DIVERSIFICATION
DRIVING GROWTH

AFRIMAT®
LIMITED

Integrated annual report

2021

CONTENTS

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More info on website

PERFORMANCE FOR THE YEAR

David Shapiro
@davidshapiro61

Afrimat's annual compound growth rate – including dividends – over the past ten years is 32%. Price of shares up 1103%. Outstanding for a company in an industry that has all but collapsed. A tribute to management. Beats Capitec at 25%pa. And Naspers 28%pa. And gold in rand 9%pa.

15:41 · 2021/05/27 from Johannesburg, South Africa

48 Retweets **6** Quote Tweet **239** Likes

FINANCIAL PERFORMANCE

Balance sheet remains strong

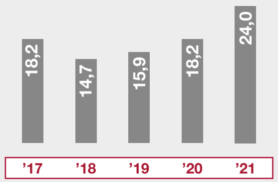
Net debt:equity ratio **3,8%**

Operating profit **up 47,5%** to **R886,3 million**

Return on net operating assets **34,0%**

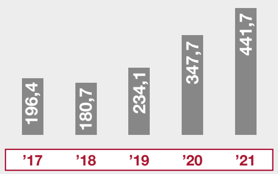
Operating profit margin **24,0%**

CAGR 7,2%



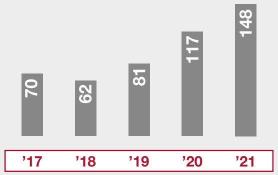
HEPS
441,7 cents

CAGR 22,5%



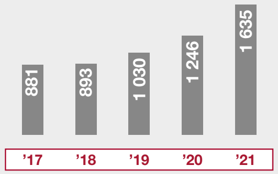
Total dividend per share **148,0 cents**

CAGR 20,6%



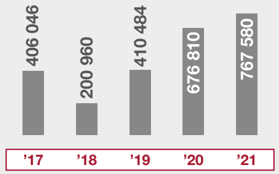
NAV per share
1 635 cents

CAGR 16,7%



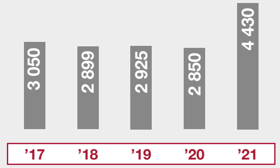
Net cash from operating activities **767 580** (R'000)

CAGR 17,3%



Share price at year-end
4 430 cents

CAGR 9,8%



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

Afrimat has a superb track record in acquiring, assimilating and then growing businesses. During the year Afrimat acquired Nkomati Anthracite Proprietary Limited and is in the final stages of acquiring Coza Mining Proprietary Limited.

SAFETY IS OUR TOP PRIORITY

No fatalities for NINE consecutive years.

LTIFR of 0,61
(Please refer to page 42 for safety initiatives)

ADVANCING SUSTAINABILITY

Afrimat is committed to Environmental, Social and Corporate Governance ('ESG') matters and regards sustainability as a mandatory strategic objective.

VALUE CREATION IN COMMUNITIES

Consolidated Broad-Based Black Economic Empowerment status improved to a level 3 (2020: level 4)

Skills and socio-economic development spend R25,5 million (2020: R40,4 million)

Preferential procurement B-BBEE score of 76,2% (2020: 71,5%) as verified by South African National Accreditation System ('SANAS') Accredited B-BBEE Rating Agency

Certain subsidiary companies achieved a B-BBEE status of level 2

ABOUT THIS REPORT

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 since 2006.

Corporate information

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

The integrated annual report 2021 is available in hard copy, on request, from the Company Secretary and is also published on the Group's website www.afrimat.co.za.

Our integrated annual report 2021 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with reliable, accurate, balanced and transparent reporting. Overall the report is intended to give our stakeholders a better understanding of the material issues, risks and opportunities that we face in terms of business sustainability, value creation and growth over the short-term (less than 12 months), medium-term (one to three years) and long-term (beyond three years).

Scope and reporting parameters

This integrated annual report 2021 covers the financial performance and non-financial performance of the Group. Afrimat reports on the strategy, the six capitals on which it relies and the opportunities, risks and outcomes attributable to or associated with its key stakeholders, who significantly influence Afrimat's ability to create value for the year ended 28 February 2021. There has been no material change in the scope and boundary of the IAR compared to the prior year or to historical financial data.

For more information, see the annual financial statements on pages 61 to 125.

Frameworks applied

In compiling this report, Afrimat considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in January 2021. Our report conforms to the requirements of local and international integrated reporting frameworks, the South African Companies Act 2008, JSE Listings Requirements and the Mining Charter. 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™.

Materiality

The legitimate interests of all our key stakeholders were taken into account in determining information that is considered to be material for inclusion in this report. Afrimat defines strategic matters as those which are most material to the formulation and execution of strategy and those that have the potential to significantly affect Afrimat's ability to create stakeholder value and contribute to the future sustainability of the Group.

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 33 for the risk management report.

Forward-looking disclaimer

This integrated annual report 2021 contains forward-looking statements that, unless otherwise indicated, reflect the Company's expectations as at 28 February 2021. 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 statement even if new information becomes available as a result of future events or for any other reason.

Board responsibility statement

The Board, assisted by the Audit & Risk and Social, Ethics & Sustainability Committees, acknowledges its responsibility for ensuring the integrity of the integrated annual report, and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC's <IR> Framework. The Afrimat Board approved this integrated report and authorised its release on 21 June 2021.

Combined assurance

A combined assurance model is used to provide Afrimat with assurance obtained from management, internal and external assurance providers. PricewaterhouseCoopers Inc. are the auditors of Afrimat and provided an unmodified opinion after auditing our consolidated and separate annual financial statements 2021. The extracts from the annual financial statements in this integrated annual report are from audited information but not audited.

The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Audit, Risk and Compliance Committee.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

21 June 2021

ESG in action

SUSTAINABILITY

Part of the Afrimat culture is developing the skills and competencies of not only our own employees but that of the community in the surrounding areas of where we mine. The importance of developing our employees can't be underestimated as they play a pivotal role in the growth of the Group.

There are several training and development initiatives in Afrimat, ranging from core skills training to strategic development such as our own Leadership and Afrimat Management Development Programs. One of the key objectives of the Human Resource Development ('HRD') department is to play an enabling role to assist employees in maximising their skills base and developing their career.

This aligns with our Afrimat culture.

In keeping with the Afrimat Way, we harness the full potential and talents of our employees by continuously promoting and improving skills and competence.

1

OUR BUSINESS

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

Commercial quarries	27
Readymix batching sites	24
Concrete brick and block factories	9
Sand and gravel mines	5
Clinker sources	3
Mobile crushing and screening	
Drilling and blasting	

Industrial Minerals

Dolomite mines	2
Limestone mines	2
Silica mine	1

Bulk Commodities

Iron ore and manganese mine	1
Anthracite mine	1

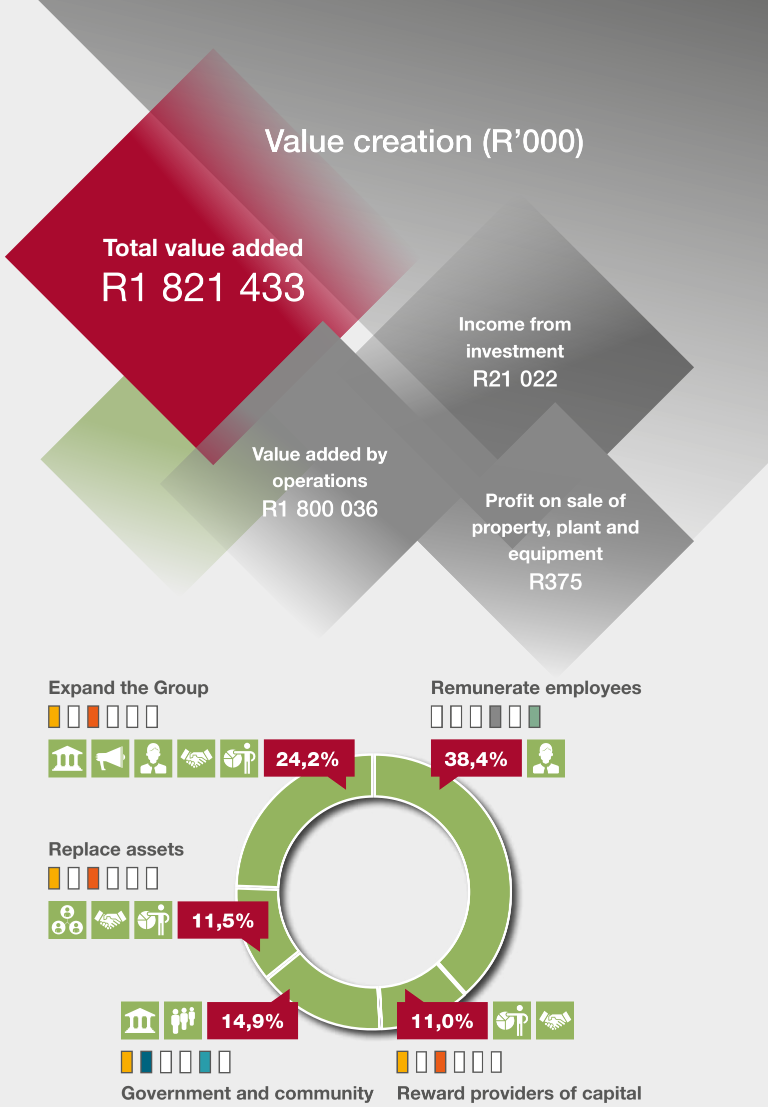
	Construction Materials	Industrial Minerals	Bulk Commodities
	Aggregates | Contract crushing, drilling and blasting Concrete products | Readymix	Limestone | Dolomite | Silica	Iron ore | Anthracite
Core activities	Open pit mining and processing of aggregates products Contract crushing, drilling and blasting Concrete brick and block manufacturing and readymix concrete batching	Open pit mining and processing of industrial minerals	Open pit iron ore, manganese and anthracite mining
Revenue contribution	43%	14%	43%
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 ▪ Feedlime ▪ 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 up to 65% Fe ▪ Lump and fine fraction product range ▪ Siliceous manganese ore ▪ Mixed metal manganese ore ▪ High quality nuts and duff anthracite product
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 ▪ Anthracite 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 ▪ Glass manufacturers ▪ Foundries ▪ Tile adhesive manufacturers ▪ Agriculture ▪ Renewable energy projects ▪ Power distribution network ▪ Chemical ▪ Animal hygiene	▪ International export ▪ Local consumption ▪ Mine to road to train to port logistics ▪ Domestic ferrochrome smelting market
Quality assurance	Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation. Blocks and bricks manufactured in accordance with SABS specification.	Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.	All iron ore products manufactured in accordance with customer specifications and sold in terms of the Platts iron ore 62% grade for export. Good quality anthracite due to its low sulphur and phosphorous content. All anthracite products are manufactured in accordance with customer specifications. The utilisation of an in-house test laboratory for continuous process control. 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 ('CBP') 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 THROUGH THE USE OF CAPITALS

Capital		Trade-off	Outlook	Input
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).**	Due to the volatile and uncertain market conditions, a decision was made to keep gearing low and to preserve additional cash resources.	Afrimat is investigating future business acquisitions to increase sustainable financial growth. A strong balance sheet and cash balance enables the Company to exploit possible investment opportunities and expansion.	Market capitalisation of R6,5 billion (2020: R4,1 billion) Net debt:equity of 3,8% (2020: 8,2%) to execute growth Funding facilities of R1,3 billion (2020: R1,1 billion) of which R902,5 million was utilised (2020: R316,3 million) (refer to note 7.3.4)
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.**	Using natural resources may sometimes negatively affect human and social capital. This is a key trade-off for generating value across the other capitals. We are, however, committed to minimise the environmental impacts of our operations and activities.	Accelerate and expand our response in an effort to be resilient in a lower-carbon future. Refer to page 40.	Water used 518,0 thousand cubic metre ('m³') (2020: 633,8 thousand cubic metre ('m³')) 42,7 million tCO_2/kWh (2020: 33,2 million tCO_2/kWh) electricity 13,2 million litres (2020: 14,3 million litres) fuel
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.**	Mining and run-of-mine operations have a positive impact on manufactured capital, but are negative for financial capital and marginally offset by rising product value.	Beneficiation leads to multiple product development, sales and associated benefits.	75 operations throughout southern Africa creating a distribution network and general infrastructure (including technology) which enables us to produce, deliver and sell our products and services Property, plant and machinery R922,6 million (2020: R767,7 million)
HUMAN CAPITAL	**How we select, develop and manage our people.**	Investing in attracting, retaining and developing the best talent, thereby resulting in employee costs being a significant cost to our business and in turn, impacting financial capital.	Attracting, retaining and developing our employees will increase sustainable growth in the long term. Safety remains a top priority and a focus area.	Strong leadership team, driving our entrepreneurial culture A diverse Board and executive team 2 625 (2020: 2 289) employees with relevant knowledge, skills and experience
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).**	Maintaining quality relationships across all stakeholders require financial capital inputs, but generally generates positive return across most capitals over the longer term.	Creating an effective shareholder engagement strategy. Further improvements in our transformation strategy and B-BBEE status as well as socio-economic development.	Good relationships with the communities surrounding our mining operations and production plants Confidence of shareholders by creating an effective and aligned shareholder engagement strategy
INTELLECTUAL CAPITAL	**Our strong brand, procedures and processes and the knowledge our people possess constitutes our intellectual capital. The balance of new opportunities and core strengths ensures growth.**	Our commitment to implementing reliable systems as well as determining the role of Artificial Intelligence ('AI') and Big Data, may result in pressure on some existing traditional job functions, but will produce opportunities in new roles.	Implementing of agile business processes across all business units. Maintain our reputation as a quality and consistent supplier with an exceptional brand.	Enabling growth through sound business principles and new opportunities These intangibles constitute our product and service offering and provide our competitive advantage

Outcomes

Capital	Outcomes	Page reference	Page
FINANCIAL CAPITAL	Revenue up 11,8% to R3,7 billion EBITDA up 40,8% to R1,1 billion Net cash generated from operations: R767,6 million (2020: R676,8 million) HEPS 441,7 cents (2020: 347,7 cents) Total dividend per share declared: 148,0 cents (2020: 117,0 cents) Net debt:equity of 3,8% (2020: 8,2%)	CFO's report Annual financial statements	14 61
NATURAL CAPITAL	151,2 tCO_2e (2020: 180,3 tCO_2e) emissions	Environmental responsibility	40
MANUFACTURED CAPITAL	Capital expenditure of R293,6 million (2020: R273,4 million) Depreciation and amortisation of R209,4 million (2020: R177,2 million)	Legal and mining right compliance Technology and systems Annual financial statements Environmental responsibility	39 59 61 40
HUMAN CAPITAL	Wages and salaries of R699,2 million (2020: R664,4 million) 22 (2020: 15) artisans successfully trained Board attendance of 98% (2020: 100%)	Safe and reliable operations Governing structures Remuneration report	42 29 53
SOCIAL AND RELATIONSHIP CAPITAL	Spending on skills and socio-economic development of R25,4 million (2020: R40,4 million) B-BBEE Level 3 (2020: Level 4) Preferential procurement of B-BBEE score of 76,2% (2020: 71,5%) as verified by SANAS Accredited B-BBEE Rating Agency.	Stakeholders Social, ethics and sustainability Transformation	8 38 49
INTELLECTUAL CAPITAL	Investment in quality assurance and research and development R6,4 million (2020: R5,5 million)	Business overview Annual financial statements	4 61



Stakeholders

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

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:

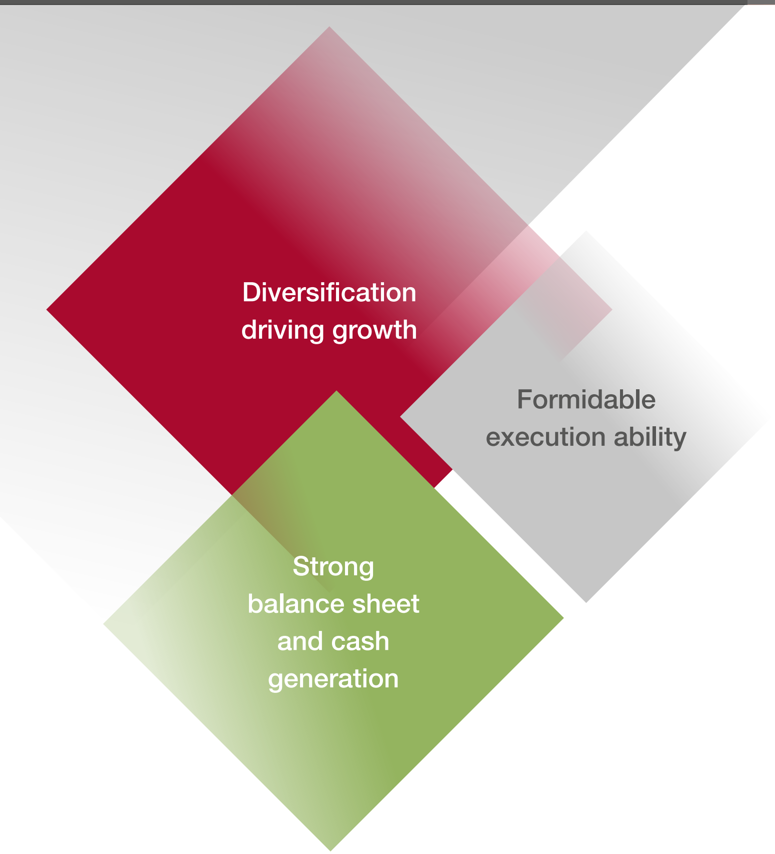
Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Employees	■ Job security ■ Sustainability ■ Personal growth and development ■ Skills development ■ Remuneration and incentives ■ Safety ■ Health and wellness ■ Transformation ■ Job satisfaction	■ Annual culture climate survey ■ 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 ■ Dedicated skills development division ■ Skills Development and Employment Equity Consultative Committees established for each subsidiary ■ Ongoing health and safety programme ■ Weekly 'toolbox talks'
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
Shareholders/ investors	■ Profitability ■ Strategy to ensure sustained financial growth ■ ROI (share price and dividends) ■ Cash generation ■ Corporate governance and compliance ■ Risk management ■ Growth prospects ■ Sound corporate practices ■ Cost reductions ■ Labour relations ■ Sustainability ■ Ethics ■ Transparent executive remuneration ■ Reputational issues	■ 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 and investor open days ■ Investor conference participation ■ 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 and an annual investor open day ■ Feedback on Company performance, future prospects and strategy ■ Feedback on economic, social and environmental risks ■ Shareholder engagement meetings ■ Research coverage

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
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
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 ▪ BEE compliance and local economic development	▪ Contract and service agreements ▪ Whistleblower'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 DMRE 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 MDs 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

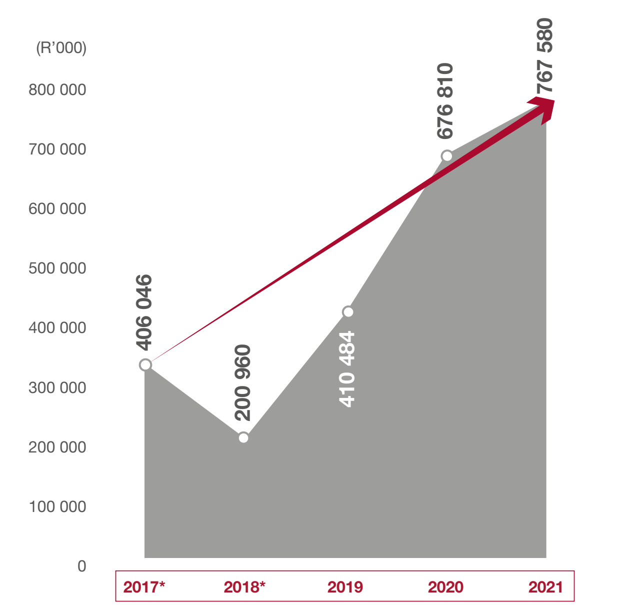
Afrimat was able to make it through the lockdown period for a number of reasons: (i) the iron ore operations were able to operate and generate strong cash flow; (ii) diversification was in place; and (iii) stringent capital allocation and cash retention enabled all operations to pay employees and hence weather this most unprecedented occurrence.

Matie von Wielligh



Net cash from operating activities – full year

CAGR 17,3% (2017-2021)



* *Net cash from operating activities was impacted by an amount of R80,0 million paid in 2018, resulting from PAYE owed by the Afrimat BEE Trust.*

The year under review

This financial year was one like no other previously experienced, due to the Covid-19 pandemic and the global and national lockdown levels that followed.

Afrimat entered the national lockdown with a very robust balance sheet, positioning it strongly for the uncertainty that lay ahead. The impact of the lockdown on the Group was dampened by the partial opening of the Demaneng iron ore mine and certain Industrial Minerals operations early in the lockdown period. The reopening was undertaken with the utmost care to ensure the safety and well-being of all our employees. From 20 April 2020 industries in the mining and quarrying sector were granted permission to operate, as gazetted by government. This enabled Afrimat to ramp up operations according to market demand.

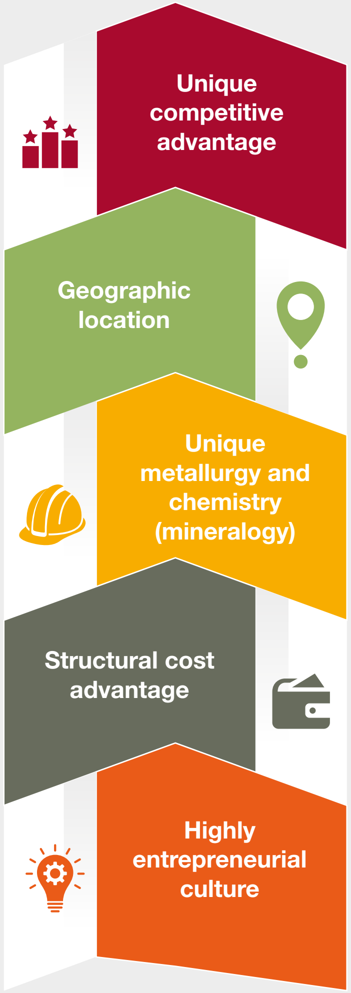
Afrimat was able to make it through the lockdown period for a number of reasons: (i) the iron ore operations were able to operate and generate strong cash flow; (ii) diversification was in place; and (iii) stringent capital allocation and cash retention enabled all operations to pay employees and hence weather this most unprecedented occurrence.

What is always worth reminding shareholders and stakeholders of is the founding fundamentals of Afrimat, put in place in 2006 upon listing on the JSE. Aside from being based on excellent governance and strong ethics, there is unwavering attention to ensuring efficiencies and diligent execution across all operations. Strict cash management, mindful capital allocation and a focus on business development follows, where new applications and diversity add to a drive for a well-balanced and diversified portfolio of assets.

Unwavering dedication to sustainable diversification and strong execution

During my past 14 years of service to Afrimat I have been regularly asked the question 'What makes this business succeed in the way that it does?' In my opinion this is as a result of strategic focus, thorough planning, ruthless execution and the perpetual measurement of initiatives being implemented within an ethical organisational culture which breeds success and rewards performance. Soon after listing, when the main focus of the Company was aggregates and quarries, Afrimat realised that the key to its long-term success was through diversification.

In the search for diversification, the following criteria for target acquisitions were put in place and remain the cornerstone of our evaluations today:



When a target acquisition meets these criteria and the price is right, it stands to reason that Afrimat will have a better hedge against economic volatility through such a transaction, which may also lead to wider diversification. The next step that executive management is passionate and extremely careful about is execution. Knowing they have shareholder returns to safeguard, this is diligently monitored. Should something out of the ordinary arise, it is addressed very quickly, usually within a matter of days.

During my tenure at Afrimat I have come to learn that the execution phase and the continuation thereof is often the most difficult part of ensuring the successful integration of an acquisition. However, it is something that the management team has refined over the years, and which has now been perfected to something of an art at Afrimat.

Environment, Social and Governance ('ESG')

When South Africa is compared to the Scandinavian countries, for example, it is generally acknowledged that the country still has a way to go to reach the ESG levels associated with many developed nations. Having said this, during the past three to four years, we have seen the adoption of both the concept of ESG, as well as compliance to these principles happening at a faster pace than ever before, which is something to be thankful for.

Afrimat, being a mindful organisation, is proud to be compliant across all three areas as outlined below.

Environmentally, we are governed by the DMRE and we have an excellent relationship with the department, which we respect. In fact, we go beyond simply adhering to all their principles. Within the Social, Ethics & Sustainability Committee Report, the environmental responsibility section houses information on our carbon footprint, carbon emissions, electricity consumption, water usage, waste management and bio-diversity efforts. This information can be found on pages 40 to 42 of this integrated annual report.

From a governance perspective, Afrimat observes the spirit and principles of the JSE Listings Requirements, King IV™, the Framework for Integrated Reporting, the Mining Charter and the Companies Act.

On the social front Afrimat has once again made meaningful contributions during this financial year in developing social and labour plans and executing requirements to assist in developing the communities in which we operate.

Commitment to governance across the Group remains strong and unwavering, with a unitary Board in place, as well as all of the necessary sub-committees. On this point, in February 2021 Afrimat announced the appointment of a Deputy Chairman, Mr Francois M Louw, who also serves as the lead independent director. The rationale for this appointment given my tenure in this role, being the 14th year, the implementation of proper succession planning coupled with a structured handover is essential. I, together with my fellow Board members and the executive management team, have the utmost faith in Francois's technical and fiduciary abilities and look forward to working alongside him as he 'learns the ropes'.

Afrimat also adheres to fair remuneration practices. 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.

Outlook

With much of the world on a rapid trajectory to ensure their populations are vaccinated, the associated rebound in certain sectors such as technology, commodities and luxury goods is at an all-time high. Some research houses estimate that China accounts for roughly 50% of the buoyancy in the South African market and this is largely because of our commodities. This has benefited Afrimat, given the strong iron ore price, and although we do expect this will come down at some stage, the momentum of the current high price will be beneficial for the coming year's results.

We also look forward to the acquisitions made during the year contributing towards the 2022 financial year after some initial capex investments have been made. Despite often being asked if we will pay a special dividend, Afrimat will stick to the 2,75 times dividend cover, supported by the rationale that if an acquisition opportunity delivers more than the weighted average cost of capital, Afrimat will invest in this growth opportunity rather than paying a special dividend.

Appreciation

My sincere appreciation goes out to the executive management team at Afrimat, which under the leadership of Andries van Heerden has delivered another stellar set of results that shareholders can be proud of.

To my fellow Board members who guide, support, interact and advise at Board and Committee meetings – thank you for all the time you dedicate to the effective running of Afrimat. I am proud of the achievements made in what was a difficult year to operate in.

I wish to extend my sincere thanks to Hennie van Wyk, who after 14 years of diligent service as an independent non-executive director, is retiring. In addition to the Board, Hennie served on the Audit & Risk Committee and always with distinction, adding value to discussions and deliberations. I wish Hennie everything of the best for the future.

To all Afrimat's employees, who excel at service and product quality delivery and who have an ability to effectively solve problems and rise to challenges, and who have kept our operations going and have in many instances excelled in these difficult conditions, thank you for your dedication.

To all our customers, service providers and stakeholders, we continue to appreciate your support of Afrimat.

Matie von Wielligh
21 June 2021

CEO'S REPORT

Afrimat has invested in its long-term ability to deliver good results from both its existing operations as well as the recently announced acquisitions. The internal efficiency drive which assisted the Group's rapid recovery after the lockdown is expected to deliver good results from existing operations.

Andries van Heerden

Conscious diversification supported overall profitability

Values-based entrepreneurial culture paying off

Pipeline of attractive potential acquisitions

What was the defining achievement for Afrimat in 2021?

The Group delivered strong results despite the effect caused by the sudden and unexpected global Covid-19 pandemic and the resultant hard lockdown levels imposed during the first half of the financial year. This disruption was swiftly countered by Afrimat's management, who implemented proactive measures to both manage and minimise the impact of the reduced ability of certain businesses to trade. The Group's strategy of conscious diversification came to the fore and supported overall profitability and additional cash generation. Our Construction Materials and Industrial Minerals segments returned to profitability once these lockdown levels were lifted.

In this 2021 financial year, iron ore mining delivered 43% of Afrimat's external revenue due to high international iron ore prices in dollar terms. What was the performance of the Construction Materials and Industrial Minerals segments?

The Construction Materials segment was considerably impacted by the initial hard lockdowns and was not able to earn any revenue for April 2020, while earning limited revenue during May and June of 2020. The segment recovered post the hard lockdown levels to achieve good growth in the second half of the financial year, compared to the corresponding period of FY2020. The segment was able to recover and sustain volumes in the second half of the year to pre-Covid-19 levels, but was not able to make up the lost volume across April to June of 2020. Certain areas of the country have strong demand for product including KwaZulu-Natal, Mpumalanga and the northern part of Gauteng.

The Industrial Minerals businesses across all regions delivered satisfactory results. The segment was able to sell limited quantities of product into certain essential services markets during the national lockdown. Overall it experienced a slower recovery after the hard lockdown restrictions due to large customers restarting their own operations slowly. The segment was also impacted by the ban on alcohol sales. Thankfully, volumes returned to normal levels towards the end of the financial year.

What is the status of the most recent acquisitions being Nkomati Anthracite Mine ('Nkomati') and Coza Mining ('Coza')?

Afrimat now owns all the shares in Nkomati and is in a position to implement a structure which will include the local communities. It sold the non-core assets that remained in the Unicorn Capital Partners ('UCP') business, netting R45 million in cash when all was settled. The Group has undertaken a comprehensive exercise to establish a professional Life-of-Mine plan which required additional exploration. This resulted in a much better understanding of the geological nature of the deposit and its inherent opportunities and risks. We are excited about the mine's potential.

Part of the short-term plan was to develop an additional mini pit during the second quarter of FY2022. However, when tropical storm Eloise caused flooding in the pit, we moved mining equipment to the mini-pit area and accelerated its development. This has allowed us to claw back some time to resume production significantly earlier. The plan is for Nkomati to contribute to the second half of the coming financial year. This remains a good project, which we are positioning to capture the value of the high quality of the product.

On the Coza side we are in the final stages of getting the Jenkins iron ore mine ('Jenkins') up and running, with the mining licence recently being approved. It is also expected that Jenkins will contribute to the Group results in the second half of the coming financial year and product from this iron ore mine will initially be for the inland market.

What lessons did you learn from the Covid-19 pandemic that you will take forward into the future of Afrimat?

Expect the unexpected and then ensure your people are safe, cared for, communicated to and have all the information they need. Afrimat was able to endure the hard lockdown levels because of our strong balance sheet and the positive cash generation ability due to the iron ore business and its ability to operate from 20 April 2020. By preserving cash, we were able to pay our people and our suppliers in full and on-time whilst having sufficient cash to capitalise on lucrative opportunities. Certainly, what I will take forward from the Covid-19 pandemic is this – make sure your people feel secure and don't get tempted when someone infers that you have a lazy balance sheet, stick to your principles on this and have the necessary respect for the cash the business generates.

Why does Afrimat invest in ESG?

The Afrimat culture and purpose is based on ensuring that we build a sustainable business based on integrity and competence. This means that our care for and the measurement of our impact on the environment is critical. We will also continue in our support of the communities in which we operate with an emphasis on education, skills development, training and post-graduate assistance, and that our governance will remain strong, steadfast and accountable.

Our Afrimat culture is based on:

- Caring environment
- Important relationships
- Results driven
- Teamwork
- Skills and competence
- Empowering
- Entrepreneurial drive
- Winning attitude
- Humility and belief

What can be expected looking forward to the next two years?

Afrimat has invested in its long-term ability to deliver good results from both its existing operations as well as the recently announced acquisitions. The internal efficiency drive which assisted the Group's rapid recovery after the hard lockdown levels is expected to deliver good results from existing operations. Nkomati and Jenkins are expected to come on stream and make good contributions.

Afrimat remains steadfast in its diversification drive, because it is this strategy that has enabled the Group to excel through difficult times. Although the attractive iron ore price is assisting to bring strong cash flow into the business, we realise that the iron ore pricing trend is cyclical. However, it should be remembered that Afrimat is a low-cost junior miner which serves as a hedge against this volatility.

In line with our diversification strategy, we expect our Construction Materials and Industrial Minerals divisions to deliver a better contribution to the Group results during the coming year. With all this being said, we will continue to pay meticulous attention to execution as Afrimat expands in size and remain mindful that we do not lapse on this critical activity.

Appreciation and what to expect in the year ahead

My appreciation goes out to the management and people across the Afrimat family for your unwavering dedication, commitment to the Group and delivery beyond what is expected of you. In my opinion, the care and work ethic demonstrated across our business operations is what sets Afrimat apart. As part of our appreciation, we ensure that we create a space for all our people to thrive, learn and grow in, in order to improve themselves and their families in turn.

I wish to thank our customers for their continued support. In many instances we are developing and growing together with their businesses and products as we align our research and business development goals with those that will benefit our customers and grow our market share.

Our shareholders continue to support Afrimat as we embark on roadshows, conferences and investor open days, and the support and understanding of the Afrimat business is evident in the questions we are asked. Our stakeholders, of which there are many, have a deepening understanding of Afrimat as trust, support and care is nurtured in the communities we operate in, with the regulators we comply with, and with the providers of capital in their understanding and support of our diversification process.

Afrimat had to quickly adapt to the Covid-19 pandemic and thankfully our strong cash reserve and continual cash generation assisted in this. In the year ahead we have to ensure that the new acquisitions are able to operate at the standards and efficiencies we expect in order to reach optimal production, so there will be an allocation of capital expenditure (please see the CFO's Report on pages 14 to 16 for additional detail on capex). As part of our tradition of effective execution we intend to ensure that they contribute to the Group as a whole, add to our diversification drive, and thus ensure that all three segments of the business are contributing well to our future sustainability. In terms of the near future, we are evaluating some interesting new acquisition opportunities to ensure they are a good fit with our proven evaluation criteria (see page 10 of the Chairman's Report).

Andries van Heerden

21 June 2021

Achievements

- Exceptional results despite impact of Covid-19 on economy
- 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 ISHE ASPASA audits
- Successful cost improvement initiatives
- Improvement in procurement spend towards black-owned suppliers, services and consumables
- Over nine consecutive calendar years without a fatality

Challenges

- Alignment and relationships with communities
- Continuous changes in legislation governing the industry, i.e. environmental laws, B-BBEE and DMRE requirements
- Establishing a reporting framework and measurement of emissions to comply with impending carbon tax laws
- Declining economic growth in the construction sector
- South African economic contraction
- Exposure to foreign exchange fluctuations and commodity price volatility
- To achieve a LTIFR of zero (refer to page 42 for safety initiatives)
- Onboarding of talent and retention of key employees

* *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

Despite having to respond to the Covid-19 pandemic very quickly and proactively, we are grateful that we were able to maintain our focus on the effective conservation and management of cash, which saw us through this difficult time.

Pieter de Wit

Group revenue **up 11,8%** to R3,7 billion

Operating profit margin of **24,0%**

Headline earnings per share ('HEPS') **up 27,0%** to 441,7 cents

Final dividend per share of **112,0 cents**

Operating profit **up 47,5%** to R886,3 million

Net debt:equity ratio improved from 8,2% to **3,8%**

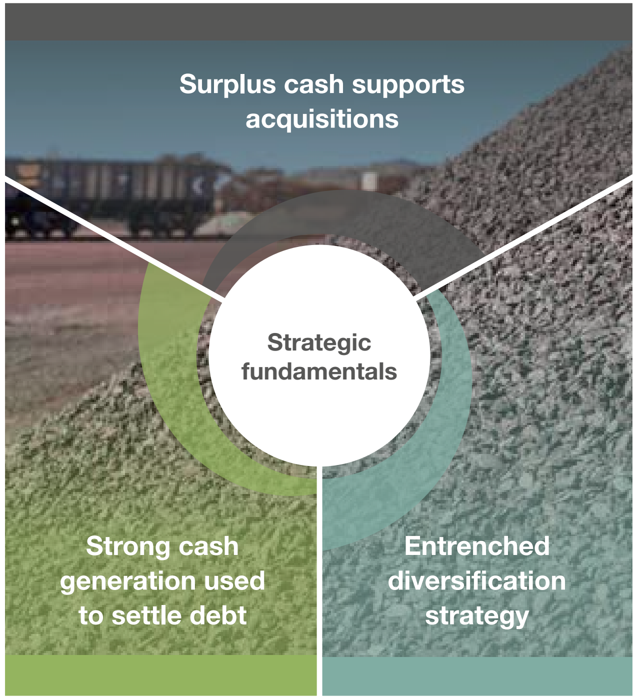
Introduction and background to the results

It remains my privilege to give some background to the results presented by Afrimat in what can only be described as an unparalleled year and one that will not easily be forgotten. Despite having to respond to the Covid-19 pandemic very quickly and proactively, we are grateful that we were able to maintain our focus on the effective conservation and management of cash, which saw us through this difficult time. This was further helped by strong cash flow from the Bulk Commodities segment due to the high global iron ore price.

External revenue increased by 11,8% to R3,7 billion from R3,3 billion in the previous financial year. As mentioned, this was mainly attributable to the strong performance of Bulk Commodities.

Headline earnings per share grew by 27,0% from 347,7 cents to 441,7 cents.

