AFRIMAT®
LIMITED

Integrated annual report 2017

GROWTH
THROUGH DIVERSIFICATION

DEFINITIONS

'AEI'	Afrimat Empowerment Investments Proprietary Limited
'Afrimat' or '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 pages 40 and 41
'CAE'	Chief Audit Executive
'Cape Lime'	Cape Lime Proprietary Limited, acquired by Afrimat since 31 March 2016
'CEO'	Chief Executive Officer of Afrimat, Andries J van Heerden
'CFO'	Chief Financial Officer of Afrimat, Pieter GS de Wit
'Clinker Group'	SA Block Proprietary Limited and its 100%-owned subsidiary Clinker Supplies Proprietary Limited
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice
'COLTO'	Committee of Land Transport Officials
'Companies Act'	Companies Act No. 71 of 2008, as amended
'CSI'	Corporate Social Investment
'DIFR'	Disabling Injury Frequency Rate
'DIRO'	Diro Manganese Proprietary Limited and Diro Iron Ore Proprietary Limited
'DMR'	Department of Mineral Resources
'EMP'	Environmental Management Plan
'EXCO'	Executive Committee of Afrimat, as set out on page 38
'Glen Douglas'	Glen Douglas Dolomite Proprietary Limited
'the group'	Afrimat Limited, its subsidiaries, joint venture and associate companies
'GRI'	Global Reporting Initiative, a best practice benchmark in reporting
'H&S'	Health and Safety
'HIRA'	Hazard Identification and Risk Assessment
'Infrasors'	Infrasors Holdings Proprietary Limited, incrementally acquired by Afrimat since 1 March 2013
'IRBA'	Independent Regulatory Board of Auditors
'IRC South Africa'	The Integrated Reporting Committee of South Africa
'IRMSA'	The Institute of Risk Management South Africa
'IT'	Information Technology
'JSE'	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa
'King III'	King Report on Governance for South Africa 2009
'LUPO'	Land Use Planning Ordinance
'MD'	Managing Director
'NEMA'	National Environmental Management Act, 1998
'NOSA'	National Occupational Safety Association (South Africa)
'previous/prior year' or 'FY2016'	Year ended 29 February 2016
'SABS'	South African Bureau of Standards
'SARMA'	South African Readymix Association
'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, Health and Environment
'SHEQ'	Safety, Health, Environment and Quality
'Wearne'	WG Wearne Limited
'year' or 'year under review' or 'FY2017'	Year ended 28 February 2017

Financial definitions

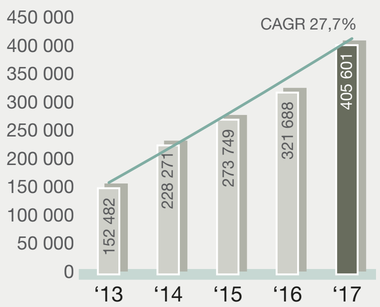
'CAGR'	Compound annual growth rate
'FY'	Financial year ending February
'IFRS'	International Financial Reporting Standards
'HEPS'	Headline earnings per share
'NAV'	Net asset value
'PAT'	Profit after tax
'PBIT'	Profit before interest and tax
'ROI'	Return on investment
'RONA'	Return on net operating assets

CONTENTS

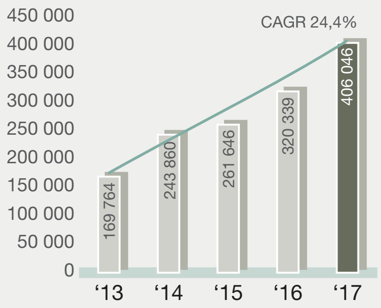
Read more *More info on website*

PERFORMANCE HIGHLIGHTS

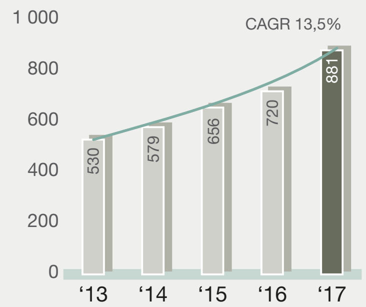
CONTRIBUTION FROM OPERATIONS (R'000)



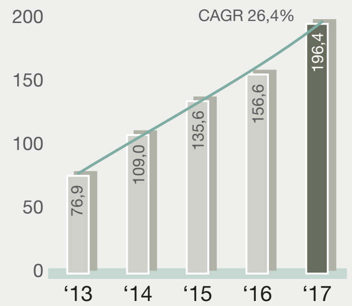
NET CASH FROM OPERATING ACTIVITIES (R'000)



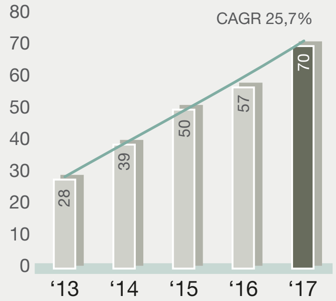
NAV PER SHARE (CENTS)



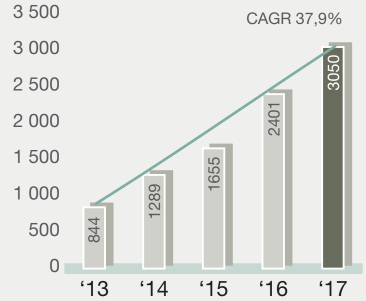
HEPS (CENTS)



TOTAL DIVIDENDS PER SHARE (CENTS)



SHARE PRICE AT YEAR-END (CENTS)



Afrimat is ranked number four in the Sunday Times Top 100 Companies. Furthermore, it has been named as one of the Sunday Times Royal Companies, achieving Top 20 status over three consecutive years.

Contribution from operations' margin	HEPS	Total dividend per share	Return on net operating assets
18,2%	196,4 cents up 25,4%	70 cents	32,5%

Return on shareholders' funds	NAV per share	Net debt:equity ratio	Strong balance sheet
23,1%	881 cents up 22,4%	19,8%	

INTEGRATED REPORTING

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

CORPORATE INFORMATION

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

The integrated annual report 2017 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 2017 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with accurate, balanced and transparent reporting. The report aims to share our performance across FY2017, including demonstrating how our strategy of entering the industrial minerals business, continues to add value. The group recently announced the addition of bulk commodities by entering the iron ore industry. Overall the report is intended to give our stakeholders a better understanding of the issues, risks and opportunities that we face In terms of business sustainability, value creation and growth.

REPORTING PARAMETERS

This integrated annual report 2017 presents the annual financial results and the economic, environmental, social and governance performance of the group for the year ended 28 February 2017.

For more information, see the annual financial statements on pages 62 to 131.

FRAMEWORKS APPLIED

In compiling this report, Afrimat considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in December 2013 and endorsed by the IRC South Africa in March 2014, as well as the Information Papers issued by the IRC South Africa in December 2014 and 2015. Our report conforms to the requirements of local and international integrated reporting frameworks, the South African Companies Act 2008 and JSE Listings Requirements. We continue to use the GRI guidelines for our sustainable development reporting. The company applies the majority of principles in the King III Report. In respect of those which have not been applied to, explanations are offered.

The following frameworks are applicable to Afrimat:

JSE Listings Requirements

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

King III

King III is a compliance requirement for all JSE listed companies and was effective in South Africa from 1 March 2010 and applies to all entities regardless of the manner of incorporation (*www.iodsa.co.za*).

Companies Act

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

Framework for Integrated Reporting

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

Mining Charter

Afrimat focuses on the transformation relating to Broad-Based Socio-Economic Empowerment. The Mining Charter for the South African Mining Industry was revised in September 2010 (*www.dmr.gov.za*).

MATERIALITY

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

RISK MANAGEMENT

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

Refer to page 42 for the risk management report.

FORWARD-LOOKING DISCLAIMER

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 28 February 2017. 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.

SIX CAPITALS CATEGORISATION

The company has not formally adopted the six capitals categorisation of the International <IR> Framework. However, throughout the integrated annual report we explain our dependence and impact on the forms of capital that are fundamental to our ability to achieve our strategy. The capitals are covered throughout the report and highlighted and explained on pages 6 and 7.

APPROVAL OF THE REPORT

The Afrimat board approved this integrated report and authorised its release on 15 June 2017.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

15 June 2017

01

ABOUT AFRIMAT

AGGREGATES

Commercial quarries | Sand mines | Gravel mines

GROUP PROFILE

Afrimat primarily engages in open pit mining, processing and the supply of a broad range of industrial minerals and materials to an assortment of industries across southern Africa. In addition, Afrimat supplies related concrete based products.

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

2006

JSE LISTING

Founded in 2006 from well-established companies

- Prima Klipbrekers (established 1963)
- Lancaster Quarries (established 1965)
- Malans Quarries (established 1963)
- Denver (established 1996)

COMING OF AGE AND STRONGER STRATEGIC MANAGEMENT

Built a solid foundation

- Narrow focus on building materials
- Mainly coastal provinces
- Formation of governance structures

2007 – 2010

LEADING FOOTPRINT ESTABLISHED

Geographic expansion

- Smaller acquisitions
- Well executed national positioning
- Broad infrastructure focus
- Establishment of an employee benefit scheme through the Afrimat BEE Trust

2011 – 2013

STANDING OUT

Growth in unique products

- Glen Douglas acquisition (January 2011)
- Clinker Group acquisition (March 2012)
- Infrasors acquisition (March 2013)
- Limecor (greenfields)

2014 – present

NEW HORIZONS

Further growth and diversification

- Entered Mpumalanga (greenfields)
- Mozambique (greenfields)
- Cape Lime acquisition (March 2016)
- Bethlehem quarry acquisition (October 2016)
- Introduced ARC as a strategic shareholder
- Acquisition of DIRO (awaiting section 11 approval from the DMR)

'THE AFRIMAT WAY'

VISION

To be the most respected construction materials and industrial minerals supplier in Africa.

Our Vision is built on:

- Well-managed operations
- Responsible, honest and motivated personnel
- Effective and reliable systems
- Delighted stakeholders and satisfied customers
- Healthy finances
- Zero harm to employees, the community and environment
- Innovation and flexibility

MISSION

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

VALUES

Trust

Accountability

Integrity

Teamwork

Respect

Safety

Customer Satisfaction

PEOPLE

- Tangible leadership
- Shared values
- Competent employees
- Great teamwork
- Continuous development of people

OPERATIONS

- Well-maintained plant and equipment and well-equipped workshop infrastructure
- Efficient processing plant design and process flows
- Vertical integration
- Commitment to protecting the environment and sustainable development
- Optimised mine planning and mining operations

MARKETING

- Engaged customer relationships
- Good market intelligence and expertise
- Reliable quality products and services
- Diverse product and services offering
- Superior reaction time to meet customer needs
- Identifying marketing trends and opportunities

FINANCIAL

- Effective planning and budgeting
- Efficient execution of financial management and administration
- Effective systems and controls
- Focus on cash generation
- Robust balance sheet
- Industry leading margins throughout economic cycles
- Consistent dividend payer

COMPLIANCE

- In-depth knowledge of legislation and requirements
- Maintain a feasible compliance strategy
- Ensure company-wide adherence

GROUP STRATEGY AND BUSINESS MODEL

INPUT

OUR STRATEGY

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.

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.

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.

HUMAN CAPITAL

How we select, develop and manage our people.

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).

INTELLECTUAL CAPITAL

Our strong brand, procedures and processes and the knowledge of our people constitutes our intellectual capital. The balance of new opportunities and core strengths ensures growth.

Growth through diversification

Maintain competitive advantage

Organic growth through innovation

People led company

Outstanding customer service

FOCUS AREAS

OUTCOMES

- Hedge against economic volatility
- Continuous research of business environment
- Focus on value enhancing acquisitions* and successful execution thereof

FINANCIAL CAPITAL

Creating and managing stakeholder value (including social development, dividends for shareholders and salaries for employees).

Refer to page 10

- Extensive geographic footprint
- Structural cost advantage
- Unique metallurgies
- Flexible business model
- Solid presence in growth markets

NATURAL CAPITAL

Managing, preserving and minimising the destruction of natural capital.

Refer to page 46

- Cost efficiency drive
- Strong operational efficiency
- Efficient processing plant design and process flow
- Excellent maintenance and care

MANUFACTURED CAPITAL

Leveraging off our asset base (including plant and equipment, successful awarding of mining rights and information technology assets to service customers.

Refer to pages 43 and 54

- Values-based entrepreneurial culture
- Leveraging Afrimat's 'combined intellect' through synergistic teamwork
- Appointing the right people in the right position
- Tangible leadership

HUMAN CAPITAL

Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork.

Refer to pages 44, 45 and 55 to 57

- Strategically positioned to deliver excellent service
- Engaged customer relationships
- Customer advocacy through service, reliability and quality of supply

SOCIAL AND RELATIONSHIP CAPITAL

Engage with the communities surrounding our mining operations and production plants. Creating an effective shareholder engagement strategy.

Refer to pages 12 to 14 and 48 to 53

INTELLECTUAL CAPITAL

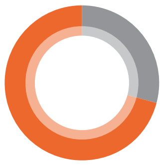
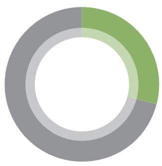
Enabling growth through sound business principles and new opportunities.

Refer to page 5

* *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.*

BUSINESS OVERVIEW

Footprint

		Revenue contribution	Products
AGGREGATES AND INDUSTRIAL MINERALS		70%	
CORE ACTIVITIES Open pit mining and processing of industrial minerals and aggregates products	INDUSTRIAL MINERALS AGGREGATES CONTRACT CRUSHING, DRILLING AND BLASTING		▪ Metallurgical dolomite ▪ Metallurgical quartzite ▪ Metallurgical limestone ▪ High calcium neutralisation limestone ▪ Agricultural lime ▪ Hydrated lime ▪ Un-slaked lime and calcium oxide ▪ Clinker ash ▪ Silica sand ▪ Ultra-fine limestone and dolomite ▪ Aggregates: crushed stone and sand ▪ Dolomite fillers ▪ Stone dust
CONCRETE BASED PRODUCTS		30%	
CORE ACTIVITIES Concrete brick and block manufacturing and readymix concrete batching	CONCRETE PRODUCTS READYMIX		▪ Building blocks and bricks ▪ Pavers ▪ Lintels ▪ Readymix concrete

AGGREGATES AND INDUSTRIAL MINERALS	CONCRETE BASED PRODUCTS
NUMBER OF OPERATIONS	
41	25
25 Commercial quarries 5 Sand and gravel mines 3 Dolomite mines 4 Clinker sources 2 Limestone mines 2 Silica mines Mobile crushing and screening Drilling and blasting	9 Concrete brick & block factories 16 Readymix batching sites

Services	Markets/applications		Quality assurance	Vertical integration
■ Mobile crushing ■ Mobile screening ■ Drilling ■ Blasting ■ Reclaiming	■ Metallurgical manufacturers ■ Mines ■ Foundries ■ Glass manufacturers ■ Tile adhesive manufacturers ■ Agriculture ■ Building and construction ■ Road and bridge building ■ Railroads	■ Concrete product manufacturers ■ Readymix processors ■ Power stations ■ Renewable energy projects ■ Power distribution network ■ Water treatment ■ Acid mine drainage treatment ■ Paints and plastics ■ Chemical	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.**	**Supply the majority of aggregates used by Afrimat's own Concrete Based Product divisions**
■ Readymix concrete batched on demand and transported to customers by concrete mixer trucks ■ Readymix mortar	■ Building and construction ■ Low-cost housing ■ Residential and commercial property	■ Civil engineering and infrastructure projects ■ Renewable energy projects ■ Power distribution network	**Blocks and bricks carry the SABS mark of approval.**	**Close to 90% of aggregates sourced from the group's own operations**

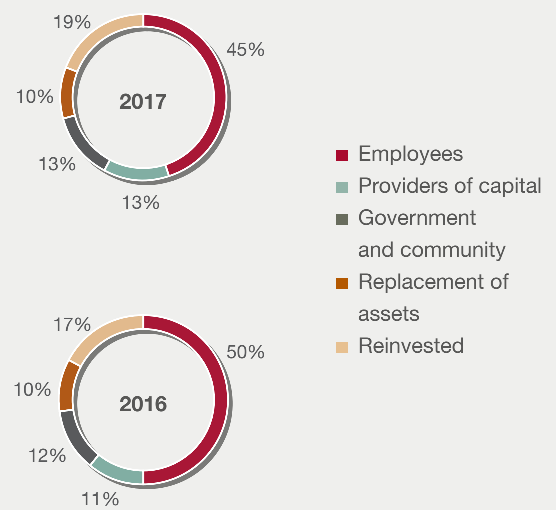
VALUE ADDED STATEMENT

Set out below is the value added by the group and its employees during the year under review and how funds were applied.

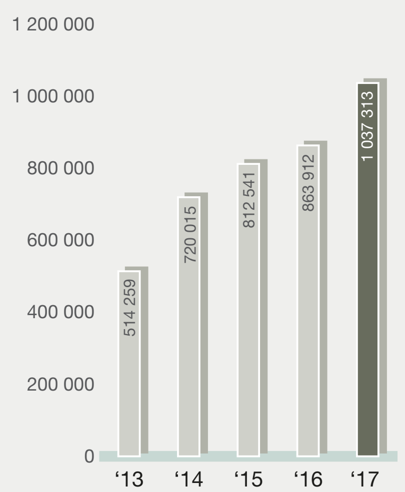
	%	2017 R'000	%	2016 R'000
Revenue		**2 228 157**		1 969 786
Less: Cost of goods and services provided		**1 230 795**		1 128 584
Value added by operations		**997 362**		841 202
(Loss)/profit on sale of property, plant and equipment		**(165)**		931
Profit on disposal of businesses		**4 043**		–
Income from investment		**36 073**		21 779
Total value added		**1 037 313**		863 912
Applied as follows:				
To remunerate employees:				
Salaries, wages, pensions, bonus and other benefits	45,5	**471 509**	50,2	433 284
To reward providers of capital:				
To shareholders as dividends paid	8,5	**87 666**	8,8	76 141
To lenders as finance charges	4,0	**41 589**	2,6	22 625
Government and community:				
Taxation	11,8	**122 814**	10,5	90 930
Mining royalties	1,0	**10 367**	1,0	8 387
Social investment*	0,6	**5 984**	0,6	5 285
To replace assets:				
Depreciation and amortisation	9,7	**100 631**	9,5	81 881
Impairment of property, plant and equipment	0,3	**3 049**	0,0	–
Impairment of goodwill		**–**	0,2	1 300
To expand the group:				
Retained earnings	18,7	**193 704**	16,7	144 079
Total distribution including reinvestment	100,0	**1 037 313**	100,0	863 912

* *Social investment includes expenditure with regards to local economic development and corporate social investment spending.*

VALUE DISTRIBUTION



VALUE ADDED (R'000)



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STRATEGIC CONTEXT

CONCRETE BASED PRODUCTS

Concrete blocks | Bricks and pavers | Readymix concrete

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:

What matters to them	Tools of engagement	Responsibility	Our response
Shareholders			
▪ Profitability ▪ ROI (share price and dividends) ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Cost reductions ▪ Labour relations ▪ Sustainability	▪ Annual and interim results announcements ▪ Integrated annual report ▪ SENS announcements ▪ Website publications ▪ Group results presentations ▪ 1:1 meetings ▪ Roadshows ▪ Annual general meeting ▪ Results of decisions taken at shareholders' meetings published on the company's website following the meetings ▪ Media releases ▪ Site visits ▪ Investor open days ▪ Regular investor perception polls	▪ CEO assisted by the CFO	▪ Feedback from results presentations and 1:1 meetings relayed to and dealt with at board level
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	▪ 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
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	▪ General manager: human resources 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’

STAKEHOLDERS (continued)

What matters to them	Tools of engagement	Responsibility	Our response
Customers			
▪ Quality ▪ Service ▪ Value for money ▪ Product availability ▪ Credit facility levels	▪ Annual customer surveys conducted to determine service improvement opportunities ▪ Contractual engagement ▪ Personal interaction with main customers ▪ Product brochures	▪ CEO, MDs of subsidiaries and sales teams	▪ Commitment to quality products and service excellence
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: human resources assisted by all management	▪ Ongoing focus on labour and employee relations ▪ Consistency in industrial relations ▪ Recognition agreements at industry level
Major contractors, suppliers and business partners			
▪ Consistent offtake ▪ Group payment record ▪ Local economic development	▪ Contract and service agreements	▪ CEO and MDs of subsidiaries	▪ Regular business updates to suppliers
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	▪ Lobbying with government departments	▪ CEO and MDs of subsidiaries assisted by corporate affairs and resources departments	▪ Developing DMR required social and labour plans in conjunction with local municipalities ▪ Raising awareness of local economic, social and infrastructure conditions and gaining approval for government funded projects ▪ Focus on procurement from suppliers with BEE shareholding
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	▪ MDs of subsidiaries and branch operational managers assisted by general manager: corporate affairs and resources department	▪ Supplementing labour force from surrounding communities ▪ Practicing a limited automation policy ▪ Prioritising environmental management of operations

Afrimat's performance during the year

ACHIEVEMENTS

- Approval of crucial mining licences ie Vryheid, Dundee and Cape Lime
- Improvement in procurement spend towards black owned suppliers, services and consumables
- Significant improvement in Mining Charter scores
- Continued reduction of Section 54* and 55** notices
- Improvements on the implementation of Social and Labour Plans
- Significant improvement on environmental industry ASPASA audits
- Continuous improvement in health and safety standards, presidential audits and Industry ISHE ASPASA audits
- Successful cost improvement initiatives

CHALLENGES

- Increased input costs, such as diesel, explosives, salaries and equipment
- The current global and South African economic environment, including pressures on the South African steel industry
- Continuous changes in legislation governing the industry, ie environmental laws, B-BBEE and DMR requirements
- Increased occurrence of theft and fraud
- Constant and adequate supply of electricity and water
- Increase in DIFR due to safety incidents reported in newly acquired businesses
- Stagnant economic growth and rising cost of finance
- Increasing competition in the Concrete Based Products segment, given the low barriers to entry
- Establishing a reporting framework and measurement of emissions to comply with impending carbon tax laws

* *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.*

MATERIAL ISSUES

Material issues have been identified as risks that affect the group's ability to create value in the immediate and longer term and which impact the group's ability to implement its strategy. Following the board's review of the material issues for FY2017 the following main categories have been identified:

1 ACQUISITIONS

2 TRADING ENVIRONMENT AND OPERATIONAL CHALLENGES

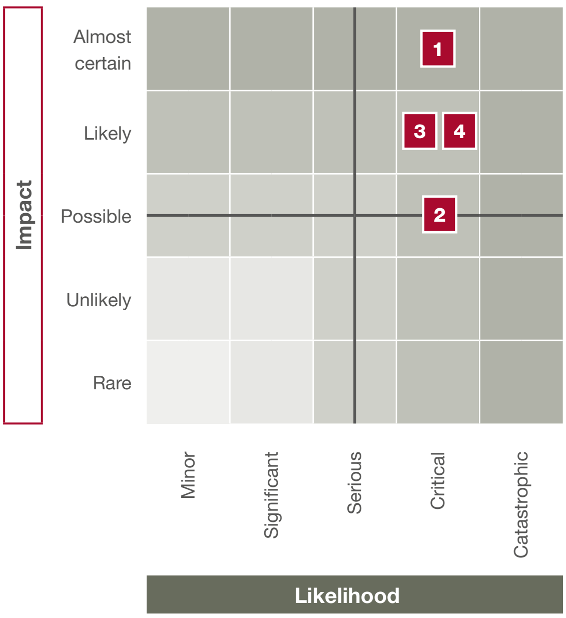
3 PEOPLE AND CULTURE

4 TECHNOLOGY

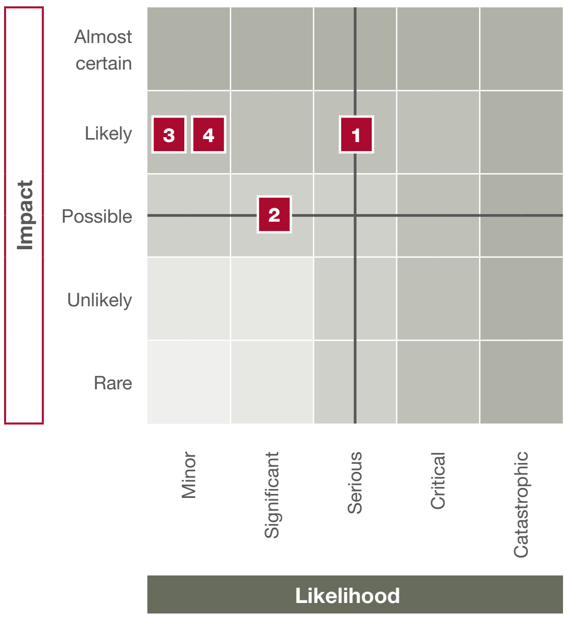
MANAGING MATERIAL RISKS

Risks relating to each material issue are based on those identified on the group's risk register. The following tables present the risk before (inherent risk) and after (residual risk) risk mitigation plans have been implemented.

INHERENT RISK



RESIDUAL RISK



The following provides the risks relating to each material issue identified together with the corresponding controls and mitigation strategies:

ACQUISITIONS

Context to the risk	Controls and mitigation strategies	Management responsible
Risk 1: Marketing and logistics of DIRO		
Ensuring marketing and logistics channels	Various alternatives are being implemented to ensure the best sustainable marketing and logistics channel for the products supplied by DIRO	CEO, CFO, MD: Afrimat Iron Ore and general manager: new business development
Risk 2: Fluctuations in the iron ore price		
The sales price of DIRO's iron ore is linked to the US dollar spot price. Any amplified or lasting fluctuation in this price can have a material impact on the profit generated by DIRO	Maintaining a low cost of production and the ability to 'moth ball' operations when the price drops to a specified level, will mitigate the risk identified. Possible hedging of iron ore prices could assist in weathering short-term fluctuating commodity prices	CEO, CFO, MD: Afrimat Iron Ore and general manager: new business development
Risk 3: Reputational risk associated with DIRO		
The employees and suppliers of DIRO can associate Afrimat with losses suffered during the business rescue process	Regular communication with employees, suppliers, unions and previous shareholders are essential	CEO, MD: Afrimat Iron Ore and general manager: human resources
Risk 4: Possible legal action and liabilities from the business rescue process of DIRO		
Creditors could institute legal action to challenge the DIRO business rescue plan, delaying the implementation thereof	Use of experienced legal advisors and communication with various creditors	CEO, CFO and general manager: new business development

TRADING ENVIRONMENT AND OPERATIONAL CHALLENGES

Context to the risk	Controls and mitigation strategies	Management responsible
Risk 1: Profitability of the Concrete Based Products ('CMP') business in KwaZulu-Natal ('KZN')		
The profitability of the CMP business is under pressure as a result of lower volumes and increased costs	Specific focus will be placed on raw material usage and efficiency measurements	Regional director: KZN, MD: SA Block, general manager: engineering, CEO and CFO
Risk 2: Limited life of the Vaal Clinker dump in the Clinker Group operations		
The Vaal Clinker dump contributes a material portion of the profit generated by Clinker Supplies Proprietary Limited and has only three years of life left	The company is implementing various alternatives to replace the contribution from this dump	MD: SA Block and Clinker
Risk 3: Dependence on key customers		
Loss of major customers and a possible decline in South African government infrastructure spend	Diversification into different products and markets. A dedicated business development team continues to successfully pursue opportunities	Business unit managers, CEO and strategic committee

MATERIAL ISSUES (continued)

PEOPLE AND CULTURE

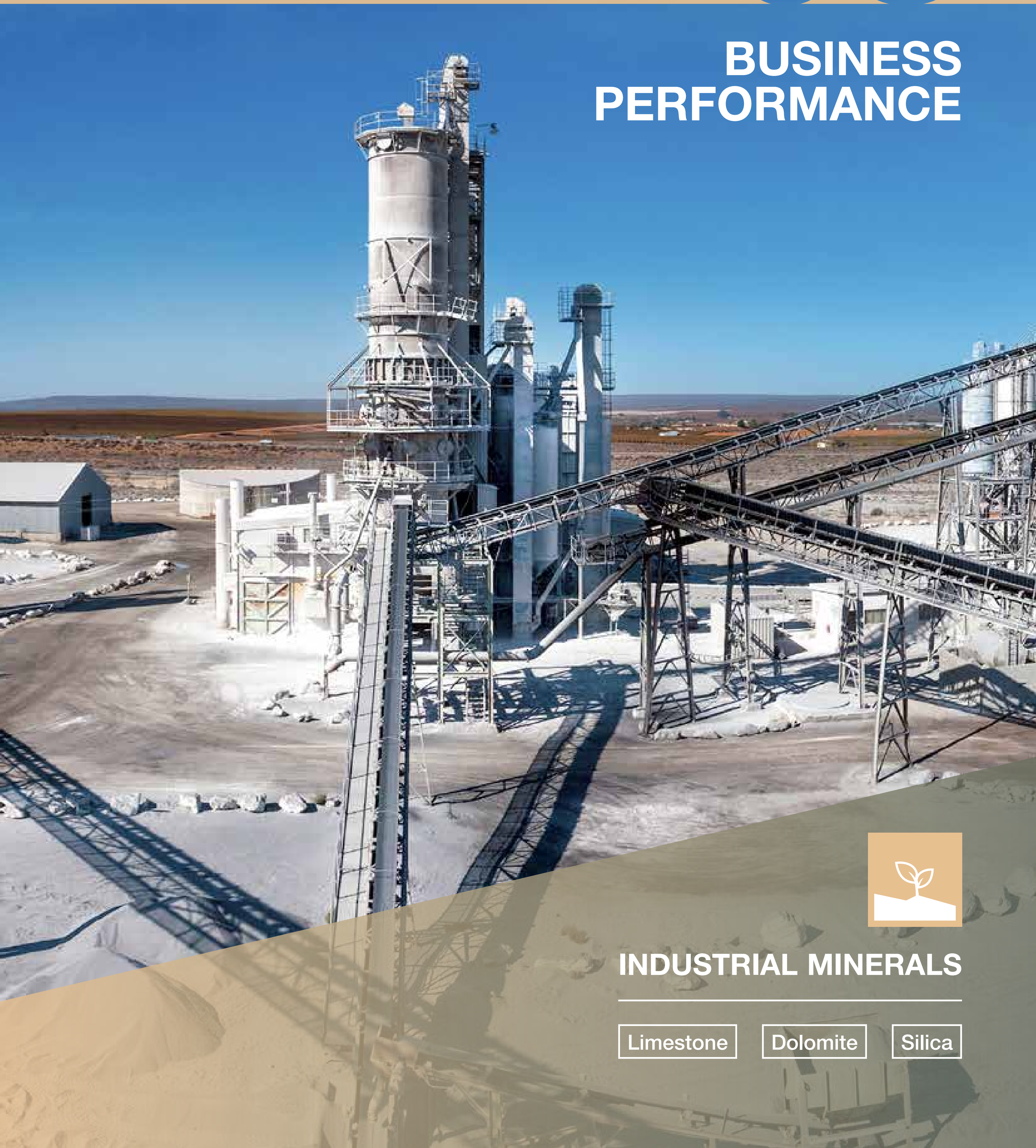
Context to the risk	Controls and mitigation strategies	Management responsible
Risk 1: Resignations, labour disputes and litigation by employees		
Following the sale of the BEE Trust participants' shares, the large pay-outs of the Afrimat BEE scheme could lead to key and experienced employee resignations, disputes and legal actions	Regular and focused communication with employees, financial training and distribution of newsletters to all employees. Use of legal advisors in the case of disputes and legal action	General manager: human resources, human resources managers and implementation team
Risk 2: Industrial action and labour unrest		
Considering the current labour landscape in South Africa, labour action is always a risk	A highly experienced human resource management team drives a well-defined industrial relations strategy	General manager: human resources
Risk 3: Operating safely		
Safety-related incidents lead to pain and trauma to our people which is exacerbated by the associated consequences	Proper measuring of incidents and relaunching of the company's code of conduct. The incorporation of a safety and environmental management system throughout all business units. Increase safety standards at our operations and ensure interventions are minimised. Driving a safety culture	Entire leadership team, guided by the CEO

TECHNOLOGY

Context to the risk	Controls and mitigation strategies	Management responsible
Risk 1: Information technology data and network loss		
Cyber attacks and loss in connectivity can lead to loss of data and can be detrimental to the group	▪ Ensure proper access controls are in place, protection software is installed and backups are made regularly; ▪ Regular penetration tests are performed by external service providers of virus, web security and mail analysing software to ensure the security within Afrimat; and ▪ An appropriate Disaster Recovery Plan is in place	General manager: IT
Risk 2: Rollout of enterprise resource planning financial software		
▪ Upgrading or replacing the current financial software of certain of the newly acquired subsidiaries could compromise system stability and client experience; and ▪ The value of information makes it a potential target for cyber-attacks	Proper conversion planning and change management, regular backups and continued IT support	General manager: IT and CFO

03

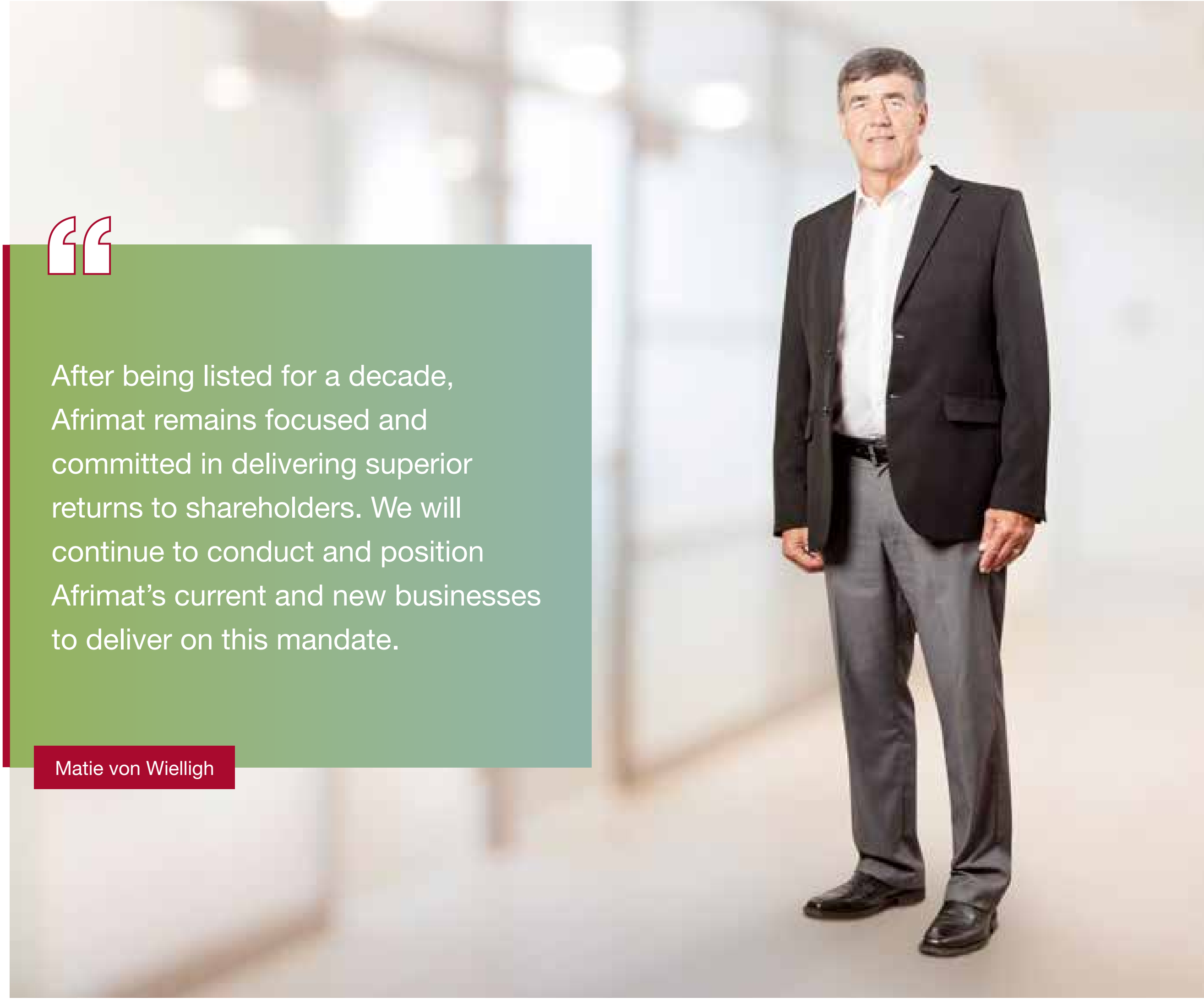
BUSINESS PERFORMANCE



INDUSTRIAL MINERALS

Limestone | Dolomite | Silica

CHAIRMAN’S REPORT



> After being listed for a decade, Afrimat remains focused and committed in delivering superior returns to shareholders. We will continue to conduct and position Afrimat’s current and new businesses to deliver on this mandate.

