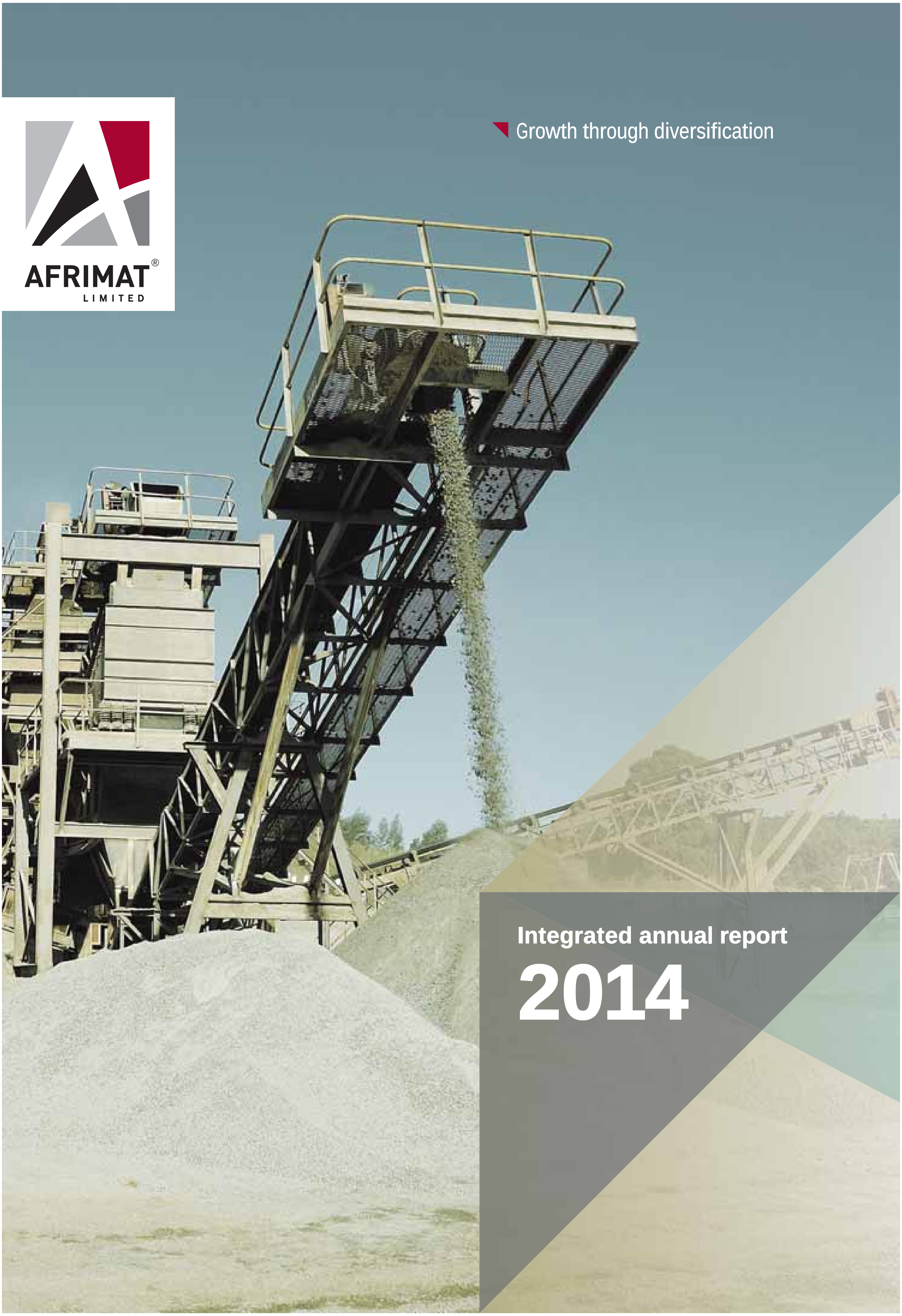
AFRIMAT
LIMITED

Growth through diversification



Integrated annual report
2014

Definitions

'Afrimat' or 'company'	Afrimat Limited, listed on the JSE Limited in the 'Construction & Building Materials' sector
'ASPASA'	Aggregate and Sand Producers Association of South Africa
'B-BBEE'	Broad-Based Black Economic Empowerment
'BWAWUSA'	Building, Wood & Allied Workers' Union of South Africa
'board'	The board of directors of Afrimat, as set out on page 14
'CEO'	Chief executive officer of Afrimat, Andries J van Heerden
'Clinker Group'	SA Block (Pty) Limited and its 100%-owned subsidiary Clinker Supplies (Pty) Limited, acquired by Afrimat 1 March 2012
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice
'COLTO'	Committee of Land Transport Officials
'CSI'	Corporate social investment
'DIFR'	Disabling Injury Frequency Rate
'DMR'	Department of Mineral Resources
'EMP'	Environmental management plan
'EXCO'	Executive Committee of Afrimat, as set out on page 13
'FD'	Financial director of Afrimat, Hendrik P Verreynne
'Glen Douglas'	Glen Douglas Dolomite (Pty) Limited, acquired by Afrimat 1 January 2011
'the group'	Afrimat Limited, its subsidiaries 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 Limited, 79,6% incrementally acquired by Afrimat since 1 March 2013
'JSE'	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa
'King III Report'	King Report on Governance for South Africa 2009
'LUPO'	Land Use Planning Ordinance
'NEMA'	National Environmental Management Act, 1998
'NUM'	National Union of Mineworkers
'NUMSA'	National Union of Metalworkers of South Africa
'previous/prior year' or 'FY2013'	Year ended 28 February 2013
'SABS'	South African Bureau of Standards
'SARMA'	South African Readymix Association
'SENS'	Stock Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, health and environment
'Solidarity'	Solidarity is a South African trade union
'year' or 'year under review' or 'FY2014'	Year ended 28 February 2014

Financial definitions

'FY'	Financial year ending 28 February
'IFRS'	International Financial Reporting Standards
'HEPS'	Headline earnings per share
'NAV'	Net asset value
'PAT'	Profit after tax
'PBIT'	Profit before interest and taxation
'ROI'	Return on investment

