other revenue'.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

4. Other income and expense items

4.1 Other income

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Recoveries	**2 631**	–	**–**	–
Rental income	**2 963**	–	**–**	–
Royalties received	**1 653**	–	**–**	–
Scrap sales	**1 116**	–	**–**	–
Rebates received	**1 014**	–	**1 014**	–
Other	**2 812**	–	**371**	–
	12 189	–	**1 385**	–

4.2 Other net gains and losses

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Gains – financial assets at fair value through profit or loss	**794**	–	**–**	–
Net foreign exchange gains/(losses)	**1 430**	–	**–**	–
Other	**2 001**	–	**–**	–
	4 225	–	**–**	–

4.3 Profit on disposal of property, plant and equipment

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Profit on disposal of property, plant and equipment	**3 538**	638	**–**	–
	3 538	638	**–**	–

4.4 Impairment of property, plant and equipment

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Impairment of property, plant and equipment	**–**	(1 399)	**–**	–
	–	(1 399)	**–**	–

4.5 Impairment of goodwill

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Impairment of goodwill	**(20 468)**	–	**–**	–
	(20 468)	–	**–**	–

4. Other income and expense items (continued)

4.6 Expenses by nature

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are considered to be operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

Short-term employee benefits

The cost of short-term employee benefits (those expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, such as sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the related service is rendered and are not discounted.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the operating profit after adjustments for non-operational activities, i.e. profit or loss on disposal of businesses, impairment of property, plant and equipment and impairment of goodwill, etc. The Group recognises an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.

	Group 2019 R'000	Group 2018 R'000*	Company 2019 R'000	Company 2018 R'000
Operating lease charges	**138 305**	76 885	**–**	–
Premises				
– Contractual amounts	**15 401**	10 465	**–**	–
Equipment				
– Contractual amounts	**120 792**	62 682	**–**	–
Lease rentals on operating lease – other				
– Contractual amounts	**2 112**	3 738	**–**	–
Amortisation of intangible assets	**1 629**	1 727	**–**	–
Depreciation of property, plant and equipment	**144 712**	122 566	**–**	–
Impairment of debit loans	**–**	615	**–**	–
Increase/(decrease) in provision for impairment of receivables	**5 226**	(403)	**–**	–
Expected credit losses from related parties	**8 939**	–	**99**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

4. Other income and expense items (continued)

4.6 Expenses by nature (continued)

	Group		Company	
	2019 R'000	2018 R'000*	**2019 R'000**	2018 R'000
Increase in inventory provision for impairment	**1 312**	911	**–**	–
Gains – financial assets at fair value through profit or loss	**–**	(1 465)	**–**	–
Inventory write-off to net realisable value	**6 660**	7 552	**–**	–
Repairs and maintenance	**325 543**	283 469	**–**	–
Drilling and blasting	**78 014**	80 374	**–**	–
Cement	**188 867**	165 003	**–**	–
Fuel and diesel	**181 155**	136 339	**–**	–
External transport	**297 308**	261 203	**–**	–
Railage	**115 457**	41 578	**–**	–
Electricity	**77 804**	73 386	**–**	–
Audit fees	**5 073**	4 406	**1 277**	760
Audit	**4 896**	4 244	**1 202**	760
Other	**177**	162	**75**	–
Employee costs	**604 682**	536 022	**17 432**	10 315
Defined contribution plan contributions	**37 563**	53 015	**439**	69
Share-based payment expense	**7 247**	5 456	**2 046**	1 097
Short-term employee expenses	**559 872**	477 551	**14 947**	9 149
Other costs	**314 045**	239 666	**8 682**	12 124
Total	**2 494 731**	2 029 834	**27 490**	23 199
Presented as:				
– Cost of sales	**2 043 234**	1 623 629	**–**	–
– Operating expenses	**451 497**	406 205	**27 490**	23 199
Total	**2 494 731**	2 029 834	**27 490**	23 199

** Refer note 23 for information regarding classification misstatement.*

4.7 Finance income

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Bank	**14 238**	14 535	**7 400**	8 999
Deemed interest	**451**	1 105	**–**	–
Other interest	**82**	17 290	**11**	10 383
Total finance income	**14 771**	32 930	**7 411**	19 382

4. Other income and expense items (continued)

4.8 Finance costs

Finance costs are calculated using the effective interest rate method and included in profit or loss.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Instalment purchase agreements	**11 956**	13 335	**–**	–
Bank	**43 632**	37 636	**37 067**	32 084
SARS	**3**	43	**–**	–
Group companies	**–**	–	**13 565**	68 885
Environmental rehabilitation and dismantling	**8 141**	6 680	**–**	–
Other interest paid	**2 974**	1 738	**–**	113
	66 706	59 432	**50 632**	101 082

5. Income tax expense

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Group operates and generates taxable income.

Major components of the tax expense

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Current				
Local income tax				
Current year	**85 638**	119 810	**–**	–
Prior year	**2**	(238)	**–**	–
Foreign income tax	**–**	979	**–**	–
	85 640	120 551	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

5. Income tax expense (continued)

Major components of the tax expense (continued)

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Deferred				
Deferred income tax				
Current year	**31 688**	(33 665)	**12 303**	(2 911)
Prior year	**–**	(8 375)	**–**	(1 603)
	31 688	(42 040)	**12 303**	(4 514)
	117 328	78 511	**12 303**	(4 514)
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**1,5**	(1,2)	**(17,9)**	(28,6)
Non-deductible expenses (%)*	**2,4**	2,9	**0,1**	0,1
Share appreciation right scheme expense realised (%)	**(0,3)**	(2,0)	**(0,2)**	(0,3)
Effect of rehabilitation provision in prior year (%)	**–**	(2,4)	**–**	–
Deferred tax not recognised in prior year utilised (%)**	**(3,8)**	–	**–**	–
Deferred tax recognised in prior year – derecognised in current year (%)***	**2,2**	–	**–**	–
Exempt income (%)****	**(0,3)**	(0,1)	**(17,8)**	(28,4)
Increase in unrecognised tax losses recognised in current year (%)	**1,3**	0,4	**–**	–
Recognised in current year for prior years (%)	**(1,6)**	(2,6)	**–**	–
Effective rate (%)	**27,9**	24,2	**10,1**	(0,6)

* *Includes legal fees, fines and penalties which are not in the production of income and thus non-deductible.*

** *Includes the utilisation of assessed tax losses in Afrimat Demaneng Proprietary Limited, not recognised in prior years.*

*** *Deferred tax assets in Delf Sand Proprietary Limited and Afrimat Silica Proprietary Limited have been reversed in current year due to the improbability of the realisation of related tax benefits.*

**** *The prior year exempt income % of the Company includes in specie dividends declared between Group companies to settle loans to/from Group companies. This resulted in the increase in the effective rate since the prior year.*

The increase in tax rate was mainly due to the quantum of income tax deducted for expenditure actually incurred in settlement of the shares exercised in the Share Appreciation Rights Scheme, compared to the prior year as well as the reversal of certain deferred tax assets in the current year.

For details on deferred tax, refer note 6.3

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. The cost of an item of property, plant and equipment includes the initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located. When this initial estimate of costs is included in the cost of the item of property, plant and equipment, a corresponding provision is created for the obligation. The initial estimate of the expenditure required to settle the present obligation is determined using a current market-based discount rate.

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on the straight-line basis over their useful lives as follows:

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	10 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 15 years
Office and computer equipment	3 to 5 years
Dismantling costs	2 to 30 years
Mining assets	10 to 30 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment, is included in profit or loss and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the item at the date of derecognition.

Mining assets represent the future benefits in respect of acquiring mineral reserves and resources. These are acquired through business combinations and are initially valued at the fair value of the resources obtained. These assets are tested annually for impairment. When the Group is able to mine, the undeveloped mining resources are depreciated as above.

The useful life of the mining assets equals the estimated useful life of the mine. Depreciation of the capitalised costs of mining assets start at the time when the mining activities commence on the acquired mining assets.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Cost R'000 2019	Accumulated depreciation R'000 2019	Carrying value R'000 2019	Cost R'000 2018	Accumulated depreciation R'000 2018	Carrying value R'000 2018
Group						
Land and buildings	**132 026**	**(32 133)**	**99 893**	123 750	(29 872)	93 878
Leasehold property	**24 161**	**(6 958)**	**17 203**	14 356	(5 703)	8 653
Plant and machinery	**1 048 049**	**(441 358)**	**606 691**	972 527	(391 273)	581 254
Motor vehicles	**731 483**	**(383 566)**	**347 917**	659 553	(352 903)	306 650
Office and computer equipment	**32 716**	**(23 182)**	**9 534**	33 623	(23 240)	10 383
Dismantling costs	**30 384**	**(15 570)**	**14 814**	28 530	(12 853)	15 677
Mining assets	**446 000**	**(72 215)**	**373 785**	449 177	(47 827)	401 350
Total	**2 444 819**	**(974 982)**	**1 469 837**	2 281 516	(863 671)	1 417 845

Analysis of movements in carrying value:

	Opening carrying value R'000	Additions R'000	Additions through business combi-nations* R'000	Reclassi-fication R'000	Impairments R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Group								
2019								
Land and buildings	**93 878**	**8 790**	**–**	**–**	**–**	**(269)**	**(2 506)**	**99 893**
Leasehold property	**8 653**	**9 679**	**–**	**116**	**–**	**–**	**(1 245)**	**17 203**
Plant and machinery	**581 254**	**89 129**	**–**	**(3 295)**	**–**	**(3 606)**	**(56 791)**	**606 691**
Motor vehicles	**306 650**	**93 532**	**–**	**2 755**	**–**	**(6 855)**	**(48 165)**	**347 917**
Office and computer equipment	**10 383**	**4 551**	**–**	**424**	**–**	**(101)**	**(5 723)**	**9 534**
Dismantling costs	**15 677**	**1 862**	**–**	**–**	**–**	**(8)**	**(2 717)**	**14 814**
Mining assets	**401 350**	**–**	**–**	**–**	**–**	**–**	**(27 565)**	**373 785**
Total	**1 417 845**	**207 543**	**–**	**–**	**–**	**(10 839)**	**(144 712)**	**1 469 837**
Group								
2018								
Land and buildings	85 085	4 764	6 602	–	–	(202)	(2 371)	93 878
Leasehold property	7 733	1 892	–	–	–	–	(972)	8 653
Plant and machinery	433 517	114 419	98 364	–	(1 399)	(16 267)	(47 380)	581 254
Motor vehicles	258 733	70 969	26 344	–	–	(5 777)	(43 619)	306 650
Office and computer equipment	8 363	6 719	355	–	–	(91)	(4 963)	10 383
Dismantling costs	12 278	2 458	3 014	–	–	(687)	(1 386)	15 677
Mining assets	252 531	–	170 694	–	–	–	(21 875)	401 350
Total	1 058 240	201 221	305 373	–	(1 399)	(23 024)	(122 566)	1 417 845

* *Refer note 12.*

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (refer note 7.3.4).

	Group 2019 R'000	Group 2018 R'000
Carrying value of assets pledged as security:		
Plant and machinery*	**148 261**	117 539
Motor vehicles	**128 798**	109 395
Total	**277 059**	226 934

* *Refer note 7.3.4 for details on additional financing incurred during the prior year.*

In the prior year, additional mining assets with a fair value of R169,7 million were acquired as part of the Demaneng acquisition. Refer note 12 for details.

Included in additions are plant and equipment with a cost of R111,8 million (2018: R79,8 million), which were financed and recognised as instalment purchase agreements in borrowings (refer note 7.3.4).

Included in disposals are plant and equipment with a cost of R4,6 million (2018: R7,7 million) and accumulated depreciation of R3,5 million (2018: R5,4 million), which had no further economical value and have been removed from the register.

Depreciation expense of R133,1 million (2018: R113,1 million) has been charged in 'cost of sales' and R11,6 million (2018: R9,5 million) in 'other operating expenses'.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets

Goodwill is carried at cost less any accumulated impairment.

At the acquisition dates, goodwill is allocated to each of the cash-generating units expected to benefit from a business combination. An impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is either determined as the value-in-use of each cash-generating unit or fair value less cost to sell. Value-in-use is calculated by estimating the expected future cash flows in each unit and choosing a suitable discount rate in order to calculate the present value of those cash flows.

Where the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, an impairment loss is recognised in profit or loss beginning with the write-off of the goodwill allocated to such cash-generating unit. Where the goodwill is insufficient to cover the amount of the impairment adjustment, the remaining assets in the cash-generating unit are impaired on a *pro rata* basis.

Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the end of the reporting period.

In assessing value-in-use the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset or to the cash-generating unit.

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

For mining rights, amortisation is provided to write down the cost of the mining rights, less their residual values, on the straight-line basis over their useful lives as follows:

Mining rights 20 to 30 years

Purchasing rights relate to ash dumps to which the Group has exclusive rights to utilise and process until the dumps are exhausted.

The amortisation on the purchasing right is recognised over a period of between two and four years (2018: two and five years). The amortisation charge is recognised as an expense in profit or loss. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These charges are accounted for as a change in estimate.

Impairment of goodwill
Goodwill was allocated to cash-generating units. The carrying value of goodwill is assessed for impairment using a discounted cash flow methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	Cost 2019 R'000	**Accumulated amortisation/ impairment 2019 R'000**	**Carrying value 2019 R'000**	Cost 2018 R'000	Accumulated amortisation/ impairment 2018 R'000	Carrying value 2018 R'000
Group						
Goodwill	**239 077**	**(28 423)**	**210 654**	239 077	(7 955)	231 122
Mining rights	**22 831**	**(12 549)**	**10 282**	22 831	(11 237)	11 594
Purchasing right	**9 983**	**(9 046)**	**937**	9 983	(8 729)	1 254
Total	**271 891**	**(50 018)**	**221 873**	271 891	(27 921)	243 970

Analysis of movements in carrying value:

	Opening carrying value R'000	**Additions through business combinations R'000***	**Amortisation R'000**	**Impairment R'000**	**Closing carrying value R'000**
Group 2019					
Goodwill	**231 122**	**–**	**–**	**(20 468)**	**210 654**
Mining rights	**11 594**	**–**	**(1 312)**	**–**	**10 282**
Purchasing right	**1 254**	**–**	**(317)**	**–**	**937**
Total	**243 970**	**–**	**(1 629)**	**(20 468)**	**221 873**
Group 2018					
Goodwill	190 650	40 472	–	–	231 122
Mining rights	12 429	–	(835)	–	11 594
Purchasing right	2 146	–	(892)	–	1 254
Total	205 225	40 472	(1 727)	–	243 970

* *Refer note 12.*

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods vary between nine and 19 years (2018: 10 and 20 years).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Goodwill acquired through business combinations has been allocated to cash-generating units as follows:

	Group	
	2019 R'000	2018 R'000
Afrimat Concrete Products Proprietary Limited	**–**	20 468
Afrimat Aggregates (KZN) Proprietary Limited	**16 878**	16 878
Rodag Holdings Proprietary Limited	**1 058**	1 058
Afrimat Aggregates (Operations) Proprietary Limited	**10 955**	10 955
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**39 267**	39 267
SA Block Proprietary Limited	**10 152**	10 152
Clinker Supplies Proprietary Limited	**26 105**	26 105
Sunshine Crushers Proprietary Limited	**5 723**	5 723
Glen Douglas Dolomite Proprietary Limited	**801**	801
Infrasors Holdings Proprietary Limited	**1 787**	1 787
Cape Lime Proprietary Limited	**57 456**	57 456
Afrimat Demaneng Proprietary Limited*	**40 472**	40 472
	210 654	231 122

* *Prior year figures were amended due to a measurement period adjustment relating to a business combinations, refer note 12.*

The recoverable amount has been determined using value-in-use calculations using a discounted cash flow methodology. These cash flows were based on forecasts which included assumptions on operating profit, working capital movements and capital expenditure. The assumptions are based on past experience. The key assumptions used were a growth rate of 5,3% (2018: 5,3%) over the estimated useful life of the mine and a discount rate applied to the cash flow projections of 13,2% (2018: 12,8%).

In the process of performing the annual goodwill impairment test, it was identified that the carrying value of the Afrimat Concrete Products Proprietary Limited cash-generating unit, exceeded its recoverable amount. This was mainly due to the reduction in sales volumes as a result of small medium enterprises ('SMEs') entering the market, which added to the level of competition. As a result of the aforementioned a goodwill impairment of R20,5 million was recorded in the current year.

A sensitivity analysis on assumptions used in the discounted cash flow has been done with reference to the two key variables that could affect the valuation. The effect of a 1,0% change in these variables on the impairment of all cash-generating units is summarised below:

	1,0% increase impairment 2019 R'000	1,0% decrease impairment 2019 R'000
Change in medium term growth rate	–	–
Change in discount rate	–	–

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

It is management's belief that any reasonable possible change in the key assumptions on which the recoverable amount of the non-impaired cash-generating units are based, would not cause the carrying amount to exceed the recoverable amounts. No further impairments were identified.