Matie von Wielligh

The entrepreneurial flair that underpins Afrimat remains entrenched in the business. Combined with the ability to find opportunities, even in challenging economic circumstances, the company ensures growth at a consistent pace.

OVERVIEW OF THE YEAR

Afrimat has again delivered an excellent set of results against a backdrop of lacklustre economic growth. Businesses making up the group have found ways to diversify their product offering, penetrate new markets and ensure shareholder returns materialise. Afrimat has delivered headline earnings per share at a compound annual growth rate of 26,4% since 2013. This reflects the calibre of the management team which is small, focused and agile with deep market knowledge and the ability to counter potentially challenging market conditions.

DIVERSIFICATION TO REMAIN SUSTAINABLE

Afrimat’s leadership remains committed to the execution of the strategic intent to diversify its operations. The company was listed in 2006 with a core competence in traditional aggregate businesses. Since then, the company successfully and strategically diversified into industrial minerals, cement products, lime and related products. The most recent step in the diversification path is into iron ore with a 60% acquisition of the shares in DIRO that is currently in progress.

Although this is a new venture, Afrimat has been considering iron ore for almost 10 years, looking for entry in a suitable and affordable manner. Afrimat’s core competencies overlap very well and with good progress made on the beneficiation and geology aspects, we are confident that this investment will deliver good results. Strategically, Afrimat will focus on building a presence in the current business areas whilst beneficiation, to maximise value and resource size, geology and marketing of iron ore will be focus areas. Our business development process will consider the entry into new minerals and associated industries.

The entry into this new commodity fully supports the diversification drive and unlocks foreign currency earnings for Afrimat. The group is known for mindful consideration of acquisitions and this one was no different. A small but dedicated team, with vast experience in iron ore, will focus on building a mid-tier player in this commodity.

Presently, Afrimat is awaiting the Section 11 approval from the DMR regarding the DIRO acquisition. This provides Afrimat with additional product diversification allowing the group to produce sustainable results.

Turning to South Africa, it is unfortunate that the Competition Commission has referred a subsidiary, Clinker Supplies Proprietary Limited, to the Competition Tribunal. The company believes there is no merit to the complaint and will vigorously defend itself before the Competition Tribunal.

TRANSFORMATION AND STAFF RELATIONS REMAIN A CORE FOCUS

As an empowered, proudly South African company, Afrimat remains committed to ensuring transformation across the group. During November 2016, ARC acquired an 18,36% stake in Afrimat from AEI. ARC is a black owned and controlled investment company focusing on businesses that deliver exceptional returns on equity. It is a strategic long-term investor with no predefined exit strategy and has agreed to a four-year lock-in period. The ARC investment in Afrimat is a complement since they invest in businesses able to grow organically or acquisitively and they can enable and accelerate this growth by providing funding where necessary. Following the implementation of the ARC transaction, employees, through the Afrimat BEE Trust, and indirectly through AEI, are beneficially entitled to 4,64% of the issued share capital of the company.

As such, existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 27,1% of Afrimat's issued shares, which is in line with the Mining Charter requirements.

AFRIMAT'S RESPONSE TO THE ECONOMIC ENVIRONMENT

At the time of writing this report, South Africa had received a sovereign downgrade by two rating agencies. This impacts the country and will have an impact on Afrimat. Over the past decade the company has experienced similar shocks requiring a systemic, measured and thoughtful approach to plot the route forward. Management has made good decisions in the past, and I see no reason why this should be any different in the future.

Afrimat has an excellent track record of prudent capital allocation and cash conversion. The business will be vigilant and continue with dedicated cash management and responsible investment practices will be maintained to protect and strengthen our balance sheet. In the current environment, this will once again be paramount to ensure sufficient resources to execute on the strategy. I have no doubt that management will continue to be prudent, agile to opportunities and cautious not to overspend.

The future of Afrimat will be shaped by the strategy and the execution thereof from a management team which is extremely competent in their market knowledge, their ability to develop opportunities and to successfully execute on these.

Afrimat is a larger business today than a decade ago and this means that there are more staff and responsibilities that the company must ensure it is mindful of. I am extremely proud of the solid compliance framework and performance in place, especially as it pertains to the safety and health of our staff. Afrimat remains vigilant towards the environment in which we operate and the broader responsibilities we comply with. This together with due care for our staff is paramount to the group.

Looking forward, it is envisaged that the future is going to be challenging, given current economic and political headwinds. Afrimat is poised to enter a new venture for the company in iron ore, supported by a team with a large amount of expertise in the commodity. Good progress was made in expanding the clinker ash resource base and this will ensure an extended life of mine of the Clinker operation. The aggregates business is on a strong footing and so is the industrial minerals businesses, having been able to target new market segments.

APPRECIATION

Our appreciation is extended to all the employees of Afrimat, without whose dedication and hard work, these results would not be possible.

To my fellow board members, I wish to extend my thanks for their support and guidance over the past year. Our CEO Andries van Heerden has once again steered the company to successes, supported by his competent management team.

To our shareholders, business partners, customers and suppliers; thank you for your support and belief in the values, products and services that Afrimat delivers.

Matie von Wielligh

15 June 2017

Q&A WITH THE CEO

> The Afrimat mantra of **Growth through Diversification** is possible because we are able to identify good resources and then execute on and market the product in a cost-effective manner, all the while ensuring margins, cash conversion and shareholder returns remain strong. Furthermore we go to great lengths to ensure that we remain involved in operations and commodities we know and understand.

Andries van Heerden

Afrimat is known for the delivery of consistent returns and ensured sustainability, what is your view on this?

Our historical achievement of well-timed and executed initiatives and acquisitions have steered the group to ensuring stability, sustainability and shareholder returns. Our view is that our most recent iron ore acquisition is proving to be an equally good acquisition for the group. This diversification is possible because we are able to identify good resources and then, most importantly, execute on and market the product in a cost-effective manner, all the while ensuring margins remain strong.

Across the past year, what are the two achievements that stood out for you?

Firstly, the operational performance of the business especially in the Western Cape and the recovery in performance of Lyttelton. Secondly as a management team, we are pleased with the way various initiatives came together resulting in margin improvement. This improvement came from across the business and across disciplines and included improvements from a financial, operational, management, marketing and human resource perspective. This was the year in which many synergies throughout the business came together.

How did you experience the trading environment and what do you expect this year to hold?

FY2017 was a reasonable year. The market was there for the successful demand and sale of products and this was noticeable in a 24,6% year-on-year growth in profits. Having said this, we do expect a tightening of the market in the year ahead on the back of the sovereign downgrade and political turmoil.

What is your outlook on the current sovereign debt downgrade?

The sovereign downgrade is a reality which further emphasises the importance of reacting to leading indicators timeously whilst maintaining a strong balance sheet. This is something Afrimat has always been vigilant of and in our opinion, the downgrade presents various opportunities to grow and diversify the portfolio even further, but in a considered manner.

Which segment delivered the best growth for the group across the year?

The traditional business has come back and produced results that we are very pleased with and this is on the back of an excellent performance from the traditional businesses based in the Western Cape. We attribute much of this to a focus on our core competence and that is marketing and operational expertise.

What competitive advantage does Afrimat retain in the marketplace?

Across more than a decade of operation, Afrimat has not wavered from knowing what our strengths are and ensuring that these are positioned in such a way so as to ensure that our competitive advantages are maintained. At a strategic level, our assets have high barriers to entry and this has positioned a moat around the business. Our diversification at strategic intervals has ensured sustainability, with our competitive advantage once again heightened by our execution ability and strong marketing ability.

How do you maintain your mantra 'Growth through Diversification'?

We are good at executing open pit mining and have used this core competence and spread it across a wider spectrum of products from aggregates, to industrial minerals and most recently we have introduced bulk commodities in the form of iron ore. We are becoming more of a diversified miner. What we have come to recognise is that we have expertise, ability and methodologies backed by administrative support to be flexible and operate in areas which do not compete with large mining groups, but which has more critical mass than junior miners. We are successful in gathering a strong level of competence in specific product categories and then combining this with our existing ability of low-cost execution to successfully market the products we mine. This provides us with avenues which continually support our diversification drive.

Labour action has been limited. How do you approach staff relations?

Afrimat has a strong value-based culture. A large amount of work, discussions and listening goes into our relationships with staff. Respect is one of our most important values and around this we build and work on a culture of mutual respect across the business. Personally, I travel to the operations on several occasions throughout the year where I can engage and talk to our people. This is hugely important not only to me, to ensure that our 'Afrimat Way' is inculcated across the organisation, but also so that any potential issues can quickly be addressed and resolved.

What is the latest development with the iron ore project?

I am proud to report that, under management agreement, we have already begun to turn the business around and want to start ramping up production in July 2017. On the operational side, we are repairing the plant and getting it back into production where we have recommissioned certain equipment and repaired plant which has required such. The business rescue process is making good progress and no major costs have been incurred which we were not expecting. Energy is being focused towards initiatives to find the optimum marketing strategy.

Did the growth strategy at Cape Lime contribute to the expected results?

Cape Lime delivered a good performance for the year. We implemented a growth strategy which we continue to expand on. Marketing efforts have shown growth in the market which we are extremely pleased with.

What is the Afrimat stance on operating safely?

It is an absolute imperative in the business that no harm comes to the people working across our businesses and neither to the environment. Our focus in communicating, educating and maintaining this is very strong. Each year, I am proud of the progress we make on this drive, holistically.

Given economic challenges, how will you drive strategy across the business for the coming year?

Firstly, given our diversification strategy and drive for sustainability, we need to ensure that we continue the progress made in the iron ore operation to ensure it contributes fully to Afrimat over the coming year. Secondly in the industrial minerals market, we focus on import replacement opportunities. Thirdly there will be a strong focus on day-to-day performance of the business. Our constantly improving information systems are providing us with information that cuts reaction time which combines with our executing ability to ensure that we remain nimble.

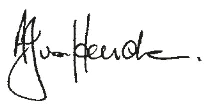
A WORD OF THANKS AND APPRECIATION

The accolades and achievements would not be possible were it not for the people who make up Afrimat. To all our staff, near and far, I would like to extend my appreciation to each one of you for the effort and difference you continue to make in Afrimat.

To the board members, I extend my gratitude for your guidance and support.

The management team has been incredible with opportunities uncovered and markets identified. This together with client service ensures that Afrimat remains ahead of the competition.

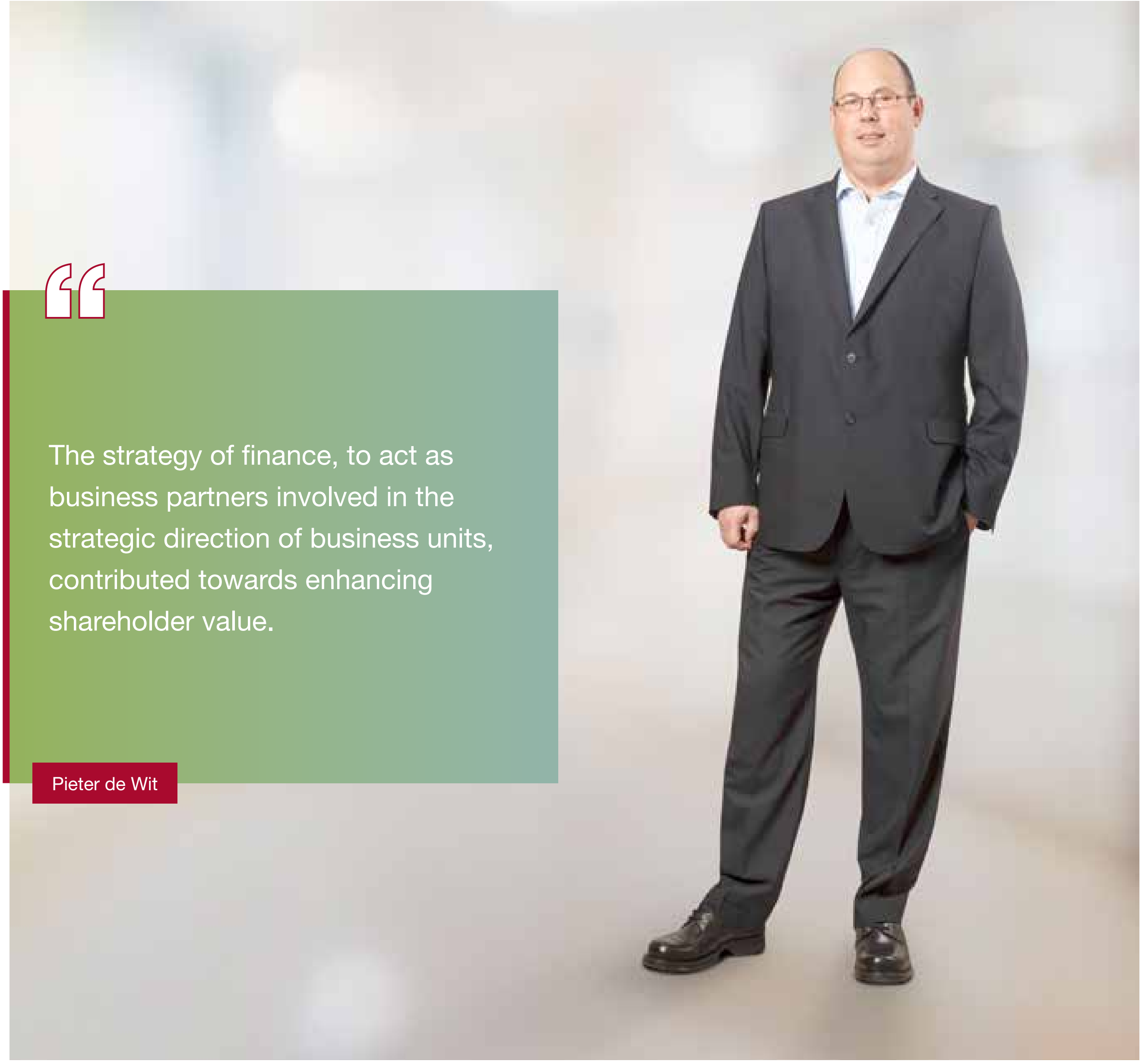
To our shareholders and all other stakeholders, your continued support of Afrimat is appreciated and we strive to ensure that we meet your expectations.



Andries van Heerden

15 June 2017

CFO'S REPORT



> The strategy of finance, to act as business partners involved in the strategic direction of business units, contributed towards enhancing shareholder value.
>
> Pieter de Wit

INTRODUCTION

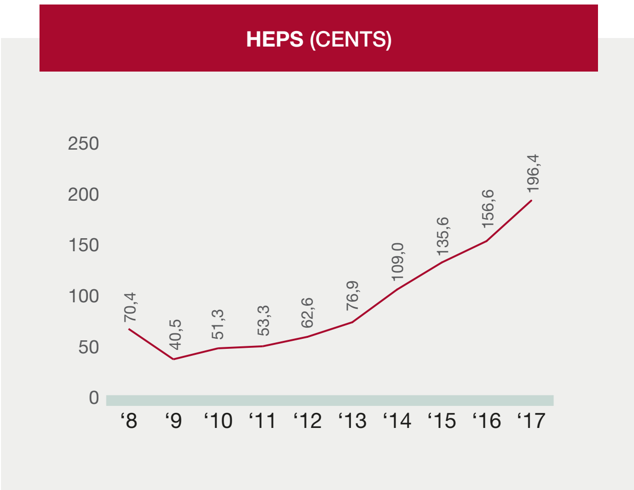
The focus of the finance role within Afrimat for FY2017 was to add shareholder value through successfully adapting the way finance was viewed from primarily being accountants in the early days of Afrimat, to now being business partners involved in the strategic direction of each business unit.

To achieve this, we successfully accelerated our monthly reporting deadline, accelerated our Accpac ERP implementation, installed a standard operational income statement and eliminated a large component of manual work and Excel spreadsheets.

This CFO's report provides background information to some of the most pertinent movements in the financial statements. This report should be read in conjunction with the necessary notes to the financial statements.

OVERVIEW OF THE FINANCIAL PERFORMANCE OF THE BUSINESS

Headline earnings per share increased by 25,4% from 156,6 cents to 196,4 cents per share which is a continuation of the group's exceptional growth achieved since listing (see graph on page 25, which shows the growth trajectory). The improvement in earnings resulted from a strong performance of the mineral producing operations across all regions. We once again managed to improve the operating margin from 16,3% to 18,2% through an efficiency improvement drive and managed to generate R406,0 million in cash from normal operations. This translates into an excellent cash conversion ratio of 1,46. Afrimat will continue to focus on the operating margin and ensure that cash generation remains the key focus of our business.



ANALYTICAL REVIEW OF THE FINANCIAL RESULTS

Statement of profit or loss and other comprehensive income

Revenue for the group grew by 13,1% to break through R2 billion for the first time in the group's history. The main reason for the growth is the inclusion of R149,5 million from Cape Lime. The increase in revenue, excluding Cape Lime, equated to 5,5% which is primarily as a result of pricing as volumes remained flat year-on-year.

The group's operating profit increased by 26,9% to R406,6 million. This was made up from contributions of the group's business units as follows: traditional business (42%), Clinker Group (23%), Glen Douglas (18%), Infrasors (10%) and Cape Lime (7%). The main drivers of the profitability are the continued focus on infrastructure spend by government and the demand for industrial minerals especially from the steel industry.

The effective tax rate of the group increased from 28,9% in FY2016 to 30,5% in FY2017 mainly due to the Mozambique operations being taxed on 32,0% prior to foreign exchange variances.

The quality of the group's earnings is exceptional and includes no material once-off items.

Statement of financial position

Afrimat's board remains conservative regarding balance sheet gearing and has set a limit of 25% in its net debt to equity ratio. The current net debt to equity ratio is 19,8% which is within the board's target, but is materially higher than the 3,5% of FY2016. The main reason for this increase was the utilisation of the group's overdraft facility to fund the DIRO transaction.

Other material changes in the balance sheet are the inclusion of Cape Lime and Wearne's Bethlehem business acquisitions. Both included mining assets to the value of R221,7 million. Funding provided to DIRO of R239,5 million is included in other financial assets. The BEE Trust was converted to an Employee Share Benefit Scheme (as contemplated by the Codes) and the shares held by the trust are now treated as treasury shares and the amount owed to participants after the ARC deal is included in other financial liabilities.

Afrimat values the support of its shareholders and has managed to consistently pay dividends since the company's listing in 2006. A dividend policy of 2,75 times dividend cover is in place. Afrimat's policy is to maintain this dividend cover going forward.

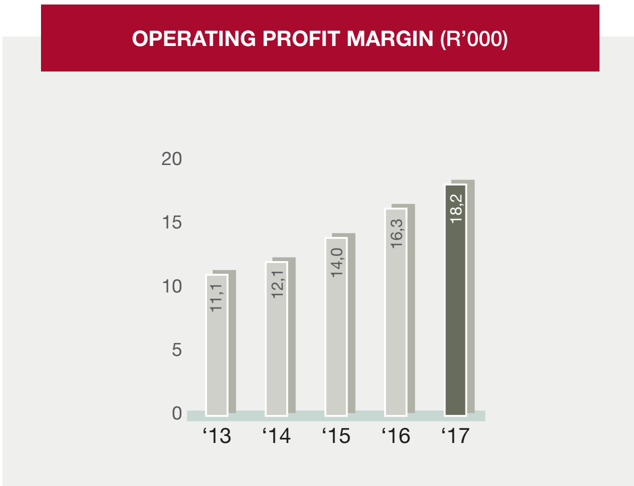
Statement of cash flows

Cash generation has and will remain a key focus for Afrimat as cash is the life blood of the business, without which the business will not survive.

Afrimat has once again managed to achieve an exceptional cash conversion ratio of 1,46 and generated R406,0 million cash from its normal operations. We are extremely proud of the group's cash generation since its listing in 2006, which is depicted in the graph on page 1. Cash balances of the group decreased by R104,2 million during the financial year due to the utilisation of the overdraft facility to fund the DIRO transaction. The overdraft facility will be replaced with a R200,0 million five-year medium term loan funded by FirstRand Bank Limited and Standard Bank of South Africa Limited after year-end.

Ratios

Afrimat is extremely proud of the improvement in our operating margin which reached 18,2% this financial year, as a result of the efficiency drive, cost reduction initiatives and the disposal of a marginal business. The graph below depicts the improvement in the operating margin since Afrimat began these initiatives.



CFO'S REPORT (continued)

A further ratio that takes pride is the group's RONA which reached 32,5% in the current year, which is testament of the value unlocked for shareholders.

It is a key focus area for management to ensure that returns on capital investments are made, with a targeted return on investments of at least 20%.

The group has three covenants in place for bank financing and these are (i) debt service cover ratio, (ii) interest cover and (iii) debt/EBITDA ratio. At the end of FY2017 the group was well within these covenants.

SIGNIFICANT EVENTS AND TRANSACTIONS WHICH OCCURRED DURING THE YEAR

Below is a list of significant events and transactions which occurred during the financial year:

- The Cape Lime acquisition became unconditional following regulatory approval, effective 31 March 2016. The integration of Cape Lime is progressing well and new marketing initiatives are under way to enhance, develop and explore additional markets for their products;
- ARC successfully purchased 26,3 million shares in Afrimat from the participants of the BEE Scheme through AEI, which equates to 18,36% of the share capital in Afrimat. This transaction unlocked significant value for the participants of the Afrimat BEE Trust of which the majority received their benefits in February 2017. ARC is a black-owned and controlled investment company and a strategic long-term investor with no predefined exit strategy;
- Following the ARC transaction, the beneficiaries under the previous BEE Scheme received their respective consideration net of any liabilities, and ceased to be participants under the previous BEE scheme. All the funding associated with the Afrimat shares was settled, and the Trust now holds (indirectly through AEI) on an unencumbered basis, 6 653 854 shares representing 4,64% of the issued share capital of the company. The BEE Trust scheme was revised to facilitate the participation of qualifying employees who may otherwise not have been able to become beneficiaries under the previous scheme. The new scheme enables Afrimat to further its long-term BEE objectives, and facilitates Afrimat's compliance with the BEE requirements;
- Given Afrimat's track record in turning struggling businesses around and to supplement and support our growth strategy, Afrimat entered the iron ore sector. Afrimat concluded an agreement to purchase 60% of DIRO as well as a cession and delegation agreement with Investec Limited to purchase all its security. Prior to Afrimat's acquisition, DIRO's operations were halted as a consequence of it being under financial distress and was accordingly put into formal business rescue on 7 June 2016. The aggregate purchase consideration payable for the acquisition of DIRO is R276,0 million. The acquisition will complement and augment Afrimat's product offering and further expand its footprint across South Africa. It will further provide Afrimat with currency exposure and a Rand hedge. The Section 11 approval from the DMR is still outstanding and therefore the current investment, paid to date, is treated as loan funding at year-end. Good progress is being made with the recommissioning of DIRO.

SIGNIFICANT ACCOUNTING ESTIMATES, RELIANCE ON EXTERNAL PARTIES/EXPERTS, CRITICAL JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

The significant accounting judgements and estimates used in the compilation of the annual financial statements are disclosed in note 1.22 to the annual financial statements. The only significant use of external experts is with the determination of the decommissioning and rehabilitation provisions. Quantifying the future costs of these obligations is complex and requires various estimates. The guidelines issued by the DMR have been used to estimate future rehabilitation costs and external experts are used every three years to confirm and revalue these obligations. Management reviews these obligations annually.

PROVISIONS AND CONTINGENCIES

The only provisions included in the annual financial statements are the provisions for decommissioning and rehabilitation as discussed in the preceding paragraph. Apart from these provisions, the group has provided guarantees to the value of R123,7 million in respect of environmental rehabilitation, which will only be payable in the event of default by the group.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk management processes are entrenched across the entire business and risks are carefully managed. For detail on the risk management process, combined assurance model and internal control framework see page 42 of this integrated annual report. Management has considered the risks involved in the business, the size of the business and the nature of transactions and is satisfied that the internal controls in place are adequate to address the key risks in the business. During the year under review there were no material breakdowns in internal control, but various non-material theft of products, assets and stock occurred in areas of the business. These cases were properly investigated and corrective measures implemented. The group experienced an increase in attempted cyber threats, hacking and cyber fraud during the year, which were all successfully averted.

GOING CONCERN

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

BEE SCORECARD AND PROCESS

The group's current strategy is to obtain BEE rating certificates for each individual operating subsidiary. The group's target is to achieve a minimum of a level 4 for each subsidiary. Most of the subsidiaries are already at a level 4, based on the new BEE codes.

The integration of Cape Lime is progressing well and new marketing initiatives are underway to enhance, develop and explore additional markets for their products.

Pieter de Wit

Please see the subsidiary's individual B-BBEE ratings on page 50. Only four subsidiaries have not achieved a level 4 score. For these subsidiaries, there are measurable action plans in place to improve their future scores.

At group level Afrimat has initiated a process to report a consolidated group BEE level in the future. The company will submit its compliance report to the Commission within 30 days of the approval of its audited annual financial statements and annual report.

INVESTMENT IN EQUIPMENT, TECHNOLOGY AND INFRASTRUCTURE

Afrimat has made a significant investment in technology and infrastructure for the year under review. We have improved our disaster recovery server, invested in a new main server and upgraded our cyber security software. We are also in the process of migrating our data network to a Multiprotocol Label Switching platform and are continuously investigating ways to improve the speed of our network.

CONCLUSION

This is the first CFO report and it will continue to feature in all Afrimat integrated annual reports going forward. Afrimat is extremely proud of the calibre in which it controls, monitors and interrogates its financial standing. The company will continue to be prudent in capital allocation and ensure cash conversion remains strong. This is in order to easily capitalise on opportunities which present themselves as well as to ensure a constant dividend stream.

Pieter de Wit

15 June 2017

OPERATIONAL REVIEWS

AGGREGATES AND INDUSTRIAL MINERALS

HIGHLIGHTS FY2017

- Strong performance from industrial minerals division
- Excellent performance from the traditional businesses based in the Western Cape
- Operational efficiency improvement initiatives delivering improved margins
- Rationalisation of sales to less profitable markets
- Recovery in performance of Lyttelton, after the closure of Highveld Steel
- Expansion of the Clinker resource base
- Integration of Cape Lime progressing well with new marketing initiatives under way
- Disposal of marginal business, including those of Randfontein and Blue Platinum

KEY DISTINGUISHING FEATURES

- Quality geological resources
- 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)

REVIEW OF FY2017

Financial performance

	Audited February 2017	Audited February 2016	% change
Revenue (R'000)	**1 553 285**	1 409 937	10,2
Contributions from operations (R'000)	**374 986**	281 838	33,1
Contributions from operations margin (%)	**24,1**	20,0	
Capital expenditure (R'000)	**106 234**	105 880	
Headcount	**1 406**	1 347	

The **Aggregates and Industrial Minerals** segment generated satisfactory results on the back of an improved contribution from the traditional aggregates business. In the prior year, Infrasors was impacted by the closure of Highveld Steel. New initiatives were launched, the Lyttelton operations restructured and new market segments targeted, which in combination, restored the profitability of the Infrasors business.

Clinker Supplies Proprietary Limited, a subsidiary that focuses on the reclamation of marketable waste products, such as clinker ash, is making good progress in expanding its resource base.

In line with Afrimat's strategy to diversify, new greenfield projects were initiated in Mpumalanga and KwaZulu-Natal. Furthermore, the Bethlehem quarry and ancillary businesses of Wearne were acquired. The Bethlehem business reported a loss for the year as a result of additional maintenance in order to improve the reliability of the acquired plant and to regain lost market share.

The profits generated in the Mozambican operations were eroded with the deterioration of the local currency. These businesses remain well situated to benefit from the planned infrastructure and industrial projects as soon as these commence.

All operating units are strategically positioned to deliver excellent service to the group's customers. In respect of aggregates, Afrimat offers flexible services, which are supplemented by mobile mining and crushing capability together with the relevant equipment.

CONCRETE BASED PRODUCTS (INCLUDING READYMIX)

HIGHLIGHTS FY2017

- Cost reduction initiatives successfully introduced
- Successful market penetration
- Ongoing turnaround strategy in place at the KwaZulu-Natal operations

KEY DISTINGUISHING FEATURES

- Wide product range
- Brick and block products carry the SABS seal of approval
- Readymix products meet SARMA standards
- Flexible customised solutions for individual customer needs

REVIEW OF FY2017

Financial performance

	Audited February 2017	Audited February 2016	% change
Revenue (R'000)	**674 872**	559 849	20,5
Contributions from operations (R'000)	**39 238**	40 878	(4,0)
Contributions from operations margin (%)	**5,8**	7,3	
Capital expenditure (R'000)	**17 037**	23 411	
Headcount	**822**	847	

The **Concrete Based Products** segment was impacted by difficult market conditions. Management is focusing on initiatives to reduce costs and to increase market share.

The business experienced a year of labour stability as a result of various human resource interventions to create an amicable, mutually beneficial climate. The group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively.