Net cash from operating activities increased by 13,4% to R767,6 million (2020: R676,8 million), which resulted in an improvement of the net debt to equity ratio from 8,2% in the prior year to 3,8% in the current year. Having cash on hand remains one of the focal areas within Afrimat from a financial perspective, and enables us to stick to our strategic fundamentals, which are:

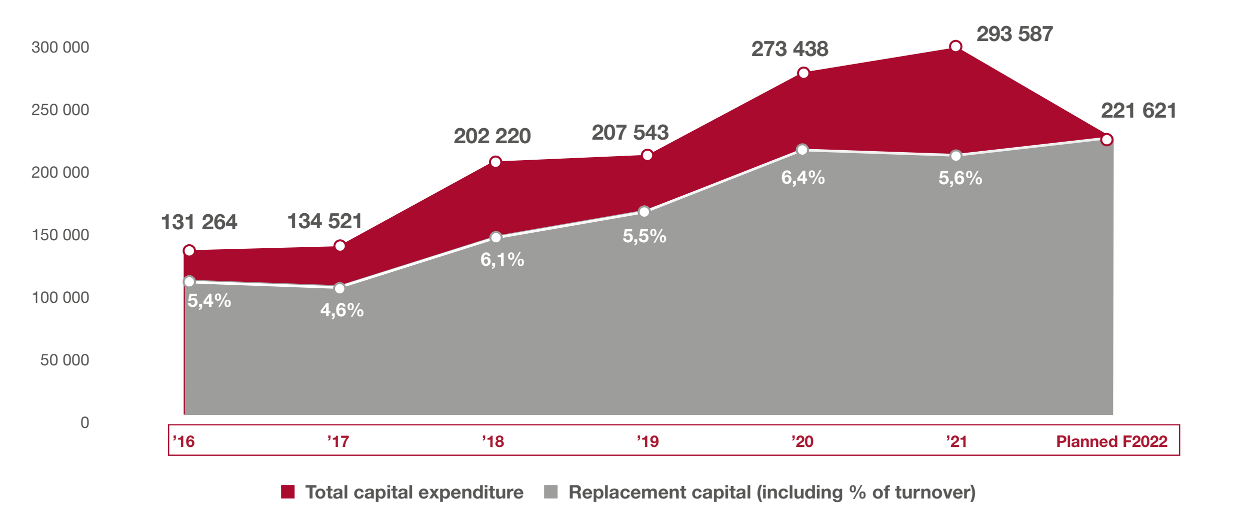


A final dividend amounting to 112,0 cents per share was declared and remains in line with the 2,75 times dividend cover. Surplus cash is unlikely to be distributed via a special dividend as Afrimat continues to look for and conclude acquisitions that will support the diversification strategy, which is explained in more detail in the Chairman's Report on page 10 of this integrated annual report.

The effective tax rate of the Group increased from 18,9% to 30,5% in the current period due to the utilisation of previously unrecognised assessed losses of R288,3 million in the Demaneng iron ore mine in the prior year. No deferred tax assets were recognised on the startup and assessed losses of Nkomati.

I am often asked about capital expenditure and those who have followed Afrimat for a while now will both know and appreciate that we think very carefully about all capital allocations. However, that is not to say that we will withhold capital expenditure necessary to ensure that our mines, quarries and operations are well maintained and operating at high levels of efficiency – goes without saying, of course. Our historical capital expenditure and planned expenditure is detailed in the graph below:

Capital expenditure 2016 – Planned 2022 (R'000)



Authorised capital expenditure is funded from surplus cash and available bank finance.

The Afrimat balance sheet remains strong, and we will continue to manage it for this strength and the flexibility it offers the business in turn. The net asset value ('NAV') per share increased by 31,2% to 1 635 cents (2020: 1 246 cents).

During the year, Afrimat announced that the restructured Unicorn Capital Partners Limited ('UCP') would not be part of our core diversification strategy, and we decided to dispose of the group. Furthermore, a loan of R22,1 million from the UCP group payable to Afrimat was impaired. In the prior year, during the process of performing the annual goodwill impairment test, we identified that the carrying value of the SA Block Proprietary Limited cash generating unit ('CGU') exceeded its recoverable amount. This was mainly due to the reduction in sales volumes resulting from a slowdown in the market and a decline in demand for construction materials in the Gauteng area. This resulted in the company not achieving its budget and placing significant pressure on the margins. A goodwill impairment of R10,2 million was recorded in 2020.

Numbers to consider when assessing Afrimat

In our opinion, these are critical measures that we pay particular attention to and benchmark ourselves against:

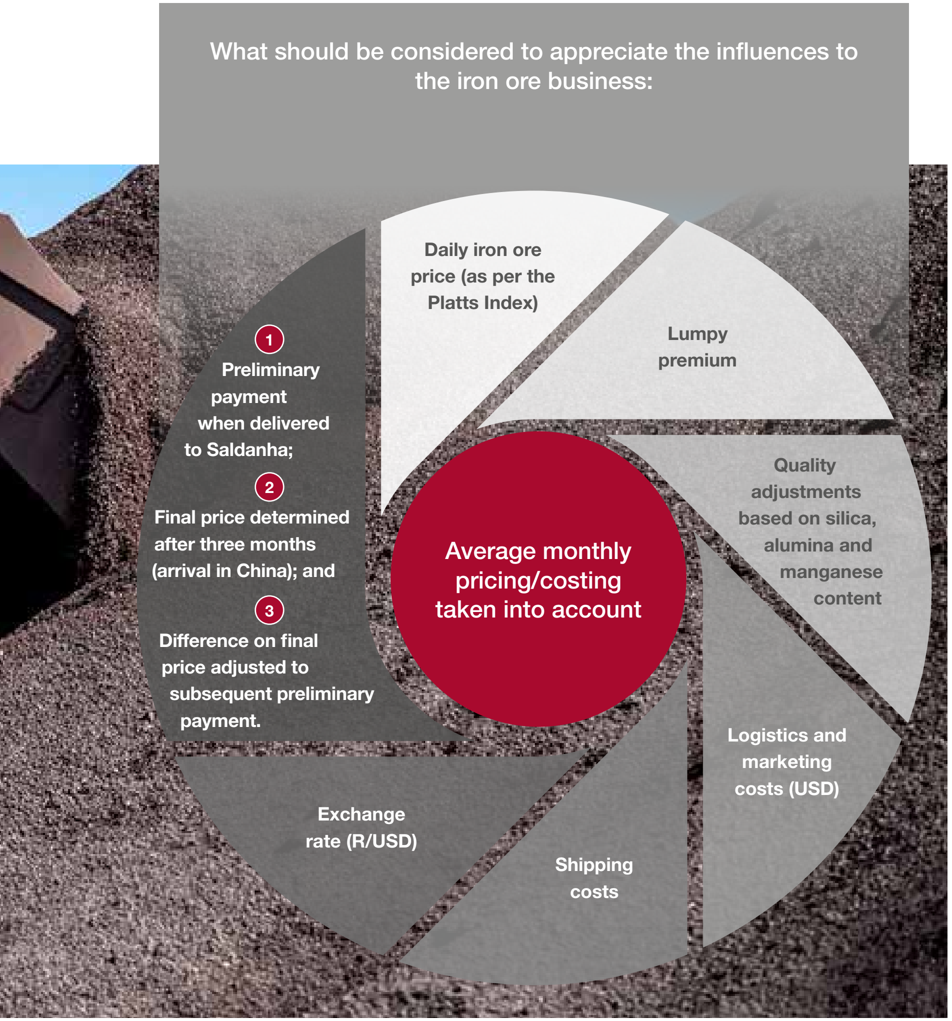
Return on capital	26,3%
Return on operating assets	34,0%
Net debt:equity	3,8%
Cash conversion	1,3
Dividend	Consistent at **2,75** times dividend cover

The improvement in overall operating profit margin on external revenue is once again testimonial to our diversification.

Operating profit margins

6,6%	Construction Materials
10,8%	Industrial Minerals
46,4%	Bulk Commodities
24,0%	Overall

We are often asked to detail the components of the iron ore price and factors used in calculating the amount Afrimat receives – the infographic below shows the components involved and manner in which this price is calculated. All these pricing components are available through data service providers.



Contingencies

A detailed note 17 in the annual financial statements references applicable contingencies and how they are viewed. One, which bears some explaining, relates to the Nkomati Anthracite Mine. When the UCP acquisition became effective in December 2020 once all conditions precedent were met, dissenting shareholders holding approximately 5,0% of shares (34,0 million shares) did not accept the offer of 14,0 cents per share and filed a case in terms of the Companies Act with the High Court. The case, which is currently ongoing, is being opposed by Afrimat.

Afrimat remains a 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 operational in the coming financial year. This evaluation takes into account the impact and potential impact of the Covid-19 pandemic or a similar global pandemic.

Financial technology and understanding our people

I have previously unpacked how Afrimat makes extensive use of technology to assist in decision making as well as to pick up, sooner rather than later, on potential areas that need proactive attention. This helps us to fix things quickly and limit the time lapse in doing so. This discipline has proven invaluable in the way in which Afrimat and its segments operate. An enhancement to the technology has resulted in a more detailed focus on our people, and how the value of soft skills is contributing to Afrimat's success.

In my opinion, strategic financial analysis in today's world is much more than a simple analysis of the numbers. The Covid-19 pandemic showed us that financial analysis, combined with input from our people, helped Afrimat to navigate the pandemic and anticipated the resultant loss of income in parts of the business. This has taken us forward and we know that we can succeed by being flexible, innovative and moulding our strategy in order to test different concepts to go-to-market with. What we have also learnt is that the progress of the business is directly attributable to the progress of our people and the emotional support we provide to them. When this is combined with opportunities in which our people are able to learn, advance and gain exposure to greater experience and new skills, the results are truly astounding. This is a foundation part of Afrimat that we will continue to build on in earnest.

This integrated annual report includes a Technology and Systems Report contained on pages 59 to 60, which I urge you to read to understand how technology helps to drive efficiency at Afrimat.

Conclusion

Given the difficult operating environment in South Africa this year and the dramatic drop in construction and infrastructure spend, our diversification positioning ensured that we delivered a solid performance, albeit on the back of a high iron ore price. Our performance is, however, not solely a result of our diversification, but is also attributable to the strong operational management teams we have in place. They possess the ability and experience to question markets and find opportunities to grow market share, either through product diversification or the like. Our acquisitions of Nkomati and Coza, which are focused on anthracite and iron ore in the Northern Cape for the domestic market, should be contributing to our results by the second half of the coming financial year, and our pipeline of future acquisitions remains exciting. As always, these acquisitions are evaluated according to strict criteria (if you are interested, the list is detailed in the Chairman's Report on page 10 of this integrated annual report).

Pieter GS de Wit

21 June 2021

ESG in action

SAFETY

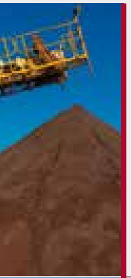
It is Afrimat's policy to use our Health and Safety management system to do all that is reasonably practical to prevent occupational diseases, personal injury, damage to property and to protect all employees, visitors, contractors, public, interested and affected parties from foreseeable work hazards, insofar as they come into contact with the operations or are exposed to the performance within the Company.

Afrimat follows a pro-active and participative approach towards Health and Safety management both within the boundaries of our operations and the integration thereof with surrounding areas. This means that we will endeavour to pro-actively identify and resolve potential Health and Safety risks before they manifest as accidents, incidents or non-compliances.

It is our primary responsibility to ensure a healthy and safe working environment and we firmly believe in leading by example.

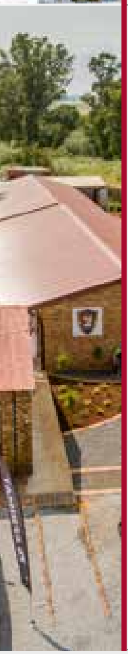
We furthermore believe that every employee should participate in and contribute towards our Health and Safety effort.

GROUP'S TOP PRIORITIES FOR 2022



- **Successful execution and implementation of acquisitions**

- **Focus on optimisation of existing Construction Materials and Industrial Mineral businesses**

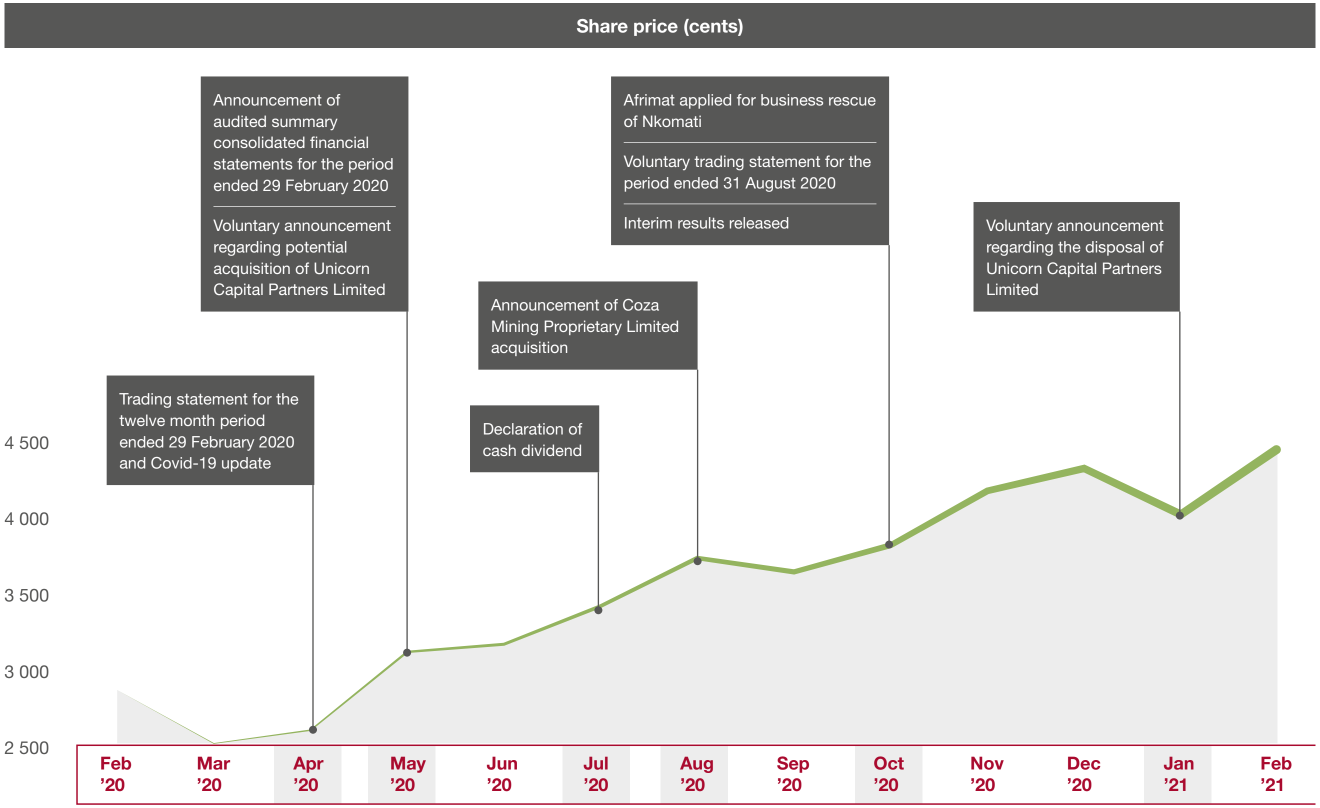


- **Increased focus on ESG**

SHARE PERFORMANCE

AT YEAR-END

	FY2021	FY2020	FY2019	FY2018	FY2017
Number of ordinary shares in issue ('000)	**146 145**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**8 546**	8 241	7 573	6 654	7 188
Net number of ordinary shares in issue ('000)	**137 599**	135 021	135 689	136 608	136 074
Weighted number of ordinary shares in issue ('000)	**135 381**	135 380	136 387	136 271	141 713
Headline earnings per share (cents)	**441,7**	347,7	234,1	180,7	196,4
Price:earnings ratio	**10,0**	8,2	12,5	16,0	15,5
Market price per share at year-end (cents)	**4 430**	2 850	2 925	2 899	3 050
Market capitalisation based on issued shares (R'000)	**6 474 213**	4 082 979	4 190 426	4 153 177	4 369 504
Market capitalisation based on issued shares less treasury shares ('000)	**6 095 658**	3 848 110	3 968 915	3 960 278	4 150 280



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 6

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

Stakeholders
Refer to stakeholders list on page 8

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

GROWTH THROUGH DIVERSIFICATION			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2021**	**Outcomes FY2021**
Hedge against economic volatility	Financial capital, Manufactured capital, Intellectual capital	Customers, Major contractors, suppliers and business partners	An efficient hedge against volatile local business conditions was created. The Bulk Commodities segment's operating profit increased by 128,4% from R321,7 million to R734,7 million during the year under review. Nkomati was acquired effectively December 2020, which will deliver a high quality anthracite product.	Reduce reliance on local economic business environment.
Continuous research of business environment	Financial capital, Manufactured capital, Intellectual capital	Shareholders, Customers, Major contractors, suppliers and business partners	Research into possible opportunities in new markets is ongoing.	Reduce reliance on one key market via organic expansion.
Focus on value enhancing acquisitions* and successful execution thereof	Financial capital, Manufactured capital, Intellectual capital	Shareholders, Customers, Major contractors, suppliers and business partners	Identification of value enhancing targets.	Afrimat successfully concluded the acquisition of Coza and Nkomati.

* *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
Diversification into various products requires further expertise and a full understanding of the relevant market	Structure the Group into different clusters, managed by leaders with the required specialist knowledge and expertise.
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.
Human capital resource availability	Onboarding talent, training and upskilling employees. Focus on creating a healthy culture.
Loss of revenue from economic turmoil of various industries in South Africa	Maintaining of a strong balance sheet and cash reserves and supplying into essential industries as well as have multi-currency exposure.

Focus areas for next year

- Further expand the Bulk Commodities asset base.
- Navigating the business through the difficult and changing economic environment.
- Diversification into other products within Afrimat's area of expertise.
- Successful execution and implementations of acquisitions.

MAINTAIN COMPETITIVE ADVANTAGE			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2021**	**Outcomes FY2021**
Extensive geographic footprint			Afrimat further extended its footprint with acquisition of Nkomati and Coza.	The Bulk Commodities sector's operating profit contributes 82,9% of total operating profit. These acquisitions reduce Afrimat's reliance and vulnerability on one key market.
Structural cost advantage			The Group was able to maintain an improvement in overall operating profit margin from 18,2% to 24,0%, mainly due to the improved margin of the Bulk Commodities segment.	The Group was able to return rapidly to profitability after the hard lockdown restrictions were lifted, ensuring a healthy financial position.
Unique metallurgies			The Group successfully entered the anthracite industry with the acquisition of Nkomati. Research into possible new markets is ongoing.	These acquisitions will enable Afrimat to retain further resilience to remain profitable.
Flexible business model			Focus on efficiency improvement and cost reduction initiatives in all business units.	Enabled the Group to weather exceptional circumstances and to return to profitability after the hard lockdown restrictions imposed by the Covid-19 pandemic were lifted.
Company culture			Afrimat has a comprehensive drive to create a good and healthy Company culture.	Afrimat's Company culture has become a competitive advantage.

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. 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.
Managing geographically dispersed business units	Structure the Group into different clusters, managed by leaders with the required specialist knowledge and expertise. Ensure proper control by means of weekly business performance review ('BPR') sessions.
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

- Further expand the Bulk Commodities asset base.
- Focus on continuous improvement of existing operations.
- Successfully implement, integrate and execute new acquisitions.

ORGANIC GROWTH THROUGH INNOVATION			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2021	Outcomes FY2021
Product innovation and entering new markets			Afrimat's culture is driven by excellence, innovation and a perpetual drive to find new applications or industries into which our products can be sold.	Enter new markets, adding further to our diversification strategy and generally achieving higher operating profit margins.
Strong operational efficiency			Continuously improve operational efficiencies through innovative approaches.	Operating profit increased with 47,5% from R601,0 million to R886,3 million. Operating profit margin improved from 18,2% to 24,0%.
Excellent maintenance and care			Afrimat prides itself in the excellent maintenance and care of its plant and machinery.	Excellent maintenance and care improved the life cycle of assets.

Material issues and key risks	Risk mitigation and opportunities
Sustainable supply of electricity to operations	A sustainable renewable energy project team. Usage of diesel generators on site. Emergency response plans.
Understanding new markets and the application of new products	Onboarding of required talent and constant market analysis.

Focus areas for next year

- Further focus on cost savings and costs incurred within the Group.
- Innovative solutions to reduce carbon footprint.
- Innovative use of technology to enter new markets previously uneconomical.
- Innovative application of technological solutions to improve efficiency.

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (CONTINUED)

PEOPLE LED COMPANY			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2021**	**Outcomes FY2021**
Values-based entrepreneurial culture			Focus on maintaining entrepreneurial culture.	Afrimat's culture has become a competitive advantage.
Leveraging Afrimat's 'combined intellect' through synergistic teamwork			Focus is placed on deliberately building a teamwork culture. Continuous development of our employees maintain a high priority.	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.	Sustained growth rate since Afrimat was listed on the JSE.
Tangible leadership			Visible leadership through active and accessible involvement.	Stable high performance workforce.

Material issues and key risks	Risk mitigation and opportunities
Industrial action and labour unrest	Regular meetings are held with unions. Employees are acknowledged for their contribution. Focus is placed on creating a healthy culture. All wage negotiations for the FY2021 have been settled.
Retention of key employees	Prioritise succession planning and development for all our employees. Creating a culture of tangible strength-based leadership, shared values and great teamwork within an atmosphere of joy and positivity.

Focus areas for next year

- Achievement of employment equity ('EE') targets.
- Drive a strength-based culture programme.
- Maximising benefits of an integrated HR Management System.

MAINTAINING A LEADING POSITION IN OUR SUSTAINABILITY PERFORMANCE			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2021**	**Outcomes FY2021**
Safe operations			Refer to page 42 for safety initiatives.	LTIFR of 0,61 (2020: 0,86) was achieved and no facilities for nine consecutive years.
Environmental stewardship, social impact and governance as part of our sustainable development practices			Dedicated focus is placed on the improvement of Afrimat's ESG performance.	An improved performance on all aspects of ESG was achieved.

Material issues and key risks	Risk mitigation and opportunities
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.
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 disruptions are minimised.
Non-compliance with the Mining Charter, social and labour plans as well as environmental plans can lead to loss of mining licences	A dedicated sustainability department ensures effective management and planning with respect to sustainability and are supported by external consultants.

Focus areas for next year

- Achievement of safety targets (refer page 42).
- Improvement in ESG performance (refer page 39).

OUTSTANDING CUSTOMER SERVICE			Performance against objective	
Objectives	**Capital created**	**Stakeholders**	**Outputs FY2021**	**Outcomes FY2021**
Strategically positioned to deliver excellent service			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. Continuous feedback are considered to improve market opportunity.
Customer advocacy through service, reliability and quality of supply			The Group keeps up to date with its services and products and ensure it meets its customers' needs and expectations.	The marketing team spends time to know its customer, 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

- Further technology enhancements improving customer experience.
- Ongoing improvements of lost market share by strong product execution.
- Continued focus on market research.

ESG in action

HEALTH

Afrimat cares about the well-being of all employees and therefore introduced a medical surveillance process to cover all employees at various operations. The surveillance process is risk-based and determined by the Occupational Medical Practitioner and Occupational Hygienist who identify possible exposures in the workplace linked to a person's occupation.

The bulk of the operations make use of mobile clinics to perform annual medical surveillance and manage chronic illnesses. When the mobile clinic is not on site, there is a fixed facility close to the operations. Afrimat believes in an overall well-being programme that includes employee assistance programmes through the human resources department. The medical surveillance programme includes voluntary HIV/AIDS testing as well as counselling and assisting with antiretroviral treatment. All medical surveillance progress is monitored monthly and reported to various governmental institutions.

FIVE YEAR REVIEW

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Financial results and status					
Revenue	**3 693 759**	3 304 376	2 966 399	2 380 994	2 228 157
Construction Materials	**1 595 055**	1 714 180	1 739 496	1 645 252	1 756 799
Industrial Minerals	**514 291**	552 683	544 705	559 757	471 358
Bulk Commodities	**1 584 413**	1 037 513	682 198	175 985	–
Revenue split					
Construction Materials	**43,2%**	51,9%	58,6%	69,1%	78,8%
Industrial Minerals	**13,9%**	16,7%	18,4%	23,5%	21,2%
Bulk Commodities	**42,9%**	31,4%	23,0%	7,4%	–
Operating profit	**886 291**	600 952	471 152	350 399	406 595
Construction Materials	**104 906**	192 438	190 182	274 580	343 665
Industrial Minerals	**55 481**	95 568	78 012	88 393	67 511
Bulk Commodities	**734 675**	321 665	201 329	(33 443)	–
Services	**(8 771)**	(8 719)	1 629	20 869	(4 581)
Profit after tax	**603 827**	465 176	304 215	245 378	279 394
Headline earnings	**597 927**	470 657	319 284	246 216	278 296
Net operating assets	**2 603 522**	1 943 532	1 856 983	1 758 415	1 309 760
Total assets	**4 455 320**	2 795 262	2 687 012	2 534 715	2 323 781
Total equity	**2 258 407**	1 688 907	1 409 517	1 229 320	1 206 919
Total liabilities	**2 196 913**	1 106 355	1 277 495	1 305 395	1 116 862
Net cash from operating activities	**767 582**	676 810	410 484	200 960	406 046
Number of ordinary shares in issue ('000)	**146 145**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**(8 546)**	(8 241)	(7 573)	(6 654)	(7 188)
Net number of ordinary shares in issue ('000)	**137 599**	135 021	135 689	136 608	136 074
Weighted number of ordinary shares in issue ('000)	**135 381**	135 380	136 387	136 271	141 713
Profitability ratios					
Operating profit margin					
Construction Materials	**6,6%**	11,2%	10,9%	16,7%	19,6%
Industrial Minerals	**10,8%**	17,3%	14,3%	15,8%	14,3%
Bulk Commodities	**46,4%**	31,0%	29,5%	(19,0%)	–
Total	**24,0%**	18,2%	15,9%	14,7%	18,2%
Earnings per ordinary share (cents)	**444,1**	341,6	221,0	180,3	196,0
Headline earnings per share (cents)	**441,7**	347,7	234,1	180,7	196,4
Dividends declared (cents)					
Interim	**36,0**	36,0	19,0	20,0	20,0
Final	**112,0**	81,0	62,0	42,0	50,0
Total	**148,0**	117,0	81,0	62,0	70,0

	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
PBIT return on net operating assets/liabilities	**34,0%**	30,9%	25,4%	19,9%	31,0%
Return on shareholders' funds	**26,3%**	27,9%	22,7%	20,0%	23,1%
Utilisation of assets ratios					
Revenue: fixed assets ratio	**1,6**	2,1	1,8	1,4	2,1
Revenue: net operating assets ratio	**1,4**	1,7	1,6	1,4	1,7
Net asset value per share (cents)	**1 635**	1 246	1 030	893	881
Tangible net asset value per share (cents)	**1 478**	1 090	867	714	731
Capital expenditures					
Construction Materials	**158 885**	170 123	110 643	114 080	106 234
Industrial Minerals	**32 313**	21 963	63 593	40 707	17 037
Bulk Commodities	**87 307**	58 391	25 975	41 633	–
Services	**15 082**	22 961	7 332	5 800	11 250
	293 597	273 438	207 543	202 220	134 521
Liquidity and solvency ratios					
Current assets: current liabilities	**1,5**	1,5	1,3	1,1	1,0
Debt/overdraft less cash: equity	**3,8%**	8,2%	23,8%	35,5%	19,8%
Total liabilities: shareholders' funds	**96,7%**	65,5%	90,6%	106,2%	92,5%
Dividend cover (based on headline earnings)	**2,76**	2,81	2,75	2,77	2,78
Interest cover	**51,3**	21,5	9,1	12,7	35,3
Productivity, efficiencies and consumption					
Number employees at year-end	**2 625**	2 289	2 258	2 451	2 298
Revenue per weighted number of employees	**1 407**	1 444	1 314	971	970
Depreciation	**207 578**	175 672	144 712	122 566	98 628
Amortisation of intangible assets	**1 798**	1 495	1 629	1 727	2 003
	209 376	177 167	146 341	124 293	100 631
Electricity usage (R'000)	**84 540**	77 433	77 804	73 386	71 755
Fuel usage (R'000)	**163 862**	208 206	181 155	136 339	107 297
– Average fuel price (Western Cape) (Rand/litre)	**11,93**	14,00	13,51	12,79	11,80
Cement usage (R'000)	**180 347**	137 878	188 867	165 003	174 955
Lost time injuries frequency rate	**0,61**	0,86	0,56	0,47	1,04

OPERATIONAL REVIEWS

Afrimat entered the national lockdown with a very strong balance sheet, positioning it strongly for the uncertainty that was lying ahead. The impact of the national lockdown on the Group was dampened by the partial reopening of the Demaneng iron ore mine and certain Industrial Minerals operations early during the lockdown period. The reopening was undertaken with utmost care to ensure the safety and well-being of all employees.

From 20 April 2020, as gazetted by the government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat ramped up operations according to market demand and in line with government regulations. The Construction Materials and Industrial Minerals segments returned to profitability once the hard lockdown levels imposed during the first half of the financial year were lifted.

In the second half of the year, the Construction Materials segment achieved good growth compared to the corresponding period in the previous financial year, whilst the Industrial Minerals segment experienced satisfactory results. The Bulk Commodities segment benefited strongly from favourable iron ore pricing, which contributed to exceptional growth in profits during the year.

Construction Materials

Highlights FY2021

- Traditional businesses return to profitability in the second half of the financial year after the impact of Covid-19
- Traditional businesses based in the Western Cape continued to deliver solid results
- Traditional businesses based in KwaZulu-Natal continued to improve as a result of cost reduction initiatives, despite a slowdown in activities
- Operational efficiency improvement initiatives delivering results

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 and SABS standards)
- Brick and block products carry the SABS seal of approval
- Readymix products meet the required standards
- Flexible customised solutions for individual customer needs

Review of 2021

Financial performance

	Audited February 2021	Audited February 2020	% change
Revenue (R'000)	**1 595 055**	1 714 180	(6,9)
Operating profit (R'000)	**104 906**	192 438	(45,5)
Operating profit margin (%)	**6,6**	11,2	
Capital expenditure (R'000)	**158 885**	170 123	
Headcount	**1 734**	1 745	

The **Construction Materials** segment was impacted considerably by the national lockdown, which resulted in no revenue for the month of April 2020, as well as limited revenue during May and June 2020. The segment recovered post the hard lockdown levels to achieve good growth in the second half of the financial year compared to the corresponding period in the previous financial year. This resulted in a decrease in operating profit of 45,5% being recorded from R192,4 million to R104,9 million.

Industrial Minerals

Highlights FY2021

- Successful cost reduction initiatives introduced
- Solid results delivered by all businesses across all regions despite the impact of Covid-19
- Successful market penetration for new products
- Client base expansion
- New marketing initiatives under way
- Product development to access new markets

Key distinguishing features

- High quality, metallurgic unique geological resources
- Wide product range
- Diverse customer base
- Well-maintained plant and equipment

Review of 2021

Financial performance

	Audited February 2021	Audited February 2020	% change
Revenue (R'000)	**514 291**	552 683	(6,9)
Operating profit (R'000)	**55 481**	95 568	(41,9)
Operating profit margin (%)	**10,8**	17,3	
Capital expenditure (R'000)	**32 313**	21 963	
Headcount	**339**	330	

The **Industrial Minerals** businesses, across all regions, delivered satisfactorily results. The segment was able to sell limited quantities of product into certain essential services markets during the national lockdown. It was, however, impacted by the lockdown and this caused a decrease in operating profit of 41,9% from R95,6 million to R55,5 million.

Bulk Commodities

Highlights FY2021

- Experienced favourable pricing during the financial year
- Acquisition of Nkomati Anthracite and thereby expanding the Bulk Commodities footprint
- The acquisition of additional iron ore resources to supplement the lifespan of Demaneng iron ore mine
- Concluded a suppliers agreement to serve as a hedge to the volatile Platts Index

Key distinguishing features

- All ore products manufactured in terms of the Platts Iron Ore 62% grade for export
- High quality hematite origin iron ore up to 65% Fe
- High quality nuts and duff anthracite product
- An in-house test laboratory is used for continuous process control
- Quality and specification statements are generated by an outsourced accredited laboratory

Review of 2021

Financial performance

	Audited February 2021	Audited February 2020	% change
Revenue (R'000)	**1 584 413**	1 037 513	52,7
Operating profit (R'000)	**734 675**	321 665	128,4
Operating profit margin (%)	**46,4**	31,0	
Capital expenditure (R'000)	**87 307**	58 391	
Headcount	**454**	126	

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine and the Nkomati anthracite mine (included in the full year results for three months), delivered an exceptional contribution to the Group results, of 42,9% of revenue. Operating profit increased by 128,4% from R321,7 million to R734,7 million, as a result of favourable iron ore pricing during the year. This translated into an increase in the operating margin from 31,0% to 46,4%. The Nkomati anthracite mine contributed start-up losses of R33,8 million for the three months included in these results.

Services

Highlights FY2021

- Group sustainability function ensured a high compliance standard and implementation of proactive measures to manage and minimise the impact of the Covid-19 pandemic
- The dedicated new business development team ensures investigation of lucrative business opportunities for sustainable growth and value creation
- Improvement of internal audit efficiency and further focus placed on the implementation of a combined assurance model

Key distinguishing features

- Group shared services function geared to support growth
- Two dividend pay-outs were effected during the year for the employee benefit scheme through the Afrimat BEE Trust
- Significant investment in technology and infrastructure
- Continuation of assessing and evaluating the Group's culture
- Further development and improvement of the Afrimat Management Development Programme ('AMDP')

Review of 2021

Financial performance

	Audited February 2021	Audited February 2020	% change
Operating profit (R'000)	**(8 771)**	(8 719)	0,6
Capital expenditure (R'000)	**15 082**	22 961	
Headcount	**98**	88	



ESG in action

ENVIRONMENT

Afrimat manages its environmental footprint through formal Environmental Management Programmes ('EMP') in line with local and international regulations and best practice.

Clinker Supplies Proprietary Limited ('Clinker'), a subsidiary of Afrimat, specialises in recovering and processing ash dumps to produce bricks and blocks in the Vaal area, in Gauteng.

Clinker has an agreement with Eskom to recover clinker product from the old Eskom power station Vaal ash dump. The clinker product is then used to manufacture bricks. Not only does this project add value, but it is in line with government's Polokwane Declaration on Waste Minimisation.

The rehabilitation was conducted as per the approved environmental management plan. All applicable Environmental and Water related acts and regulations have been followed and adhered to during the rehabilitation of the ash dump.

The primary objective of the rehabilitation plan was to recreate or attempt to restore the site to its natural state.

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. The Board steers and sets the direction of the Group, through effective and ethical leadership ensuring the Group's core purpose, risks, performance and sustainability developments are realised through its strategy.

The Company's King IV™ application register is available at www.afrimat.co.za.

Our Board

Directors appointed by the Board to fill a casual vacancy hold office only until the next AGM where they are eligible for election. They are not included in the number of directors who retire by rotation at the AGM.

A brief curriculum vitae in respect of Board members appointed by annual rotation, appear in the notice of AGM on pages 127 and 128 of the integrated annual 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 is maintained at Board level and that no one individual has unfettered decision-making power, the Board elected Francois M Louw, 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.

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 FY2021 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 all directors.
- 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 visits are vital in order to provide context to any Board deliberations.
- The Board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. 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 development needs.

Board skill and composition*

(refer to page 32 for composition)

* *The Board skill analysis was assessed by the Chairman of the Board, assisted by the LID and CEO.*

** *Sustainability, safety, health, environment, governance, compliance and social responsibility.*

In identifying and considering potential candidates, the Remuneration & Nominations Committee and Board will, amongst skills, experience, race and age diversity, suitability and the specific requirement to be addressed, take gender diversity into consideration to ensure that the Company's policy on employment equity, and 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 directors.

The Board has adopted and approved a policy on broader diversity at Board level specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience, as contemplated in paragraph 3.84(i) of the JSE Listings Requirements.

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 information packs supporting decision making 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 times. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the Group.

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.
- The Board delegates certain of its functions to well-structured Committees without abdicating its own responsibilities. The Committees as established by the Board 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.

Independence

- Afrimat believes that there are a sufficient number of independent non-executive directors on the Board 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 FY2021, a rigorous review of independence and performance was performed on Marthinus W von Wielligh, Hendrik JE van Wyk and Phuti RE Tsukudu. Annual independence reviews are conducted on all directors serving in an independent capacity for longer than nine years.
- Director 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.

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.

Seated left to right: *Helmut Pool, Collin Ramukhubathi, Andries van Heerden, Marthinus von Wielligh, Loyiso Dotwana, Jacobus van der Merwe*
Standing left to right: *Phuti Tsukudu, Francois Louw, Gert Coffee, Pieter de Wit, Johan van der Merwe, Hendrik van Wyk*

Attendance of Board and Board Committee meetings are as follows:

Executive directors

Andries J van Heerden
(55) CEO

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

Length of service: 14 years

Pieter GS de Wit
(47) CFO

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

Length of service: 5 years

Collin Ramukhubathi
(47)

BTech (Mechanical Engineering), MBA, Executive Leadership Development Programme (Stanford University)

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•	
Collin Ramukhubathi	3/4			1/2	

Non-executive directors

Gert J Coffee
(70)

BSc BEng (Mech) (Industrial)

Length of service: 11 years

Loyiso Dotwana
(57)◈

BSc Civil Eng

Length of service: 14 years

Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Gert J Coffee	4/4			2/2	4/4
Loyiso Dotwana	4/4	4/4	3/3	2/2	4/4

Meeting attendance	2021 (%)	2020 (%)
Board meetings	98	100
Audit & Risk Committee	100	100
Remuneration & Nominations Committee	100	100
Social, Ethics & Sustainability Committee	93	100
Non-executive meetings	100	100

- • Invitee
- ■ Investment Review Committee Chairman
- ◇ Remuneration Committee Chairman
- ◆ Nominations Committee Chairman
- ◈ Social & Ethics Committee Chairman
- ○ Audit & Risk Committee Chairman
- ✚ LID and Deputy Chairman

Demographics

Gender

Male 92%

Female 8%

Mix

Executive directors	Non-executive directors	Independent non-executive directors
25%	17%	58%

Race

Historically disadvantaged	Non-historically disadvantaged
25%	75%

Tenure

One to four years	Five to eight years	Nine years or more
42%	8%	50%

Independent non-executive directors

Francois M Louw
(60)■✚

BEng (Mech), MBA

Length of service: 4 years

Phuti RE Tsukudu
(67)◇

MEd, Postgraduate Diploma in Adult Education BA (SW)

Length of service: 12 years

Jacobus (Derick) F van der Merwe (67)○

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

Length of service: 6 years

Hendrik (Hennie) JE van Wyk (77)

BCompt (Hons), CA(SA)

Length of service: 14 years

Marthinus (Matie) W von Wielligh (69)◆ Chairman

BSc (Mech Eng), MBA, Stanford Executive Programme

Length of service: 14 years

Johannes (Johan) HP van der Merwe (56)

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

Length of service: 4 years

Helmut N Pool
(59)

BCom (Law)

Length of service: 4 years

Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Francois M Louw	4/4		3/3		4/4
Phuti RE Tsukudu	4/4		3/3	2/2	4/4
Jacobus (Derick) F van der Merwe	4/4	4/4			4/4
Hendrik (Hennie) JE van Wyk	4/4	4/4			4/4
Marthinus (Matie) W von Wielligh	4/4	4/4	3/3	2/2	4/4
Johannes (Johan) HP van der Merwe	4/4				4/4
Helmut N Pool	4/4	4/4			4/4

BOARD AND EXECUTIVE COMMITTEE 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.