6.3 Deferred tax

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

Deferred tax assets
Deferred tax assets are only recognised on tax losses which are expected to be offset against future taxable income in the foreseeable future.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Accelerated capital allowances for tax purposes	**(199 173)**	(161 940)	**–**	–
Accruals	**33 659**	28 744	**1 818**	857
Provisions	**38 877**	36 481	**–**	–
Tax losses available for set-off against future taxable income	**31 331**	48 225	**720**	14 221
Share-based payments	**2 865**	–	**399**	–
Fair value adjustments	**(367)**	(848)	**–**	–
Mining assets	**(91 631)**	(104 970)	**–**	–
Other	**3 543**	1 840	**–**	–
	(180 896)	(152 468)	**2 937**	15 078

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group							
	February 2018			Recognised in profit or loss	Recognised directly in equity	**February 2019**		
	Assets	Liabilities	Total			**Assets**	**Liabilities**	**Total**
Accelerated capital allowances for tax purposes	(5 266)	(156 674)	(161 940)	(37 233)	–	**(2 325)**	**(196 848)**	**(199 173)**
Accruals	13 109	15 635	28 744	4 915	–	**9 863**	**23 796**	**33 659**
Provisions	8 785	27 696	36 481	2 396	–	**3 020**	**35 857**	**38 877**
Tax losses available for set-off against future taxable income	38 364	9 861	48 225	(16 893)	–	**20 021**	**11 310**	**31 331**
Share-based payments	–	–	–	826	2 039	**2 512**	**353**	**2 865**
Fair value adjustments	62	(910)	(848)	489	(8)	**366**	**(733)**	**(367)**
Mining assets	–	(104 970)	(104 970)	13 339	–	**–**	**(91 631)**	**(91 631)**
Other	61	1 779	1 840	473	1 230	**223**	**3 320**	**3 543**
Total	55 115	(207 583)	(152 468)	(31 688)	3 261	**33 680**	**(214 576)**	**(180 896)**

	Company							
	February 2018			Recognised in profit or loss	Recognised directly in equity	**February 2019**		
	Assets	Liabilities	Total			**Assets**	**Liabilities**	**Total**
Accruals	857	–	857	961	–	**1 818**	**–**	**1 818**
Tax losses available for set-off against future taxable income	14 221	–	14 221	(13 501)	–	**720**	**–**	**720**
Share-based payments	–	–	–	237	162	**399**	**–**	**399**
Total	15 078	–	15 078	(12 303)	162	**2 937**	**–**	**2 937**

The Group has estimated income tax losses and capital tax losses available of R531,1 million (2018: R522,1 million) and R52,6 million (2018: R52,6 million), respectively. Included in the assessed tax losses were R73,9 million (2018: R32,8 million) and R52,6 million (2018: R52,6 million) relating to income and capital tax losses, respectively, which are available for set-off against future taxable income, but due to the improbability of the realisation of related tax benefits, these assets were not raised. Also included in the above income tax losses is R345,3 million (2018: R340,5 million) of pre-acquisition income tax losses not acknowledged, and therefore not raised.

The deferred tax assets include an amount of R19,5 million which relates to carried forward tax losses of Afrimat Aggregates (KZN) Proprietary Limited and Afrimat Concrete Products Proprietary Limited. These subsidiaries have incurred losses over the last two financial years. The Group concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets for the subsidiaries. The subsidiaries are expected to generate taxable income from FY2020 onwards. The losses can be carried forward indefinitely and have no expiry date.

6.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of the inventories is assigned using the first-in, first-out (‘FIFO’) method, except for consumable stores the cost of which is determined on the weighted average basis.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.4 Inventories (continued)

Provision for stock obsolescence
The Group recognises a provision for stock obsolescence based on the determination of excess stock on hand as well as damaged and unusable items.

A provision for stock obsolescence is calculated as follows:

Aggregates, industrial minerals and clinker	100% if older than 24 months
Commodities	100% if older than 24 months
Concrete manufactured products	100% if older than 12 months
Production supplies	100% if older than 36 months
Raw materials	100% if older than 12 months

Measurement of stockpile quantities
Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. Stockpile tonnages are verified by periodic surveys of which year-end surveys are performed by external service providers.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
The amounts attributable to the different categories are as follows:				
Raw materials, components	**60 038**	73 816	**–**	–
Finished goods	**171 245**	142 682	**–**	–
Production supplies	**41 403**	35 751	**–**	–
	272 686	252 249	**–**	–
Allowance for inventory obsolescence:	**(11 437)**	(10 125)	**–**	–
Raw materials, components	**–**	(201)	**–**	–
Finished goods	**(8 941)**	(6 842)	**–**	–
Production supplies	**(2 496)**	(3 082)	**–**	–
	261 249	242 124	**–**	–

Inventory write-off to net realisable value amounted to R6,7 million (2018: R7,6 million) and was included in 'cost of sales' in the statement of profit or loss and other comprehensive income.

6. Non-financial assets and liabilities (continued)

6.5 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Group policy is that environmental rehabilitation and dismantling estimates will be reviewed annually and be reassessed by independent consultants every three years.

Group companies are required to restore quarry and manufacturing sites at the end of their productive lives to a condition acceptable to the relevant authorities.

Annual estimates are made in determining the present obligation of decommissioning and quarry rehabilitation provisions, which include the actual estimate, the discount rate used and the expected date of closure of mining activities in determining the present value of decommissioning and quarry rehabilitation provisions. Estimates are based on costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances.

The expected increase or decrease in the cost of any rehabilitation programme, discounted to its net present value, is charged as an expense in the year in which the increase or decrease occur and is included in 'cost of sales'. The increase or decrease in the net present value of the expected cost is included in 'finance costs'.

Where a closure and environmental obligation arises from mine development activities, the costs are capitalised as part of the cost of the item of property, plant and equipment.

Quantifying the future costs of these obligations is complex and requires various estimates to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the DMR, have been used to estimate future rehabilitation costs.

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2017	72 392	23 798	96 190
Acquired through business combinations	17 170	3 146	20 316
Discount unwinding	6 680	–	6 680
Reversed during year	(9 342)	(2 512)	(11 854)
Additions	14 858	4 098	18 956
Total changes	29 366	4 732	34 098
Balance at 1 March 2018	101 758	28 530	130 288
Discount unwinding	**8 141**	**–**	**8 141**
Reversed during year	**(934)**	**(8)**	**(942)**
Additions	**1 731**	**1 862**	**3 593**
Total changes	**8 938**	**1 854**	**10 792**
Balance at 28 February 2019	**110 696**	**30 384**	**141 080**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

The Group appointed Site Plan Consulting Proprietary Limited ('SPC') as its independent expert for determining closure cost. SPC applied an 'individual' disturbance, 'unit-based' calculation, based on measurement of actual ('ground-truthed') disturbances, as an alternative quantum calculation provided for by the DMR Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for IFRS reporting purposes. The DMR guideline is used when calculating the liability for submission to the DMR.

Key assumptions used by SPC:

Rehabilitation of access roads	R6,38/m^2
Buttress blasting	R926/linear meter
Rehabilitation of overburden and spoils	R119 250/hectare ('ha')
General surface rehabilitation	R63 746/ha
Two to three years of maintenance and aftercare	R14 085/ha

On 20 November 2015, the Financial Provisioning Regulations ('FPR') (GNR1147) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the National Environmental Management Act, 1998 ('NEMA'). After promulgation of the FPR, the Department of Environmental Affairs ('DEA') met with various stakeholders who sought clarification on a number of issues. This resulted in revised draft regulations pertaining to the financial provision for prospecting, exploration, mining or production operations which were issued on 10 November 2017 (GNR1228). The FPR (GNR1147) are currently valid and in force and the final implementation date was 19 February 2019.

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 8,0% (2018: 8,0%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums during the prior year.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMR to the amount of R195,2 million (2018: R187,3 million) (refer note 16). Funds to the amount of R46,7 million (2018: R27,7 million) were invested in environmental insurance policies and R2,7 million (2018: R2,5 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer note 7.1.1).

7. Financial assets and liabilities

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1.1)	**2 734**	–	**–**	–
Available-for-sale financial assets (refer note 7.1.2)	**–**	20 684	**–**	–
Financial assets at fair value through profit or loss (refer note 7.2)	**50 025**	30 573	**–**	–
Financial assets at amortised cost (2018: Loans and receivables) (refer note 7.3.1)	**3 939**	8 189	**8 852**	8 837
	56 698	59 446	**8 852**	8 837

The Group has applied IFRS 9 retrospectively, but elected not to restate comparative figures, therefore comparative figures will be in accordance with the Group's previous accounting policies in terms of IAS 39. Refer note 21 for details of changes in accounting policies.

The Group classifies its financial assets in categories dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

7.1 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise equity securities not held for trading.

The Group may make an irrevocable election, on an instrument basis, and on initial recognition, to designate certain investments in equity instruments at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are recognised when the Company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition at fair value. Transaction costs are added to the initial carrying amount for those investments. Investments in equity instruments are subsequently measured at fair value recognised in other comprehensive income.

The gains or losses which accumulated in equity in the 'fair value reserve' for equity investments at fair value through other comprehensive income are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

Recognition and measurement in accordance with IAS 39 (comparative figures)
Previously, the Group designated equity investments as available-for-sale where the intention was to hold these investments for the medium to long term.

Available-for-sale assets are subsequently carried at fair value with changes in fair value recognised in equity through other comprehensive income.

On disposal or impairment of the equity investment any related balance in equity was reclassified to profit or loss.

The fair values of quoted investments are based on current bid prices.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

7.1.1 Financial assets at fair value through other comprehensive income

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**71**	–	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**2 663**	–	**–**	–
Total financial assets at fair value through other comprehensive income	**2 734**	–	**–**	–
7.1.2 Financial assets previously classified as available-for-sale				
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**–**	128	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**–**	2 548	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**–**	18 008	**–**	–
	–	20 556	**–**	–
Total available-for-sale financial assets	**–**	20 684	**–**	–

Environmental funds were established to fund the cost of rehabilitation on closure of certain of the Group's mines. The Liberty Life New Growth Rehabilitation investments were acquired as part of the Demaneng acquisition (refer note 12).

Refer note 20 for details of fair value estimation.

7. Financial assets and liabilities (continued)

7.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ('FVPL') comprise:

- Equity investments held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income ('OCI').

Investments in equity instruments measured at fair value through profit or loss are recognised when the Company becomes a party to the contractual provisions of the instrument. The investments are measured, at initial recognition at fair value. Transaction costs are recognised through profit or loss. Investments in equity instruments are subsequently measured at fair value through profit or loss.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented net within 'other net gains and losses'.

Recognition and measurement in accordance with IAS 39 (comparative figures)

Financial assets are designated at fair value through profit or loss when they are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy. These include environmental insurance policies of which performance is evaluated alongside the Group's obligation to rehabilitate the environment after mining operations at the various mining sites are complete. The Group manages the environmental insurance policies and other designated financial assets so as to maximise its total return including interest, dividends and changes in fair value, and evaluates the performance on that basis.

Gains and losses arising from changes in 'the fair value of financial assets at FVPL' category are presented in the statement of profit or loss and other comprehensive income within 'other net gains and losses' in the period in which they arise.

The environmental policies of Infrasors and Demaneng are designated in this category and not classified as financial assets at fair value through other comprehensive income (2018: available-for-sale assets), due to the difference in internal processes of monitoring the fair value of those policies. The designation applies to Groups of financial assets, financial liabilities or combinations thereof that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and where information on the Groups of financial instruments is reported to management on that basis. These financial assets are held to back the Group's rehabilitation obligations over the longer term.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.2 Financial assets at fair value through profit or loss(continued)

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Non-current assets				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**257**	–	**–**	–
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	**629**	613	**–**	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	**28 765**	27 695	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**17 921**	–	**–**	–
Stanlib Asset Management Limited Income Retention Fund	**2 453**	2 265	**–**	–
Total financial assets at fair value through profit or loss	**50 025**	30 573	**–**	–

In the prior year, the Infrasors Group reinvested an amount, previously realised, in a Centriq Mining Rehabilitation Guarantee Insurance Policy to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites (refer note 6.5).

The Liberty Life New Growth Rehabilitation investments were acquired as part of the Demaneng acquisition (refer note 12) and were established to fund the cost of rehabilitation on closure of the Group's iron ore mine.

The Cadiz Enterprise Development Investment is an upfront investment which counts towards the Group's enterprise development score. This investment was acquired as part of the Cape Lime acquisition.

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R0,8 million (2018: R1,5 million) was allocated to 'other net gains and losses' in profit or loss. Refer note 20 for details of fair value estimation.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost

Financial assets at amortised cost comprise assets held for collection of contractual cash flow comprising solely payments of principal and interest.

Loans receivable are recognised when the Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus direct transaction costs, if any.

Interest on these financial assets is calculated using the effective interest method and recognised in the statement of profit or loss and other comprehensive income as part of 'finance income'.

The Group recognises a loss allowance for expected credit losses ('ECL') on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, the loss allowance for that loan is measured at 12 month expected credit losses ('12 month ECL').

Recognition and measurement in accordance with IAS 39 (comparative figures)
There has been no change in the recognition and measurement of loans receivable in accordance with IAS 39, except for application of the ECL model on loans and receivables. Previously, impairment of loans and receivables required the consideration of the impairment indicators, namely significant financial difficulties of the borrower and default or delinquency in payments.

7.3.1 Financial assets at amortised costs (2018: Loans and receivables)

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Non-current assets				
Investment in Pemba Aggregates Limitada/Afrimat Mozambique Limitada	**–**	4 481	**8 685**	8 685
BEE investor	**3 939**	3 708	**167**	152
Total other financial assets at amortised cost	**3 939**	8 189	**8 852**	8 837

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.1 *Financial assets at amortised costs (2018: Loans and receivables)* (continued)

BEE investor

During FY2014, 190 000 treasury shares were issued to a BEE investor for a value of R12,74 per share. Loan funding to the value of R2,4 million for the purchase of the shares were provided by one of the Group's subsidiaries, Afrimat Aggregates (Operations) Proprietary Limited. The loan is subject to interest at SBSA's prime overdraft rate less three percentage points.

While financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

7.3.2 *Trade and other receivables*

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. They are subsequently measured as amortised costs using the effective interest method, because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

The Group applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group makes use of a provision matrix as a practical expedient to the determination of ECL on trade receivables. Trade receivables have been grouped on days past due. The expected loss rate is based on the historical payment of sales, as well as credit losses experienced during a 12 month period before reporting date. The historical loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors that may affect the ability of customers to settle the debt outstanding. The Group has identified the Gross Domestic Product ('GDP') of South Africa to be the most relevant factor and accordingly adjusted the historical loss rate based on expected changes in the GDP. When there is no expectation to recover additional cash, the receivable is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other income' in the statement of profit or loss and other comprehensive income.

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

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

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 *Trade and other receivables* (continued)

Provisionally priced receivables included within the trade receivables of Afrimat Demaneng Proprietary Limited are subject to fluctuations and are measured at fair value through profit or loss from the date of recognition up until date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principal and interest.

Recognition and measurement in accordance with IAS 39 (comparative figures)

Trade and other receivables are classified as loans and receivables. An allowance for estimated irrecoverable amounts is recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective indicators that trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within 'other operating expenses'. When there is no expectation to recover additional cash, the receivable is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other income' in the statement of profit or loss and other comprehensive income.

Trade and other receivables

Impairment of trade and other receivables requires the consideration of historical default rates and forward-looking information on macroeconomic factors.

Previously in accordance with IAS 39, impairment of trade and other receivables required the consideration of the impairment indicators, namely significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 *Trade and other receivables* (continued)

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Trade and other receivables at amortised cost	**345 476**	319 776	**6 484**	23 779
Less: Allowances for credit losses	**(9 580)**	(4 354)	**–**	–
Trade and other receivables at fair value through profit or loss	**52 522**	–	**–**	–
Trade receivables – net	**388 418**	315 422	**6 484**	23 779
Loans to related parties	**19 661**	36 681	**–**	696
Other receivables	**21 397**	16 215	**463**	661
Trade and other receivables – financial assets (refer note 10)	**429 476**	368 318	**6 947**	25 136
Prepayments and value-added taxation	**5 982**	23 285	**236**	14
Total trade and other receivables	**435 458**	391 603	**7 183**	25 150

The loans to related parties include loans made by the Group to the Group's associate and joint venture, Ikapa Quarries Proprietary Limited and Pemba Aggregates Limitada, respectively. The Ikapa Quarries Proprietary Limited receivables have no fixed repayment terms and bear interest at prime (2018: prime). The Pemba Aggregates Limitada receivables bear interest at Libor +1,5% (2018: Libor +1,5%) and have no fixed repayment terms.

An increase of R10,8 million in the impairment provision on the loan to Pemba Aggregates Limitada, resulted from the change from the incurred loss model to ECL on 1 March 2018 upon adoption of IFRS 9. The loss allowance increased with a further R8,9 million during the current year. Refer note 21 for further details on the loss allowance.