Contents

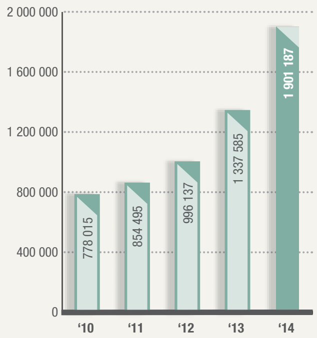
AFRIMAT®

Read more

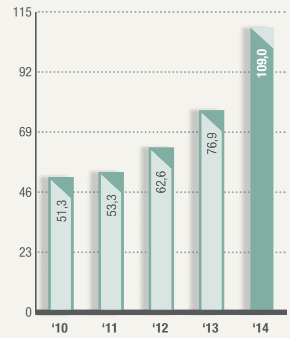
More info on website

Performance highlights

Revenue (R'000)

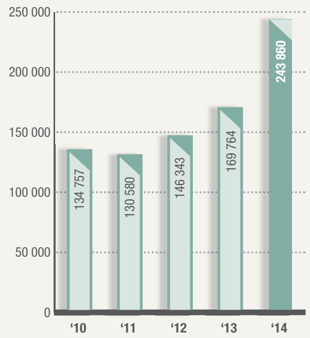


HEPS (cents)

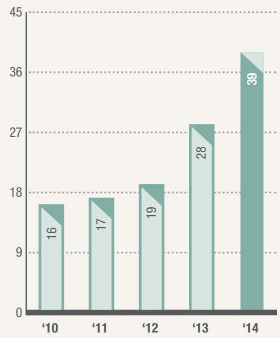


Afrimat's pursuit of responsible growth is demonstrated throughout this year's report.

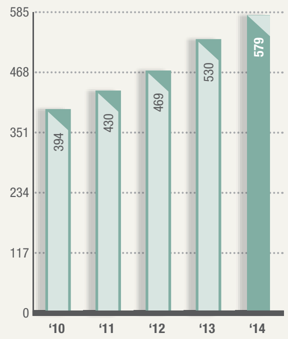
Net cash from operating activities (R'000)



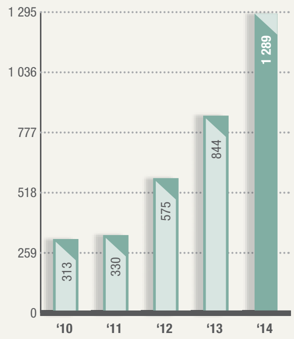
Total dividends per share (cents)



Net asset value per share (cents)



Share price at year-end (cents)



- Revenue up 42,1%
- HEPS up 41,7% to 109 cents
- Return on net operating assets 26,0%
- Net cash from operating activities up 43,6%
- NAV per share up 9,2% to 579 cents
- Total dividend up 39,3% to 39 cents per share
- Net debt:equity ratio 15,5%
- Acquired 79,6% of Infrasors incrementally since March 2013
- Strong balance sheet

Integrated reporting

Afrimat is a leading black empowered open pit mining group, supplying industrial minerals and construction materials to a range of industries across South Africa. It is listed in the 'Construction & Building Materials' sector of the JSE Main Board.

Corporate information

The group's executive directors are Andries J van Heerden (CEO), Hendrik P Verreynne (FD) 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.

Company name:	**Afrimat Limited**
Company registration number:	2006/022534/06
JSE share code:	AFT
ISIN:	ZAE000086302
JSE Main Board sector:	Construction & Building Materials

The integrated annual report 2014 is available in hard copy, on request, from the company secretary and is also posted on the group's website *www.afrimat.co.za*.

Our integrated annual report 2014 is aimed at all our stakeholders with a specific focus on our shareholders. It aims to share our performance for FY2014, including demonstrating how our strategy of entering the industrial minerals business, embarked on five years ago, continues to add value. 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 2014 presents the annual financial results and the economic, environmental, social and governance performance of the group for the year ended 28 February 2014.

In March 2013, Afrimat acquired a 50,7% stake in resources group Infrasors, which produces dolomite, limestone and silica. Afrimat has since incrementally increased its shareholding in Infrasors and currently owns 79,6%. Treasury shares account for 12,0% and minorities account for the remaining 8,4% of Infrasors' gross shares in issue. The acquisition has further expanded Afrimat's foothold in industrial minerals as well as its geographical reach within the Gauteng region.

During the year we adapted the group's reporting segments to better align with the day-to-day business. The contribution of the Readymix business to group results, as a standalone business, has become insignificant as it is operationally part of Concrete Products, making standalone reporting for that business immaterial. We therefore now report in two segments, namely **Mining & Aggregates**: comprising Industrial Minerals, Aggregates and Contracting Services; and **Concrete Based Products**: comprising Concrete Products and Readymix.

For more information, see the annual financial statements on pages 45 to 105.

Frameworks applied

In compiling this report, we have considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in December 2013, as well as the Discussion Paper on the Framework for Integrated Reporting and the Integrated Report issued by the IRC South Africa in January 2011. 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 has also applied the majority of principles in the King III Report. In respect of those which have not been applied, explanation is offered.

Risk management

Refer to page 34 for the risk management report.

Forward-looking disclaimer

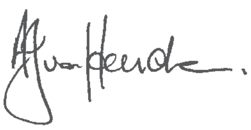
This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 28 February 2014. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions prove inaccurate. 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.