The Afrimat directors have confirmed that, to the best of their knowledge, Afrimat (i) complied with the provisions of the Companies Act, and (ii) operated in accordance with its memorandum of incorporation, during the year under review.

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	Non-executive directors	Independent non-executive directors
Andries J van Heerden (CEO) Pieter GS de Wit (CFO) Collin Ramukhubathi	Loyiso Dotwana Gert J Coffee	Marthinus W von Wielligh (Chairman) Francois M Louw (Deputy Chairman and LID) Phuti RE Tsukudu Jacobus F van der Merwe Hendrik JE van Wyk Johannes HP van der Merwe Helmut N Pool

The Board meets four times per year.

Committees

	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee*	Investment Review Committee	Executive Committee ('Exco')
Role	The Audit & Risk 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.	The Remuneration & Nominations Committee 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.	The Social, Ethics & Sustainability Committee 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 implement strategies and operational matters.
Members	Jacobus F van der Merwe (Chairman) Hendrik JE van Wyk Loyiso Dotwana Francois M Louw (appointed to the Committee on 17 February 2021) Helmut N Pool 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 Collin Ramukhubathi Phuti RE Tsukudu Andries J van Heerden Marthinus W von Wielligh	Francois M Louw (Chairman) Pieter GS de Wit Jacobus F van der Merwe (appointed to the Committee on 17 February 2021) Johannes HP van der Merwe Helmut N Pool	Executive directors Cluster Heads
Number of independent director members	5	3	2	4	N/A
Number of meetings per year	4	3	2	Ad hoc	4
Self-evaluation completed	Yes	Yes	Yes	N/A	N/A
For further information see	page 63	page 53	page 38		

* *The Social, Ethics & Sustainability Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.*

Overall, the Board is satisfied with the performance of the Chairman, the Committees and the Chairmen of the Committees. Non-executive directors' meetings are held on an ad hoc basis as the need arises.

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. Matie W von Wielligh (Chairman of the Board) and Loyiso Dotwana (non-executive director) are both members of the Audit & Risk Committee. The Board is of the opinion that Matie von Wielligh and Loyiso Dotwana, who have both demonstrated the ability to act independently, continue to make a valuable contribution to the Audit & Risk Committee, which in turn helps the Audit & Risk Committee to satisfactorily discharge its roles and responsibilities.

Company Secretary

The Board of directors is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary, Catharine Burger, is a chartered accountant. The Board, through the Remuneration & Nominations Committee, considered and satisfied itself to 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. She reports to the Chairman of the Board, is accountable to the Board as a whole and accordingly maintains an arm's length relationship with the Board of directors.

RISK MANAGEMENT

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, Exco, 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.

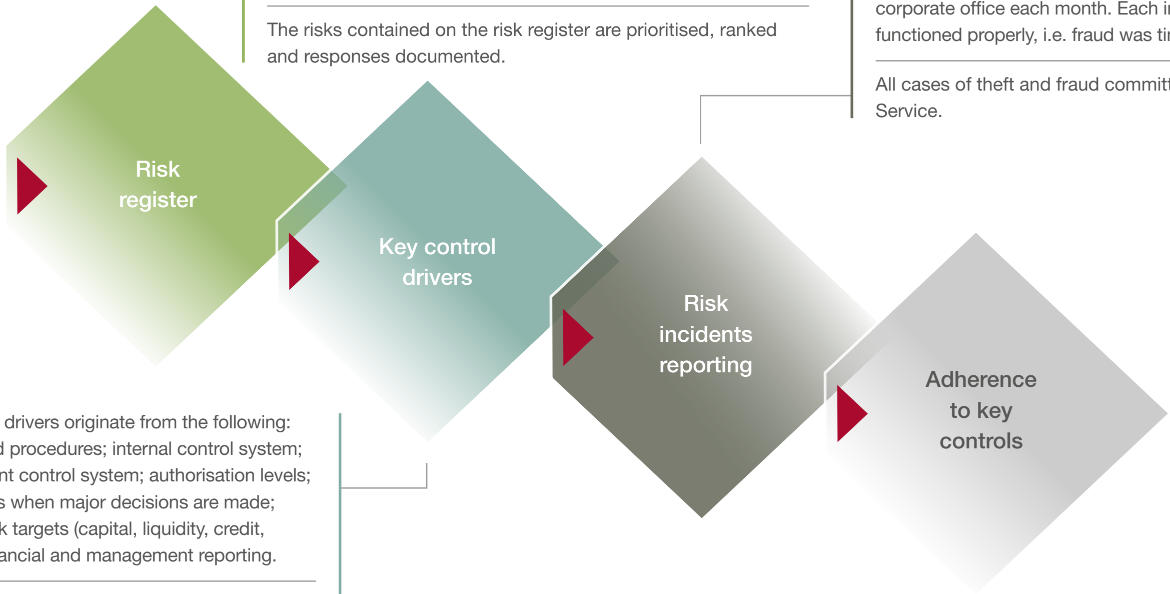
Risk management process

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.

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.



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.

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
- Whistleblowing hotline.

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:

Assessment process	Categories	Mitigating factors
▪ Exco 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.

Material risk

A description of all immediately identifiable material risks which are specific to the Company, its industry and/or its issued ordinary shares are set out under the section 'Afrimat's business strategy' in this integrated annual report.

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, DMRE 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, DMRE 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 Exco 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. An Investment Review Committee provides 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 risks 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 19).

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.

Carole Seddon, Chief Audit Executive reports directly to the Chairman of the Audit & Risk Committee and has unhindered access to the Board and Group Chairman as well as all senior management. Further, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

Exco members 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 Exco members 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.

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

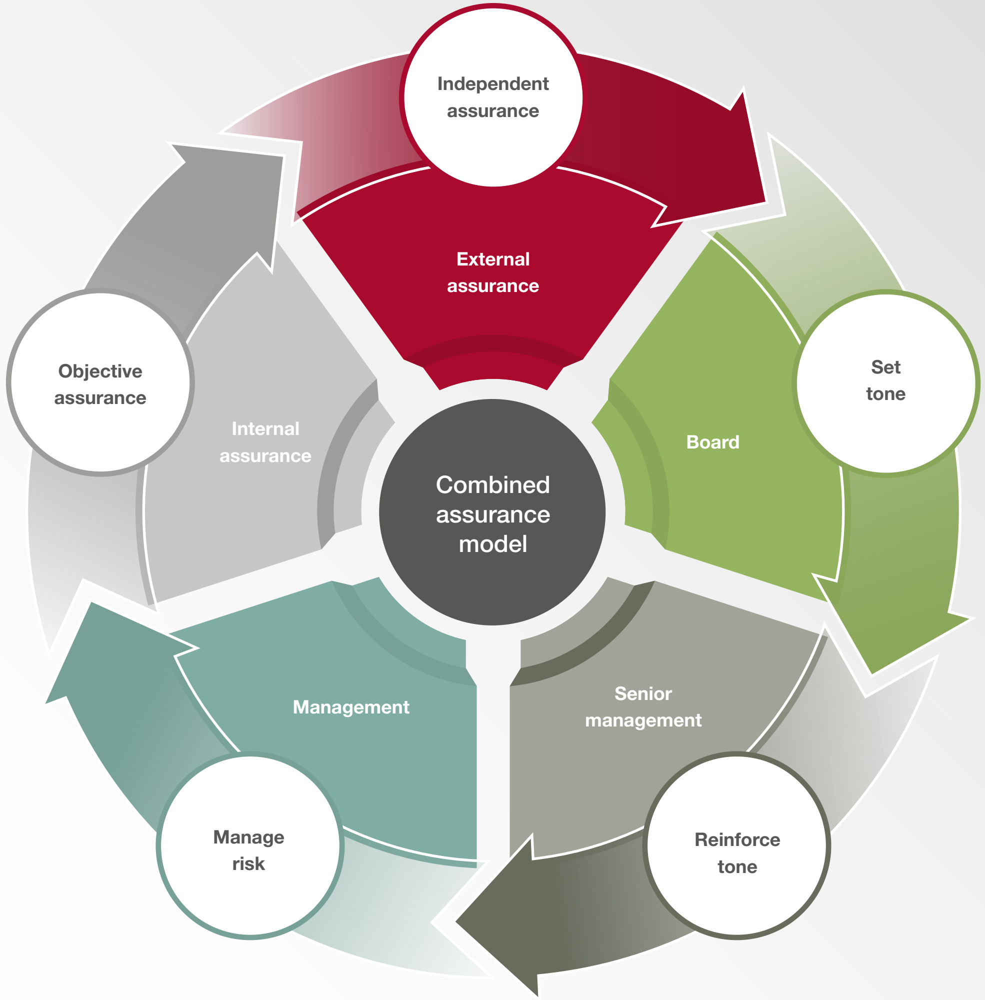
The Board is responsible for the Group's systems of internal control and risk management. The Audit & Risk Committee, CFO and internal audit assist in this regard. Together they evaluate the adequacy and effectiveness of internal control systems and processes, and monitor whether internal control recommendations 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.



ESG in action

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.

The Board steers and sets the direction of the Group, through effective and ethical leadership ensuring the Group's core purpose, risks, performance and sustainability developments are realised through its strategy.

The Group prioritises ongoing training in order to raise standards of performance and productivity, offering internal courses and using external suppliers to facilitate continuous development of its skills base.

In line with succession planning, candidates have been identified and are receiving personal mentorship in furthering their formal education and operational knowledge. Focus is placed on the areas of mechanical and civil engineering as well as management, where previously disadvantaged candidates have been appointed as Trainee/Assistant Managers as part of a two to three year development programme.

5

GOVERNING OVERVIEW

SOCIAL, ETHICS & SUSTAINABILITY COMMITTEE REPORT

The Committee is a statutory committee appointed in terms of the Companies Act. The Committee's responsibilities encompass monitoring and regulating the impacts of the Group on its material stakeholders and environments, ensuring that our policies and practices add quality to life, by ensuring minimum harm to the environment, enhancement of community and safety and health of employees. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business, and reporting thereon to the Committee, the Board retains ultimate responsibility for Group sustainability.

The year under review presented challenges for all of the Group's stakeholders (employees, customers, shareholders and suppliers). The Committee continues to be committed to all stakeholders to ensure compliance through the unprecedented change and uncertainty, caused by the Covid-19 pandemic, as top of mind concern.

Although the Group has made commendable efforts to contribute to the communities in which we operate, its number one priority was to focus on helping its employees through these tough times, and was therefore committed to pay all employees their full salary for the duration of the hard lockdown levels imposed during the first half of the financial year.

A key focus of the Board is setting the direction of ethical behaviour by prevailing codes of best practice and other ethical policies in order to create an ethical organisational culture. The Committee is accountable for:

- ensuring that safe operations and fair labour practices are applied across the Group;
- improvement strategies relating to social and economic development are in place; and
- responsible utilisation of natural resources, as well as minimising the long-term impact on the environment.

The Committee comprises executive and non-executive directors during the year under review. Details of the Committee composition and meeting attendance are on page 32 .

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 Co-operation 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.
- Customer 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 45 and 52.

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	▪ Maintain a Level 3 B-BBEE Group rating 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 ('EMP') for all of the Group's mining activities and zero harm to the environment for all other activities ▪ Compliance with mining rights' EMPs
DMRE 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
Compliance with the 2018 Mining Charter ownership criteria	▪ The creation of an umbrella trust to address shareholding to host mine communities by using the equity equivalent mechanism ▪ Increase in shareholding by qualifying employees

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 2021 KPIs and committee evaluation

2021 KPI	Evaluation score*
Visible felt leadership initiatives by senior management: formal and informal visits to business units	3,5
Oversight of safety culture: Human Resources culture survey outcomes analysed to determine specific safety-related culture changes required at operations, driving proactive safety interventions through the leading indicator topics such as SHE representative engagements, training, near miss reporting, audit results, trackless mobile machinery ('TMM') risk evaluations, SHE Committee meetings and traffic management	4,8
Sharing best practice: individual directors actively sharing deemed appropriate and applicable best practice from other Committees with the Committee/Company	3,8

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

KPIs for FY2022

- Continued visible felt leadership initiatives by senior management: formal and informal visits to business units as a result of Covid-19 travel restrictions implemented in FY2021;
- Launching of a safety culture beyond Afrimat's mining entities: Culture survey outcomes analysed to determine specific safety-related culture changes required at all operations, driving proactive safety interventions through the leading indicator topics such as SHE representative engagements, training, near miss reporting, audit results, trackless mobile machinery ('TMM') risk evaluations, SHE Committee meetings and traffic management; and
- Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other Committees with the Committee/ Company.

The Social, Ethics & Sustainability Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

Ethical leadership and compliance

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 to the Board and all employees of the Group. The Code of Conduct is designed to provide guidance as to ethical conduct in all areas, appropriate policies in respect of the safeguarding of 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 of Conduct 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 with 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 ethical 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. Furthermore, the Committee reviews the Code of Conduct 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 line 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 was rolled out during the current year. Ethical standards for the selection of customers will also be considered.

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. Furthermore, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

Exco 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 Exco 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 their 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 mining operations in strict compliance with the mining licence conditions set by the DMRE, 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 and Sustainability for the Afrimat Group and includes the following functions: Health and Safety, Environment, Quality, Mineral Resources and Compliance (in line with the subsections of the Mining Charter).

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

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

The DMRE conducts compliance audits at the Group's mining operations and management addresses all issues identified.

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.

Environmental responsibility

Afrimat operates 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 DMRE 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 additional 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, responsible mine planning remained a key focus. 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 were reviewed during the year by management and independent consultants/specialists and only minor changes were required, all of which were implemented.

The Environmental specialist, Tali Tshikhovhokhovho, is responsible for ensuring compliance with the site EMPs, assisted by the regional managers. 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

Afrimat has embarked on a project to identify different renewable energy, energy efficiency and forestry carbon emission offset projects to implement in the near future. These include the implementation of solar photovoltaic plants as well as other carbon dioxide capturing projects.

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 by all sites in an effort to implement initiatives to reduce water consumptions; and
- Used oil and scrap steel to be sold to accredited companies for recycling purposes.

All environmental audit reports were submitted to the DMRE in terms of mining right requirements and no major non-conformities were identified by the independent reviewer.

Key focus areas are summarised below:

Long-term goals

Key focus area	Electricity consumed	Water usage	Carbon emissions	Waste management	Bio-diversity
FY2022 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	Measure all 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 FY2021

Key focus area	Electricity consumed	Water usage**	Carbon emissions	Waste management	Bio-diversity***
FY2021 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 of all relevant sites with South African Greenhouse Emissions Reporting Services ('SAGERS') to enable the sites to report emissions accurately	Measure all waste generated	Quantify all hectares rehabilitated on the environmental performance assessment
Evaluation	Electricity usage for FY2021 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 FY2021, based on a 90% measurement of all operations	All operations have been registered with SAGERS, measured and compared	A waste stream identification list has been compiled for all operations	In FY2021, 100% of all operations were quantified in terms of hectares rehabilitated
Benchmark comparison	4,9% increase from 43,2 tCO_2e/kWh in 2019* to 45,3 tCO_2e/kWh in 2021	68,3% decrease from 1,6 million m^3 used in 2019* as compared to 518,0 thousand m^3 in 2021	7,2% decrease from 162,9 tCO_2e in 2019* to 151,2 tCO_2e in FY2021	Waste remained at 186 tCO_2e in the current year compared to 2019*	678,9% increase from 12,8 ha in 2019* to 99,7 ha in 2021

* *Represents base year.*

** *The 2019 water usage reading included the storage of ground and rain water, which has subsequently been diverted to the nearby rivers not included in the meter readings in 2021 and 2020.*

*** *Rehabilitation of old quarries was prioritised in 2021 and 2020.*

The Group undertook an initiative to reduce greenhouse gas ('GHG') emissions and to adhere to limiting the increase in global temperature to below pre-industrial level or the so-called 2°C climate environment. GHG emissions are measured and monitored at all operations and the Group is compliant to the latest regulations on GHG reporting, carbon tax, carbon budget and carbon offset. GHG emissions have been measured since 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 (*comprise 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).*

The Group has conducted a formal carbon footprint assessment with the assistance of internal and external specialists.

Environmental responsibility (CONTINUED)

Total greenhouse emissions per scope:

Scope	2021 tCO_2e	2020 tCO_2e	2019* tCO_2e	Increase/ (decrease) from base year
Total scope 1	**89 662,0**	115 847,7	85 412,3	5,0%
Total scope 2	**45 265,8**	33 179,2	43 146,3	4,9%
Total scope 3	**16 250,8**	31 224,0	34 309,2	(52,6%)
Total carbon footprint	151 178,6	180 250,9	162 867,8	(7,2%)

Intensity emissions:

Scope	Intensity 2021	Intensity 2020	Intensity 2019*	Increase/ (decrease) from base year
Scope 1 and 2 (tCO_2e/ employee)	**67,8**	77,0	73,1	(7,2%)
Scope 1 and 2 (tCO_2e/ tonnes)	**0,008**	0,010	0,016	(50,0%)

	2021	2020	2019*	Increase/ (decrease) from base year
Water consumption (m³)	**518 029,0**	633 822,0	1 636 295,0	(68,3%)
Electricity consumption (tCO_2e/kWh)	**45 265,8**	33 179,2	43 146,3	4,9%
Fuel consumption (diesel and petrol) (million litres)**	**13,2**	14,3	8,6	53,5%
CO_2 emissions (tCo_2e)	**151,2**	180,3	162,9	(7,2%)
Rehabilitation (ha)	**99,7**	16,0	12,8	678,9%
Business travel (tCo_2e)	**15,2**	29,4	32,4	(53,1%)

* *Represents base year.*
** *The increase in fuel consumption from base year relates to the increase in operations in 2020/2021.*

The Group reported a reduction of 50,0% in the short-term intensity emissions from the base year, which is an improvement from the set annual reduction target of 10,0%. Afrimat continues to put measures in place to reduce GHG emissions across the Group.

Afrimat is committed to reducing, reusing and recycling all types of waste generated across the Group, and therefore a 52,6% decrease from base year in scope 3 emissions was recorded.

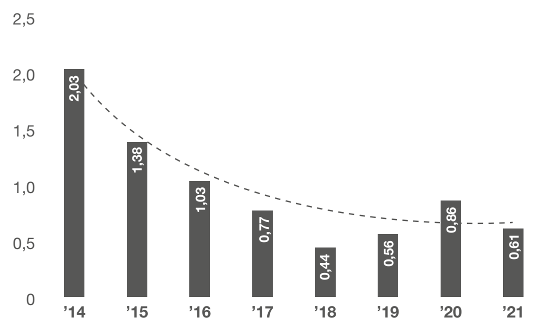
As a result of travel restrictions during the Covid-19 pandemic, business travel decreased with 53,1% from base year to 2021.

Safe and reliable operations

Afrimat is committed to providing a safe and healthy working environment for all employees 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. Within the mining industry there are potential health and safety risks, to minimise the risk we at Afrimat proactively assess and manage the risk to prevent health and safety incidents.

The LTIFR reduced slightly from 0,86 to 0,61 at the end of the current financial year.

Historical LTIFR



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 & Safety Policy was reviewed and approved by management during the year. (A copy of our Health & Safety Policy is available at www.afrimat.co.za.)

Health and safety risk process

The Covid-19 pandemic has significantly changed the risk process with a high alert on the health of our employees during lockdown level 5. Afrimat responded quickly and provided guidance to employees on how to keep themselves safe even before the hard lockdown was announced. The safety communication strategy changed concurrently. Bulk SMSes and e-mails were used to communicate to employees about safety measures while working from home, as well as to inform them of the measures that were in place for them to return safely to work.

A Covid-19 War Room was established consisting of the CEO, Exco members as well as HR managers, IT managers, finance managers, SHE managers and Business Development employees. The success of this War Room has been phenomenal in managing the pandemic. Each member made a valuable contribution in getting Afrimat compliant to new legislation, rolling out new protocols and updating of guidelines.

Detailed risk assessments were conducted to ensure our employees can return to work and still be protected from the virus. Consideration to all aspects of the World Health Organisation, Department of Health, and the National Institute for Communicable Diseases, DMRE, Department of Labour, Institution of Occupational Safety and Health, as well as inputs from various Afrimat business units were taken into account. The Covid-19 Standard Operating Procedure was first established, followed by the Covid-19 Code of Practice. The virtual platform, Zoom, was used for meetings and training sessions. Ninety nine employees where trained on how to prepare the workplace for the safe return of our employees.

Allowing each individual business unit to come up with site specific solutions was the key in the fight against Covid-19. This allowed for cost effective yet innovative solutions for sanitising stations, social distancing at the workplace and masks solutions. Information posters were displayed throughout the workplace to ensure employees were reminded to stay cautious and adhere to all safety measures in place. A live statistics system was developed to report on Afrimat's Covid-19 cases. This assisted in the planning for absenteeism, as well as managing the time of these absenteeisms.

Safe and reliable operations (CONTINUED)

The Covid-19 pandemic has tested Afrimat's health and safety protocols extensively (inclusive of HIRA, Code of Practice development and implementation, incident investigation, training, legislation updates and communication) and every possible precaution was taken into consideration to ensure the health and safety of our staff and customers. Afrimat, being agile, was able to react proactively with the assistance of all stakeholders by sharing best practices and protocols in this area.

Afrimat had a total of six Covid-19 fatalities. An employee assistance programme in various regions was established and played a vital part in the support of employees. Through constant communication and check-ins by managers, Afrimat tried to assist its employees with the mental challenges during this time.

Afrimat continued to audit all operations during lockdown level 3, through the small scale mining industry body ASPASA and they all achieved excellent scores, improving on the yearly average audit scored by 1,2%.

The focus in the upcoming year will be on leading indicators (proactive 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
FY2022 goal	90% compliance	60% improvement	80% of six focus points implemented	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		

Our FY2022 leading indicator focus will be on HIRA, lockout, trackless mobile machinery, accident incident investigation, planned task observations and guards. We selected these leading indicators based on industry trends and Afrimat specific trends analysis of why our injuries occurred or our audit non-conformances. Audit non-conformances include internal, DMRE, Department of Labour, ASPASA SHE audit findings.

Effectiveness against FY2021 goals

Key focus area	Leading indicators*	Near miss reporting**	Identifying critical tasks***	Planned task observations	Procedure and guideline training
FY2021 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
Evaluation	77% achieved on the overall leading indicator measuring tool	Proactive near misses reporting maintained	89% planned critical tasks identified	89% task observations on critical tasks completed	100% completion of training matrix

* *The leading indicator tool is utilised to measure and monitor proactive safety actions taken to prevent employees and contractors from being injured and to maintain safe and healthy working environments.*

** *Near miss reporting gives an operation the opportunity to react to situations that could have resulted in an injury before it happens. Injuries will therefore reduce because unsafe situations or behaviours are corrected before they result in injury.*

*** *Critical tasks are those work activities with high risk due to the nature of the task, the employees must be informed of these tasks and the control measures to follow while performing the task. Planned task observations are then conducted on employees while performing the task to ensure they perform the safety measures during the tasks to prevent injury.*

Safe and reliable operations (CONTINUED)

Health & 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);
- Statutory training with an automated reminder process on SAGE;
- South African Qualifications Authority ('SAQA') requirements for the statutory training;
- Covid-19 informative training;
- Virtual platform;
- Integration of SHE in the Afrilead Leadership management programme in the sustainability module; and
- Training evaluation done on SHE representative who trains suppliers in order to improve quality of training received.

Our employees' well-being

An occupational healthcare system for our employees is geared towards total wellness and incorporates annual medical testing for all employees.

> We shall ensure a healthy and safe working environment to be our primary responsibility. We shall lead our Health & Safety effort by example. We furthermore believe that, in self-interest and for the collective good, every employee should participate in and contribute towards our Health & Safety effort.

Quoted from our Health and Safety policy, to highlight the fact that Afrimat operates in an integrated process and not only inter-departmental. Each employee is encouraged to manage and take control of their own health. Effective health and safety programmes were implemented at each of our sites, thereby entrenching a culture of safety and empowering employees to participate in these protocols to achieve a safe, healthy, and accident-free environment. Our Medical Service Providers play a vital role in identifying the risk exposures through occupational hygiene measurements and occupational exposure reviews (Man Job Specifications) to identify potential risks. The HR department and Medical Service Providers worked closely together to ensure our employees returned safely to work and managed those instances where return to work was not possible due to incapacity. During hard lockdown restrictions, operations started to plan the return to work with dedicated areas and adherence to social distancing requirements within each area. Arrangement of transport at 50,0% capacity and stringent hygiene measures in the vehicles were implemented for essential workers. Communication was done continuously during the lockdown period to all employees via SMSes as well as e-mails for those with access to a computer.

The Covid-19 pandemic was the focal point during the year under review but the health measuring and monitoring continued as soon as the lockdown levels were lifted in such a way that the lower risk allowed medicals to resume. All our Medical Service Providers ensured that their employees are protected from the virus through their own Covid-19 protocols and implementation.

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.

Voluntary HIV/Aids counselling and testing is offered during annual medical examinations and on an ongoing basis at all of Afrimat's onsite clinics. Our response to the HIV/Aids epidemic is set out in a formal policy (Afrimat's HIV/Aids, STIs 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 are highlighted through the following channels:

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

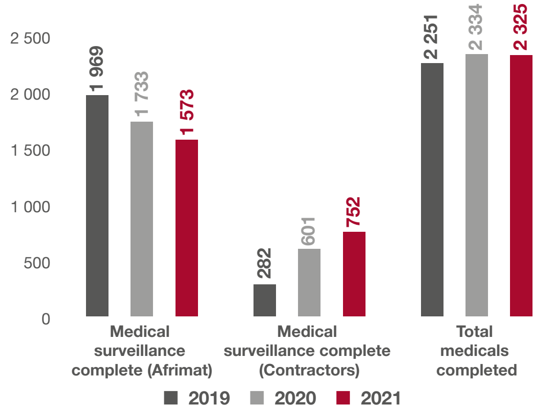
The HR department and the Medical Service Providers worked hand in hand to manage the Covid-19 fatigue to ensure our employees' overall well-being was looked after.

Performance

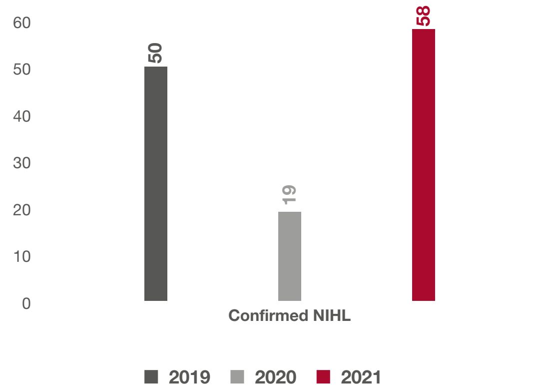
Afrimat manages health through the applicable legislation in the Mine Health and Safety Act, Occupational Health and Safety Act and Code of Practices. The progress of medical surveillance is measured and monitored monthly to ensure the health of our employees and contractors. During FY2021 focus was placed on overall well-being of employees on the return to work during the Covid-19 pandemic. The proactive health monitoring of employees increased due to the pandemic and proactive actions taken to prevent the spread of the virus at work as well as at employees' homes through education and additional screening measures.

We continue to focus on the overall well-being of the employees and contractors through management of chronic illnesses and Covid-19 case management.

Medical surveillance 2019/2020/2021



Noise-induced hearing loss ('NIHL') 2020/2021



Public Health & Safety

We maintained responsibility for public safety during the past financial year and reinforced robust controls over access to our mines and the surrounding properties. Afrimat conducted a community risk matrix to ensure all community activities are managed on a risk-based approach.

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

Human capital management

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.

Highlights

JOB CREATION

Afrimat contributes to job creation by employing 2 625 (2020: 2 289) employees across South Africa.

REMUNERATION

Salaries are fair, competitive and transparent. Salary increases are aligned with market conditions. A total of R699,2 million (2020: R664,4 million) spent on remunerating our employees.

CORPORATE SOCIAL RESPONSIBILITY

Investment of R2,7 million (2020: R4,9 million) on CSI expenditure. Where possible, labour is sourced from local communities. Extensive Social & Labour Plans ('SLPs') are established wherever the Group has a mining operation.

GENDER EQUALITY

Afrimat is committed to achieve its objectives in placement of women in mining, gender representation and equality across the Group.

BEE AND EMPLOYMENT EQUITY

Afrimat is committed to develop and place South Africans from the human development index to establish a demographical balance of competent employees in employment.

EMPLOYEE RELATIONSHIPS

Afrimat has an engaging culture with a strong set of values to which employees hold each other accountable. Afrimat maintains sound relationships with representative trade unions as stakeholders in the different business units.

This is evident in our consistently low staff turnover (6,4%) resulting in a deepening skills pool. Human development is dynamic and receives focused attention throughout our employees' terms of employment.

We also recognise the need for employment opportunities in the wider social context. Accordingly we look to surrounding communities to supplement our 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 sacrificing competitiveness and sustainability.

We have identified our culture as an intangible asset that gives us a competitive advantage. Therefore we embarked on a culture journey ensuring a unified culture, based on sound values and work ethic.

Overtime was managed down to 80,0% of the overtime in FY2020. Our labour absenteeism was managed down to 58,4% of the absenteeism in FY2020.

While industrial action is always a high risk in labour intensive businesses, we experienced only one wage strike, lasting one day, during the year under review. This dispute was settled amicably by Lyttelton Dolomite Proprietary Limited, with no extra cost to that subsidiary. 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 8). The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. No single union has a majority representativity of all business units in Afrimat. Unions with sufficient representativity at certain business units include:

- National Union of Mineworkers ('NUM');
- Association of Mineworkers and Construction Union ('AMCU');
- National Union of Metal Workers of South Africa ('NUMSA');
- Solidarity Trade Union; and
- Transport & Omnibus Workers Union of South Africa ('TOWU').

Skills development and training

We prioritise training and upskilling of our employees, to ensure continuous leadership in key positions. We have created a culture of learning, inspiring employees to mentor, coach and learn continuously. To enable learning, we offer adult education and training ('AET'), study assistance, bursaries, learnerships, internships, as well as training programmes addressing operational skills, health and safety, supervisory and leadership development. Employees are encouraged to take every opportunity afforded to them by the Group to upskill themselves. In addition to relevant commercial training material obtained, we developed our own comprehensive management development programme as well as a leadership development programme, aiding us in the development of middle and junior management. In addition, we facilitate exposure to world-class leadership programmes to senior management and executives.

Skills development is divided into four main categories:

- **Learnerships and internships:** Financial support followed by a fixed term internship for students in professions such as engineers, technicians, accountants, HR officers and trades such as boilermakers, diesel mechanics, fitters, electricians.
- **Core business skills:** Plant equipment, maintenance programmes, blasting practices, material testing, computer literacy, adult educational training and sales training;
- **Statutory training:** Health and safety (SHE), firefighting, first aid, drivers' licences, operator licences, and mine regulations; and
- **Strategic training:** Leadership and management development programmes, supervisory development programmes, bursaries and study assistance to employees at tertiary institutions, i.e. diplomas, degrees and post-degree qualifications.

FY2021 review

- R25,8 million (2020: R35,4 million) committed to skills development, bursaries, training, learnerships and internships for the year (see detailed breakdown on page 48)
- 86,6% of this expenditure was in respect of historically disadvantage employees
- Afrimat sponsored more than 10 585 training days, averaging at 4,5 training days per employee

Our skills development programme is a cornerstone of our talent attraction and retention strategy. We believe that a trained, informed, skilled and engaged workforce will be best equipped to make a positive impact on our business, leading to their job satisfaction and therefore optimum productivity and profitability. Satisfied and challenged employees are better retained, therefore deepens the talent pool. In the wider perspective, good skills development boosts the skills pool in our sector generally by equipping employees with new technical, administrative and management skills.

Human Resource Development Initiatives

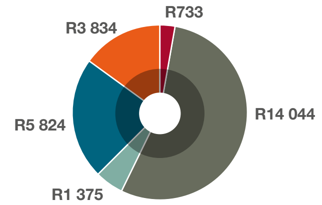
Initiative	Detail	Target participants
Talent Management Programme	The programme is aimed at managing the retention of the Group's top skills through their structured development, exposure, recognition, reward and motivation. We ensure that these employees receive high level development and exposure in order to remain abreast of new technology and that they are equipped with appropriate leadership skills and exposure for future specialist and leadership roles.	The Group's top employees are identified by the executive directors and business heads through an evaluation process.
Afrimat Management Development Programme	A three-year, eight-module, in-house programme, custom-designed as part of our strategy to create a sustainable leadership team for the future. The programme focuses on technical and leadership development in our industry. During the year, 26 leaders completed Module 5 (Sustainability & HR), 58 completed Module 6 (Finance for Non-Financial Managers) and 24 completed Module 7 (Project Management) of the programme.	Middle management, such as department heads, production managers and supervisors.
Afrimat Graduate Development Programme	A programme where Afrimat hosts externally qualified graduates in order for them to gain exposure to the world of work for a period of between six months and two years. This enables them to put the theory that they have learned into practice in a controlled environment. The graduates follow a structured programme that exposes them to different disciplines and business units of the Group (focusing on their respective fields of expertise). During the year, 60 graduates participated in the Afrimat Graduate Development Programme. In the event that a suitable vacancy is available in the Group, these interns are considered for placement.	Engineering graduates and technicians (in mining, and mechanical engineering), as well as graduates in geology, environmental management, finance and behavioural sciences.
Afrimat Learnerships Programme	This programme focuses on the recruitment of learners to be trained and developed as qualified artisans. These learnerships (previously known as 'apprenticeships') take two to three years to completion. During the year 65 artisan learnerships were in place, and 22 learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. Where vacancies become available in the Group, these artisans are good candidates for placement.	Employees and external persons with the required aptitude in the various technical fields.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 64 employees were assisted of which 45 were from the designated groups.	Employees whose contribution will increase by improving their qualifications.
Afrimat Leadership Development Programme ('AFRILEAD')	Afrimat developed and implemented this programme for employees in middle management. During the year, no employees completed the three-module programme due to Covid-19 restrictions: ▪ Module 1 = Leading Self ▪ Module 2 = Leading Others ▪ Module 3 = Leading Business Community	Middle management level employees and junior professionals nominated by their business unit leaders as potential leaders of the future.
Adult Education Training	Numeracy and communication skills improvement programmes for selected employees. During the year, 176 employees and 20 community members participated in the programme.	Assessed and selected employees with education levels lower than Grade 9.

Human capital management (CONTINUED)

Initiative	Detail	Target participants
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, 531 legislative training interventions took place.	Employees in roles where statutory training is prescribed for the execution of their roles
Core Business Skills	Training interventions required all employees to function effectively in their current positions. The Group had 3 247 training interventions related to core skills.	All employees
Organisation Development ('OD') (including Individual Development: Strengths finder)	This is a personality assessment used for personal development and teamwork. This tool assists individuals and their teams to understand individual strengths, thereby enabling teams to balance execution, strategic thinking, influencing and relationship building in terms of the team's collective strengths profile. The tool has been internalised in terms of the Afrimat culture and branding. All target employees are assessed and coached in terms of their strengths profiles. The tool is also an aid in placement of employees, where individual strengths can be complementary to those of team members.	All employees C-Upper and F-Band across the Afrimat Group
The Afrimat Way	Afrimat has launched a Culture Journey since 2018. This journey has gone from strength to strength in aligning the culture throughout the Group. Our culture refers to the way we do things in Afrimat, what we value and how these values determine our behaviours, also known as "The Afrimat Way".	All employees
Culture Assessment Feedback and Planning	A critical element as part of the Culture Journey was assessing our current culture in order to identify development areas. During this period, leaders attended feedback sessions on the outcomes in terms of the limiting and enabling beliefs in their business units. These sessions were also strategic planning sessions in terms of what the specific leadership development and culture needs are per business unit.	All management teams across the Group
Leadership Development Programmes	During the Culture Journey, different needs were identified and interventions proposed for the future to address specific leadership needs. These include: ▪ The Leadership Circle: Assessment and coaching, assisting leaders to understand the impact of their leadership styles on others. ▪ Growth mindset vs fixed mindset: Workshops teaching leaders how to adapt a growth mindset (innovative, problem solving, optimistic, potential seeking) as opposed to a fixed mindset (traditional thinking, bureaucratic, problem focused). ▪ Leadership emotional intelligence ('EQ'). ▪ The Leadership Challenge (Kouzes & Posner), where leaders are taught to model the way, inspire a shared vision, challenge processes, enable others to act, encourage the hearts of their people. Other than the business unit specific interventions, Afrimat is also focused on strategically enhancing and/or aligning practices in the following development areas across the Group: ▪ Mentorship Programmes ▪ Recognition Programmes ▪ Communication ▪ Diversity and Inclusion Programmes	All management teams across the Group

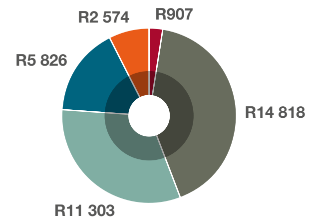
Training and development initiatives (R'000)

2021



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

2020



- **Bursary/study loans** 2,6%
- **Training costs** 41,8%
- **Skills development department cost** 31,9%
- **Learnerships** 16,4%
- **Internship remuneration** 7,3%

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 5,7%
- Mega Oils Proprietary Limited 2,7%
- Joe Kalo Investment Proprietary Limited 0,1%
- ARC 24,3%
- Johannes M Kalo 0,1%
- Collin Ramukhubathi 0,2%

Black ownership in the Group totals 33,1% in line with Mining Charter requirements. In calculating the ownership percentage, the methodology as required in terms of Statement 100 of the Code, was applied. This requires a measured enterprise to apply the exclusion principle to four categories of rights of ownership to the number of issued shares: those held by organs of state and public entities; those held as mandated investments; those held by non-profit companies or public benefit organisations; those that equate to the value of the foreign operations of multinational businesses operating in South Africa.