OTHER

HIGHLIGHTS FY2017

- Acceleration of the rollout of enterprise resource planning financial software
- Group sustainability function ensured a high compliance standard
- Dedicated new business development team ensures new business opportunities are investigated for sustainable growth
- Improvement of internal audit efficiency and migration through the implementation of an approved analytical tool to assist with internal audit function
- Group shared services function geared to support growth
- Establishment of a well-equipped workshop infrastructure
- Establishment of an employee benefit scheme through the Afrimat BEE Trust
- Significant investment in technology and infrastructure

REVIEW OF FY2017

Financial performance

	Audited February 2017	Audited February 2016	% change
Contributions from operations (R'000)*	**(8 623)**	(1 028)	(738,8)
Capital expenditure (R'000)**	**11 250**	1 973	
Headcount	**70**	63	

* *Includes a loss incurred by Afrimat Iron Ore Proprietary Limited. This entity will be reclassified to the 'Commodities' segment in FY2018 when iron ore production commences.*

** *Includes investment towards IT technology.*

FIVE-YEAR REVIEW

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Financial results and status					
Revenue	**2 228 157**	1 969 786	1 998 600	1 901 187	1 337 585
Aggregates and Industrial Minerals	**1 553 285**	1 409 937	1 422 305	1 346 029	846 388
Concrete Based Products	**674 872**	559 849	576 295	555 158	491 197
Revenue split					
Aggregates and Industrial Minerals	**69,71%**	71,58%	71,17%	70,80%	63,28%
Concrete Based Products	**30,29%**	28,42%	28,83%	29,20%	36,72%
Contribution from operations	**405 601**	321 688	273 749	228 272	152 482
Aggregates and Industrial Minerals	**374 986**	281 838	220 255	195 235	117 480
Concrete Based Products	**39 238**	40 878	55 051	30 409	37 291
Unsegmental	**(8 623)**	(1 028)	(1 557)	2 628	(2 289)
Operating profit	**406 595**	320 388	280 047	229 698	147 834
Aggregates and Industrial Minerals	**371 937**	280 538	226 553	196 661	117 577
Concrete Based Products	**39 238**	40 878	55 051	30 409	37 291
Unsegmental	**(4 580)**	(1 028)	(1 557)	2 628	(7 034)
Profit after tax	**279 394**	224 192	200 342	162 965	103 777
Headline earnings	**278 296**	222 755	193 282	155 416	109 878
Net operating assets	**1 252 305**	986 455	965 891	920 053	757 666
Total assets	**2 266 325**	1 647 706	1 567 671	1 479 417	1 201 263
Total equity	**1 206 919**	1 025 086	949 437	837 963	761 852
Total liabilities	**1 059 406**	622 620	618 234	641 454	439 411
Net cash from operating activities	**406 046**	320 339	261 646	243 860	169 764
Number of ordinary shares in issue	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares	**7 188**	1 919	506	1 049	204
Net number of ordinary shares in issue	**136 074**	141 344	142 757	142 214	143 058
Weighted number of ordinary shares in issue	**141 713**	142 240	142 524	142 620	142 867
Profitability ratios					
Contribution from operations margin					
Aggregates and Industrial Minerals	**24,14%**	19,99%	15,49%	14,50%	13,88%
Concrete Based Products	**5,81%**	7,30%	9,55%	5,48%	7,59%
Total	**18,20%**	16,33%	13,70%	12,01%	11,40%
Operating profit margin					
Aggregates and Industrial Minerals	**23,95%**	19,90%	15,93%	14,61%	13,89%
Concrete Based Products	**5,81%**	7,30%	9,55%	5,48%	7,59%
Total	**18,25%**	16,27%	14,01%	12,08%	11,05%
Earnings per ordinary share (cents)	**196,0**	156,2	139,0	108,3	72,1
Headline earnings per share (cents)	**196,4**	156,6	135,6	109,0	76,9
Dividends declared (cents)					
Interim	**20,0**	16,0	13,0	11,0	8,0
Final	**50,0**	41,0	37,0	28,0	20,0
Total	**70,0**	57,0	50,0	39,0	28,0

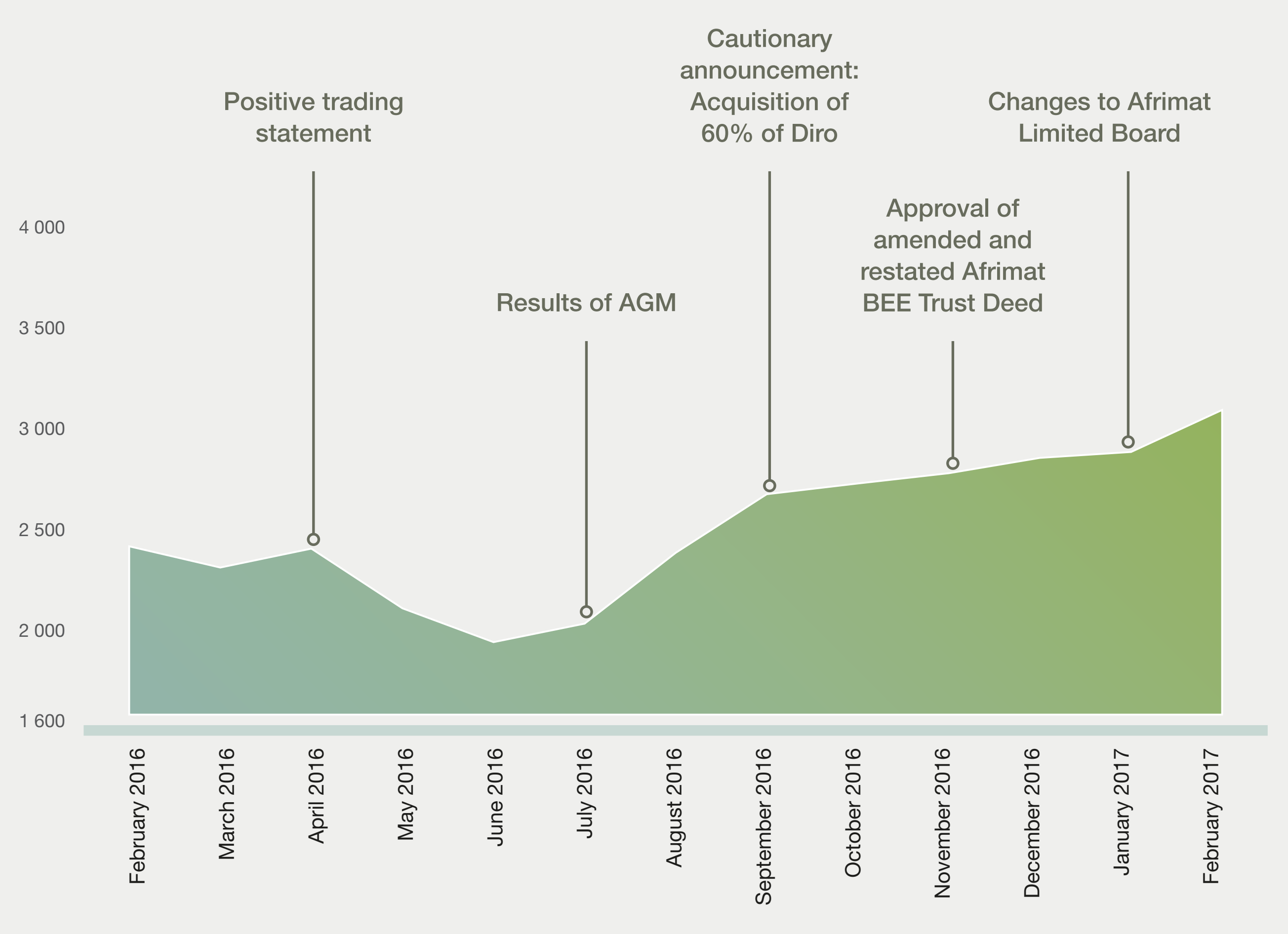
	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
PBIT return on net operating assets/liabilities	**32,47%**	32,48%	28,99%	24,97%	19,51%
Return on shareholders' funds	**23,06%**	21,73%	20,36%	18,55%	14,42%
Utilisation of assets ratios					
Revenue:fixed assets ratio	**2,11**	2,58	2,75	2,86	2,66
Revenue:net operating assets ratio	**1,78**	2,00	2,07	2,07	1,78
Net asset value per share (cents)	**881**	720	656	579	530
Tangible net asset value per share (cents)	**773**	615	549	470	422
Capital expenditures					
Aggregates and Industrial Minerals	**106 234**	105 880	136 144	99 039	58 930
Concrete Based Products	**17 037**	23 411	19 138	20 376	22 150
Unallocated	**11 250**	1 973	7 185	1 911	1 854
	134 521	131 264	162 468	121 326	82 934
Liquidity and solvency ratios					
Current assets:current liabilities	**0,99**	1,42	1,29	1,30	1,59
Debt/overdraft less cash:equity	**19,81%**	3,47%	10,23%	15,53%	4,67%
Total liabilities:shareholders funds	**87,78%**	60,74%	65,12%	76,55%	57,68%
Dividend cover (based on headline earnings)	**2,78**	2,73	2,80	2,78	2,74
Interest cover	**35,34**	27,13	21,31	14,58	18,38
Productivity, efficiencies and consumption					
Number employees at year-end	**2 298**	2 257	2 220	2 381	2 085
Revenue per weighted number of employees	**970**	873	900	798	656
Depreciation	**98 628**	79 585	74 048	93 920	55 450
Amortisation of intangible assets	**2 003**	2 296	2 562	2 981	2 437
	100 631	81 881	76 609	96 902	57 887
Electricity usage	**71 755**	60 936	53 373	50 663	27 903
Fuel usage	**107 297**	112 679	143 405	151 221	110 327
– Average fuel price (Western Cape) (Rand/litre)	**11,80**	11,76	12,45	12,29	10,82
Cement usage	**174 955**	133 700	153 243	190 359	174 147
Disabling injuries frequency rate	**1,04**	0,77	1,03	1,44	2,15

SHARE PERFORMANCE

for the year ended 28 February 2017

	2017	2016	2015	2014	2013
Number of ordinary shares in issue	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares	**7 188**	1 919	506	1 049	204
Net number of ordinary shares in issue	**136 074**	141 344	142 757	142 214	143 058
Weighted number of ordinary shares in issue	**141 713**	142 240	142 524	142 620	142 867
Headline earnings per share (cents)	**196,4**	156,6	135,6	109,0	76,9
Price:earnings ratio	**15,5**	15,3	12,2	11,8	11,0
Market price per share at date of listing (7 November 2006 – issue price 500 cents)					
Market price per share at year-end (cents)	**3050**	2401	1655	1289	844
Market capitalisation based on issued shares (Rand)	**4 369 504**	3 439 731	2 370 993	1 846 652	1 209 135
Market capitalisation based on issued shares less treasury shares (Rand)	**4 150 280**	3 393 661	2 362 621	1 833 135	1 207 411

SHARE PRICE (CENTS)



04

GOVERNANCE, SUSTAINABILITY AND PEOPLE

CONTRACTING INTERNATIONAL

Crushing and screening | Drilling and blasting

CORPORATE GOVERNANCE

The Afrimat board takes responsibility for the holistic application of the principles contained in King III, without diluting the group's focus on sustainable performance. Where the board has deemed that recommended practices are not appropriate for Afrimat, we follow King III in explaining the reasons for our alternative approach.

EXCEPTIONS

Area of non-compliance	Explanation of non-compliance
All members of the Audit & Risk Committee should be independent non-executive directors – presently only 80% are independent.	The current size and composition of the board is considered appropriate for the size of the company. In addition, the non-executive directors have demonstrated the ability to act independently.
The Chairman of the board should not be the Chairman of or member of the Audit & Risk Committee – Chairman of the board is presently a member.	A JSE governance guidance letter allows the board Chairman to be a member of the Audit & Risk Committee. In line with this and to address the shortage of independent non-executive directors, the Chairman of the board is a member of the Audit & Risk Committee. Hendrik JE van Wyk is the Chairman of the committee. If the company's independent non-executive board Chairman is a member of the Audit & Risk Committee, all other members of the Audit & Risk Committee must be independent non-executive directors. See above for further explanation to this exception.
Non-executive fees should comprise a base fee as well as an attendance fee per meeting	The remuneration of non-executive directors is paid monthly. The non-executive directors are therefore not paid board attendance fees, as was historically the case in the past, 100% attendance of meetings is evident.

(The full King III register of compliance is available at www.afrimat.co.za.)

Due to significant corporate governance and regulatory developments, King IV has been introduced (for adoption in FY2018) to further enhance the governance structure in South Africa. The board appreciates all governance codes assisting companies with further value creation to stakeholders without adding cumbersome compliance requirements.

OUR BOARD

See our governance structure on page 38.

The Afrimat 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. The board will delegate certain of its functions to well-structured committees without abdicating its own responsibilities. 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.)

The Remuneration & Nominations Committee ensures that there is proper succession planning for the board. Director appointments are made by the board in a formal and transparent manner and are ratified at the following AGM.

Directors appointed by the board between AGM, to fill a casual vacancy, hold office only until the next AGM and are eligible for election. They are not included in the number of directors who retire by rotation. Johannes HP van der Merwe and Helmut N Pool were appointed as independent non-executive board members with effect from 1 March 2017. Johannes HP van der Merwe was appointed as nominee director as a result of ARC's shareholding in the company.

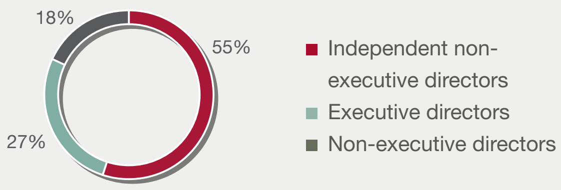
To improve the effectiveness of the directors and to understand the company's business, the Afrimat directors scheduled key company site visits during the year. These included visits to the Lyttelton, Glen Douglas and the DIRO operations. These visits are vital in order to provide context to any board deliberations.

Board composition

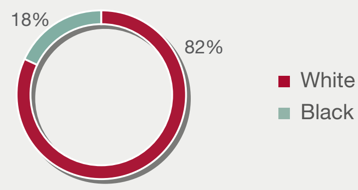
Afrimat has a unitary board of 11 members, with a balance of skills and experience. The board consists of a majority of non-executive directors, of whom the majority are independent.

A brief curriculum vitae in respect of the board members appear on page 41 of the integrated report.

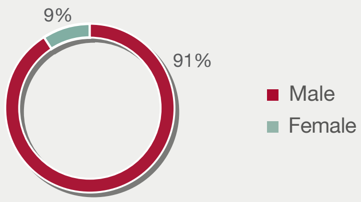
MIX OF DIRECTORS



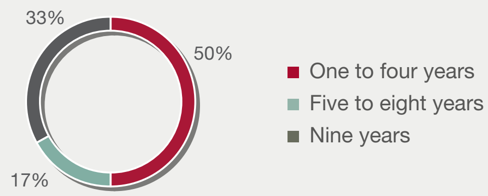
DIVERSITY



GENDER



INDEPENDENT NON-EXECUTIVE DIRECTORS: LENGTH OF SERVICE



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, particularly gender diversity is aligned with that of the 2013 Codes of Good Practice of the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended, namely:

- 25% exercisable voting rights of black female directors as a percentage of all directors; and
- 25% black executive female directors as a percentage of all executive directors.

Independence

Afrimat believes that there are a sufficient number of independent non-executive directors on the board of directors to create a suitable balance of power and prevent the dominance of the board by one individual or by a small number of individuals.

The classification of independent non-executive directors is determined by the board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King III. King III suggests that any independent non-executive director serving more than nine years should be subjected to a rigorous review of his/her independence and performance by the board. During the prior year, the board concluded that Marthinus W von Wielligh and Hendrik JE van Wyk, serving more than nine years, were independent in character and their judgement was not impaired by their length of service. A rigorous review of independence will be performed on Phuti RE Tsukudu in FY2019.

CORPORATE GOVERNANCE (continued)

Succession

The board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. Successions are planned well in advance, so that newly appointed individuals have an opportunity to learn about their new role before the actual succession occurs. The company strives to improve its talent pool and reports back to the directors on a quarterly basis by tabling the current talent pool and their development needs.

Annual performance evaluation

The performance of the board, Chairman and all board committees are reviewed annually by the directors. The FY2017 evaluation indicated an adequate discharge of responsibilities. The directors believe that the board is well balanced with the relevant skills and knowledge to make a valuable contribution to the group.

Board and executive relationship

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.

BOARD COMMITTEES

Afrimat has an established Audit & Risk Committee, Remuneration & Nominations Committee and Social, Ethics & Sustainability Committee to assist the board in discharging its collective responsibility of corporate governance. The committees as established by the board have formal charters which are approved and annually reviewed by the board. EXCO further assists the board in this regard in the context of day-to-day operations. All committees have satisfied their responsibilities during the year in compliance with their formal charters. (All Afrimat's committee charters are available at www.afrimat.co.za.)

There is full disclosure from board committees to the board. Committee chairmen provide the board with a verbal report on recent committee activities at each board meeting, and the minutes of committee meetings are available to the directors in support thereof. Board members receive packs for each committee meeting held. In addition, the chairmen or a nominated committee member attend the company's AGM to answer any questions from stakeholders pertaining to the relevant matters handled by their respective committees. Committee effectiveness evaluations are conducted annually. Findings and recommendations are presented to the board, which tables an action list to address any areas marked for improvement.

(See committee reports on pages 48, 58 and 63.)

Board and board committee meetings

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

Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Gert J Coffee	4/4			2/2	
Loyiso Dotwana*>	4/4	4/4	3/3	2/2	4/4
Francois du Toit*	4/4				4/4
Phuti RE Tsukudu•◊	4/4	4/4	3/3	2/2	4/4
Andries J van Heerden (CEO)	4/4	4/4+	3/3+	2/2	
Jacobus F van der Merwe•	4/4	4/4			4/4
Hendrik JE van Wyk•#	4/4	4/4			4/4
Pieter GS de Wit (CFO) *Appointed 1 March 2016*	4/4	4/4+	3/3+	2/2+	
Marthinus W von Wielligh (Chairman)•■	4/4	4/4	3/3	2/2	4/4
Johan HP van der Merwe• *Appointed 1 March 2017*	1/1				1/1
Helmut N Pool• *Appointed 1 March 2017*	1/1				1/1
Meeting attendance 2017 (%)	**100**	**100**	**100**	**100**	**100**
Meeting attendance 2016 (%)	100	100	100	100	100

** Non-executive*
• Independent non-executive
 # Audit & Risk Committee Chairman
■ Nominations Committee Chairman
◊ Remuneration Committee Chairman
> Social, Ethics & Sustainability Committee Chairman
+ Invitee

The group's memorandum of incorporation provides for one-third of the non-executive directors to retire by rotation after a three-year term of office. Accordingly, Hendrik JE van Wyk, Jacobus F van der Merwe and Loyiso Dotwana will retire at the upcoming AGM and, being eligible, will stand for re-election. Johan HP van der Merwe and Helmut N Pool were appointed to the board during the year and will retire at the upcoming AGM and, being eligible, will stand for re-election.

Share dealings and conflicts of interest

Directors (including those of subsidiaries) are required to disclose their shareholdings, additional directorships and any potential conflicts of interest as well as any share dealings in the company's securities to the internal Share Dealing Committee, consisting of the CFO, company secretary and general manager: human resources, for approval. Non-executive directors are required to authorise the Chairman's share dealings prior to implementation. The company secretary, together with the sponsor and CFO, ensures publication of share dealings on SENS. The company adheres to closed periods in compliance with legislation, during which time directors, officers and designated persons are precluded from dealing in company securities.

Independent advice

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.

Company secretary

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

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

GOVERNANCE STRUCTURE

STATEMENT OF COMPLIANCE

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

BOARD

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

Executive directors	Non-executive directors	Independent non-executive directors
▪ Andries J van Heerden (CEO) ▪ Pieter GS de Wit (CFO) ▪ Gert J Coffee	▪ Francois du Toit ▪ Loyiso Dotwana	▪ Marthinus W von Wielligh (Chairman) ▪ Phuti RE Tsukudu ▪ Jacobus F van der Merwe ▪ Hendrik JE van Wyk ▪ Johan 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	Strategic Committee	Management Committee
(for further information see page 63)	(for further information see page 58)	(for further information see page 48)		
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the group.	Assists the board with the development and administration of the remuneration policy. Regularly reviews the structure, size and composition (including diversity) of the board and makes recommendations to the board if appropriate.	Monitors and reviews the group's safety, health and environmental activities, labour practices and the company's approach to transformation.	Assists the CEO in devising a strategic plan with outcome-orientated goals and objectives.	Assists the CEO with implementation of strategies and operational matters
▪ Hendrik JE van Wyk (Chairman) ▪ Loyiso Dotwana ▪ Phuti RE Tsukudu ▪ Jacobus F van der Merwe ▪ Marthinus W von Wielligh	▪ Marthinus W von Wielligh (Chairman: Nominations committee) ▪ Phuti RE Tsukudu (Chairman: Remuneration committee) ▪ Loyiso Dotwana	▪ Loyiso Dotwana (Chairman) ▪ Gert J Coffee ▪ Phuti RE Tsukudu ▪ Andries J van Heerden ▪ Marthinus W von Wielligh	▪ Andries J van Heerden (Chairman) ▪ Pieter GS de Wit ▪ Gert Coffee ▪ Grant Dreyer ▪ Louis R Loubser ▪ Marthinus G Odendaal ▪ Carl P Malan ▪ Davin V Giles	▪ Executive directors ▪ Regional directors ▪ Various departmental, regional and operational heads
Number of independent director members				
4	2	2		
Number of meetings per year				
4	3	2	4	4
Self-evaluation completed				
Yes	Yes	Yes		

ETHICAL LEADERSHIP

The board strives to ensure that the group conducts its business with integrity and leads by example. This commitment is formalised in a Code of Conduct (available at www.afrimat.co.za) which applies beyond the board to all employees of the group. The Code is designed to provide guidance as to ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, and the appropriate corrective measures to enforce these policies.

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.

The Code sets out the group's values and practices over and above requirements of formal governance codes and legal requirements such as the King III 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 ethics performance is assessed, monitored, reported and disclosed. It reviews cases of conflicts of interest, misconduct or fraud, or any other unethical activity engaged in by employees or the company. Further the committee reviews the Code annually and recommends it to the board for approval.

DIRECTORATE

1 *Francois du Toit*
2 *Gert Coffee*
3 *Loyiso Dotwana*
4 *Johan van der Merwe*
5 *Phuti Tsukudu*
6 *Matie von Wielligh*
7 *Andries van Heerden*
8 *Helmut Pool*
9 *Pieter de Wit*
10 *Hennie van Wyk*
11 *Derick van der Merwe*

EXECUTIVE DIRECTORS

7. Andries J van Heerden (51) *CEO*
BEng (Mech), MBA (University of Stellenbosch), Government Certificate of Competence

Andries has extensive experience in operational management, strategic positioning, marketing and finance. During 2001, he joined the Prima Klipbrekers group as a director and became managing director two years later. He left Prima in 2005 and formed a consortium which acquired the Lancaster group, of which he became chief executive. He was instrumental in 2006 in the formation and listing of Afrimat from the merger of Prima and Lancaster. Andries was a finalist in the 2008 Ernst & Young World Entrepreneur Awards in the category 'Emerging Entrepreneur'.

9. Pieter GS de Wit (43) *CFO*
BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax (Unisa), MBA (Cum Laude) (University of Stellenbosch)

Pieter was appointed as CFO from 1 March 2016. Prior to his appointment he was the regional director of the group's KwaZulu-Natal and Free State operations where he was responsible for the strategic repositioning of these businesses since 1 October 2013. He also held various other leadership roles in Afrimat since joining the group in 2008, including company secretary and chief audit executive. He qualified as a chartered accountant in 2002 and worked at PricewaterhouseCoopers Inc. for 16 years prior to joining Afrimat. Pieter has been nominated as a finalist of the 2017 CFO Awards hosted by CFO South Africa.

2. Gert J Coffee (66) *Head of Operational Efficiency*
BSc BEng Mechanical (Industrial)

Gert, a registered professional engineer, has spent the past 37 years in the civil construction and materials supply industries in various executive management capacities. He joined Afrimat in January 2010.

NON-EXECUTIVE DIRECTORS

3. Loyiso Dotwana (53)
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 Port Elizabeth. 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.

1. Francois du Toit (70)
Francois joined Prima Klipbrekers as managing director in 1967 and helped establish the Prima group 12 years later, where he remained as managing director until 2003 and then as Chairman until his retirement in 2009.

INDEPENDENT NON-EXECUTIVE DIRECTORS

6. Marthinus (Matie) W von Wielligh (65) *Chairman*
BSc (Mech Eng) (University of Pretoria), MBA (University of Stellenbosch), 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 and Kumba Resources, 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.

5. Phuti RE Tsukudu (63)
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 over 25 years' experience as an independent consultant and over 10 years as a community development practitioner working in the development and education arena. She continues to hold a number of board positions.

10. Hendrik (Hennie) JE van Wyk (73)
BCom (Hons), CA(SA)

Hennie qualified as a chartered accountant in 1975 with Brink Roos & Du Toit, where he became partner three years later. In 1987, he was appointed lead partner in the Cape Town office of Theron du Toit and in 1990 lead partner of Coopers & Lybrand at the time of the merger with Theron du Toit. In 1998, he became managing partner of PricewaterhouseCoopers (Western Cape), a position that he held until his retirement.

11. Jacobus (Derick) F van der Merwe (63)
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.

4. Johannes (Johan) HP van der Merwe (52)
CA(SA), Master in Income Tax (University of Pretoria), MPhil Finance (Cambridge University), Advanced Management Programme (Harvard Business School), Challenge of Leadership (Insead Business School)

Johan joined Investec Asset Management in 1997 as Head of Resources and became the Global Sector Head of Resources in 2000. He was a director and executive committee member of Investec Asset Management. In 2002 he was appointed as CEO of Sanlam Investment Management. He stepped down as the CEO of Sanlam Investment Management on 1 November 2015 and remained on the Sanlam Investments, Capital Markets and Employee Benefits boards, respectively, as non-executive director. He is a chartered accountant and is currently co-CEO of ARC.

8. Helmut N Pool (55)
BCom (Law) University of Stellenbosch

Since 1987, Helmut has operated as an entrepreneur. He is currently the Chairman of Pool Transport Proprietary Limited and served on the board of directors of Cape Lime until 2016. He serves on the board of various private property companies and has vast experience in logistics, commercial property, mining and business management.

RISK MANAGEMENT

RISK MANAGEMENT AND ASSURANCE

The board, assisted by the Audit & Risk Committee, is ultimately responsible for the risk management process. The board is satisfied with the effectiveness of the process in the year under review.

COMBINED ASSURANCE MODEL

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

The independent external auditor, Mazars, 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 policy, which is reviewed annually (available at www.afrimat.co.za).

An ad hoc additional risk analysis is also conducted for major strategic decisions.

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

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

The group's reputational risk is managed through strategic relationships and liaison with stakeholders. The CEO is the central point of contact assisted by investor and communications service providers. (For further detail on this and other risks, see material issues on page 16.)

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;
- Performing an objective assessment of 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.

Andre Smith, a chartered accountant, is the chief audit executive and in this role reports directly to the chairman of the Audit & Risk Committee and has unhindered access to the board and group Chairman.

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

INTERNAL CONTROL FRAMEWORK

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

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

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

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

LEGAL COMPLIANCE

Compliance is driven by the CEO, CFO, company secretary and senior management, supported by the internal audit function. The group has a legal compliance checklist in place which includes the Mining Charter. Further, 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. The effectiveness of the compliance framework is continuously monitored at board level.

MINING RIGHT COMPLIANCE

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

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

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

The DMR performs random inspections and scheduled audits at the group's mining operations and all issues identified are addressed by management. No fines for infringement were incurred.

According to social and labour plan compliance, the group achieved 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 engineers, geologists, mechanical engineers and environmental specialists.

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

- Water use licence
- Air emissions licence
- Land use or consent use permission

HEALTH AND SAFETY

Our employees work in an environment which poses potential health and safety risks. We proactively manage this risk to prevent health and safety incidents. We are committed to providing a safe and healthy working environment which is in strict compliance with the South African Occupational Health and Safety Act, Mine Health and Safety Act and other relevant regulations and recognised standards and guidelines. The group's efforts at every level have brought about no fatalities in the past three years. This approach, coupled with environmental best practices, dictates the passage to becoming an employer of choice.

The DIFR increased to 1,04 from 0,77 at the end of the previous year. The increase in the DIFR rating was mainly due to the safety incidents reported at newly acquired Cape Lime. On acquisition the DIFR rating increased to 1,11 and the company is in the process of entrenching the value of operating safely within the business processes of the newly acquired subsidiary, which is testament to the decrease of 1,11 to 1,04 reported at year-end.

Responsibility for health and safety devolves down from the general manager: 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 during the year by management and no changes were required. (A copy of our Health & Safety Policy is available at www.afrimat.co.za)

HEALTH & SAFETY RISK PROCESS

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

Identified risks are mitigated through the following processes:

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

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

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

- Injury On Duty Report – lost-time injuries, used to report on the DIFR;
- Near misses and property damage report; and
- First aid and medical cases report. The first aid and medical cases reported reduced from 51 to 47 cases in the current year.

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

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

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

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

KEY FOCUS AREA	FY2018 GOAL	LONG-TERM GOAL
Leading indicators	Standardisation of the SHEQ system with employee input	Entrench uniform SHEQ culture within the group
Near miss reporting	Redefine the definitions of the various incidents. Re-train all employees on incident reporting	Increase accuracy of near miss reporting and the reduction of DIFR
Identifying critical tasks	Identify critical tasks relevant to each operation	Reduction of DIFR
Planned task observations	Measure planned task observations performed on critical tasks	Reduction of DIFR
Training	Measure and monitor training planned and executed	Reduction of DIFR

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);
- First aid;
- HIRA as per job specifications on each site;
- Safe Operating Procedures as per job specifications on each site;
- General firefighting;
- Operators/drivers training;
- NOSAs Samtrac courses; and
- SHE representatives.

OUR EMPLOYEES' WELL-BEING

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

The following medicals are conducted:

- Annual medical: all staff exposed to occupational health risks at operational sites: quarries, sand mines, workshops, concrete product plants, readymix plants and administration staff who frequently visit the sites;
- Entry medicals: all staff 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; and
- Follow-up medicals: identified during annual and/or entry medicals by the health professionals;
- 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 will be linked to the health process to identify potential over exposures and prevent illnesses.

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 pandemic is set out in a formal policy (Afrimat's HIV/AIDS, STIs & TB Policy is available at www.afrimat.co.za). The policy strives to prevent discrimination against employees living with HIV/AIDS and encourages early detection and treatment. Awareness around HIV/AIDS issues is highlighted through the following channels:

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

ENVIRONMENTAL RESPONSIBILITY

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

We comply with all environmental legislation and to support this, our quarries' environmental performance is audited every second year by ASPASA and SARMA audits the readymix plants annually. The DMR also performs random inspections at the group's quarries. Areas for improvement identified during these audits/inspections are addressed by management.

We manage our environmental footprint with mandatory EMPs at all the mines, in the absence of which no mining activities will commence. These focus on:
- Responsible mining;
- Reducing emissions;
- Reducing spillages;
- Recycling;
- Monitored resource usage; and
- Rehabilitation.

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

In terms of the EMPs, the group's operations seek ways to monitor dust emissions, decrease noise pollution, find safe and bunted storage for hazardous chemical substances, and recycle effectively.

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

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

ENVIRONMENTAL TRAINING

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

ENVIRONMENTAL INITIATIVES

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 consumption periods for electricity;
- 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.

The group has committed to undertaking formal carbon footprint assessments with the assistance of a newly appointed internal specialist. The initial assessments can be summarised as follows:

KEY FOCUS AREA	**FY2018** GOAL	**LONG-TERM** GOAL
Electricity consumed	Benchmark the use of electricity by all operations	Measure electricity consumed per product tonne produced, compare usage at different operations and reduce usage in line with best practices
Water usage	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	Measure water usage per product tonne produced, compare usage at different operations and reduce usage in line with best practices
Carbon emissions	Register 50% of all our sites with the South African National Atmospheric Emissions Inventory System ('NAEIS') to enable the site to measure emissions accurately	Register all sites with NAEIS in order to measure all carbon emissions. Compare emissions between different sites and identify initiatives to reduce emissions
Waste management	Measure all waste generated	Compare waste generated between various operations, reduce, reuse and recycle the waste generated.
Bio-diversity	Quantify all hectares rehabilitated on the environmental performance assessment	Set annual target percentage on rehabilitation of operations (in hectares)

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

SOCIAL, ETHICS AND SUSTAINABILITY

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

The committee is chaired by non-executive director Loyiso Dotwana and further comprises CEO Andries J van Heerden, executive director Gert J Coffee, independent non-executive director Phuti RE Tsukudu and independent non-executive board Chairman Marthinus W von Wielligh. Details of meeting attendance are on page 36.