Approval of the report

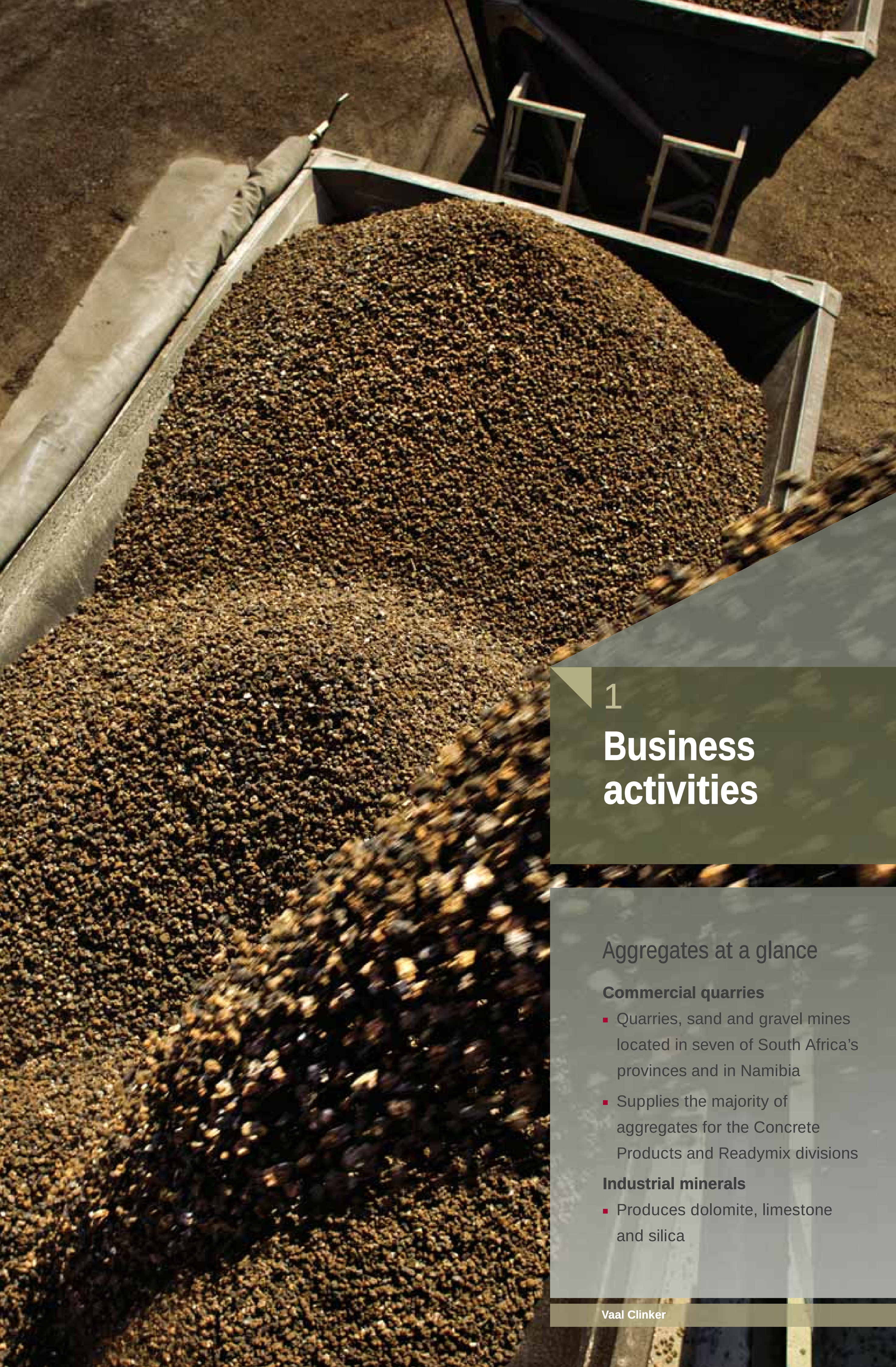
The Afrimat board approved this integrated report and authorised its release on 24 June 2014.

Matie von Wielligh
Chairman

24 June 2014



Andries van Heerden
CEO



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Business activities

Aggregates at a glance

Commercial quarries

- Quarries, sand and gravel mines located in seven of South Africa's provinces and in Namibia
- Supplies the majority of aggregates for the Concrete Products and Readymix divisions

Industrial minerals

- Produces dolomite, limestone and silica

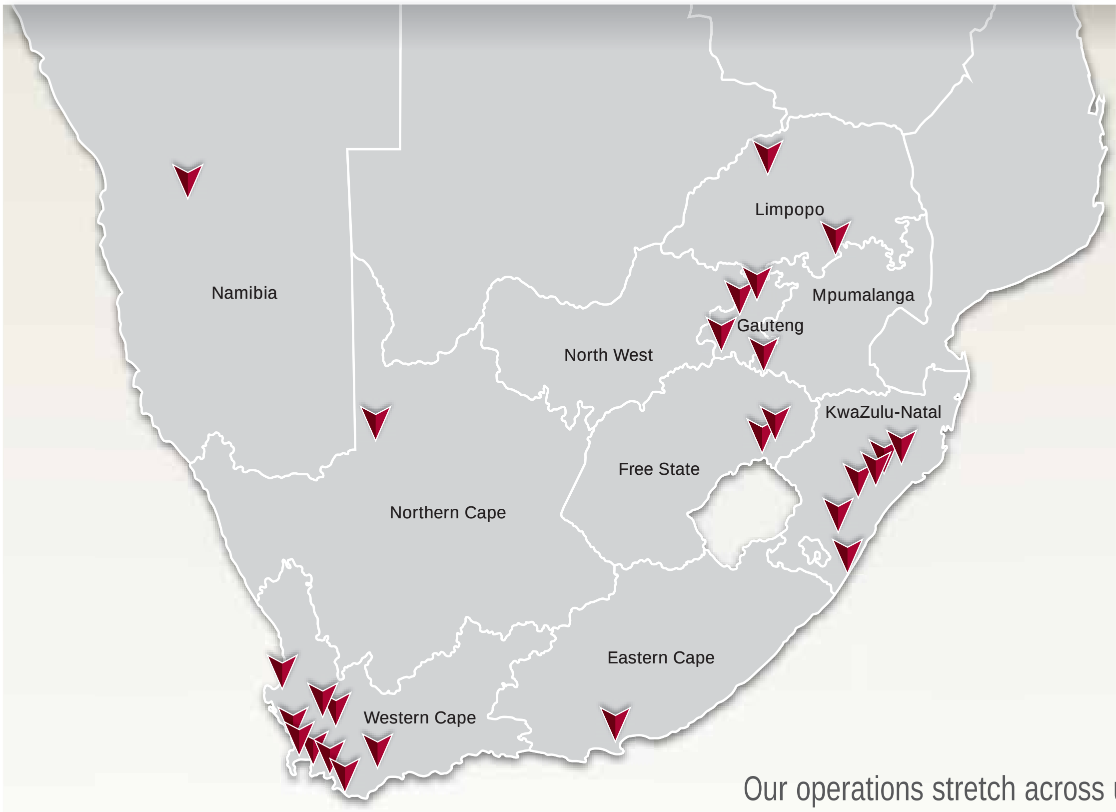
Vaal Clinker

Business overview

Afrimat primarily engages in the mining, processing and supply of a broad range of aggregates and industrial minerals. In addition, we supply related concrete products and readymix.