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

Company/Subsidiary name	**2021 B-BBEE rating level**	2020 B-BBEE rating level
Afrimat Limited (Consolidated)	**3**	4
Ikapa Quarries Proprietary Limited	**QSE***	QSE*
Afrimat Readymix (Cape) Proprietary Limited	**5**	7
Afrimat Aggregates (KZN) Proprietary Limited	**3**	4
Afrimat Aggregates (Operations) Proprietary Limited	**4**	3
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**4**	4
Afrimat Contracting International Proprietary Limited	**3**	1
Afrimat Concrete Products Proprietary Limited	**7**	7
Glen Douglas Dolomite Proprietary Limited	**2**	2
Clinker Supplies Proprietary Limited	**8**	N/A
SA Block Proprietary Limited	**8**	N/A
Boublok Proprietary Limited	**4**	4
Cape Lime Proprietary Limited	**6**	8
Afrimat Demaneng Proprietary Limited	**8**	8
Infrasors Holdings Proprietary Limited	**2**	3

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

Management control

Our Board includes three black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective Boards of directors. We make effort to ensure participation of historically disadvantaged individuals at decision-making positions and core occupational categories through the Afrimat Management Development Programme ('AMDP') and Afrimat Leadership Development Programme ('Afrilead'). AMDP is a three-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 84,7% (2020: 83,5%) of the Group's 2 625 employees are from the historically disadvantaged population groups.

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 53.)

Employment equity reports

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

Each business registered its report on its BEE employment status at the Department of Labour by 30 January 2021.

Summary of reports:

	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Afrimat Limited	–	–	–	4	–	–	–	1	–	–	**5**
Afrimat Management Services Proprietary Limited	2	3	–	21	–	5	–	16	–	–	**47**
Afrimat Shared Services Proprietary Limited	3	1	–	27	2	1	–	8	–	1	**43**
Afrimat Aggregates (Operations) Proprietary Limited	116	125	1	36	15	33	–	12	–	–	**338**
Afrimat Aggregates (Eastern Cape) Proprietary Limited	25	13	–	9	3	3	–	4	–	–	**57**
Afrimat Readymix (Cape) Proprietary Limited	23	22	1	9	1	3	–	5	1	–	**65**
Afrimat Silica Proprietary Limited	12	–	–	–	5	–	–	–	–	–	**17**
Afrimat Contracting International Proprietary Limited	151	10	1	39	16	2	–	10	1	–	**230**
Afrimat Aggregates (KZN) Proprietary Limited	125	3	–	22	33	3	2	12	–	–	**200**
Afrimat Concrete Products Proprietary Limited	231	–	–	13	25	1	2	7	2	–	**281**
Cape Lime Proprietary Limited	25	81	–	20	4	13	–	7	1	–	**151**
Boublok Proprietary Limited	20	16	–	–	4	1	–	2	–	–	**43**
Clinker Supplies Proprietary Limited	37	–	–	6	3	–	1	2	–	–	**49**
Afrimat Demaneng Proprietary Limited	72	24	–	11	19	7	–	3	1	–	**137**
Glen Douglas Dolomite Proprietary Limited	71	1	–	14	12	1	–	9	–	–	**108**
Infrasors Holdings Proprietary Limited	–	–	–	2	–	–	–	–	–	–	**2**
Lyttelton Dolomite Proprietary Limited	116	1	1	11	27	–	–	6	2	–	**164**
Phahamo Enterprise Proprietary Limited	8	–	–	2	–	–	–	1	–	–	**11**
SA Block Proprietary Limited	92	1	–	12	129	1	–	6	–	–	**241**
Total	1 129	301	4	258	298	74	5	111	8	1	**2 189**
	66,7%	17,8%	0,2%	15,2%	61,1%	15,2%	1,0%	22,7%	88,9%	11,1%	

A = African C = Coloured I = Indian W = White

The Employment Equity reports have a different cut-off period than the year under review and include employees as at 30 January 2021.

Preferential procurement

Afrimat's procurement teams manage the flow of materials and services across the Group. A 'total cost of ownership methodology' is applied to drive efficiencies within the supply chain. This benefits our bottom line, while retaining focus on localisation, supplier and enterprise development and maintaining quality and safety standards.

Our procurement framework is underpinned by good governance and efficient procedures and processes. Improvements in our supply chain are driven by KPIs, ethics, customer service, stakeholder interaction and a culture of team work.

Our sustainable development programmes and initiatives provide active support to targeted qualifying suppliers, who are actively participating 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 previously disadvantaged individuals into the mainstream economy.

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 Preferential Procurement Philosophy supports transformation in South Africa by:

- Promoting compliance, and providing training where necessary, with legislation relating to 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;
- Promoting supplier rotation, allowing for new entrants to participate in our supply chain;
- Educating our suppliers on changes in the Mining Charter, as well as B-BBEE Codes of Good Practice; and
- Providing greater access to markets.

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 Preferential Procurement during the year. The procurement spend on B-BBEE compliant companies has increased in FY2021 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.

Covid-19 impact on enterprise and supplier development

The impact of Covid-19 and subsequent country lockdowns during 2020 had a massive impact on our local and global supply chains that we operate in. The majority of our suppliers were hard hit in terms of turnover as a result of lock down restrictions and decrease in demand. Some SMMEs have closed their businesses while others have diversified into new markets and product ranges. The challenge was assisting beneficiaries on our programmes in a sustainable way during these times.

Afrimat decided to pay all its suppliers in full for products and services delivered during 2020, allowing the suppliers to fully operate during the period and still stimulate economic activity within our supply chains. Our supplier spend decreased initially, however it increased again as our operations gained traction, allowing suppliers to benefit from economic activities. The aim is still to align the Mining Charter and B-BBEE activities to achieve maximum benefit on our activities.

Afrimat will endeavour to assist employees affected by the Labour Act Section 189 voluntary retrenchment process by starting up small enterprises to potentially supply products or services into the mine and community. This should give Afrimat maximum point benefits, but also help affected individuals.

Enterprise and supplier development

As part of our commitment to achieving sustainable growth and having an impact on the wider communities that we operate in, we continue to promote enterprise and supplier development, even under difficult conditions with lower demand. 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 our local communities, and South Africa as a whole.

All of our enterprise and supplier development initiatives with established companies are aimed at ensuring that businesses become capable of supplying their products and services into 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, grants and working capital funding to qualifying enterprises. In addition, several services and goods have been ring-fenced in order for the Group to only procure from these enterprises.

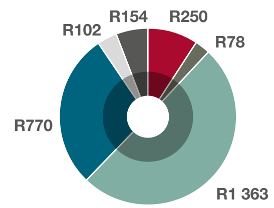
These enterprises are further assisted by settling monthly purchases earlier than the normal payment terms applicable to suppliers and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. A continued focus is placed on converting these enterprises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

Communities and upliftment

We believe in being part of the socio-economic solution(s) and creating value in the communities we operate in. Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. With over 40 mining rights across the country, our geographic footprint allows for a bigger socio-economic impact in the different communities across the country. The projects and programmes are identified in consultation with communities, local and district municipalities, tribal authorities, NGOs and relevant government departments. This is done to ensure projects are aligned to the needs of the communities. The Group targets 1,0% of NPAT for contribution to the projects by each subsidiary. Projects include school infrastructure, education programmes, skills development for unemployed youth, upgrade of community facilities, water infrastructure and adult basic education training programmes for illiterate community members. CSI expenditures during FY2021 amounted to R2,7 million (2020: R4,9 million). Refer to value added statement on pages 6 and 7.

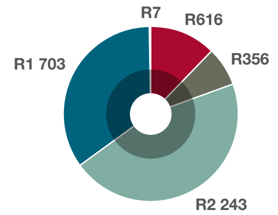
CSI spend: Categorisation (R'000)

2021



- **Art, sports and culture** 9,2%
- **Basic needs** 2,9%
- **Education projects** 50,1%
- **Uplifting community** 28,3%
- **Skills development** 3,8%
- **Small business development** 5,7%

2020



- **Art, sports and culture** 12,5%
- **Basic needs** 7,2%
- **Education projects** 45,5%
- **Uplifting community** 34,6%
- **Skills development** 0,2%

Transformation (CONTINUED)

A detailed breakdown of projects completed in the financial year:

Area	Type of project	Project description	Beneficiaries
Worcester	**Education programme**	This project has been running for over 10 years. The Company subsidises a maths teacher's salary and hosts annual maths awards for top students at Vusisiswe High School. Due to the great success of the programme, the Company is in consultation with relevant stakeholders to roll out the programme at another school in the area.	Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School
QwaQwa, Harrismith and Bethlehem	**Mini-chess education programme**	Similar to the maths teacher programme above, the mini-chess programme has been running for several years in partnership with the Department of Education to teach mathematics through chess.	Mabade Primary School, Katleho Primary School and Loch Lamond Primary School learners
Mamelodi	**Construction of a library at Refentse Primary School**	Construction of the library started in the previous financial year. Due to delays at City Council, the library was completed and handed over in this financial year. As the oldest primary school in Mamelodi, the library was established to encourage learners to read.	Refentse Primary School learners
De Doorns	**Upgrade of the Multi-purpose Centre**	Upgrade of Multi-purpose Centre in De Doorns in partnership with Worcester Bricks.	Community of De Doorns
Marble Hall	**The Community Housebuild project**	The programme trains unemployed youth from the surrounding communities in bricklaying, painting, carpentry and plumbing. The programme equips the candidates with the necessary skills to either be employed or start their own business in their areas. As part of their on the job training, the candidates together with the service provider built a laundry room for the site.	Unemployed youth of Marble Hall
Vredendal	**Upgrade of the Olifantsrivier Living Arts Centre & Horse Therapy**	The Olifantsrivier Living Arts Centre & Horse Therapy is a centre for people living with disabilities. The centre services the entire Matzikama Municipality and offers rehabilitation, training, education and empowerment to people living with disabilities and their families.	Matzikama Local Municipality
Olifantshoek	**Distribution of food parcels**	As part of Covid-19 socio-economic relief initiative, food parcels were distributed to families in the Rooiwal community.	Rooiwal community in Olifantshoek
White River	**Distribution of food parcels**	As part of Covid-19 socio-economic relief initiative, food parcels were distributed to families in the Matafeni community.	Matafeni community in White River
Balmoral	**Distribution of textbooks and stationery**	The school calendar was severely impacted by Covid-19 lockdown. In an effort to assist and support learners, Sibongindawo received textbooks and stationery at the beginning of the school year. This is one of the school programmes that the Company will roll out to support learners and schools post the Covid-19 pandemic.	Sibongindawo Primary School

REMUNERATION REPORT

Letter from the Chairmen of the Remuneration & Nominations Committee

Dear shareholders

On behalf of the Committees, we present the 2021 remuneration report. This report highlights Afrimat's remuneration philosophy and policy and illustrates how the policy has been implemented, disclosing payments made to non-executive and executive directors during the year.

In line with the King IV™ Report on Corporate Governance for South Africa, 2016 and our commitment to fair and responsible remuneration, our policies are reviewed annually to ensure 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 Company is committed to shareholder engagement on its remuneration policy and its consistent implementation in order to maintain a strong relationship with our shareholders. We will continue to improve policies and practices to be aligned with remuneration developments in local and global best practices but also more importantly aligned with Afrimat's strategy and values.

Both the Company's remuneration policy and its implementation report thereon will again be presented to shareholders for separate non-binding advisory votes at Afrimat's 2021 AGM. In the event that 25% or more of shareholders vote against either the remuneration policy or the implementation report at the meeting, Afrimat will engage with such shareholders through dialogue, requesting written submissions or otherwise, in order to address their concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employees and shareholders.

Focus areas for FY2022

- **Employee development remains a critical item and we will continue to enhance our communication and focus on fair pay principles across the Group**
- **Sound shareholder engagement to ensure a balanced and healthy relationship**
- **Attract and retain personnel who will create long-term value**
- **Continued focus on a healthy culture**

Committee considerations and decisions

Introduction

The Remuneration & Nominations 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 that 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 the context of issues at hand and the recommendations by these advisors are only used as a guide, and do not serve as a substitute to the Board's thorough consideration of the relevant matters.

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 a 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 to be prescribed officers of the Company. Their remuneration is disclosed in the integrated annual report on page 58.

Voting at the AGM held on 29 July 2020

The remuneration policy and implementation report is tabled each year for separate non-binding advisory votes by shareholders at the AGM. At the AGM on 29 July 2020, the remuneration policy and the implementation report were passed by the requisite majorities. As such, no further engagement with shareholders was required. The 2019 and 2020 AGM voting results are set out below.

Advisory vote	2020	2019
Remuneration policy	**88,9%**	92,4%
Implementation Report	**95,9%**	94,6%
Special Resolution		
Future non-executive directors' remuneration	**99,9%**	99,6%
Non-executive directors' award of ex gratia bonus	**87,2%**	–

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

Independent external advisors

The Committee contracted the services of Deloitte Touché Tohmatsu Limited during FY2021 for independent external advice. The Committee continues to use PE Corporate Services SA Proprietary Limited ('PE Corporate Services') for remuneration benchmarking purposes. Furthermore, the Committee is satisfied with their independence and objectivity.

Remuneration Policy and Framework

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 Proprietary Limited, which advises on market trends in retirement benefits.

The Group's approach is to reward holistic and balanced as follows:

Remuneration

Guaranteed pay ('GP')

Benchmarked against applicable companies to ensure that GP is competitive and attracts and retains the required level of experience and expertise required for the Group

- Base salary ('BS'): Market-related salary tailored to roles and performance.
- Benefits: Market-related benefits including pension, provident funds, healthcare and vehicle allowance.

Variable pay

Short and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and three years

- Short-term incentives ('STI'): Annual performance bonus paid on the achievement of one-year financial targets. Employees in the Group participate in a STI scheme appropriate to the level and role that they perform in the Group.
- Long-term incentives ('LTI'): Share schemes designed to incentivise Group CEO, executive directors, execs and senior- to middle-management levels across the Group, on delivery of long-term strategic goals aligned with shareholder expectations:
  - Share appreciation right scheme ('SAR').
  - Forfeitable share plan ('FSP').

Discretion

The remuneration framework provides a guideline for the Group's remuneration arrangements. Although the basis for STI and LTI awards are formulaic in nature, participation in variable pay remuneration is discretionary. The Remuneration Committee determines the size of the STI pools and has the discretion to exercise reasonability and discretion to make ex gratia payments where extraordinary value has been created by executives. Discretion is not exercised in the calculation of the performance conditions for the short and long-term incentive schemes. If a material deviation from the Remuneration Policy occurs, this will be appropriately disclosed in the Remuneration Report.

The Group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme and 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 key performance indicators ('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 55 and 56 of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

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 units' 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, 6.7 million shares representing 4,6% of the issued share capital of the company (5,7% with the exclusion of all mandated investments). 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. The Company is in the process of increasing the shareholding by qualifying employees to 5,0%.

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 trust 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 R4,1 million (2020: R3,7 million) were distributed to the qualifying participants during the current financial year.

At least 85,0% 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 85,0% black persons, i.e. 91,2%.

Employees

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 64,7% (2020: 65,9%) of the total workforce.

Remuneration mix

Refer page 54 for remuneration framework of executives.

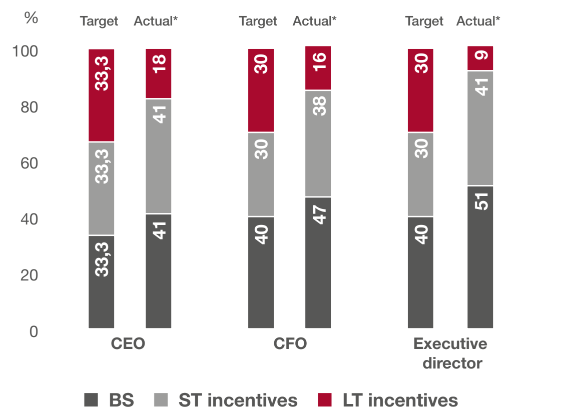
The Company ensures that remuneration for the salaries of executives constitutes a mix of fixed and variable elements (both elements as well as short-term and long-term variable compensation). In terms of the Group's remuneration policy, philosophy and strategy for executives (as opposed to general employees), it weighs the variable remuneration for executives heavier than guaranteed remuneration. Variable remuneration is subject to performance conditions, which need to be met and thus there is a large element of total pay at risk for the executives, aligning performance with reward. The base salaries of executives are benchmarked against PE Corporate Services' annual industry remuneration paper, who are 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.

According to PE Corporate Services' remuneration survey, the executives are paid at the lower end of the market for their respective roles in fixed pay. The Company places a higher relative target on variable pay in support of its policy of targeting a more aggressive pay mix. The Committee is satisfied that the total reward outcome should be the key driver in executive pay should they achieve their targets. This further entrenches the concept of performance and reward.

Share appreciation rights and forfeitable shares are issued to 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 19 on page 116 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 reflects the Company policy to ensure an acceptable mix of short-term, long-term and cost to company remuneration for executives:

On target policy vs actual pay mix



* *Actual pay mix excludes the value of shares allocated under the forfeitable share plan ('FSP') to the executive directors and will only be included on vesting date.*

Benchmarking

The Group uses industry and country specific benchmarking in ensuring that we apply the right mix and remunerate our executives competitively. The Committee uses remuneration surveys and peer group data from the JSE construction/mining sector. Afrimat targets the 25th percentile of the market for executives due to higher relative variable pay with regards to the short-term incentive bonus scheme ('STIBS') and LT incentives.

Employment contracts

Refer to note 20 on page 119 of the annual financial statements for further information.

Share appreciation right scheme ('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 scheme 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 7,0% of the number of issued shares at the date of adoption of the SAR. Although a limitation of 7,0% was provided in the SAR rules, the actual aggregate number of shares that may settle at any one time has always been below 2,0%.

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 FSP as discussed on page 56.

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 scheme 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.

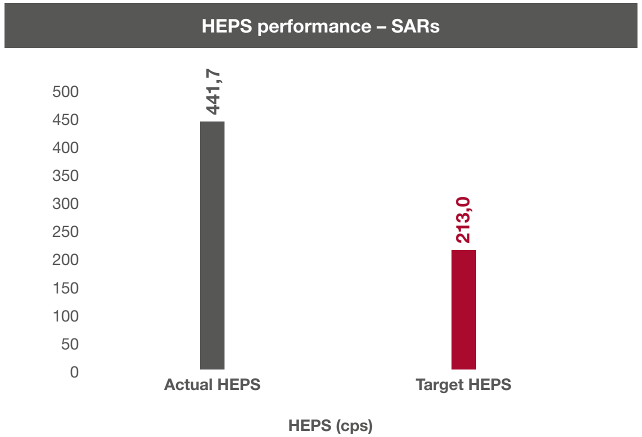
The achievement of the performance conditions for the SAR vesting during the year is as follows:

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

Vesting of Grant 13 SAR allocation

The performance conditions for the Grant 13 SAR allocation vesting on 4 November 2021 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 2018 SAR, against, adjusted HEPS. Actual HEPS achieved was 441,7 cps, 107,4% above the target HEPS of 213,0 cps. Based on the outcome, the November 2018 allocations will vest and are exercisable as from 5 November 2021, subsequent to approval by the Remuneration & Nominations Committee.



Forfeitable share plan ('FSP')

A 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 executive directors, senior executives and senior managers based on achieving individual performance objectives for the year under review. The performance objectives relate to specific KPIs identified per individual and their respective overall performance thereon. The FSP currently has nine (2020: seven) participants. 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 date. 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 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 scheme 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 Band)	Category	Bonus cap	Performance rating
F U	Group CEO	On-target 77% Stretch 23%	**96%** **100%**
F L	Group Executive Directors	On-target 47% Stretch 33%	**100%** **100%**

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

STIBS is based on performance of FY2021.

Pledged securities

In compliance with 3.64(h) the following is being disclosed to shareholders. A number of 4,1 million Afrimat ordinary shares held by directors were pledged as a guarantee for a medium-term loan of R3,5 million.

Implementation and remuneration disclosure of the CEO, CFO and executive director

The implementation report details the outcomes of implementing the remuneration policy and detailed on page 58.

2021 STIBS performance

A component to the CFO and executive director's performance scorecard specifically relate to their respective responsibility, i.e. financial metrics, people management and safety, health and environment. But moreover their scorecards are aligned to that of the CEO and therefore presented as one scorecard for the purposes of disclosure in terms of achieving their relevant targets.

Detailed disclosure of the CEO, CFO and executive director's performance scorecard is as follows:

	Performance	
Key performance areas	**Target**	**Actual**
Financial returns	HEPS, operating profit margin, RONA, working capital management and ROE	Increase in all relevant metrics mainly due to the contribution of the Bulk Commodities segments.
Safety, health and environment	LTIFR lower than 1, no reported environmental compliance incidence and clean audit result with health legislation compliance	0,61 LTIFR, no reported incidence and clean audit result
People management	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
B-BBEE	Compliance to revised B-BBEE criteria	Comply with all targets in Mining Charter and employment equity plans. Improvement on all targets
Business strategy	Approved strategy which focus on five-year growth objective	Cost reduction optimisation, sustainable HEPS growth
Ensuring Afrimat has a positive image with investors	Positive relations with investors, good profile in the media and compliance to values and legislation	Frequent interaction with top investors, clean audit reports, functional internal audit and annual financial statements

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

	Performance	
Key performance areas	**Target**	**Actual**
Optimise and grow the iron ore business	Measured on PBIT	Secured another iron ore resource in close proximity to Demaneng iron ore mine. Demaneng continued to deliver exceptional contribution to the Group results
Successful implementation of acquisitions	Quantified strategic plan, for the implementation of successful acquisitions as well as turnaround strategy for these businesses	A structured model and plan, to secure additional resources and earnings for the Group, were developed Successful implementation plan was compiled and actioned to drive a desired outcome
Develop an Afrimat growth plan	Quantified plan to grow HEPS sustainably by 10% per annum for the next three years	Investigation of new markets within all three segments. A HEPS growth CAGR over the last five years of 22,5% was achieved
Minimise impact of Covid-19	Management of the Group's cash flows during the Covid-19 crisis with minimum effect on employees and investors	All business units returned to profitability in the second half of the year. The Group's net debt:equity was 3,8% at the end of FY2021

Single-figure remuneration

Single-figure remuneration is disclosed for executive directors' remuneration for the year. The intention of single-figure remuneration is to disclose the remuneration earned or accrued by directors based on the performance of the current year, including any income attributable to unvested long-term share schemes.

Tables of single total figure of remuneration (R'000)

The following tables have been prepared in accordance with the provisions of King IV™ and practice notes.

Andries J van Heerden (CEO)

	2021	2020	% increase
BS	**5 554**	5 021	10,6%
STIBS	**5 480**	4 965	10,4%
LTI	**2 473**	2 393	3,3%
SAR	**2 204**	2 311	(4,6%)
Dividends	**269**	82	228,0%
Total (pre-tax)	**13 507**	12 379	9,1%

Pieter GS de Wit (CFO)

	2021	2020	% increase
BS	**3 366**	3 059	10,0%
STIBS	**2 700**	2 450	10,2%
LTI	**1 115**	1 464	(23,8%)
SAR	**960**	1 393	(31,1%)
Dividends	**156**	71	119,7%
Total (pre-tax)	**7 181**	6 973	3,0%

Collin Ramukhubathi (executive director)
(Collin was appointed from 1 November 2019 as executive director)

	2021	2020	% increase*
BS	**3 039**	828	267,0%
STIBS	**2 460**	1 610	52,8%
LTI	**512**	71	621,1%
SAR	**356**	–	–
Dividends	**156**	71	119,7%
Total (pre-tax)	**6 011**	2 509	139,6%

* *The high increase is due to the fact that FY2020 reflects only four months' remuneration.*

Non-executive directors' remuneration

The Remunerations Committee is of the opinion that the existing annual fee to Board members is below market benchmarks as applicable to the size of Afrimat. The proposed annual fee to Board members has therefore been increased in line with market rates applicable to the size of Afrimat.

The proposed annual fee to Board members has been increased with 10,0% to be more in line with market rates to the size of Afrimat.

The remuneration of non-executive directors are 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 2021/22 R	Existing annual fee 2020/21 R
Board		
Chairman	**865 000**	785 950
Deputy Chairman	**500 000**	–
Board member	**303 000**	275 770
Audit & Risk Committee		
Chairman	**182 000**	165 495
Member	**100 000**	91 025
Remuneration & Nominations Committee		
Chairman – Remuneration	**71 200**	64 735
Chairman – Nominations	**71 200**	64 735
Member	**56 000**	50 765
Social, Ethics & Sustainability Committee		
Chairman	**86 000**	78 595
Member	**56 000**	50 765
Investment Review Committee		
Chairman	**86 000**	78 595
Member	**56 000**	–

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 R22 000 for non-executive directors is currently paid for extraordinary duties. This daily rate will be requested for approval by shareholders at the 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.

TECHNOLOGY AND SYSTEMS

Overview

This past year and the time to come will be overshadowed by the effects of Covid-19. Focus was given to the negative traction in the economy, the impact on people's lives and livelihood of families and the 'new normal' that was created. All this is and will always be important, but most of the good that comes with a crisis this big, was overlooked. Yes, and truly sad, a lot of businesses were not able to recover.

For us at Afrimat, an opportunity was created to test our digital readiness, to evaluate and improve our network security, stability and availability, to test whether our cyber security disaster recovery ('DR') strategy is resilient enough to recover if attacked and lastly, it was confirmation on how vulnerable we as humans are and kept us humble.

With our Technology and Systems strategy, Afrimat positioned itself in such a way that it was able to take advantage of any useable digital technologies that presented themselves, despite the difficulties and challenges the country experienced on the social, industrial, economic and political front.

Due to our level of digital readiness, we continue to strengthen the Group's Technology and Systems governance structures through executive and non-executive oversight of all 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, the Technology and Systems cluster adheres to the relevant governance frameworks, standards and policies as set by SANS, IEEE, ISO, COBIT, King IV™ and more.

Looking forward, we must stay relevant with the latest technology and take advantage of these developments, secure ourselves against cyber criminals and invest in the upskilling of our people to advance with the latest technologies.

Our strategy

With FY2021 behind us it is even more evident that technology (digital readiness) will play an increasingly important role for the future of Afrimat and the combination of the Information Technology & Business Systems ('ITBS') and Engineering team's synergies to form a 'Technology and System' cluster, will unlock relevant possibilities in this realm. The main purpose of ITBS, is to provide infrastructure and systems where the key characteristics are agility, elasticity and reliability to effectively enable Afrimat to pre-empt trends and vulnerabilities in order to sustain and grow profitability for all stakeholders. Engineering on the other hand, is driving projects, reliability centered maintenance ('RCM') for equipment availability and a continuous improvement culture for operational excellence. The synergy lies in the combined effort and focus to use technology and systems to alert tolerance deviations, trend analysis to pre-empt possible failure, condition monitoring and rely on historical data to decide on equipment replacement strategies.

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 and engineering governance guidelines, tested to the questions of:

- is it aligned with the Company strategy and goals?
- is it meaningful – fit for purpose?
- is it a shared vision – do we all agree?
- do we locate the root cause of failures?

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 DR strategy is three folded: Firstly, to ensure that all company data is backed up and back-ups checked and tested for reliability on a daily basis. Secondly, to ensure that all systems are replicated to an offsite location where it can be accessed by the users if the main server is in distress, without losing data and long periods of processing time. Thirdly, be sure it is resilient enough to restore the Afrimat systems to its original state after a cyber-attack, without the loss of any transactional data.

Short and medium-term goals include:

- to stay on the latest workable technology for our network infrastructure;
- ensure that our network access security (cyber security) and intellectual property ('IP') protection are in place and up to date;
- 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;
- make financial and operational reports available daily, incorporating near real time information; and
- create a centralised and computerised reliability centered maintenance ('RCM') system that is fit for purpose to Afrimat.

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 artificial intelligence ('AI') and machine learning ('ML').

The structure of the technology cluster 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 in the risk register, 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 Technology and Systems 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 products into the organisation, it becomes a legacy, which is hard, or in most cases, very expensive to change or get rid of. Our strategy on technology proved to be effective in the past year and we foresee minor adjustments to optimise performance.

Our cyber security strategy proved to be a huge success, with the user awareness programme on cyber security, drastically reducing the 'harmful click' or 'Just click YES' attitude. This led to the discovery of potential future enhancements to our network and cyber security strategy. We will focus on introducing tools to get better visibility of what is going on in our network, a method of Single-Sign-On ('SSO') that will allow users to our network and systems and data encryption to protect our valuable data.

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, where the integration with engineering will play a major part) when we execute our 'connected' initiatives. With these initiatives, we will provide the relevant information, as near to real time as possible, to our operations, managers and clients.

TECHNOLOGY AND SYSTEMS (CONTINUED)

The current reality is changing the way in which business is conducted and will be conducted in the future. 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' initiatives, we try to eliminate the 'disconnect' by not only focusing on technology, but also on the person by providing innovative ways to also stay 'socially' connected.

With the ever-increasing size of data that is available and the need for it to be analysed, robotics, AI and ML 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

The Technology and Systems cluster is fully aware and informed of the challenges and opportunities that the business is facing. We are well-positioned to support the business with these challenges by means of finally combining our 'human and digital forces' (Intelligent Assistance) to supply an infrastructure that is stable and agile, fit for purpose business and engineering systems that support the business processes, BI that is built on world standards and a DR strategy that supports business continuity.

ESG in action

COMPLIANCE

Special recognition is given to South African quarry operations that achieve Showplace Status every year – 95% and more – in ASPASA's annual ISHE Audit. Being able to maintain that feat every year is something special, given the stringent nature of the audit and the high health and safety standards that ASPASA member operations have to maintain.

In line with Afrimat's 'consistently delivering' mantra, its Harrismith Quarry has achieved the status for eight consecutive years.

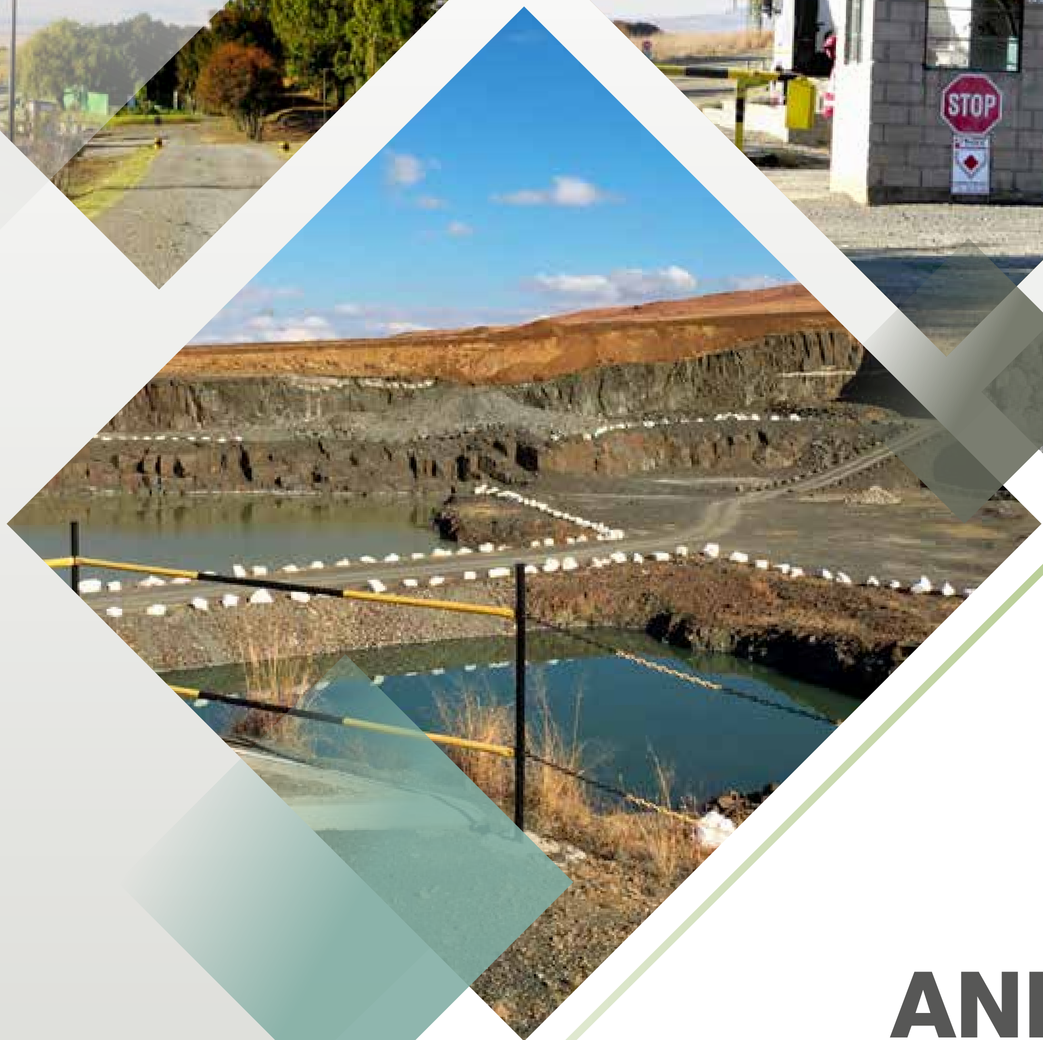
Afrimat cares for the wellbeing of all staff and recognises its workforce as a meaningful and important contributor towards its core.

Regular training programmes have also made sure that employees are well informed of what is required of them in terms of health and safety on site.

Other initiatives central to the operation's Showplace Status for eight years running are regular monitoring and inspections, continuous upgrades to the plant and site to comply with changing legislation, and effective maintenance.

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.

Publication date: 27 May 2021



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ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The annual financial statements set out on pages 70 to 125 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 the Companies Act, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS'), Financial Pronouncements as issued by the Financial Reporting Standards Council, Listings Requirements of the JSE and interpretations issued by the International Financial Reporting Interpretation Committee ('IFRIC'). 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 is 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 annual financial statements.

Chief Executive Officer and Chief Financial Officer responsibility statement:

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its subsidiaries have been provided to effectively prepare the annual financial statements of the Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King IV™ Report. Where we are not satisfied, we have disclosed to the Audit & Risk Committee and the external auditors, the deficiencies identified in the design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

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

26 May 2021

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, 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, in respect of the financial year ended 28 February 2021 and that all such returns and notices are true, correct and up to date.

Catharine Burger
Company Secretary

Cape Town

26 May 2021

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee ('the Committee') is pleased to present its report for the financial year ended 28 February 2021 to the shareholders of Afrimat Limited.

Composition

The Committee is chaired by independent non-executive director Jacobus (Derick) F van der Merwe and further comprises independent non-executive Board Chairman Marthinus (Matie) W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Helmut N Pool, Francois M Louw and Hendrik (Hennie) JE van Wyk. 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 31 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 31. 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 has considered the JSE proactive monitoring reports and the impact thereof on the annual financial statements.

The Committee advised and updated the Board on issues ranging from accounting standards to published financial information.

In accordance with revised International Standards on Auditing, independent auditor's reports are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2021, the 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 annual 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;
- ensured that appropriate financial reporting procedures exist and are working which includes consideration of all entities included in the consolidated Group IFRS annual financial statements;
- 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 annual 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 annual 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 provide services to all subsidiaries 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
- 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 4.5 on page 80).

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 related to guidance on IFRS-related interpretations, engagements in accordance with the International Standard on Assurance Engagements ('ISAE') 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information disclosed in the circular regarding the Unicorn Capital Partners Limited scheme of arrangement ('Scheme') in terms of section 114 of the Companies Act.

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 South African 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 annual 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 has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2022 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 2022 financial year at the AGM on 4 August 2021.

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's judgement underpinning the annual financial statements. The Committee considered a number of significant issues during 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 annual financial statements. Where further information is provided in the notes to the annual financial statements, note references are included. The issues and how they were addressed by the Committee are detailed below:

Impairment of intangible assets (refer note 6.2)

The Committee reviewed management's process for testing goodwill and intangible assets for potential impairment and ensuring appropriate sensitivity analysis disclosure. This included challenging the key assumptions: principally cash flow projections, growth rates and discount rates. The Group has significant goodwill. No impairments has been identified.

Environmental rehabilitation provision (refer note 6.5)

The Committee has 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 DMRE-based calculations in determining the provisions for submission to the DMRE.

The Committee has 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 note 3)

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 has reported to the Committee on the controls and processes in this area. The Committee also 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 sales 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 17)

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

Tax and deferred tax (refer notes 5 and 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 confirms that the entity is in compliance with material legislative requirements and has accurately disclosed the impact of all taxes applicable to the entity.

Accounting for complex transactions (refer notes 6.1, 6.2 and 12.1)

Management has applied IFRS 3: *Business Combination*, to the acquisition and recognised an intangible asset, as well as a mining asset, as part of the purchase price allocation.

The Committee considered the key judgements made by management in accounting for this business combination and the fair value of assets and liabilities used for the calculation of the intangible asset and mining asset, and concur with the conclusion 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 Francois M Louw
- Mr Helmut N Pool
- Mr Jacobus F (Derick) van der Merwe (Chairman)
- Mr Marthinus (Matie) 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.

Derick van der Merwe
Audit & Risk Committee Chairman

26 May 2021

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 2021, 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 72 to 124 comprise:

- the consolidated and separate statements of financial position as at 28 February 2021;
- 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

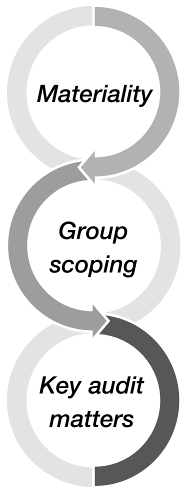
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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 Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Our audit approach



Overview

Overall group materiality

- Overall group materiality: R43.5 million, which represents 5% of consolidated profit before tax.

Group audit scope

- Full scope audits were performed for all significant components;
- Full scope 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
- Business combination and fair value measurement in relation to acquisition of Nkomati Anthracite.

Separate financial statements

- Impairment assessment of investments in subsidiaries.

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	R43.5 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 49 components, which were either a financially significant component, a component of which an identified financial statement line item or items were considered 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 statement 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.

In addition, audit procedures were performed on the consolidation, financial statement disclosures and a number of complex items. These included 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.