Key indicators monitored by the committee include:

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

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

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

The committee draws these matters to the attention of the board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the committee are reported on pages 50 and 55.

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 committee in the year.

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.

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:

- ARC 18,19%
- Afrimat BEE Trust: 4,64%
- Mega Oils Proprietary Limited 2,31%
- Old Mutual Life Assurance Company (South Africa) Limited 1,16%
- Goolam Ballim 0,28%
- The Parring Family Trust 0,21%
- Joe Kalo Investments Proprietary Limited 0,19%
- Joe Kalo 0,11%

Black ownership in the group totals 27,1% in line with Mining Charter requirements.

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

Subsidiary name	**2017 B-BBEE rating level**	2016 B-BBEE rating level
Ikapa Quarries Proprietary Limited	**QSE***	3
Afrimat Readymix (Cape) Proprietary Limited	**5**	5
Afrimat Aggregates (KZN) Proprietary Limited	**4**	4
Afrimat Aggregates (Operations) Proprietary Limited	**4**	4
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**6**	6
Afrimat Contracting International Proprietary Limited	**5**	4
Afrimat Concrete Products Proprietary Limited	**6**	4
Infrasors Holdings Proprietary Limited	**3**	3
Glen Douglas Dolomite Proprietary Limited	**3**	3

* *Qualifying small enterprise as per the Broad-Based Black Economic Empowerment Act.*

MANAGEMENT CONTROL

Our board includes two black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective boards of directors. To enhance and accelerate development of management skill, suitable candidates are identified to undergo management development training and black candidates are prioritised wherever viable (see Afrimat's management development programme on page 56).

EMPLOYMENT EQUITY

A total of 81,5% (2016: 81,3%) of the group's 2 298 employees are black.

A formal Employment Equity Policy is in place for all employees and potential candidates, which promotes equal opportunities by encouraging good practice in the recruitment and selection process complying with the Employment Equity Act. (Afrimat's employment equity policy is available on www.afrimat.co.za.) 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 58.)

EMPLOYMENT EQUITY REPORTS

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

Each business has registered their report on their BEE employment status at the Department of Labour by 15 January 2017.

Summary of reports:

	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Afrimat Limited	–	–	–	1	–	–	–	1	–	–	**2**
Afrimat Management Services Proprietary Limited	1	2	–	18	2	4	–	8	–	–	**35**
Afrimat Shared Services Proprietary Limited	2	–	–	23	2	1	–	7	–	–	**35**
Afrimat Aggregates (Operations) Proprietary Limited	113	125	1	44	4	25	–	14	–	–	**326**
Afrimat Aggregates (Eastern Cape) Proprietary Limited	28	9	–	10	2	2	–	5	–	–	**56**
Afrimat Readymix (Cape) Proprietary Limited	31	30	1	12	1	7	–	6	3	–	**91**
Afrimat Contracting International Proprietary Limited	93	17	–	41	8	2	–	6	–	1	**168**
Afrimat Aggregates (KZN) Proprietary Limited	191	4	1	53	45	2	2	18	–	–	**316**
Afrimat Concrete Products Proprietary Limited	336	–	–	23	38	1	–	18	–	–	**416**
Boublok Proprietary Limited	35	10	–	2	2	–	–	2	–	–	**51**
Cape Lime Proprietary Limited	7	61	–	17	–	4	–	3	–	–	**92**
Clinker Supplies Proprietary Limited	71	1	–	5	2	–	1	1	–	–	**81**
Delf Sand Proprietary Limited	25	–	–	6	5	–	–	1	–	–	**37**
Glen Douglas Dolomite Proprietary Limited	112	–	–	28	21	–	–	12	–	–	**173**
Lyttelton Dolomite Proprietary Limited	90	2	1	10	15	–	–	5	2	–	**125**
SA Block Proprietary Limited	156	3	–	26	155	–	–	12	–	–	**352**

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 that have already left the employment of Afrimat at the end of the reporting period.

SKILLS DEVELOPMENT AND TRAINING

(See human capital on page 55.)

FINANCIAL EMPOWERMENT OF HDIs

An agreement was reached whereby 26,3 million shares in Afrimat held by the Afrimat BEE Trust (indirectly through AEI) were sold to ARC. This resulted in the distribution of economic benefits to the value of R297,5 million to the 1 066 participants (all HDIs) following the sale of their shares, who at the time of allocation were all employees.

PREFERENTIAL PROCUREMENT

A formal preferential procurement policy is in place which reflects the group's commitment to broadening its supplier base with empowered enterprises. The preference is for suppliers with minimum level 5 B-BBEE contribution and black shareholding greater than 25,0%.

The group intensified its focus on BEE procurement during the year. The procurement spend from companies with a 25%+ black shareholding was increased in FY2017 compared to prior years.

Supplier open 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. A continued focus on supplier development resulted in the identification of BEE suppliers who may otherwise not have been identified by the group, contributing towards an improvement in BEE procurement of the company. The group assisted qualifying small enterprises to provide a relevant affidavit for the purposes of confirming B-BBEE exemption.

ENTERPRISE DEVELOPMENT

Our group provides extensive management advice, administration services and working capital funding to BEE entrepreneurial

TRANSFORMATION (continued)

enterprises, and also procures services from these enterprises. The group is in the process of finalising a formal enterprise development strategy with The Standard Bank of South Africa Limited ('SBSA') whereby an enterprise, identified by the group, will be able to apply for funding from SBSA without all the burdensome applications and documentation. The enterprise will be required to enter into an agreement with the group and SBSA on terms acceptable by all parties. The strategy will be implemented in the following financial year.

Types of businesses that qualify:

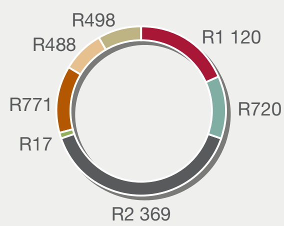
- investment business;
- mining services, vehicle rentals and training business;
- various transport sub-contractor schemes;
- various lorry owner/driver schemes;
- sand mining business;
- earthmoving business;
- railroad maintenance business; and
- employee transport service business.

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

SOCIO-ECONOMIC DEVELOPMENT

Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. We negotiate with specific beneficiaries and their leaders to address the needs in the specific community through the local economic fora. The group targets 1,0% of PAT for contribution to these beneficiaries. Beneficiaries include schools, community upliftment organisations, health and HIV/AIDS programmes. The programmes include infrastructure creation and enhancement. At schools, educational support is undertaken with expenditures on handbooks, libraries, computers and recreational facilities. CSI expenditures during FY2017 amounted to R6,0 million (2016: R5,3 million). All planned FY2017 local economic development projects were completed during the year.

CSI SPEND: CATEGORISATION FY2017 (R'000)



- Art, sports and culture **18,72%**
- Basic needs **12,03%**
- Education projects **39,60%**
- Health **0,28%**
- Infrastructure **12,89%**
- Uplifting community **8,16%**
- Skills development **8,32%**

In the current year, Afrimat completed the highest value Local Economic Development project commitment for the Social Labour Plan since inception. A detailed breakdown of projects completed during the year:

Area	Type of project	Project description	Beneficiaries
Worcester	School support programme	Subsidising maths teacher's salary and providing maths awards to students at Vusisiswe High School	Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School
Worcester	Community training/ unemployment	Code 14 driver's licence community project	Historically Disadvantaged Individual ('HDI') youth of Worcester
Daleside	Community skills programme	Community articulated dump truck skills programme	HDI youth of Daleside
Daleside	Kanguru home for the disabled	Capital contribution towards building a home for the abandoned and disabled children	Abandoned and disabled children from Vaal area.
Vredenburg	Small business empowerment	BEE hives centre	Micro entrepreneurs from Vredenburg

SCHOOL SUPPORT PROGRAMME
Worcester

KANGURU HOME FOR THE DISABLED
Daleside

BEE HIVES PROJECT
Vredenburg

INFORMATION TECHNOLOGY REPORT

OVERVIEW

A number of milestones in aligning IT to ensure business continuity were achieved where decision-making is possible with reliable real-time information. A big challenge, due to the vast remoteness of most of our sites, is to deploy a wide area network that is affordable, reliable and secure where data can be captured at source. To achieve this, Afrimat partnered with one of the country's leading network service providers.

In response to the speed at which our internal clients' demands are changing, we are enhancing the system interfaces and introducing company-wide standard reporting structures to ensure uniform measures of performance and enforce accountability on all levels.

We continue to strengthen the group's IT governance structures though executive and non-executive oversight of all IT matters. Independent experts are co-opted to support the future growth of Afrimat and to assist with the selection of best possible solutions for tasks at hand. Significant progress has been made in IT-governance, management and operational improvements which are closely monitored by the IT Steering and Audit & Risk committees.

STRATEGY

The main goal is to provide Afrimat with a secure infrastructure and accessible systems where the key characteristics are agility, elasticity and reliability to ensure the sustainable future of Afrimat.

Aspirations include ensuring the security and stability of the IT system, decreasing down-time and developing user-friendly systems and programmes.

Cloud-based computing is becoming a global commodity that is utilised by a wide range of industries. We are adopting cloud-based solutions where appropriate and within regulatory requirements. Currently our strategy is to invest in a hybrid model, where core and operational systems are hosted in-house, with the remaining systems being moved to cloud-based technology.

SERVICE DELIVERY

Ongoing focus is placed on ensuring stability and reliability. Operational systems are designed to function offline with the availability of data retention onsite. The functionality of uploading to the central server environment, after communication is re-established, is made available. The top priority is to ensure a continuous delivery to customers without interruptions.

RISK MITIGATION

Risks are considered those that adversely impact business continuity. These include risks arising from cybercrime, disruptive technologies, data integrity, service providers and business disruption due to system failure.

These risks are mitigated through various implemented controls, monitored by the IT team. We continuously review and invest in our physical and digital security systems and risk management processes to ensure the protection of the group's clients.

REGULATORY ENVIRONMENT

As an integral part of the business, IT adheres to the relevant governance frameworks, standards and policies. These are supported by the standards set by ISO, COBIT and King IV.

THE FUTURE

As we enter an ever-increasing, fast-paced and highly complex IT era, IT is well positioned to partner with the group on its journey in realising its goals. The key objectives includes enhancing equipment efficiencies through the use of information.

The foundation has been established to enable businesses to easily access large quantities of data, deal with disruptive technology and manage real-time information relevant to financial and operational activities.

HUMAN CAPITAL

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

This is evident in our consistently low staff turnover resulting in a deepening skills pool. We have a strong value system which is deeply entrenched in the group and a pervasive culture of teamwork to create a climate of growth, including skills programmes, empowerment training, and active involvement by leadership in mentoring and advancing employees.

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

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

The general manager: human resources, Anton Gerber, assisted by all management is responsible for our employee relations and overseeing initiatives in this regard.

We have identified industrial action as a high risk (see material issues on page 16). Although the group experienced an industrial action at its Eastern Cape operations during the year under review, the company suffered no material losses. This was the first strike since July 2013. 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 12). The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. These include:

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

SKILLS DEVELOPMENT

The Human Resource Development ('HRD') department planned and facilitated the execution of all forms of training during the year.

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

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

Core business skills: Plant equipment, maintenance programmes, examine and make safe, blasting assistance, blasting practices, material testing, computer literacy, all the learnership programmes (boilermakers, diesel mechanics, fitters, electricians), adult educational training, health and safety training and sales training;

Statutory training: Firefighting, first aid, driver licences, operator licences, SHE courses, and mine regulations;

Strategic training: Leadership and management development programmes, study assistance to selected employees at tertiary institutions, ie diplomas, degrees and post degree qualifications; and

Human Resource Information System ('HRIS') training: All training and development interventions are recorded on the internal HRIS. HRIS provides management with valuable information in terms of employee development programmes and progress. The system ensures effective reporting to the various Skills Education Training Authorities and assists with information required for workplace skills plans and annual training reports.

FY2017 review

R27,6 million (2016: R25,4 million)
committed to skills development, bursaries, training, learnerships and internships for the year

69,1% (2016: 69,9%) of this expenditure was in respect of black employees

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

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

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

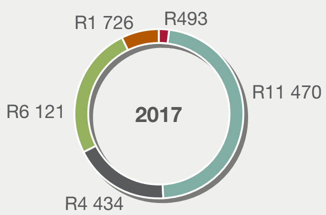
HUMAN CAPITAL (continued)

SKILLS INITIATIVES

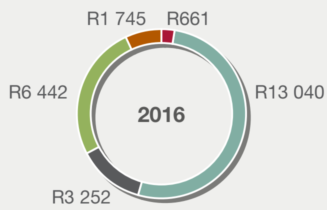
Initiative	Detail	Target participants
Talent Management Programme	Targeted at the group's top employees. The programme is aimed at managing their performance and retention through recognition, reward and motivation, and in so doing developing young talent for good succession planning. We ensure that these employees remain abreast of new technology and are equipped with appropriate leadership skills for future promotion.	The group's top 96 employees are identified through a prescribed evaluation process.
Afrimat Management Development Programme	A three-year in-house programme, custom-designed for Afrimat's employees as part of its strategy to create a sustainable team for the future. This eight module programme focuses on technical and leadership development. Fifty employees are currently participating.	Production managers, quarry foremen, concrete products production managers and foremen of readymix and concrete products plants.
Afrimat Graduate Development Programme	A two-year programme where Afrimat, in partnership with the Mining Qualification Authority ('MQA'), the Mining sector SETA, hosts external qualified engineering technicians and graduates as interns. The interns follow a structured programme that exposes the interns to all the disciplines and business units of the group and with specific focus on their respective fields of expertise. During the year eight internships were in place. In the event that a suitable vacancy is available in the group then these interns are considered for placement.	Engineering technicians and graduates in the field of mining, mechanical engineering, geology, civil and environmental management.
Afrimat Internships	Afrimat also provides workplace experience for non-MQA candidates who have completed their studies. During the year, six internships were undertaken.	External persons who have completed their studies in the field of finance, human resources, safety and health and compliance.
Afrimat Learnerships	The Afrimat Learnership Programme focuses on the recruitment of learners to be trained and developed as qualified artisans and for other technical occupations in the group. During the year 48 artisan learnerships and eight other learnerships were in place. During the year 17 learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. These qualified learnership employees are considered for placement, in the event that a suitable vacancy is available in the group.	Employees and external persons with the required aptitude.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 27 employees were assisted of which 12 were black employees.	Employees who will benefit by improving their qualifications.
Leadership Development for Afrimat Employees	Afrimat implemented an internal leadership development programme – Afrilead – for junior and middle level employees. During the year 59 employees completed Module 1 of the 3 Module programme.	Employees nominated by their business unit leaders as potential senior leaders of the future.

Initiative	Detail	Target participants
	Afrimat continued developing their senior management in terms of Strength Finder coaching, Self-deception and Leadership challenge modules. During the year 565 coaching interventions of these leadership modules were completed.	Senior managers in group (Management Committee and one level down).
Adult Education Training	Numeric and communications skills improvement programmes for selected employees. During the year 174 employees participated in these programmes.	Assessed and selected employees with education levels lower than Grade 9.
Statutory Training	Compulsory and legislative training as prescribed by the industry and includes training such as firefighting, first aid, health and safety and operator licences. During the year 524 employees received statutory training.	Responsible employee representatives and/or employees per operation.
Core Business Skills	Training interventions required for all employees to function effectively in their current positions. The group had 1 213 training interventions related to core skills.	All employees.

TRAINING AND DEVELOPMENT INITIATIVES (R'000)



- Bursaries/study loans **2,03%**
- Training costs **47,31%**
- Skills development department costs **18,29%**
- Learnerships **25,25%**
- Internship remuneration **7,12%**



- Bursaries/study loans **2,63%**
- Training costs **51,87%**
- Skills development department costs **12,94%**
- Learnerships **25,62%**
- Internship remuneration **6,94%**

* *Above graphs do not include net skills development costs.*

REMUNERATION

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

The committee is an independent and objective body which monitors and strengthens the credibility of the group's executive remuneration system. It ensures that executive remuneration is linked, in part, to individual performance, the group's performance and market conditions and benchmarks. The committee considers and makes recommendations to the board on remuneration packages and policies in this regard. It is therefore authorised by the board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the group. The requirement for external advisors is assessed annually in context of issues at hand and the recommendations by these advisors are only used as guide, and do not serve as a substitute to the board's thorough consideration of the relevant matters. During the current year, Afrimat obtained the services of PricewaterhouseCoopers Inc. with regards to its long-term share appreciation rights scheme to ensure the alignment with best practice. The alignment will ensure the attraction and retention of the right calibre employees required to deliver towards the group's strategy.

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 management of the whole or significant portion of the business and activities of the group, or who regularly participate to a material degree in such exercise of general executive control and management. The executive directors are deemed to be the prescribed officers of the company. Their remunerations are disclosed in the integrated annual report on page 121.

The committee is further responsible for devising a general remuneration policy for the group, which is tabled annually at the AGM for a non-binding advisory vote by shareholders. Shareholders thereby express their view on the company's remuneration policy and its implementation. As a vote of confidence, the non-binding advisory note was passed by the shareholders at the 2016 AGM.

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

REMUNERATION POLICY

The group pays market-related salaries relevant to an individual's position and the region/area in which he/she will be employed, taking into account his/her qualifications, experience and performance. The administration of the group's retirement and provident funds is outsourced to ABSA Bank Limited, which advises on market trends in retirement benefits.

The group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme. 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 for executive directors and senior management are disclosed on page 105 of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

EMPLOYEE SHARE BENEFIT SCHEME

Following the implementation of the ARC transaction (see financial empowerment of HDIs on page 51), Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6,6 million shares representing 4,64% of the issued share capital of the company. The company established a revised scheme in FY2017 to facilitate the participation of qualifying employees who may otherwise not have been able to become beneficiaries under the previous scheme.

Qualifying employees will be an individual who must:

- be a permanent employee of the group for at least three uninterrupted years;
- not be serving his/her notice period; and
- not be participating in any other incentive scheme of the group, including the Afrimat Group's annual short-term incentive or such other similar incentive scheme operated by the group. The participation by the qualifying employee in a monthly production bonus scheme shall not disqualify his/her participation in the revised scheme.

The beneficiaries have been allocated units in relation to the shares held. A beneficiary shall not be entitled to dispose and/or encumber or in any way deal with his/her trust unit, but will have a vested right to receive distributions, ie dividends commensurate with his/her participation rights.

At least 85% of the beneficiaries under the revised scheme shall be black people. The company's qualifying employees constitute a spread of more than 85% black people.

STAFF

Collective wage increases for employees in bargaining units, ie where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. Negotiations are headed by the general manager: human resources. Trade union membership in bargaining units comprises 62,2% (2016: 46,8%) of the total workforce. The increase in unionisation related to the formal entry of AMCU in some of the business units.

PAY MIX

Remuneration packages of executives consist of a combination of:

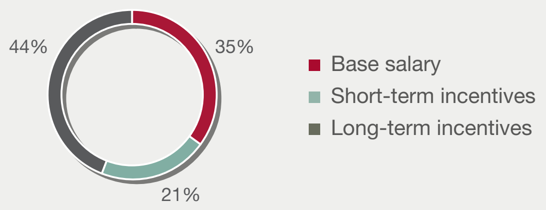
- Annual compensation
  - Base salary;
  - Pension and medical payments;
  - Other perks including travel allowances; and
  - Short-term incentive bonus tied to the annual performance of the company.
- Long-term compensation
  - Share appreciation rights.

The company ensures that the salaries of executives constitute a mix of fixed and variable elements as well as short-term and long-term compensation. Base salary of executives are benchmarked against Deloitte's annual industry remuneration paper and the research of external consultants, Compensation Technologies, 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. The FY2017 benching study revealed that the CEO's base salary was below the median as described, resulting in a more than market-related increase percentage being presented to the board for approval.

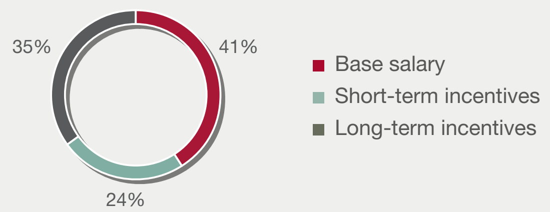
Share appreciation rights are issued to executives to align the interest of executives with those of the shareholders. The award of options to key management is recommended by the Remuneration & Nominations Committee and approved by the board. Refer to note 15 of the annual financial statements for further 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 graphs have been inserted to reflect the company policy to ensure an acceptable mix of short-term, long-term and cost to company remuneration for executives:

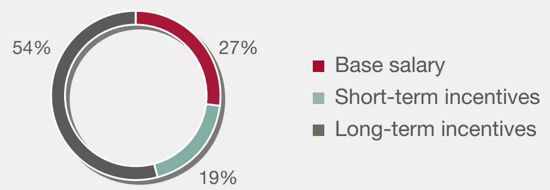
CEO



CFO



HEAD OF OPERATIONS



REMUNERATION (continued)

EMPLOYMENT CONTRACTS

No executive director has a notice period of more than three months. No executive director's service contract includes predetermined compensation as a result of termination exceeding one year's salary and benefits.

Gert J Coffee's contract is for a one-year period, which started 1 January 2017. No compensation will apply to termination.

Andries J van Heerden, the CEO, and Pieter GS de Wit, the CFO, have indefinite employment contracts.

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

NON-EXECUTIVE DIRECTORS' REMUNERATION

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

The remuneration of non-executive directors are paid monthly and does not include short-term or long-term incentives. The directors are therefore not paid board attendance fees in terms of King III, 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 2017/18 R**	Existing annual fee 2016/17 R
Board		
Chairman	**607 000**	570 000
Board member	**213 000**	200 000
Audit & Risk Committee		
Chairman	**127 800**	120 000
Member	**70 300**	66 000
Remuneration & Nominations Committee		
Chairman – Remuneration	**50 000**	46 900
Chairman – Nominations	**50 000**	46 900
Member	**39 200**	36 800
Social, Ethics & Sustainability Committee		
Chairman	**60 700**	57 000
Member	**39 200**	36 800

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 R15 000 for non-executive directors is paid for extraordinary duties.

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.

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

Publication date: 15 June 2017

05

ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The annual financial statements set out on pages 70 to 131 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

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

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

The annual financial statements were prepared on the going concern basis since the directors have every reason to believe that the company and the group have adequate resources in place to continue operations for the foreseeable future. The external auditors have concurred with the directors' statement on going concern. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with International Standards on Auditing ('ISAs'). The annual financial statements were approved by the board of directors and were signed on their behalf by:

Andries J van Heerden
CEO

Pieter GS de Wit
CFO

Cape Town
15 June 2017

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 28 February 2017 and that all such returns and notices are true, correct and up to date.

Mariëtte Swart
Company Secretary

Cape Town
15 June 2017

AUDIT & RISK COMMITTEE REPORT

for the year ended 28 February 2017

The Audit & Risk Committee is pleased to present its report for the financial year ended 28 February 2017 to the shareholders of Afrimat Limited.

COMPOSITION

The committee is chaired by independent non-executive director Hendrik JE van Wyk and further comprises independent non-executive board Chairman Marthinus W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Phuti RE Tsukudu and Jacobus F van der Merwe. The board of directors is satisfied that these directors act independently for the purposes of the committee. A brief curriculum vitae of the committee members appear on page 41 of the integrated annual report.

Afrimat acknowledges that in accordance with the King III 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 36. 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: IT 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 III requirements, amongst others.

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

REVIEW OF INTERIM AND INTEGRATED ANNUAL REPORTS

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

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

In accordance with revised ISAs, independent auditor's reports for financial years ending on or after 15 December 2016 are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2017, the audit committee considered a preliminary view by the external auditors of key audit matters that might arise during the course of the audit, which in their judgement, were of significance to the audit of the annual financial statements. The committee concluded that it had adequately considered the key audit matters as reported in the independent auditor's report.

AUDIT & RISK COMMITTEE REPORT (continued)

for the year ended 28 February 2017

AUDIT PROCEDURES AND INTERNAL CONTROLS

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

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

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

The head of internal audit reports to the Audit & Risk Committee and meets with the chairman of the committee independently of management.

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

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

RISK MANAGEMENT

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

In addition, the following risk assessment actions were taken by the committee:

- six-monthly reviews of the risk register 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 the 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 22 on page 112).

The principles for recommending the use of external auditor for non-audit purposes to the board were reconfirmed. No non-audit services were provided by the external auditor during the year.

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

It further assessed the performance of the external auditor and confirms that it is satisfied therewith.

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

The company initiated a formal tender process for services provided by the independent external auditor for the 2018 financial year, after assessing the need for specific expertise within the mining segment. The company benchmarked the external audit fees as part of the tendering process. The committee has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as the newly appointed external auditor for the 2018 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 elect PricewaterhouseCoopers Inc. as the independent external auditor for the 2018 financial year at the AGM on 2 August 2017.

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 III Report and is satisfied with the expertise and experience of the group's financial staff.

SUSTAINABILITY

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

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

ELECTION OF COMMITTEE MEMBERS

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

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

STATUTORY DUTIES

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

Hendrik JE van Wyk
Audit & Risk Committee Chairman

15 June 2017

INDEPENDENT AUDITOR'S REPORT

for the year ended 28 February 2017

To the shareholders of Afrimat Limited
Report on the audit of the consolidated and separate financial statements

OPINION

We have audited the consolidated and separate financial statements of Afrimat Limited (the group) set out on pages 74 to 131, which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS and the requirements of the Companies Act.

BASIS FOR OPINION

We conducted our audit in accordance with 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 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate 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. All key audit matters relate to the consolidated and separate financial statements.

Matter	Audit response
Impairment of goodwill and other intangible assets (refer notes 3 and 4)	
The group's accounting policy in note 1.6 of the accounting policies in the annual financial statements states that goodwill is measured at cost less any accumulated impairment. The group has material goodwill balances which consists of 5,9% of the total assets in the statement of financial position and customer relationship intangible assets spread across multiple geographies. The recoverable amount of the goodwill has been determined by management using value-in-use calculations. A discounted cash flow methodology applied involves significant estimation and judgement by management. These estimates and assumptions used in determining the discounted cash flow include among others: ▪ short- and long-term revenue growth; ▪ future profitability; ▪ discount rates; ▪ operating profit; ▪ depreciation; ▪ working capital movement; and ▪ capital outlay.	We performed substantive tests of detail on all the cash generating units to which the goodwill have been allocated. We have performed the following procedures: ▪ recalculated the valuation obtained from management to assess the mathematical accuracy thereof; ▪ performed an independent valuation of the goodwill based on specialist assumptions and compared it to the valuation performed by management to assess the reasonability; ▪ testing the key assumptions used in the determining the valuation of the recoverable amount by comparing the cash flows to the approved budgets of the respective companies in the calculations to the actual results and checking the reasonability of the discount rates used; and ▪ assessing the adequacy of disclosures with regard to the goodwill held in the consolidated annual financial statements. Having performed our audit procedures and evaluated the outcomes we found the possibility of a material adjustment to be low.

Matter	Audit response
The significance of the estimates and judgements involved, coupled with the high number of individual estimates performed, could result in a material misstatement, and therefore warrants specific audit focus. As described in notes 3 and 4 to the financial statements, management concluded that, based on their own sensitivity calculations, no reasonable change in assumptions would lead to an impairment of goodwill or other intangible assets.	
Accounting for complex transactions (refer note 28)	
The company has undertaken a number of business combinations during the year. These transactions warranted additional audit focus due to the magnitude of transactions and the potential for complex contractual terms that introduce judgement into how they were accounted for.	Our audit procedures included, among others: ▪ agreeing the transaction details to the underlying legal agreements; ▪ challenging management's judgements by inspecting the sale and purchase agreements and other related documents and by assessing each transaction against the recognition, measurement and classification criteria according to the group's accounting policies and the applicable IFRS principles; ▪ recalculated management's calculation of the fair value of the consideration paid by agreeing the amount to purchase agreements, as well as the fair value of the identifiable assets and liabilities acquired in light of available market information; ▪ considering the adequacy of the disclosures associated with the transactions in the financial statements; and ▪ considering whether the acquisitions constitute a business combination under IFRS 3: Business Combinations as defined.
Revenue recognition (refer note 21)	
Revenue recognition has been identified as a risk, particularly in respect of the occurrence of revenue due to the significant volume of transactions and the integration and reliance on IT systems, insignificant errors could, in aggregate, have a material impact on the annual financial statements. Revenue is recognised when the risks and rewards of the underlying products have been transferred to the customer. The significance of this matter is amplified by the fact that the company is listed on the JSE. The group continues to grow its business through expansion in new clients and markets. The accounting policy for revenue recognition is set out in note 1.15 under accounting policies section to the group annual financial statements.	We tested and relied on the operating effectiveness of controls operating over revenue recognition. We performed substantive tests of detail by agreeing recorded sales transactions to supporting documents evidencing delivery. In addition we performed substantive analytical review procedures over recorded sales data. We assessed whether the revenue recognition policies adopted by the group complied with IFRS and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 28 February 2017

Matter	Audit response
Closure and rehabilitation provisions (refer note 18)	
As a consequence of its operations the group incurs obligations to restore and rehabilitate the environment. Rehabilitation activities are governed by a combination of legislative requirements and group policies. As at 28 February 2017 the group's balance sheet includes provisions of R96,2 million in respect of such obligations. The details are disclosed in note 18 of the annual financial statements. Estimating the costs associated with these future activities requires considerable judgement in relation to factors such as when the rehabilitation will take place, the time period required for the rehabilitation to be effective, the costs associated with the rehabilitation activities and economic assumptions such as discount rates. The accounting policy for provisions recognition is set out in notes 1.14 and 1.19 under the accounting policies section to the group annual financial statements.	Our procedures included, among others: ▪ testing of the design and operating effectiveness of internal controls established by the group to ensure that such provisions are appropriately valued; ▪ reviewing rehabilitation plans, to ensure that cost estimates are reasonable and comply with group policies and relevant legislative requirements; ▪ assessing the adequacy of the group's disclosures relating to rehabilitation obligations; ▪ evaluating the accounting treatment applied to changes in the rehabilitation provision, including whether the impact is expensed or capitalised; and ▪ assessing the credentials and experience of the independent expert utilised by management and testing the reasonableness of the assumptions and calculations used in determining the provision.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the directors' report, audit and risk committee report and the declaration by the company secretary as required by the Companies Act and the Integrated Annual Report, which we obtained prior to the date of this report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information 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 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 IFRS and the requirements of the Companies Act, 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's 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 controls.
- 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Afrimat Limited and its subsidiaries for 11 years.

Mazars

Mazars
Partner: Duncan Dollman
Registered Auditor

15 June 2017

1 Rialto Road
Century City
Cape Town
7441

DIRECTORS' REPORT

for the year ended 28 February 2017

The directors of Afrimat present their report for the group for the year ended 28 February 2017.

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The annual financial statements and accompanying notes presented on pages 74 to 131 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 25,4% from 156,6 cents to 196,4 cents per share.

OPERATIONAL REVIEW

The operations are reviewed in detail in the CEO's report, CFO's report and operational reviews (pages 22 to 29, which form part of this integrated annual report.

CORPORATE GOVERNANCE

The directors endorse the principles contained in King III. Full details on how these principles are applied are set out in the supplementary information on the web as well as limited information in this integrated annual report.

ACCOUNTING POLICIES

Detailed accounting policies are set out on pages 80 to 90 of the annual financial statements.

DIVIDEND

A final dividend of 50,0 cents per share (2016: 41,0 cents per share), 40,0 cents a share for shareholders who are subject to dividend tax (2016: 34,85 cents a share for shareholders who are subject to dividend tax) was declared for the year on 17 May 2017. 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 70,0 cents per share (2016: 57,0 cents per share).

TAXATION

The latest tax assessment of the company relates to the year ended 29 February 2016. All tax submissions up to and including February 2016 have been submitted. Tax returns for 28 February 2017 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 (2016: 1 000 000 000) no par value ordinary shares of which 143 262 412 (2016: 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 *(executive director)*
- Mr Loyiso Dotwana *(non-executive director)*
- Mr Francois du Toit *(non-executive director)*
- Mrs Phuti RE Tsukudu *(independent non-executive director)*
- Mr Andries J van Heerden *(CEO)*
- Mr Hendrik (Hennie) JE van Wyk *(independent non-executive director)*
- Mr Jacobus (Derick) F van der Merwe *(independent non-executive director)*
- Mr Pieter GS de Wit *(CFO)*
- Mr Marthinus (Matie) W von Wielligh *(independent non-executive Chairman)*
- Mr Johannes (Johan) HP van der Merwe *(independent non-executive director)*
- Mr Helmut N Pool *(independent non-executive director)*

Mr Hendrik JE van Wyk, Mr Jacobus F van der Merwe and Mr Loyiso Dotwana will retire by rotation at the upcoming AGM and, being eligible, will stand for re-election.

Mr Johannes HP van der Merwe and Mr Helmut N Pool were appointed as independent non-executive board members with effect from 1 March 2017. Their appointment must be ratified at the upcoming general meeting.