We have over five decades of experience. Our skills base is strengthened by a very stable employee force with consistently low staff turnover, which has resulted in a deep skills pool.

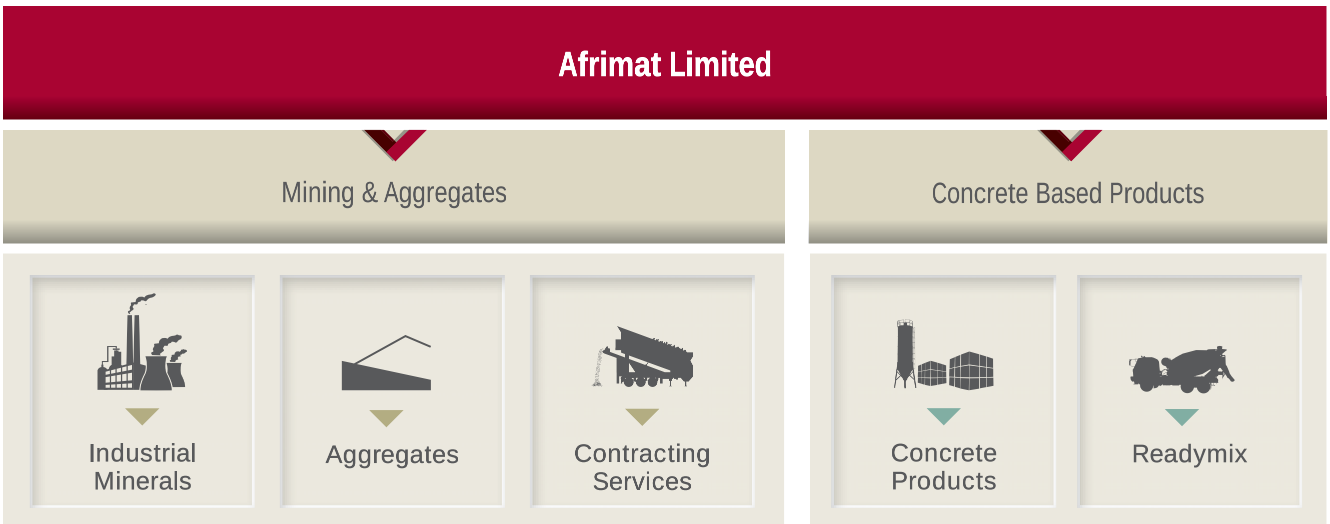
Footprint



Includes commercial quarries and operations of a permanent nature in Contracting Services.

Our operations stretch across urban and rural Southern Africa, with our fleet of mobile crushers providing the flexibility to operate where we find demand.

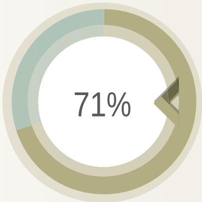
Business operations



Mining & Aggregates	Concrete Based Products

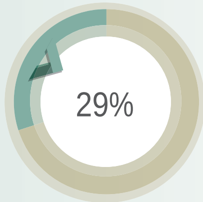
Contribution to revenue

Mining & Aggregates



Commercial quarries: 23
Sand and gravel mines: 8
Dolomite mines: 2
Limestone mine: 1
Silica mines: 2
Contracting: mobile crushing, drilling and blasting

Concrete Based Products



Concrete brick and block factories: 9
Readymix plants: 14

Core activity

Mining & Aggregates: Open cast mining and processing of industrial minerals and aggregates products

Concrete Based Products: Concrete brick and block manufacturing and readymix batching

Products and services

Mining & Aggregates

Products

- Aggregates: stone and sand
- Metallurgical dolomite
- Metallurgical quartzite
- Agricultural lime
- Clinker
- Silica sand
- Fire retardants

Services

- Mobile crushing and screening
- Drilling
- Blasting

Concrete Based Products

Products

- Building blocks and bricks of different shapes, colours and sizes
- Pavers of different shapes, colours and sizes
- A variety of other precast products

Services

- Readymix concrete batched on demand and transported to customers by concrete mixer trucks
- Readymix mortar

Markets

Mining & Aggregates

- Building and construction
- Large-scale civil engineering and infrastructure projects
- Road and rail
- Concrete product manufacturers
- Readymix processors
- Metallurgical manufacturers
- Agriculture
- Foundries
- Mining
- Tile adhesive manufacturers

Concrete Based Products

- Large-scale civil engineering and infrastructure projects
- Low-cost housing
- Residential and commercial property

Quality assurance

Mining & Aggregates: Quality-at-source processes by which quality control is ensured by constant monitoring and evaluation

Concrete Based Products: Products carry the SABS mark

Vertical integration

Mining & Aggregates: Supply the majority of aggregates used by Afrimat's Concrete Products and Readymix divisions

Concrete Based Products: Close to 90% of aggregates sourced from the group's own quarries and sand mines

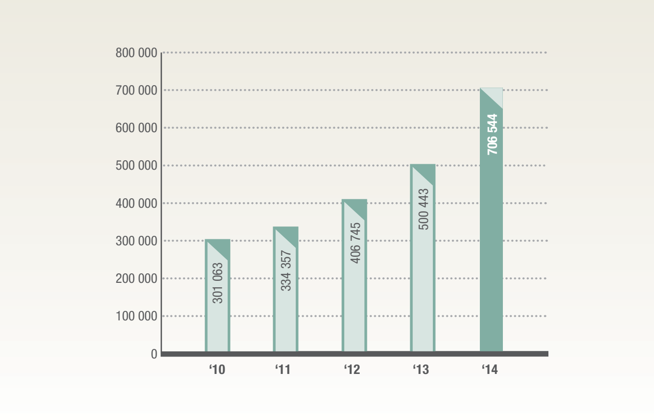
Value added statement

for the year ended 28 February 2014

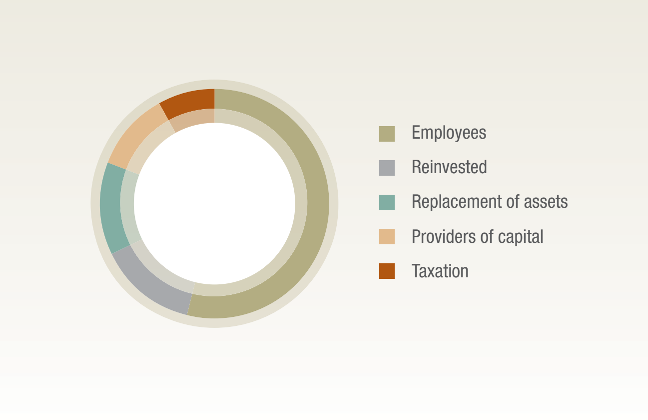
Set out below is the value added by the group and its employees during the year under review and how it was applied.