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provisions	
This key audit matter relates to the consolidated financial statements only 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 2021, the consolidated statement of financial position includes environmental rehabilitation provisions of R206,4 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 provisions 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 provisions. We considered the environmental rehabilitation provisions to be a matter of most significance to the 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 ('LOM'); 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. We found it to be in line with the Group's policy; ▪ We obtained explanations from management for differences between their policy and the DMR guidelines. We assessed evidence in respect of such differences, taking into consideration the Group's specific sites. Based on our evaluation we accepted management's explanations in this regard; ▪ We tested a sample of inputs used by the Group's experts, such as the costs per hectare, by comparing to industry benchmarks. No material differences were noted; ▪ We assessed the increase rate in respect of rehabilitation costs applied by management with reference to industry benchmarks and noted no material differences; ▪ We performed an independent life of mines assessment through physical site inspection, and compared this to management's life of mines assessment. No material differences were noted; ▪ We assessed the competency, experience and objectivity of the Group's internal and external experts by obtaining evidence relating to their qualifications and professional memberships. In doing so, we held discussions with the Group's internal and external experts, inspected their curriculum vitae and where applicable, considered whether they were in good standing with relevant professional bodies; and ▪ We tested the mathematical accuracy of management's calculations and noted no material differences.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessments	
This key audit matter relates to the consolidated financial statements only The Group has goodwill of R207 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 no impairment losses are required. 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. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in impairment losses. We considered goodwill impairment assessments to be a matter of most significance to the 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 applied, specifically the growth rates and discount rates, by performing the following: ▪ We agreed amounts per the forecasted base year of the calculation to the current year financial statements. We noted no material differences; ▪ We utilised our valuation expertise to test the principles of management's calculation. We challenged key inputs in the calculations which included the long-term growth rate, medium-term revenue growth rate and future cash flow assumptions by comparing them to approved business plans and independent market data. We noted no material differences and accepted the key inputs applied by management; ▪ We further utilised our valuation 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 an acceptable range; and ▪ We performed independent sensitivity calculations on the impairment assessments to assess the degree by which the key assumptions needed to change in order to trigger an impairment. Management's conclusions were consistent with the results of our sensitivity analyses.

Key audit matter	How our audit addressed the key audit matter
Business combination and fair value measurement in relation to the acquisition of Nkomati Anthracite	
This key audit matter relates to the consolidated financial statements only On 15 December 2020 the Group acquired Unicorn Capital Limited Group including Nkomati Anthracite Proprietary Limited. As disclosed in note 12 to the consolidated financial statements, the consideration of R152 million was settled in shares and the deemed disposal of the previously held interest in Unicorn Capital Limited. Management determined that the acquisition date of the transaction was 15 December 2020 given that this was the date that all conditions precedent were fulfilled and the agreement became unconditional. The business combination accounting is provisional and as at the date of the audit report, the mine plan has not been signed off by the Group's competent person. In order to determine the fair value of the mining reserves, management performed a discounted cash flow over the LOM. A deferred tax liability was recognised on the fair value adjustments at a rate of 28%. The assessment performed by management required judgement in the determination of key assumptions and future market conditions, particular in relation to: ▪ the discount rate; ▪ reserves and resources (in determination of (LOM); and ▪ future cash flow forecasts taking into account capital expenditure, working capital requirements, and operating costs. Based on the results of the assessment performed by management, goodwill of R6,3 million was recognised. The fair value measurement for the identifiable mining reserves at their acquisition-date fair values required judgement and resulted in this being an area of most significance to our audit.	We tested the accuracy of the consideration determined by management by performing an independent calculation of non-cash components based on the information contained in the agreements. No exceptions were noted. We assessed management's determination of the acquisition date of the transaction by inspecting the relevant agreements and evidence of statutory approvals pertaining to the transaction, and agreed these dates to management's assessment. No exceptions were noted. We utilised our valuation expertise to assess the accuracy of the LOM model and the discount rate used by management. No material differences were noted. The significant assumptions used by management in their purchase price allocation were subjected to the following audit procedures: ▪ Prices of anthracite were agreed to the contracts; ▪ Production volumes as per the draft LOM plan were compared to reserves and resources signed off by an independent competent person and to existing production volumes and approved business plans; ▪ Costs per the LOM were compared to the 2019 actual costs incurred. In addition, mining contractor costs were compared to contractually agreed costs for the future; and ▪ Long-term real discount rates were tested for reasonability, making use of our valuation expertise, by independently calculating the discount rates, taking into account independently obtained market and company-specific data. In addition we performed stress tests on the discount rates used by management to assess the impact on the value of the mining right. The discount rate adopted by management fell within an acceptable range compared to our independent calculation. In order to assess the accuracy of management's recognised deferred tax liability and goodwill, we independently calculated the deferred tax liability and goodwill on the assumptions described above and compared it to management's recognised deferred tax liability and goodwill. No exceptions were noted.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries	
This key audit matter relates to the separate financial statements only The Company holds investments in subsidiaries with a carrying amount of R1 346 million as disclosed in note 13 to the separate financial statements. Investments are tested by management for impairment if impairment indicators exist, using a value-in-use calculation. Impairment indicators were noted for the following investments: ▪ Afrimat Aggregates (Eastern Cape) Proprietary Limited; ▪ Afrimat Concrete Products Proprietary Limited; ▪ Afrimat Engineering Services Proprietary Limited; ▪ Afrimat Logistics Proprietary Limited; ▪ Afrimat Mozambique Limitada; ▪ Cape Lime Proprietary Limited; ▪ Capmat Proprietary Limited; ▪ Phakamani Academy Proprietary Limited; ▪ Meepo Ya Mmu Resources Proprietary Limited; and ▪ SA Block Proprietary Limited. Management concluded that impairment losses of R23.8 million, R14.3 thousand and R4.5 million were required to impair the investments in Afrimat Concrete Products Proprietary Limited, Afrimat Mozambique Limitada and SA Block Proprietary Limited, respectively. Further disclosure with regards to this matter has been made in note 6.2 to the separate financial statements. There was no impairment on any other investment in subsidiaries. The impairment assessment of investments in subsidiaries was considered to be a matter of most significance to the current year audit due to the estimation involved in determining the growth and discount rates used by management in calculating the recoverable amount of each investment.	Through discussions with management, we obtained an understanding of the process followed by them in their impairment assessment. We obtained management's impairment assessment of the investments in subsidiaries 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. No exceptions were noted; ▪ 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, by comparing them to approved business plans and independent market data. Based on the procedures performed, we accepted the assumptions used; and ▪ Through reperformance we evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required and noted that any impairment loss would be immaterial.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Afrimat Limited Consolidated and Separate annual financial statements for the year ended 28 February 2021', 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, which we obtained prior to the date of this auditor's report, and the other sections of the document titled 'Afrimat Limited 2021 Integrated Annual Report', which is expected to be made available to us after that date. 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 and will 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated 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, actions taken to eliminate threats or safeguards applied.

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 four years.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: FHS Weilbach
Registered Auditor

Stellenbosch, South Africa

26 May 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2021

The directors of Afrimat present their report for the Group for the year ended 28 February 2021.

Nature of business

Afrimat is a black empowered open pit mining company that supplies beneficiated or processed and sized materials and contracting services to the industrial minerals, building, construction, road building, railroad and mining sectors. In addition, Afrimat supplies bulk commodities to local and international markets. 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 72 to 124 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 27,0% from 347,7 cents to 441,7 cents per share.

Operational review

Impact on the operations are reviewed in detail in the CEO's report and operational reviews (pages 12 and 26), which form part of the integrated annual report.

Corporate governance

The directors endorse the principles contained in King IV™ and are committed to applying the principles of transparency, integrity, fairness and accountability in the conduct of its business and affairs. 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. The Board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

Accounting policies

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

Dividend

A final dividend of 112,0 cents per share (2020: 81,0 cents per share), was declared for the year on 26 May 2021. This equates to 89,6 cents per share (2020: 64,8 cents per share) for shareholders who are subject to dividends tax. This is in line with the Group's dividend policy of 2,75 times cover.

The total dividend (interim and final) for the year amounts to 148,0 cents per share (2020: 117,0 cents per share).

Taxation

The latest tax assessment of the Company relates to the year ended 29 February 2020. All tax submissions up to and including February 2020 have been submitted. Tax returns for 28 February 2021 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 (2020: 1 000 000 000) no par value ordinary shares of which 146 144 764 (2020: 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 (Deputy Chairman and LID)
- Mr Helmut N Pool (independent non-executive director)
- Mr Collin Ramukhubathi (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 Hendrik (Hennie) JE van Wyk, Mrs Phuti RE Tsukudu and Mr Francois M Louw will retire by rotation at the upcoming AGM, and Mrs Phuti RE Tsukudu and Mr Francois M Louw being eligible, will stand for re-election.

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 15 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 20 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% of the ordinary shares of the Company at 28 February 2021, is set out on page 125.

Directors' shareholding at 28 February 2021*

	Number of securities held				
	Direct beneficial	Indirect beneficial	Through associates	Total	% held
Director					
2021					
Gert J Coffee	**680 084**	**–**	**–**	**680 084**	**0,47**
Loyiso Dotwana	**–**	**2 886 829**	**–**	**2 886 829**	**1,98**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**4 087 548**	**853 564**	**1 203 449**	**6 144 560**	**4,21**
Hennie van Wyk	**–**	**100 000**	**–**	**100 000**	**0,07**
Derick van der Merwe	**22 500**	**–**	**–**	**22 500**	**0,01**
Pieter GS de Wit	**209 326**	**–**	**–**	**209 326**	**0,14**
Matie von Wielligh	**400 000**	**60 000**	**–**	**460 000**	**0,31**
Johan van der Merwe	**–**	**–**	**–**	**–**	**–**
Helmut N Pool	**–**	**397 662**	**–**	**397 662**	**0,27**
Francois M Louw	**285 714**	**–**	**–**	**285 714**	**0,20**
Collin Ramukhubathi	**5 415**	**–**	**–**	**5 415**	**–**
	5 690 587	**4 298 055**	**1 203 449**	**11 192 090**	**7,66**
2020					
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	4 053 977	853 564	1 202 128	6 109 669	4,26
Hennie van Wyk	–	112 000	–	112 000	0,08
Derick van der Merwe	22 500	–	–	22 500	0,01
Pieter GS de Wit	194 706	–	–	194 706	0,13
Matie von Wielligh	400 000	60 000	–	460 000	0,33
Johan van der Merwe	–	–	–	–	–
Helmut N Pool	–	397 662	–	397 662	0,28
Francois M Louw	285 714	–	–	285 714	0,20
Collin Ramukhubathi	–	–	–	–	–
	5 636 981	4 487 755	1 202 128	11 326 864	7,90

* *Excludes shares granted under the Forfeitable Share Plan ('FSP'), which have not yet vested. Refer note 19 for further details.*

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 in assessing the going concern considered the impact of the Covid-19 pandemic on the Group and Company. The directors have reviewed the Group's cash flow forecast for the year to 28 February 2022 and after having considered the implications of the Covid-19 pandemic as well as in light of this review and the current financial position, they are satisfied that the Group and Company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements has 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 17 for information regarding legal or arbitration proceedings currently in progress.

Company Secretary

Catharine Burger 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.

Special resolutions

The following special resolutions were passed by shareholders of the Company during the year (at the AGM of shareholders held on 29 July 2020), 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 2021;
- 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 providing approval for non-executive director's award for ex-gratia bonus.

Borrowings

In terms of the memorandum of incorporation ('MOI') the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Events after the reporting date

Refer note 18 for disclosure of events after the reporting date.

Impact of Covid-19

The impact of the Covid-19 pandemic has been considered up to 28 February 2021. The pandemic is considered to be an ongoing event and there is no immediate concern around going concern. Management is continually assessing and monitoring developments with regard to the pandemic and its impact on the business.

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

Compliance with laws and regulations

The Afrimat directors have confirmed that, to their best knowledge, Afrimat (i) complied with the provisions of the Companies Act, and (ii) operated in accordance with its MOI.

CONTENTS TO THE ANNUAL FINANCIAL STATEMENTS

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2021

		Group		Company	
	Note	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Revenue	3	**3 693 759**	3 304 376	**769 853**	158 365
Cost of sales	4.5	**(2 234 563)**	(2 239 352)	**–**	–
Gross profit		**1 459 196**	1 065 024	**769 853**	158 365
Operating expenses	4.5	**(570 875)**	(478 400)	**(84 144)**	(42 019)
Other income	4.1	**11 832**	13 035	**696**	835
Other net gains and losses	4.2	**7 846**	8 657	**(53 735)**	–
Profit on disposal of property, plant and equipment	4.3	**375**	2 788	**–**	–
Impairments	4.4 and 6.2	**(22 083)**	(10 152)	**(59 026)**	(13 665)
Operating profit		**886 291**	600 952	**573 644**	103 516
Finance income	4.6	**21 022**	18 179	**19 149**	9 104
Finance costs	4.7	**(38 291)**	(46 161)	**(38 571)**	(39 549)
Share of profit of equity-accounted investments	14	**289**	300	**–**	–
Profit before tax		**869 311**	573 270	**554 222**	73 071
Income tax expense	5	**(265 484)**	(108 094)	**9 400**	(865)
Profit for the year		**603 827**	465 176	**563 622**	72 206

		Group		Company	
	Note	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		**7 743**	(3 586)	**–**	–
Income tax effect relating to these items		**–**	–	**–**	–
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		**196**	88	**–**	–
Income tax effect relating to these items		**(44)**	(17)	**–**	–
Other comprehensive income for the year, net of tax		**7 895**	(3 515)	**–**	–
Total comprehensive income for the year		**611 722**	461 661	**563 622**	72 206
Profit attributable to:					
Owners of the parent		**601 254**	462 512	**563 622**	72 206
Non-controlling interests	8.4	**2 573**	2 664	**–**	–
		603 827	465 176	**563 622**	72 206
Total comprehensive income attributable to:					
Owners of the parent		**609 149**	458 997	**563 622**	72 206
Non-controlling interests	8.4	**2 573**	2 664	**–**	–
		611 722	461 661	**563 622**	72 206
Earnings per ordinary share (cents)	8.5	**444,1**	341,6	**–**	–
Diluted earnings per ordinary share (cents)	8.5	**434,6**	337,7	**–**	–

STATEMENTS OF FINANCIAL POSITION

AT 28 FEBRUARY 2021

	Note	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	**2 247 493**	1 571 519	**–**	–
Investment property*		**–**	3 040	**–**	–
Intangible assets	6.2	**216 085**	210 226	**–**	–
Loans to subsidiaries	13	**–**	–	**938 544**	496 199
Investments in subsidiaries	13	**–**	–	**1 346 420**	934 197
Investment in associate and joint venture	14	**591**	16 420	**–**	–
Other financial assets	7.1 - 7.3.1	**80 340**	53 015	**–**	8 685
Deferred tax	6.3	**59 931**	31 870	**17 751**	2 972
Total non-current assets		**2 604 440**	1 886 090	**2 302 715**	1 442 053
Current assets					
Inventories	6.4	**279 042**	260 526	**–**	–
Current tax receivable		**4 842**	4 757	**794**	385
Trade and other receivables	7.3.2	**695 936**	476 356	**10 197**	29 862
Cash and cash equivalents	7.3.3	**871 060**	167 533	**186 437**	11 090
Total current assets		**1 850 880**	909 172	**197 428**	41 337
Total assets		**4 455 320**	2 795 262	**2 500 143**	1 483 390
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	**345 894**	245 988	**272 472**	173 789
Treasury shares	8.2	**(115 795)**	(108 365)	**–**	–
Net issued stated capital		**230 099**	137 623	**272 472**	173 789
Other reserves	8.3	**(62 980)**	(90 382)	**14 861**	8 532
Retained earnings		**2 082 926**	1 634 537	**1 315 119**	915 764
Attributable to equity holders of the parent		**2 250 045**	1 681 778	**1 602 452**	1 098 085
Non-controlling interests	8.4	**8 362**	7 129	**–**	–
Total equity		**2 258 407**	1 688 907	**1 602 452**	1 098 085

	Note	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	**301 180**	138 761	**176 000**	–
Provisions	6.5	**239 142**	152 748	**–**	–
Deferred tax	6.3	**393 574**	215 943	**–**	–
Total non-current liabilities		**933 896**	507 452	**176 000**	–
Current liabilities					
Loans from subsidiaries	13	**–**	–	**532 125**	335 294
Other financial liabilities		**8 844**	9 631	**–**	–
Borrowings	7.3.4	**212 721**	157 071	**44 000**	–
Current tax payable		**11 162**	11 109	**–**	–
Trade and other payables	7.3.5	**596 483**	421 072	**20 376**	50 011
Bank overdraft	7.3.3	**433 807**	20	**125 190**	–
Total current liabilities		**1 263 017**	598 903	**721 691**	385 305
Total liabilities		**2 196 913**	1 106 355	**897 691**	385 305
Total equity and liabilities		**4 455 320**	2 795 262	**2 500 143**	1 483 390

* *During the current year 'Investment property' was transferred to 'Property, plant and equipment' due to a change in use.*

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2021

	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 2019	258 292	(85 822)	(94 391)	1 307 129	11 351	1 396 559
Total comprehensive income						
Profit for the year	–	–	–	462 512	2 664	465 176
Other comprehensive income for the year	–	–	(3 515)	–	–	(3 515)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	88	–	–	88
Income tax effect	–	–	(17)	–	–	(17)
Exchange differences on translation of foreign operations	–	–	(3 586)	–	–	(3 586)
Income tax effect	–	–	–	–	–	–
Total comprehensive income	–	–	(3 515)	462 512	2 664	461 661
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	–	–	15 074	–	–	15 074
Deferred taxation on share-based payments (refer note 8.3)	–	–	(917)	–	–	(917)
Purchase of treasury shares (refer note 8.2)	–	(28 815)	–	–	–	(28 815)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(12 304)	6 272	(6 633)	6 633	–	(6 032)
Dividends paid (refer note 8.7)	–	–	–	(136 051)	(1 718)	(137 769)
Total contributions and distributions	(12 304)	(22 543)	7 524	(129 418)	(1 718)	(158 459)
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Afrimat Logistics Limitada (refer note 8.4)	–	–	–	–	12	12
– Infrasors (refer note 8.4)	–	–	–	(5 686)	(5 180)	(10 866)
Total changes in ownership interests	–	–	–	(5 686)	(5 168)	(10 854)
Total transactions with owners of the parent	(12 304)	(22 543)	7 524	(135 104)	(6 886)	(169 313)
Balance at 29 February 2020	245 988	(108 365)	(90 382)	1 634 537	7 129	1 688 907
Note	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
Balance at 1 March 2020	**245 988**	**(108 365)**	**(90 382)**	**1 634 537**	**7 129**	**1 688 907**
Total comprehensive income						
Profit for the year	**–**	**–**	**–**	**601 254**	**2 573**	**603 827**
Other comprehensive income for the year	**–**	**–**	**7 895**	**–**	**–**	**7 895**
Net change in fair value of equity instruments at fair value through other comprehensive income	**–**	**–**	**196**	**–**	**–**	**196**
Income tax effect	**–**	**–**	**(44)**	**–**	**–**	**(44)**
Exchange differences on translation of foreign operations	**–**	**–**	**7 743**	**–**	**–**	**7 743**
Income tax effect	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**7 895**	**601 254**	**2 573**	**611 722**
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	**–**	**–**	**18 884**	**–**	**–**	**18 884**
Deferred taxation on share-based payments (refer note 8.3)	**–**	**–**	**8 074**	**–**	**–**	**8 074**
Purchase of treasury shares (refer note 8.2)	**–**	**(13 118)**	**–**	**–**	**–**	**(13 118)**
Shares issued during the year (refer note 8.1)	**111 115**	**–**	**–**	**–**	**–**	**111 115**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	**(11 209)**	**5 688**	**(7 451)**	**7 451**	**–**	**(5 521)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(160 316)**	**(1 340)**	**(161 656)**
Total contributions and distributions	**99 906**	**(7 430)**	**19 507**	**(152 865)**	**(1 340)**	**(42 222)**
Total transactions with owners of the parent	**99 906**	**(7 430)**	**19 507**	**(152 865)**	**(1 340)**	**(42 222)**
Balance at 28 February 2021	**345 894**	**(115 795)**	**(62 980)**	**2 082 926**	**8 362**	**2 258 407**
Note	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 2019	187 179	–	3 830	982 980	–	1 173 989
Total comprehensive income						
Profit for the year	–	–	–	72 206	–	72 206
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	72 206	–	72 206
Transactions with Company						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	–	–	5 472	–	–	5 472
Deferred taxation on share-based payments (refer note 8.3)	–	–	205	–	–	205
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	(13 390)	–	(975)	975	–	(13 390)
Dividends paid (refer note 8.7)	–	–	–	(140 397)	–	(140 397)
Total contributions and distributions	(13 390)	–	4 702	(139 422)	–	(148 110)
Total changes	(13 390)	–	4 702	(67 216)	–	(75 904)
Balance at 29 February 2020	173 789	–	8 532	915 764	–	1 098 085
Total comprehensive income						
Profit for the year	**–**	**–**	**–**	**563 622**	**–**	**563 622**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**563 622**	**–**	**563 622**
Transactions with Company						
Contributions and distributions						
Shares issued during the year (refer note 8.1)	**111 115**	**–**	**–**	**–**	**–**	**111 115**
Share-based payment expense for the year (refer note 8.3)	**–**	**–**	**7 082**	**–**	**–**	**7 082**
Deferred taxation on share-based payments (refer note 8.3)	**–**	**–**	**2 597**	**–**	**–**	**2 597**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	**(12 432)**	**–**	**(3 350)**	**3 350**	**–**	**(12 432)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(167 617)**	**–**	**(167 617)**
Total contributions and distributions	**98 683**	**–**	**6 329**	**(164 267)**	**–**	**(59 255)**
Total changes	**98 683**	**–**	**6 329**	**399 355**	**–**	**504 367**
Balance at 28 February 2021	**272 472**	**–**	**14 861**	**1 315 119**	**–**	**1 602 452**
Note	8.1		8.3			

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2021

		Group		Company	
	Note	**2021 R'000**	2020 R'000	**2021 R'000**	2020 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	9.1	**1 013 381**	781 573	**(5 487)**	(5 754)
Finance income received	9.2	**20 979**	17 829	**19 149**	9 104
Dividends received		**98**	64	**5 388**	89 105
Finance costs paid	9.3	**(26 628)**	(37 305)	**(38 571)**	(39 549)
Tax paid	9.4	**(240 250)**	(85 351)	**(3 191)**	(1 080)
Net cash inflow/(outflow) from operating activities		**767 580**	676 810	**(22 712)**	51 826
Cash flows from investing activities					
Acquisition of property, plant and equipment	6.1 and 9.6	**(189 010)**	(154 245)	**–**	–
Proceeds on disposal of property, plant and equipment	9.5	**9 344**	34 320	**–**	–
Acquisition of businesses and investments	12.1	**(1 003)**	–	**–**	(10 866)
Acquisition of mining rights	6.2	**(1 357)**	–	**–**	–
Advances of loans to subsidiaries	13	**–**	–	**(529 720)**	(495 053)
Proceeds of loans to subsidiaries	13	**–**	–	**148 319**	694 292
Loan advances to other financial assets		**(283 493)**	–	**–**	–
Purchase of other financial assets		**(16 857)**	(369)	**–**	–
Acquisition of share in associate	14	**–**	(16 020)	**–**	–
Proceeds on disposal of investment in subsidiaries	12.2	**45 000**	–	**45 000**	–
Repayments from other financial assets		**–**	6 390	**–**	167
Net cash (outflow)/inflow from investing activities		**(437 376)**	(129 924)	**(336 401)**	188 540
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	**(13 118)**	(28 815)	**–**	–
Issue of Afrimat shares		**–**	–	**6**	–
Proceeds from borrowings	7.3.4	**410 946**	54 908	**220 000**	–
Repayment of borrowings	7.3.4	**(286 715)**	(305 050)	**–**	(162 500)
Capital elements of lease payments	9.7	**(9 133)**	(8 191)	**–**	–
Repayment from other financial liabilities		**(788)**	(1 212)	**–**	–
Acquisition of additional non-controlling interest	8.4	**–**	(10 854)	**–**	–
Advances of loans from subsidiaries	13	**–**	–	**(526 943)**	(341 998)
Proceeds of loans from subsidiaries	13	**–**	–	**883 824**	549 283
Dividends paid	8.7	**(161 656)**	(137 769)	**(167 617)**	(140 397)
Net cash (outflow)/inflow from financing activities		**(60 464)**	(436 983)	**409 270**	(95 612)
Net increase in cash, cash equivalents and bank overdrafts		**269 740**	109 903	**50 157**	144 754
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	**167 513**	57 610	**11 090**	(133 664)
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	**437 253**	167 513	**61 247**	11 090

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 annual 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, except for the implementation of new accounting standards, refer note 22.

1.1 Statement of compliance

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

1.2 Basis of preparation

The annual 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 chosen to early adopt the following standards and interpretations:

- Amendment to IFRS 16: *Covid-19 – Related Rent Concession*

The Group has adopted the following standards and interpretations:

- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform;*
- Amendments to IFRS 3: *Definition of a Business;*
- Disclosure initiative: *Presentation of Financial Statements;* and
- Disclosure initiative: *Accounting policies, Changes in Accounting Estimates and Errors.*

Refer note 22 for further disclosure on the implementation of these standards.

Refer note 23 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 annual 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 annual 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' (refer note 4.2).

(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 ('CGU') to which the asset belongs is determined. The recoverable amount of an asset or CGU 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.

1. Significant accounting policies (continued)

1.5 Significant accounting judgements and estimates (continued)

The impact of the Covid-19 pandemic on both the Group and Company has been considered in all judgements exercised and estimates made by management and are provided below, as well as in the commentary that accompanies the annual financial statements. The Group has taken all necessary and responsible steps to manage the impact of the Covid-19 pandemic by focusing on and prioritising the health and safety of all employees, ensuring the continuation and maintaining the financial health of the business.

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
- Dismantling and rehabilitation provisions – refer note 6.5
- Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- Share-based payment expense calculation – refer notes 19.1 and 19.2
- Provision for stock obsolescence – refer note 6.4
- Measurement of stockpile quantities – refer note 6.4
- Provisional pricing arrangements – refer note 3
- Acquisitions of businesses – refer note 12.1

(b) Judgements

- Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited ('AEI') – refer note 13
- Consolidation of Afrimat Share Incentive Trust, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust – refer note 13
- Extension and termination options in determining the lease term – refer note 6.1
- Incremental borrowing rate in discounting leases – refer note 6.1
- Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- Contingent liabilities – refer note 17
- Acquisitions of businesses – refer note 12.1

How 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.

There are three main segments, based on the market use of products.

Construction Materials comprises aggregates, concrete-based products and contracting operations. 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's use of products. 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 consists mainly out of the sale of limestone, dolomite and industrial sand. The Industrial Minerals business has become an integral contributor to the Group. Although the manufacturing process and customers for both Construction Materials and Industrial Minerals are similar, these products contain unique metallurgic and high quality properties which widens the customer base and serves a different market to Construction Materials.

Bulk Commodities includes iron ore and anthracite. Iron ore and anthracite has minimal manufacturing time and sold in high volumes. Iron ore products are manufactured in terms of the Platts Iron Ore Index ('IODEX') 62% grade of export. High quality hematite origin of iron ore is beneficiated up to 65% Fe. High quality nuts and duff of anthracite product is produced.

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 Group shared services including IT services, consulting services, etc.

2. Segment information (continued)

	Construction Materials R'000	Industrial Minerals R'000	Bulk Commodities R'000	Services R'000	Total R'000
For the year ended 28 February 2021					
Segmental revenue	1 741 415	516 806	1 584 413	64 882	3 907 516
Inter-segmental revenue	(146 360)	(2 515)	–	(64 882)	(213 757)
Revenue	1 595 055	514 291	1 584 413	–	3 693 759
Depreciation and amortisation	118 227	32 565	48 427	10 157	209 376
Impairment of loan payable by associate	–	–	–	22 083	22 083
Operating profit/(loss)	104 906	55 481	734 675	(8 771)	886 291
Operating profit margin on external revenue	6,6%	10,8%	46,4%	–	24,0%
Assets*	1 264 653	624 832	1 309 910	1 255 925	4 455 320
Equity	739 753	541 038	1 154 890	(177 274)	2 258 407
Liabilities**	524 900	83 794	155 020	1 433 199	2 196 913
Capital expenditure***	158 885	32 313	87 307	15 082	293 587
For the year ended 29 February 2020					
Segmental revenue	1 852 564	568 268	1 037 513	23 714	3 482 059
Inter-segmental revenue	(138 384)	(15 585)	–	(23 714)	(177 683)
Revenue	1 714 180	552 683	1 037 513	–	3 304 376
Depreciation and amortisation	94 265	31 382	43 308	8 212	177 167
Impairment of goodwill	10 152	–	–	–	10 152
Operating profit/(loss)	192 438	95 568	321 665	(8 719)	600 952
Operating profit margin on external revenue	11,2%	17,3%	31,0%	–	18,2%
Assets*	1 140 593	591 289	498 630	564 750	2 795 262
Equity	740 336	484 437	401 448	62 686	1 688 907
Liabilities**	400 257	106 852	97 182	502 064	1 106 355
Capital expenditure	170 123	21 963	58 391	22 961	273 438

2. Segment information (continued)

	2021 R'000	2020 R'000
* The following assets have not been allocated to segments:		
Goodwill	206 805	200 502
Other financial assets	80 340	53 015
Deferred tax	59 931	31 870
Current tax receivable	4 842	4 757
Cash and cash equivalents****	871 060	167 533
Other assets	32 947	107 073
	1 255 925	564 750
** The following liabilities have not been allocated to segments:		
Provisions	239 142	152 748
Deferred tax	393 574	215 943
Current tax payable	11 162	11 109
Bank overdraft****	433 807	20
Other liabilities	355 514	122 244
	1 433 199	502 064

*** *Excludes property, plant and equipment acquired through business combination. Refer note 12.*

**** *Net balance of R437,3 million. Refer note 7.3.3 for further details.*

There is significant exposure and dependency on Kumba International Trading S.A.R.L, a major customer of Afrimat Demaneng Proprietary Limited, within the Bulk Commodities segment. This risk has been mitigated by Afrimat's diversification strategy by expanding in the market through new acquisitions that have and are to take place within the Bulk Commodities segment.

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

Group financial statements

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;
- Sale of Industrial Minerals: Comprises limestone, dolomite and industrial sand;
- Sale of Bulk Commodities: Comprises iron ore and anthracite; and
- Rendering of Services: Includes mobile crushing, screening, drilling and blasting.

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 are 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 with reference to the IODEX 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. The final price is based on the average market price of the third month following revenue recognition (shipping date). These changes are out of the scope of IFRS 15: *Revenue*. As a result, the changes in the commodity prices and foreign currency fluctuations 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 recognised when it is highly probable that it will not be reversed, taking into account trade discounts and volume discounts.

Revenue arising from the rendering of services i.e. drilling, blasting and erection costs are performed over time and therefore are recognised (based on an output method) in the accounting period in which the services are rendered, because the customer receives and uses the benefits simultaneously. 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.

Company financial statements

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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Revenue from contracts with customers:				
Sale of Construction Materials	**1 584 473**	1 711 131	**–**	–
Sale of Industrial Minerals	**514 291**	552 731	**–**	–
Sale of Bulk Commodities	**1 288 567**	1 077 492	**–**	–
Rendering of Services	**10 582**	3 001	**33 687**	9 641
Revenue from contracts with customers	**3 397 913**	3 344 355	**33 687**	9 641
Timing of revenue recognition				
At a point of time	**3 387 331**	3 341 354	**–**	–
Over time*	**10 582**	3 001	**33 687**	9 641
	3 397 913	3 344 355	**33 687**	9 641
Revenue other than from contracts with customers:				
Group companies interest revenue	**–**	–	**46 468**	59 619
Group companies dividend revenue	**–**	–	**689 698**	89 105
Revenue other than from contracts with customers	**–**	–	**736 166**	148 724
Other revenue**	**295 846**	(39 979)	**–**	–
Total	**3 693 759**	3 304 376	**769 853**	158 365

* *Revenue recognised over time relates to the Construction Materials segment.*

** *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'.*

4. Other income and expense items

4.1 Other income

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Recoveries	1 856	2 936	–	–
Rental income	4 431	2 707	–	–
Royalties received	–	2 828	–	–
Scrap sales	1 560	1 931	–	–
Other	3 985	2 633	696	835
Total	11 832	13 035	696	835

4.2 Other net gains and losses

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Gains – financial assets at fair value through profit or loss	704	2 184	–	–
Gain recognised as a result of remeasuring the associate to fair value the equity interest (refer note 12)	25 140	–	–	–
Net foreign exchange gains/(losses)	(17 998)	6 473	–	–
Loss on sale of investments*	–	–	(53 735)	–
Total	7 846	8 657	(53 735)	–

** Loss on sale of investments relates to the sale and purchase agreement between Afrimat Limited and Afrimat Bulk Commodities Proprietary Limited, relating to the internal restructuring of the UCP group.*

4.3 Profit on disposal of property, plant and equipment

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Profit on disposal of property, plant and equipment	375	2 788	–	–
Total	375	2 788	–	–

4.4 Impairments

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Impairment of goodwill (refer note 6.2)	–	(10 152)	–	–
Impairment of loan payable by associate/subsidiary	(22 083)	–	(22 083)	–
Impairment of other financial assets (refer note 7.3.1)	–	–	(8 685)	–
Impairment of investment in subsidiaries (refer note 13)	–	–	(28 258)	(13 657)
Impairment of investment in joint venture (refer note 14)	–	–	–	(8)
Total	(22 083)	(10 152)	(59 026)	(13 665)

4. Other income and expense items (continued)

4.5 Expenses by nature

Leases

Payments associated with short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Variable payments are determinable on a percentage of revenue recognised in profit or loss. It is the Group's policy to lease yellow equipment for certain projects as the need arises.

Some property leases contain variable payment terms that are linked to sales generated from the extract of certain minerals and aggregates from the quarries. The variable lease payments are determined on the basis of either a fixed rand/per tonne of stone extracted and sold from the quarry or as a fixed percentage of revenue generated from the sale of such product. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur. A 100,0% increase in sales across all quarries in the Group with such variable lease contracts would increase total lease payments by approximately R41,1 thousand (2020: R33,5 thousand).

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.

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Lease charges (short-term, low value and variable lease payments not included in lease liabilities)	**147 655**	176 394	**–**	–
Premises				
– Short-term	**9 710**	8 740	**–**	–
– Variable lease payments	**411**	335	**–**	–
Equipment				
– Short-term	**135 057**	164 847	**–**	–
Lease rentals – other				
– Short-term	**1 234**	1 082	**–**	–
– Low value	**1 243**	1 390	**–**	–
Amortisation of intangible assets	**1 798**	1 495	**–**	–
Depreciation of property, plant and equipment	**207 578**	175 672	**–**	–
Expected credit losses from related parties (refer note 7.3.2)	**2 058**	17 254	**–**	–
Expected credit losses from subsidiaries	**–**	–	**35 060**	–
(Decrease)/increase in provision for impairment of receivables	**(8 599)**	6 275	**–**	–
Increase/(decrease) in inventory provision for impairment	**5 353**	(110)	**–**	–
Inventory write-off to net realisable value	**7 170**	6 531	**–**	–
Repairs and maintenance	**307 794**	312 503	**–**	–
Royalties	**84 000**	50 944	**–**	–
Drilling and blasting	**28 969**	42 869	**–**	–
Cement	**180 347**	137 878	**–**	–
Fuel and diesel	**163 862**	208 206	**–**	–
External transport	**308 147**	305 586	**–**	–
Railage	**177 703**	185 651	**–**	–
Electricity	**84 540**	77 433	**–**	–

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Audit fees	**7 102**	5 888	**2 761**	2 892
Audit	**6 885**	5 792	**2 761**	2 892
Other	**217**	96	**–**	–
Employee costs	**699 179**	664 382	**29 405**	25 608
Defined contribution plan contributions	**47 418**	43 174	**908**	830
Share-based payment expense	**18 884**	15 074	**7 082**	5 472
Short-term employee expenses	**632 877**	606 134	**21 415**	19 306
Other costs	**400 782**	342 901	**16 918**	13 519
Total	**2 805 438**	2 717 752	**84 144**	42 019
Presented as:				
– Cost of sales	**2 234 563**	2 239 352	**–**	–
– Operating expenses	**570 875**	478 400	**84 144**	42 019
Total	**2 805 438**	2 717 752	**84 144**	42 019

4.6 Finance income

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

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Bank	**10 994**	15 333	**9 689**	8 902
Other interest*	**10 028**	2 846	**9 460**	202
Total	**21 022**	18 179	**19 149**	9 104

** The increase in this item is mainly attributable to the interest received from Unicorn Capital Partners Limited ('UCP') R3,9 million and Nkomati Anthracite Proprietary Limited ('Nkomati') R5,5 million, prior to the acquisition.*

4. Other income and expense items (continued)

4.7 Finance costs

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

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Instalment sale agreements	**10 331**	17 065	**–**	126
Lease liabilities	**3 787**	2 686	**–**	–
Bank	**11 842**	15 570	**5 533**	12 355
SARS	**12**	16	**–**	–
Group companies	**–**	–	**33 027**	27 067
Environmental rehabilitation and dismantling	**11 663**	8 856	**–**	–
Other interest paid	**656**	1 968	**11**	1
Total	**38 291**	46 161	**38 571**	39 549

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.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Major components of the tax expense				
Current				
Local income tax				
Current year	**247 151**	100 479	**2 782**	695
Prior year	**(6 933)**	331	**–**	–
	240 218	100 810	**2 782**	695

5. Income tax expense (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Deferred				
Deferred income tax				
Current year	**25 266**	7 382	**(12 182)**	170
Prior year	**–**	(98)	**–**	–
	25 266	7 284	**(12 182)**	170
Total	**265 484**	108 094	**(9 400)**	865
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**2,5**	(9,1)	**(29,7)**	(26,8)
Non-deductible expenses (%)*	**1,0**	0,8	**6,9**	7,5
Share Appreciation Right Scheme expense realised (%)	**(0,7)**	0,2	**(0,4)**	(0,2)
Deferred tax not recognised in prior year utilised (%)	**–**	(12,6)	**–**	–
Deferred tax recognised in prior year – derecognised in current year (%)	**0,1**	–	**–**	–
Exempt income (%)**	**(0,5)**	–	**(36,2)**	(34,1)
Increase in unrecognised tax losses recognised in current year (%)	**2,6**	2,5	**–**	–
Effective rate (%)	**30,5**	18,9	**(1,7)**	1,2

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

** *Exempt income in the Company relates to dividends received from subsidiaries.*

The effective tax rate of the group increased from 18,9% to 30,5% in the current year, mainly due to the utilisation of previously unrecognised assessed tax losses of R288,3 million in Afrimat Demaneng Proprietary Limited in the prior year. No deferred tax assets were recognised on the start-up losses and assessed losses of Nkomati Anthracite Proprietary Limited.

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. RoU assets will be tested for impairment when there is an indication of impairment, in terms of IAS 36: *Impairments of Assets*.

The RoU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, estimate of costs to be incurred upon the dismantling and removal of an asset and the cost of purchasing the asset at the end of the lease term if it is reasonably certain.