DIRECTORS' AND OFFICERS' INTERESTS IN CONTRACTS

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 32 to the annual financial statements.

DIRECTORS' EMOLUMENTS AND EMPLOYMENT CONTRACTS

Details of directors' emoluments are set out in note 35 to the annual financial statements.

SHAREHOLDER ANALYSIS

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3,0% of the ordinary shares of the company at 28 February 2017, is set out on page 132.

Directors' shareholding at reporting date

	Number of securities held				
Director	**Direct beneficial**	**Indirect beneficial**	**Through associates**	**Total**	**% held**
2017					
Gert J Coffee	**680 084**	**–**	**–**	**680 084**	**0,47**
Loyiso Dotwana	**–**	**3 314 529**	**–**	**3 314 529**	**2,31**
Francois du Toit	**–**	**18 368 902**	**–**	**18 368 902**	**12,82**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**3 975 026**	**1 101 801**	**1 198 543**	**6 275 370**	**4,38**
Hendrik JE van Wyk	**–**	**112 000**	**–**	**112 000**	**0,08**
Jacobus F van der Merwe	**7 000**	**–**	**–**	**7 000**	**0,01**
Pieter GS de Wit	**153 361**	**–**	**–**	**153 361**	**0,11**
Marthinus W von Wielligh	**400 000**	**60 000**	**–**	**460 000**	**0,33**
Johannes HP van der Merwe	**–**	**–**	**–**	**–**	**–**
Helmut N Pool	**–**	**356 662**	**–**	**356 662**	**0,24**
	5 215 471	**23 313 894**	**1 198 543**	**29 727 908**	**20,75**
2016					
Gert J Coffee	616 127	–	–	616 127	0,43
Loyiso Dotwana	–	3 314 529	–	3 314 529	2,31
Francois du Toit	–	18 658 502	–	18 658 502	13,02
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	3 975 026	981 541	1 198 543	6 155 110	4,30
Hendrik JE van Wyk	–	112 000	–	112 000	0,08
Jacobus F van der Merwe	–	–	–	–	–
Hendrik P Verreynne	489 858	–	–	489 858	0,34
Marthinus W von Wielligh	400 000	60 000	–	460 000	0,33
	5 481 011	23 126 572	1 198 543	29 806 126	20,81

DIRECTORS' REPORT (continued)

for the year ended 28 February 2017

The following share dealings by directors took place that are not reflected above:

	Number of securities held			
	Direct beneficial	**Indirect beneficial**	**Indirect through associates**	**Total**
Between year-end and the date of this report the following directors' dealings took place:				
Andries J van Heerden				
– Receipt of shares as settlement of vested rights in the Afrimat Share Appreciation Rights Scheme	**94 114**	**–**	**–**	**94 114**
– Disposal of shares to settle tax liability relating to vested rights in the Afrimat Share Appreciation Rights Scheme	**(42 351)**	**–**	**–**	**(42 351)**
– Disposal of shares on the open market (24 May 2017)	**(300 000)**	**–**	**–**	**(300 000)**
Pieter GS de Wit				
– Receipt of shares as settlement of vested rights in the Afrimat Share Appreciation Rights Scheme	**28 825**	**–**	**–**	**28 825**
– Disposal of shares to settle tax liability relating to vested rights in the Afrimat Share Appreciation Rights Scheme	**(12 971)**	**–**	**–**	**(12 971)**

NON-EXECUTIVE DIRECTORS' PARTICIPATION IN THE BEE SHARE SCHEME

Non-executive directors' participation in the Afrimat BEE Trust share purchase scheme:

	Number of shares	
Director	**Direct beneficial**	**Total**
2017		
Loyiso Dotwana	**–**	**–**
Phuti RE Tsukudu	**–**	**–**
	–	**–**
2016		
Loyiso Dotwana	1 000 000	1 000 000
Phuti RE Tsukudu	350 000	350 000
	1 350 000	1 350 000

Refer to note 7 for further disclosure on funding provided by Afrimat in relation to the B-BBEE ownership initiative.

Following the implementation of the ARC Transaction, the directors received the proceeds on the sale of their shares net of any liabilities and ceased to be participants under the current scheme. Refer to note 35 for further disclosure regarding the pay-out.

INTERNAL CONTROL

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

GOING CONCERN

The directors have reviewed the group's cash flow forecast for the year to 28 February 2018 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

LITIGATION STATEMENT

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

Refer to note 36 for information regarding the referral of one of the company's subsidiaries to the Competition Tribunal for allegedly charging excessive prices.

COMPANY SECRETARY

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

AUDITOR

The directors considered the appointment of the external auditor, PricewaterhouseCoopers Inc., as the registered independent auditor for the ensuing year in accordance with section 90 of the Companies Act and decided to recommend the approval thereof to the shareholders.

SPECIAL RESOLUTIONS

The following special resolutions were passed by shareholders of the company during the year (at the AGM of shareholders held on 5 August 2016), 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 2017;
- special resolution providing authority for the provision of financial assistance to group inter-related entities (in terms of section 45 of the Companies Act); and
- special resolution providing authority for the provision of financial assistance for subscription of securities (in terms of section 44 of the Companies Act).

BORROWINGS

In terms of the memorandum of incorporation the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

EVENTS AFTER REPORTING DATE

Refer to note 36 for disclosure of events after reporting date.

Except for the matters disclosed in note 36, the directors are not aware of any other reportable circumstance arising between the reporting date and the date of the integrated annual report.

STATEMENTS OF FINANCIAL POSITION

at 28 February 2017

	Note	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**1 058 240**	763 156	**–**	–
Investment property		**3 040**	3 040	**–**	–
Intangible assets	3	**14 575**	16 550	**–**	–
Goodwill	4	**133 194**	133 194	**–**	–
Loans to subsidiaries	5	**–**	–	**187 540**	101 398
Investments in subsidiaries	5	**–**	–	**919 452**	636 909
Investment in associate		**244**	250	**–**	–
Investment in joint venture	6	**–**	–	**8**	8
Other financial assets	7	**276 942**	156 424	**162 847**	137 775
Deferred tax	9	**30 288**	20 754	**10 564**	4 433
Total non-current assets		**1 516 523**	1 093 368	**1 280 411**	880 523
Current assets					
Inventories	10	**162 960**	132 702	**–**	–
Current tax receivable		**9 279**	7 968	**–**	–
Trade and other receivables	11	**332 766**	295 552	**2 344**	1 044
Other financial assets	7	**107**	875	**–**	–
Cash and cash equivalents	12	**244 690**	117 241	**289**	209
Total current assets		**749 802**	554 338	**2 633**	1 253
Total assets		**2 266 325**	1 647 706	**1 283 044**	881 776
EQUITY AND LIABILITIES					
Equity					
Stated capital	13	**285 842**	263 611	**217 978**	249 639
Business combination adjustment	13	**(105 788)**	(105 788)	**–**	–
Treasury shares	14	**(70 999)**	(40 181)	**–**	–
Net issued stated capital		**109 055**	117 642	**217 978**	249 639
Other reserves	16	**4 525**	8 619	**1 830**	1 690
Retained earnings		**1 085 792**	892 088	**261 320**	272 333
Attributable to equity holders of the parent		**1 199 372**	1 018 349	**481 128**	523 662
Non-controlling interests		**7 547**	6 737	**–**	–
Total equity		**1 206 919**	1 025 086	**481 128**	523 662
Liabilities					
Non-current liabilities					
Borrowings	17	**94 999**	47 321	**–**	–
Provisions	18	**96 190**	75 565	**–**	–
Deferred tax	9	**113 845**	108 387	**–**	–
Total non-current liabilities		**305 034**	231 273	**–**	–
Current liabilities					
Loans from subsidiaries	5	**–**	–	**552 069**	343 326
Other financial liabilities	19	**38 111**	–	**–**	–
Borrowings	17	**79 090**	65 564	**–**	–
Current tax payable		**8 997**	2 607	**–**	–
Trade and other payables	20	**352 150**	277 832	**30 651**	3 438
Obligation for share of joint venture's losses	6	**4 481**	5 466	**–**	–
Bank overdraft	12	**271 543**	39 878	**219 196**	11 350
Total current liabilities		**754 372**	391 347	**801 916**	358 114
Total liabilities		**1 059 406**	622 620	**801 916**	358 114
Total equity and liabilities		**2 266 325**	1 647 706	**1 283 044**	881 776

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2017

	Note	Group		Company	
		2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Revenue	21	**2 228 157**	1 969 786	**13 312**	13 331
Cost of sales	22	**(1 464 494)**	(1 349 584)	**–**	–
Gross profit		**763 663**	620 202	**13 312**	13 331
Operating expenses	22	**(357 897)**	(299 445)	**(22 026)**	(13 945)
(Loss)/profit on disposal of plant and equipment		**(165)**	931	**–**	–
Contribution/(loss) from operations		**405 601**	321 688	**(8 714)**	(614)
Other net gains and losses		**–**	–	**(13)**	–
Profit on disposal of subsidiary	26.6	**4 043**	–	**9 825**	–
Impairment of property, plant and equipment	2, 22	**(3 049)**	–	**–**	–
Impairment of goodwill	4, 22	**–**	(1 300)	**–**	–
Operating profit/(loss)	22	**406 595**	320 388	**1 098**	(614)
Investment revenue	23	**36 073**	21 779	**117 159**	77 568
Finance costs	24	**(41 589)**	(22 625)	**(48 915)**	(23 803)
Share of profit of associate		**82**	67	**–**	–
Share of profits/(losses) of joint venture	6	**1 047**	(4 487)	**–**	–
Profit before tax		**402 208**	315 122	**69 342**	53 151
Income tax expense	25	**(122 814)**	(90 930)	**6 130**	2 833
Profit for the year		**279 394**	224 192	**75 472**	55 984
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**68**	91	**–**	–
Income tax effect on available-for-sale financial assets		**(63)**	(17)	**–**	–
Currency translation differences		**(7 270)**	91	**–**	–
Income tax effect on currency translation differences		**–**	(7)	**–**	–
Other comprehensive income for the year, net of tax		**(7 265)**	158	**–**	–
Total comprehensive income for the year		**272 129**	224 350	**75 472**	55 984
Profit attributable to:					
Owners of the parent		**277 824**	222 128	**75 472**	55 984
Non-controlling interests		**1 570**	2 064	**–**	–
		279 394	224 192	**75 472**	55 984
Total comprehensive income attributable to:					
Owners of the parent		**270 559**	222 286	**75 472**	55 984
Non-controlling interests		**1 570**	2 064	**–**	–
		272 129	224 350	**75 472**	55 984
Earnings per ordinary share (cents)	33	**196,0**	156,2	**–**	–
Diluted earnings per ordinary share (cents)	33	**194,0**	153,8	**–**	–

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2017

	Stated capital R'000	Treasury shares R'000	Business combination adjustment R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	**Total equity R'000**
Group							
Balance at 1 March 2015	295 328	(8 056)	(105 788)	7 506	748 010	12 437	**949 437**
Total comprehensive income							
Profit for the year	–	–	–	–	222 128	2 064	**224 192**
Other comprehensive income for the year	–	–	–	158	–	–	**158**
Net change in fair value of available-for-sale financial assets	–	–	–	91	–	–	**91**
Income tax effect	–	–	–	(17)	–	–	**(17)**
Currency translation differences	–	–	–	91	–	–	**91**
Income tax effect	–	–	–	(7)	–	–	**(7)**
Total comprehensive income	–	–	–	158	222 128	2 064	**224 350**
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	4 676	–	–	**4 676**
Purchase of treasury shares (refer note 14)	–	(50 100)	–	–	–	–	**(50 100)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(31 717)	17 975	–	(3 721)	3 721	–	**(13 742)**
Dividends paid (refer note 27)	–	–	–	–	(75 541)	(600)	**(76 141)**
Total contributions and distributions	(31 717)	(32 125)	–	955	(71 820)	(600)	**(135 307)**
Changes in ownership interests							
Additional non-controlling interest acquired due to:							
– Infrasors	–	–	–	–	(1 899)	(1 848)	**(3 747)**
Increase in effective shareholding in Infrasors due to:							
– Increase in shares held in treasury by Infrasors	–	–	–	–	(4 331)	(5 316)	**(9 647)**
Total changes in ownership interests	–	–	–	–	(6 230)	(7 164)	**(13 394)**
Total transactions with owners of the parent	(31 717)	(32 125)	–	955	(78 050)	(7 764)	**(148 701)**
Balance at 29 February 2016	263 611	(40 181)	(105 788)	8 619	892 088	6 737	**1 025 086**

	Stated capital R'000	Treasury shares R'000	Business combination adjustment R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	**Total equity R'000**
Total comprehensive income							
Profit for the year	–	–	–	–	277 824	1 570	**279 394**
Other comprehensive income for the year	–	–	–	(7 265)	–	–	**(7 265)**
Net change in fair value of available-for-sale financial assets	–	–	–	68	–	–	**68**
Income tax effect	–	–	–	(63)	–	–	**(63)**
Currency translation differences	–	–	–	(7 270)	–	–	**(7 270)**
Income tax effect	–	–	–	–	–	–	**–**
Total comprehensive income	–	–	–	(7 265)	277 824	1 570	**272 129**
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	6 023	–	–	**6 023**
Treasury shares used for acquisition (refer note 28)	(312)	23 908	–	–	–	–	**23 596**
Purchase of treasury shares (refer note 14)	–	(69 310)	–	–	–	–	**(69 310)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(28 911)	14 584	–	(2 852)	2 852	–	**(14 327)**
Effect on disposal of treasury shares to ARC	51 454	–	–	–	–	–	**51 454**
Dividends paid (refer note 27)	–	–	–	–	(86 803)	(863)	**(87 666)**
Total contributions and distributions	22 231	(30 818)	–	3 171	(83 951)	(863)	**(90 230)**
Changes in ownership interests							
Additional non-controlling interest acquired due to:							
– Infrasors	–	–	–	–	(169)	103	**(66)**
Total changes in ownership interests	–	–	–	–	(169)	103	**(66)**
Total transactions with owners of the parent	22 231	(30 818)	–	3 171	(84 120)	(760)	**(90 296)**
Balance at 28 February 2017	285 842	(70 999)	(105 788)	4 525	1 085 792	7 547	**1 206 919**
Note	13	14	13	16			

STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 28 February 2017

	Stated capital R'000	Treasury shares R'000	Business combination adjustment R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Company							
Balance at 1 March 2015	283 261	–	–	2 524	290 664	–	**576 449**
Total comprehensive income							
Profit for the year	–	–	–	–	55 984	–	**55 984**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Total comprehensive income	–	–	–	–	55 984	–	**55 984**
Transactions with company							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	780	–	–	**780**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(33 622)	–	–	(1 614)	1 614	–	**(33 622)**
Dividends paid (refer note 27)	–	–	–	–	(75 929)	–	**(75 929)**
Total contributions and distributions	(33 622)	–	–	(834)	(74 315)	–	**(108 771)**
Total changes	(33 622)	–	–	(834)	(18 331)	–	**(52 787)**
Balance at 29 February 2016	249 639	–	–	1 690	272 333	–	**523 662**
Total comprehensive income							
Profit for the year	–	–	–	–	75 472	–	**75 472**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Total comprehensive income	–	–	–	–	75 472	–	**75 472**
Transactions with company							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	1 045	–	–	**1 045**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(31 661)	–	–	(905)	905	–	**(31 661)**
Dividends paid (refer note 27)	–	–	–	–	(87 390)	–	**(87 390)**
Total contributions and distributions	(31 661)	–	–	140	(86 485)	–	**(118 006)**
Total changes	(31 661)	–	–	140	(11 013)	–	**(42 534)**
Balance at 28 February 2017	**217 978**	**–**	**–**	**1 830**	**261 320**	**–**	**481 128**
Note	13	14	13	16			

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2017

		Group		Company	
	Note	**2017 R'000**	2016 R'000	**2017 R'000**	2016 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	26.1	**531 114**	399 373	**(7 186)**	(33 435)
Interest received	26.2	**35 674**	25 429	**32 234**	27 413
Dividends received	23	**88**	197	**84 526**	53 805
Finance costs	26.3	**(36 487)**	(18 465)	**(48 915)**	(23 803)
Tax (paid)/refunded	26.4	**(124 343)**	(86 195)	**–**	53
Net cash inflow from operating activities		**406 046**	320 339	**60 659**	24 033
Cash flows from investing activities					
Acquisition of property, plant and equipment	2	**(134 521)**	(131 264)	**–**	–
Proceeds on disposal of property, plant and equipment	26.5	**17 688**	14 310	**–**	–
Acquisition of businesses and investments	5, 28	**(280 263)**	–	**(259 122)**	(3 748)
Proceeds on disposal of businesses	26.6	**9 083**	–	**10 000**	–
Advances to subsidiaries	5	**–**	–	**(92 387)**	–
Repayments of financial assets	7	**(254 916)**	(2 101)	**(162 448)**	(101)
Advances of financial assets	7	**138 940**	–	**137 775**	–
Net cash outflow from investing activities		**(503 989)**	(119 055)	**(366 182)**	(3 849)
Cash flows from financing activities					
Repurchase of Afrimat shares	14	**(69 310)**	(50 100)	**–**	–
Proceeds from borrowings	17	**306 811**	68 754	**–**	–
Repayment of borrowings	17	**(245 607)**	(78 290)	**–**	(8 450)
Effect on disposal of treasury shares to ARC	13	**51 454**	–	**–**	–
Proceeds from other financial liabilities	19	**38 111**	–	**–**	–
Acquisition of additional non-controlling interest		**(66)**	(3 747)	**–**	–
Infrasors treasury buy-back		**–**	(9 647)	**–**	–
Repayment by subsidiaries	5	**–**	–	**185 147**	54 423
Dividends paid	27	**(87 666)**	(76 141)	**(87 390)**	(75 929)
Net cash (outflow)/inflow from financing activities		**(6 273)**	(149 171)	**97 757**	(29 956)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(104 216)**	52 113	**(207 766)**	(9 772)
Cash, cash equivalents and bank overdrafts at the beginning of the year	12	**77 363**	25 250	**(11 141)**	(1 369)
Cash, cash equivalents and bank overdrafts at the end of the year	12	**(26 853)**	77 363	**(218 907)**	(11 141)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2017

PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements, are disclosed in note 1.22.

The principal accounting policies are set out below. These accounting policies are consistent with the previous year, unless otherwise stated.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

(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.

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.

Company financial statements

Investments in subsidiaries, associates and joint arrangements are initially recognised at cost.

Investments in subsidiaries, associates and joint arrangements are subsequently measured at cost less any accumulated impairment.

(b) Non-controlling interests

The group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in the statement of changes in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) 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.

(d) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is re-measured 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.1 Basis of preparation (continued)

(e) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20,0% and 50,0% of the voting rights. Investments in associates are accounted for using the equity method of accounting. The group's investment in associates includes goodwill identified on acquisition.

When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

(f) Joint arrangements

An investment in a joint venture is carried at cost.

The group's 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 ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

(g) Share trusts

The Afrimat Share Incentive Trust and Afrimat BEE Trust are structured entities that are consolidated by the group.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(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.

1.3 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Property, plant and equipment (continued)

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

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	10 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 10 years
Office and computer equipment	3 to 5 years
Dismantling costs	1 to 15 years
Mining assets	15 to 30 years

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

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

The useful life of the mining assets, over which they are depreciated, 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.

1.4 Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Group policy is that investment property will be reviewed annually.

1.5 Intangible assets

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

The purchasing right was acquired as part of the Clinker Group acquisition and relate to ash dumps to which the group has exclusive rights to utilise and process until the dumps are exhausted.

The amortisation on the purchasing right is determined on an annual basis by reference to raw materials consumed. The amortisation charge is recognised as an expense in profit or loss. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These charges are accounted for as a change in estimate.

1.6 Goodwill

Goodwill is carried at cost less any accumulated impairment.

Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

At the acquisition dates, goodwill is allocated to each of the cash-generating units expected to benefit from a business combination. An impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is determined as the value in use of each cash-generating unit 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.6 Goodwill (continued)

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

1.7 Financial instruments

(a) Initial recognition

Financial instruments carried on the statement of financial position include cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables, loans, borrowings and other financial liabilities.

Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as 'fair value through profit and loss' are expensed.

(b) Financial assets

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.

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

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

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income as part of 'investment revenue'.

Held-to-maturity

Guaranteed endowment policy investments are measured at the amortised cost, which represents the present value of the guaranteed funds after the deduction of fees.

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method. Interest is recognised in profit or loss.

Loans to group companies are classified as loans and receivables.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.7 Financial instruments (continued)

(b) Financial assets (continued)

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.

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

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 loans and receivables and are subsequently 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.

(c) Financial liabilities

The group classifies its financial liabilities as financial liabilities at amortised cost. These are measured at amortised cost using the effective interest method.

Bank overdrafts, borrowings and other financial liabilities

Bank overdrafts, borrowings and other financial liabilities are classified as financial liabilities at amortised cost.

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 classified as financial liabilities at amortised cost.

1.8 Stated capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Stated capital

Ordinary shares are classified as equity.

Treasury shares

Shares in Afrimat held by all 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.

Other reserves

Other reserves comprise mainly accumulated amounts related to equity-settled share-based payment schemes, and also accumulated amounts related to re-measurements of available-for-sale financial assets and currency translation differences.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 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.

1.10 Income tax

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 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.

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 substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

1.11 Leases as lessee and installment purchase agreements

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

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

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

1.12 Impairment of non-financial assets

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

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

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

Irrespective of whether there is any indication of impairment, the company 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 same time every year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Employee benefits

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.

Share-based compensation

The group operates an equity-settled share appreciation rights scheme, under which the group receives services from employees as consideration for ordinary shares of Afrimat.

The employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised as an increase in equity in 'other reserves'.

When the reward is settled, 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.

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 ie profit/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.

1.14 Provisions

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Refer to accounting policies 1.3 and 1.19.

1.15 Revenue

Revenue from the sale of aggregates, concrete based products and industrial minerals is recognised when the significant risks and rewards of ownership are transferred to the buyer. 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, 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.

Revenue arising from the rendering of services, ie drilling, blasting and erection costs is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction and assessed on the basis of the actual service costs incurred as a proportion of the total service costs provided. Revenue is measured at the fair value of the consideration received or receivable, net of value-added tax, trade discounts and amounts collected on behalf of third parties.

Investment revenue comprises interest revenue and dividend revenue. Interest revenue is recognised in profit or loss using the effective interest method. Dividend revenue is recognised, in profit or loss, when the group's right to receive payment has been established.

Rental income due from truck and machine rental is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging and operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.16 Contribution from operations

Contribution from operations include gross profit and operational expenses. The group considers profit/(loss) on disposal of plant, equipment and vehicles as an operational income or expense.

1.17 Accounting for BEE transactions

When equity instruments are issued to a BEE party at fair value, these are accounted for as equity. When the rights to these equity instruments have been allocated to the BEE parties, the equity instruments are derecognised and accounted for as loans and receivables.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Decommissioning and quarry rehabilitation

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.

1.20 Earnings per share

(a) Basic and headline earnings per share

Basic and headline earnings per share is calculated by dividing the net profit attributable to owners of the group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the group as treasury shares. Headline earnings are calculated in accordance with Circular 2/2015 issued by the SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all ordinary shares with dilutive potential. For this purpose the share options are assumed to have been converted into ordinary shares. The share options have no effect on net profit and therefore no adjustment is made in this respect.

1.21 Segment information

The segments of the group have been identified by business segment. The basis is representative of the internal structure used for management reporting 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 committee.

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.

1.22 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.

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 discussed below.

(a) Estimates

Trade and other receivables

Impairment of trade and other receivables requires the consideration of the impairment indicators, namely significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Significant accounting judgements and estimates (continued)

(a) Estimates (continued)

Trade and other receivables (continued)

Impairment of trade and other receivables may only be made once all collection methods have been exhausted by credit control staff, sales management and general management being: telephonic requests to make payment; written requests to make payment; visit customer and request payment; handover to attorney and letter of demand issued by attorney; attorney issue summons; and court liquidates customer.

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. For further information about assumptions refer to note 9.

Decommissioning and rehabilitation provisions

Quantifying the future costs of these obligations is complex and requires various estimates to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the DMR, have been used to estimate future rehabilitation costs. Refer to note 18 for assumptions used.

Impairment of goodwill

Goodwill has been allocated to cash-generating units. The carrying value of goodwill is assessed using a discounting methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure. Refer to note 4 for assumptions used.

Share-based payment expense calculation

The group uses the Black Scholes valuation model to determine the fair value of the options granted. The significant inputs into the model are disclosed in note 15.

Provision for stock obsolescence

The group recognised 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
Concrete manufactured products	100% if older than 12 months
Production supplies	100% if older than 36 months
Raw materials	100% if older than 12 months

Measurement of stockpile quantities

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

(b) Judgements

Equity-accounted joint venture in which the group holds less than 50%

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.

Consolidation of entities in which the group holds less than 50%

Management assessed the level of influence the group has over Labonte 3 Proprietary Limited and determined that it has control over the board of directors, due to the board of the company having the right to elect and appoint the majority board members of Labonte 3 Proprietary Limited and therefore controls the operations of the entity.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.22 Significant accounting judgements and estimates (continued)

(b) Judgements (continued)

Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited ('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 Department of Trade and Industry Codes of Good Practice. Furthermore, the group is also exposed to changes in the trust's NAV. 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.

1.23 New and amended standards

New and amended standards adopted by the group

The group has adopted the following amendment that is effective for the current financial year and that is relevant to its operations:

IAS 1 (Amendment): Presentation of Financial Statements

The amendment clarifies as part of a major initiative to improve presentation and disclosure in financial reports, designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The adoption of the amendment resulted in amended disclosures.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

The following standards and amendments to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2017 or later periods, but the group has not early adopted them. Only those expected to impact the group are included below:

IAS 7 (Amendment): Statement of cash flows

The amendment clarifies the information provided to users of financial statements about the entity's financing activities. The amendment becomes effective for the group for the annual period beginning on 1 March 2017. The adoption of the amendment will result in additional disclosures.

IFRS 2 (Amendment): Share-based payment

The amendment clarifies the effects of vesting and non-vesting conditions on the measurement of a cash-settled share-based payment; share-based payment transactions which require an entity to withhold tax (net settled feature); a modification to the terms and conditions which results in a change in classification from a cash-settled to equity-settled transaction. The amendment becomes effective for the group for the annual period beginning on 1 March 2018. The group expects that its adoption will not have a material financial impact on its annual financial statements.

IFRS 9: Financial Instruments – Classification and Measurement

This new standard covers the classification and measurement of financial instruments and aims to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and reduce complexity. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. This standard introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 New and amended standards (continued)

IFRS 9: Financial Instruments – Classification and Measurement (continued)

The standard also incorporates a forward looking 'expected loss' impairment model, which is a departure from the 'incurred loss' model applied previously under IAS 39. Therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The standard becomes effective for the group for the annual period beginning on 1 March 2018.

During 2017, the group performed a high-level impact assessment of all three aspects of IFRS 9 which are classification and measurement, impairment and hedging. This assessment was based on currently available information and may be subject to changes arising from further detailed analysis or additional reasonable and supportable information being made available to the group in the future. Overall, the group expects no significant impact on its statement of financial position and equity.

IFRS 15: Revenue from contracts with customers

IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment and intangible assets. The standard becomes effective for the group for the annual period beginning on 1 March 2018. The group plans to adopt the new standard on its mandatory effective date using the modified retrospective method.

During 2017, the group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the group will monitor any further developments.

IFRS 16: Leases

IFRS 16 provides the principles for the recognition, measurement, presentation and disclosure of leases. The standard introduces a single accounting model for lessees which builds on the principle that all leases result in the lessee being entitled to use an asset and, if lease payments are made over time, obtaining financing. The standard eliminates the distinction of operating and financing leases for lessees resulting in a more faithful representation of the lessee's assets and liabilities and improved transparency regarding the lessee's financial leverage and capital employed. Lessor accounting is left largely unchanged. IFRS 16 replaces IAS 17: *Leases* and its related interpretations. The standard becomes effective for the group for the annual period beginning on 1 March 2019. The group is still considering the impact of the new standard on its leasing arrangements.

2. PROPERTY, PLANT AND EQUIPMENT

	Cost 2017 R'000	**Accumulated depreciation 2017 R'000**	**Carrying value 2017 R'000**	Cost 2016 R'000	Accumulated depreciation 2016 R'000	Carrying value 2016 R'000
Group						
Land and buildings	**109 914**	**(24 829)**	**85 085**	103 152	(31 929)	71 223
Leasehold property	**12 464**	**(4 731)**	**7 733**	12 907	(4 400)	8 507
Plant and machinery	**722 902**	**(289 385)**	**433 517**	687 223	(292 156)	395 067
Motor vehicles	**559 742**	**(301 009)**	**258 733**	514 345	(278 164)	236 181
Office and computer equipment	**27 351**	**(18 988)**	**8 363**	27 394	(21 356)	6 038
Dismantling costs	**23 798**	**(11 520)**	**12 278**	15 888	(10 195)	5 693
Mining assets	**275 880**	**(23 349)**	**252 531**	106 452	(66 005)	40 447
Total	**1 732 051**	**(673 811)**	**1 058 240**	1 467 361	(704 205)	763 156

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Analysis of movements in carrying value:

	Opening carrying value R'000	Additions R'000	Additions through business combinations* R'000	Impair-ments R'000	Disposals** R'000	Depreciation R'000	Closing carrying value R'000
Group – 2017							
Land and buildings	**71 223**	**7 154**	**8 518**	**–**	**–**	**(1 810)**	**85 085**
Leasehold property	**8 507**	**–**	**–**	**–**	**(134)**	**(640)**	**7 733**
Plant and machinery	**395 067**	**58 235**	**39 447**	**(3 049)**	**(19 761)**	**(36 422)**	**433 517**
Motor vehicles	**236 181**	**59 881**	**16 365**	**–**	**(9 954)**	**(43 740)**	**258 733**
Office and computer equipment	**6 038**	**7 287**	**288**	**–**	**(307)**	**(4 943)**	**8 363**
Dismantling costs	**5 693**	**1 964**	**6 405**	**–**	**(352)**	**(1 432)**	**12 278**
Mining assets	**40 447**	**–**	**221 725**	**–**	**–**	**(9 641)**	**252 531**
Total	**763 156**	**134 521**	**292 748**	**(3 049)**	**(30 508)**	**(98 628)**	**1 058 240**
Group – 2016							
Land and buildings	70 315	2 059	–	–	–	(1 151)	71 223
Leasehold property	8 652	490	–	–	–	(635)	8 507
Plant and machinery	363 781	64 914	–	–	(4 227)	(29 401)	395 067
Motor vehicles	226 558	58 664	–	–	(9 045)	(39 996)	236 181
Office and computer equipment	5 584	4 371	–	–	(107)	(3 810)	6 038
Dismantling costs	6 149	766	–	–	–	(1 222)	5 693
Mining assets	43 817	–	–	–	–	(3 370)	40 447
Total	724 856	131 264	–	–	(13 379)	(79 585)	763 156

* *Refer note 28.*

** *Group disposals include property, plant and equipment items sold as part of the disposal of business of AFT Aggregates Proprietary Limited with a carrying value of R12,7 million (refer note 29).*

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (refer note 17).

	Group	
	2017 R'000	2016 R'000
Carrying value of assets pledged as security:		
Land and buildings	**33 706**	34 258
Plant and machinery*	**195 143**	61 288
Motor vehicles	**72 191**	81 959
Mining assets	**34 333**	40 447
Total	**335 373**	217 952

* *Refer note 17 for details on additional financing incurred during the year.*

Mining assets include the fair value of resources obtained through the acquisition of Cape Lime as well as the Bethlehem quarry and ancillary businesses of Wearne. The fair value has been estimated at R205,2 million and R16,5 million, respectively.

Included in disposals are plant and equipment with a cost of R100,7 million (2016: R6,3 million) and accumulated depreciation of R100,6 million (2016: R5,8 million), which had no further economical value and have been removed from the register.

Depreciation expense of R89,2 million (2016: R72,9 million) has been charged in 'cost of sales' and R9,4 million (2016: R6,7 million) in 'operating expenses'.

An impairment loss was recognised, relating to property, plant and equipment items written off at Delf Silica Coastal Proprietary Limited, which had no further economical value and have been removed from the register.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group					
	Cost 2017 R'000	**Accumulated amortisation 2017 R'000**	**Carrying value 2017 R'000**	Cost 2016 R'000	Accumulated amortisation 2016 R'000	Carrying value 2016 R'000
3. INTANGIBLE ASSETS						
Mining rights	**22 831**	**(10 402)**	**12 429**	22 803	(10 041)	12 762
Purchasing right	**9 983**	**(7 837)**	**2 146**	9 983	(6 195)	3 788
Total	**32 814**	**(18 239)**	**14 575**	32 786	(16 236)	16 550

Analysis of movements in carrying value:

	Group			
	Opening carrying value R'000	**Additions through business combinations* R'000**	**Amortisation R'000**	**Closing carrying value R'000**
2017				
Mining rights	**12 762**	**28**	**(361)**	**12 429**
Purchasing right	**3 788**	**–**	**(1 642)**	**2 146**
Total	**16 550**	**28**	**(2 003)**	**14 575**
2016				
Mining rights	13 597	–	(835)	12 762
Purchasing right	5 249	–	(1 461)	3 788
Total	18 846	–	(2 296)	16 550

* *Refer note 28.*

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods vary between 11 and 21 years (2016: 12 and 22 years). The purchasing right has a remaining finite life of between two and six years (2016: two and seven years).