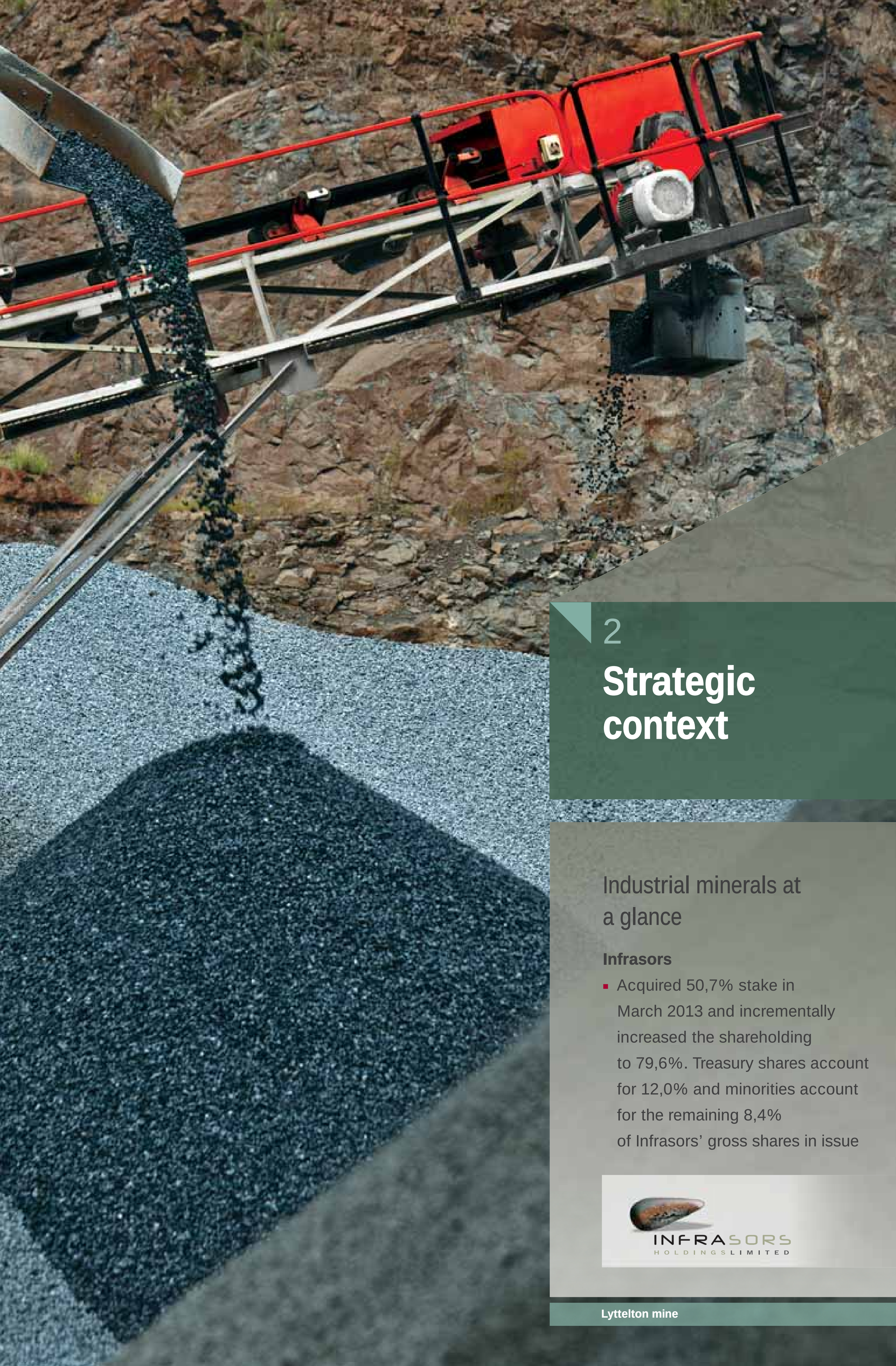
	%	2014 R	%	2013 R
Revenue		**1 901 187 222**		1 337 584 566
Cost of goods and services provided		**1 210 829 749**		847 952 717
Value added by operations		**690 357 473**		489 631 849
Non-operating income		**16 186 531**		10 811 018
Total value added		**706 544 004**		500 442 867
Applied as follows:				
To remunerate employees:				
– Salaries, wages, pensions, bonus and other benefits	54,5	**384 985 694**	56,9	284 659 163
To reward providers of capital:				
– To shareholders as dividends paid	6,4	**44 647 748**	6,0	30 352 504
– To lenders as finance charges	3,5	**24 981 282**	2,9	14 295 568
To the state:				
– Taxes	8,2	**58 110 362**	8,1	40 639 551
To replace assets:				
– Depreciation	13,3	**93 920 432**	11,1	55 449 750
To expand the group:				
– Retained earnings	14,1	**99 898 486**	15,0	75 046 331
	100,0	**706 544 004**	100,0	500 442 867

Value added (R'000)



Distribution of value added





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Strategic context

Industrial minerals at a glance

Infrasors

- Acquired 50,7% stake in March 2013 and incrementally increased the shareholding to 79,6%. Treasury shares account for 12,0% and minorities account for the remaining 8,4% of Infrasors' gross shares in issue

INFRASORS HOLDINGS LIMITED

Lyttelton mine

Vision, mission and values

Vision

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

Our vision is built on:

- Well-managed operations
- Responsible, honest and motivated personnel
- Effective and reliable systems
- Delighted stakeholders
- Healthy finances
- Concern for the community and the environment
- Being innovative and flexible

Mission

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

Values

To adhere to Afrimat values in all we do.