For new leases the RoU asset will be the sum of: the amount of the initial measurement of the liability, any initial direct costs incurred by the Group, estimate of costs to be incurred upon the dismantling and removal of an asset and the cost of purchasing the asset at the end of the lease term if it is reasonably certain.

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 estimated useful lives or, in the case of RoU assets the lease term if shorter, as follows:

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	1 to 20 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	7 to 30 years
Stripping assets	Run of mine ('ROM')

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.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

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.

Stripping assets are initially measured at cost and subsequently carried at cost or its revalued amount less accumulated depreciation and accumulated impairment losses. These assets are derived as a result of the removal of overburden or waste material which is required to obtain access to the ore body. This reflects the fact that waste removal is necessary to gain access to the ore body and therefore realise future economic benefits. Mining costs associated with the removal of overburden are deferred to the extent that the actual stripping ratio of a component is higher than the expected average reserve life stripping ratio for that component. These assets are depreciated using the units-of-production method over the expected ROM that becomes more accessible as a result of the stripping activity and are charged to 'operating costs' in profit or loss. The average reserve life stripping ratio is calculated as the total cubes of waste material expected to be removed over the reserve life per tonne of ore extracted. A component has been identified as a geographically distinct ore body within a pit to which the stripping activities being undertaken within that component could be allocated. Where the pit profile is such that the actual stripping ratio is below the average reserve life stripping ratio no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead, this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The stripping ratios for each component are reassessed annually at the end of each reporting period. Any changes in such accounting estimates are adjusted in the year of reassessment and applied prospectively.

Extension and termination options in determining the lease term

In determining the lease period, management considers all facts and circumstances pertaining to the lease such as: the non-cancellable period, any periods covered by an option to extend or terminate. Extension or termination options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

The following factors are indicative that extension is most probable:

- Where mining rights and permits are awarded and the business is profitable, the Group is typically reasonably certain to extend the lease term; and
- Otherwise, the Group considers other factors including historical lease durations and business disruption required to replace the leased asset.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Cost 2021 R'000	Accumulated depreciation 2021 R'000	Carrying value 2021 R'000	Cost 2020 R'000	Accumulated depreciation 2020 R'000	Carrying value 2020 R'000
Group						
Land and buildings	**143 868**	**(39 191)**	**104 677**	135 292	(36 389)	98 903
Leasehold property	**29 317**	**(12 970)**	**16 347**	26 364	(9 745)	16 619
Plant and machinery	**1 365 162**	**(563 581)**	**801 581**	1 150 369	(498 153)	652 216
Motor vehicles	**934 942**	**(459 568)**	**475 374**	817 751	(410 132)	407 619
Office and computer equipment	**46 231**	**(36 380)**	**9 851**	39 978	(29 870)	10 108
Dismantling costs	**32 696**	**(16 930)**	**15 766**	32 409	(17 395)	15 014
Mining assets	**882 162**	**(154 854)**	**727 308**	446 000	(111 093)	334 907
Stripping assets	**68 496**	**(6 758)**	**61 738**	–	–	–
RoU assets	**75 754**	**(40 903)**	**34 851**	42 897	(6 764)	36 133
Total	**3 578 628**	**(1 331 135)**	**2 247 493**	2 691 060	(1 119 541)	1 571 519

Analysis of movements in carrying value:

	Opening carrying value R'000	Additions R'000	Additions through business combinations (refer note 12) R'000	Reclassi-fication* R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Group							
2021							
Land and buildings*	**98 903**	**4 342**	**1 494**	**3 040**	**–**	**(3 102)**	**104 677**
Leasehold property	**16 619**	**2 953**	**–**	**–**	**–**	**(3 225)**	**16 347**
Plant and machinery	**652 216**	**100 225**	**124 739**	**–**	**(5 964)**	**(69 635)**	**801 581**
Motor vehicles	**407 619**	**134 883**	**1 401**	**–**	**(2 998)**	**(65 531)**	**475 374**
Office and computer equipment	**10 108**	**5 999**	**489**	**–**	**(7)**	**(6 738)**	**9 851**
Dismantling costs	**15 014**	**4 408**	**4 495**	**–**	**(8 612)**	**461**	**15 766**
Mining assets	**334 907**	**–**	**435 612**	**–**	**–**	**(43 211)**	**727 308**
Stripping assets	**–**	**32 268**	**36 227**	**–**	**–**	**(6 757)**	**61 738**
RoU assets	**36 133**	**8 509**	**49**	**–**	**–**	**(9 840)**	**34 851**
Total	**1 571 519**	**293 587**	**604 506**	**3 040**	**(17 581)**	**(207 578)**	**2 247 493**
Group							
2020							
Land and buildings	99 893	4 630	–	–	(1 988)	(3 632)	98 903
Leasehold property	17 203	2 364	–	–	–	(2 948)	16 619
Plant and machinery	606 691	125 305	–	(4 458)	(14 686)	(60 636)	652 216
Motor vehicles	347 917	123 921	–	4 458	(14 846)	(53 831)	407 619
Office and computer equipment	9 534	7 748	–	–	(12)	(7 162)	10 108
Dismantling costs	14 814	2 021	–	–	–	(1 821)	15 014
Mining assets	373 785	–	–	–	–	(38 878)	334 907
RoU assets	35 448	7 449	–	–	–	(6 764)	36 133
Total	1 505 285	273 438	–	–	(31 532)	(175 672)	1 571 519

* *During the current year 'investment property' was transferred to 'property, plant and equipment' due to a change in use.*

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

	Group	
	2021 R'000	2020 R'000
Carrying value of assets pledged as security:		
Plant and machinery	**94 655**	199 511
Motor vehicles	**194 967**	127 736
Office and computer equipment	**25**	25
Total	**289 647**	327 272

Included in additions are plant, equipment and motor vehicles with a total cost of R91,7 million (2020: R109,7 million), which were financed and recognised as instalment sale agreements in borrowings (refer note 7.3.4).

Included in disposals are plant and equipment with a cost of R13,8 million (2020: R4,1 million) and accumulated depreciation of R11,7 million (2020: R3,3 million), which had no further economical value and have been removed from the register.

Depreciation expense of R180,0 million (2020: R156,3 million) has been charged in 'cost of sales' and R27,6 million (2020: R19,4 million) in 'operating expenses'.

Leases

	2021 R'000	2020 R'000
Carrying value of RoU assets:		
Land and buildings	**26 539**	27 684
Equipment	**3 380**	4 041
Motor vehicles	**4 932**	4 408
Total	**34 851**	36 133

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	2021 R'000	2020 R'000
Depreciation charge of RoU assets:		
Land and buildings	**6 419**	5 123
Equipment	**662**	404
Motor vehicles	**2 759**	1 237
Total	**9 840**	6 764
Additions of RoU assets:		
Land and buildings	**5 225**	–
Equipment	**–**	2 110
Motor vehicles	**3 284**	5 339
Total	**8 509**	7 449

For additional disclosures on the lease expense, interest expense and lease liability refer notes 4.5, 4.7 and 7.3.4, respectively.

Covid-19 related rent concessions

The Group did not have any rent concessions, and therefore did not apply the practical expedient made available by the amendment to IFRS 16 in May 2020, to all rent concessions that meet the conditions in paragraph 46B of IFRS 16. This would have allowed amounts by which lease payments were reduced to be recognised in profit and loss in the period the concession was granted.

6.2 Intangible assets

Goodwill is carried at cost less any accumulated impairment.

At the acquisition dates, goodwill is allocated to each of the CGUs expected to benefit from a business combination. An impairment is determined by assessing the recoverable amount of the CGU to which goodwill relates. The recoverable amount is either determined as the value-in-use of each CGU 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 CGU 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 CGU. Where the goodwill is insufficient to cover the amount of the impairment adjustment, the remaining assets in the CGU 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.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

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 CGU.

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 has been depleted during the year (2020: recognised over a period of two to three 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 changes are accounted for as a change in estimate.

Impairment of goodwill

Goodwill was allocated to CGUs. 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.

	Group					
	Cost 2021 R'000	Accumulated amortisation/ impairment 2021 R'000	Carrying value 2021 R'000	Cost 2020 R'000	Accumulated amortisation/ impairment 2020 R'000	Carrying value 2020 R'000
Goodwill	**245 377**	**(38 575)**	**206 802**	239 077	(38 575)	200 502
Mining rights	**24 188**	**(14 905)**	**9 283**	22 831	(13 384)	9 447
Purchasing right	**9 983**	**(9 983)**	**–**	9 983	(9 706)	277
Total	**279 548**	**(63 463)**	**216 085**	271 891	(61 665)	210 226

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Analysis of movements in carrying value:

	Group					
	Opening carrying value R'000	Additions R'000	Additions through business combinations (refer note 12) R'000	Amortisation R'000	Impairment R'000	Closing carrying value R'000
2021						
Goodwill	**200 502**	**–**	**6 300**	**–**	**–**	**206 802**
Mining rights	**9 447**	**1 357**	**–**	**(1 521)**	**–**	**9 283**
Purchasing right	**277**	**–**	**–**	**(277)**	**–**	**–**
Total	**210 226**	**1 357**	**6 300**	**(1 798)**	**–**	**216 085**
2020						
Goodwill	210 654	–	–	–	(10 152)	200 502
Mining rights	10 282	–	–	(835)	–	9 447
Purchasing right	937	–	–	(660)	–	277
Total	221 873	–	–	(1 495)	(10 152)	210 226

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods vary between seven and 17 years (2020: eight and 18 years). An amortisation expense of R1,8 million (2020: R1,5 million) has been charged in 'operating expenses'.

Goodwill acquired through business combinations has been allocated to CGUs as follows:

	Group	
	2021 R'000	2020 R'000
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
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
Nkomati Anthracite Proprietary Limited	**6 300**	–
	206 802	200 502

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

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 medium-term growth rate of 5,3% (2020: 5,3%) over the estimated useful life of the mine and a discount rate applied to the cash flow projections of 13,3% (2020: 13,9%).

Assumptions used in discounted cash flow methodology

Financial budgets approved by management are used to calculate the cash flow projections for a five-year period, considering the impact of Covid-19.

Assumption	**Approach used to determine values**
Sales volume	An annual average growth rate extended over the five-year forecast period is used; this is based on past performance and management's expectations of market development.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	These costs are forecasted by management adjusted for inflationary increases, non-cash flow items and once-off isolated expenses. These costs will generally reflect the fixed costs which are not expected to vary significantly with sales volumes or prices.
Annual capital expenditure	Expected capital expenditure approved by the Board of directors for planned refurbishment. This is determined based on historical experience and expectations set by management.
Medium-term growth	This is the weighted average growth rate used to extrapolate the cash flows over the budgeted period.
Pre-tax discount rate	This is a discount rate determined by the Group that best reflects the specific risks relating to the CGUs against the weighted average target capital structure of the Group.

In the prior year, during the process of performing the annual goodwill impairment test, it was identified that the carrying value of the SA Block Proprietary Limited CGU, exceeded its recoverable amount. This was mainly due to the reduction in sales volumes resulting from a slowdown in the market and a decline in demand for construction materials in the Gauteng area. This resulted in the Company not achieving its budget and significant pressure on the margins. As a result of the aforementioned a goodwill impairment of R10,2 million was recorded. SA Block Proprietary Limited is included in the Construction Materials segment.

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

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Significant estimate: impact on possible changes in key assumptions

A sensitivity analysis on assumptions used in the discounted cash flow has been done. The recoverable amount of the CGU, Afrimat Aggregates (Eastern Cape) Proprietary Limited, would equal its carrying value amount if the key assumptions were to change as follows:

	2021	
	From	**To**
Medium-term growth	5,3%	3,5%
Weighted Average Cost of Capital ('WACC')	13,3%	17,6%

Management have considered and assessed possible changes for the other assumptions and have not identified any instances that could cause the carrying amount of the CGU, Afrimat Aggregates (Eastern Cape) Proprietary Limited, to exceed its recoverable amount, therefore no impairment has been recorded.

Effectively on 15 December 2020, Nkomati Anthracite Proprietary Limited ('Nkomati') was acquired and a goodwill amount of R6,3 million was recognised, 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.

Similar assumptions have been applied to the Nkomati acquisition as detailed above, except for the discount rate applied, indicated as follows:

Class		Discount rate
Category 1:	Resources with a high level of confidence of economical extraction that had been proven through historical mining of such area or adequate drilling.	15,5%
Category 2:	High risk measured and indicated resources, due to complex geological setting. Further feasibility studies are required.	18,5%
Category 3:	Inferred resources and resources without regulatory approvals in place, including environmental authorisation and water use. Resources not verified, further exploration and drilling are required to be performed.	21,5%

It is management's belief that any reasonable possible change in the key assumptions on which the recoverable amount of the CGU, Nkomati, is based, would not cause the carrying amount to exceed the recoverable amounts.

6. Non-financial assets and liabilities (continued)

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 profits 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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Accelerated capital allowances for tax purposes	**(252 891)**	(230 898)	**–**	–
Accruals	**14 593**	41 498	**13 080**	2 573
Provisions	**45 292**	42 770	**–**	–
Tax losses available for set-off against future taxable income	**17 258**	24 984	**–**	–
Share-based payments	**14 837**	1 490	**4 678**	399
Fair value adjustments	**(6 702)**	(393)	**–**	–
Mining assets	**(165 396)**	(75 063)	**–**	–
Other	**(12 011)**	2 039	**(7)**	–
Lease liabilities	**11 377**	9 500	**–**	–
	(333 643)	(184 073)	**17 751**	2 972

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group								
	February 2020			Recognised in profit or loss	Recognised directly in equity	Business combinations (refer note 12)	February 2021		
	Assets R'000	Liabilities R'000	Total R'000	R'000	R'000	R'000	Assets R'000	Liabilities R'000	Total R'000
Accelerated capital allowances for tax purposes	(10 583)	(220 315)	(230 898)	(21 993)	–	–	(25 546)	(227 345)	(252 891)
Accruals	10 815	30 683	41 498	4 349	–	(31 254)	48 946	(34 353)	14 593
Provisions	3 292	39 478	42 770	2 522	–	–	5 364	39 928	45 292
Tax losses available for set-off against future taxable income	17 075	7 909	24 984	(7 726)	–	–	9 588	7 670	17 258
Share-based payments	847	643	1 490	5 273	8 074	–	11 744	3 093	14 837
Fair value adjustments	764	(1 157)	(393)	(6 265)	(44)	–	–	(6 702)	(6 702)
Mining assets	6 938	(82 001)	(75 063)	10 747	–	(101 080)	6 937	(172 333)	(165 396)
Other	(69)	2 108	2 039	(14 050)	–	–	(252)	(11 759)	(12 011)
Lease liabilities	2 791	6 709	9 500	1 877	–	–	3 150	8 227	11 377
Total	31 870	(215 943)	(184 073)	(25 266)	8 030	(132 334)	59 931	(393 574)	(333 643)

	Company							
	February 2020			Recognised in profit or loss	Recognised directly in equity	February 2021		
	Assets R'000	Liabilities R'000	Total R'000	R'000	R'000	Assets R'000	Liabilities R'000	Total R'000
Accruals	2 573	–	2 573	10 507	–	13 080	–	13 080
Other	–	–	–	(7)	–	(7)	–	(7)
Share-based payments	399	–	399	1 682	2 597	4 678	–	4 678
Total	2 972	–	2 972	12 182	2 597	17 751	–	17 751

The Group has estimated income tax losses and capital tax losses available of R935,9 million (2020: R165,3 million) and R52,6 million (2020: R52,6 million), respectively. Included in the assessed tax losses were R874,3 million (2020: R76,1 million) and R52,6 million (2020: 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. Included in the income tax losses is R733,0 million relating to the income tax losses of Nkomati Anthracite Proprietary Limited. The deferred tax asset includes an asset of R17,2 million (2020: R25,0 million) relating to assessed tax losses carried forward. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plan and budgets. The impact of Covid-19 on estimated future taxable income had no impact on the recoverability of the deferred tax asset.

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.

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. This is determined using assumptions such as densities and sizes which are based on studies, historical data and industry norms. Stockpile tonnages are verified by periodic surveys of which year-end surveys are performed by external service providers.

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
The amounts attributable to the different categories are as follows:				
Raw materials, components	42 920	43 600	–	–
Finished goods	199 129	168 909	–	–
Production supplies	53 673	59 344	–	–
Total	295 722	271 853	–	–
Allowance for inventory obsolescence:	(16 680)	(11 327)	–	–
Finished goods	(13 948)	(7 835)	–	–
Production supplies	(2 732)	(3 492)	–	–
Total	279 042	260 526	–	–

Inventory write-off to net realisable value amounted to R7,2 million (2020: R6,5 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.

Key Assumptions used by management in valuation of rehabilitation and dismantling provisions:

Assumptions	Values		
Life-of-Mine	7 to 30 years	Medium-term growth:	5,3%
		Pre-tax discount rate:	8,0%

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 DMRE, have been used to estimate future rehabilitation costs.

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2019	110 696	30 384	141 080
Discount unwinding	8 856	–	8 856
Reversed during year	(1 029)	–	(1 029)
Additions	1 820	2 021	3 841
Total changes	9 647	2 021	11 668
Balance at 1 March 2020	120 343	32 405	152 748
Acquired through business combination (refer note 12)	74 180	4 495	78 675
Discount unwinding	11 663	–	11 663
Reversed during year	(10 533)	(8 612)	(19 145)
Additions	10 793	4 408	15 201
Total changes	86 103	291	86 394
Balance at 28 February 2021	206 446	32 696	239 142

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 has applied an 'individual disturbance, unit-based' calculation, based on measurement of actual ('ground-truthed') disturbances, as an alternative quantum calculation to the DMRE Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for IFRS reporting purposes. The DMRE guideline is used when calculating the liability for submission to the DMRE.

Key assumptions used by SPC:	
Rehabilitation of access roads	R7,14/m^2
Buttress blasting	R1 000/linear metre
Rehabilitation of overburden and spoils	R130 760/hectare ('ha')
General surface rehabilitation	R63 746/ha
Two to three years of maintenance and aftercare	R6 342/ha
Discount rate	8,0%

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 is June 2021.

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% (2020: 8,0%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantum's during the current year.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMRE to the amount of R254,8 million (2020: R219,6 million) (refer note 17). Funds to the amount of R62,5 million (2020: R48,6 million) have been invested in environmental insurance policies and R3,0 million (2020: R2,8 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer notes 7.1 and 7.2).

7. Financial assets and liabilities

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1)	**3 046**	2 851	**–**	–
Financial assets at fair value through profit or loss (refer note 7.2)	**63 103**	49 475	**–**	–
Financial assets at amortised cost (refer note 7.3.1)	**14 191**	689	**–**	8 685
	80 340	53 015	**–**	8 685

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 ('FVOCI') comprise equity securities not held for trading and which the Group irrevocable elected on initial recognition, to designate as at fair value through other comprehensive income.

Investments in equity instruments measured at FVOCI are recognised when the Group 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 FVOCI.

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

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**41**	81	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**3 005**	2 770	**–**	–
Total financial assets at fair value through other comprehensive income	**3 046**	2 851	**–**	–

7. Financial assets and liabilities (continued)

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

Environmental funds were established to fund the cost of rehabilitation on closure of certain of the Group's mines.

Refer note 21 for details of fair value estimation.

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.

Investments in equity instruments measured at FVPL are recognised when the Group 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 FVPL.

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'.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Non-current assets				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**–**	240	**–**	–
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	**614**	643	**–**	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	**49 210**	30 790	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**13 279**	17 802	**–**	–
Total financial assets at fair value through profit or loss	**63 103**	49 475	**–**	–

The Infrasors Group invested an amount 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 established to fund the cost of rehabilitation on closure of the Group's iron ore mine.

7. Financial assets and liabilities (continued)

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

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 R0,7 million (2020: R2,2 million) was allocated to 'other net gains and losses' in profit or loss, refer note 4.2.

Refer note 21 for details of fair value estimation and note 10 for disclosures on financial risk management.

7.3 Financial assets and liabilities at amortised cost

7.3.1 Other financial assets at amortised costs

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 Group 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').

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Non-current assets				
Investment in Afrimat Mozambique Limitada	**–**	–	**–**	8 685
Enterprise and supplier development loans	**14 191**	689	**–**	–
Total other financial assets at amortised cost	**14 191**	689	**–**	8 685

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.1 Other financial assets at amortised costs (continued)

As part of Afrimat's commitment to achieve sustainable growth and having an impact on the communities we operate in, Demaneng assisted local qualifying enterprises by providing working capital funding of R13,3 million.

During the year, an impairment of R8,7 million was recognised relating to a long-term loan, classified as other financial assets, with Afrimat Mozambique Limitada, which is part of the Company's investment.

The counterparties have a low risk of default with no amount past due. The expected credit loss has been determined over a 12-month period, resulting in expected credit loss identified being 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 at 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 and other receivables. Trade receivables have been grouped with relation to the credit quality of the customers. 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.

When assessing the loss allowance for intergroup loans, other financial assets and net investment in lease, the Group applies the General Model by firstly assessing which stage of the three-stage model the financial asset falls into and secondly calculating this loss taking into account the exposure, probability and expected loss accordingly. The stages applied are:
(1) A performing asset – a 12 month expected credit loss is calculated;
(2) Increased credit risk – lifetime expected credit loss is calculated; or
(3) Credit impaired – lifetime expected credit loss is calculated.

Trade and other receivables
Impairment of trade and other receivables requires the consideration of historical default rates and forward-looking information. The Group applies the practical expedient in using the provision matrix and a forward-looking factor.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Trade receivables at amortised cost	**385 013**	298 163	**9 049**	7 409
Less: Allowances for credit losses	**(7 256)**	(15 855)	**–**	–
Trade receivables at fair value through profit or loss*	**265 405**	125 312	**–**	–
Trade receivables – net	**643 162**	407 620	**9 049**	7 409
Loans to related parties	**8 608**	27 451	**–**	17 695
Other receivables	**18 658**	19 984	**858**	1 060
Trade and other receivables – financial assets (refer note 10)	**670 428**	455 055	**9 907**	26 164
Prepayments and value-added taxation	**25 508**	21 301	**290**	3 698
Total trade and other receivables	**695 936**	476 356	**10 197**	29 862

* *Trade receivables at fair value through profit or loss relates to the customer, Kumba International Trading S.A.R.L, refer note 21, for further details on fair value methodology. The increase in the current year is attributable to the high iron ore prices at year-end.*

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

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 (2020: prime). The Pemba Aggregates Limitada receivables bear interest at Libor +1,5% (2020: Libor +1,5%) and have no fixed repayment terms.

During the prior year, a loan of R17,7 million was provided to Unicorn Capital Partners Limited, the loan bore interest at 24,0% per annum. The loan was repayable by 30 September 2020. The loan was written off during the year.

During the prior year the Pemba Aggregates Limitada loan was considered to be in Stage 2 (in terms of credit risk classification) and a loss equivalent to a lifetime ECL is required to be held under IFRS 9. This was due to a significant increase in credit risk as a result of a decline in sales in the prior financial year. In calculating the expected credit loss rates, the Group considered a 100,0% (2020: 100,0%) probability of default in terms of the Global Corporate Average Cumulative Default Rates with a CCC/C investment grade as appropriate in the prior year. A loss given default rate of 100,0% (2020: 100,0%) was deemed appropriate in calculating the respective ECL. An ECL of R2,1 million (2020: R17,3 million) was recognised in profit or loss.

The other receivables comprised of deposits and did not contain impaired assets.

Trade receivables to the amount of R525,6 million (2020: R358,8 million) served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

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 are continuously monitored.

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 Group's largest customer, Kumba International Trading S.A.R.L, accounted for approximately 41,0% of net sales (2020: 29,0%) which represents 40,0% of the trade and other receivables balance outstanding (2020:28,0%). There is no other significant concentration of customer credit risk.

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

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 2021 R'000	**Loss allowance (lifetime expected credit loss) 2021 R'000**	Estimated gross carrying amount at default 2020 R'000	Loss allowance (lifetime expected credit loss) 2020 R'000
Expected credit loss rate:				
Not past due: Nil% (2020: 1,3%)	**169 059**	**(45)**	201 201	(2 611)
Less than 30 days past due: Nil% (2020: 0,5%)	**93 937**	**(7)**	23 240	(106)
31 – 60 days past due: 1,0% (2020: 5,7%)	**80 337**	**(785)**	50 308	(2 843)
61 – 90 days past due: 0,3% (2020: 15,9%)	**22 175**	**(75)**	10 882	(1 728)
91 – 120 days past due: 3,9% (2020: 41,7%)	**9 936**	**(391)**	6 801	(2 836)
More than 120 days past due: 62,2% (2020: 100,0%)	**9 569**	**(5 953)**	5 731	(5 731)
Total	**385 013**	**(7 256)**	298 163	(15 855)

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 ECL) for trade and other receivables:

	Group	
	2021 R'000	2020 R'000
Opening balance	**15 855**	9 580
Amounts recovered	**(2 237)**	(1 403)
Provision raised on new trade receivables	**5 501**	10 722
Provisions reversed on settled trade receivables	**(11 863)**	(3 044)
Closing balance	**7 256**	15 855

Loans to related parties and other trade receivables are assessed on an individual basis and considered to be low risk of default, due to parties having sufficient access to high liquid assets at year-end. The expected credit loss has been determined over a 12-month period, and the identified credit loss was immaterial.

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

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Rand	**309 387**	320 273	**10 197**	29 862
Meticais	**106 941**	24 939	**–**	–
US Dollar	**279 608**	131 144	**–**	–
	695 936	476 356	**10 197**	29 862

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.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents (continued)

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Cash and cash equivalents consist of:				
Cash on hand	**212**	148	**–**	–
Bank balances	**856 731**	162 721	**186 437**	11 090
Short-term bank deposits	**14 117**	4 664	**–**	–
Bank overdraft	**(433 807)**	(20)	**(125 190)**	–
	437 253	167 513	**61 247**	11 090
Current assets	**871 060**	167 533	**186 437**	11 090
Current liabilities	**(433 807)**	(20)	**(125 190)**	–
	437 253	167 513	**61 247**	11 090

An unlimited omnibus securityship between Group companies was provided to The Standard Bank of South Africa Limited ('SBSA') for the Group overdraft facility.

The cash and cash equivalents disclosed above and in the Statement of Cash Flows include R49,0 million and R25 thousand (2020: R9,0 million and R7,4 million) which are held by Afrimat Mozambique Limitada and Afrimat Logistic Limitada, respectively. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

The overdraft facility was utilised for the Group's working capital requirements. This overdraft will be repaid and funded by a medium-term loan in F2022.

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.

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.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

Leases are recognised as a RoU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of one year to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- exclude variable lease payments;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Non-current liabilities				
Medium-term loans	**176 000**	–	**176 000**	–
Instalment sale agreements	**82 092**	92 425	**–**	–
Lease liabilities	**43 088**	46 336	**–**	–
	301 180	138 761	**176 000**	–
Current liabilities				
Medium-term loans	**106 080**	44 401	**44 000**	–
Instalment sale agreements	**97 648**	106 301	**–**	–
Lease liabilities	**8 993**	6 369	**–**	–
	212 721	157 071	**44 000**	–
Total borrowings	**513 901**	295 832	**220 000**	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	**44 401**	162 500	**–**	162 500
Borrowings raised	**410 946**	44 401	**220 000**	–
Repayments	**(173 267)**	(162 500)	**–**	(162 500)
Closing balance	**282 080**	44 401	**220 000**	–
Instalment sale agreements				
Capital reconciliation of instalment sale agreements was as follows:				
Opening balance	**198 726**	221 046	**–**	–
Additions through business combinations (refer note 12)	**2 802**	–	**–**	–
Borrowings raised	**91 660**	120 230	**–**	–
Repayments	**(113 448)**	(142 550)	**–**	–
Closing balance	**179 740**	198 726	**–**	–
Lease liabilities				
Capital reconciliation of lease liabilities was as follows:				
Opening balance	**52 705**	53 447	**–**	–
Additions	**8 509**	7 449	**–**	–
Finance cost	**3 787**	2 686	**–**	–
Lease payments	**(12 920)**	(10 877)	**–**	–
Closing balance	**52 081**	52 705	**–**	–
Total borrowings	**513 901**	295 832	**220 000**	–
Minimum payments due on instalment sale agreements and lease liabilities are as follows:				
Within one year	**118 280**	128 114	**–**	–
In second to fifth year inclusive	**124 945**	143 710	**–**	–
More than five years	**20 415**	22 539	**–**	–
	263 640	294 363	**–**	–
Future finance charges	**(31 819)**	(42 932)	**–**	–
Present value of minimum payments	**231 821**	251 431	**–**	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Analysis of present value of minimum payments due:				
Within one year	**106 641**	112 670	**–**	–
In second to fifth year inclusive	**110 770**	120 586	**–**	–
More than five years	**14 410**	18 175	**–**	–
	231 821	251 431	**–**	–
Analysis as per Statement of Cash Flows:				
Total opening balance borrowings	**295 832**	436 993	**–**	162 500
Borrowings raised	**410 946**	54 908	**220 000**	–
Borrowings raised – non-cash	**102 971**	117 172	**–**	–
Instalment sale agreements (refer note 6.1)	**91 660**	109 723	**–**	–
Additions through business combinations (refer note 12)	**2 802**	–	**–**	–
Lease liabilities (refer note 6.1)	**8 509**	7 449	**–**	–
Repayments	**(295 848)**	(313 241)	**–**	(162 500)
Instalment sale agreements and medium-term loans	**(286 715)**	(305 050)	**–**	(162 500)
Lease liabilities	**(9 133)**	(8 191)	**–**	–
Total closing balance borrowings	**513 901**	295 832	**220 000**	–

The following covenants are applicable to the general banking facilities

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%.

In February 2021, the Group acquired a R300,0 million five-year term facility with SBSA and RMB. An amount of R220,0 million was utilised on 19 February 2021. The loan bears interest linked to the three-month Jibar rate and is payable in quarterly instalments of R11,0 million plus interest, with the first instalment commencing on 31 May 2021.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

During the year, the Group acquired a R300,0 million three-year term facility with RMB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments. This loan was unutilised as at 28 February 2021.

In the prior year, the Group acquired a $4,0 million revolving credit facility, of which $3,9 million (2020: $2,7 million) was drawn, with Standard Bank (Mauritius) Limited. The facility bears interest at Libor plus 2,6% payable quarterly and is available until August 2021.

The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 9,7%.

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 2021 as well as in the preceding year.

It is Group policy to purchase certain property, plant and equipment under instalment sale agreements. The instalment sale agreements and lease liabilities are repayable in monthly instalments of R12,0 million (2020: R10,4 million) including interest and capital. Interest rates are linked to prime overdraft rate and varied between 5,4% and 14,0% (2020: 6,8% and 9,8%) during the year. The instalment sale agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

Trade receivables and stated capital of major subsidiaries were provided as security for the general banking facilities (refer notes 7.3.2 and 13).

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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
At floating rates	**513 901**	295 832	**220 000**	–
The Group has the following undrawn borrowing facilities with First National Bank of South Africa ('FNB'), SBSA and ABSA Bank Limited:				
Floating rate:				
– Expiring within one year	**409 031**	776 396	**230 411**	266 816

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

The fair value of borrowings equals their carrying amount. The carrying amounts of the Group's borrowings are all denominated in South African Rand, except for the revolving credit facility amounted to $3,9 million (2020: $2,7 million).

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

7.3.5 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 are subsequently measured at amortised cost.

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Trade payables	**263 954**	194 179	**7 761**	37 732
Accrued expenses	**120 392**	90 347	**–**	2 637
Other payables	**75 422**	26 016	**–**	–
Trade and other payables – financial liabilities (refer note 10)	**459 768**	310 542	**7 761**	40 369
Taxes and other statutory liabilities	**40 448**	31 959	**842**	339
Employee-related accruals	**96 267**	78 571	**11 773**	9 303
Total trade and other payables	**596 483**	421 072	**20 376**	50 011

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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Rand	**442 580**	392 338	**20 376**	50 011
Meticais	**153 078**	28 639	**–**	–
US Dollar	**825**	95	**–**	–
	596 483	421 072	**20 376**	50 011

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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Authorised				
1 000 000 000 (2020: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued				
146 144 764 (2020: 143 262 412) ordinary shares with no par value				
Opening balance	**245 988**	258 292	**173 789**	187 179
2 882 352 shares issued during the year	**111 115**	–	**111 115**	–
Net effect of settlement of employee share options	**(11 209)**	(12 304)	**(12 432)**	(13 390)
Stated capital	**345 894**	245 988	**272 472**	173 789

During the year, 2 882 352 shares were issued when Afrimat acquired all of the UCP Group's shares from the shareholders pursuant to a scheme of arrangement ('Scheme'). Afrimat issued one ordinary share for each 280 UCP shares to the UCP shareholders as consideration. Refer note 12 for further details regarding this transaction.

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. Equity – including earnings per share (continued)

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	
	2021 R'000	2020 R'000
1 845 643 (2020: 1 566 511) shares held by Afrimat Management Services Proprietary Limited ('AMS'), a subsidiary	**(54 501)**	(48 056)
6 699 614 (2020: 6 673 454) shares held by AEI, a subsidiary of Afrimat BEE Trust	**(61 294)**	(60 309)
	(115 795)	(108 365)
Analysis of movement in number of treasury shares:		
Opening balance	**8 241**	7 573
Utilised for settlement of employee Share Appreciation Rights exercised	**(196)**	(213)
Purchased during the year	**501**	881
AEI	**26**	20
AMS	**475**	861
Closing balance	**8 546**	8 241

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

The Group acquired 475 163 and 26 160 (2020: 861 202 and 19 600) of its own shares, by way of general authority to repurchase shares, through purchases on the JSE Limited via AMS and AEI, respectively. The total amount paid to acquire the shares was R13,1 million (2020: R28,8 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R27,17 (2020: R32,70). During the year, 196 031 (2020: 213 340) shares were utilised in terms of the Share Appreciation Rights ('SAR') Scheme, for an amount of R5,7 million (2020: R6,3 million). The related weighted average share price at the time of exercise was R35,99 (2020: R34,39).

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 699 614 (2020: 6 673 454) shares representing 4,58% (2020: 4,66%) of the issued share capital of the Company.

AMS holds 1 359 350 (2020: 899 250) shares as nominee for the absolute benefit of the participants of the Group's Forfeitable Share Plan ('FSP'). The remaining 486 293 (2020: 667 261) shares held in AMS are held for the purposes of the Group's SAR 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 FVOCI and currency translation differences. The Group transfers amounts from the fair value reserve to retained earnings when relevant equity securities are derecognised.

	Fair value reserve R'000	Share-based payment reserve R'000	Trans-lation reserve R'000	Reverse acquisi-tion reserve R'000	Total other reserves R'000
Group					
Balance at 1 March 2019	790	18 644	(8 037)	(105 788)	(94 391)
Share-based payment expense for the year	–	15 074	–	–	15 074
Settlement of employee Share Appreciation Rights exercised, net of tax	–	(6 633)	–	–	(6 633)
Deferred taxation on share-based payments	–	(917)	–	–	(917)
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	71	–	–	–	71
Exchange differences on translation of foreign operations	–	–	(3 586)	–	(3 586)
Total changes	71	7 524	(3 586)	–	4 009

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
Balance at 29 February 2020	861	26 168	(11 623)	(105 788)	(90 382)
Share-based payment expense for the year	–	18 884	–	–	18 884
Settlement of employee Share Appreciation Rights exercised, net of tax	–	(7 451)	–	–	(7 451)
Deferred taxation on share-based payments	–	8 074	–	–	8 074
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	152	–	–	–	152
Exchange differences on translation of foreign operations	–	–	7 743	–	7 743
Total changes	152	19 507	7 743	–	27 402
Balance at 28 February 2021	1 013	45 675	(3 880)	(105 788)	(62 980)
Company					
Balance at 1 March 2019	–	3 830	–	–	3 830
Share-based payment expense for the year	–	5 472	–	–	5 472
Deferred taxation on share-based payments	–	205	–	–	205
Settlement of employee Share Appreciation Rights exercised, net of tax	–	(975)	–	–	(975)
Total changes	–	4 702	–	–	4 702
Balance at 29 February 2020	–	8 532	–	–	8 532
Share-based payment expense for the year	–	7 082	–	–	7 082
Deferred taxation on share-based payments	–	2 597	–	–	2 597
Settlement of employee Share Appreciation Rights exercised, net of tax	–	(3 350)	–	–	(3 350)
Total changes	–	6 329	–	–	6 329
Balance at 28 February 2021	–	14 861	–	–	14 861

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.

(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 19 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 interest

	Other individually immaterial subsidiaries	
	2021 R'000	2020 R'000
Carrying amount of non-controlling interest	8 362	7 129
Total non-controlling interest	8 362	7 129
Summarised financial information:		
Non-current assets	83 598	7 641
Current assets	302 550	100 421
Non-current liabilities	(2 684)	(2 430)
Current liabilities	(427 197)	(157 538)
Net assets/(liabilities)	(43 733)	(51 906)
Revenue	363 954	179 065
Profit/(loss) after taxation included in results		
Reported by subsidiaries	1 432	(16 392)
Other comprehensive income	–	–
Total comprehensive income/(loss)	1 432	(16 392)
Profit after taxation, allocated to non-controlling interest	2 573	2 664
Other comprehensive income, allocated to non-controlling interest	–	–

8. Equity – including earnings per share (continued)

8.4 Non-controlling interest (continued)

Infrasors is the owner and operator of three mines namely, Lyttelton Centurion mine, Marble Hall mine and Afrimat Silica mine. Infrasors' main business is open pit mining and processing of industrial minerals including limestone, dolomite and silica. A scheme of arrangement in terms of section 114(1) of the Companies Act was implemented during the prior year where Afrimat acquired the remaining shares from the minority shareholders for a consideration of R10,9 million.

	Group
	2020 R'000
Analysis of transaction:	
Carrying amount of non-controlling interest acquired	5 180
Consideration paid to non-controlling interest	(10 866)
Excess of consideration paid recognised in retained earnings	(5 686)

	Group
	2020 R'000
Analysis as per Statement of Cash Flows:	
Acquisition of shares in Infrasors	(10 866)
Minority's share in Afrimat Logistics Limitada	12
Total	(10 854)

8.5 Earnings per share

(a) Basic and headline earnings per share

Basic earnings and headline earnings per share are 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 1/2019 issued by SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings per share

Diluted earnings per share are 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.