	Group	
	2017 R'000	2016 R'000
4. GOODWILL		
Gross amount	**141 149**	141 149
Accumulated impairment	**(7 955)**	(7 955)
Carrying value	**133 194**	133 194
Analysis of movements in carrying value:		
Carrying value – opening balance	**133 194**	134 494
Impairment of goodwill	**–**	(1 300)
Carrying value – closing balance	**133 194**	133 194

4. GOODWILL (continued)

	Group 2017 R'000	Group 2016 R'000
Goodwill acquired through business combinations has been allocated to cash-generating units as follows:		
Afrimat Concrete Products Proprietary Limited	**20 468**	20 468
Afrimat Aggregates (KZN) Proprietary Limited	**16 878**	16 878
Rodag Holdings Proprietary Limited	**1 058**	1 058
Afrimat Aggregates (Operations) Proprietary Limited	**10 955**	5 616
Malans Group	**–**	5 339
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**39 267**	39 267
SA Block Proprietary Limited	**10 152**	10 152
Clinker Supplies Proprietary Limited	**26 105**	26 105
Sunshine Crushers Proprietary Limited	**5 723**	5 723
Glen Douglas Dolomite Proprietary Limited	**801**	801
Infrasors Holdings Proprietary Limited	**1 787**	1 787
	133 194	133 194

Due to the restructuring of material subsidiaries of the Malans Group into Afrimat Aggregates (Operations) Proprietary Limited, the cash-generating unit and related goodwill of the Malans Group have been reclassified as above.

The recoverable amount has been determined using the value-in-use calculations. The group applied a discounted cash flow methodology to value goodwill. 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 discount rate applied to the cash flow projections varied between 12,3% and 17,8% (2016: 12,0% and 16,0%). The key assumptions used were growth rates of 3,0% to 10,0% (2016: 5,0% to 10,0%) over the estimated useful life of mine.

It is management's belief that any reasonable possible change in the key assumptions on which the recoverable amount of the non-impaired cash-generating units is based, would not cause the carrying amount to exceed the recoverable amounts.

The growth rates were based on the current inflation rate in South Africa, compound annual growth rates of the group as well as the profit generating ability of certain businesses resulting from its products having distinct characteristics that are difficult to replicate or substitute. If the growth in operating results used in the value-in-use calculation for the group had been a negative growth rate of 0,3% (which is the decrease in the gross domestic product of the 'Aggregates and Industrial Minerals' industry calculated by Trading Economics relating to 2017) the group would still not have recognised an impairment of goodwill. Growth rates of between 3,0% and 10,0%, ie higher than industry growth rates, were used in the value-in-use calculations, due to the group reflecting an annual compound growth rate in HEPS of 26,4% for the past five years.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

5. INVESTMENTS IN SUBSIDIARIES

Name of company	Nature of business	Principal place of business	**% holding 2017**	% holding 2016	**Carrying amount shares 2017 R'000**	Carrying amount shares 2016 R'000	**Carrying amount indebtedness 2017 R'000**	Carrying amount indebtedness 2016 R'000
Afrimat Aggregates (Eastern Cape) Proprietary Limited	●	EC	100,0	100,0	53 181	53 181	(42 512)	(23 852)
Afrimat Aggregates (Operations) Proprietary Limited	●	WC	100,0	100,0	106 220	106 220	(173 893)	(77 597)
Afrimat Aggregates (KZN) Proprietary Limited	●	KZN	100,0	100,0	35 183	35 183	25 399	10 252
Afrimat Aggregates (Trading) Proprietary Limited	●	WC	100,0	100,0	28 925	28 925	–	–
Afrimat BEE Trust	◊	WC	–	–	–	–	16	–
Afrimat Concrete Products Proprietary Limited	⦿	KZN	100,0	100,0	67 379	67 379	(9 059)	(9 746)
Afrimat Contracting International Proprietary Limited	♦	WC	100,0	100,0	3 180	3 180	7 858	25 477
Afrimat Empowerment Investments Proprietary Limited	◊	WC	–	–	–	–	8 462	–
Afrimat Engineering Services Proprietary Limited*	■	GP	100,0	–	1	–	(1)	–
Afrimat Iron Ore Proprietary Limited**	◊	WC	95,0	–	–	–	87 224	–
Afrimat Management Services Proprietary Limited	■	WC	100,0	100,0	1	1	22 632	14 478
Afrimat Manufacturing Proprietary Limited	◊	WC	100,0	100,0	832	832	–	–
Afrimat Minerals Proprietary Limited	◊	WC	100,0	100,0	13 053	13 053	–	–
Afrimat Mozambique Limitada	●	MZ	99,0	99,0	14	14	10	8 700
Afrimat Readymix (Cape) Proprietary Limited	⦿	WC	100,0	100,0	5 267	5 267	(17 869)	(23 293)
Afrimat Readymix (Inland) Proprietary Limited	⦿	MP	75,0	75,0	1	1	7	(2)
Afrimat Shared Services Proprietary Limited	■	WC	100,0	100,0	–	–	5 081	950
Afrimat Share Incentive Trust	◊	WC	–	–	–	–	(17)	(58)
AFT Aggregates Proprietary Limited	●	GP	–	100,0	–	175	–	6 337
Boublok Proprietary Limited	⦿	WC	100,0	100,0	889	889	20	(1 384)
Cape Lime Proprietary Limited	●	WC	100,0	–	282 651	–	(9 407)	–
Capmat Proprietary Limited	●	WC	87,5	87,5	6 255	6 255	3 863	3 081
Clinker Supplies Proprietary Limited	●	GP	100,0	100,0	24 210	24 210	(161 800)	(126 681)
Community Quarries Proprietary Limited	●	WC	100,0	100,0	33 772	33 772	–	–
Glen Douglas Dolomite Proprietary Limited	●	GP	100,0	100,0	27 658	27 658	(108 128)	(58 593)
Infrasors Holdings Proprietary Limited***	●	GP	97,4	93,0	86 439	86 373	21 398	26 996
Labonte 3 Proprietary Limited	✦	WC	50,0	50,0	149	149	–	–

5. INVESTMENTS IN SUBSIDIARIES (continued)

Name of company	Nature of business	Principal place of business	% holding 2017	% holding 2016	Carrying amount shares 2017 R'000	Carrying amount shares 2016 R'000	Carrying amount indebtedness 2017 R'000	Carrying amount indebtedness 2016 R'000
Maritzburg Quarries Proprietary Limited	●	KZN	**100,0**	100,0	**1 296**	1 296	**457**	457
Meepo Ya Mmu Resources Proprietary Limited	●	MP	**54,0**	54,0	**955**	955	**(234)**	(147)
Olympic Sand Proprietary Limited	●	WC	**100,0**	100,0	**1 205**	1 205	**–**	–
Prima Quarries Namibia Proprietary Limited	●	NAM	**100,0**	100,0	**–**	–	**–**	–
Rodag Holdings Proprietary Limited	✦	KZN	**100,0**	100,0	**3 829**	3 829	**5 113**	4 670
SA Block Proprietary Limited	⊙	GP	**100,0**	100,0	**120 806**	120 806	**(26 276)**	(19 100)
Scottburgh Quarries Proprietary Limited	●	KZN	**100,0**	100,0	**8 020**	8 020	**–**	–
Sunshine Crushers Proprietary Limited	●	KZN	**100,0**	100,0	**8 081**	8 081	**(2 873)**	(2 873)
Tradeselect 5 Proprietary Limited	✗	WC	**100,0**	100,0	**–**	–	**–**	–
					919 452	636 909	**(364 529)**	(241 928)
Analysis of non-current assets and current liabilities:								
Non-current assets** **								
Loans to subsidiaries							**187 540**	101 398
Current liabilities								
Loans from subsidiaries							**(552 069)**	(343 326)
							(364 529)	(241 928)

● Aggregates and industrial minerals ◊ Investment ⊙ Concrete Based Products ♦ Contracting
■ Services ✦ Property ✗ Dormant

EC = Eastern Cape WC = Western Cape KZN = KwaZulu-Natal NAM = Namibia
GP = Gauteng MP = Mpumalanga MZ = Mozambique

* *Previously known as Delf Security Proprietary Limited.*

** *Previously known as Delf Dredging Proprietary Limited.*

*** *Indirectly held subsidiaries include Delf Sand Proprietary Limited, Pienaarspoort Ontwikkeling Proprietary Limited, Delf Silica Coastal Proprietary Limited, Afrimat Silica Proprietary Limited (previously Delf Cullinan Proprietary Limited), Delf Silica Proprietary Limited, Lyttelton Dolomite Proprietary Limited, Infrasors Environmental Rehabilitation Trust, Afrimat Lime Company Proprietary Limited, Infrasors Management Services Proprietary Limited, Infrasors Empowerment Trust.*

**** *Due to the subsidiaries not having the intent to settle their loans in the next 12 months, the loans to subsidiaries have been reclassified to non-current assets.*

The loans have no fixed terms of repayment and the majority bear interest at prime less 2,5% (2016: 2,5%). Interest on the Infrasors Holdings Proprietary Limited loan is calculated at prime plus 1,5% and AEI and Afrimat Iron Ore Proprietary Limited bear interest at prime. The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited and Afrimat Mozambique Limitada that are incorporated in Namibia and Mozambique, respectively.

The group disposed of 100% of its shareholding in AFT Aggregates Proprietary Limited to Nityn Proprietary Limited on 1 April 2016. The company was previously included in the 'Aggregates and Industrial Minerals' segment. Refer to note 29.

The group acquired 100% of the issued ordinary shares of lime and associated products producer, Cape Lime, on 31 March 2016. The aggregate purchase consideration paid for the acquisition was R282,7 million. Refer to note 28.

The group has no contractual or other commitments or intentions to provide financial assistance to, or to buy assets from the Afrimat Share Incentive Trust, Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited, Infrasors Rehabilitation Trust and Infrasors Empowerment Trust.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
6. INVESTMENT IN JOINT VENTURE/OBLIGATION FOR SHARE OF JOINT VENTURE'S LOSSES				
Pemba Aggregates Limitada (49,0%)	**(4 481)**	(5 466)	**8**	8
Analysis of investment in joint venture:				
Opening balance	**(5 466)**	(979)	**–**	–
Translation reserve previously included in PBIT	**(62)**	–	**–**	–
Share of net loss after tax	**(5 774)**	(4 487)	**–**	–
Limitation of joint venture losses to net investment	**6 821**	–	**–**	–
Closing balance	**(4 481)**	(5 466)	**–**	–
The group's share of the results of its joint venture, which is unlisted, and the group's share of its aggregated assets and liabilities, are as follows:				
Assets	**3 861**	4 864	**–**	–
Liabilities	**(12 711)**	(10 330)	**–**	–
Revenues	**3 286**	4 637	**–**	–
Loss	**(5 774)**	(4 487)	**–**	–

The total authorised ordinary stated capital of the joint venture, consisted of MZN50 000 (2016: MZN 50 000) ordinary shares of which MZN50 000 (2016: MZN50 000) ordinary shares were issued at year-end.

The company's share of losses of the joint venture has been recognised until the share of losses equals its interest in the joint venture (refer note 7).

Management does not consider the investment in joint venture to be material to the group.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
7. OTHER FINANCIAL ASSETS				
Non-current assets:				
Available-for-sale	**2 464**	2 328	**–**	–
Loans and receivables	**247 214**	140 896	**162 847**	137 775
At fair value through profit or loss – designated	**27 264**	13 200	**–**	–
	276 942	156 424	**162 847**	137 775
Current assets:				
Loans and receivables	**107**	89	**–**	–
Held-to-maturity	**–**	786	**–**	–
	107	875	**–**	–
Total other financial assets	**277 049**	157 299	**162 847**	137 775
Analysis of other financial assets:				
Available-for-sale				
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**108**	114	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**2 356**	1 898	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**–**	316	**–**	–
	2 356	2 214	**–**	–
Total available-for-sale financial assets	**2 464**	2 328	**–**	–

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

7. OTHER FINANCIAL ASSETS (continued)

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Loans and receivables				
Non-current assets				
Funding provided to Afrimat employees	**–**	137 775	**–**	–
Preference shares in Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	**–**	–	**–**	137 775
Diro Manganese Proprietary Limited	**239 529**	–	**154 162**	–
Investment in Pemba Aggregates Limitada	**4 481**	–	**8 685**	–
BEE investor	**3 204**	3 121	**–**	–
Total non-current portion of loans and receivables	**247 214**	140 896	**162 847**	137 775
Current assets				
BEE investor	**107**	89	**–**	–
Total current portion of loans and receivables	**107**	89	**–**	–
Total loans and receivables	**247 321**	140 985	**162 847**	137 775

Funding provided to Afrimat employees

Afrimat launched a B-BBEE ownership initiative, whereby Afrimat's black employees ('participants'), via the Afrimat BEE Trust acquired issued share capital of the company. Funding was provided by Afrimat to the Afrimat BEE Trust via a funding vehicle AEI.

AEI issued cumulative participating preference shares to Afrimat on behalf of the participants. On 28 July 2016, The Standard Bank of South Africa Limited ('SBSA') provided funding to AEI in the amount of R141,3 million for the redemption of all its existing preference shares in issue and to pay the existing preference share redemption quantum to the company.

On 9 November 2016, Afrimat announced on SENS that the ARC Transaction, to acquire 26,3 million shares in Afrimat from AEI, became unconditional. The shares comprise approximately 18,36% of the total issued Afrimat ordinary shares. The transaction became unconditional as the participants of the Afrimat BEE Trust voted in favour of the offer and all other conditions were met. ARC agreed to be locked in for at least four years. Following the implementation of the ARC Transaction, the beneficiaries received their respective consideration net of any liabilities, and ceased to be participants under the current scheme. All funding associated with the Afrimat shares was settled on 8 December 2016. In order to facilitate the purchase of Afrimat shares by ARC, the current trust deed of the Afrimat BEE Trust was amended. These changes were approved by the scheme participants and Afrimat shareholders on 8 November 2016 and 18 November 2016, respectively.

DIRO

As announced on SENS on 11 October 2016, Afrimat concluded an agreement to purchase 60% of DIRO, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. DIRO's operations have been halted as a consequence of it being under financial distress and was accordingly put into formal business rescue on 7 June 2016. The aggregate purchase consideration payable (including funding provided) for the acquisition of DIRO is R276,0 million. The effective date of acquisition is the first business day following the date on which the conditions precedent are fulfilled or waived and the agreement becomes unconditional and enforceable in all respects. The conditions precedent included the approval of the competition authorities, Section 11 approval from the DMR and all other regulatory approvals as may be required. For further details, refer to the SENS announcement published on 11 October 2016.

DIRO has not been incorporated into the financial results of the group, as the company awaits the Section 11 approval from the DMR. At year-end, an amount of R239,5 million was contributed towards the purchase consideration payable and have therefore been classified as a loan and receivable until all conditions precedent are met and the results of DIRO incorporated. The loan has no fixed terms of repayment and bears interest at prime plus 4,5%.

The loan is secured by notarial bonds over moveable property and mortgage bonds over land and buildings with an estimated value of R240,0 million.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

7. OTHER FINANCIAL ASSETS (continued)

BEE investor

During F2014, 190 000 treasury shares were issued to a BEE investor for a value of R12,74 per share. Loan funding to the value of R2,4 million for the purchase of the shares were provided by one of the group's subsidiaries, Afrimat Aggregates (Operations) Proprietary Limited. The loan is subject to interest at SBSA's prime overdraft rate less 3 percentage points and is repayable by 20 February 2019.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
At fair value through profit or loss – designated				
Non-current assets:				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**7 703**	6 991	**–**	–
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	**589**	–	**–**	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	**10 096**	–	**–**	–
Sanlam Investment Management Proprietary Limited Balanced Fund	**6 924**	6 209	**–**	–
Stanlib Asset Management Limited Income Retention Fund	**1 952**	–	**–**	–
Total financial assets at fair value through profit or loss	**27 264**	13 200	**–**	–

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 18).

Similarly, the Infrasors Group reinvested an amount, previously realised, in a Centriq Mining Rehabilitation Guarantee Insurance Policy during the current year for the same purpose (refer note 18).

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 (refer note 28).

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R0,8 million (2016: R(0,2 million)) was allocated to 'operating expenses' in profit or loss.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Held-to-maturity				
Current assets:				
Liberty Group Limited Guaranteed Endowment Policy Investment	**–**	786	**–**	–
Total financial assets held-to-maturity	**–**	786	**–**	–

The guaranteed endowment policy investment refers to a three-year guarantee policy for outstanding instalment purchase agreements on plant and equipment purchased in the Infrasors Group, which was realised during the course of the current financial year.

8. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Assets as per statement of financial position				
Available-for-sale				
Other financial assets (refer note 7)	**2 464**	2 328	**–**	–
	2 464	2 328	**–**	–
Loans and receivables at amortised cost				
Other financial assets (refer note 7)	**247 321**	140 985	**162 847**	137 775
Trade and other receivables* (refer note 11)	**325 539**	289 804	**1 994**	991
Cash and cash equivalents (refer note 12)	**244 690**	117 241	**289**	209
Loans to subsidiaries (refer note 5)	**–**	–	**187 540**	101 398
	817 550	548 030	**352 670**	240 373
At fair value through profit or loss – designated				
Other financial assets (refer note 7)	**27 264**	13 200	**–**	–
	27 264	13 200	**–**	–
Held-to-maturity				
Other financial assets (refer note 7)	**–**	786	**–**	–
	–	786	**–**	–
Total financial assets	**847 278**	564 345	**352 670**	240 373

* *Prepayments and value-added taxation are excluded from the trade and other receivables balance, as this analysis is required only for financial instruments.*

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loans and receivables mentioned above and at company level includes the exposure to SBSA omnibus securityship as per note 37(c).

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Liabilities as per statement of financial position				
Financial liabilities at amortised cost				
Medium-term loans (refer note 17)	**1 971**	20 665	**–**	–
Instalment purchase agreements (refer note 17)	**172 118**	92 220	**–**	–
Other financial liabilities (refer note 19)	**38 111**	–	**–**	–
Loans from subsidiaries (refer note 5)	**–**	–	**552 069**	343 326
Trade and other payables** (refer note 20)	**216 851**	218 233	**27 974**	941
Bank overdraft (refer note 12)	**271 543**	39 878	**219 196**	11 350
Total	**700 594**	370 996	**799 239**	355 617

** *Employee-related expenses, taxes and other statutory liabilities are excluded from the trade and other payables balance as this analysis is required only for financial instruments.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
9. DEFERRED TAX				
Accelerated capital allowances for tax purposes	**(134 162)**	(130 882)	**–**	–
Accruals	**17 537**	16 671	**643**	553
Provisions	**18 853**	14 811	**–**	–
Tax losses available for set-off against future taxable income	**17 181**	16 740	**10 256**	4 159
Fair value adjustments	**(1 255)**	(2 725)	**(335)**	(279)
Other	**(1 711)**	(2 248)	**–**	–
	(83 557)	(87 633)	**10 564**	4 433

Analysis of movement in deferred tax balance:

	February 2016 Assets	February 2016 Liabilities	February 2016 Total	Recognised in profit or loss	Recognised directly in equity	Disposal of subsidiary*	Acquisition of subsidiary**	February 2017 Assets	February 2017 Liabilities	February 2017 Total
Group										
Accelerated capital allowances for tax purposes	(538)	(130 344)	(130 882)	5 377	–	3 190	(11 847)	**8 440**	**(142 602)**	**(134 162)**
Accruals	9 435	7 236	16 671	(1 295)	–	(145)	2 306	**4 637**	**12 900**	**17 537**
Provisions	1 788	13 023	14 811	1 841	–	(500)	2 701	**1 794**	**17 059**	**18 853**
Tax losses available for set-off against future taxable income	10 348	6 392	16 740	441	–	–	–	**15 759**	**1 422**	**17 181**
Fair value adjustments	(279)	(2 446)	(2 725)	1 438	(63)	8	87	**(335)**	**(920)**	**(1 255)**
Other	–	(2 248)	(2 248)	537	–	–	–	**(7)**	**(1 704)**	**(1 711)**
Total	20 754	(108 387)	(87 633)	8 339	(63)	2 553	(6 753)	**30 288**	**(113 845)**	**(83 557)**

* *Refer note 29.*

** *Refer note 28.*

9. DEFERRED TAX (continued)

Analysis of movement in deferred tax balance:

	February 2016			Recognised in profit or loss	Recognised directly in equity	Disposal of subsidiary	Acquisition of subsidiary	February 2017		
	Assets	Liabilities	Total					**Assets**	**Liabilities**	**Total**
Company										
Accruals	553	–	553	90	–	–	–	**643**	**–**	**–**
Tax losses available for set-off against future taxable income	4 159	–	4 159	6 097	–	–	–	**10 256**	**–**	**–**
Fair value adjustments	(279)	–	(279)	(56)	–	–	–	**(335)**	**–**	**–**
Total	4 433	–	4 433	6 131	–	–	–	**10 564**	**–**	**–**

The group has estimated income tax losses available amounting to R78,3 million (2016: R66,7 million). The group has estimated capital tax losses available amounting to R54,2 million (2016: R38,7 million). The realisation of the related tax benefit through future taxable profits are probable due to new cost saving measures implemented, continuous improvement of production abilities and new products being launched.

Included in the above tax losses were R17,0 million (2016: R6,9 million) and R54,2 million (2016: R38,7 million) relating to income and capital tax losses, respectively, which were 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.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
10. INVENTORIES				
The amounts attributable to the different categories are as follows:				
Raw materials, components	**17 248**	26 415	**–**	–
Finished goods	**108 837**	109 711	**–**	–
Production supplies	**46 089**	19 436	**–**	–
	172 174	155 562	**–**	–
Allowance for inventory obsolescence*:	**(9 214)**	(22 860)	**–**	–
Raw materials, components	**–**	(323)	**–**	–
Finished goods	**(6 164)**	(21 283)	**–**	–
Production supplies	**(3 050)**	(1 254)	**–**	–
	162 960	132 702	**–**	–

** The decrease in inventory obsolescence relates to obsolete inventory previously provided for, now written off in Afrimat Aggregates Operations Proprietary Limited.*

The carrying value of finished products, identified as slow-moving is R12,1 million (2016: R10,1 million), after allowing for the provision of inventory obsolescence.

Included in production supplies is an amount of R13,9 million relating to consumables held by Afrimat Engineering Services Proprietary Limited ('AES'). AES commenced trading with effect from 1 September 2016.

Inventory write-off to net realisable value amounted to R11,3 million (2016: R0,4 million) and was included in 'cost of sales' in the statement of profit or loss and other comprehensive income. The total amount of inventory recognised as an expense is R742,8 million (2016: R629,9 million) and was recognised in 'cost of sales'.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
11. TRADE AND OTHER RECEIVABLES				
Trade receivables	**282 106**	259 037	**365**	–
Provision for impairment of receivables	**(4 757)**	(11 740)	**–**	–
Trade receivables – net	**277 349**	247 297	**365**	–
Loans to related parties	**25 690**	28 376	**628**	566
Other receivables	**22 500**	14 131	**1 001**	425
Trade and other receivables – financial assets (refer note 8)	**325 539**	289 804	**1 994**	991
Prepayments and value-added taxation	**7 227**	5 748	**350**	53
Total trade and other receivables	**332 766**	295 552	**2 344**	1 044

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. The Ikapa Quarries Proprietary Limited receivables have no fixed repayment terms and bear interest at prime (2016: prime). The Pemba Aggregates Limitada receivables bear interest at Libor +1,5% (2016: interest-free) and have no fixed repayment terms.

Trade receivables to the amount of R181,6 million (2016: R175,5 million) served as security for SBSA overdraft facility and medium-term loan as per notes 12 and 17, respectively. The security was released subsequent to the reporting date.

As at 28 February 2017, the group had trade receivables of R61,4 million (2016: R41,7 million) which were past due but not impaired. These relate to a number of reputable customers for whom there is no history of default, settlement agreements are in place or that management believes will in all probability pay.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
The ageing analysis of these trade receivables is as follows:				
Neither impaired nor past due	**215 900**	205 567	**365**	–
Not impaired but past due				
Between 30 and 60 days past due	**39 369**	29 380	**–**	–
Between 60 and 90 days past due	**11 550**	5 101	**–**	–
More than 90 days past due	**10 530**	7 249	**–**	–
	61 449	41 730	**–**	–
	277 349	247 297	**365**	–
An impairment provision of R4,8 million (2016: R11,7 million) has been recognised against receivables. The ageing of the impairment portion of receivables, which is past due, is as follows:				
Between 30 and 60 days	**–**	1	**–**	–
Between 60 and 90 days	**17**	31	**–**	–
More than 90 days	**4 740**	11 708	**–**	–
	4 757	11 740	**–**	–

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000

11. TRADE AND OTHER RECEIVABLES (continued)

Movements on the group provision for impairment of trade receivables are as follows:				
Opening balance	**11 740**	16 699	**–**	–
Acquired through business combinations	**11**	–	**–**	–
Disposal of subsidiary	**(218)**	–	**–**	–
Additional provision charged to profit or loss	**2 341**	5 583	**–**	–
Provisions reversed to profit or loss	**(1 616)**	(1 272)	**–**	–
Receivables written off during the year as uncollectible	**(7 501)**	(9 270)	**–**	–
Closing balance	**4 757**	11 740	**–**	–

As at 28 February 2017, trade and other receivables of R7,5 million (2016: R9,3 million) were impaired. These impaired receivables, previously provided for, mainly relate to debtors, which are in unexpectedly difficult economic situations as well as companies placed under liquidation.

The other classes within trade and other receivables do not contain impaired assets.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Credit quality of fully performing financial assets				
Trade receivables				
Customers without external ratings				
Group 1 (new customers)	**30 620**	11 453	**–**	–
Group 2 (existing customers – with no defaults in the past)	**169 823**	184 803	**365**	–
Group 3 (existing customers – some prior defaults, but fully recoverable)	**15 457**	9 311	**–**	–
	215 900	205 567	**365**	–

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

Management's assessment of the credit quality of other receivables and loans to related parties is good, taking into consideration that a material portion relates to customers with no past defaults and includes related parties which should generate profits in the foreseeable future.

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

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Rand	**318 308**	259 294	**2 344**	1 044
Meticais	**14 458**	36 258	**–**	–
	332 766	295 552	**2 344**	1 044

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
12. CASH AND CASH EQUIVALENTS				
Cash and cash equivalents consist of:				
Cash on hand	**293**	291	**2**	–
Bank balances	**122 302**	57 848	**284**	209
Short-term bank deposits	**122 095**	59 102	**3**	–
Bank overdraft	**(271 543)**	(39 878)	**(219 196)**	(11 350)
	(26 853)	77 363	**(218 907)**	(11 141)
Current assets	**244 690**	117 241	**289**	209
Current liabilities	**(271 543)**	(39 878)	**(219 196)**	(11 350)
	(26 853)	77 363	**(218 907)**	(11 141)

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

Funding towards the DIRO acquisition (refer note 7) was obtained by means of utilising the company's current general banking facilities with SBSA as well as FirstRand Bank Limited ('FNB'). The current general banking facilities may not be called upon before 30 June 2017 and 31 October 2017 as agreed to by the company and SBSA as well as FNB, respectively. Refer to note 36 for further information regarding debt refinancing.

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

The increase in bank balances were driven by the acquisition of Cape Lime and the remaining cash available in AEI due to the ARC transaction.

Infrasors bank accounts to the value of R1,2 million (2016: R9,7 million) have been ceded as security to ABSA Bank Limited.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
13. STATED CAPITAL				
Authorised				
1 000 000 000 (2016: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued				
143 262 412 (2016: 143 262 412) ordinary shares with no par value	**263 611**	295 328	**249 639**	283 261
Net effect of settlement of employee share options	**(28 911)**	(31 717)	**(31 661)**	(33 622)
Effect of shares utilised for Cape Lime acquisition	**(312)**	–	**–**	–
Effect on disposal of treasury shares to ARC	**51 454**	–	**–**	–
Stated capital	**285 842**	263 611	**217 978**	249 639
Business combination adjustment	**(105 788)**	(105 788)	**–**	–

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. This has resulted in an adjustment against the issued share capital of the group of R105,8 million in terms of IFRS 3.

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.

The net effect on the disposal of 26,3 million treasury shares to ARC included the net income and capital gains on shares disposed.

All shares issued by the company were fully paid.

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000

14. TREASURY SHARES

	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
533 789 (2016: 1 918 751) shares held by Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary	**(11 345)**	(40 181)	**–**	–
6 653 854 (2016: Nil) shares held by AEI, a subsidiary of Afrimat BEE Trust	**(59 654)**	–	**–**	–
	(70 999)	(40 181)	**–**	–

The group acquired 440 000 (2016: 2 482 093) of its own shares through purchases on the JSE Limited via Afrimat Aggregates (Operations) Proprietary Limited. The total amount paid to acquire the shares was R9,7 million (2016: R50,1 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R21,95 (2016: R20,18). During the year, 685 615 (2016: 1 069 171) and 1 139 347 (2016: Nil) shares were utilised in terms of the Share Appreciation Rights Scheme and Cape Lime acquisition (refer note 28) for an amount of R14,6 million (2016: R18,0 million) and R23,9 million (2016: RNil), respectively. The related weighted average share price at the time of exercise was R21,27 (2016: R16,81).

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

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Analysis of movement in number of treasury shares:				
Opening balance	**1 919**	506	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(686)**	(1 069)	**–**	–
Utilised for Cape Lime acquisition	**(1 139)**	–		
Shares held by AEI	**6 654**	–	**–**	–
Purchased during the year	**440**	2 482	**–**	–
Closing balance	**7 188**	1 919	**–**	–

15. SHARE OPTIONS

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 previous business day's volume weighted average price for the Afrimat shares on the date when the option is exercised. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the group achieving its target growth in headline earnings per share over the period; the options have a contractual option term of four years after vesting. The group has no legal or constructive obligation to repurchase or settle the options in cash. When the options are exercised the participants will receive shares equal in value to the number of options exercised multiplied by the difference between the exercise price and the grant price.

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

	2017 Average grant price in cents per share	**2017 Number of options '000**	2016 Average grant price in cents per share	2016 Number of options '000
Opening balance	**1205**	**4 825**	852	6 295
Granted	**2220**	**1 015**	1726	1 105
Exercised	**952**	**(1 835)**	563	(2 575)
Forfeited	**1646**	**(50)**	–	–
Closing balance	**1580**	**3 955**	1205	4 825

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

15. SHARE OPTIONS (continued)

Out of the 3 955 000 outstanding options (2016: 4 825 000), 900 000 options (2016: 340 000) were exercisable. Options exercised resulted in 115 000, 120 000 and 1 600 000 shares (2016: 2 475 000 and 100 000) being issued at a weighted price of R17,26, R15,65 and R8,50 each, respectively (2016: R5,63 and R3,40 each, respectively). The related weighted average share price at the time of exercise was R26,18 (2016: R19,00) 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 2017 '000	Number of options 2016 '000
2018	340	**100**	100
2019	572	**240**	240
2020	850	**560**	2 160
2021	1565	**1 075**	1 220
2022	1726	**965**	1 105
2023	2220	**1 015**	–
		3 955	4 825

The remaining number of shares, as at year-end, that may be utilised for the purpose of share options are:

	Number of shares 2017 '000	Number of shares 2016 '000
Opening balance	**22 221**	21 401
Exercised	**1 835**	2 575
Forfeited	**50**	–
Utilised	**(1 015)**	(1 755)
Closing balance	**23 091**	22 221

Number of share options held by directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2017						
Andries J van Heerden	**730**	**180**	**2220**	**2023**	**(330)**	**580**
Hendrik P Verreynne	**435**	**–**	**–**	**–**	**(435)**	**–**
Pieter GS de Wit	**–**	**300**	**1625**	**2020 to 2023**	**(80)**	**220**
Gert J Coffee	**150**	**–**	**–**	**–**	**(150)**	**–**
	1 315	**480**	**–**	**–**	**(995)**	**800**
2016						
Andries J van Heerden	990	200	1726	2022	(460)	730
Hendrik P Verreynne	565	115	1726	2022	(245)	435
Gert J Coffee	350	–	1726	2022	(200)	150
	1 905	315	–	–	(905)	1 315

The fair value of options granted during the year, using the Black Scholes valuation model, was R8,4 million (2016: R5,6 million) and will be expensed over a three-year vesting period. The option expense for the year, in respect of current year and previous years' options granted, was R6,0 million (2016: R4,7 million).