Trust
Firm belief in the reliability, truth, or ability of people.

Accountability
The obligation of people or an organisation to account for its activities, accept responsibility for them and to disclose the results in a transparent manner.

Integrity
Moral conduct, reflected in transparent honesty.

Teamwork
Working collaboratively in order to achieve a goal.

Respect
Admiration elicited by people's abilities, qualities or achievements.

Customer satisfaction
Meeting or surpassing customer expectation.

Strategic milestones

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)*

2007 – 2010

Leading footprint established

Geographic expansion

- Smaller acquisitions
- Well executed national positioning
- Broad infrastructure focus
- Afrimat black employees, via the Afrimat BEE trust, acquire 16,8% interest in Afrimat (now 21,7%)

Coming of age and stronger strategic management

Build a solid foundation

- Narrow focus – building materials
- Mainly coastal provinces
- Formation of proper governance

2011 onwards

Standing out

Growth in unique products (2011 onwards)

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

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 culture and strong communication extends to all external stakeholders, and we pride ourselves on our timely, consistent and transparent communication.

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Shareholders	▪ Profitability ▪ ROI (share price and dividends) ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues	▪ Annual and interim results announcements ▪ SENS announcements ▪ Website publications ▪ Group results presentations ▪ 1:1 meetings ▪ Roadshows ▪ Annual general meeting ▪ Media releases ▪ Site visits	▪ CEO assisted by the FD	▪ Feedback from results presentations and 1:1 meetings is relayed to and dealt with at board level
Lenders/ providers of capital	▪ Capital management ▪ Sustainability ▪ Profitability ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues	▪ Contractually required information flow ▪ Annual and interim results announcements ▪ Regular meetings	▪ FD assisted by group accountant and financial managers	▪ Feedback from meetings is 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	▪ Annual culture climate survey ▪ Training sessions ▪ News updates ▪ Employment equity forums ▪ Regular reinforcement of Code of Conduct and policies/procedures	▪ 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
Customers	▪ Quality ▪ Service ▪ Value for money	▪ Annual customer surveys conducted to determine service improvement opportunities ▪ Contractual engagement ▪ Personal interaction with main customers ▪ Product brochures	▪ CEO, managing directors of subsidiaries and sales teams	▪ Commitment to quality products and service excellence

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
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 off-take ▪ Group payment record	▪ Contract and service agreements	▪ CEO and managing directors 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	▪ Lobbying with government departments	▪ CEO and managing directors 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 ▪ Economic upliftment ▪ Job creation ▪ Enterprise development ▪ Preferential procurement	▪ Dialogue with local community interest groups	▪ Managing directors 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

Identifying principal risks and opportunities

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

- **Macroeconomic** – which are, to an extent, beyond the group's control although the effects or this type of risk can be minimised
- **Operational** – which are managed proactively by implementing policies and process controls
- **Strategic** – which impact on the group's ability to implement its strategy

Risk	Stakeholders impacted by this risk	Opportunity	Risk mitigation
Macroeconomic			
Market cycles/ volatility	All stakeholders	▪ Ongoing diversification into the industrial minerals market, into unique products with scarcity value, and into new regions which are strategically positioned to capitalise on major project opportunities ▪ Development of superior operational and marketing expertise ▪ Ongoing business development to identify opportunities early	▪ Aggressive business development focus on expansion and diversification opportunities ▪ Careful cost control ▪ Pre-emptive anticipation and forecasting of market conditions ▪ Proactive innovative solutions ahead of occurrence to maintain competitive advantage
Operational			
Industrial action	Employees, trade unions, shareholders and funders	▪ Create more productive working environment	▪ Strict adherence to legislation and bargaining arrangements ▪ Open lines of communication with unions ▪ Stakeholder engagement processes ▪ Employee incentivisation and motivation programmes ▪ Culture of employee development and well-being
Theft and fraud	Shareholders and funders	▪ Create culture of ownership	▪ Strict internal controls ▪ Effective disciplinary procedures ▪ Whistleblowing hotline
Increasing complexity of legal compliance	Employees, customers, suppliers, government, local authorities, regulatory bodies and funders	▪ Leverage of compliance skills as a key component in business combinations	▪ Focused attention by dedicated team ▪ Executive (top-down) endorsement of compliance
Key staff turnover	Employees and shareholders	▪ Career path management delivers experienced senior management to support group expansion and succession	▪ Active management of internal culture and climate ▪ Ongoing training and development ▪ Appropriate incentivisation for retention ▪ Active leadership mentoring and advancement ▪ Succession planning
Strategic			
Liquidity management	Shareholders and funders	▪ Lower cost of funding flows from liquidity management actions	▪ Strict credit control and outstanding debt monitoring processes ▪ Focused attention by senior management ▪ Monthly cash forecasts

Governance structure

Statement of compliance

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

Board	Executive directors	Non-executive directors	Independent non-executive directors
	Andries J van Heerden (CEO)	Francois du Toit	Marthinus W von Wielligh (Chairman)
	Hendrik P Verreynne (FD)	Loyiso Dotwana	Phuti RE Tsukudu
	Gert J Coffee		Hendrik JE van Wyk

The board meets four times per year.

Committees	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	EXCO
	(for further information see page 46 | .)	(for further information see page 41 | .)	(for further information see page 42 | .)	
	Hendrik JE van Wyk (Chairman) Marthinus W von Wielligh Loyiso Dotwana Phuti RE Tsukudu	Marthinus W von Wielligh (Chairman) Phuti RE Tsukudu Loyiso Dotwana Andries J van Heerden	Loyiso Dotwana (Chairman) Phuti RE Tsukudu Andries J van Heerden Gert J Coffee Marthinus W von Wielligh	Andries J van Heerden (Chairman) Gert J Coffee Anton Gerber Hendrik P Verreynne Jan HP van Heerden
Number of independent directors				
	3/4	2/4	2/5	n/a
Number of meetings per year				
	4	3	2	6
Self-evaluation completed				
	✓	✓	✓	n/a

Ethical leadership

The board strives to ensure that the group conducts its business with integrity, leading 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.

Further 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. 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 by employees or the company. Further the committee reviews the Code annually and recommends it to the board for approval.