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

	Group	
	2021 '000	2020 '000
Number of shares in issue		
Total shares in issue	**146 145**	143 262
Treasury shares	**(8 546)**	(8 241)
Net shares in issue	**137 599**	135 021
Weighted average number of net shares in issue	**135 381**	135 380
Adjusted for effect of future share-based compensation payments	**2 964**	1 586
Diluted weighted average number of shares	**138 345**	136 966
Profit attributable to ordinary shareholders (rand)	**601 254**	462 512
Earnings per ordinary share (cents)	**444,1**	341,6
Diluted earnings per ordinary share (cents)	**434,6**	337,7

	Group			
	Gross 2021 R'000	**Net of tax 2021 R'000**	Gross 2020 R'000	Net of tax 2020 R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**601 254**	–	462 512
Profit on disposal of property, plant and equipment attributable to owners of the parent	**(375)**	**(270)**	(2 788)	(2 007)
Gain recognised as a result of remeasuring the associate to fair value the equity interest (refer note 12)	**(25 140)**	**(25 140)**	–	–
Impairments (refer note 4.4)	**22 083**	**22 083**	10 152	10 152
Headline earnings		**597 927**		470 657
Headline earnings per share ('HEPS') (cents)		**441,7**		347,7
Diluted HEPS (cents)		**432,2**		343,6

8. Equity – including earnings per share (continued)

8.6 Net asset value ('NAV') per share

	Group	
	2021 '000	2020 '000
Number of shares in issue		
Total shares in issue	146 145	143 262
Treasury shares	(8 546)	(8 241)
Net shares in issue	137 599	135 021
Shareholders' funds attributable to owners of the parent (rand)	2 250 045	1 681 778
Total NAV per share (cents)	1 635	1 246
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	2 250 045	1 681 778
Intangible assets and goodwill	(216 085)	(210 226)
	2 033 960	1 471 552
Total TNAV per share (cents)	1 478	1 090

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	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Current year interim dividend paid	51 574	51 574	51 574	51 574
Previous year final dividend paid	116 043	88 823	116 043	88 823
Dividends received on treasury shares	(7 301)	(4 346)	–	–
Dividends paid by subsidiaries to non-controlling shareholders	1 340	1 718	–	–
	161 656	137 769	167 617	140 397
The Company has declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			36,0	36,0
Final dividend declared/paid (cents)			112,0	81,0
Distributions paid (cents)			148,0	117,0

9. Cash flow information

9.1 Cash generated from/(used in) operations

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Profit before tax	869 311	573 270	554 222	73 071
Adjustments for:				
Depreciation and amortisation	209 376	177 167	–	–
Impairment of goodwill	–	10 152	–	–
Expected credit losses from related parties	2 058	17 254	35 060	–
Impairment of investment in subsidiary	–	–	28 258	13 657
Impairment of loan in associate/ subsidiary	22 083	–	22 083	–
Impairment of investment in joint venture	–	–	–	8
Share of profit of associate	(289)	(300)	–	–
Profit on sale of property, plant and equipment	(375)	(2 788)	–	–
Loss on sale of investment in subsidiaries	–	–	53 735	–
Inventory write-off to net realisable value	7 170	6 531	–	–
Impairment of other financial assets	–	–	8 685	–
Gains – financial assets at fair value through profit or loss	(25 760)	(1 900)	–	–
Foreign exchange differences	7 743	(3 586)	–	–
Dividend revenue	–	–	(689 698)	(89 105)
Interest revenue	(21 022)	(18 179)	(19 149)	(9 104)
Finance costs	38 291	46 161	38 571	39 549
Net effect of settlement of employee share options	(5 521)	(6 032)	(12 432)	(13 390)
Movements in provisions	(2 104)	791	–	–
Share-based payment expense	18 884	15 074	7 082	5 472
Changes in working capital:				
Increase in inventories	(20 410)	(5 808)	–	–
Increase in trade and other receivables	(222 687)	(58 151)	(2 270)	(22 679)
Increase/(decrease) in trade and other payables	136 633	31 917	(29 634)	(3 233)
	1 013 381	781 573	(5 487)	(5 754)

9. Cash flow information (continued)

9.2 Finance income received

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Finance income (refer note 4.6)	**21 022**	18 179	**19 149**	9 104
Adjustments for:				
Other financial assets interest	**(43)**	(350)	**–**	–
	20 979	17 829	**19 149**	9 104

9.3 Finance costs paid

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Finance costs (refer note 4.7)	**38 291**	46 161	**38 571**	39 549
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 4.7)	**(11 663)**	(8 856)	**–**	–
	26 628	37 305	**38 571**	39 549

9.4 Tax paid

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Opening balance as per Statement of Financial Position	**(6 352)**	9 107	**385**	–
Current tax for the year recognised in Statement of Profit or Loss and Other Comprehensive Income (refer note 5)	**(240 218)**	(100 810)	**(2 782)**	(695)
Closing balance in Statement of Financial Position	**6 320**	6 352	**(794)**	(385)
	(240 250)	(85 351)	**(3 191)**	(1 080)

9.5 Proceeds on disposal of property, plant and equipment

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Net book amount (refer note 6.1)	**17 581**	31 532	**–**	–
Disposal of dismantling cost (refer note 6.1)	**(8 612)**	–	**–**	–
Profit on sale of property, plant and equipment (refer note 4.3)	**375**	2 788	**–**	–
	9 344	34 320	**–**	–

9. Cash flow information (continued)

9.6 Non-cash investing and financing activities

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 6.1)	**91 660**	109 723	**–**	–
Acquisitions of dismantling costs (refer note 6.1)	**4 408**	2 021	**–**	–
RoU assets (refer note 6.1)	**8 509**	7 449	**–**	–
	104 577	119 193	**–**	–

9.7 Principal elements of lease payments

	Group 2021 R'000	Group 2020 R'000	Company 2021 R'000	Company 2020 R'000
Repayment of lease liability (refer note 7.3.4)	**12 920**	10 877	**–**	–
Interest expense on lease liability (refer note 7.3.4)	**(3 787)**	(2 686)	**–**	–
	9 133	8 191	**–**	–

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. 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.

10. Financial risk management (continued)

Financial instruments by category

	Group		Company	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
Assets as per Statement of Financial Position:				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1)	**3 046**	2 851	**–**	–
Financial assets at fair value through profit or loss ('FVPL') (refer note 7.2)	**63 103**	49 475	**–**	–
Trade and other receivables at fair value through profit or loss (refer note 7.3.2)	**265 405**	125 312	**–**	–
Financial assets at amortised cost				
Other financial assets (refer note 7.3.1)	**14 191**	689	**–**	8 685
Trade and other receivables (refer note 7.3.2)	**405 023**	329 743	**9 907**	26 164
Cash and cash equivalents (refer note 7.3.3)	**871 060**	167 533	**186 437**	11 090
Loans to subsidiaries (refer note 13)	**–**	–	**938 544**	496 199
Total financial assets	**1 621 828**	675 603	**1 134 888**	542 138
Liabilities as per Statement of Financial Position:				
Financial liabilities at amortised cost:				
Medium-term loans (refer note 7.3.4)	**282 080**	44 401	**220 000**	–
Instalment sale agreements (refer note 7.3.4)	**179 740**	198 726	**–**	–
Lease liabilities (refer note 7.3.4)	**52 081**	52 705	**–**	–
Other financial liabilities	**8 844**	9 631	**–**	–
Loans from subsidiaries (refer note 13)	**–**	–	**532 125**	335 294
Trade and other payables (refer note 7.3.5)	**459 768**	310 542	**7 761**	40 369
Bank overdraft (refer note 7.3.3)	**433 807**	20	**125 190**	–
Total financial liabilities	**1 416 320**	616 025	**885 076**	375 663

10. Financial risk management (continued)

Financial instruments by category (continued)

(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, foreign exchange 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 notes 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 (2020: 500 basis points) change in the aforementioned index as being reasonably possible at the end of the reporting periods.

	Statements of Financial Position	Statements of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on other comprehensive income after tax R'000
Group			
2021			
Financial assets at fair value through other comprehensive income (refer note 7.1)	**3 046**	**+500** **-500**	**88** **(88)**
Total		**+500** **-500**	**88** **(88)**
Group			
2020			
Financial assets at fair value through other comprehensive income (refer note 7.1)	2 851	+500 -500	82 (82)
Total		+500 -500	82 (82)

10. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

Sensitivity analysis (continued)

	Statements of Financial Position	Statements of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2021			
Financial assets at fair value through profit or loss (refer note 7.2)	63 103	+500	2 272
		-500	(2 272)
Total		+500	2 272
		-500	(2 272)
Group			
2020			
Financial assets at fair value through profit or loss (refer note 7.2)	49 475	+500	1 781
		-500	(1 781)
Total		+500	1 781
		-500	(1 781)

(ii) Interest rate risk

The Group's interest rate risk arises from other loans receivable, cash and cash equivalents and borrowings as set out in notes 7.3.1, 7.3.3 and 7.3.4. 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.

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 (2020: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the end of the reporting periods.

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statements of Financial Position	Statements of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2021			
Other loans receivable	14 191	+200	204
		-200	(204)
Cash and cash equivalents	870 848	+200	12 540
		-200	(12 540)
Borrowings	(513 901)	+200	(7 400)
		-200	7 400
Bank overdraft	(433 807)	+200	(6 247)
		-200	6 247
Total		+200	(903)
		-200	903
Company			
2021			
Cash and cash equivalents	186 437	+200	2 685
		-200	(2 685)
Borrowings	(220 000)	+200	(3 168)
		-200	3 168
Loans to subsidiaries	938 544	+200	13 515
		-200	(13 515)
Loans from subsidiaries	532 125	+200	(7 663)
		-200	7 663
Bank overdraft	(125 190)	+200	(1 803)
		-200	1 803
Total		+200	3 566
		-200	(3 566)

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statements of Financial Position	Statements of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2020			
Other loans receivable	689	+200	10
		-200	(10)
Cash and cash equivalents	167 385	+200	2 410
		-200	(2 410)
Borrowings	(295 832)	+200	(4 260)
		-200	4 260
Bank overdraft	(20)	+200	–
		-200	–
Total		+200	(1 840)
		-200	1 840
Company			
2020			
Cash and cash equivalents	11 090	+200	160
		-200	(160)
Loans to subsidiaries	496 199	+200	7 145
		-200	(7 145)
Loans from subsidiaries	(335 294)	+200	(4 828)
		-200	4 828
Total		+200	2 477
		-200	(2 477)

(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 foreign exchange 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.

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

Sensitivity analysis

A movement in exchange rate of 10,0% (2020: 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).

	Movement in basis points	Effect on profit after tax R'000
Group		
2021		
Profit or loss	**+1 000**	**110 325**
	-1 000	**(110 325)**
Total	**+1 000**	**110 325**
	-1 000	**(110 325)**
Group		
2020		
Profit or loss	+1 000	74 701
	-1 000	(74 701)
Total	+1 000	74 701
	-1 000	(74 701)

(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 2021, R265,4 million (2020: R125,3 million) of the trade receivables balance was subject to price movements.

10. Financial risk management (continued)

(a) Market risk (continued)

(iv) Commodity price risk (continued)

Sensitivity analysis

A movement in commodity prices of 10,0% (2020: 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.

	Statements of Financial Position	Statements of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2021			
Trade receivables subject to price fluctuations	**265 405**	**+1 000**	**19 109**
		-1 000	**(19 109)**
Total		**+1 000**	**19 109**
		-1 000	**(19 109)**
Group			
2020			
Trade receivables subject to price fluctuations	125 312	+1 000	9 022
		-1 000	(9 022)
Total		+1 000	9 022
		-1 000	(9 022)

(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 note 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.

10. Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is presented in the table below:

	Gross carrying amount 2021 R'000	Credit loss allowance 2021 R'000	Amortised cost/fair value 2021 R'000	Gross carrying amount 2020 R'000	Credit loss allowance 2020 R'000	Amortised cost/fair value 2020 R'000
Group						
Other financial assets at amortised cost	**14 191**	**–**	**14 191**	689	–	689
Trade and other receivables	**677 684**	**(7 256)**	**670 428**	470 910	(15 855)	455 055
Cash and cash equivalents	**870 848**	**–**	**870 848**	167 385	–	167 385
Total	**1 562 723**	**(7 256)**	**1 555 467**	638 984	(15 855)	623 129

The Group's concentration of credit risk is limited to South Africa and Mozambique.

	Gross carrying amount 2021 R'000	Credit loss allowance 2021 R'000	Amortised cost/fair value 2021 R'000	Gross carrying amount 2020 R'000	Credit loss allowance 2020 R'000	Amortised cost/fair value 2020 R'000
Company						
Other financial assets	**–**	**–**	**–**	8 685	–	8 685
Loans to subsidiaries	**1 085 226**	**(146 682)**	**938 544**	496 199	–	496 199
Trade and other receivables	**9 907**	**–**	**9 907**	26 164	–	26 164
Cash and cash equivalents	**186 437**	**–**	**186 437**	11 090	–	11 090
Total	**1 281 570**	**(146 682)**	**1 134 888**	542 138	–	542 138

(i) Trade receivables

For exposure to credit risk identified by the Group, 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.

10. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents (continued)

Credit quality of cash in the bank and short-term deposits, excluding cash on hand (according to Moody's short-term ratings):

	Credit rating		Amount	
	2021	2020	**2021**	2020
Financial institution				
ABSA Bank Limited	**NP**	P-3	**7 964**	11 350
FNB	**NP**	P-3	**680 855**	47 113
SBSA	**NP**	NP	**178 256**	108 309
Other	**N/A**	N/A	**3 773**	613
			870 848	167 385

(iii) Financial guarantees

Credit risk arises in relation to financial guarantees given to certain parties.

Refer note 17 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 headroom as determined by the abovementioned forecasts. At the reporting period, the Group held call deposits of R14,1 million (2020: R4,7 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

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 undiscounted contractual maturities for its financial liabilities:

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Group					
At 28 February 2021					
Medium-term loans	**282 080**	**303 313**	**106 080**	**197 233**	**–**
Other financial liabilities	**8 844**	**8 844**	**8 844**	**–**	**–**
Lease liabilities	**52 081**	**73 517**	**13 495**	**39 607**	**20 415**
Instalment sale agreements	**179 740**	**190 123**	**104 785**	**85 338**	**–**
Trade and other payables	**459 768**	**459 768**	**459 768**	**–**	**–**
Bank overdraft	**433 807**	**433 807**	**433 807**	**–**	**–**
	1 416 320	**1 469 372**	**1 126 779**	**322 178**	**20 415**
At 29 February 2020					
Medium-term loans	44 401	44 401	44 401	–	–
Other financial liabilities	9 631	9 631	9 631	–	–
Lease liabilities	52 705	77 408	11 454	43 415	22 539
Instalment sale agreements	198 726	216 955	116 660	100 295	–
Trade and other payables	310 542	310 542	310 542	–	–
Bank overdraft	20	20	20	–	–
	616 025	658 957	492 708	143 710	22 539

10. Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Company					
At 28 February 2021					
Medium-term loans	**220 000**	**241 233**	**44 000**	**197 233**	**–**
Loans from subsidiaries	**532 125**	**532 125**	**532 125**	**–**	**–**
Trade and other payables	**7 761**	**7 761**	**7 761**	**–**	**–**
Bank overdraft	**125 190**	**125 190**	**125 190**	**–**	**–**
	885 076	**906 309**	**709 076**	**197 233**	**–**
At 29 February 2020					
Loans from subsidiaries	335 294	335 294	335 294	–	–
Trade and other payables	40 369	40 369	40 369	–	–
	375 663	375 663	375 663	–	–

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 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, other financial liabilities and loans from subsidiaries less cash and cash equivalents, net of bank overdraft as shown in the Statement of Financial Position.

11. Capital risk management (continued)

The Group's strategy is to maintain the net debt:equity ratio to below 25%. The net debt:equity ratios at reporting date were as follows:

	Group		Company	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Total borrowings and loans from subsidiaries	**522 745**	305 463	**752 125**	335 294
Overdraft less cash and cash equivalents/(surplus cash)	**(437 253)**	(167 513)	**(61 247)**	(11 090)
Net debt	**85 492**	137 950	**690 878**	324 204
Total equity	**2 258 407**	1 688 907	**1 602 024**	1 098 085
Total capital	**2 343 899**	1 826 857	**2 293 330**	1 422 289
Net debt:equity ratio (%)	**3,8**	8,2	**43,1**	29,5

The strategy to maintain a net debt:equity ratio in the Company has been influenced by the inclusion of the loans from subsidiaries. Should this have been excluded the Company would have met the Group's targets at 9,9% (2020: (1,0%)). Solvency and liquidity ratios are monitored on a Group basis and therefore capital adequacy requirements have continued to remain satisfied.

There were no changes in the Group's approach to capital maintenance during the year.

Group structure

12. Business Combination

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.

12. Business Combination (continued)

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.

12.1 Acquisitions of businesses

Unicorn Capital Partners Limited ('UCP')/Nkomati Anthracite Proprietary Limited ('Nkomati')

In the prior year, the Group acquired 27,3% of UCP's share capital for an amount of R16,0 million. In the current year, the Group advised the market of the intention to acquire the remaining UCP shares by way of a scheme of arrangement ('Scheme') in terms of section 114 of the Companies Act, where UCP shareholders obtained one Afrimat Limited ordinary share for every 280 UCP ordinary shares disposed of, with no cash alternative. This resulted in 2 882 352 shares issued to the value of R111,1 million.

UCP indirectly held 60% of the issued shares of Nkomati, which operates an anthracite mine focused on both opencast and underground mining. Nkomati's debt levels were high, its liquidity was constrained and faced operational challenges. These challenges were exacerbated by the shut down for the initial Covid-19 lockdown period followed by an extended illegal strike, both of which resulted in significant losses.

Afrimat provided working capital to Nkomati as from January 2020 but was unwilling to contribute any further funding to Nkomati on an unsecured basis. Afrimat had the interests of Nkomati's employees and community at heart and wished to keep Nkomati's business operational. In order to achieve this whilst protecting the interests of Afrimat's shareholders, the decision was taken to launch a business rescue application on 5 October 2020, which was granted on 13 October 2020.

In order to address the cash flow shortage, a post-commencement financing agreement was entered into between Nkomati and Afrimat for a total amount of R110,0 million. As part of the business rescue process a business rescue plan ('Plan') was developed to which Afrimat provided the business rescue practitioner ('BRP') with its proposal to rescue the company and to provide a better return for the company's creditors and shareholders than what would result from an immediate liquidation of the company. The Plan was approved by the requisite creditors and shareholders at the meeting held on 30 November 2020 and was implemented by the BRP, whereby Afrimat gained control over Nkomati. Mpumalanga Economic Growth Facility ('MEGA'), previously a minority shareholder of Nkomati, instituted legal proceedings against the business rescue practitioner. For further details refer note 17.

12. Business Combination (continued)

12.1 Acquisitions of businesses (continued)

The business rescue application did not impact the Scheme, which was presented and approved by the UCP shareholders at a general meeting on 9 October 2020.

On 15 December 2020, all conditions precedent were fulfilled and the agreement became unconditional.

The accounting treatment for this business combination is still within the measurement period and information pertaining to the fair value of the current and deferred tax assets and liabilities, as well as mining assets have not yet been finalised.

Provisional details of the acquisition are as follows:

	Total 2021 R'000
Carrying amount/fair value of net assets acquired – Nkomati	
Property, plant and equipment	604 506
Other financial assets	8 994
Inventories	5 276
Trade and other receivables	21 651
Borrowings	(2 802)
Provisions	(81 040)
Deferred tax liability	(132 334)
Other financial liability (Afrimat Limited)	(283 492)
Trade and other payables	(38 781)
Cash and cash equivalents	(1 003)
Net assets – Nkomati	100 975
Fair value of UCP	45 000
Goodwill	6 300
Total net assets acquired	152 275
Proforma revenue assuming the business combination for the full year	111 813
Proforma loss after tax assuming the business combination for the full year	282 944
Revenue included in results	32 752
Loss after tax included in results	33 751
Acquisition cost (including business rescue cost) included in 'operating expenses' for the year	2 231

12. Business Combination (continued)

12.1 Acquisitions of businesses (continued)

Property, plant and equipment
An external valuator was used in obtaining the fair value of property, plant and equipment. Comparable factors was used in the valuation methodology used by the valuator.

Mining reserves included/excluded life-of-mine ('LOM') plan
The value of all reserves (included and excluded in LOM) was valued using a discounted cash flow per LOM plan.

The long-term anthracite price used in the valuation was as follows:

Reserve:	Long-term price (R/tonne)
Anthracite low ash nuts	2 067
Anthracite low ash duff	1 653
Anthracite high ash nuts	820
Anthracite high ash duff	550

The following discounted rates were used:

Class		Real discount rate
Category 1:	Resources with a high level of confidence of economical extraction that had been proven through historical mining of such area or adequate drilling.	15,5%
Category 2:	High risk measured and indicated resources, due to complex geological setting. Further feasibility studies are required.	18,5%
Category 3:	Inferred resources and resources without regulatory approvals in place, including environmental authorisation and water use. Resources not verified, further exploration and drilling are required to be performed.	21,5%

12. Business Combination (continued)

12.1 Acquisitions of businesses (continued)

The goodwill acquired in Nkomati is attributable to the anthracite resources, the access to infrastructure and expected synergies to arrive subsequent to the acquisition. The transaction is in line with the Group's diversification strategy to capitalise on new revenue opportunities for Afrimat in the Bulk Commodities space.

At acquisition, the fair value of trade and other receivables was R19,9 million and includes trade receivables of R8,2 million. An amount of R5,6 million is reflected as neither impaired nor past due.

	Total 2021 R'000
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(152 275)
Cash and cash equivalents	(1 003)
Fair value of associate	41 160
Cost of associate acquired in prior year	16 020
Gain recognised as a result of remeasuring the associate to fair value the equity interest	25 140
Issue of shares	111 115
Cash outflow	**(1 003)**

12.2 Disposal of businesses

Unicorn Capital Partners Limited
Following implementation of the Scheme and the subsequent delisting of UCP from the JSE Limited, Afrimat completed an internal restructure of the UCP subsidiaries with direct interest in Nkomati ('the Restructure'). The Restructure resulted in UCP having no direct interest in Nkomati. The Company considered the restructured UCP to not be part of Afrimat's core diversification strategy. On 27 January 2021 the Group announced its decision to dispose of the whole of the restructured UCP in an accelerated disposal process for 100,0% of the share capital of UCP.

12. Business Combination (continued)

12.2 Disposal of businesses (continued)

Details of the disposal are as follows:

	UCP–Restructured Total 2021 R'000
Cost of associate acquired in prior year	16 020
Gain recognised as a result of remeasuring the associate to fair value the equity interest	25 140
Fair value of associate	**41 160**
Carrying amount/fair value of net assets disposed	41 160
Profit on disposal of net assets disposed	3 840
Proceeds received on disposal of businesses	**45 000**

13. Investment in subsidiaries

(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. Investment in subsidiaries (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.

Share capital of major subsidiaries served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

13. Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2021	% holding 2020
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
Afrimat Logistics Proprietary Limited**#	Services	Gauteng	**51,0**	51,0
Phakamani Academy Proprietary Limited#	Services	Western Cape	**100,0**	100,0
Afrimat Mozambique Limitada#	Aggregates	Mozambique	**99,0**	99,0
Afrimat Offshore***	Investment	Mauritius	**100,0**	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	**100,0**	100,0
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, Diro Iron Ore Proprietary Limited, Nkomati Anthracite Proprietary Limited, Benicon Coal Proprietary Limited and Mercator Commodities Proprietary Limited.*

** *Previously known as Phahamo Enterprises Proprietary Limited.*

*** *Indirectly held subsidiary include Afrimat Logistics Limitada.*

**** *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 and Infrasors Empowerment Trust.*

\# *Management performed further impairment assessments on the Company's investments in subsidiaries where the net asset value of the Company did not exceed its cost of investment.*

13. Investment in subsidiaries (continued)

	Carrying amount shares 2021 R'000	Carrying amount shares 2020 R'000	Carrying amount indebtedness 2021 R'000	Carrying amount indebtedness 2020 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	**–**	–	**1 085 226**	496 199
Less: Allowances for credit losses	**–**	–	**(146 682)**	–
Investments in subsidiaries	**1 346 420**	934 197	**–**	–
Current liabilities				
Loans from subsidiaries	**–**	–	**(532 125)**	(335 294)
	1 346 420	934 197	**406 419**	160 905

The loans have no fixed terms of repayment and the majority bear interest at prime (2020: prime). The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited, Afrimat Offshore, Afrimat Logistics Limitada and Afrimat Mozambique Limitada that are incorporated in Namibia, Mauritius and Mozambique, respectively.

In the prior year a scheme of arrangement in terms of section 114(1) of the Companies Act was implemented during the year where Afrimat acquired the remaining shares of Infrasors Holdings Proprietary Limited from the minority shareholders for consideration of R10,9 million.

The Group has no contractual, 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 AEI, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust.

The investment in subsidiaries was assessed for impairment. The Covid-19 pandemic was considered as part of this assessment. 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 an impairment loss of R23,8 million, R14,3 thousand and R4,5 million was required to the investments in Afrimat Concrete Products Proprietary Limited, Afrimat Mozambique Limitada and SA Block Proprietary Limited, respectively.

The ECL calculated on loans to subsidiaries is a function of the loss given default, which is calculated based on the exposure at default and the probability of default. The Group considers the probability of default upon initial recognition of these loans and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers this to be when the amount outstanding is 30 days past due and/ or if there is existing or forecast deterioration in the counterparty's ability to meet its debt obligations.

The majority of the ECL recognised on loans to subsidiaries relates to the loan to Nkomati.

14. 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.

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.

In the prior year, the Group acquired 27,3% of UCP's share capital for an amount of R16,0 million. Refer note 12.1 to 12.2 for details on the acquisition of the remaining shares and disposal of UCP.

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	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Ikapa Quarries Proprietary Limited (49,0%)	**591**	400	**–**	–
Pemba Aggregates Limitada (49,0%)	**–**	–	**–**	–
Unicorn Capital Partners Limited (27,3%)	**–**	16 020	**–**	–
Total	**591**	16 420	**–**	–

14. Investment in associate and joint venture (continued)

	Group	
	2021 R'000	2020 R'000
Ikapa Quarries Proprietary Limited		
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:		
At 28 February 2021/29 February 2020		
Assets	**5 180**	5 575
Liabilities	**(4 663)**	(5 249)
Revenues	**2 558**	13 605
Profit	**289**	300
Unicorn Capital Partners Limited		
During the year the Group acquired the remaining shares in UCP, subsequently restructured and disposed of the entities considered not part of Afrimat's core diversification strategy.		
The Group's share of the results of its associate, which is listed, and the Group's share of its aggregated assets and liabilities, were as follows:		
At 28 February 2021/31 December 2019		
Assets	**–**	346 922
Liabilities	**–**	(255 483)
Profit	**–**	–
Pemba Aggregates Limitada		
During the prior year the Group impaired the investment in joint venture. 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, were as follows:		
At 28 February 2021/29 February 2020		
Assets	**–**	3 027
Liabilities	**–**	(20 669)
Revenues	**–**	8

15. 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, related trusts, associates and joint ventures, refer notes 13 and 14, respectively.

		Group	
		2021 R'000	2020 R'000
Loan balances owing by	Associates	**8 608**	27 451
Interest received from	Associates	**4 786**	626
Interest received from	Joint venture	**–**	1 457

		Company	
		2021 R'000	2020 R'000
Net loan balances	Subsidiaries	**406 419**	160 905
Loan balances owing (to)	Subsidiaries	**(532 125)**	(335 294)
Loan balances owing by	Subsidiaries	**938 544**	496 199
Loan balances owing by	Associate	**–**	17 695
Share of net profit after tax	Associate	**289**	300
Sales of goods to – gross values	Subsidiaries	**33 687**	9 641
Dividends received from	Subsidiaries	**689 600**	89 041
Dividends received from	Associate	**98**	64
Interest paid to	Subsidiaries	**(33 027)**	(27 067)
Interest received from	Subsidiaries	**46 468**	59 619

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 20. 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 fully disclosed in note 19.

15. Related parties (continued)

Shareholding

Refer to the analysis of shareholders on page 125 for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Associates

Details regarding the Group's associates are set out in note 14. Transactions with the associates is entered into at the prevailing market rates. Refer note 7.3.2 for loan terms and conditions.

Joint venture

During the prior year the Group impaired the investment in the joint venture. Details are set out in note 14. Transactions with the joint venture were entered into at the prevailing market rates.

Treasury shares

The Group acquired 501 323 (2020: 880 802) 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, 6 699 614 (2020: 6 673 454) shares representing 4,58% (2020: 4,66%) of the issued share capital of the Company.

Unrecognised items

16. Commitments

	Group	
	2021 R'000	2020 R'000
Authorised capital expenditure		
Contracted after year-end, but not provided for		
Property, plant and equipment	**36 137**	7 500
Not yet contracted for		
Property, plant and equipment	**185 484**	189 702
Total authorised capital expenditure	**221 621**	197 202

Authorised capital expenditure is to be funded from surplus cash and bank financing.

17. Contingencies

Guarantees

Guarantees to the value of R69,7 million (2020: R69,6 million) were supplied by SBSA to various parties, including the DMRE and Eskom.

Guarantees to the value of R220,1 million (2020: R13,6 million) were supplied by FNB to various parties, including the DMRE and Eskom. The increase in amount relates to the additional guarantee of R189,2 million obtained for the Coza acquisition.

Guarantees to the value of RNil (2020: R1,6 million) by Lombard's Insurance Group, R0,9 million (2020: R0,9 million) by ABSA Bank Limited, R181,5 million (2020: R131,2 million) by Centriq Insurance Innovation and R2,7 million (2020: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited. The value of Centriq guarantees has increased due to the proportionate increase in quantum calculations affected by National Environmental Management Act ('NEMA') requirements.

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.

Other

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMRE 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 R15,1 million (2020: R11,1 million). An accrual has been raised in respect of commitments made up to the end of the year.

The UCP acquisition became effective in December 2020 after all the conditions precedent were met. Approximately 5,0% (34,0 million shares) of UCP's shareholders were dissenting shareholders that did not accept the offer of 14,0 cents per share and filed a case in terms of the Companies Act with the High Court. Management will oppose the case and is currently ongoing.

Subsequent to the approval of the business rescue plan of Nkomati by a majority of creditors and shareholders, Mpumulanga Economic Growth Agency ('MEGA') instituted legal proceedings against Nkomati and the business rescue practitioner ('BRP'), i.e. Daniel Terblanche. The allegations in terms of the application deals with the apparent defects of the business rescue process followed, including the valuation obtained by the BRP. The intention is to review and set aside the adoption of the approved business rescue plan, or alternatively to set aside the votes in favour of the adoption of the plan. The case is still ongoing.

18. Events after the reporting period

Coza Mining Proprietary Limited ('Coza')

On 17 August 2020, the Company entered into a Sale of Shares agreement, in terms of which the Company will purchase 100,0% of the issued ordinary shares of Coza ('Assets'), with operations in South Africa, for a purchase consideration of R300,0 million, payable upon the fulfilment of certain conditions.

The following condition precedent had not been met at the reporting date:
- Written acknowledgement of receipt of the section 11 approval from the DMRE.

Afrimat Mozambique Limitada

On 24 March 2021, an attack by non-state armed groups occurred in the Palma District, Cabo Delgado Province, Mozambique. Afrimat immediately withdrew all expats, repatriated them to South Africa and declared force majeure. The Group is in the process to determine the full extent of the losses and is in continuous discussions with contractors and insurance providers to understand the full impact of this event. Afrimat Mozambique Limitada's results is included in the Construction Materials segment.

Gravenhage Manganese Mining Right

On 20 May 2021, the Company entered into an agreement with Aquila Steel (S Africa) Proprietary Limited and Rakana Consolidated Mines Proprietary Limited, in terms of which the Company will purchase 100,0% of the Gravenhage manganese mining right and associated assets for a purchase consideration of USD45,0 million and ZAR15,0 million respectively.

The Acquisition is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):
- Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002;
- Competition Commission approval;
- Grant of Water Use License application; and
- Approval of the Chinese State-owned Assets Supervision and Administration Commission of the State Council for the sale of the Assets and the assumption of the assumed liabilities as contemplated in the Agreement having been obtained by Aquila Steel (S Africa) Proprietary Limited.

The Conditions Precedent must be fulfilled by no later than 17h00, 15 calendar months after the signature date, being 20 August 2022. At the date of publication of the audited consolidated results, the acquisition date fair values of acquired net assets have not yet been determined.

Covid-19

The impact of the Covid-19 pandemic has been considered up to 28 February 2021. The pandemic is considered to be an ongoing event and management is continuously assessing and monitoring developments with regard to the pandemic and its impact on the business.

Subsequent to year-end there have been no significant changes in the Covid-19 pandemic restrictions impacting the Group and therefore no subsequent events related to the Covid-19 pandemic have occurred or any other further material events which occurred after the reporting date and up to date of this report.

Employee benefits and costs

19. 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 Limited.

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 Limited 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 FY2019 the Group introduced an Afrimat Forfeitable Share Plan 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.

19. Share-based payments (continued)

19.1 Share Appreciation Rights Scheme ('SAR')

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average grant price in cents per share 2021	Number of options 2021 '000	Average grant price in cents per share 2020	Number of options 2020 '000
Opening balance	**2 730**	**4 843**	2 488	4 445
Granted	**2 501**	**2 465**	3 021	1 603
Exercised	**2 503**	**(1 240)**	2 105	(995)
Forfeited	**–**	**–**	2 784	(210)
Closing balance	**2 684**	**6 068**	2 730	4 843

Out of the 6 068 000 outstanding options (2020: 4 843 000), 590 000 options (2020: 645 000) were exercisable. Options exercised resulted in 80 000, 105 000, 120 000, 70 000 and 865 000 shares (2020: 60 000, 220 000, 665 000 and 50 000) being issued at a weighted price of R8,50, R15,65, R17,26, R22,20 and R29,00 each, respectively (2020: R15,65, R17,26, R22,20 and R29,00 each, respectively). The related weighted average share price at the time of exercise was R35,99 (2020: R34,39) per share.

Share options outstanding at the end of the year have the following expiry dates and grant prices:

	Grant price Cents	Number of options 2021 '000	Number of options 2020 '000
2020	850	**–**	80
2021	1 565	**–**	105
2022	1 726	**60**	180
2023	2 220	**210**	280
2024	2 900	**320**	1 185
2025	2 679	**1 410**	1 410
2026	3 021	**1 603**	1 603
2027	2 501	**2 465**	–
		6 068	4 843

19. Share-based payments (continued)

19.1 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 2021 '000	Number of shares 2020 '000
Opening balance	**22 203**	22 601
Exercised	**1 240**	995
Forfeited	**–**	210
Utilised	**(2 465)**	(1 603)
Closing balance	**20 978**	22 203

Number of share options held by directors:

	Opening balance '000	Granted/ trans-ferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2021						
Andries J van Heerden	**1 010**	**470**	**2 501**	**2 027**	**(310)**	**1 170**
Pieter GS de Wit	**433**	**202**	**2 501**	**2 027**	**(135)**	**500**
Collin Ramukhubathi	**210**	**173**	**2 501**	**2 027**	**(50)**	**333**
	1 653	**845**	**–**	**–**	**(495)**	**2 003**
2020						
Andries J van Heerden	835	355	3 021	2 026	(180)	1 010
Pieter GS de Wit	460	153	3 021	2 026	(180)	433
Collin Ramukhubathi*	–	260	2 735	2 026	(50)	210
	1 295	768	–	–	(410)	1 653

** Collin Ramukhubathi was appointed as executive director effective 1 November 2019.*

The fair value of options granted during the year, using the Black Scholes valuation model, was R16,1 million (2020: R13,0 million), and will be expensed over a three-year vesting period. The option expense for the year, in respect of the current year and previous years' options granted, was R11,2 million (2020: R10,6 million).

19. Share-based payments (continued)

19.1 Share Appreciation Rights Scheme ('SAR') (continued)

Analysis of movement in remaining options:

Grant date	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	5 November 2018 '000	22 May 2019 '000	20 May 2020 '000	**Total '000**
Originally granted	2 160	1 220	1 105	1 015	1 455	1 520	1 603	2 465	**12 543**
Forfeited	(58)	(25)	(25)	(70)	(120)	–	–	–	**(298)**
Exercised	(2 102)	(1 195)	(1 020)	(735)	(1 015)	(110)	–	–	**(6 177)**
Net outstanding	–	–	60	210	320	1 410	1 603	2 465	**6 068**
Grant price (cents)	850	1 565	1 726	2 220	2 900	2 679	3 021	2 501	
Fair value of option (cents)	170	390	406	711	852	676	853	655	

The assumptions used in determining the fair value, which reflect the conditions as at the reporting date, were as follows:

Grant date	8 May 2013	14 May 2014	20 May 2015	18 May 2016	17 May 2017	5 November 2018	22 May 2019	20 May 2020
Grant price (cents)	850	1 565	1 726	2 220	2 900	2 679	3 021	2 501
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	29,09%	31,69%	28,76%	40,77%	37,57%	30,90%	37,59%	41,22%
Expected likelihood	100,00%	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%	5,00%
Expected risk free rates	5,07%	6,73%	7,58%	9,01%	7,64%	7,08%	7,07%	6,75%
Expected dividend yields	3,29%	2,49%	2,90%	2,57%	2,41%	2,31%	2,68%	4,68%

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.

19. Share-based payments (continued)

19.2 Forfeitable Share Plan ('FSP')

Shares issued under the plan are at the discretion of the Board, and no offer may be made unless employment 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	
	2021 '000	2020 '000
Opening balance	899	398
Issued to participating employees	460	501
Closing balance	**1 359**	899

460 100 (2020: 501 550) shares were issued to participants at an average market value of R43,90 (2020: R31,30).

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.

The share-based payment expense for the year, in respect of current and previous years' shares granted, was R7,7 million (2020: R4,5 million).