15. SHARE OPTIONS (continued)

Analysis of movement in remaining options:

Grant date	11 May 2011 '000	9 May 2012 '000	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	Total '000
Originally granted	2 750	2 835	2 160	1 220	1 105	1 015	11 085
Forfeited	–	(120)	–	(25)	(25)	–	(170)
Exercised	(2 650)	(2 475)	(1 600)	(120)	(115)	–	(6 960)
Net outstanding	100	240	560	1 075	965	1 015	3 955
Grant price (cents)	340	572	850	1565	1726	2220	
Fair value of option (cents)	117	147	170	470	510	832	

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

Grant date	11 May 2011	9 May 2012	8 May 2013	14 May 2014	20 May 2015	18 May 2016
Grant price (cents)	340	572	850	1565	1726	2220
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	56,75	36,53	29,09	31,69	28,76	40,77
Expected likelihood	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%
Expected risk-free rates	7,55%	6,44%	5,07%	6,73%	7,58%	9,01%
Expected dividend yields	5,00%	3,32%	3,29%	2,49%	2,90%	2,57%

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.

16. OTHER RESERVES

	Available-for-sale reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Total other reserves R'000
Group				
Balance at 1 March 2015	542	7 346	(382)	7 506
Share-based payment expense for the year	–	4 676	–	4 676
Settlement of employee share options	–	(3 721)	–	(3 721)
Fair value adjustment	74	–	–	74
Currency translation differences	–	–	84	84
Total changes	74	955	84	1 113
Balance at 1 March 2016	616	8 301	(298)	8 619
Share-based payment expense for the year	**–**	**6 023**	**–**	**6 023**
Settlement of employee share options	**–**	**(2 852)**	**–**	**(2 852)**
Fair value adjustment	**5**	**–**	**–**	**5**
Currency translation differences	**–**	**–**	**(7 270)**	**(7 270)**
Total changes	**5**	**3 171**	**(7 270)**	**(4 094)**
Balance at 28 February 2017	**621**	**11 472**	**(7 568)**	**4 525**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

16. OTHER RESERVES (continued)

	Available-for-sale reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Total other reserves R'000
Company				
Balance at 1 March 2015	–	2 524	–	2 524
Share-based payment expense for the year	–	780	–	780
Settlement of employee share options	–	(1 614)	–	(1 614)
Total changes	–	(834)	–	(834)
Balance at 1 March 2016	–	1 690	–	1 690
Share-based payment expense for the year	**–**	**1 045**	**–**	**1 045**
Settlement of employee share options	**–**	**(905)**	**–**	**(905)**
Total changes	**–**	**140**	**–**	**140**
Balance at 28 February 2017	**–**	**1 830**	**–**	**1 830**

Nature and purpose of reserves

(a) *Available-for-sale reserve*

This reserve records the changes in fair value of available-for-sale financial assets.

(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 to note 15 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.

17. BORROWINGS

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Non-current liabilities				
Medium-term loans	**1 325**	1 253	**–**	–
Instalment purchase agreements	**93 674**	46 068	**–**	–
	94 999	47 321	**–**	–
Current liabilities				
Medium-term loans	**646**	19 412	**–**	–
Instalment purchase agreements	**78 444**	46 152	**–**	–
	79 090	65 564	**–**	–
Medium-term loans				
Capital reconciliation of medium-term loans were as follows:				
Opening balance	**20 665**	45 709	**–**	8 450
Additions	**141 383**	644	**–**	
Repayments	**(160 077)**	(25 688)	**–**	(8 450)
Closing balance	**1 971**	20 665	**–**	–

17. BORROWINGS (continued)

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Instalment purchase agreements				
Capital reconciliation of instalment purchase agreements was as follows:				
Opening balance	**92 220**	76 712	**–**	–
Borrowings raised	**165 428**	68 110	**–**	–
Repayments	**(85 530)**	(52 602)	**–**	–
Closing balance	**172 118**	92 220	**–**	–
Minimum payments due on instalment purchase agreements are as follows:				
Within one year	**91 054**	52 598	**–**	–
In second to fifth year inclusive	**98 716**	48 078	**–**	–
	189 770	100 676	**–**	–
Future finance charges	**(17 652)**	(8 456)	**–**	–
Present value of minimum payments	**172 118**	92 220	**–**	–
Analysis of present value of minimum payments due:				
Within one year	**78 444**	46 152	**–**	–
In second to fifth year inclusive	**93 674**	46 068	**–**	–
	172 118	92 220	**–**	–
Non-current liabilities				
At amortised cost	**94 999**	47 321	**–**	–
Current liabilities				
At amortised cost	**79 090**	65 564	**–**	–
	174 089	112 885	**–**	–

The loan from ABSA Bank Limited was repayable in monthly instalments of capital and interest, commencing 31 March 2014 at prime rate minus 1,0%, calculated monthly in arrears. The total instalments for the year amounted to R19,8 million (2016: R17,2 million). The facility was arranged to fund capital expenditure and working capital requirements to support growth and expansion of the Infrasors Group's mining and operating activities. The loan was secured by a cession of property held in Lyttelton Dolomite Proprietary Limited (refer note 2) as well as a cession of the Infrasors Group bank accounts (refer note 12). This loan was settled during the year.

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

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

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 2017 as well as in the preceding year. Refer to note 36 for refinancing of debt currently included in the general banking facilities.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

17. BORROWINGS (continued)

It is group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements are repayable in monthly instalments of R8,4 million (2016: R5,1 million) including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 8,0% and 10,0% (2016: 7,4% and 11,0%) during the year. The instalment purchase agreements are secured over various items of property, plant and equipment as indicated in note 2.

Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary, also provided a cession of R15,0 million on its short-term insurance policy in favour of SBSA for borrowing facilities held.

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	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
At floating rates	**174 089**	112 885	**–**	–
The group has the following undrawn borrowing facilities with FNB, SBSA and ABSA Bank Limited:				
Floating rate:				
– Expiring within one year	**454 066**	243 745	**206 904**	13 650

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

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

18. PROVISIONS

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2015	52 003	15 321	67 324
Discount unwinding	4 160	–	4 160
Reversed during year	–	(199)	(199)
Additions	3 514	766	4 280
Total changes	7 674	567	8 241
Balance at 1 March 2016	59 677	15 888	75 565
Acquired through business combinations	**9 208**	**6 611**	**15 819**
Disposal of subsidiary	**(2 196)**	**(353)**	**(2 549)**
Discount unwinding	**5 102**	**–**	**5 102**
Reversed during year*	**(921)**	**(312)**	**(1 233)**
Additions	**1 522**	**1 964**	**3 486**
Total changes	**12 715**	**7 910**	**20 625**
Balance at 28 February 2017	**72 392**	**23 798**	**96 190**

* *An amount was reversed in relation to the disposal of assets and liabilities of the Blue Platinum business.*

18. PROVISIONS (continued)

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technologic 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% (2016: 8,0%) was used. During 2015, the company appointed Site Plan Consulting ('SPC') to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMR to the amount of R123,7 million (2016: R115,8 million) (refer note 31). Funds to the amount of R24,7 million (2016: R13,2 million) have been invested in environmental insurance policies, RNil (2016: R0,3 million) in a Liberty Life New Growth Rehabilitation Plan Trust and R2,4 million (2016: R1,9 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer note 7).

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
19. OTHER FINANCIAL LIABILITIES				
Net capital proceeds owing to Afrimat BEE Trust participants	**38 111**	–	**–**	–

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

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
20. TRADE AND OTHER PAYABLES				
Trade payables	**145 192**	163 958	**235**	47
Accrued expenses	**43 327**	32 588	**26 975**	139
Other payables	**28 332**	21 687	**764**	755
Trade and other payables – financial liabilities (refer note 8)	**216 851**	218 233	**27 974**	941
Taxes and other statutory liabilities	**14 699**	14 540	**171**	333
Employee-related accruals	**120 600**	45 059	**2 506**	2 164
Total trade and other payables	**352 150**	277 832	**30 651**	3 438

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.

Employee-related accruals include an amount of R79,5 million owing to SARS in relation to PAYE, SDL and arrear taxes from participants of the Afrimat BEE Trust.

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

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Rand	**343 676**	247 937	**30 651**	3 438
Meticais	**8 474**	29 895	**–**	–
	352 150	277 832	**30 651**	3 438

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
21. REVENUE				
Sale of goods	**2 200 431**	1 921 392	**–**	–
Rendering of services	**10 839**	31 025	**13 312**	13 331
Interest received (trading)	**16 887**	17 369	**–**	–
	2 228 157	1 969 786	**13 312**	13 331
22. OPERATING PROFIT/(LOSS)				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Administration and management fees	**–**	–	**13 312**	13 331
Loss/(profit) on disposal of property, plant and equipment	**165**	(931)	**–**	–
Profit on disposal of subsidiary	**4 043**	–	**9 825**	
Expenses by nature				
Operating lease charges	**82 448**	63 474	**–**	–
Premises				
– Contractual amounts	**17 219**	6 810	**–**	–
Equipment				
– Contractual amounts	**62 816**	53 844	**–**	–
Lease rentals on operating lease – other				
– Contractual amounts	**2 413**	2 820	**–**	–
Amortisation of intangible assets	**2 003**	2 296	**–**	–
Depreciation of property, plant and equipment	**98 628**	79 585	**–**	–
Impairment of goodwill	**–**	1 300	**–**	–
Impairment of property, plant and equipment	**3 049**	–	**–**	–
Impairment of debit loans*	**1 205**	–	**6 245**	–
Decrease in provision for impairment of receivables	**(6 983)**	(4 959)	**–**	–
(Decrease)/increase in inventory provision for impairment	**(13 646)**	6 049	**–**	–
(Gains)/loss – financial assets at fair value through profit or loss	**(760)**	195	**–**	–
Repairs and maintenance	**228 405**	215 361	**–**	–
Drilling and blasting	**52 395**	49 635	**–**	–
Cement	**175 145**	129 639	**–**	–
Fuel and diesel	**106 846**	116 754	**–**	–
External transport	**245 148**	194 463	**–**	–
Electricity	**71 425**	61 110	**–**	–
Audit fees	**4 259**	4 540	**839**	786
Audit	**4 106**	4 378	**839**	786
Other	**153**	162	**–**	–
Employee costs	**471 509**	433 284	**10 374**	9 690
Defined contribution plan contributions	**30 175**	24 688	**111**	42
Share-based payment expense	**6 023**	4 676	**1 045**	780
Short-term employee expenses	**435 311**	403 920	**9 218**	8 868
Other costs	**304 364**	297 603	**4 568**	3 469
Total cost of sales and operating expenses	**1 825 440**	1 650 329	**22 026**	13 945

* *Impairment of debit loans, on group level, includes the impairment of a loan to Nityn Proprietary Limited, acquired as part of the Cape Lime acquisition. On company level, the impairment includes an impairment of a loan to AFT Aggregates Proprietary Limited on disposal of the entity as a going concern.*

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
23. INVESTMENT REVENUE				
Dividend revenue				
Listed financial assets	**–**	–	**–**	–
Inter-company	**–**	–	**84 526**	53 805
	–	–	**84 526**	53 805
Interest revenue				
Bank	**15 064**	9 148	**8 437**	5 628
Deemed interest/preference dividends (BEE structure)	**5 990**	10 964	**5 990**	10 964
Group companies	**–**	–	**8 896**	6 993
Other interest	**15 019**	1 667	**9 310**	178
	36 073	21 779	**32 633**	23 763
Total investment revenue	**36 073**	21 779	**117 159**	77 568
24. FINANCE COSTS				
Instalment purchase agreements	**12 737**	6 788	**–**	–
Bank	**22 649**	11 367	**14 876**	4 784
SARS	**394**	69	**–**	–
Group companies	**–**	–	**34 039**	19 019
Environmental rehabilitation and dismantling	**5 102**	4 160	**–**	–
Other interest paid	**707**	241	**–**	–
	41 589	22 625	**48 915**	23 803
25. INCOME TAX EXPENSE				
Major components of the tax expense/(income)				
Current				
Local income tax				
Current year	**130 816**	85 011	**–**	–
Recognised in current year for prior years	**337**	(1 257)	**–**	–
	131 153	83 754	**–**	–
Deferred				
Deferred income tax				
Current year	**(8 178)**	7 176	**(6 130)**	(2 833)
Recognised in current year for prior years	**(161)**	–	**–**	–
	(8 339)	7 176	**(6 130)**	(2 833)
	122 814	90 930	**(6 130)**	(2 833)
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**2,3**	0,9	**(36,1)**	(33,3)
Non-deductible expenses (%)	**2,6**	0,6	**0,5**	0,8
Exempt income (%)	**(0,7)**	(0,2)	**(36,6)**	(34,1)
Increase in unrecognised tax losses recognised in current year (%)	**0,4**	0,5	**–**	–
Effect of capital gains tax rate change (%)	**0,1**	–	**(0,7)**	–
Recognised in current year for prior years (%)	**0,1**	–	**–**	–
Effective rate (%)	**30,5**	28,9	**(8,8)**	(5,3)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
26. NOTES TO THE CASH FLOW STATEMENTS				
26.1 Cash generated from/(used in) operations				
Profit before tax	**402 208**	315 122	**69 342**	53 151
Adjustments for:				
Depreciation and amortisation	**100 631**	81 881	**–**	–
Impairment of goodwill	**–**	1 300	**–**	–
Impairment of property, plant and equipment	**3 049**	–	**–**	–
Impairment of debit loans	**1 205**	–	**6 245**	–
Share of profit of associate	**(82)**	(67)	**–**	–
Share of (profits)/losses of joint venture	**(1 047)**	4 487	**–**	–
Loss/(profit) on sale of property, plant and equipment	**165**	(931)	**–**	–
Profit on disposal of subsidiary	**(4 043)**	–	**(9 825)**	–
(Gains)/losses – financial assets at fair value through profit or loss	**(760)**	254	**–**	–
Foreign exchange differences	**(7 270)**	91	**–**	–
Dividend revenue	**–**	–	**(84 526)**	(53 805)
Interest revenue	**(36 073)**	(21 779)	**(32 633)**	(23 763)
Finance costs	**41 589**	22 625	**48 915**	23 803
Net effect of settlement of employee share options	**(14 327)**	(13 742)	**(31 661)**	(33 622)
Movements in provisions	**2 253**	4 081	**–**	–
Share-based payment reserve	**6 023**	4 676	**1 045**	780
Changes in working capital (excluding the effects of acquisition on consolidation):				
Increase in inventories	**(13 147)**	(5 898)	**–**	–
Increase in trade and other receivables	**(10 131)**	(7 575)	**(1 300)**	112
Increase in trade and other payables	**60 871**	14 848	**27 212**	(91)
	531 114	399 373	**(7 186)**	(33 435)
26.2 Interest revenue				
Interest revenue (refer note 23)	**36 073**	21 779	**32 633**	23 763
Adjustments for:				
Deemed interest (non-cash)	**(399)**	3 650	**(399)**	3 650
	35 674	25 429	**32 234**	27 413
26.3 Finance costs				
Finance costs (refer note 24)	**41 589**	22 625	**48 915**	23 803
Adjustments for:				
Environmental rehabilitation and dismantling	**(5 102)**	(4 160)	**–**	–
	36 487	18 465	**48 915**	23 803
26.4 Tax (paid)/refunded				
Opening balance as per statement of financial position	**5 361**	2 920	**–**	53
Current tax for the year recognised in statement of profit or loss and other comprehensive income (refer note 25)	**(131 153)**	(83 754)	**–**	–
Acquired through business combinations (refer note 28)	**(1 093)**	–	**–**	–
Disposal of subsidiary (refer note 29)	**2 824**	–	**–**	–
Closing balance per statement of financial position	**(282)**	(5 361)	**–**	–
	(124 343)	(86 195)	**–**	53

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
26. NOTES TO THE CASH FLOW STATEMENTS (continued)				
26.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 2)	**30 508**	13 379	**–**	–
Disposal of subsidiary	**(12 655)**	–	**–**	–
(Loss)/profit on sale of property, plant and equipment	**(165)**	931	**–**	–
	17 688	14 310	**–**	–
26.6 Proceeds on disposal of subsidiary				
Net assets derecognised (refer note 29)	**5 957**	–	**175**	–
Cash and cash equivalents disposed of	**(917)**	–	**–**	–
Profit on disposal of subsidiary	**4 043**	–	**9 825**	–
	9 083	–	**10 000**	–
The business, including all assets of AFT Aggregates Proprietary Limited, was disposed of as a going concern with effect 1 April 2016.				
27. DIVIDENDS PAID				
Current year interim dividend paid	**28 652**	22 922	**28 652**	22 922
Previous year final dividend paid	**58 738**	53 007	**58 738**	53 007
Dividends received on treasury shares	**(587)**	(388)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**863**	600	**–**	–
	87 666	76 141	**87 390**	75 929
The company has made the following cash distributions to shareholders:				
Interim dividend paid			**20,0**	16,0
Final dividend declared/paid			**50,0**	41,0
Distributions paid (cents)			**70,0**	57,0

28. ACQUISITIONS OF BUSINESSES

2017

Cape Lime

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

28. ACQUISITIONS OF BUSINESSES (continued)

Details of the acquisition are as follows:

	Cape Lime Total R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	264 248
Intangible assets	28
Other financial assets	3 695
Inventories	16 467
Trade and other receivables	29 054
Tax liability	(1 093)
Trade and other payables	(17 004)
Deferred tax liability	(6 753)
Provisions	(13 783)
Cash and cash equivalents	7 792
Net assets	282 651
** Property, plant and equipment includes the fair valuation of mining assets of R205,2 million acquired.*	
Consideration paid:	
Cash	259 055
Treasury shares issued (issued at R20,71 per share)	23 596
Total consideration	282 651
Net cash outflow from acquisition of subsidiary:	
Cash consideration paid	259 055
Cash and cash equivalents acquired	(7 792)
	251 263
Pro forma revenue assuming the business combination for the full year	166 920
Pro forma profit after tax assuming the business combination for the full year	27 560
Revenue included in results	149 533
Profit after tax included in results	24 104
Acquisition costs included in operating expenses for the year	736

At year-end, the fair value of trade and other receivables is R23,0 million and includes trade receivables of R21,1 million. An amount of R18,8 million reflected as neither impaired nor past due.

Wearne

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

28. ACQUISITIONS OF BUSINESSES (continued)

Details of the acquisition are as follows:

	Wearne Total R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	28 500
Inventories	2 536
Provisions	(2 036)
Net assets	29 000

* *Property, plant and equipment includes the fair valuation of mining assets of R16,5 million acquired.*

Net cash outflow from acquisition of business and property:	
Cash consideration paid**	29 000
	29 000

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

Pro forma revenue assuming the business combination for the full year	13 417
Pro forma profit after tax assuming the business combination for the full year	(3 842)
Revenue included in results	2 499
Profit after tax included in results	(2 796)
Acquisition costs included in operating expenses for the year	52

29. DISPOSAL OF SUBSIDIARY

2017

AFT Aggregates Proprietary Limited

The group disposed of 100% of its shareholding in AFT Aggregates Proprietary Limited ('AFT Aggregates') (includes the Randfontein business) to Nityn Proprietary Limited on 1 April 2016. The company was previously included in the 'Aggregates and Industrial Minerals' segment.

Details of the disposal are as follows:

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group		Company	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
30. COMMITMENTS				
Authorised capital expenditure				
Contracted after year-end, but not provided for				
Property, plant and equipment	**8 458**	6 412	**–**	–
Not yet contracted for				
Property, plant and equipment	**131 555**	117 584	**–**	–
Total authorised capital expenditure	**140 013**	123 996	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
No later than one year	**4 008**	6 925	**–**	499
Later than one year and no later than five years	**6 681**	11 498	**–**	229
	10 689	18 423	**–**	728

Operating lease payments represent rentals payable by the group for quarries, other premises, motor vehicles and equipment. Certain leases carry standard escalation clauses in line with inflation. The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rates. All rental agreements exceeding five years have a notice period of six months and therefore not disclosed above. The lease expenditure charged to profit or loss during the year is disclosed in note 22.

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

31. CONTINGENCIES

Guarantees

Guarantees to the value of R87,2 million (2016: R80,9 million) were supplied by SBSA to various parties, including the DMR and Eskom.

Guarantees to the value of R9,3 million (2016: R9,8 million) were supplied by FNB to various parties, including the DMR and Eskom.

Guarantees to the value of R23,5 million (2016: R23,5 million) by Lombard's Insurance Group, R1,4 million (2016: R1,4 million) by ABSA Bank Limited, R2,7 million (2016: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited and R10,9 million (2016: R8,2 million) by Centriq Insurance Company were supplied to various parties, including the DMR, Eskom and Chevron South Africa Proprietary Limited.

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

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMR in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R4,8 million (2016: R5,3 million). An accrual has been raised in respect of commitments made up to the end of the financial year.

32. RELATED PARTIES

Subsidiaries, associates and related trusts

During the year under review, the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. For a list of the group's subsidiaries, associates, joint ventures and related trusts, refer to notes 5 and 6, respectively.

32. RELATED PARTIES (continued)

		Group 2017 R'000	Group 2016 R'000
Loan balances owing by	Associate	**11 591**	19 565
Loan balances owing by	Joint venture	**14 099**	8 811
Obligation of share of joint venture's losses	Joint venture	**(4 481)**	(5 466)
Interest received from	Associate	**806**	588
Interest received from	Joint venture	**420**	–

		Company 2017 R'000	Company 2016 R'000
Net loan balances	Subsidiaries	**(364 529)**	(241 928)
Loan balances owing (to)	Subsidiaries	**(552 069)**	(343 326)
Loan balances owing by	Subsidiaries	**187 540**	101 398
Loan balances owing by	Associate	**628**	566
Amounts included in trade and other receivables	Associate	**49**	49
Share of net loss after tax	Joint venture	**(5 774)**	(4 487)
Sales of goods to – gross values	Subsidiaries	**13 312**	13 331
Dividends received from	Subsidiaries	**84 526**	53 805
Dividends received from	Associate	**88**	197
Interest paid to	Subsidiaries	**(34 039)**	(19 019)
Interest received from	Subsidiaries	**8 896**	6 993

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 35.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. These are more fully disclosed in note 15.

Shareholding

Refer to the analysis of shareholders on page 132 for a list of shareholders with a beneficial interest of 3,0% or more in the company.

Associate

The total authorised ordinary stated capital of the associate, consisted of 1 000 (2016: 1 000) no par value ordinary shares of which 300 (2016: 300) ordinary shares were issued at year-end.

A share of profit of associate of R0,1 million (2016: R0,1 million) has been included in the results. Transactions with the associate are entered into at the prevailing market rates. An interest amount of R0,8 million (2016: R0,6 million) was received on inter-company loan accounts with the group's associate.

Joint venture

Details regarding the group's joint venture are set out in notes 6 and 11. Transactions with the joint venture are entered into at the prevailing market rates.

Treasury shares

The group acquired 440 000 (2016: 2 482 093) of its own shares through purchases on the JSE Limited. Refer to note 14 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 653 854 shares representing 4,64% of the issued share capital of the company.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

	Group 2017 R'000	Group 2016 R'000
33. EARNINGS PER SHARE		
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(7 188)**	(1 919)
Net shares in issue	**136 074**	141 343
Weighted average number of net shares in issue	**141 713**	142 240
Adjusted for effect of future share-based compensation payments	**1 496**	2 212
Diluted weighted average number of shares	**143 209**	144 452
Profit attributable to ordinary shareholders	**277 824**	222 128
Earnings per ordinary share (cents)	**196,0**	156,2
Diluted earnings per ordinary share (cents)	**194,0**	153,8

	Gross R'000 2017	Net of tax R'000 2017	Gross R'000 2016	Net of tax R'000 2016
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**277 824**	–	222 128
Loss/(profit) on disposal of property, plant and equipment attributable to owners of the parent	**165**	**119**	(935)	(673)
Profit on disposal of subsidiary	**(4 043)**	**(1 842)**	–	–
Impairment of goodwill	**–**	**–**	1 300	1 300
Impairment of property, plant and equipment	**3 049**	**2 195**	–	–
Headline earnings		**278 296**		222 755
Headline earnings per share ('HEPS') (cents)		**196,4**		156,6
Diluted HEPS (cents)		**194,3**		154,2

	Group 2017 R'000	Group 2016 R'000
34. NET ASSET VALUE ('NAV') PER SHARE		
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(7 188)**	(1 919)
Net shares in issue	**136 074**	141 343
Shareholders' funds attributable to owners of the parent	**1 199 372**	1 018 349
Net total asset value per share (cents)	**881**	720
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent	**1 199 372**	1 018 349
Intangible assets and goodwill	**(147 769)**	(149 744)
	1 051 603	868 605
Total TNAV per share (cents)	**773**	615

35. DIRECTORS' EMOLUMENTS

	Short-term benefits			Post-retirement benefits	Other	
	Basic Salary R'000	Travel Allowance R'000	Medical Aid R'000	Pension R'000	Other allowances R'000	Total R'000
Directors' basic salary and allowances						
2017						
Paid by company						
Executive						
Andries J van Heerden	**3 612**	**160**	**39**	**–**	**–**	**3 811**
Pieter GS de Wit (appointed 1 March 2016)	**1 900**	**100**	**35**	**209**	**–**	**2 244**
Gert J Coffee	**1 622**	**300**	**17**	**–**	**–**	**1 939**
	7 134	**560**	**91**	**209**	**–**	**7 994**
Non-executive						
Marthinus W von Wielligh	**720**	**–**	**–**	**–**	**299**	**1 019**
Francois du Toit	**200**	**–**	**–**	**–**	**–**	**200**
Loyiso Dotwana	**360**	**–**	**–**	**–**	**–**	**360**
Hendrik JE van Wyk	**320**	**–**	**–**	**–**	**–**	**320**
Jacobus F van der Merwe	**266**	**–**	**–**	**–**	**–**	**266**
Phuti RE Tsukudu	**350**	**–**	**–**	**–**	**–**	**350**
	2 216	**–**	**–**	**–**	**299**	**2 515**
Total	**9 350**	**560**	**91**	**209**	**299**	**10 509**
2016						
Paid by company						
Executive						
Andries J van Heerden	3 229	169	14	–	–	3 412
Hendrik P Verreynne	2 237	38	–	246	3 400	5 921
Gert J Coffee	1 506	300	14	–	–	1 820
	6 972	507	28	246	3 400	11 153
Non-executive						
Marthinus W von Wielligh	676	–	–	–	–	676
Francois du Toit	180	–	–	–	–	180
Loyiso Dotwana	330	–	–	–	–	330
Hendrik JE van Wyk	279	–	–	–	27	306
Jacobus F van der Merwe	242	–	–	–	–	242
Phuti RE Tsukudu	321	–	–	–	66	387
	2 028	–	–	–	93	2 121
Total	9 000	507	28	246	3 493	13 274

Notes

1. Other fees include daily rates for non-executive directors utilised on extraordinary duties. Costs in obtaining the knowledge and expertise of Marthinus W von Wielligh with regards to commodities during the implementation of the DIRO transaction have been incurred and classified to other allowances.
2. Other fees paid to Hendrik P Verreynne during 2016 included an *ex gratia* amount paid in the prior year, as consideration for a restraint of trade agreement entered into between the company and himself.
3. Other fees paid to Hendrik JE van Wyk in the prior year, included trustee fees paid in terms of the Afrimat Share Incentive Trust.
4. Other fees paid to Phuti RE Tsukudu in the prior year, included fees paid in terms of time spent on performing culture surveys throughout the group.
5. Directors' fees to the amount of RNil (2016: R0,1 million) and RNil (2016: R0,1 million) were paid by Infrasors to the company and Afrimat Management Services Proprietary Limited in respect of Andries J van Heerden and Hendrik P Verreynne being members of the Infrasors board (not included above). The payment ceased on 13 October 2015, on the delisting of Infrasors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

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35. DIRECTORS' EMOLUMENTS (continued)

Executive directors' contracts

No executive director has a notice period of more than three months. No executive director's service contract includes predetermined compensation as a result of termination exceeding one year's salary and benefits.

Gert J Coffee's contract was renewed for another one-year period, which started 1 January 2017. No compensation will apply to termination.

Andries J van Heerden and Pieter GS de Wit, the CEO and CFO, have indefinite employment contracts.

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a Share Appreciation Rights Scheme (refer note 15).

Name and offer date	Date exercised	Number '000	Grant price in cents per share	Exercise price in cents per share	Share-based payment R'000
2017 (Grant 8)					
Andries J van Heerden	Thursday, 11 August 2016	**330**	**850**	**2223**	**4 531**
May 2013					
Pieter GS de Wit	Friday, 11 November 2016	**80**	**850**	**2899**	**1 639**
May 2013					
Gert J Coffee	Monday, 6 February 2017	**150**	**850**	**3065**	**3 323**
May 2013					
		560	**–**	**–**	**9 493**
2016 (Grant 7)					
Andries J van Heerden					
May 2012	Friday, 29 May 2015	460	572	1873	5 985
Hendrik P Verreynne					
May 2012	Monday, 15 June 2015	245	572	1969	3 423
Gert J Coffee					
May 2012	Friday, 29 May 2015	200	572	1873	2 602
		905	–	–	12 010

In terms of the Share Appreciation Rights Scheme: Grant 8 (2016: Grant 7), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Incentive bonuses paid to executive directors

	Group	
	2017 R'000	2016 R'000
Executive		
Andries J van Heerden	**2 700**	1 900
Pieter GS de Wit	**1 300**	–
Gert J Coffee	**1 000**	840
	5 000	2 740

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

35. DIRECTORS' EMOLUMENTS (continued)

Non-executive directors' pay-out in terms of the BEE share scheme

Following the implementation of the ARC Transaction, the beneficiaries under the current scheme received the proceeds on the sale of their shares net of any liabilities and ceased to be participants under the current scheme.

	Group	
	2017 R'000	2016 R'000
Non-executive		
Phuti RE Tsukudu	**1 790**	–
Loyiso Dotwana	**4 447**	–
	6 237	–

Directors' shareholding

Please refer to the directors' report for further disclosure regarding the directors' respective shareholding in the company.

36. EVENTS AFTER THE REPORTING PERIOD

Clinker Group

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

Debt refinancing

The company is in the process of refinancing the debt currently included in the general banking facilities into a R200,0 million amortising term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments.

37. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance.

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies and evaluates financial risks, when beneficial, with prior approval from the board. The board provides guidance on overall risk management, as well as on written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Audit & Risk Committee oversees how management monitors compliance with these risks and control policies.

There has been no change in the group's objectives, policies and processes for managing its financial risks or the methods to measure them.

(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 and interest rate risk. Financial instruments affected by market risk include other financial assets, trade and other receivables, cash and cash equivalents and borrowings.

(i) Equity price risk

The group is not exposed to material equity price risk.

(ii) Interest rate risk

The group's interest rate risk arises from cash and cash equivalents and borrowings as set out in notes 12 and 17. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the group to cash flow interest rate risk.

The group's policy is to invest cash and cash equivalents and to obtain borrowings at variable interest rates and not to make use of any interest rate derivatives, which expose the group to cash flow interest rate risk in South Africa.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analyses 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 (2016: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the reporting periods.

	Movement in basis points	Effect on profit after tax R'000
2017		
Group		
Cash and cash equivalents	+200	3 519
	-200	(3 519)
Borrowings	+200	(2 507)
	-200	2 507
Other financial liability	+200	(549)
	-200	549
Bank overdraft	+200	(3 910)
	-200	3 910
Total	+200	(3 447)
	-200	3 447
Company		
Cash and cash equivalents	+200	4
	-200	(4)
Loans to subsidiaries	+200	2 701
	-200	(2 701)
Loans from subsidiaries	+200	(7 950)
	-200	7 950
Bank overdraft	+200	(3 156)
	-200	3 156
Total	+200	(8 401)
	-200	8 401
2016		
Group		
Cash and cash equivalents	+200	1 684
	-200	(1 684)
Borrowings	+200	(1 626)
	-200	1 626
Bank overdraft	+200	(574)
	-200	574
Total	+200	(516)
	-200	516

37. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis (continued)

	Movement in basis points	Effect on profit after tax R'000
Company		
Cash and cash equivalents	+200	3
	-200	(3)
Loans to subsidiaries	+200	1 460
	-200	(1 460)
Loans from subsidiaries	+200	(4 944)
	-200	4 944
Bank overdraft	+200	(163)
	-200	163
Total	+200	(3 644)
	-200	3 644

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group is exposed to credit risks from its operating activities. Credit risk arises principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in notes 7 and 12.

The group did not consider there to be any significant credit risk exposure which has not been adequately provided for.

(i) Trade receivables

Potential concentrations of credit risk consist principally of trade receivables, due to a number of clients engaged in similar business activities or activities in the same geographic region or have similar economic characteristics that would cause their ability to meet their contractual obligations to be similarly affected by changes in economic or market conditions. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered.