Directorate

Executive directors

Andries J van Heerden (48)
CEO
B.Eng (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'. He also sits on the board of Infrasors Holdings Limited as a non-executive director.

Hendrik P Verreynne (57)
FD
B.Compt (Hons), CA(SA)

Hendrik, a chartered accountant, has extensive experience in financial and information technology management, corporate governance and BEE. Prior to joining Afrimat in 2007 he was financial director for Oceana Brands Limited. Previously he was a senior executive in finance for Woolworths and Borden Foods and financial director of Sea Harvest Limited. He also sits on the board of Infrasors Holdings Limited as a non-executive director.

Gert J Coffee (63)
Head of Operational Efficiency
B.Sc B.Eng. Mechanical (Industrial)

A registered professional engineer, Gert has spent the past 35 years in the civil construction and materials supply industries in various executive management capacities. He joined Afrimat in January 2010.

Non-executive directors

Loyiso Dotwana (50)
B.Sc Civil Engineering (University of Cape Town)

Loyiso has 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, rural and urban roads and national roads. He has been involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Port Elizabeth. Loyiso founded Illiso Consulting (Pty) Limited, one of South Africa's largest black owned consulting engineering companies, of which he is currently a director and the major shareholder.

Francois du Toit (67)

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

Marthinus (Matie) W von Wielligh (62)
Chairman
B.Sc (Mech. Eng.) (University of Pretoria), MBA (University of Stellenbosch), Stanford Executive Programme (Stanford University, USA)

Matie has almost 40 years' professional experience in the mining industry. He has extensive engineering, operational and business experience and 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 (Pty) Limited.

Hendrik (Hennie) JE van Wyk (70)
B.Com, 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 PwC Inc. (Western Cape), a position that he held until his retirement.

Phuti RE Tsukudu (60)
M.Ed (University of Bristol), Postgraduate Diploma in Adult Education, B.A. (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 – 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.

Executive directors

Andries J van Heerden
CEO

Hendrik P Verreynne
FD

Gert J Coffee

Non-executive directors

Loyiso Dotwana

Francois du Toit

Independent non-executive directors

Marthinus (Matie) W von Wielligh
Chairman

Phuti RE Tsukudu

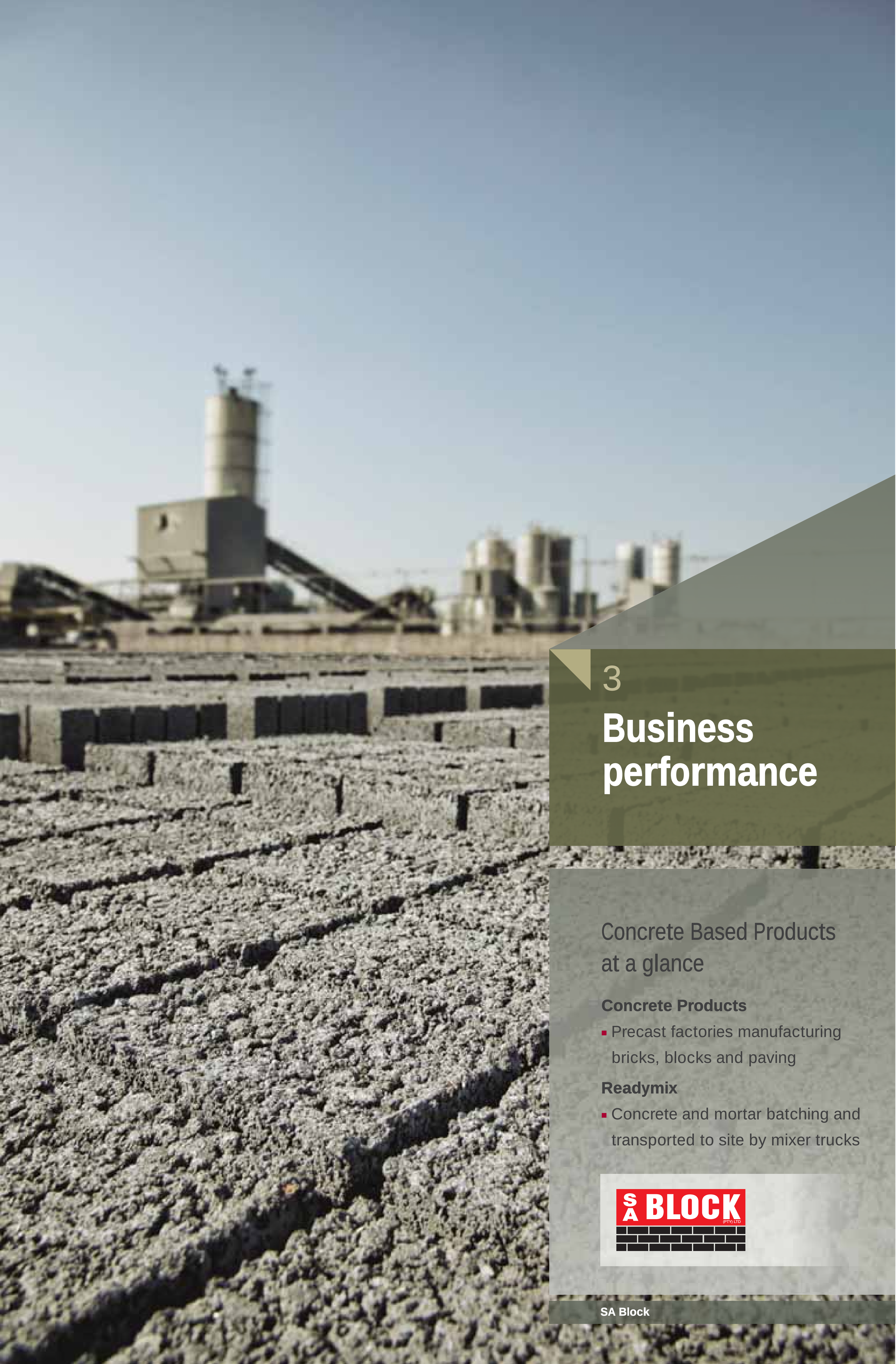
Hendrik (Hennie) JE van Wyk

Competitive strengths

- Healthy cash flow
- Strong balance sheet
- Industry leading margins throughout economic cycles

- Flexible
- Reliable quality
- Superior reaction time
- Well-maintained plant and equipment and well-equipped workshop infrastructure
- Vertical integration

- Good market intelligence and expertise
- Ongoing business development
- Proven successful acquisitions
- Successful greenfield projects
- Diverse product and services offering
- Wide geographic distribution
- Solid presence in growth markets
- Commitment to protecting the environment and sustainable development



3

Business performance

Concrete Based Products at a glance

Concrete Products

- Precast factories manufacturing bricks, blocks and paving

Readymix

- Concrete and mortar batching and transported to site by mixer trucks

SA Block

Chairman's review

Matie von Wielligh
Chairman

> Our strategy, embarked on five years ago, of 'delivering results through diversification' and focus on the fundamentals of productivity and profitability, achieved the envisaged growth. As a result we maintained the group's growth trajectory in the year well ahead of the industry and continued to entrench our long-term sustainability.