The Pemba Aggregates Limitada loan is considered to be in Stage 2 (in terms of credit risk classification) and a loss allowance equivalent to a lifetime ECL is required to be held under IFRS 9. This is due to a significant increase in credit risk as a result of a decline in sales in the current financial year. In calculating the expected credit loss rates, the Group considered a 62.82% (2018: 50.71%) probability of default in terms of the Global Corporate Average Cumulative Default Rates with a CCC/C investment grade as appropriate. A loss given default rate of 100% (2018: 80%) was deemed appropriate in calculating the respective ECL.

The other receivables did not contain impaired assets.

Trade receivables to the amount of R310,6 million (2018: R267,1 million) served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 *Trade and other receivables* (continued)

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management Committees. The exposure to credit risk and the creditworthiness of customers is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. The Group measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime ECL on trade receivables. These lifetime ECL's are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward-looking information and general economic conditions of the industry as at the reporting date.

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

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	Estimated gross carrying amount at default 2019 R'000	Loss allowance (lifetime expected credit loss) 2019 R'000
Expected credit loss rate:		
Not past due: 0,9%	**259 347**	**(2 432)**
Less than 30 days past due: 0,9%	**28 842**	**(265)**
31 – 60 days past due: 0,4%	**36 021**	**(132)**
61 – 90 days past due: 0,9%	**10 716**	**(101)**
91 – 120 days past due: 23,5%	**4 761**	**(1 117)**
More than 120 days past due: 95,6%	**5 789**	**(5 533)**
Total	**345 476**	**(9 580)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 *Trade and other receivables* (continued)

Exposure to credit risk (continued)

The following table shows the movement in the loss allowance (lifetime ECLs) for trade and other receivables:

	2019 R'000	2018 R'000
Opening balance in accordance with IAS 39: *Financial Instruments: Recognition and Measurement*	**4 354**	4 757
Adjustments upon application of IFRS 9*	**–**	–
Opening balance in accordance with IFRS 9	**4 354**	4 757
Amounts recovered	**(384)**	–
Receivables written off during the year as uncollectible	**–**	(2 614)
Provisions raised on new trade receivables	**6 640**	3 550
Provisions reversed on settled trade receivables	**(1 030)**	(1 339)
Closing balance	**9 580**	4 354

* *Management has assessed the impact of IFRS 9 on the opening balance and regard the adjustment to be immaterial.*

Credit risk disclosures for comparative figures under IAS 39

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

The age analysis of these trade receivables is as follows:

	Group 2018 R'000	Company 2018 R'000
Neither impaired nor past due	272 478	23 779
Not impaired but past due		
Between 30 and 60 days past due	26 601	–
Between 60 and 90 days past due	7 967	–
More than 90 days past due	8 376	–
	42 944	–
	315 422	23 779

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 *Trade and other receivables* (continued)

Exposure to credit risk (continued)

An impairment provision of R4,4 million was recognised against receivables. The ageing of the impairment portion of receivables, which was past due, was as follows:

	Group 2018 R'000	Company 2018 R'000
Between 30 and 60 days	476	–
Between 60 and 90 days	259	–
More than 90 days	3 619	–
	4 354	–

As at 28 February 2018, the Group had trade receivables of R42,9 million which were past due but not impaired. These relate to a number of reputable customers for whom there was either no history of default, settlement agreements were in place or that management believed will in all probability pay.

	Group 2018 R'000	Company 2018 R'000
Credit quality of fully performing financial assets		
Trade receivables		
Customers without external ratings		
Group 1 (new customers)	49 191	–
Group 2 (existing customers – with no defaults in the past)	203 707	23 779
Group 3 (existing customers – some prior defaults, but fully recoverable)	19 580	–
	272 478	23 779

None of the financial assets have been renegotiated in the prior year.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Rand	**374 051**	354 041	**7 183**	25 150
Meticais*	**8 885**	6 132	**–**	–
US Dollar	**52 522**	31 430	**–**	–
	435 458	391 603	**7 183**	25 150

* *Currency of Mozambique, abbreviated with the symbol MZN or MT.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk in change in value; these are classified as financial assets measured at amortised cost.

For purposes of the cash flow statements, cash and cash equivalents comprise cash and cash equivalents defined above, net of outstanding bank overdrafts.

Bank overdrafts are classified as financial liabilities at amortised cost.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Cash and cash equivalents consist of:				
Cash on hand	**386**	849	**–**	–
Bank balances	**179 019**	101 777	**352**	400
Short-term bank deposits	**12 358**	9 582	**–**	–
Bank overdraft	**(134 153)**	(90 203)	**(134 016)**	(53 427)
	57 610	22 005	**(133 664)**	(53 027)
Current assets	**191 763**	112 208	**352**	400
Current liabilities	**(134 153)**	(90 203)	**(134 016)**	(53 427)
	57 610	22 005	**(133 664)**	(53 027)

An unlimited omnibus securityship between Group companies was provided to SBSA for the Group overdraft facility.

The cash and cash equivalents disclosed above and in the statement of cash flows include R8,0 million (2018: R3,7 million) which are held by Afrimat Mozambique Limitada. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

Refer note 10 for details on the credit quality of cash and cash equivalents.

7.3.4 Borrowings

Borrowings are classified as financial liabilities subsequently measured at amortised cost. The liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

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

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

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

Recognition and measurement in accordance with IAS 39 (comparative figures)
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. There has been no change in the recognition and measurement of borrowings in accordance with IAS 39.

Instalment purchase agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the financed asset or, if lower, the present value of the minimum instalment payments. The corresponding liability, net of finance charges, to the lessor is included in the statement of financial position as borrowings.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Non-current liabilities				
Medium-term loans	**116 071**	214 220	**116 071**	210 000
Instalment purchase agreements	**119 471**	57 734	**–**	–
	235 542	271 954	**116 071**	210 000
Current liabilities				
Medium-term loans	**46 429**	72 954	**46 429**	72 954
Instalment purchase agreements	**101 575**	92 050	**–**	–
	148 004	165 004	**46 429**	72 954
Total borrowings	**383 546**	436 958	**162 500**	282 954
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	**287 174**	1 971	**282 954**	–
Additions through business combinations	**–**	2 895	**–**	–
Additions	**60 000**	300 000	**60 000**	300 000
Repayments	**(184 674)**	(17 692)	**(180 454)**	(17 046)
Closing balance	**162 500**	287 174	**162 500**	282 954

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Instalment purchase agreements				
Capital reconciliation of instalment purchase agreements was as follows:				
Opening balance	**149 784**	172 118	**–**	–
Borrowings raised	**196 435**	79 845	**–**	–
Repayments	**(125 173)**	(102 179)	**–**	–
Closing balance	**221 046**	149 784	**–**	–
Total borrowings	**383 546**	436 958	**162 500**	282 954
Minimum payments due on instalment purchase agreements are as follows:				
Within one year	**115 600**	101 305	**–**	–
In second to fifth year inclusive	**129 854**	61 071	**–**	–
	245 454	162 376	**–**	–
Future finance charges	**(24 408)**	(12 592)	**–**	–
Present value of minimum payments	**221 046**	149 784	**–**	–
Analysis of present value of minimum payments due:				
Within one year	**101 575**	92 050	**–**	–
In second to fifth year inclusive	**119 471**	57 734	**–**	–
	221 046	149 784	**–**	–
Analysis as per statement of cash flows:				
Total opening balance – borrowings	**436 958**	174 089	**282 954**	–
Additions through business combinations	**–**	2 895	**–**	–
Borrowings raised	**144 635**	300 000	**60 000**	300 000
Borrowings raised – non-cash (refer note 6.1)	**111 800**	79 845	**–**	–
Repayments	**(309 847)**	(119 871)	**(180 454)**	(17 046)
Total closing balance – borrowings	**383 546**	436 958	**162 500**	282 954

The following covenants are applicable to the existing medium-term loan

The Group shall ensure that the following financial covenants will be met:

- Net Debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') ratio shall not exceed 2,3;
- EBITDA to finance charges ratio shall at all times exceed 3,5;
- Debt service cover ratio shall at all times exceed 1,2;
- Guarantor EBITDA ratio shall at all times exceed 90%; and
- Guarantor total assets ratio shall at all times exceed 90%.

During the prior year, the Group acquired an additional 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 of R13,7 million commencing 30 November 2017.

During the current year an amount equal to R60,0 million of the original R300,0 million facility commitment which had previously been repaid by the Company, was redrawn. Refer note 10 for present value of minimum payments due in relation to medium-term loans.

During the current year, 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. The financed plant and machinery was purchased in preceding years and would have been included in the 'additions' of those respective years. A vehicle asset facility of R109,6 million over 36 months at prime rate minus 1,15% repayable in monthly instalments of capital and interest, was agreed upon for this purpose.

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. None of the covenants were breached during the year ended 28 February 2019 as well as in the preceding year.

It is Group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements are repayable in monthly instalments of R10,3 million (2018: R11,6 million) including interest and capital. Interest rates are linked to prime overdraft rate and varied between 7,5% and 9,0% (2018: 8,0% and 10,0%) during the year. The instalment purchase agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

Refer note 7.3.2 for trade receivables provided as security for the medium-term loans.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the reporting dates are as follows:

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
At floating rates	**383 546**	436 958	**162 500**	282 954
The Group has the following undrawn borrowing facilities with FNB, SBSA and ABSA Bank Limited:				
Floating rate:				
– Expiring within one year	**436 726**	553 591	**58 740**	74 673

The fair value of borrowings equals their carrying amount. The carrying amounts of the Group's borrowings are all denominated in South African Rand.

The Memorandum of Incorporation of Afrimat Limited and its subsidiary companies provide no limitation on the borrowing powers of the directors, accordingly the borrowings set out above comply with the Memorandum of Incorporation of the respective companies.

7.3.5 *Other financial liabilities*

Other financial liabilities are initially recognised at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost. There was no impact on the Group's accounting for financial liabilities in terms of IFRS 9, as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Net capital proceeds owing to Afrimat BEE Trust participants	**9 480**	12 968	**–**	–
Deferred liability: Demaneng minorities	**–**	8 888	**–**	–
Closing balance	**9 480**	21 856	**–**	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.5 *Other financial liabilities* (continued)

Upon the implementation of the ARC transaction (in FY2017), the beneficiaries of the Afrimat BEE 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 individuals to ensure payment occurs timeously.

On 22 August 2017, the Group announced on SENS that Afrimat had concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake in Demaneng as from 15 August 2017. The purchase consideration of R44,0 million was 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. The deferred liability was repaid during the current year.

7.3.6 *Trade and other payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost. There was no impact on the Group's accounting for trade and other payables in terms of IFRS 9, as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Trade payables	**181 237**	202 451	**14 882**	5 871
Accrued expenses	**90 046**	75 096	**6 930**	3 361
Other payables	**31 307**	70 832	**31 432**	29 077
Trade and other payables – financial liabilities (refer note 10)	**302 590**	348 379	**53 244**	38 309
Taxes and other statutory liabilities*	**25 728**	27 107	**–**	3 758
Employee related accruals	**62 199**	31 536	**–**	–
Total trade and other payables	**390 517**	407 022	**53 244**	42 067

* *Comparative information was amended due to a measurement period adjustment relating to business combinations. Refer note 12.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.6 *Trade and other payables* (continued)

Trade and other payables consist of purchases from suppliers at normal trade terms. Interest is paid on overdue accounts at an interest rate linked to the prime bank rate.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Rand	**380 940**	394 984	**53 244**	42 067
Meticais*	**9 577**	12 038	**–**	–
	390 517	407 022	**53 244**	42 067

* *Currency of Mozambique, abbreviated with the symbol MZN or MT.*

8. Equity – including earnings per share

8.1 Stated capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Authorised 1 000 000 000 (2018: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued 143 262 412 (2018: 143 262 412) ordinary shares with no par value	**266 985**	285 842	**196 105**	217 978
Net effect of settlement of employee share options	**(8 693)**	(20 357)	**(8 926)**	(21 873)
Effect of shares utilised for Afrimat Bulk Commodities Proprietary Limited acquisition	**–**	1 500	**–**	–
Stated capital	**258 292**	266 985	**187 179**	196 105

8. Equity – including earnings per share (continued)

8.1 Stated capital (continued)

The net effect of settlement of employee share options refer to the total shares issued to employees in terms of the Share Appreciation Rights Scheme including the shares 'surrendered' by employees in order to raise cash to pay the taxation owing.

All shares issued by the Company were fully paid.

8.2 Treasury shares

Shares in Afrimat Limited held by wholly owned subsidiaries are classified as treasury shares. Where any Group Company purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders under 'treasury shares' until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders under 'treasury shares'. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the Group profit or loss on the purchase, sale, issue or cancellation of treasury shares.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
26 149 (2018: 185) shares held by Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary	**(655)**	(6)	**–**	–
892 500 (2018: Nil) shares held by Afrimat Management Services Proprietary Limited, a subsidiary	**(25 513)**	–	**–**	–
6 653 854 (2018: 6 653 854) shares held by AEI, a subsidiary of Afrimat BEE Trust	**(59 654)**	(59 654)	**–**	–
	(85 822)	(59 660)	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

The Group acquired 209 000 and 892 500 (2018: 475 216 and Nil) of its own shares through purchases on the JSE Limited via Afrimat Aggregates (Operations) Proprietary Limited and Afrimat Management Service Proprietary Limited, respectively. The total amounts paid to acquire the shares were R31,0 million (2018: R13,6 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R28,13 (2018: R28,52). During the year, 183 036 and Nil (2018: 473 106 and 535 714) shares were utilised in terms of the Share Appreciation Rights Scheme and Afrimat Bulk Commodities Proprietary Limited ('Afrimat Bulk Commodities') 5% minority stake acquisition, for an amount of R4,8 million and RNil (2018: R11,4 million and R13,5 million), respectively. The related weighted average share price at the time of exercise was R27,97 (2018: R24,67).

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.

	Group		Company	
	2019 '000	2018 '000	**2019 '000**	2018 '000
Analysis of movement in number of treasury shares:				
Opening balance	**6 654**	7 188	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(183)**	(473)	**–**	–
Utilised to purchase minority shares in Afrimat Bulk Commodities	**–**	(536)	**–**	–
Purchased during the year	**1 102**	475	**–**	–
Afrimat Aggregates Operations Proprietary Limited ('AAO')	**209**	475	**–**	–
Afrimat Management Services Proprietary Limited ('AMS')	**893**	–	**–**	–
Closing balance	**7 573**	6 654	**–**	–

AMS holds 397 700 shares as nominee for the absolute benefit of the participants of the Group's Forfeitable Share Plan ('FSP'). The remaining 494 800 shares held in AMS are held for the purposes of the Group's Share Appreciation Rights Scheme.

8.3 Other reserves

Other reserves comprise mainly of accumulated amounts related to equity-settled share-based payment schemes, and also accumulated amounts related to re-measurements of financial assets at fair value through other comprehensive income ('FVOCI') (2018: available-for-sale assets) and currency translation differences. The Group transfers amounts from the fair value reserve to retained earnings (2018: profit or loss) when relevant equity securities are derecognised.

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Group					
Balance at 1 March 2017	621	11 472	(7 568)	(105 788)	(101 263)
Share-based payment expense for the year	–	5 456	–	–	5 456
Settlement of employee share options	–	(5 196)	–	–	(5 196)
Fair value adjustment	142	–	–	–	142
Currency translation differences	–	–	961	–	961
Total changes	142	260	961	–	1 363
Balance at 28 February 2018	**763**	**11 732**	**(6 607)**	**(105 788)**	**(99 900)**
Share-based payment expense for the year	**–**	**7 247**	**–**	**–**	**7 247**
Settlement of employee share options	**–**	**(2 374)**	**–**	**–**	**(2 374)**
Deferred tax on share-based payments	**–**	**2 039**	**–**	**–**	**2 039**
Fair value adjustment	**27**	**–**	**–**	**–**	**27**
Currency translation differences	**–**	**–**	**(1 430)**	**–**	**(1 430)**
Total changes	**27**	**6 912**	**(1 430)**	**–**	**5 509**
Balance at 28 February 2019	**790**	**18 644**	**(8 037)**	**(105 788)**	**(94 391)**
Company					
Balance at 1 March 2017	–	1 830	–	–	1 830
Share-based payment expense for the year	–	1 097	–	–	1 097
Settlement of employee share options	–	(722)	–	–	(722)
Total changes	–	375	–	–	375
Balance at 28 February 2018	**–**	**2 205**	**–**	**–**	**2 205**
Share-based payment expense for the year	**–**	**2 046**	**–**	**–**	**2 046**
Deferred tax on share-based payments	**–**	**162**	**–**	**–**	**162**
Settlement of employee share options	**–**	**(583)**	**–**	**–**	**(583)**
Total changes	**–**	**1 625**	**–**	**–**	**1 625**
Balance at 28 February 2019	**–**	**3 830**	**–**	**–**	**3 830**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

Nature and purpose of reserves

(a) *Fair value reserve*

This reserve records the changes in fair value of equity instruments at FVOCI (2018: available-for-sale investments).

(b) *Share-based payment reserve*

This reserve records the fair value of the vested and unvested portion of share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer note 18 for further details on the relevant schemes.