Trade receivables are disclosed net of a provision for impairment. Each local entity assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal ratings. The utilisation of credit limits and adherence to payment terms are regularly monitored. Credit risk is limited due to the large number of customers comprising the group's customer base and their dispersion across geographical areas. Accordingly, the group has limited concentrations of credit risk, except for concentration risks outlined in the preceding paragraph. Provision for impairment is considered adequate as most of the trade receivables balance relates to customers that have a good track record with the company and limited bad debt write-offs have been experienced in the past. Sales to customers are settled in cash, using major credit cards and electronic fund transfers.

Limited security is obtained for trade receivables, although trade receivables to the value of R124,6 million (2016: R112,6 million) are currently insured by Credit Guarantee Insurance Corporation of Africa Limited further limiting the group's exposure to credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

The group manages the ageing of trade receivables on a contractual basis. The ageing of trade receivable at reporting date was:

	2017 %	2016 %
Contractual		
Neither impaired nor past due	**77,8**	83,1
Between 30 and 60 days past due	**14,2**	11,9
Between 60 and 90 days past due	**4,2**	2,1
More than 90 days past due	**3,8**	2,9
Total	**100,0**	100,0

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

(ii) Cash and cash equivalents

The group limits its counterparty exposure arising from money market accounts by only dealing with well-established financial institutions of high credit standing. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

The group invests surplus cash with F1+ and approved F1 national short-term rated financial institutions.

(iii) Financial guarantees

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

Refer to note 31 for details of guarantees provided.

(iv) Available-for-sale financial assets

The maximum exposure to credit risk at the reporting period is the carrying value of the debt securities classified as available-for-sale. None of the financial assets were pledged as collateral. Management has assessed the credit risk as low due to the investments being held with established financial institutions and due to the underlying listed categorisation of equity investments.

None of these financial assets is either past due or impaired.

(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 balance required for working capital management, is transferred to the group treasury. Group treasury invests surplus cash in interest-bearing current accounts and money market deposits to provide sufficient headroom as determined by the above mentioned forecasts. At the reporting period, the group held money market funds of R122,1 million (2016: R59,1 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

37. 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 1 and 5 years R'000	Over 5 years R'000
Group					
At 28 February 2017					
Medium-term loans	**1 971**	**1 971**	**646**	**1 325**	**–**
Other financial liabilities	**38 111**	**38 111**	**38 111**	**–**	**–**
Instalment purchase agreements	**172 118**	**189 770**	**91 054**	**98 716**	**–**
Trade and other payables	**216 851**	**216 851**	**216 851**	**–**	**–**
Bank overdraft	**271 543**	**271 543**	**271 543**	**–**	**–**
	700 594	**718 246**	**618 205**	**100 041**	**–**
At 29 February 2016					
Medium-term loans	20 665	21 642	19 745	1 897	–
Instalment purchase agreements	92 220	100 676	52 598	48 078	–
Trade and other payables	218 233	218 233	218 233	–	–
Bank overdraft	39 878	39 878	39 878	–	–
	370 996	380 429	330 454	49 975	–
Company					
At 28 February 2017					
Loans from subsidiaries	**552 069**	**552 069**	**552 069**	**–**	**–**
Trade and other payables	**27 974**	**27 974**	**27 974**	**–**	**–**
Exposure to omnibus securityship	**271 543**	**271 543**	**271 543**	**–**	**–**
	851 586	**851 586**	**851 586**	**–**	**–**
At 29 February 2016					
Loans from subsidiaries	343 326	343 326	343 326	–	–
Trade and other payables	941	941	941	–	–
Exposure to omnibus securityship	39 878	39 878	39 878	–	–
	384 145	384 145	384 145	–	–

(d) 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 and loans from group companies less cash and cash equivalents as shown in the statement of financial position.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

37. FINANCIAL RISK MANAGEMENT (continued)

(d) 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	
	2017 R'000	2016 R'000	**2017 R'000**	2016 R'000
Total borrowings and other financial liabilities	**212 200**	112 885	**552 069**	343 326
Overdraft less cash and cash equivalents/(surplus cash)	**26 853**	(77 363)	**218 907**	11 141
Net debt	**239 053**	35 522	**770 976**	354 467
Total equity	**1 206 919**	1 025 086	**481 128**	523 662
Total capital	**1 445 972**	1 060 608	**1 252 104**	878 129
Net debt:equity ratio (%)	**19,8**	3,5	**160,2**	67,7

The strategy to maintain a net debt:equity ratio in the company has been influenced by the inclusion of the loans from group companies as well as the funding towards the DIRO transaction. Should this have been excluded the company would have met the group's targets at 7,8 (2016: (2,1)). 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.

38. FAIR VALUE ESTIMATION

Items measured at fair value on the statement of financial position are classified according to a fair value hierarchy. The fair value hierarchy is identified in levels as follows:

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

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's assets and liabilities that are measured at fair value:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total balance**
At 28 February 2017				
Assets				
Investment property	**–**	**–**	**3 040**	**3 040**
Available-for-sale financial assets				
Equity securities	**108**	**–**	**–**	**108**
Environmental funds	**–**	**2 356**	**–**	**2 356**
At fair value through profit or loss – designated				
Unit trusts	**–**	**27 264**	**–**	**27 264**
Total assets	**108**	**29 620**	**3 040**	**32 768**
At 29 February 2016				
Assets				
Investment property	–	–	3 040	3 040
Available-for-sale financial assets				
Equity securities	114	–	–	114
Environmental funds	–	2 214	–	2 214
At fair value through profit or loss – designated				
Unit trusts	–	13 200	–	13 200
Total assets	114	15 414	3 040	18 568

38. FAIR VALUE ESTIMATION (continued)

The group's available-for-sale equity securities are traded in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. 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 18). The fair value of unquoted unit trusts is derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment in the unit trust by reference to the fair value of the individual assets and liabilities recognised in a unit trust's statement of financial position. The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

(a) Transfers

The group recognises transfers between levels 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 2017 or the prior year.

(b) Infrasors Environmental Rehabilitation Trust ('IERT')

Unit trusts to the value of R24,7 million (2016: R13,2 million), held in IERT, are classified under Level 2 of the fair value hierarchy. The IERT receives, holds and invests funds contributed by the group for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

Funds accumulated for a specific mine or exploration project can only be utilised for the rehabilitation and environmental impacts of the specific mine or project.

The trustees of the fund are appointed by the group and consist of sufficiently qualified employees capable of fulfilling their fiduciary duties.

The funds are invested by the in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

39. SEGMENTAL ANALYSIS

	% change	2017 R'000	2016 R'000
Aggregates and Industrial Minerals*			
Segmental revenue		**1 672 103**	1 526 311
Intersegmental		**(118 818)**	(116 374)
Revenue from external customers	10,2	**1 553 285**	1 409 937
Depreciation and amortisation		**82 166**	65 384
Impairment of property, plant and equipment		**3 049**	–
Impairment of goodwill		**–**	1 300
Contribution from operations	33,1	**374 986**	281 838
Contribution margin on external revenue		**24,1%**	20,0%
Operating profit	32,6	**371 937**	280 538
Assets	34,5	**1 319 965**	981 224
Equity		**968 058**	678 049
Liabilities	16,1	**351 907**	303 175
Capital expenditure (excluding acquisitions through business combinations)		**106 234**	105 880

* *Comprising Industrial Minerals, Contracting Services and Aggregates. Segment header renamed with no change to segment composition.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2017

39. SEGMENTAL ANALYSIS (continued)

	% change	2017 R'000	2016 R'000
Concrete Based Products**			
Segmental revenue		**677 229**	562 582
Intersegmental		**(2 357)**	(2 733)
Revenue from external customers	20,5	**674 872**	559 849
Depreciation and amortisation		**15 291**	13 802
Contribution from operations	(4,0)	**39 238**	40 878
Contribution margin on external revenue		**5,8%**	7,3%
Operating profit	(4,0)	**39 238**	40 878
Assets	0,3	**219 722**	219 012
Equity		**173 284**	151 637
Liabilities	(31,1)	**46 438**	67 375
Capital expenditure (excluding acquisitions through business combinations)		**17 037**	23 411

** *Comprising Concrete Products and Readymix.*

	% change	2017 R'000	2016 R'000
Unsegmental and eliminations			
Segmental revenue		**–**	–
Intersegmental		**–**	–
Revenue from external customers		**–**	–
Depreciation and amortisation		**3 174**	2 695
Profit on disposal of subsidiary		**4 043**	–
Contribution from operations	(738,8)	**(8 623)**	(1 028)
Contribution margin on external revenue		**–**	–
Operating profit	(345,5)	**(4 580)**	(1 028)
Assets***	62,4	**726 638**	447 470
Equity		**65 577**	195 400
Liabilities****	162,3	**661 061**	252 070
Capital expenditure (excluding acquisitions through business combinations)		**11 250**	1 973
Total			
Segmental revenue		**2 349 332**	2 088 893
Intersegmental		**(121 175)**	(119 107)
Revenue from external customers	13,1	**2 228 157**	1 969 786
Depreciation and amortisation		**100 631**	81 881
Impairment of property, plant and equipment		**3 049**	–
Profit on disposal of subsidiary		**4 043**	–
Impairment of goodwill		**–**	1 300
Contribution from operations	26,1	**405 601**	321 688
Contribution margin on external revenue		**18,2%**	16,3%
Operating profit	26,9	**406 595**	320 388
Assets	37,5	**2 266 325**	1 647 706
Segmental equity		**1 206 919**	1 025 086
Liabilities	70,2	**1 059 406**	622 620
Capital expenditure (excluding acquisitions through business combinations)		**134 521**	131 264

	% Change	2017 R'000	2016 R'000

39. SEGMENTAL ANALYSIS (continued)

*****Unsegmental assets**

Unsegmental assets consist of the following unallocated assets:

	% Change	2017 R'000	2016 R'000
Goodwill		**133 194**	133 194
Other financial assets*		**277 049**	157 299
Deferred tax		**30 288**	20 755
Current tax receivable		**9 279**	7 968
Cash and cash equivalents		**244 690**	117 241
Other assets		**32 138**	11 013
		726 638	447 470

** Includes financial asset owing by Diro Manganese Proprietary Limited.*

******Unsegmental liabilities**

Unsegmental liabilities consist of the following unallocated liabilities:

	% Change	2017 R'000	2016 R'000
Provisions		**96 190**	75 565
Deferred tax		**113 845**	108 387
Current tax payable		**8 997**	2 607
Bank overdraft*		**271 543**	39 878
Other liabilities		**170 486**	25 633
		661 061	252 070

** Includes the group overdraft facility and amount owing to SARS by the Afrimat BEE Trust.*

The group has elected that the entire southern African region represents a single geographical area.

Geographical information

	Revenues* 2017 R'000	**Non-current assets** 2017 R'000**	Revenues* 2016 R'000	Non-current assets** 2016 R'000
South Africa	**2 183 423**	**1 477 885**	1 905 701	1 069 826
Namibia	**–**	**–**	–	–
Mozambique	**44 734**	**8 350**	64 085	2 788
Total	**2 228 157**	**1 486 235**	1 969 786	1 072 614

* *Revenues are attributed to countries on the basis of the customer's location.*

** *Non-current assets are attributed to countries on the basis of the asset's location.*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Aggregation of segments has been determined on the basis of product outputs with similar attributes.

The **Aggregate and Industrial Minerals** operations have been combined. Aggregates consist mainly out of the sales of sand, gravel and crushed stone. The sale of industrial minerals consist mainly out of the sale of limestone, dolomite and industrial sand. The manufacturing process and customers for both aggregates and industrial minerals are similar. The classification between the operations are influenced by the market use of products. The demand for these products are also similar and increases/decreases during the same period as customers use both aggregates and industrial minerals during construction.

Concrete Based Products includes concrete made from rock, sand, water and cement. The concrete based products go through a longer manufacturing process than aggregates and industrial minerals.

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 of Afrimat.

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.

Intersegment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

ANALYSIS OF SHAREHOLDERS

as at 28 February 2017

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	1 556	46,04	670 382	0,47
1 001 – 10 000 shares	1 363	40,33	4 954 926	3,46
10 001 – 100 000 shares	339	10,03	10 903 366	7,61
100 001 – 1 000 000 shares	100	2,96	29 611 472	20,67
1 000 000 shares and over	22	0,64	97 122 266	67,79
	3 380	100,00	143 262 412	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	9	0,27	29 727 908	20,75
Treasury shares – Afrimat Aggregates (Operations) Proprietary Limited	1	0,03	533 789	0,37
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,03	6 653 854	4,65
	11	0,33	36 915 551	25,77
Public shareholding	3 369	99,67	106 346 861	74,23
	3 380	100,00	143 262 412	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Frans du Toit Trust (non-executive director)	18 368 902	12,82	–	–
Andries J van Heerden (CEO)	3 975 026	2,78	–	–
Maryke E van Heerden	1 198 543	0,84	–	–
Amala Familie Trust (CEO)	1 101 801	0,77	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 000 000	6,28	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	500 000	0,35	–	–
Other major shareholders				
Government Employees Pension Fund	4 507 797	3,15	–	–
BEE shareholders				
Old Mutual Life Assurance Company (South Africa)	4 095 548	2,86	1 657 878	1,16
ARC	26 300 000	18,36	26 065 930	18,19
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	3 314 529	2,31	3 314 529	2,32
AEI/Afrimat BEE Trust	6 653 854	4,64	6 653 854	4,64
Joe Kalo Investments Proprietary Limited	270 000	0,19	270 000	0,19
Goolam H Ballim	407 681	0,28	407 681	0,28
The Parring Family Trust	305 059	0,21	305 059	0,21
Johannes M Kalo	150 605	0,11	150 605	0,11
	80 149 345	55,95	38 825 536	27,10
Other	63 113 067	44,05	–	–
	143 262 412	100,00	38 825 536	27,10

06

SHAREHOLDER INFORMATION

COMMODITIES

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NOTICE OF ANNUAL GENERAL MEETING

Afrimat Limited
(Registration number 2006/022534/06)
Share code: AFT
ISIN: ZAE000086302
('Afrimat' or 'the company')

Notice is hereby given that the AGM of Afrimat will be held at the Century City Conference Centre (Room 11), No. 4 Energy Lane, Century City, Cape Town on Wednesday, 2 August 2017 at 14:00 for the purposes of:

- considering and adopting the annual financial statements of the company for the year ended 28 February 2017;
- re-electing directors;
- re-electing the Audit & Risk Committee members;
- appointing auditors;
- considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below; and
- transacting any other business as may be transacted at an AGM.

For purposes of the holding of the general and AGMs, the Companies Act requires that a record date be determined by the directors to establish those shareholders of the company that are entitled to attend and to vote at the relevant general or AGM.

Accordingly, for purposes of the AGM of the company, the record date is hereby set at close of business on Friday, 28 July 2017 with the last day to trade in the shares of the company on the JSE Limited being Tuesday, 25 July 2017.

SPECIAL RESOLUTIONS

Special resolution 1: General authority to repurchase company shares

'Resolved that the company and/or its subsidiaries be and is hereby authorised, by way of general authority, to acquire ordinary shares issued by the company, in terms of section 16 of the company's memorandum of incorporation and in terms of the Listings Requirements of the JSE, being that:

- any such acquisition of ordinary shares shall be implemented on the open market of the JSE;
- any such acquisition is authorised by the company's memorandum of incorporation;
- this general authority shall only be valid until the company's next AGM, provided that it shall not extend beyond fifteen (15) months from the date of the passing of this special resolution;
- an announcement will be published on SENS as soon as the company has acquired ordinary shares since the previous AGM constituting, on a cumulative basis, 3% (three percent) of the number of ordinary shares in issue prior to the acquisition, pursuant to which the aforesaid 3% (three percent) threshold is reached, containing full details of such repurchases;
- acquisitions in the aggregate in any one financial year may not exceed 10% (ten percent) of the company's ordinary issued shares nor may acquisitions in the aggregate, from the date of passing of this special resolution, exceed 10% (ten percent) of the company's ordinary issued shares at the date of passing of this special resolution;
- in determining the price at which ordinary shares issued by the company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the volume weighted average price at which such ordinary shares are traded on the JSE, as determined over the five (5) trading days immediately preceding the date of repurchase of such ordinary shares by the company;
- at any point in time, the company will only appoint one agent to effect any repurchase(s) on the company's behalf;
- the company will satisfy the solvency and liquidity test immediately after any repurchase; and
- the company or its subsidiaries will not repurchase securities during a prohibited period in accordance with the JSE Listings Requirements.'

Reason and effect of special resolution number 1

The reason for the special resolution number 1 is to grant the company a general authority in terms of its memorandum of incorporation for the acquisition by the company, or any of its subsidiaries, of shares issued by the company, or its holding company, which authority shall be valid until the earlier of the next AGM of the company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company, provided that the general authority shall not extend beyond fifteen (15) months from the date of this AGM. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- directors and management – see pages 40 and 41 of the integrated annual report;
- major beneficial shareholders – see page 132 of the integrated annual report;
- stated capital of the company – see page 70 of the integrated annual report; and
- directors' interests in ordinary shares – see page 71 of the integrated annual report.

LITIGATION STATEMENT

The directors, whose names appear under board of directors on pages 40 and 41 of the integrated annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect on the financial position of the company or its subsidiaries.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names appear under the board of directors on pages 40 and 41 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

MATERIAL CHANGES

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the company hereby states that:

(a) the intention of the directors of the company is to utilise the general authority to repurchase ordinary shares in the company if, at some future date, the cash resources of the company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company; and

(b) in determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:
  - the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next twelve (12) months after the date of notice of this AGM;
  - the consolidated assets of the company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the company and its subsidiaries for the next twelve (12) months after the date of this notice of the AGM;
  - the issued stated capital and reserves of the company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the company and its subsidiaries for the next twelve (12) months after the date of notice of this AGM; and
  - the working capital available to the company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the company and its subsidiaries for the next twelve (12) months after the date of this notice of AGM.

Special resolution 2: Future non-executive directors' remuneration

'Resolved that the company be and is hereby authorised, by way of general authority, to make the following fixed annual fee payments to non-executive directors with effect from 1 March 2017:

Chairman of the board	R607 000
Non-executive director	R213 000
Audit & Risk Committee Chairman	R127 800
Audit & Risk Committee member	R70 300
Remuneration Committee Chairman	R50 000
Nominations Committee Chairman	R50 000
Remuneration & Nominations Committee member	R39 200
Social & Ethics and Sustainability Committee Chairman	R60 700
Social & Ethics and Sustainability Committee member	R39 200

as well as a daily rate of R15 000 for non-executive directors utilised on extraordinary duties.'

NOTICE OF ANNUAL GENERAL MEETING (continued)

Special resolution 3: Provision of financial assistance for subscription of securities

'Resolved that in terms of the provisions of section 44(3) of the Companies Act the shareholders of the company hereby approve as a general authority (subject to the requirements of the company's memorandum of incorporation and the Companies Act from time to time) and subject to compliance with section 44 of the Companies Act at any time and from time to time, the provision by the company of financial assistance by way of a loan, guarantee, the provision of security or otherwise to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company, provided that:

(a) the recipient or recipients of such financial assistance, and the form, nature and extent of such financial assistance, and the terms and conditions under which such financial assistance is provided, are determined by the board of directors of the company from time to time; and

(b) the board of directors of the company may not authorise the company to provide any financial assistance pursuant to this special resolution unless the board meets all those requirements of section 44 of the Companies Act, which it is required to meet in order to authorise the company to provide such financial assistance, including that (i) the board is satisfied that immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 44(3)(b)(i) of the Companies Act, (ii) the board is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the company as contemplated in section 44(3)(b)(ii) of the Companies Act and (iii) the board has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the company's memorandum of incorporation have been satisfied as contemplated in section 44(4) of the Companies Act; and

(c) in terms of section 44(3)(a)(ii) of the Companies Act the board of directors of a company may not authorise any financial assistance unless pursuant to a special resolution of the shareholders adopted within the previous two (2) years, either as a general or specific authority, the shareholders of the company have approved such financial assistance. The effect of this resolution is to grant the board of directors of the company the general authority to provide financial assistance as contemplated in section 44 of the Companies Act to the persons mentioned above. This authority will be in place for a period of two (2) years from the date of adoption of this resolution.'

Special resolution 4: Provision of financial assistance to related or inter-related companies and others

'Resolved that in terms of and subject to the provisions of section 45 of the Companies Act, the shareholders of the company hereby approve, as a general authority (subject to the requirements of the company's memorandum of incorporation and the Companies Act from time to time) and subject to compliance with section 45 of the Companies Act at any time and from time to time, the provision by the company of any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, to a related or inter-related company, or to any one (1) or more related or inter-related companies on such terms and conditions as the board of directors of the company, or any one (1) or more persons authorised by the board of directors of the company from time to time for such purpose, may deem fit, in the form, nature and extent, and for the amounts that the board of directors of the company, or any one (1) or more persons authorised by the board of directors of the company from time to time for such purpose, may determine from time to time. To the extent which the Companies Act requires any other approval by the shareholders of the company pursuant to the provision of financial assistance, such approval is hereby granted. This general authority will be valid up to and including the day before the second anniversary of this special resolution being adopted or until superseded by another special resolution, whichever period is shorter.'

Definition of financial assistance

'Financial assistance' will have the meaning attributed to it in section 45(1) of the Companies Act and 'related' and 'inter-related' will have the meanings so attributed in section 2 of the Companies Act. The reason for this special resolution is to obtain shareholder approval for financial assistance, when the need arises, to any related or inter-related companies in accordance with section 45 of the Companies Act. This special resolution will allow the company to continue to operate as it has in the past, providing financial assistance to companies within the Afrimat group, on the basis of certain day-to-day operational decisions where the company previously was not required to obtain shareholders' approval or consent. The passing of this special resolution will have the effect of the company having the necessary authority to provide financial assistance to related or inter-related companies contemplated in this special resolution as and when required to do so and to confer the necessary authority on the board of directors of the company to authorise financial assistance to any one (1) or more related or inter-related companies, generally as the board of directors of the company may deem fit, on the terms and conditions, and for the amounts that the board of directors of the company may determine from time to time. The granting of the general authority would obviate the need to refer each instance of provision of financial assistance for shareholder approval in the circumstances contemplated in this special resolution. This general authority would assist the company with, inter alia, making financial assistance available as inter-company loans to subsidiaries of the company, or inter-related companies, as well as granting letters of support and guarantees in appropriate circumstances. This would avoid undue delays and attendant adverse financial impact on subsidiaries, or related or inter-related companies, as it would facilitate the expeditious conclusion of negotiations. If this special resolution is approved by the shareholders of the company, thereby conferring general authority on the board of directors of the company to authorise financial assistance as contemplated above, then the board of directors of the company shall not adopt any resolution to authorise such financial assistance as contemplated in this special resolution unless the board of directors of the company:

- is satisfied that immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act;
- is satisfied that the terms under which such financial assistance is proposed to be given are fair and reasonable to the company as contemplated in section 45(3)(b)(ii) of the Companies Act; and
- has ensured that, to the extent which may be applicable, any conditions or restrictions in respect of the granting of financial assistance set out in the company's memorandum of incorporation have been satisfied as contemplated in section 45(4) of the Companies Act.

ORDINARY RESOLUTIONS

Ordinary resolution 1: Adoption of annual financial statements

'Resolved that the annual financial statements of the company for the year ended 28 February 2017 be and are hereby received and adopted.'

Ordinary resolution 2: Issue of shares or other equity securities for cash

'Resolved that the directors be authorised pursuant, inter alia, to the company's memorandum of incorporation, until this authority lapses at the next AGM of the company, unless it is then renewed at the next AGM of the company provided that it shall not extend beyond fifteen (15) months, to allot and issue any equity securities (which shall include for the purpose of this ordinary resolution 2, the grant or issue of options or convertible securities that are convertible into an existing class of equity securities) for cash subject to the Listings Requirements of the JSE on the following bases:

(a) the allotment and issue of the equity securities must be made to persons qualifying as public shareholders as defined in the JSE Listings Requirements and not to related parties;

(b) the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

(c) the number of equity securities issued for cash shall not in aggregate in any one financial year exceed 15% (fifteen percent) of the company's issued ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;

(d) the maximum discount at which equity securities may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those equity securities over the thirty (30) business days prior to the date that the price of the issue is determined or agreed by the directors of the company;

(e) after the company has issued equity securities for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of equity securities in issue prior to that issue, the company shall publish on SENS an announcement containing full details of the issue (including the number of equity securities issued, the average discount to the weighted average traded price of the equity securities over the thirty (30) business days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time.'

In terms of the JSE Listings Requirements a 75% (seventy five percent) majority of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of ordinary resolution number 2 for it to be approved.

Ordinary resolution 3: Unissued ordinary shares

'Resolved that all the authorised but unissued ordinary shares of the company, be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act and the Listings Requirements of the JSE Limited and subject to the proviso that the aggregate number of ordinary shares which may be allotted and issued in terms of this ordinary resolution number 3, shall be limited to 10% (ten percent) of the number of ordinary shares in issue from time to time.'

A majority of the votes cast by all shareholders present, or represented by proxy at the AGM, will be required to approve this resolution.

NOTICE OF ANNUAL GENERAL MEETING (continued)

Ordinary resolution 4: Re-election of director

'Resolved that Mr Hendrik JE van Wyk be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr van Wyk is set out on page 41 of the integrated annual report of which this notice forms part.

Ordinary resolution 5: Re-election of director

'Resolved that Mr Jacobus F van der Merwe be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr JF van der Merwe is set out on page 41 of the integrated annual report of which this notice forms part.

Ordinary resolution 6: Re-election of director

'Resolved that Mr Loyiso Dotwana be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr Dotwana is set out on page 41 of the integrated annual report of which this notice forms part.

Ordinary resolution 7: Re-election of director

'Resolved that Mr Johannes HP van der Merwe be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr JHP van der Merwe is set out on page 41 of the integrated annual report of which this notice forms part.

Ordinary resolution 8: Re-election of director

'Resolved that Mr Helmut N Pool be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr Pool is set out on page 41 of the integrated annual report of which this notice forms part.

Ordinary resolution 9: Re-election of Audit & Risk Committee members

'Resolved that the following directors be re-elected as members of the Audit & Risk Committee of the company:

- Mr Loyiso Dotwana (non-executive director);
- Mr Helmut N Pool (independent non-executive director);
- Mr Jacobus F van der Merwe (independent non-executive director);
- Mr Hendrik JE van Wyk (independent non-executive director) (Chairman); and
- Mr Marthinus W von Wielligh (independent non-executive director and Chairman of the board).'

Ordinary resolution 10: Appointment of auditor

'Resolved that the directors be and are hereby authorised to appoint the auditor, PricewaterhouseCoopers Inc. and Frans Weilbach as the individual registered auditor, for the ensuing financial year and are authorised to fix the remuneration of the auditor.'

Ordinary resolution 11: Remuneration policy

'Resolved that the company's remuneration policy be approved as a non-binding advisory vote.'

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution. (See Remuneration Policy on the company's website www.afrimat.co.za.)

Ordinary resolution 12: Signature of documentation

'Resolved that a director of the company or the company secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 11 and special resolutions numbers 1 to 4 which are passed by the shareholders.'

VOTING AND PROXIES

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant ('CSDP') and who are unable to attend, but wish to vote at the AGM, should complete and return the attached 'form of proxy' and lodge it with the transfer secretaries of the company.

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the AGM must instruct their CSDP or broker to issue them with the necessary authority to attend. If such shareholders are unable to attend, but wish to vote at the AGM, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy should be deposited at, posted or faxed to the transfer secretaries at the address on the inside back cover, to be received by no later than forty eight (48) hours prior to the meeting. However, should the 'form of proxy' not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the AGM before the meeting is due to commence. Any member who completes and lodges a 'form of proxy' will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

By order of the board

Mariëtte Swart
Company secretary

15 June 2017

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
Facsimile: +27 21 914 1174

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/00364/07)
70 Marshall Street
Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 520

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'FORM OF PROXY'

Afrimat Limited
(Registration number 2006/022534/06)
('Afrimat Limited' or 'the company')
Share code: AFT
ISIN: ZAE000086302

For use at the annual general meeting of the company to be held at the Century City Conference Centre (Room 11), No. 4 Energy Lane, Century City, Cape Town on Wednesday, 2 August 2017 at 14:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares ('certified shareholder') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Additional forms of proxy are available from the transfer secretaries of the company.

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting 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 annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We (Full name in block letters)

of (Address)

being a member/members of Afrimat Limited and holding ordinary shares in the company hereby appoint

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary resolutions and/or abstain from voting in respect of the Afrimat Limited ordinary shares registered in my/our name(s), in accordance with the following instructions:

	For*	Against*	Abstain*
Special resolutions			
1. To give directors general authority to repurchase company shares			
2. To give the company general authority to pay fixed fee annual payments to non-executive directors			
3. Provision of financial assistance for subscription of securities			
4. To give the company general authority to provide financial assistance to related or inter-related companies and others			
Ordinary resolutions			
1. To adopt the 2017 annual financial statements			
2. To issue unissued shares or other equity securities for cash			
3. To place unissued shares under directors' control			
4. To re-elect Mr Hendrik JE van Wyk as a director of the company			
5. To re-elect Mr Jacobus F van der Merwe as a director of the company			
6. To re-elect Mr Loyiso Dotwana as director of the company			
7. To re-elect Mr Johannes HP van der Merwe as director of the company			
8. To re-elect Mr Helmut N Pool as director of the company			
9. To re-elect the Audit & Risk Committee members of the company			
Mr Loyiso Dotwana			
Mr Helmut N Pool			
Mr Jacobus F van der Merwe			
Mr Hendrik JE van Wyk			
Mr Marthinus W von Wielligh			
10. To authorise the directors to appoint the auditor, PricewaterhouseCoopers Inc. together with Frans Weilbach as the individual registered auditor and to fix their remuneration			
11. To approve the remuneration policy as a non-binding advisory vote			
12. To authorise the directors or the company secretary to sign documentation			

* Please indicate with an 'X' in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on date 2017

Member's signature assisted by (if applicable)

NOTES TO 'FORM OF PROXY'

1. This form proxy is to be completed only by those members who are:
   (a) holding shares in a certificated form; or
   (b) recorded in the sub-register in electronic form in their 'own name'.

2. Members who have dematerialised their shares, other than 'own-name' dematerialised shareholders, and who wish to attend the annual general meeting must contact their Central Securities Depository Participant ('CSDP') or broker who will furnish them with the necessary authority to attend the annual general meeting, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker.

3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the company) to attend, speak and, on a poll, vote in place of that member at the annual general meeting.

4. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting 'the Chairman of the annual general meeting'. The person whose name stands first on the 'form of proxy' and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the annual general meeting, if the Chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

7. Documentary evidence establishing the authority of a person signing this 'form of proxy' in a representative capacity must be attached to this 'form of proxy', unless previously recorded by the company's transfer office or waived by the Chairman of the annual general meeting.

8. The Chairman of the annual general meeting may reject or accept any 'form of proxy' which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

9. Any alterations or corrections to this 'form of proxy' must be initialled by the signatory(ies).

10. The completion and lodging of this 'form of proxy' will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the company's transfer secretaries.

12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need to sign this 'form of proxy'.

13. 'Forms of proxy' should be lodged with the transfer secretaries at the address given below by no later than 48 hours prior to the meeting:
    Computershare Investor Services Proprietary Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001
    (PO Box 61051, Marshalltown, 2107)
    Telephone: +27 11 370 5000
    Facsimile: +27 11 688 5200

    However, should the 'form of proxy' not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the annual general meeting before the meeting is due to commence.

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SHAREHOLDERS' DIARY

Financial year-end	**28 February**
Trading update	**April 2017**
Announcement of annual results and final dividend	**18 May 2017**
Final dividend payment	**12 June 2017**
Annual general meeting	**2 August 2017**
Annual report posted	**June 2017**
Trading update	**October 2017**
Announcement of interim results and interim dividend	**November 2017**
Interim dividend payment	**December 2017**

CONTACT DETAILS

Registered office
Tyger Valley Office Park No. 2
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Website: www.afrimat.co.za

Company secretary
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Email: mariette.swart@afrimat.co.za

Attorneys
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Illovo, 2196
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Telephone: +27 11 530 5000
Facsimile: + 27 11 530 5111

Transfer secretaries
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Sponsor
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2nd Floor, 27 Fricker Road
Illovo, 2196
(PO Box 651010, Benmore, 2010)
Telephone: +27 11 268 6231
Facsimile: +27 11 268 6538

Auditor
Mazars
Mazars House, Rialto Road, Grand Moorings Precinct
Century City, 7441
(PO Box 134, Century City, 7446)
Telephone: +27 21 818 5000
Facsimile: +27 21 818 5001

Commercial bankers
The Standard Bank of South Africa Limited
Corporate and Investment Banking
20th Floor, Main Tower, Standard Bank Centre
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