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
2021						
Andries J van Heerden	229	95	4 390	2 023	–	324
Pieter GS de Wit	133	63	4 390	2 023	–	196
Collin Ramukhubathi	133	63	4 390	2 023	–	196
	495	221	–	–	–	716
2020						
Andries J van Heerden	105	124	2 930	2 022	–	229
Pieter GS de Wit	65	68	3 200	2 022	–	133
Collin Ramukhubathi*	–	133	2 988	2 022	–	133
	170	325	–	–	–	495

* *Collin Ramukhubathi was appointed as executive director effective 1 November 2019.*

19. Share-based payments (continued)

19.2 Forfeitable Share Plan ('FSP') (continued)

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	30 October 2019	19 February 2020	22 February 2021
Grant price (cents)	2 766	2 850	3 200	2 930	**4 390**
Fair value of grants (cents)	2 545	2 607	2 644	2 413	**3 443**
Expected volatility	33,07%	33,07%	36,61%	34,31%	**42,67%**
Expected risk free rates	7,58%	7,58%	6,64%	6,26%	**6,75%**
Expected dividend yields	2,05%	2,05%	2,66%	2,76%	**4,68%**

20. 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
2021						
Paid by Company						
Executive						
Andries J van Heerden	5 339	186	29	–	–	5 554
Pieter GS de Wit	2 902	97	69	298	–	3 366
Collin Ramukhubathi	2 569	145	61	264	–	3 039
	10 810	428	159	562	–	11 959

20. 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						
Matie von Wielligh*	**1 186**	**–**	**–**	**–**	**5 423[1]**	**6 609**
Loyiso Dotwana	**496**	**–**	**–**	**–**	**–**	**496**
Hennie van Wyk	**367**	**–**	**–**	**–**	**20[2]**	**387**
Derick van der Merwe	**441**	**–**	**–**	**–**	**–**	**441**
Phuti RE Tsukudu	**391**	**–**	**–**	**–**	**–**	**391**
Helmut N Pool	**367**	**–**	**–**	**–**	**–**	**367**
Johan van der Merwe	**276**	**–**	**–**	**–**	**–**	**276**
Francois M Louw	**405**	**–**	**–**	**–**	**–**	**405**
Gert J Coffee	**327**	**–**	**–**	**–**	**–**	**327**
	4 256	**–**	**–**	**–**	**5 443**	**9 699**
Total	**15 066**	**428**	**159**	**562**	**5 443**	**21 658**
2020						
Paid by Company						
Executive						
Andries J van Heerden	4 838	156	27	–	–	5 021
Pieter GS de Wit	2 630	96	61	272	–	3 059
Collin Ramukhubathi**	636	48	17	66	65	832
	8 104	300	105	338	65	8 912

20. 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						
Matie von Wielligh*	994	–	–	–	–	994
Loyiso Dotwana	451	–	–	–	–	451
Hennie van Wyk	356	–	–	–	20[2]	376
Derick van der Merwe	356	–	–	–	–	356
Phuti RE Tsukudu	356	–	–	–	–	356
Helmut N Pool	333	–	–	–	–	333
Johan van der Merwe	232	–	–	–	–	232
Francois M Louw	368	–	–	–	–	368
Gert J Coffee	297	–	–	–	–	297
	3 743	–	–	–	20	3 763
Total	11 847	300	105	338	85	12 675

* *Included in Matie von Wielligh's fee is a portion of VAT not claimable due to VAT appointment ruling.*

** *Collin Ramukhubathi was appointed as executive director effective 1 November 2019, therefore only four months of his salary are included.*

Notes

1. *A once-off ex gratia bonus of R5,0 million was granted to Matie von Wielligh. Matie von Wielligh played a significant role in developing the Group and initiating certain key aspects of Afrimat's success formula.*
2. *Other fees paid to Hennie van Wyk include trustee fees paid in terms of the Afrimat Share Incentive Trust.*

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.

Andries J van Heerden, Pieter GS de Wit and Collin Ramukhubathi have indefinite employment contracts.

There are no service contracts between the Company and executive directors.

20. Directors' emoluments (continued)

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a SAR Scheme (refer note 19.1).

2021	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	–	3 504	2 311	–	–
	310 000	17 May 2017	2 900	310 000	–	3 611	2 204	–	–
	345 000	5 November 2018	2 679	–	–	–	–	345 000	6 041
	355 000	21 May 2019	3 021	–	–	–	–	355 000	5 002
	470 000	20 May 2020	2 501	–	–	–	–	470 000	9 066
				3 505 000	450 000		35 235	1 170 000	20 109
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	–	3 381	993	–	–
	120 000	18 May 2016	2 220	120 000	–	3 381	1 393	–	–
	135 000	17 May 2017	2 900	135 000	–	3 611	960	–	–
	145 000	5 November 2018	2 679	–	–	–	–	145 000	2 539
	153 000	21 May 2019	3 021	–	–	–	–	153 000	2 156
	202 000	20 May 2020	2 501	–	–	–	–	202 000	3 897
				785 000	90 000		9 251	500 000	8 592

* *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 Limited share price (R44,30), less the strike price of these instruments.*

20. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

2021	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**
Collin Ramukhubathi	25 000	14 May 2014	1 565	25 000	–	2 943	345	–	–
	25 000	20 May 2015	1 726	25 000	–	2 851	281	–	–
	50 000	18 May 2016	2 220	50 000	–	3 381	581	–	–
	50 000	17 May 2017	2 900	50 000	–	3 611	356	–	–
	80 000	5 November 2018	2 679	–	–	–	–	80 000	1 401
	80 000	21 May 2019	3 021	–	–	–	–	80 000	1 127
	173 000	20 May 2020	2 501	–	–	–	–	173 000	3 337
				150 000	–		1 563	333 000	5 865

* *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 Limited share price (R44,30), less the strike price of these instruments.*

In terms of the SAR Scheme: Grant 12 (2020: Grant 11), 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 FSP (refer note 19.2).

	Number of shares initially allocated	Date awarded	Market value on grant date
2021			
Andries J van Heerden	95 000	22 February 2021	43,90
Pieter GS de Wit	62 500	22 February 2021	43,90
Collin Ramukhubathi	62 500	22 February 2021	43,90
2020			
Andries J van Heerden	124 350	19 February 2020	29,30
Pieter GS de Wit	68 000	30 October 2019	32,00
Collin Ramukhubathi	68 000	30 October 2019	32,00

20. Directors' emoluments (continued)

Incentive bonuses paid to executive directors

	Group	
	2021 R'000	2020 R'000
Executive		
Andries J van Heerden	**5 480**	4 965
Pieter GS de Wit	**2 700**	2 450
Collin Ramukhubathi	**2 460**	1 610
	10 640	9 025

Incentive bonuses include those earned in current year but only received in the following year.

Directors' shareholding

Please refer page 70 for further disclosure regarding the directors' respective shareholding in the Company.

Other

21. 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).

21. Fair value estimation (continued)

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 2021				
Assets				
At fair value through other comprehensive income				
Equity securities*	**41**	**–**	**–**	**41**
Environmental funds**	**–**	**3 005**	**–**	**3 005**
At fair value through profit or loss				
Unit trusts**	**–**	**63 103**	**–**	**63 103**
Trade receivables***	**–**	**265 405**	**–**	**265 405**
Total assets	**41**	**331 513**	**–**	**331 554**
At 29 February 2020				
Assets				
Investment property****	–	–	3 040	3 040
At fair value through other comprehensive income				
Equity securities*	81	–	–	81
Environmental funds**	–	2 770	–	2 770
At fair value through profit or loss				
Unit trusts**	–	49 475	–	49 475
Trade receivables***	–	125 312	–	125 312
Total assets	81	177 557	3 040	180 678

* *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.*

*** *Trade receivables measured at fair value relates to Afrimat Demaneng Proprietary Limited. The fair value was determined using the three-month forward-looking iron ore prices and foreign exchange rates as at the end of the reporting period.*

**** *The fair value was determined based on the price per square metre for similar properties derived from observable market data.*

21. 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 2021 or the prior year.

22. Changes in accounting policies

The Group has chosen to early adopt the following standards and interpretations:

Standard	Subject	Impact
Amendment to IFRS 16	**Covid-19 – Related Rent Concession**	Impact of the amendment was not material

The Group has adopted the following standards and interpretations:

Standard	Subject	Impact
Amendments to IFRS 9, IAS 39 and IFRS 7	**Interest Rate Benchmark Reform**	Impact of the amendment was not material
Amendments to IFRS 3	**Definition of a Business**	Impact of the amendment was not material
Disclosure initiative	**Presentation of Financial Statements**	Impact of the amendment was not material
Disclosure initiative	**Accounting Policies, Changes in Accounting Estimates and Errors**	Impact of the amendment was not material

23. New and amended standards

New standards and interpretations not yet effective

There are no 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.

ANALYSIS OF SHAREHOLDERS

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	6 335	70,36	1 329 319	0,91
1 001 – 10 000 shares	2 037	22,63	6 829 460	4,67
10 001 – 100 000 shares	483	5,36	15 029 090	10,28
100 001 – 1 000 000 shares	133	1,48	36 937 391	25,27
1 000 000 shares and over	15	0,17	86 019 504	58,87
	9 003	100,00	146 144 764	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	9	0,10	11 192 090	7,66
ARC	1	0,01	26 300 000	18,00
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,01	486 293	0,33
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,01	6 699 614	4,58
	12	0,13	44 677 997	30,57
Public shareholding	8 991	99,87	101 466 767	69,43
	9 003	100,00	146 144 764	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 087 548	2,80	–	–
Maryke E van Heerden	1 198 543	0,82	–	–
Amala Familie Trust (CEO)	853 564	0,58	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 010 000	6,17	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	400 000	0,27	–	–
Frans du Toit Trust	17 642 000	12,07	–	–
Other major shareholders				
Government Employees Pension Fund	6 019 699	4,12	–	–
BEE shareholders*				
ARC	26 300 000	18,00	26 300 000	24,38
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	2 886 829	1,98	2 886 829	2,68
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 699 614	4,58	6 148 236	5,70
Collin Ramukhubathi	200 915	0,14	200 915	0,19
Joe Kalo Investments Proprietary Limited	90 000	0,06	90 000	0,08
Johannes M Kalo	70 090	0,05	70 090	0,06
	75 458 802	51,64	35 696 070	33,09
Other	70 685 962	48,36	–	–
	146 144 764	100,00	35 696 070	33,09

Total shareholding for BEE purposes:	
Total shareholding	146 144 764
Mandated investments	38 279 690
Total shareholding for BEE purposes:	107 865 074

* *Afrimat applied the exclusion principle, as required in terms of Statement 100 of the Code, therefore BEE shareholding is calculated by using the 'total shareholding for BEE purposes'.*

7 SHAREHOLDER INFORMATION

ESG in action

SOCIAL RESPONSIBILITY

Afrimat adopts a broad-based approach to social responsibility and is committed to expenditure in terms of the social and labour plans required by the Department of Mineral Resources and Energy.

The Group accordingly undertakes related social development responsibilities with each mining licence held.

These include the establishment of community centres, school facilities, vegetable gardens, salaries for math teachers and infrastructure including roads and drainage. An annual progress report in this regard is submitted to the Department of Mineral Resources and Energy.

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 annual general meeting of shareholders of Afrimat will be held entirely via a remote interactive electronic platform (Zoom) on Wednesday, 4 August 2021 at 14:00 ('**AGM**').

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

AGENDA

Presentation of the audited annual financial statements of the Company, including the reports of the directors and the Audit & Risk Committee for the year ended 28 February 2021. The integrated annual report, of which this notice forms part, contains the consolidated annual financial statements and the aforementioned reports. The consolidated annual financial statements, including the unmodified audit opinion, are also available on Afrimat's website at www.afrimat.co.za or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours. In addition, electronic copies of the consolidated annual financial statements may be requested and obtained, at no charge, from the Company at secretary@afrimat.co.za.

To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:
For ordinary resolutions numbers 1 to 13 (inclusive) to be adopted, more than 50% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof. For ordinary resolutions numbers 14 and 15 to be adopted, at least 75% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof.

1. ADOPTION OF ANNUAL FINANCIAL STATEMENTS

1.1 Ordinary resolution number 1

'Resolved that the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2021 be and are hereby received and adopted.'

2. RETIREMENT AND RE-ELECTION OF DIRECTORS

2.1 Ordinary resolution number 2

'Resolved that Mr Francois M Louw, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director.'

Summary *curriculum vitae* of Mr Francois M Louw (Francois)
BEng (Mechanical), MBA

Francois holds a BEng (Mechanical) and MBA degree and has 34 years' experience in the mining industry. He has extensive experience in company strategy, major capital projects, commercial negotiations, business development and engineering. He was a member of the inaugural executive committee when Kumba Iron Ore Limited, a subsidiary of the Anglo American PLC group, was listed on the JSE in November 2006 and served on the executive committee and the board of Sishen Iron Ore Proprietary Limited, a Kumba Iron Ore Limited subsidiary up until April 2015. Prior to this, Francois served in various operations and project positions in the iron ore, heavy minerals and coal sectors.

2.2 Ordinary resolution number 3

'Resolved that Mrs Phuti RE Tsukudu, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers herself for re-election, be and is hereby re-elected as director.'

Summary *curriculum vitae* of Mrs Phuti RE Tsukudu (Phuti)
MEd (University of Bristol), Postgraduate Diploma in Adult Education, BA (SW)

Phuti is an organisational development and management consultant and is currently managing director/senior consultant at Tsukudu Associates and a partner/senior consultant at CRG PPS. She has extensive experience in organisational development, human resources management and human resources development in the public and private sectors. She has more than 25 years' experience as an independent consultant and more than 10 years as a community development practitioner working in the development and education arena. She continues to hold a number of board positions.

The reason for ordinary resolutions numbers 2 to 3 (inclusive) is that the memorandum of incorporation of the Company, the JSE Limited Listings Requirements ('**JSE Listings Requirements**') and, to the extent applicable, the Companies Act require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors. Further to the above, it should be noted that Mr Hendrik (Hennie) JE van Wyk, who served on the board of directors of the Company ('**Board**') since 2006, retires by rotation in terms of the memorandum of incorporation of the Company, and, although eligible, is not available for re-election. The Board has decided not to fill his position at this stage.

3. RE-APPOINTMENT OF THE MEMBERS OF THE AUDIT & RISK COMMITTEE OF THE COMPANY

Note:
For avoidance of doubt, each reference to the Audit & Risk Committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

3.1 Ordinary resolution number 4

'Resolved that Mr Loyiso Dotwana, being eligible, be and is hereby appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary *curriculum vitae* of Mr Loyiso Dotwana (Loyiso)
BSc Civil Engineering (University of Cape Town)

Loyiso worked as a civil engineer in design and project management for more than 20 years. He specialised in design and contract administration of township services and rural, urban and national roads. He was involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Gqeberha. Loyiso founded Illiso Consulting Proprietary Limited, one of South Africa's largest black owned consulting engineering companies, of which he is currently a director and the major shareholder. Loyiso was appointed to the Afrimat Board since its listing in 2006.

3.2 Ordinary resolution number 5

'Resolved that Mr Helmut N Pool, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary *curriculum vitae* of Mr Helmut N Pool (Helmut)
B.Com (Law) Stellenbosch University

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 Proprietary Limited, a subsidiary of Afrimat Limited until 2016. He serves on the Board of various private property companies and has vast experience in logistics, commercial property, mining and business management.

3.3 Ordinary resolution number 6

'Resolved that Mr Jacobus (Derick) F van der Merwe, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary *curriculum vitae* of Mr Jacobus F van der Merwe (Derick)
BCompt (Hons), CA(SA)

Derick, a chartered accountant, was the Managing Director and CEO of the highly successful Victoria & Alfred Waterfront Proprietary Limited in Cape Town, when he left to start his own company, DVDM Properties Proprietary Limited (that also operated in the People Spaces group until 2014), both offering international property development management and consulting services. Prior to that, he was an executive director within various companies in the Stocks & Stocks construction group of companies. Derick is also a non-executive director of PNA Stationers Proprietary Limited and served as non-executive on a few other boards and trusts. Derick was appointed to Afrimat's Board in August 2014. Derick was appointed as Chairman of the Audit & Risk Committee in May 2019.

3.4 Ordinary resolution number 7

'Resolved that, subject to the approval of ordinary resolution number 2, Mr Francois M Louw, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

A summary *curriculum vitae* of Mr Francois M Louw (Francois) has been included in paragraph 2.1 above.

3.5 Ordinary resolution number 8

'Resolved that Mr Marthinus (Matie) W von Wielligh, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary *curriculum vitae* of Mr Marthinus W von Wielligh (Matie)
BSc (Mech Eng) (University of Pretoria), MBA (Stellenbosch University), Stanford Executive Programme (Stanford University, USA)

Matie has more than 40 years' professional experience in the mining industry. He has extensive engineering, operational and business experience. He currently consults on business strategy, new business development, operational improvement, capital efficiency, feasibility studies and project management. Previously, at Iscor Mining Limited and Kumba Resources Proprietary Limited, he served in various management and senior management positions before becoming managing director of Sishen Iron Ore Company. Matie holds other directorships and is a non-executive Chairman of Vega Asset Management Proprietary Limited.

The reason for ordinary resolutions numbers 4 to 8 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of such company.

4. RE-APPOINTMENT OF AUDITOR

4.1 Ordinary resolution number 9

'Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the Company for the ensuing financial year or until the next annual general meeting of the Company, whichever is the later, with the designated auditor being Mr Frans Weilbach, a registered auditor and partner in the firm, on the recommendation of the Audit & Risk Committee of the Company.'

The reason for ordinary resolution number 9 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed, as the case may be, each year at the annual general meeting of the Company, as required by the Companies Act and the JSE Listings Requirements.

5. NON-BINDING ENDORSEMENT OF AFRIMAT'S REMUNERATION POLICY

5.1 Ordinary resolution number 10

'Resolved that the Company's remuneration policy, as set out on pages 53 to 56 of the integrated annual report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.'

The reason for ordinary resolution number 10 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ('**King IV™**') recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the remuneration policy adopted by the Company's remuneration committee of the Company. The effect of ordinary resolution number 10, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 10 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

6. NON-BINDING ENDORSEMENT OF AFRIMAT'S IMPLEMENTATION REPORT ON THE REMUNERATION POLICY

6.1 Ordinary resolution number 11

'Resolved that the Company's implementation report in respect of its remuneration policy, as set out on page 58 of the integrated annual report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.'

The reason for ordinary resolution number 11 is that King IV™ recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the implementation of the Company's remuneration policy. The effect of ordinary resolution number 11, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy. Ordinary resolution number 11 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to implementation of the Company's remuneration policy.

Note:
Should 25% or more of the votes exercised in respect of ordinary resolution number 10 and/or ordinary resolution number 11 be against either resolution, the Company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the Company.

7. SIGNATURE OF DOCUMENTATION

7.1 Ordinary resolution number 12

'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 the ordinary and special resolutions which are passed by the shareholders at the AGM.'

8. ISSUE OF SHARES

8.1 Ordinary resolution number 13: 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 and the JSE Listings Requirements.'

8.2 Ordinary resolution number 14: General authority to issue ordinary shares for cash

'Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- the general issues of shares for cash under this authority must be less than 30% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, shares issued in connection with the FSP or options granted by the SAR in accordance with the JSE Listings Requirements shall not diminish the number of ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 30% of the issued ordinary shares (net of treasury shares) of the Company amounts to 41 279 852 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE Limited will be consulted for a ruling if the securities have not traded in such 30 business day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service of the JSE.'

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or in connection with duly approved share incentive schemes), it is necessary for the Board of the Company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 14 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

Note:
For this resolution to be adopted, at least 75% of the voting rights exercised on it, whether in person or by proxy, must be exercised in favour of this resolution.

9. AMENDMENT OF THE AFRIMAT LIMITED FORFEITABLE SHARE PLAN

9.1 Ordinary resolution number 15

'Resolved, as an ordinary resolution, that the Board be and is hereby authorised to adopt and/or authorise the adoption of the amendment to the Afrimat Limited Forfeitable Share Plan ('**FSP**') by adding in clause 6.6.1.2 of the FSP to read as follows:

6.6.1 Awards will be Settled at the Board's discretion in one of the following ways:

6.6.1.1 through the delivery of Shares acquired on the market by the CSDP, acting in terms of the mandate given by the Employer Company to Settle the Shares on the Employer Company's behalf. It is recorded that the Company shall not issue new Shares nor use existing shares held in treasury in Settlement of any Award; or

6.6.1.2 a cash payment equal to the aggregate market value of the Shares on Vesting Date.'

The reason for ordinary resolution number 15 is to obtain the prior approval of shareholders to amend the FSP, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of Schedule 14 of the JSE Listings Requirements ('**Schedule 14**'). This amendment to the FSP is being recommended for approval by the Board in order to provide participants with a cash-settled option of shares awarded.

The effect of this ordinary resolution number 15, if passed, will be that the proposed amendment to the FSP, as set out above, is approved.

Copies of the FSP are available for inspection from the date of this notice of AGM until the conclusion of the AGM convened in terms thereof at the registered office of the Company and at the offices of the Company's JSE sponsor, PSG Capital Proprietary Limited, at 1st Floor, Ou Kollege Building, 35 Kerk Street, Stellenbosch, 7600 and at 2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton, 2196, during office hours.

Note:
The above ordinary resolution must be approved by 75% of the votes cast by shareholders present in person or represented by proxy at this AGM in terms of Schedule 14. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the FSP and owned or controlled by persons who are existing participants in the FSP, and which may be impacted by the above-mentioned resolution, shall not be taken into account.

To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:
For any of the special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.

10. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Special resolutions numbers 1 to 13

'Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below, which includes serving on various sub-committees, provided that this authority will be valid until the next annual general meeting of the Company:

10.1 Special resolution number 1

Resolved that the Chairman of the Board be paid an annual fee of R865 000 (excluding value added tax ('**VAT**')).

10.2 Special resolution number 2

Resolved that the Deputy Chairman of the Board be paid an annual fee of R500 000 (excluding VAT).

10.3 Special resolution number 3

Resolved that the non-executive directors be paid an annual fee of R303 000 (excluding VAT).

10.4 Special resolution number 4

Resolved that the Chairman of the Audit & Risk Committee be paid an annual fee of R182 000 (excluding VAT).

10.5 Special resolution number 5

Resolved that the Audit & Risk Committee members be paid an annual fee of R100 000 (excluding VAT).

10.6 Special resolution number 6

Resolved that the Chairman of the Remuneration Committee be paid an annual fee of R71 200 (excluding VAT).

10.7 Special resolution number 7

Resolved that the Chairman of the Nominations Committee be paid an annual fee of R71 200 (excluding VAT).

10.8 Special resolution number 8

Resolved that the Remuneration & Nominations Committee members be paid an annual fee of R56 000 (excluding VAT).

10.9 Special resolution number 9

Resolved that the Chairman of the Social, Ethics & Sustainability Committee be paid an annual fee of R86 000 (excluding VAT).

10.10 Special resolution number 10

Resolved that the Social, Ethics & Sustainability Committee members be paid an annual fee of R56 000 (excluding VAT).

10.11 Special resolution number 11

Resolved that the Chairman of the Investment Review Committee be paid an annual fee of R86 000 (excluding VAT).

10.12 Special resolution number 12

Resolved that the Investment Review Committee members be paid an annual fee of R56 000 (excluding VAT).

10.13 Special resolution number 13

Resolved that the non-executive directors receive a daily rate of R22 000 (excluding VAT) in respect of rare circumstances falling outside the ambit of scheduled annual commitments.'

All approved fixed annual fee payments will be updated and paid on 31 August 2021 and backdated as from 1 March 2021.

The reason for special resolutions numbers 1 to 13 (inclusive) is to allow the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolutions numbers 1 to 13 (inclusive), if passed, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

11. INTER-COMPANY FINANCIAL ASSISTANCE

11.1 Special resolution number 14: Inter-company financial assistance

'Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ('**financial assistance**' will herein have the meaning attributed to it in section 45(1) of the Companies Act), that the Board may deem fit to any company or corporation that is related or inter-related ('**related**' and '**inter-related**' will herein have the meanings attributed to them in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company.'

The reason for and effect, if passed, of special resolution number 14 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

11.2 Special resolution number 15: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company

'Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ('**financial assistance**' will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the Board may deem fit to any person, including any company or corporation that is related or inter-related to the Company ('**related**' and '**inter-related**' will herein have the meanings attributed to such terms in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or interrelated to the Company, on the terms and conditions and for amounts that the Board may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or of a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company.'

The reason for and effect, if passed, of special resolution number 15 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any person, including any company or corporation which is related or inter-related to the Company and/or any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a wholly-owned subsidiary raises funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its wholly-owned subsidiary to the third-party funder arising from the issue of the preference shares.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolutions numbers 14 and 15 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company); and
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

In addition, prior to providing any financial assistance under special resolutions numbers 14 and 15, the Board will satisfy itself that:

- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

12. SHARE REPURCHASES BY THE COMPANY AND ITS SUBSIDIARIES

12.1 Special resolution number 16

'Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements, including, *inter alia*, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 20%, in aggregate, in any one financial year of the Company's issued share capital of that class at the time the authority is granted;
- a resolution has been passed by the Board approving the repurchase, that the Company and its subsidiaries ('**the Group**') have satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements.'

The reason for and effect, if passed, of special resolution number 16 is to grant the directors a general authority in terms of the Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 16. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a *pro rata* repurchase by the Company from all its shareholders will not require shareholder approval, save as may be required by the Companies Act.

13. OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the Company.

Information relating to the special resolutions

1. Pursuant to, and in terms of, the JSE Listings Requirements, the Board hereby states that 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.

2. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 16 to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the Group would not be compromised as to the following:
   - the Group's ability in the ordinary course of business to pay its debts for a period of 12 (twelve) months after the date of this AGM and for a period of 12 (twelve) months after the repurchase;
   - the consolidated assets of the Group (fairly valued) will be in excess of the consolidated liabilities of the Group (fairly valued) at the time of the AGM and at the time of such determination, as well as for a period of 12 (twelve) months after the date of this AGM and for a period of 12 (twelve) months following the repurchase. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
   - the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 (twelve) months after this AGM and after the date of the share repurchase; and
   - the working capital available to the Group after the repurchase will be sufficient for the Group's ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the AGM, and for a period of 12 months after the share repurchase.

   General information in respect of major shareholders, material changes since the 2021 financial year-end and the share capital of the Company is contained in the integrated annual report of which this notice forms part, as well as the full set of annual financial statements, which is also available on Afrimat's website at www.afrimat.co.za or which may be requested and obtained in person, at no charge, at the registered office of Afrimat during office hours. Electronic copies of the consolidated annual financial statements may be requested and obtained, at no charge, from the Company at secretary@afrimat.co.za.

3. The directors, whose names appear on page 30 of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given 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 this notice of AGM contains all information required by law and the JSE Listings Requirements.

4. Other than the facts and developments reported on in the integrated annual report of which this notice forms part, 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.

VOTING

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the Company ('**the share register**') for purposes of being entitled to receive this notice is Friday, 18 June 2021.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to participate and vote at the AGM is Friday, 30 July 2021, with the last day to trade being Tuesday, 27 July 2021.
3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the Chairman of the AGM and must accordingly submit a copy of their valid identity document, passport or driver's licence to the transfer secretaries via email at proxy@computershare.co.za. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.
4. Shareholders entitled to participate and vote at the AGM may appoint one or more proxies to participate, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from participating and voting (in preference to that shareholder's proxy) at the AGM.
5. Proxy forms, together with proof of identification and authority to do so (when acting in a representative capacity), should be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at Private Bag X9000, Saxonwold, 2132, South Africa (please note that postal delivery by the due date is at the risk of the shareholder), or emailed to proxy@computershare.co.za to be received, by no later than 14:00 on Monday, 2 August 2021, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the transfer secretaries via e-mail at proxy@computershare.co.za at any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the transfer secretaries verifying the form of proxy and proof of identification before any shareholder rights are exercised.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to participate in the AGM, will need to request their Central Securities Depository Participant ('**CSDP**') or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker and follow the process set out in the Electronic Participation section on this notice.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to participate in the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. The electronic platform (Zoom) to be utilised to host the AGM does not provide for electronic voting during the AGM. Participants who indicate in the Electronic Participation Application Form that they wish to vote during the AGM, will be contacted by the Company's transfer secretaries to make necessary arrangements.

ELECTRONIC PARTICIPATION

The AGM will be conducted entirely by electronic communication as contemplated by section 63(2)(a) of the Companies Act, and authorised by the Company's memorandum of incorporation. In light of the measures put in place by the South African Government in response to the Covid-19 pandemic, the Board has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 135 of the integrated annual report, to which this notice is attached, and email same to the Company's transfer secretaries at proxy@computershare.co.za and to Afrimat at secretary@afrimat.co.za by no later than 14:00 on Monday, 2 August 2021. Shareholders may still email duly completed Electronic Participation Application Forms to the Company's transfer secretaries and Afrimat, as aforesaid, after this date and time, provided, however, that for those shareholders to participate at the AGM, they must be verified before the commencement of the AGM.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's transfer secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. Refer to page 137 of the integrated annual report, to which this notice is attached for details on documents required to be attached to the Electronic Participation Application Form. The Company's transfer secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Zoom meeting invitation required to access the AGM.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 13:55 on Wednesday, 4 August 2021 to join the lobby of the meeting by clicking on the 'Join Zoom Meeting' link to be provided by Afrimat's Company Secretary or by the secretarial office, whose admission to the meeting will be controlled by the Company Secretary or secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's transfer secretaries or Afrimat who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the AGM.

For the avoidance of doubt, dematerialised shareholders without 'own-name' registration would still need to submit their voting instructions via their CSDP or broker or obtain a letter of representation from their CSDP or broker to participate in and/or vote at the AGM electronically.

The Company cannot guarantee there will not be a break in electronic communication that is beyond the control of the Company.

NOTICE OF AGM (CONTINUED)

QUESTIONS

Shareholders are encouraged to submit, via email, any questions in advance of the AGM to the Company Secretary at secretary@afrimat.co.za. These questions will be addressed at the AGM and will be responded to via email thereafter.

By order of the Board

Catharine Burger
Company Secretary

21 June 2021

Registered office
Tyger Valley Office Park No 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley
7530
(PO Box 5278, Tyger Valley, 7536)
Telephone: +27 21 917 8840

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number: 2004/00364/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
Telephone: +27 11 370 5000
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FORM OF PROXY

Afrimat Limited
(Registration number: 2006/022534/06)
Share code: AFT
ISIN: ZAE000086302
('**Afrimat**' or '**the Company**')

For use at the annual general meeting of shareholders of Afrimat to be held entirely via a remote interactive electronic platform (Zoom) on Wednesday, 4 August 2021 at 14:00 ('**AGM**').

For use by the holders of the Company's certificated ordinary shares ('**certificated shareholders**') 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 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 the registered holder of 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 attend, speak and vote on my/our behalf at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes):

		Number of shares		
		For*	Against*	Abstain*
1.1	Ordinary resolution number 1: To adopt the 2021 annual financial statements			
2.1	Ordinary resolution number 2: To re-elect Mr Francois M Louw as a director			
2.2	Ordinary resolution number 3: To re-elect Mrs Phuti RE Tsukudu as a director			
3.1	Ordinary resolution number 4: To re-appoint Mr Loyiso Dotwana as a member of the Audit & Risk Committee			
3.2	Ordinary resolution number 5: To re-appoint Mr Helmut N Pool as a member of the Audit & Risk Committee			
3.3	Ordinary resolution number 6: To re-appoint Mr Jacobus F van der Merwe as a member of the Audit & Risk Committee			
3.4	Ordinary resolution number 7: To re-appoint Mr Francois M Louw as a member of the Audit & Risk Committee			
3.5	Ordinary resolution number 8: To re-appoint Mr Marthinus W von Wielligh as a member of the Audit & Risk Committee			
4.1	Ordinary resolution number 9: To re-appoint PricewaterhouseCoopers Inc. as auditor			
5.1	Ordinary resolution number 10: Non-binding endorsement of Afrimat's remuneration policy			
6.1	Ordinary resolution number 11: Non-binding endorsement of Afrimat's implementation report on the remuneration policy			
7.1	Ordinary resolution number 12: To authorise the directors or the Company Secretary to sign documentation			
8.1	Ordinary resolution number 13: To place unissued shares under the director's control			
8.2	Ordinary resolution number 14: General authority to issue ordinary shares for cash			
9.1	Ordinary resolution number 15: Approval of the amendment of the Afrimat Limited Forfeitable Share Plan			
10.1	Special resolution number 1: Remuneration of Chairman of the Board			
10.2	Special resolution number 2: Remuneration of Deputy Chairman of the Board			
10.3	Special resolution number 3: Remuneration of non-executive directors			
10.4	Special resolution number 4: Remuneration of Chairman of the Audit & Risk Committee			
10.5	Special resolution number 5: Remuneration of Audit & Risk Committee members			
10.6	Special resolution number 6: Remuneration of Chairman of the Remuneration Committee			
10.7	Special resolution number 7: Remuneration of Chairman of the Nominations Committee			
10.8	Special resolution number 8: Remuneration of Remuneration & Nominations Committee members			
10.9	Special resolution number 9: Remuneration of Chairman of the Social, Ethics & Sustainability Committee			
10.10	Special resolution number 10: Remuneration of Social, Ethics & Sustainability Committee members			
10.11	Special resolution number 11: Remuneration of Chairman of the Investment Review Committee			
10.12	Special resolution number 12: Remuneration of Investment Review Committee members			
10.13	Special resolution number 13: Ad hoc remuneration of members of the Board under rare circumstances			
11.1	Special resolution number 14: Inter-company financial assistance			
11.2	Special resolution number 15: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
12.1	Special resolution number 16: Share repurchases by Afrimat and its subsidiaries			

* *Please indicate your voting instruction by inserting the number of shares (or a cross should you wish to vote all of your shares) in the space provided.*

Signed at (place) on date 2021

Shareholder's signature assisted by (if applicable) (state capacity and full name)

NOTES TO FORM OF PROXY

1. An Afrimat shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the Chairman of the AGM'. The person whose name appears first on the form of proxy and who is participating in the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

2. An Afrimat shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the 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 shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.

3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.

4. Proxy forms, together with proof of identification and authority to do so (when acting in a representative capacity), should be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at Private Bag X9000, Saxonwold, 2132, South Africa (please note that postal delivery by the due date is at the risk of the shareholder), or emailed to proxy@computershare.co.za to be received, by them not later than Monday, 2 August 2021 at 14:00, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the transfer secretaries via email at proxy@computershare.co.za any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the transfer secretaries verifying the form of proxy and proof of identification before any shareholder rights are exercised.

5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).

6. 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 secretaries or waived by the Chairman of the AGM.

7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from participating in the AGM and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

8. The Chairman of the AGM may reject or accept a form of proxy which is completed and/or received, otherwise than in accordance with these notes, if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.

9. 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.

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING

Afrimat Limited
(Registration number: 2006/022534/06)
Share code: AFT
ISIN: ZAE000086302
('**Afrimat Limited**' or '**the Company**')

ANNUAL GENERAL MEETING – 4 AUGUST 2021 ('AGM')

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of AGM to which this form is attached and forms part.

Instructions

Shareholders or their proxies have the right, as provided for in the Company's memorandum of incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's transfer secretaries at proxy@computershare.co.za and to the Company at secretary@afrimat.co.za by no later than 14:00 on Monday, 2 August 2021. Shareholders may still email duly completed Electronic Participation Application Forms to the Company's transfer secretaries and Afrimat, as aforesaid, after this date and time, provided, however, that for those shareholders to participate at the AGM, they must be verified before the commencement of the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's transfer secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's transfer secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy ('**Participant**') to enable the Company to forward the Participant a Zoom meeting invitation required to access the AGM. Email confirmation will be sent upon receipt and acceptance of the form of proxy and Electronic Participation Application Form. The absence of confirmation of receipt and acceptance can be deemed as non-acceptance due to an irregularity in the information supplied or forms not being received. The Company's transfer secretaries can be contacted for further details in this regard.

Afrimat will send each Participant a Zoom meeting invitation with a link to 'Join the Zoom Meeting' on 4 August 2021 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the AGM. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the form of proxy (found at page 135 and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's transfer secretaries.

Participants who indicate in this form that they wish to vote during the AGM, will be contacted by the Company's transfer secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's transfer secretaries or Afrimat who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Participant from participating in and/or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Information required for participation by electronic communication at the AGM

Full name of shareholder ______________________

Identity or registration number of shareholder ______________________

Full name of authorised representative (if applicable) ______________________

Identity number of authorised representative ______________________

Email address ______________________

* *Note: This email address will be used by the Company to share the Zoom meeting invitation required to access the AGM electronically*

Cell phone number ______________________

Telephone number, including dialling codes ______________________

* *Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the AGM. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 135.*

Indicate (by marking with an 'X') whether:

☐ votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or

☐ the Participant wishes to exercise votes during the AGM. If this option is selected, the Company's transfer secretaries will contact you to make the necessary arrangements. Participants who elect the option to vote during the AGM should note that a cut-off time of 10 minutes after calling for all votes during the AGM is applicable and means that your voting sheet should be with the Company's transfer secretaries within the allotted 10 minutes. This option may also lead to a delay in the announcement of voting results of the AGM resolutions.

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Afrimat's AGM.

Signed at ______________________ on ______________________ 2021

Signed ______________________

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.
4. Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

NOTES

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 32
‘CAE’	Chief Audit Executive
‘CEO’	Chief Executive Officer of Afrimat, Andries J van Heerden
‘CFO’	Chief Financial Officer of Afrimat, Pieter GS de Wit
‘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
‘Covid-19’	The Covid-19 pandemic
‘CSI’	Corporate Social Investment
‘Demaneng’	Afrimat Demaneng Proprietary Limited and Diro Iron Ore Proprietary Limited
‘DMRE’	Department of Mineral Resources and Energy
‘EMP’	Environmental Management Plan
‘ESG’	Environmental, Social and Corporate Governance
‘Exco’	Executive Committee, as set out on page 32
‘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
‘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™’	King IV Report on Corporate Governance for South Africa, 2016
‘KPA’	Key Performance Area
‘LUPO’	Land Use Planning Ordinance
‘LTIFR’	Lost Time Injury Frequency Rate
‘MD’	Managing Director
‘MQA’	Mining Qualification Authority
‘NEMA’	National Environmental Management Act, 1998
‘Nkomati’	Nkomati Anthracite Proprietary Limited
‘NOSA’	National Occupational Safety Association (South Africa)
‘previous/prior year’ or ‘FY2020’	Year ended 29 February 2020
‘SAR’	Share Appreciation Right
‘SARS’	South African Revenue Service
‘SARMA’	South African Readymix Association
‘SENS’	Stock Exchange News Service, the regulatory information dissemination platform of the JSE
‘SHE’	Safety, Health and Environment
‘SHEQ’	Safety, Health, Environment and Quality
‘year’ or ‘year under review’ or ‘FY2021’	Year ended 28 February 2021

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

SHAREHOLDERS' DIARY

Financial year-end	28 February
Trading update	20 April 2021
Announcement of annual results	27 May 2021
Integrated annual report posted	June 2021
AGM	4 August 2021
Trading update	November 2021
Announcement of interim results and interim dividend	November 2021
Interim dividend payment	December 2021

CONTACT DETAILS

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