(c) *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(d) *Reverse acquisition reserve*

The Group financial statements are issued in the name of Afrimat Limited but are, in fact, prepared as a continuation of the Group financial statements of Prima Klipbrekers Proprietary Limited as a result of a reverse acquisition in 2007. This has resulted in a reverse acquisition reserve in the Group of R105,8 million in terms of IFRS 3.

8.4 Non-controlling interests

	Infrasors Holdings Proprietary Limited		Other individually immaterial subsidiaries		Total non-controlling interest	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Total non-controlling interest	**5 179**	4 501	**6 172**	5 479	**11 351**	9 980
Effective non-controlling interest percentage	**2,6%**	2,6%	**–**	–	**–**	–
Summarised financial information:						
Non-current assets	**321 670**	293 366	**9 472**	1 180	**–**	–
Current assets	**105 901**	96 634	**(3 791)**	19 141	**–**	–
Non-current liabilities	**(107 932)**	(78 636)	**(1 640)**	(1 505)	**–**	–
Current liabilities	**(83 984)**	(99 147)	**(29 953)**	(15 432)	**–**	–
Net assets/(liabilities)	**235 655**	212 217	**(25 912)**	3 384	**–**	–
Revenue	**365 425**	381 920	**146 970**	50 182	**–**	–
Profit/(loss) after taxation included in results	**27 678**	40 665	**(11 568)**	3 072	**–**	–
Reported by subsidiaries	**23 361**	37 270	**(11 568)**	3 072	**–**	–
Reversal of depreciation and impairments by Afrimat on consolidated pre-acquisition adjustments	**4 317**	3 395	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income/(loss)	**27 678**	40 665	**(11 568)**	3 072	**–**	–
Profit/(loss) after taxation, allocated to non-controlling interest	**685**	973	**2 168**	(1 263)	**–**	–
Other comprehensive income, allocated to non-controlling interest	**–**	–	**–**	–	**–**	–

Infrasors is the owner and operator of three mines Lyttelton Centurion mine, Marble Hall mine and the Afrimat Silica mine. Infrasors' main business is open pit mining and processing of industrial minerals including limestone, dolomite and silica.

	Group	
	2019 R'000	2018 R'000
Analysis as per statement of cash flows:		
Acquisition of shares in Infrasors	**14**	21
Acquisition of shares in Demaneng	**9 000**	35 000
Acquisition of 100% shareholding in Afrimat Bulk Commodities Proprietary Limited	**–**	2 500
	9 014	37 521

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

8. Equity – including earnings per share (continued)

8.5 Earnings per share

(a) Basic and headline earnings per share

Basic earnings and headline earnings per share is calculated by dividing the net profit attributable to owners of the Group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares. Headline earnings are calculated in accordance with Circular 4/2018 issued by the SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all ordinary shares with dilutive potential. For this purpose the share options are assumed to have been converted into ordinary shares. The share options have no effect on net profit and therefore no adjustment is made in this respect.

	Group	
	2019 '000	2018 '000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(7 573)**	(6 654)
Net shares in issue	**135 689**	136 608
Weighted average number of net shares in issue	**136 387**	136 271
Adjusted for effect of future share-based compensation payments	**898**	977
Diluted weighted average number of shares	**137 285**	137 248
Profit attributable to ordinary shareholders (rand)	**301 363**	245 668
Earnings per ordinary share (cents)	**221,0**	180,3
Diluted earnings per ordinary share (cents)	**219,5**	179,0

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

	Group			
	Gross 2019 R'000	**Net of tax 2019 R'000**	Gross 2018 R'000	Net of tax 2018 R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**301 363**	–	245 668
Profit on disposal of property, plant and equipment attributable to owners of the parent	**(3 538)**	**(2 547)**	(638)	(459)
Impairment of goodwill	**20 468**	**20 468**	–	–
Impairment of property, plant and equipment	**–**	**–**	1 399	1 007
Headline earnings		**319 284**		246 216
Headline earnings per share ('HEPS') (cents)		**234,1**		180,7
Diluted HEPS (cents)		**232,6**		179,4

8.6 Net asset value ('NAV') per share

	Group	
	2019 '000	2018 '000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(7 573)**	(6 654)
Net shares in issue	**135 689**	136 608
Shareholders' funds attributable to owners of the parent (rand)	**1 398 166**	1 219 340
Net total asset value per share (cents)	**1 030**	893
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	**1 398 166**	1 219 340
Intangible assets	**(221 873)**	(243 970)
	1 176 293	975 370
Total TNAV per share (cents)	**867**	714

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

8. Equity – including earnings per share (continued)

8.7 Dividends paid

Dividends declared to the Group's shareholders are recognised in the Group's financial statements in the period in which dividends are approved by the Group's directors.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Current year interim dividend paid	**27 220**	28 652	**27 220**	28 652
Previous year final dividend paid	**60 170**	71 631	**60 170**	71 631
Dividends received on treasury shares	**(2 645)**	(4 683)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**1 475**	640	**–**	–
	86 220	96 240	**87 390**	100 283
The Company has declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			**19,0**	20,0
Final dividend declared/paid (cents)			**62,0**	42,0
Distributions paid (cents)			**81,0**	62,0

9. Cash flow information

9.1 Cash generated from operations

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Profit before tax	**421 543**	323 889	**122 328**	793 489
Adjustments for:				
Depreciation and amortisation	**146 341**	124 293	**–**	–
Impairment of goodwill	**20 468**	–	**–**	–
Impairment of property, plant and equipment	**–**	1 399	**–**	–
Impairment of debit loans	**–**	615	**–**	–
Share of profit/(loss) of associate and joint venture	**(2 326)**	8	**–**	–
Profit on sale of property, plant and equipment	**(3 538)**	(638)	**–**	–
Impairment of loan to joint venture	**2 278**	–	**–**	–

9. Cash flow information (continued)

9.1 Cash generated from operations (continued)

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Gains – financial assets at fair value through profit or loss	**(794)**	(1 465)	**–**	–
Foreign exchange differences	**(1 430)**	961	**–**	–
Dividend revenue (in specie)	**–**	–	**–**	(675 201)
Dividend revenue	**–**	–	**(77 571)**	(125 694)
Interest revenue	**(14 771)**	(32 930)	**(7 411)**	(19 382)
Finance costs	**66 706**	59 432	**50 632**	101 082
Net effect of settlement of employee share options	**(3 874)**	(8 966)	**(8 926)**	(21 873)
Movements in provisions	**917**	5 353	**–**	–
Share-based payment expense	**7 247**	5 456	**2 046**	1 097
Changes in working capital (excluding the effects of acquisition on consolidation):				
Increase in inventories	**(19 125)**	(66 718)	**–**	–
(Increase)/decrease in trade and other receivables	**(55 899)**	(50 647)	**17 967**	(22 806)
(Decrease)/increase in trade and other payables	**(12 021)**	(15 500)	**11 177**	11 416
	551 722	344 542	**110 242**	42 128

9.2 Finance income received

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Finance income (refer note 4.7)	**14 771**	32 930	**7 411**	19 382
Adjustments for:				
Deemed interest (non-cash refer note 4.7)	**(451)**	(1 307)	**–**	–
	14 320	31 623	**7 411**	19 382

9.3 Finance costs paid

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Finance costs (refer note 4.8)	**66 706**	59 432	**50 632**	101 082
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 6.5)	**(8 141)**	(6 680)	**–**	–
	58 565	52 752	**50 632**	101 082

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

9. Cash flow information (continued)

9.4 Tax paid

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Opening balance as per statement of financial position	(2 304)	282	–	–
Current tax for the year recognised in statement of profit or loss and other comprehensive income (refer note 5)	(85 640)	(120 551)	–	–
Acquired through business combinations (refer note 12)	–	(4 542)	–	–
Closing balance in statement of financial position	(9 107)	2 304	–	–
	(97 051)	(122 507)	–	–

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
9.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 6.1)	10 839	23 024	–	–
Environmental rehabilitation and dismantling	(8)	(687)	–	–
Profit on sale of property, plant and equipment	3 538	638	–	–
	14 369	22 975	–	–
9.6 Non-cash investing and financing activities				
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 6.1)	111 800	79 845	–	–
Acquisitions of dismantling costs (refer note 6.1)	1 862	2 458	–	–
	113 662	82 303	–	–
Acquisition of additional non-controlling interest by means of equity issue	–	15 000	–	–

Risk

10. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of directors. Group treasury identifies and evaluates financial risks, when beneficial, with prior approval from the Board. The Board provides guidance on overall risk management, as well as on written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Audit & Risk Committee oversees how management monitors compliance with these risks and control policies.

There has been no change in the Group's objectives, policies and processes for managing its financial risks or the methods to measure them.

Financial instruments by category

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Assets as per statement of financial position				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1.1)	2 734	–	–	–
Financial assets at fair value through profit or loss (FVPL) (refer note 7.2)	50 025	30 573	–	–
Trade and other receivables at fair value through profit and loss (refer note 7.3.2)	52 522	–	–	–
Available-for-sale financial assets (refer note 7.1.2)	–	20 684	–	–
Financial assets at amortised cost				
Other financial assets (refer note 7.3.1)	3 939	8 189	8 852	8 837
Trade and other receivables (refer note 7.3.2)	376 954	368 318	6 947	25 136
Cash and cash equivalents (refer note 7.3.3)	191 763	112 208	352	400
Loans to subsidiaries (refer note 7.1)	–	–	746 446	666 931
Total financial assets	677 937	539 972	762 597	701 304

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

10. Financial risk management (continued)

	Group 2019 R'000	Group 2018 R'000	Company 2019 R'000	Company 2018 R'000
Liabilities as per statement of financial position				
Financial liabilities at amortised cost				
Medium term loans (refer note 7.3.4)	**162 500**	287 174	**162 500**	282 954
Instalment purchase agreements (refer note 7.3.4)	**221 046**	149 784	**–**	–
Other financial liabilities (refer note 7.3.5)	**9 480**	21 856	**–**	–
Loans from subsidiaries (refer note 13.1)	**–**	–	**179 016**	116 857
Trade and other payables (refer note 7.3.6)	**302 590**	348 379	**53 244**	38 309
Bank overdraft (refer note 7.3.3)	**134 153**	90 203	**134 016**	53 427
Total financial liabilities	**829 769**	897 396	**528 776**	491 547

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises equity price risk, interest rate risk, currency risk and commodity price risk. Financial instruments affected by market risk include other financial assets, trade and other receivables, cash and cash equivalents and borrowings.

Hedging is conducted in very limited circumstances.

(i) Equity price risk

The Group is exposed to equity price risk in respect of the investments held in the environmental rehabilitation trusts. Refer note 7.1 and 7.2.

Sensitivity analysis

The Group measures sensitivity of the equity price risk as the effect of a change in the JSE shareholder weighted Top 40 Index performance for the year. The Group regards a 500 basis points (2018: 500 basis points) change in the aforementioned index as being reasonably possible at the end of the reporting periods.

10. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

	Statement of financial position	Statement of comprehensive income	
	R'000	**Movement in basis points**	**Effect on other comprehensive income after tax R'000**
2019			
Group			
Financial assets at fair value through other comprehensive income (refer note 7.1.1)	**2 734**	**+500** **-500**	**79** **(79)**
Total		**+500** **-500**	**79** **(79)**
2018			
Group			
Available-for-sale financial assets (refer note 7.1.2)	20 684	+500 -500	596 (596)
Total		+500 -500	596 (596)

	Statement of financial position	Statement of comprehensive income	
	R'000	**Movement in basis points**	**Effect on profit after tax R'000**
2019			
Group			
Financial assets at fair value through profit or loss (refer note 7.2)	**50 025**	**+500** **-500**	**1 801** **(1 801)**
Total		**+500** **-500**	**1 801** **(1 801)**
2018			
Group			
Financial assets at fair value through profit or loss (refer note 7.2)	30 573	+500 -500	1 101 (1 101)
Total		+500 -500	1 101 (1 101)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from other loans receivable, cash and cash equivalents, borrowings and other financial liabilities as set out in notes 7.3.1, 7.3.3, 7.3.4 and 7.3.5. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk.

The Group's policy is to invest cash and cash equivalents and to obtain borrowings at variable interest rates and not to make use of any interest rate derivatives, which expose the Group to cash flow interest rate risk in South Africa.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity.

The Group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after tax based on the Group's exposure at reporting date. The Group regards a 200 basis points (2018: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the end of the reporting periods.

	Statement of financial position	Statement of comprehensive income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2019			
Group			
Other loans receivable	**3 939**	**+200**	**57**
		-200	**(57)**
Cash and cash equivalents	**191 377**	**+200**	**2 756**
		-200	**(2 756)**
Borrowings	**(383 546)**	**+200**	**(5 523)**
		-200	**5 523**
Bank overdraft	**(134 153)**	**+200**	**(1 932)**
		-200	**1 932**
Total		**+200**	**(4 642)**
		-200	**4 642**

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statement of financial position	Statement of comprehensive income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2019			
Company			
Other loans receivable	**167**	**+200**	**2**
		-200	**(2)**
Cash and cash equivalents	**352**	**+200**	**5**
		-200	**(5)**
Borrowings	**(162 500)**	**+200**	**(2 340)**
		-200	**2 340**
Loans to subsidiaries	**746 446**	**+200**	**10 749**
		-200	**(10 749)**
Loans from subsidiaries	**(179 016)**	**+200**	**(2 578)**
		-200	**2 578**
Bank overdraft	**(134 016)**	**+200**	**(1 930)**
		-200	**1 930**
Total		**+200**	**3 908**
		-200	**(3 908)**
2018			
Group			
Other loans receivable	3 708	+200	53
		-200	(53)
Cash and cash equivalents	111 359	+200	1 604
		-200	(1 604)
Borrowings	(436 958)	+200	(6 292)
		-200	6 292
Other financial liabilities	(8 888)	+200	(128)
		-200	128
Bank overdraft	(90 203)	+200	(1 299)
		-200	1 299
Total		+200	(6 061)
		-200	6 061

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statement of financial position	Statement of comprehensive income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2018			
Company			
Other loans receivable	152	+200	2
		-200	(2)
Cash and cash equivalents	400	+200	6
		-200	(6)
Borrowings	(282 954)	-200	(4 075)
		-200	4 075
Loans to subsidiaries	666 931	+200	9 604
		-200	(9 604)
Loans from subsidiaries	(116 857)	+200	(1 683)
		-200	1 683
Bank overdraft	(53 427)	+200	(769)
		-200	769
Total		+200	3 085
		-200	(3 085)

(iii) Foreign exchange risk

The Group's earnings are exposed to movements in exchange rates. Demaneng's iron ore export prices are determined in US Dollars and the Company negotiates iron ore prices in that currency with customers. Currency movements of the US Dollars against the Rand therefore could have a significant effect on the financial position and results of Demaneng. The Group's functional currency for the preparation of financial accounts is South African Rand and therefore exposed to currency risk in respect of non-Rand cash flows for revenues. Hedging may only take place in exceptional circumstances which would require approval by the Iron Ore Executive Committee. It is the Group's policy to be fully exposed to revenue currency risk, i.e. not to hedge foreign currency revenues.

Sensitivity analysis

A movement in exchange rate of 10,0%, with all other variables held constant, against the US Dollar would have increased/(decreased) profit or loss by the amounts shown below.

This analysis considers the impact of changes in foreign exchange rates on profit or loss, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

	Group	
	Movement in basis points	Effect on profit after tax R'000
2019		
Profit or loss	**+1 000**	**49 118**
	-1 000	**(49 118)**
Total	**+1 000**	**49 118**
	-1 000	**(49 118)**
2018		
Profit or loss	+1 000	21 327
	-1 000	(21 327)
Total	+1 000	21 327
	-1 000	(21 327)

(iv) Commodity price risk

The Group's earnings are exposed to movements in the prices of iron ore that it produces. As a commodity producer the Group wishes to remain exposed to individual commodity prices for the ultimate benefit of its shareholders. It is the Group's policy not to hedge commodity price risks. Certain of the Group's sales are provisionally priced, meaning that the selling price is determined normally 30 to 90 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. As at 28 February 2019, R52,5 million (2018: R31,4 million) of the trade receivables balance are subject to price movements.

Sensitivity analysis

A movement in commodity prices of 10,0%, with all other variables held constant, on the Group's sales exposed to this risk would have increased/(decreased) profit or loss by the amounts shown below.

	Statement of financial position	Statement of comprehensive income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2019			
Group			
Trade receivables subject to price fluctuations	**52 522**	**+1 000**	**3 782**
		-1 000	**(3 782)**
Total		**+1 000**	**3 782**
		-1 000	**(3 782)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

10. Financial risk management (continued)

(a) Market risk (continued)

(iv) Commodity price risk (continued)

	Statement of financial position	Statement of comprehensive income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2018			
Group			
Trade receivables subject to price fluctuations	31 430	+1 000	2 263
		-1 000	(2 263)
Total		+1 000	2 263
		-1 000	(2 263)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risks from its operating activities. Credit risk arises principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in notes 7.3.1 to 7.3.3.

The Group did not consider there to be any significant credit risk exposure which has not been adequately provided for.

The maximum exposure to credit risk is presented in the table below:

	Gross carrying amount 2019 R'000	**Credit loss allowance 2019 R'000**	**Amortised cost/fair value 2019 R'000**	Gross carrying amount 2018 R'000	Credit loss allowance 2018 R'000	Amortised cost/fair value 2018 R'000
Total financial assets at amortised cost	**3 939**	**–**	**3 939**	8 189	–	8 189
Trade and other receivables	**439 056**	**(9 580)**	**429 476**	372 672	(4 354)	368 318
Cash and cash equivalents	**191 763**	**–**	**191 763**	112 208	–	112 208
Total	**634 758**	**(9 580)**	**625 178**	493 069	(4 354)	488 715

The Group's concentration of credit risk is limited to South Africa and Mozambique.

10. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables

For exposure to credit risk identified by the Company, refer note 7.3.2 for further details disclosed.

(ii) Cash and cash equivalents

The Group limits its counterparty exposure arising from bank accounts/call deposits by only dealing with well-established financial institutions of high credit standing. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group invests surplus cash with approved B national short-term rated (according to Moody's short-term rating) financial institutions.

(iii) Financial guarantees

Credit risk arises in relation to financial guarantees given to certain parties.

Refer note 16 for details of guarantees provided.

(iv) Other financial assets

Refer note 7.3.1 for details.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements through monthly cash forecasts which includes the servicing of financial obligations, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To assist, strict credit control and debt monitoring processes are applied.

Surplus cash over and above the balance required for working capital management, is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing current accounts and call deposits to provide sufficient capacity as determined by the abovementioned forecasts. At the reporting period, the Group held call deposits of R12,3 million (2018: R9,5 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

10. Financial risk management (continued)

(c) Liquidity risk (continued)

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The following table details the Group's undisclosed contractual maturities for its financial liabilities:

	Group			
	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000
At 28 February 2019				
Medium-term loans	**162 500**	**191 496**	**60 217**	**131 279**
Other financial liabilities	**9 480**	**9 480**	**9 480**	**–**
Instalment purchase agreements	**221 046**	**245 454**	**115 600**	**129 854**
Trade and other payables	**302 590**	**302 590**	**302 590**	**–**
Bank overdraft	**134 153**	**134 153**	**134 153**	**–**
	829 769	**883 173**	**622 040**	**261 133**
At 28 February 2018				
Medium-term loans	287 174	334 576	87 499	247 077
Other financial liabilities	21 856	21 856	21 856	–
Instalment purchase agreements	149 784	162 376	101 305	61 071
Trade and other payables	348 379	348 379	348 379	–
Bank overdraft	90 203	90 203	90 203	–
	897 396	957 390	649 242	308 148

	Company			
	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000
At 28 February 2019				
Medium-term loans	**162 500**	**191 496**	**60 217**	**131 279**
Loans from subsidiaries	**179 016**	**179 016**	**179 016**	**–**
Trade and other payables	**53 244**	**53 244**	**53 244**	**–**
Exposure to omnibus securityship	**134 153**	**134 153**	**134 153**	**–**
	528 913	**557 909**	**426 630**	**131 279**
At 28 February 2018				
Medium-term loans	282 954	330 356	83 279	247 077
Loans from subsidiaries	116 857	116 857	116 857	–
Trade and other payables	38 309	38 309	38 309	–
Exposure to omnibus securityship	90 203	90 203	90 203	–
	528 323	575 725	328 648	247 077

11. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the Group to fund the Group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return of capital to shareholders, buy back its own shares or reduce debt.

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. The Group monitors capital on the basis of the net debt:equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and loans from Group companies less cash and cash equivalents as shown in the statement of financial position.

The Group's strategy is to maintain the net debt:equity ratio to below 25%. The net debt:equity ratios at the end of the reporting date were as follows:

	Group		Company	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Total borrowings and loans from subsidiaries	**393 026**	458 814	**341 516**	399 811
Overdraft less cash and cash equivalents/(surplus cash)	**(57 610)**	(22 005)	**133 664**	53 027
Net debt	**335 416**	436 809	**475 180**	452 838
Total equity	**1 409 517**	1 229 320	**1 173 989**	1 158 072
Total capital	**1 744 933**	1 666 129	**1 649 169**	1 610 910
Net debt:equity ratio (%)	**23,8**	35,5	**40,5**	39,1

The strategy to maintain a net debt:equity ratio in the Company was influenced by the inclusion of the loans from Group companies and Group overdraft facility. Should this have been excluded the Company would have met the Group's targets at 11,4% (2018: 4,6%). Solvency and liquidity ratios are monitored on a Group basis and therefore capital adequacy requirements have continued to remain satisfied. In the prior year the Group's net debt:equity ratio has been influenced by the funding towards the Demaneng transaction. Should this have been excluded the Group would have met the Group's target at 12,5%.

There were no changes in the Group's approach to capital maintenance during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

Group structure

12. Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for business combination is incomplete by the end of the reporting period in which the combination occurs the Group reports provisional amounts for the item for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Demaneng

In the prior year, the Group acquired 60% of the issued shares of Demaneng, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. On 13 July 2017, all conditions precedent, including section 11 approval from the Department of Mineral Resources ('DMR'), were fulfilled and the agreement became unconditional. On 22 August 2017, the Group announced on SENS that Afrimat had concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake in Demaneng from 15 August 2017 for an aggregate purchase consideration of R44,0 million.

The acquisition complemented and augmented Afrimat's product offering and further expanded its footprint across South Africa. Given the nature of Demaneng's reserves and the access to infrastructure, together with Afrimat's existing competencies, the transaction allowed the Group to leverage its combined strengths which resulted in new revenue opportunities for Afrimat in the iron ore space.

At 28 February 2018 the accounting for the acquisition was provisional. During the current year the accounting for the business combination was finalised and a measurement period adjustment was made. FY2018 comparative information was retrospectively adjusted to decrease trade and other payables offset by a decrease in goodwill, at the acquisition date, by R55,9 million. The amendment related to the write off of pre-acquisition SARS debt which has been settled in full as envisaged in the Business Rescue Plan.

12. Business combinations (continued)

Details of the acquisition are as follows:

	Demaneng Total 2018 R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	304 374
Other financial assets	17 557
Inventories	12 446
Trade and other receivables	8 804
Borrowings	(307 852)
Current tax payable	(4 542)
Deferred tax liability	(53 454)
Trade and other payables**	(66 996)
Provisions	(20 294)
Cash and cash equivalents	5 228
Net assets	(104 729)
Non-controlling interest acquired	64 257
Goodwill**	40 472
	–

* *Property, plant and equipment includes the fair value of mining assets of R169,7 million acquired.*

** *Measurement period adjustment – during the reporting period, the comparative information was retrospectively adjusted.*

Net cash inflow from acquisition of subsidiary:	
Cash and cash equivalents acquired	5 228
	5 228
Pro forma revenue assuming the business combination for the full year	274 647
Pro forma loss after tax assuming the business combination for the full year	(103 836)
Revenue included in results	175 985
Loss after tax included in results	(38 790)
Acquisition costs (including business rescue costs) included in 'other operating expenses' for the year	5 782

At acquisition, the fair value of trade and other receivables was R8,8 million and includes trade receivables of R8,0 million. An amount of R8,0 million is reflected as neither impaired nor past due.

Wearne

Wearne Aggregates Proprietary Limited and Wearne Readymix 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

12. Business combinations (continued)

Details of the acquisition are as follows:

	Wearne Total 2018 R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	1 000
Net assets	1 000
Consideration paid	
Cash	1 000
Total consideration	1 000
Net cash outflow from acquisition of subsidiary:	
Cash consideration paid**	(1 000)
	(1 000)

* *Property, plant and equipment includes the fair value of R1,0 million mining assets acquired.*

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

13. Investments in other entities

13.1 Investment in subsidiaries

Basis of consolidation

(a) *Basis of consolidation*

Group financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Company financial statements

Investments in subsidiaries are initially recognised at cost.

Investments in subsidiaries are subsequently measured at cost less any accumulated impairment.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between the share acquired of the carrying value of net assets of the subsidiary and the purchase consideration is recorded in retained earnings within equity.

Gains or losses on disposals of ownership interests to non-controlling interests are also recorded in retained earnings within equity.

13. Investments in other entities (continued)

13.1 Investment in subsidiaries (continued)

Basis of consolidation (continued)

(c) *Disposal of subsidiaries*

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

(d) *Share trusts*

The Afrimat Share Incentive Trust and Afrimat BEE Trust are structured entities that are consolidated by the Group.

Consolidation of Afrimat BEE Trust and its subsidiary AEI

Afrimat BEE Trust and its subsidiary AEI was established with the objective of holding and funding shares on behalf of qualifying employees. The Group is exposed to variable returns from the trust in the form of staff performance and incentives associated with BEE and the DTI Codes of Good Practice. Furthermore, the Group is also exposed to changes in the trust's net asset value. Management therefore concluded that the Group controls the trust and its subsidiary.

Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust

The Group consolidated the Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust due to the Group having rights to variable returns from its involvement with the trusts and has the ability to affect those returns through its control over the trusts.

Consolidation of Infrasors Empowerment Trust

Due to the Group having the right to appoint the trustees, providing all loan funding and the fact that the Group is exposed to variable returns from the trust, management has concluded that the Group controls the trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

13. Investments in other entities (continued)

13.1 Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2019	% holding 2018
Afrimat Aggregates (Eastern Cape) Proprietary Limited#	Aggregates	Eastern Cape	**100,0**	100,0
Afrimat Aggregates (Operations) Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Afrimat Aggregates (KZN) Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Afrimat Aggregates (Trading) Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Afrimat BEE Trust	Investment	Western Cape	**–**	–
Afrimat Concrete Products Proprietary Limited	Concrete-based products	KwaZulu-Natal	**100,0**	100,0
Afrimat Contracting International Proprietary Limited	Contracting	Western Cape	**100,0**	100,0
Afrimat Empowerment Investments Proprietary Limited	Investment	Western Cape	**–**	–
Afrimat Engineering Services Proprietary Limited	Services	Gauteng	**100,0**	100,0
Afrimat Bulk Commodities Proprietary Limited*#	Bulk commodities	Northern Cape	**100,0**	100,0
Afrimat Management Services Proprietary Limited	Services	Western Cape	**100,0**	100,0
Phahamo Enterprises Proprietary Limited**#	Services	Western Cape	**100,0**	100,0
Afrimat Minerals Proprietary Limited#	Investment	Western Cape	**100,0**	100,0
Afrimat Mozambique Limitada	Aggregates	Mozambique	**99,0**	99,0
Afrimat Offshore Proprietary Limited	Investment	Mauritius	**100,0**	–
Afrimat Readymix (Cape) Proprietary Limited	Concrete-based products	Western Cape	**100,0**	100,0
Afrimat Readymix (Inland) Proprietary Limited	Concrete-based products	Mpumalanga	**75,0**	75,0
Afrimat Shared Services Proprietary Limited	Services	Western Cape	**100,0**	100,0
Afrimat Share Incentive Trust	Investment	Western Cape	**–**	–
Boublok Proprietary Limited	Concrete-based products	Western Cape	**100,0**	100,0
Cape Lime Proprietary Limited#	Industrial minerals	Western Cape	**100,0**	100,0
Capmat Proprietary Limited#	Aggregates	Western Cape	**87,5**	87,5
Clinker Supplies Proprietary Limited	Aggregates	Gauteng	**100,0**	100,0
Community Quarries Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Glen Douglas Dolomite Proprietary Limited	Aggregates	Gauteng	**100,0**	100,0
Infrasors Holdings Proprietary Limited***	Industrial minerals	Gauteng	**97,4**	97,4
Labonte 3 Proprietary Limited	Property	Eastern Cape	**50,0**	50,0
Maritzburg Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Meepo Ya Mmu Resources Proprietary Limited#	Aggregates	Mpumalanga	**54,0**	54,0
Olympic Sand Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Prima Quarries Namibia Proprietary Limited	Aggregates	Namibia	**100,0**	100,0
Rodag Holdings Proprietary Limited	Property	KwaZulu-Natal	**100,0**	100,0
SA Block Proprietary Limited#	Concrete-based products	Gauteng	**100,0**	100,0
Scottburgh Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Sunshine Crushers Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0

* *Indirectly held subsidiaries include Afrimat Demaneng Proprietary Limited and Diro Iron Ore Proprietary Limited.*

** *Previously known as Afrimat Manufacturing Proprietary Limited.*

*** *Indirectly held subsidiaries include Delf Sand Proprietary Limited, Pienaarspoort Ontwikkeling Proprietary Limited, Delf Silica Coastal Proprietary Limited, Afrimat Silica Proprietary Limited, Delf Silica Proprietary Limited, Lyttelton Dolomite Proprietary Limited, Infrasors Environmental Rehabilitation Trust, Afrimat Lime Company Proprietary Limited, Infrasors Management Services Proprietary Limited, Infrasors Empowerment Trust.*

\# *Management performed further impairment assessments of the Company's investments in subsidiaries where the net asset value of the Company did not exceed its cost of investment. The recoverable amount was determined by means of value-in-use calculations using a discounted cash flow methodology with the same assumptions as disclosed in note 6.2. Management concluded that no impairment loss was required to any of the investments in subsidiaries.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

13. Investments in other entities (continued)

13.1 Investment in subsidiaries (continued)

	Carrying amount shares 2019 R'000	Carrying amount shares 2018 R'000	Carrying amount indebtedness 2019 R'000	Carrying amount indebtedness 2018 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	**–**	–	**746 446**	666 931
Investments in subsidiaries	**936 987**	936 973	**–**	–
Current liabilities				
Loans from subsidiaries	**–**	–	**(179 016)**	(116 857)
	936 987	936 973	**567 430**	550 074

The loans have no fixed terms of repayment and the majority bear interest at prime (2018: prime). Interest on the Infrasors Holdings Proprietary Limited and Afrimat Demaneng Proprietary Limited loans are calculated at prime plus 1,5% and prime plus 4,5%, respectively. The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited, Afrimat Mozambique Limitada and Afrimat Offshore Proprietary Limited that are incorporated in Namibia, Mozambique and Mauritius, respectively.

An increase in the impairment provision on intercompany loans was immaterial on 1 March 2018 upon adoption of IFRS 9. The additional loss allowance amounted to R0,4 million during the current year.

The Group has no contractual or other commitments or intentions to provide financial assistance to, or to buy assets from the Afrimat Share Incentive Trust, Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited, Infrasors Rehabilitation Trust and Infrasors Empowerment Trust.

13.2 Investment in associate and joint venture

Group financial statements

The Group's associate and joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss.

When the Group's share of losses in the joint venture equals or exceeds its interests in joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

13. Investments in other entities (continued)

13.2 Investment in associate and joint venture (continued)

The Company holds 49,0% of the share capital and 50,0% of the voting rights of Pemba Aggregates Limitada. The Company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The Company also entered into a deed of usufruct and pledge of shares of 1,0% of Pemba Aggregates Limitada, resulting in 50,0% of the entity being equity accounted.

Company financial statements

Investments in associates and joint ventures are initially recognised at cost.

Investments in associates and joint ventures are subsequently measured at cost less any accumulated impairment.

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Ikapa Quarries Proprietary Limited (49,0%)	**164**	183	**–**	–
Pemba Aggregates Limitada (49,0%)	**–**	–	**8**	8
Total	**164**	183	**8**	8
The Group's share of the results of its associate, which is unlisted, and the Group's share of its aggregated assets and liabilities, are as follows:				
Assets	**9 199**	11 396	**–**	–
Liabilities	**8 863**	11 021	**–**	–
Revenues	**5 324**	16 622	**–**	–
Profit	**40**	67	**–**	–
The Group's share of the results of its joint venture, which is unlisted, and the Group's share of its aggregated assets and liabilities, are as follows:				
Assets	**3 764**	4 795	**–**	–
Liabilities	**(18 385)**	(16 014)	**–**	–
Revenues	**561**	1 641	**–**	–
Group profit recognised	**2 286**	(75)	**–**	–

The Company's share of losses of the joint venture has been recognised until the share of losses equals its interest in the joint venture.

Management does not consider the investment in associate and joint venture to be material to the Group.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

14. Related parties

Subsidiaries, associates and related trusts

During the year under review, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. For a list of the Group's subsidiaries, associates, joint ventures and related trusts, refer notes 13.1 and 13.2, respectively.

		Group	
		2019 R'000	2018 R'000
Loan balances owing by	Associate	**7 777**	10 151
Loan balances owing by	Joint venture	**11 884**	31 011
Interest received from	Associate	**574**	484
Interest received from	Joint venture	**1 971**	887

		Company	
		2019 R'000	2018 R'000
Net loan balances	Subsidiaries	**567 430**	550 074
Loan balances owing (to)	Subsidiaries	**(179 016)**	(116 857)
Loan balances owing by	Subsidiaries	**746 446**	666 931
Loan balances owing by	Associate	**–**	696
Share of net profit/(loss) after tax	Joint venture and associate	**2 326**	(8)
Sales of goods to – gross values	Subsidiaries	**24 620**	39 577
Dividends received from	Subsidiaries	**77 513**	800 895
Dividends received from	Associate	**58**	54
Interest paid to	Subsidiaries	**(13 565)**	(68 885)
Interest received from	Subsidiaries	**(89 463)**	(57 916)

The Company has provided an unlimited omnibus securityship to SBSA in respect of funding provided by the bank to its subsidiaries.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 19. The only key employees identified are the directors of Afrimat Limited.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. These are more fully disclosed in note 18.

14. Related parties (continued)

Shareholding

Refer to the analysis of shareholders on page 106 for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Associate

Details regarding the Group's associate are set out in note 13.2. Transactions with the associate is entered into at the prevailing market rates.

Joint venture

Details regarding the Group's joint venture are set out in note 13.2. Transactions with the joint venture is entered into at the prevailing market rates.

Treasury shares

The Group acquired 1 101 500 (2018: 475 216) of its own shares through purchases on the JSE Limited. Refer note 8.2 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 653 854 shares representing 4,64% of the issued share capital of the Company.

Unrecognised items

15. Commitments

	Group		Company	
	2019 R'000	2018 R'000	**2019 R'000**	2018 R'000
Authorised capital expenditure				
Contracted after year-end, but not provided for				
Property, plant and equipment	**2 928**	6 771	**–**	–
Not yet contracted for				
Property, plant and equipment	**194 697**	177 144	**–**	–
Total authorised capital expenditure	**197 625**	183 915	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
No later than one year	**11 604**	7 847	**–**	1 773
Later than one year and no later than five years	**21 918**	18 428	**–**	2 630
	33 522	26 275	**–**	4 403

Operating lease payments represent rentals payable by the Group for mines, other premises, motor vehicles and equipment. Certain leases carry standard escalation clauses in line with inflation. The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rates. All rental agreements exceeding five years have a notice period of six months and therefore not disclosed above. The lease expenditure charged to profit or loss during the year is disclosed in note 4.6.

Authorised capital expenditure is to be funded from surplus cash and bank financing.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

16. Contingencies

Guarantees

Guarantees to the value of R73,7 million (2018: R87,5 million) were supplied by SBSA to various parties, including the DMR and Eskom.

Guarantees to the value of R25,1 million (2018: R73,9 million) were supplied by FNB to various parties, including the DMR and Eskom. The decrease in amount relates to the release of a guarantee of R50,0 million provided to the business rescue practitioner and comprised creditors in terms of the Demaneng acquisition.

Guarantees to the value of R1,6 million (2018: R1,6 million) by Lombard's Insurance Group, R0,9 million (2018: R0,5 million) by ABSA Bank Limited, R116,6 million (2018: R94,2 million) by Centriq Insurance Innovation and R2,7 million (2018: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMR, Eskom and Chevron South Africa Proprietary Limited.

The majority of these guarantees are in respect of environmental rehabilitation costs 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 DMR 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 R8,3 million (2018: R10,3 million). An accrual has been raised in respect of commitments made up to the end of the year.

The Company received notice on 31 March 2017 from the Competition Commissioner that it had 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. The Company awaits a final hearing date to be set by the Tribunal.

The Company received notice on 27 February 2019 from the South African Revenue Service ('SARS'), in terms of which SARS demands payment of R74,3 million from Afrimat Demaneng Proprietary Limited ('Demaneng'). The Company submits that the debts owed to SARS prior to the commencement of business rescue proceedings have been settled in full as envisaged in the Business Rescue Plan. On 13 March 2019, the Company requested SARS to permanently write off the outstanding balance, in accordance with the provisions of section 197 and section 198 of the Tax Administration Act. After taking legal advice and considering the claim, the Company is of the opinion that there is no merit to the claim and will therefore vigorously defend itself against SARS. The probability of outflow is considered remote and no liability has been raised.

17. Events after the reporting period

Subsequent to the reporting date, the Company made a non-binding indicative offer ('NBIO') to purchase the entire issued share capital of Universal Coal plc ('Universal'), a company listed on the Australian stock exchange, with operations in South Africa, for a maximum purchase price of A$0,40 for each Universal share held. The NBIO is subject to various conditions precedent, including the completion of a due diligence by the Company, the finalisation of financing arrangements and Board and shareholder approval in respect of the proposed transaction.

Employee benefits and costs

18. Share-based payments

The Group operates an equity-settled share appreciation rights scheme and forfeitable share plan, under which the Group receives services from employees as consideration for ordinary shares of Afrimat.

The employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised as an increase in equity in 'other reserves'.

When the reward is vested, the Group utilises treasury shares. The market value of rewards exercised, net of any directly attributable transaction costs, is debited to 'stated capital'. The share-based payment reserve related to rewards previously provided is transferred directly to 'retained earnings' as the rewards expire or are exercised.

Share-based payment expense calculation

The Group uses the Black Scholes valuation model to determine the fair value of the options/shares granted.

Share options are granted to executive directors and to selected employees in the form of a Share Appreciation Rights Scheme. The exercise price of the granted options is equal to the 30 day average volume weighted average price for the Afrimat shares on the date when the option is exercised. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in headline earnings per share over the period; the options have a contractual option term of four years after vesting. The Group has no legal or constructive obligation to repurchase or settle the options in cash. When the options are exercised the participants will receive shares equal in value to the number of options exercised multiplied by the difference between the exercise price and the grant price.

During the year the Group introduced a FSP approved by the shareholders at the FY2018 AGM. The plan allows certain senior employees to earn a long-term incentive to assist with the retention and award of selected employees. Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date. Awards are conditional on the employee completing three years' service (the vesting period). The shares are recognised at the closing share price on the grant date as an issue of treasury shares. The Group has no legal or constructive obligation to repurchase or settle the shares in cash, therefore these shares are equity-settled share-based payments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR')

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average grant price in cents per share	Number of options '000	Average grant price in cents per share	Number of options '000
Opening balance	2 203	3 965	1 580	3 955
Granted	2 679	1 520	2 900	1 455
Exercised	1 568	(746)	1 200	(1 445)
Forfeited	1 967	(294)	–	–
Closing balance	2 488	4 445	2 203	3 965

Out of the 4 445 000 outstanding options (2018: 3 965 000), 645 000 options (2018: 530 000) were exercisable. Options exercised, resulted in 73 333, 22 222, 85 000 and 565 000 shares (2018: 100 000, 120 000, 400 000 and 825 000) being issued at a weighted price of R5,72, R8,50, R15,65 and R17,26 each, respectively (2018: R3,40, R5,72, R8,50 and R15,65 each, respectively). The related weighted average share price at the time of exercise was R27,79 (2018: R29,12) per share.

Share options outstanding at the end of the year have the following expiry dates and grant prices:

		Number of options	
	Grant price Cents	2019 '000	2018 '000
2019	572	–	120
2020	850	80	160
2021	1 565	165	250
2022	1 726	400	965
2023	2 220	945	1 015
2024	2 900	1 335	1 455
2025	2 679	1 520	–
		4 445	3 965

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

The remaining number of shares, as at year-end, that may be utilised for the purpose of share options are:

	Number of shares	
	2019 '000	2018 '000
Opening balance	23 081	23 091
Exercised	746	1 445
Forfeited	294	–
Utilised	(1 520)	(1 455)
Closing balance	22 601	23 081

Number of share options held by directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2019						
Andries J van Heerden	690	345	2 679	2025	(200)	835
Pieter GS de Wit	315	145	2 679	2025	–	460
	1 005	490	–	–	(200)	1 295
2018						
Andries J van Heerden	580	310	2 900	2024	(200)	690
Pieter GS de Wit	220	155	2 900	2024	(60)	315
	800	465	–	–	(260)	1 005

The fair value of options granted during the year, using the Black Scholes valuation model, was R9,8 million (2018: R11,8 million), and will be expensed over a three-year vesting period. The option expense for the year, in respect of current year and previous years' options granted, was R6,4 million (2018: R5,5 million).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Analysis of movement in remaining options:

Grant date	9 May 2012 '000	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	5 November 2018 '000	**Total '000**
Originally granted	2 835	2 160	1 220	1 105	1 015	1 455	1 520	**11 310**
Forfeited	(167)	(58)	(25)	(25)	(70)	(120)	–	**(465)**
Exercised	(2 668)	(2 022)	(1 030)	(680)	–	–	–	**(6 400)**
Net outstanding	–	80	165	400	945	1 335	1 520	**4 445**
Grant price (cents)	572	850	1 565	1 726	2 220	2 900	2 679	
Fair value of option (cents)	147	170	390	406	711	852	676	

The assumptions used in determining the fair value, which reflect the conditions as at the reporting date, were as follows:

Grant date	9 May 2012	8 May 2013	14 May 2014	20 May 2015	18 May 2016	17 May 2017	5 November 2018
Grant price (cents)	572	850	1 565	1 726	2 220	2 900	2 679
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	36,53	29,09	31,69	28,76	40,77	37,57	30,90
Expected likelihood	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Expected risk-free rates	6,44%	5,07%	6,73%	7,58%	9,01%	7,64%	7,08%
Expected dividend yields	3,32%	3,29%	2,49%	2,90%	2,57%	2,41%	2,31%

The share price volatility is measured at the standard deviation of expected share price returns based on the statistical analysis of monthly share prices over the current year.

18.2 Forfeitable Share Plan ('FSP')

Shares issued under the plan are at the discretion of the Board, and no offer may be made unless employment and performance conditions were met. The FSP is considered a long-term retention plan and shares are only awarded to certain key individuals. Shares issued under the plan may not be sold, ceded, transferred, encumbered, pledged or otherwise alienated until the award has vested. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

	Number of shares	
	2019 '000	2018 '000
Issued to participating employees	**398**	–

Shares were issued on 30 November 2018 and 25 February 2019 to participants at a market value of R27,66 and R28,50, respectively.

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

18. Share-based payments (continued)

18.2 Forfeitable Share Plan ('FSP') (continued)

Number of forfeitable shares held by directors:

	Opening balance '000	Issued '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2019						
Andries J van Heerden	–	105	2 850	2021	–	105
Pieter GS de Wit	–	65	2 766	2021	–	65
	–	170	–	–	–	170

The share expense for the year, in respect of current years' shares granted, was R0,8 million.

The assumptions used in determining the fair value, which reflect the conditions as at the reporting date, were as follows:

Grant date	30 November 2018	25 February 2019
Grant price (cents)	2 766	2 850
Expected volatility	33,07%	33,07%
Expected risk-free rates	7,58%	7,58%
Expected dividend yields	2,05%	2,05%

19. Directors' emoluments

Directors' basic salary and allowances

	Short-term benefits			Post-employment benefits	Other	
	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	Total R'000
2019						
Paid by Company						
Executive						
Andries J van Heerden	4 374	156	35	–	–	4 565
Pieter GS de Wit	2 383	96	40	263	–	2 782
Gert J Coffee*	1 573	250	18	–	–	1 841
	8 330	502	93	263	–	9 188

** Retired as executive director effective 31 December 2018.*

19. Directors' emoluments (continued)

Directors' basic salary and allowances (continued)

	Short-term benefits			Post-employment benefits	Other	
	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	Total R'000
Non-executive						
Marthinus W von Wielligh	820	–	–	–	5	825
Loyiso Dotwana	410	–	–	–	–	410
Hendrik JE van Wyk	365	–	–	–	22	387
Jacobus F van der Merwe	303	–	–	–	–	303
Phuti RE Tsukudu	323	–	–	–	–	323
Helmut N Pool	303	–	–	–	–	303
Johan HP van der Merwe	228	–	–	–	–	228
Francois M Louw	335	–	–	–	65	400
Gert J Coffee*	45	–	–	–	–	45
	3 132	–	–	–	92	3 224
Total	11 462	502	93	263	92	12 412
2018						
Paid by Company						
Executive						
Andries J van Heerden	3 999	156	33	–	–	4 188
Pieter GS de Wit	2 179	96	37	240	–	2 552
Gert J Coffee	1 747	300	18	–	–	2 065
	7 925	552	88	240	–	8 805
Non-executive						
Marthinus W von Wielligh	767	–	–	–	232	999
Francois du Toit (retired 31 August 2017)	50	–	–	–	–	50
Loyiso Dotwana	383	–	–	–	10	393
Hendrik JE van Wyk	341	–	–	–	20	361
Jacobus F van der Merwe	284	–	–	–	–	284
Phuti RE Tsukudu	319	–	–	–	–	319
Helmut N Pool	266	–	–	–	–	266
Johan HP van der Merwe	213	–	–	–	–	213
Francois M Louw	75	–	–	–	22	97
	2 698	–	–	–	284	2 982
Total	10 623	552	88	240	284	11 787

** Appointed as non-executive director on 1 January 2019.*

Notes

1. *Other fees include daily rates for non-executive directors utilised on extraordinary duties. Costs in obtaining the knowledge and expertise of Marthinus W von Wielligh and Francois M Louw with regards to commodities during the implementation of the Demaneng transaction have been incurred and classified to other allowances.*
2. *Other fees paid to Hendrik JE van Wyk include trustee fees paid in terms of the Afrimat Share Incentive Trust.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

19. Directors' emoluments (continued)

Executive directors' contracts

No executive director has a notice period of more than three months. No executive director's service contract includes predetermined compensation as a result of termination exceeding one year's salary and benefits.

Gert J Coffee retired as executive director effectively 31 December 2018. Gert J Coffee will remain on the Board of directors of Afrimat Limited as a non-executive director.

Andries J van Heerden and Pieter GS de Wit, the CEO and CFO, have indefinite employment contracts.

There are no service contracts between the Company and executive directors.

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a Share Appreciation Rights Scheme (refer note 18).

2019	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
Andries J van Heerden	150 000	13 December 2007	850	–	150 000	–	–	–	–
	300 000	9 May 2008	650	–	300 000	–	–	–	–
	500 000	13 May 2009	200	500 000	–	874	3 370	–	–
	750 000	12 May 2010	325	750 000	–	901	4 320	–	–
	575 000	11 May 2011	340	575 000	–	1 652	7 544	–	–
	460 000	9 May 2012	572	460 000	–	1 873	5 985	–	–
	330 000	8 May 2013	850	330 000	–	2 223	4 531	–	–
	200 000	14 May 2014	1 565	200 000	–	2 956	2 782	–	–
	200 000	20 May 2015	1 726	200 000	–	2 820	2 188	–	–
	180 000	18 May 2016	2 220	–	–	–	–	180 000	1 269
	310 000	17 May 2017	2 900	–	–	–	–	310 000	78
	345 000	5 November 2018	2 679	–	–	–	–	345 000	849
				3 015 000	450 000		30 720	835 000	2 196
Pieter GS de Wit	40 000	9 May 2008	850	–	40 000	–	–	–	–
	50 000	9 May 2008	650	–	50 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	60 000	12 May 2010	325	60 000	–	901	346	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 862	1 548	–	–
	80 000	8 May 2013	850	80 000	–	2 899	1 639	–	–
	60 000	14 May 2014	1 565	60 000	–	3 012	868	–	–
	60 000	20 May 2015	1 726	–	–	–	–	60 000	719
	120 000	18 May 2016	2 220	–	–	–	–	120 000	846
	135 000	17 May 2017	2 900	–	–	–	–	135 000	34
	145 000	5 November 2018	2 679	–	–	–	–	145 000	357
				470 000	90 000		5 905	460 000	1 956

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

19. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

2019	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
Gert J Coffee	300 000	12 May 2010	325	300 000	–	901	1 728	–	–
	250 000	11 May 2011	340	250 000	–	1 650	3 275	–	–
	200 000	9 May 2012	572	200 000	–	1 873	2 602	–	–
	150 000	8 May 2013	850	150 000	–	3 065	3 323	–	–
				900 000	–		10 928	–	–

* *The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (i.e. share price on exercise less strike price).*

** *Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat share price (R29,25), less the strike price of these instruments.*

In terms of the Share Appreciation Rights Scheme: Grant 10 (2018: Grant 9), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Forfeitable shares awarded to executive directors in the format of a forfeitable share plan (refer note 18).

2019	Number of shares initially allocated	Date awarded	Market value on grant date
Andries J van Heerden	105 200	25 February 2019	28,50
Pieter GS de Wit	65 000	30 November 2018	27,66

Incentive bonuses paid to executive directors

	Group	
	2019 R'000	2018 R'000
Executive		
Andries J van Heerden	4 400	2 500
Pieter GS de Wit	2 200	1 250
Gert J Coffee	–	900
	6 600	4 650

Incentive bonuses include those earned in the current year but only received in the following year.

Directors' shareholding

Please refer to the directors' report for further disclosure regarding the directors' respective shareholding in the Company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

Other

20. Fair value estimation

Items measured at fair value on the statement of financial position are classified according to a fair value hierarchy. The fair value hierarchy is identified in levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total balance**
At 28 February 2019				
Assets				
Investment property*	**–**	**–**	**3 040**	**3 040**
At fair value through other comprehensive income				
Equity securities**	**71**	**–**	**–**	**71**
Environmental funds***	**–**	**2 663**	**–**	**2 663**
At fair value through profit or loss				
Unit trusts***	**–**	**50 025**	**–**	**50 025**
Trade receivables****	**–**	**52 522**	**–**	**52 522**
Total assets	**71**	**105 210**	**3 040**	**108 321**
At 28 February 2018				
Assets				
Investment property*	–	–	3 040	3 040
Available-for-sale financial assets				
Equity securities**	128	–	–	128
Environmental funds***	–	20 556	–	20 556
At fair value through profit or loss – designated				
Unit trusts***	–	30 573	–	30 573
Total assets	128	51 129	3 040	54 297

* *The fair value was determined based on the price per square metre for similar properties derived from observable market data.*

** *This fair value was based on quoted market prices at the end of the reporting period.*

*** *The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's statement of financial position.*

**** *The fair value was determined using the three-month forward looking commodity prices and foreign exchange rates as at the end of the reporting period.*

20. Fair value estimation (continued)

The Group's equity securities are traded in active markets. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Environmental funds and environmental insurance policies consist of equity investments quoted in an active market. Their fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2.

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites included in the Infrasors Group (refer note 6.5). 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.

Provisionally priced receivables related to the sale of bulk commodities were measured at FVPL from the date of recognition up until date of settlement, as it fails the amortised cost requirement of cash flows representing solely payment of principal and interest.

(a) Transfers

The Group recognises transfers between level of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 28 February 2019 or the prior year.

21. Changes in accounting policies

A number of new or amended standards became applicable for the current reporting period and the Group changed its accounting policies. The Group applied the modified retrospective approach in adopting the following standards:

- IFRS 9: *Financial Instruments;* and
- IFRS 15: *Revenue from Contracts with Customers*.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

21. Changes in accounting policies (continued)

The impact of the adoption of IFRS 9 and IFRS 15 is presented below:

Standard	Subject
IFRS 15	**Revenue from Contracts with Customers** The Group adopted IFRS 15 from 1 March 2018 using the modified retrospective transition method and has therefore not restated the comparatives for FY2018. In terms of IFRS 15 revenue is recognised based on the satisfaction of specifically identified performance obligations, when control of goods or services transfers to a customer. Presentation of assets and revenue related to bulk commodities sales: ■ The Group's sales of bulk commodities are provisionally priced. At the point of recognition of revenue, Afrimat Demaneng Proprietary Limited, a wholly owned subsidiary of Afrimat Limited, estimates the amount and recognises the revenue at the best estimate (three month forward looking rate is considered to be the best estimate) of the amount expected to be received. In terms of the agreement with Kumba International Trading S.A.R.L, the commodity prices used in the calculation of the revenue of bulk commodities are based on the average daily prices during the month prior to the relevant month of delivery. ■ Previously the receivable was fair valued when the price was fixed at the end of the third month. The fair value adjustment was recognised in the statement of comprehensive income as an adjustment to revenue. ■ The fair value changes due to market variability (that is changes in the commodity prices and exchange rates) are not in the scope of IFRS 15 and can therefore not be presented as revenue from contracts with customers. These movements are accounted for as other revenue and disclosed separately from revenue from contracts with customers in note 3. ■ Although there has been a change in the presentation and disclosure of other revenue within the revenue note, no measurement change is relevant and therefore no impact on opening retained income.
IFRS 9	**Financial Instruments** IFRS 9 replaces the multiple classification and measurement models in IAS 39: *Financial Instruments: Recognition and measurement* with a single model that has initially only two classification categories: amortised cost and fair value and introduces new rules for hedge accounting and a new impairment model for financial assets. The Group adopted IFRS 9 from 1 March 2018 using the modified retrospective transition method and therefore comparative figures have not been restated. *(i) Classification and measurement* The classification of financial assets under IFRS 9 is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On 1 March 2018, management assessed which business models applied to each of the financial assets held by the Group and has classified these financial instruments in the appropriate IFRS 9 categories.

21. Changes in accounting policies (continued)

Standard	Subject
IFRS 9	**Financial Instruments** (continued) *(i) Classification and measurement* (continued) ■ A component of the Group's equity instruments that were previously classified as available-for-sale satisfied the conditions for classification as at fair value through other comprehensive income ('FVOCI'). ■ Equity instruments previously measured at fair value through profit or loss ('FVPL') will continue to be measured on the same basis under IFRS 9. ■ The majority of the Group's debt instruments that were previously classified as loans and receivables at amortised cost satisfied the conditions for classification as financial assets measured at amortised cost. ■ The financial asset classification assessment into the new asset categories did not result in a change in measurement of any of the financial assets. ■ Provisionally priced receivables related to the sale of bulk commodities were measured at FVPL from the date of recognition up until date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principal and interest. Previously these receivables were disclosed as loans and receivables.

The effects of this reclassification is presented below:

		IAS 39 categories			IFRS 9 categories		
Opening balances	Notes	Loans and receivables R'000	FVPL R'000	Available-for-sale ('AFS') R'000	Amortised cost R'000	FVPL R'000	FVOCI R'000
Other financial assets							
Loans and receivables		8 189	–	–	8 189	–	–
AFS	1	–	–	20 684	–	18 008	2 676
FVPL	1	–	30 573		–	30 573	–
Trade receivables*	2	368 318	–	–	336 888	31 430	–
Cash and cash equivalents		112 208	–	–	112 208	–	–

* *Excluding prepayments and value-added taxation.*

1. *Reclassification from available-for-sale to FVPL*
   Investments in insurance policies of R18,0 million were reclassified from available-for-sale assets to financial assets at FVPL. No related fair value gains were transferred from other reserves to retained earnings.
2. *Reclassification from loans and receivables to FVPL*
   Includes sale of bulk commodities as previously explained above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2019

21. Changes in accounting policies (continued)

(ii) Impairment of financial assets

IFRS 9 replaced the incurred credit losses model in IAS 39 with a forward-looking expected credit loss ('ECL') model to calculate impairments of financial assets. It was applied to financial assets classified at amortised cost, lease receivables and loan commitments. In assessing the impairment that should be raised under the ECL model on these financial assets, credit enhancements such as insurance held against loans and receivables were taken into account in the ECL model.

(a) Trade and other receivables

The increase in the impairment provision from the incurred loss model to ECL amounted to R10,8 million (net of taxation) relating to loans to the Group's joint venture on 1 March 2018 upon adoption of IFRS 9.

The adjustment of the loss allowance for trade and other receivables on transition to IFRS 9 was found to be immaterial.

(b) Cash and cash equivalents

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The effects of this impairment is presented below:

	28 February 2018 as originally presented R'000	IFRS 9 ECL R'000	1 March 2018 Restated R'000
Opening balances			
Current assets			
Trade and other receivables (measured at amortised cost)	368 318	(12 042)	356 276
Equity			
Retained earnings	(1 111 915)	10 812	(1 101 103)
Non-current liabilities			
Deferred tax	(207 583)	(1 230)	(208 813)

(iii) Financial liabilities

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affected the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

22. New and amended standards

New standards and interpretations not yet adopted

IFRS 16: *Leases*

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of R33,5 million, see note 15. The Group estimates that approximately 20% to 22% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

The Group has assessed the affect of the difference in treatment of variable lease payments and the extension and termination options. The estimate of the effect of the adoption of the new standard is as follows:

	R'000
Property, plant and equipment	16 885
Lease liability	(21 150)
Retained earnings (opening balance)	4 265

Date of adoption by Group

Mandatory for financial years commencing on or after 1 January 2019. The Group will apply the new standard on 1 March 2019. The Group intends to apply the simplified approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 March 2019 and that the comparatives will not be restated.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

23. Comparative figures

Certain comparative figures were inaccurately reflected and have been reclassified. The classification error had no impact on profit, neither the statement of financial position.

Statement of profit or loss and other comprehensive income

The misstatement related to the recording of freight and shipping for all foreign sales in Demaneng to the landing port. Foreign sales in Demaneng are made on a free-on-board basis and risks and rewards pass at the loading port. The company has however previously recorded freight and shipping to the landing port and recorded a corresponding amount in cost of sales. The company had no obligation to deliver to the landing port.

The effect of the reclassification is as follows:

	28 February 2018		
	As originally presented R'000	Reclassi-fication R'000	Restated R'000
Revenue	2 456 782	(75 788)	2 380 994
Cost of sales	(1 699 417)	75 788	(1 623 629)
Total effect		–	

ANALYSIS OF SHAREHOLDERS

as at 22 February 2019

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	1 812	52,37	528 057	0,37
1 001 – 10 000 shares	1 184	34,22	4 359 468	3,04
10 001 – 100 000 shares	328	9,48	10 428 918	7,28
100 001 – 1 000 000 shares	119	3,44	35 782 275	24,98
1 000 000 shares and over	17	0,49	92 163 694	64,33
	3 460	100,00	143 262 412	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	15	0,43	11 496 769	8,02
Treasury shares – Afrimat Aggregates (Operations) Proprietary Limited	1	0,03	26 149	0,02
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,03	892 500	0,62
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,03	6 653 854	4,64
	18	0,52	19 069 272	13,30
Public shareholding	3 442	99,48	124 193 140	86,70
	3 460	100,00	143 262 412	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 017 700	2,80	–	–
Maryke E van Heerden	1 198 543	0,84	–	–
Amala Familie Trust (CEO)	853 564	0,60	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 000 000	6,28	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	500 000	0,35	–	–
Frans du Toit Trust	17 872 000	12,48	–	–
Other major shareholders				
Citigroup South Africa	4 551 922	3,18	–	–
BEE shareholders				
Old Mutual Life Assurance Company (South Africa)	7 957 127	5,55	2 543 098	1,78
ARC	26 300 000	18,35	26 300 000	18,35
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	3 064 529	2,14	3 064 529	2,14
Mazi Asset Management Proprietary Limited	9 012 265	6,29	8 020 916	5,60
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 653 854	4,64	5 999 115	4,19
Joe Kalo Investments Proprietary Limited	250 000	0,17	250 000	0,17
Goolam H Ballim	407 681	0,29	407 681	0,28
Johannes M Kalo	130 605	0,09	130 605	0,09
	91 769 790	64,05	46 715 943	32,60
Other	51 492 622	35,95	–	–
	143 262 412	100,00	46 715 943	32,60

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Shareholder information

NOTICE OF AGM

Afrimat Limited
(Registration number 2006/022534/06)
Share code: AFT
ISIN: ZAE000086302
('Afrimat' or 'the Company')

Notice is hereby given that the AGM of Afrimat will be held at the Protea Hotel, Durbanville, 99 Jip de Jager Drive, Vineyards Office Estate, Tyger Valley, 7530 on Wednesday, 31 July 2019 at 14:00 for the purposes of:

- considering and adopting the annual financial statements of the Company for the year ended 28 February 2019;
- re-electing directors;
- re-electing the Audit & Risk Committee members;
- appointing auditors;
- considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below; and
- transacting any other business as may be transacted at an AGM.

For purposes of the holding of the general meeting and AGM, the Companies Act No 71 of 2008, as amended, requires that a record date be determined by the directors to establish those shareholders of the Company that are entitled to attend and to vote at the relevant general meeting or AGM.

Accordingly, for purposes of the AGM of the Company, the record date is hereby set at close of business on Friday, 26 July 2019 with the last day to trade in the shares of the Company on the JSE Limited being Tuesday, 23 July 2019.

Special resolutions

Special resolution 1: General authority to repurchase Company shares

'Resolved that the Company and/or its subsidiaries be and is hereby authorised, by way of general authority, to acquire ordinary shares issued by the Company, in terms of section 16 of the Company's Memorandum of Incorporation and in terms of the Listings Requirements of the JSE Limited ('JSE'), being that:

- any such acquisition of ordinary shares shall be implemented on the open market of the JSE;
- any such acquisition is authorised by the Company's Memorandum of Incorporation;
- this general authority shall only be valid until the Company's next AGM, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution;
- an announcement will be published on SENS as soon as the Company has acquired ordinary shares since the previous AGM constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, pursuant to which the aforesaid 3% (three percent) threshold is reached, containing full details of such repurchases;
- acquisitions in the aggregate in any one financial year may not exceed 10% (ten percent) of the Company's ordinary issued shares nor may acquisitions in the aggregate, from the date of passing of this special resolution, exceed 10% (ten percent) of the Company's ordinary issued shares at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the Company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the volume weighted average price at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the Company;
- at any point in time, the Company will only appoint one agent to effect any repurchase(s) on the Company's behalf;
- the Company will satisfy the solvency and liquidity test immediately after any repurchase; and
- the Company or its subsidiaries will not repurchase securities during a prohibited period in accordance with the JSE Listings Requirements.'

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of its Memorandum of Incorporation for the acquisition by the Company, or any of its subsidiaries, of shares issued by the Company, or its holding Company, which authority shall be valid until the earlier of the next AGM of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond fifteen (15) months from the date of this AGM. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding Company.

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- directors and management – see page 33 of the integrated annual report;
- directors' interests in ordinary shares – see page 54 of the integrated annual report;
- stated capital of the Company – see page 81 of the integrated annual report; and
- major beneficial shareholders – see page 106 of the integrated annual report.

NOTICE OF AGM (continued)

Litigation statement

The directors, whose names appear under Board of directors on page 34 of the integrated annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect of the financial position of the Company or its subsidiaries.

Directors' responsibility statement

The directors, whose names appear under the Board of directors on page 34 of the Company's integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

Material changes

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the Board of directors of the Company hereby state that:

(a) the intention of the directors of the Company is to utilise the general authority to repurchase ordinary shares in the Company if, at some future date, the cash resources of the Company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company; and

(b) in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will ensure that:
- the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next twelve (12) months after the date of notice of this AGM;
- the consolidated assets of the Company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next twelve (12) months after the date of this notice of the AGM;
- the issued stated capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next twelve (12) months after the date of notice of this AGM; and
- the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the Company and its subsidiaries for the next twelve (12) months after the date of this notice of AGM.

Special resolution 2: Future non-executive directors' remuneration

'Resolved that the Company be and is hereby authorised, by way of general authority, to make the following fixed annual fee payments to non-executive directors with effect from 1 March 2019:

Chairman of the Board	R714 500
Non-executive director	R250 700
Audit & Risk Committee Chairman	R150 450
Audit & Risk Committee member	R82 750
Remuneration Committee Chairman	R58 850
Nominations Committee Chairman	R58 850
Remuneration & Nominations Committee member	R46 150
Social & Ethics and Sustainability Committee Chairman	R71 450
Social & Ethics and Sustainability Committee member	R46 150
Investment Review Committee Chairman	R71 450

as well as a daily rate of R20 000 for non-executive directors utilised on extraordinary duties.'

Please refer to ordinary resolution 9 which is a non-binding advisory note for the approval of the Company's remuneration policy.

All approved fixed annual fee payments will be updated and paid on 31 August 2019 and backdated as from 1 March 2019.

Special resolution 3: Provision of financial assistance for subscription of securities

'Resolved that in terms of the provisions of section 44(3) of the Companies Act the shareholders of the Company hereby approve as a general authority (subject to the requirements of the Company's Memorandum of Incorporation and the Companies Act from time to time) and subject to compliance with section 44 of the Companies Act at any time and from time to time, the provision by the Company of financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related Company, or for the purchase of any securities of the Company or a related or inter-related Company, provided that:

(a) the recipient or recipients of such financial assistance, and the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the Board of directors of the Company from time to time; and

(b) the Board of directors of the Company may not authorise the Company to provide any financial assistance pursuant to this special resolution unless the Board meets all those requirements of section 44 of the Companies Act, which it is required to meet in order to authorise the Company to provide such financial assistance, including that (i) the Board is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 44(3)(b)(i) of the Companies Act, (ii) the Board is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 44(3)(b)(ii) of the Companies Act and (iii) the Board has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 44(4) of the Companies Act; and

(c) in terms of section 44(3)(a)(ii) of the Companies Act the Board of directors of a Company may not authorise any financial assistance unless pursuant to a special resolution of the shareholders adopted within the previous 2 (two) years, either as a general or specific authority, the shareholders of the Company have approved such financial assistance. The effect of this resolution is to grant the Board of directors of the Company the general authority to provide financial assistance as contemplated in section 44 of the Companies Act to the persons mentioned above. This authority will be in place for a period of 2 (two) years from the date of adoption of this resolution.'

Special resolution 4: Provision of financial assistance to related or inter-related companies and others

'Resolved that in terms of and subject to the provisions of section 45 of the Companies Act, the shareholders of the Company hereby approve, as a general authority (subject to the requirements of the Company's Memorandum of Incorporation and the Companies Act from time to time) and subject to compliance with section 45 of the Companies Act at any time and from time to time, the provision by the Company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, to a related or inter-related Company, or to any one (1) or more related or inter-related companies on such terms and conditions as the Board of directors of the Company, or any one (1) or more persons authorised by the Board of directors of the Company from time to time for such purpose, may deem fit, in the form, nature and extent, and for the amounts that the Board of directors of the Company, or any one (1) or more persons authorised by the Board of directors of the Company from time to time for such purpose, may determine from time to time. To the extent which the Companies Act requires any other approval by the shareholders of the Company pursuant to the provision of financial assistance, such approval is hereby granted. This general authority will be valid up to and including the day before the second anniversary of this special resolution being adopted or until superseded by another special resolution, whichever period is shorter.'

Definition of financial assistance

'Financial assistance' will have the meaning attributed to it in section 45(1) of the Companies Act; and 'related' and 'inter-related' will have the meanings so attributed in section 2 of the Companies Act. The reason for this special resolution is to obtain shareholder approval for financial assistance, when the need arises, to any related or inter-related companies in accordance with section 45 of the Companies Act. This special resolution will allow the Company to continue to operate as it has in the past, providing financial assistance to companies within the Afrimat Group, on the basis of certain day-to-day operational decisions where the Company previously was not required to obtain shareholders' approval or consent. The passing of this special resolution will have the effect of the Company having the necessary authority to provide financial assistance to related or inter-related companies contemplated in this special resolution as and when required to do so and to confer the necessary authority on the Board of directors of the Company to authorise financial assistance to any one (1) or more related or inter-related companies, generally as the Board of directors of the Company may deem fit, on the terms and conditions, and for the amounts that the Board of directors of the Company may determine from time to time. The granting of the general authority would obviate the need to refer each instance of provision of financial assistance for shareholder approval in the circumstances contemplated in this special resolution. This general authority would assist the Company with, inter alia, making financial assistance available as inter-Company loans to subsidiaries of the Company, or inter-related companies, as well as granting letters of support and guarantees in appropriate circumstances. This would avoid undue delays and attendant adverse financial impact on subsidiaries, or related or inter-related companies, as it would facilitate the expeditious conclusion of negotiations. If this special resolution is approved by the shareholders of the Company, thereby conferring general authority on the Board of directors of the Company to authorise financial assistance as contemplated above, then the Board of directors of the Company shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the Board of directors of the Company:

- is satisfied that immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act;
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the Company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the Company's Memorandum of Incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

Ordinary resolutions

Ordinary resolution 1: Adoption of annual financial statements

'Resolved that the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2019 be and are hereby received and adopted.'

Ordinary resolution 2: Issue of shares or other equity securities for cash

'Resolved that the directors be authorised pursuant, inter alia, to the Company's Memorandum of Incorporation, until this authority lapses at the next AGM of the Company, unless it is then renewed at the next AGM of the Company provided that it shall not extend beyond 15 months, to allot and issue any equity securities (which shall include for the purpose of this ordinary resolution 2, the grant or issue of options or convertible securities that are convertible into an existing class of equity securities) for cash subject to the Listings Requirements of the JSE Limited ('JSE') on the following bases:

(a) the allotment and issue of the equity securities must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements and not to related parties;

(b) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

(c) the number of equity securities issued for cash shall not in aggregate in any one financial year exceed 30% (thirty percent) of the Company's issued ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;

(d) the maximum discount at which equity securities may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those equity securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and

(e) after the Company has issued equity securities for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of equity securities in issue prior to that issue, the Company shall publish on SENS an announcement containing full details of the issue (including the number of equity securities issued, the average discount to the weighted average traded price of the equity securities over the 30 business days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time.'

In terms of the JSE Listings Requirements a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of ordinary resolution number 2 for it to be approved.

Ordinary resolution 3: Unissued ordinary shares

'Resolved that all the authorised but unissued ordinary shares of the Company, be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act No 71 of 2008, as amended, and the Listings Requirements of the JSE Limited and subject to the proviso that the aggregate number of ordinary shares which may be allotted and issued in terms of this ordinary resolution number 3, shall be limited to 10% (ten percent) of the number of ordinary shares in issue from time to time.'

NOTICE OF AGM (continued)

A majority of the votes cast by all shareholders present, or represented by proxy at the AGM, will be required to approve this resolution.

Ordinary resolution 4: Re-election of director

'Resolved that Mr Helmut N Pool be re-elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Helmut N Pool is set out below:
B.Com (Law) University of Stellenbosch
Helmut has operated as an entrepreneur since 1987. He is currently the Chairman of Pool Transport Proprietary Limited and served on the Board of directors of Cape Lime until 2016. He serves on the Board of various private property companies and has vast experience in logistics, commercial property, mining and business management.

Ordinary resolution 5: Re-election of director

'Resolved that Mr Johannes HP van der Merwe be re-elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Johannes HP van der Merwe is set out below:
CA(SA), Master in Income Tax (University of Pretoria), MPhil Finance (Cambridge University), Advanced Management Programme (Harvard Business School), Challenge of Leadership (Insead Business School)
Johan joined Investec Asset Management in 1997 as Head of Resources and became the Global Sector Head of Resources in 2000. He was a director and executive Committee member of Investec Asset Management. In 2002 he was appointed as CEO of Sanlam Investment Management. He stepped down as the CEO of Sanlam Investment Management on 1 November 2015 and remained on the Sanlam Investments, Capital Markets and Employee Benefits boards, respectively, as non-executive director. He is currently co-CEO of ARC.

Ordinary resolution 6: Election of director

'Resolved that Mr Gert J Coffee be elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Gert J Coffee is set out below:
BSc, BEng. Mechanical (Industrial)
Gert, a registered professional engineer, has spent the past 39 years in the civil construction and materials supply industries in various executive management capacities. He joined Afrimat in January 2010 and served on the Board of the Company as an executive director from November 2010. During his tenure, he made a significant contribution to the Company in his role as Chief Operations Officer and thereafter as executive director responsible for Continuous Improvement. He retired as executive director with effect from 31 December 2018.

Ordinary resolution 7: Re-election of Audit & Risk Committee members

'Resolved that the following directors be re-elected as members of the Audit & Risk Committee of the Company:

7.1 Mr Loyiso Dotwana (non-executive director);
7.2 Mr Helmut N Pool (independent non-executive director);
7.3 Mr Jacobus F van der Merwe (independent non-executive director);
7.4 Mr Hendrik JE van Wyk (independent non-executive director); and
7.5 Mr Marthinus W von Wielligh (independent non-executive director and Chairman of the Board).'

Ordinary resolution 8: Reappointment of auditor

'Resolved that the directors be and are hereby authorised to appoint the auditor, PricewaterhouseCoopers and Frans Weilbach as the individual registered auditor, for the ensuing financial year and are authorised to fix the remuneration of the auditor.'

Ordinary resolution 9: Remuneration policy

'Resolved that the Company's remuneration policy be approved as a non-binding advisory vote.'

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution. (See Remuneration Policy on the Company's website www.afrimat.co.za.)

Ordinary resolution 10: Approval of the implementation report in terms of King IV

'Resolved that the Company's implementation report (refer note 19 of the annual financial statements) in terms of King IV be approved as a non-binding advisory vote.

Ordinary resolution 11: Approval of the new forfeitable share plan ('FSP') rules

'Resolved that the new forfeitable share plan rules of the Company be and are hereby approved.'

Summary of plan rules

The FSP is introduced as a long-term incentive for selected employees of the Company to provide an incentive to participants to deliver the Group's business strategy over the long-term and to retain the skills of the employees.

The Remuneration Committee has the final authority to decide which employees will participate in respect of each award, the aggregate quantum of the awards to be made, the vesting period and date as well as the terms of the performance conditions.

The number of forfeitable shares to be awarded to employees will primarily be based on the employee's total guaranteed pay, grade, performance, retention requirements and market benchmarks.

The forfeitable shares are held for the benefit of the participant subsequent to the settlement date, subject to forfeiture and disposal restrictions. Save for securities transfer tax, the participant will give no consideration for the forfeitable shares. The shares may not be disposed of or otherwise encumbered at any time from the date of settlement up to and including the vesting date.

For early termination of employment (based on resignation, dismissal) all unvested FSPs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested FSPs will vest pro rata based on time employed and the extent to which performance conditions were met.

Executives are encouraged by the Board to hold shares in Afrimat, post exercise date to ensure alignment between management and shareholders.

(See detailed description of FSP rules on the Company's website www.afrimat.co.za.)

Ordinary resolution 12: Signature of documentation

'Resolved that a director of the Company or the Company Secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 11 and special resolutions numbers 1 to 4 which are passed by the shareholders.'

Voting and proxies

A shareholder of the Company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the Company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant ('CSDP') and who are unable to attend but wish to vote at the AGM, should complete and return the attached ‘form of proxy’ and lodge it with the transfer secretaries of the Company.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the AGM must instruct their CSDP or broker to issue them with the necessary authority to attend. If such shareholders are unable to attend, but wish to vote at the AGM, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the Company’s registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address on the IBC, to be received by no later than forty eight (48) hours prior to the meeting. However, should the ‘form of proxy’ not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the AGM before the meeting is due to commence. Any member who completes and lodges a ‘form of proxy’ will nevertheless be entitled to attend and vote in person at the AGM should the member subsequently decide to do so.

By order of the Board

Mariëtte Swart
Company Secretary

18 June 2019

Registered office
Tyger Valley Office Park No 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley
7530
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Telephone: +27 21 917 8840
Facsimile: +27 21 914 1174

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/00364/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200

NOTES

FORM OF PROXY

Afrimat Limited
(Registration number 2006/022534/06)
('Afrimat Limited' or 'the Company')
Share code: AFT
ISIN: ZAE000086302

For use at the AGM of the Company to be held at the Protea Hotel, Durbanville, 99 Jip de Jager Drive, Vineyards Office Estate, Tyger Valley, 7530 on Wednesday, 31 July 2019 at 14:00 and at any adjournment thereof.

For use by the holders of the Company's certificated ordinary shares ('certified shareholder') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Additional forms of proxy are available from the transfer secretaries of the Company.

Not for the use by holders of the Company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the AGM and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the AGM in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We (Full name in block letters)

of (Address)

being a member/members of Afrimat Limited and holding ordinary shares in the Company hereby appoint

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the AGM,

as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary resolutions and/or abstain from voting in respect of the Afrimat Limited ordinary shares registered in my/our name(s), in accordance with the following instructions:

	For*	Against*	Abstain*
Special resolutions			
1. To give directors general authority to repurchase Company shares			
2. To give. the Company general authority to pay fixed fee annual payments to non-executive directors			
2.1 Afrimat Chairman			
2.2 Afrimat Non-executive director			
2.3 Audit & Risk Committee			
2.3.1 Chairman			
2.3.2 Member			
2.4 Remuneration & Nominations Committee			
2.4.1 Remuneration Committee Chairman			
2.4.2 Nominations Committee Chairman			
2.4.3 Member			
2.5 Social & Ethics and Sustainability Committee			
2.5.1 Chairman			
2.5.2 Member			
2.6 Investment Review Committee Chairman			
3. Provision of financial assistance for subscription of securities			
4. To give the Company general authority to provide financial assistance to related or inter-related companies and others			
Ordinary resolutions			
1. To adopt the 2019 annual financial statements			
2. To issue unissued shares or other equity securities for cash			
3. To place unissued shares under directors' control			
4. To re-elect Mr Helmut N Pool as director of the Company			
5. To re-elect Mr Johannes HP van der Merwe as a director of the Company			
6. To elect Mr Gert J Coffee as director of the Company			
7. To re-elect the Audit & Risk Committee members of the Company			
7.1 Mr Loyiso Dotwana			
7.2 Mr Helmut N Pool			
7.3 Mr Jacobus F van der Merwe			
7.4 Mr Hendrik JE van Wyk			
7.5 Mr Marthinus W von Wielligh			
8. To authorise the directors to reappoint the auditor, PricewaterhouseCoopers together with Frans Weilbach as the individual registered auditor and to fix their remuneration			
9. To approve the remuneration policy as a non-binding advisory vote			
10. To approve the implementation report in terms of King IV			
11. To approve the forfeitable share plan ('FSP') rules			
12. To authorise the directors or the Company Secretary to sign documentation			

* Please indicate with an 'X' in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on date 2019

Member's signature assisted by (if applicable)

NOTES TO FORM OF PROXY

1. This ‘form of proxy’ is to be completed only by those members who are:
   (a) holding shares in a certificated form; or
   (b) recorded in the sub-register in electronic form in their ‘own name’.
2. Members who have dematerialised their shares, other than ‘own-name’ dematerialised shareholders, and who wish to attend the AGM must contact their Central Securities Depository Participant (‘CSDP’) or broker who will furnish them with the necessary authority to attend the AGM, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.
3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the Company) to attend, speak and, on a poll, vote in place of that member at the AGM.
4. A member may insert the name of a proxy or the names of two alternative proxies of the member’s choice in the space provided, with or without deleting ‘the Chairman of the AGM’. The person whose name stands first on the ‘form of proxy’ and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
5. A member’s instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if the Chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the member’s votes exercisable thereat.
6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.
7. Documentary evidence establishing the authority of a person signing this ‘form of proxy’ in a representative capacity must be attached to this ‘form of proxy’, unless previously recorded by the Company’s transfer office or waived by the Chairman of the AGM.
8. The Chairman of the AGM may reject or accept any ‘form of proxy’ which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.
9. Any alterations or corrections to this ‘form of proxy’ must be initialled by the signatory(ies).
10. The completion and lodging of this ‘form of proxy’ will not preclude the relevant member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.
11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company’s transfer secretaries.
12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this ‘form of proxy’.
13. Forms of proxy must be lodged with the transfer secretaries at the address given below by no later than 48 hours prior to the meeting:

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

    (PO Box 61051, Marshalltown, 2107)

    Telephone: +27 11 370 5000
    Facsimile: +27 11 688 5200

However, should the ‘form of proxy’ not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the AGM before the meeting is due to commence.

DEFINITIONS

'AEI'	Afrimat Empowerment Investments Proprietary Limited
'Afrimat' or 'the Company'	Afrimat Limited (Registration number 2006/022534/06), listed on the Main Board of the JSE Limited in the 'Construction & Building Materials' sector
'AGM'	Annual general meeting
'ARC'	African Rainbow Capital Proprietary Limited
'ASPASA'	Aggregate and Sand Producers Association of South Africa
'B-BBEE'	Broad-Based Black Economic Empowerment
'BEE'	Black Economic Empowerment
'Board'	The Board of directors of Afrimat, as set out on page 34
'CAE'	Chief Audit Executive
'Cape Lime'	Cape Lime Proprietary Limited, acquired by Afrimat since 31 March 2016
'CEO'	Chief Executive Officer of Afrimat, Andries J van Heerden
'CFO'	Chief Financial Officer of Afrimat, Pieter GS de Wit
'Clinker Group'	SA Block Proprietary Limited and its 100%-owned subsidiary Clinker Supplies Proprietary Limited
'COBIT'	Control objectives for information and related technologies
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice
'COLTO'	Committee of Land Transport Officials
'Companies Act'	South African Companies Act No 71 of 2008, as amended
'CSI'	Corporate Social Investment
'Demaneng'	Afrimat Demaneng Proprietary Limited (previously known as Diro Manganese Proprietary Limited) and Diro Iron Ore Proprietary Limited
'DMR'	Department of Mineral Resources
'DMS'	Dense Media Separation
'EMP'	Environmental Management Plan
'Glen Douglas'	Glen Douglas Dolomite Proprietary Limited
'the Group'	Afrimat Limited, its subsidiaries, joint venture and associate companies
'GRI'	Global Reporting Initiative, a best practice benchmark in reporting
'HRD'	Human Resource Development
'HRIS'	Human Resource Information Systems
'H&S'	Health and safety
'HIRA'	Hazard Identification and Risk Assessment
'Infrasors'	Infrasors Holdings Proprietary Limited, incrementally acquired by Afrimat since 1 March 2013
'IRBA'	Independent Regulatory Board of Auditors
'IRC South Africa'	The Integrated Reporting Committee of South Africa
'IRMSA'	The Institute of Risk Management South Africa
'ISO'	International Organisation for Standardisation
'IT'	Information Technology
'ITBS'	Information Technology Business Systems
'JSE'	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa
'King IV Report'	King Report on Governance for South Africa 2016
'KPA'	Key Performance Area
'LUPO'	Land Use Planning Ordinance
'LTIFR'	Lost Time Injury Frequency Rate
'Mancom'	Management Committee, as set out on page 33
'MD'	Managing Director
'MQA'	Mining Qualification Authority
'NEMA'	National Environmental Management Act, 1998
'NOSA'	National Occupational Safety Association (South Africa)
'previous/prior year' or 'FY2018'	Year ended 28 February 2018
'SAR'	Share Appreciation Right
'SARMA'	South African Readymix Association
'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, Health and Environment
'SHEQ'	Safety, Health, Environment and Quality
'STI'	Sexually Transmitted Infections
'TB'	Tuberculosis
'Wearne'	WG Wearne Limited
'year' or 'year under review' or 'FY2019'	Year ended 28 February 2019

Financial definitions

'CAGR'	Compound annual growth rate
'FY'	Financial year ending February
'IFRS'	International Financial Reporting Standards
'HEPS'	Headline earnings per share
'NAV'	Net asset value
'PAT'	Profit after tax
'PBIT'	Profit before interest and tax
'ROE'	Return on equity
'ROI'	Return on investment
'RONA'	Return on net operating assets

NOTES

SHAREHOLDERS' DIARY

Financial year-end	**28 February**
Trading update	**5 April 2019**
Announcement of annual results and final dividend	**23 May 2019**
Final dividend payment	**18 June 2019**
Annual report posted	**June 2019**
AGM	**31 July 2019**
Trading update	**October 2019**
Announcement of interim results and interim dividend	**October 2019**
Interim dividend payment	**December 2019**

CONTACT DETAILS

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Commercial bankers
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