How we continue to lead

Post the 2008 global financial implosion and knock-on effects on our core markets in South Africa, we revised our strategy to diversify into open pit mining, supplying markets such as industrial minerals and worked to pre-empt and address market trends early.

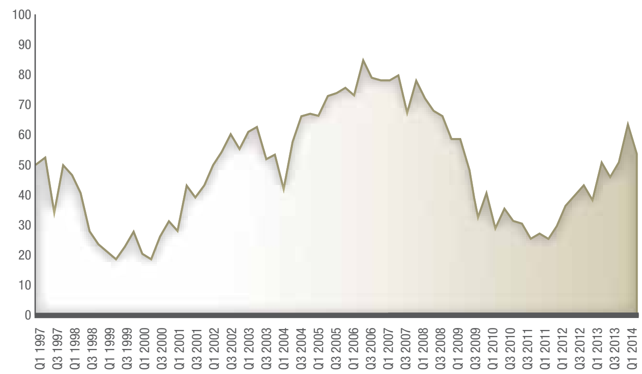
Over the past five years we have successfully forayed into the robust industrial minerals market though three acquisitions, namely Glen Douglas, the Clinker Group and most recently Infrasors in which we own a controlling stake. During the year we upped our interest in Infrasors from 50,7% to 79,6%. We were confident that our management acumen and 50 years' market experience would drive successful turnarounds at these businesses and help optimise the profitable assets. Their significant contribution to Afrimat's strong performance for the year bears this out.

We also continued to leverage the strengths of our traditional aggregates business to maintain momentum in anticipation of a market uptick, which materialised in the year.

Further, we focused on cost control and introduced ongoing efficiency initiatives to improve productivity and production output across the board.

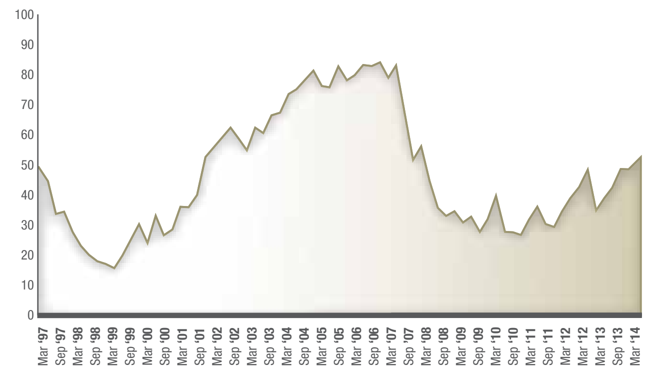
Our successful acquisition strategy continued to form an important component of our overall growth strategy. Our goals, with any

Civil confidence index



Source: Bureau of Economic Research, 2013 Q3

Building confidence index



Source: Bureau of Economic Research, 2013 Q3 acquisition is to enhance the group's sustainability, diversify revenue streams, boost profitability and entrench resilience. Target companies must operate in Afrimat's area of expertise, namely open pit mining, contain products that Afrimat can market effectively and would significantly strengthen the group.

The Afrimat Way

We believe our distinct approach to the five pillars of business distinguishes us in the market, and has helped drive our credible performance and long-term sustainability. We call this 'The Afrimat Way'.

Firstly, our people. We advocate leading by example from the top down, living our shared values in our daily business conduct and interactions, always maintaining high ethical and moral standards, while respecting all stakeholders and the environment. We continually strive to improve skill levels to maintain superior competence and encourage teamwork through an informal working environment in which collaboration, knowledge sharing and cross-skilling is rewarded.

With regard to marketing, we emphasise engaged relationships that engender client loyalty and enable us to translate new prospects into firm orders at maximised pricing and optimised product mix. Our business development team is focused on identifying marketing opportunities based on superior market intelligence.

Then there are our operations. We aim to optimise productivity through planning and forethought – continually refining plant design and process flow for maximum efficiency – and excellent maintenance and care.

This carries through to finance, where we premise our performance on effective planning and budgeting. We aim to have effective systems for monitoring and control in place, and maintain strict focus on our key financial deliverable of cash generation.

Finally, being a responsible corporate citizen, a JSE-listed company and a mining business, compliance is key to our success. We prioritise in-depth knowledge of legislation and requirements, ensure that we maintain a compliance strategy that is workable and monitor group-wide adherence.

Our trading environment and outlook

Afrimat's markets, both traditional and new, are indicating positive growth prospects with strong pipelines. Major growth drivers are expected to be the burgeoning renewable energy sector and our government accelerating infrastructure services spend. The focus is expected to shift from low-cost housing to service delivery.

The latest building and civils confidence indices reflect a significant improvement during the year, albeit not yet back to pre-2010 levels, and correlate to an uptick in tendering activity. This aligns with projected statistics for completed building and construction works, which by 2019 stand above R380 billion worth of projects.

The South African national roads network continues to demand attention, with the latest studies showing around 70% of roads exceeding the maximum 25-year lifespan and deteriorating surface and safety conditions across the country. SANRAL's and the provinces' spend on roads is forecast to exceed R35 billion in 2016, which is higher than in any year since South Africa's transition to democracy in 1994.

At least 430 000 low-cost housing units are forecast to be built between now and 2020 when government has committed to finally erase the backlog.

While we have already begun experiencing the benefits of this market recovery, with increased sales of aggregates and concrete-based products in the year, these should increase materially over the next five years.

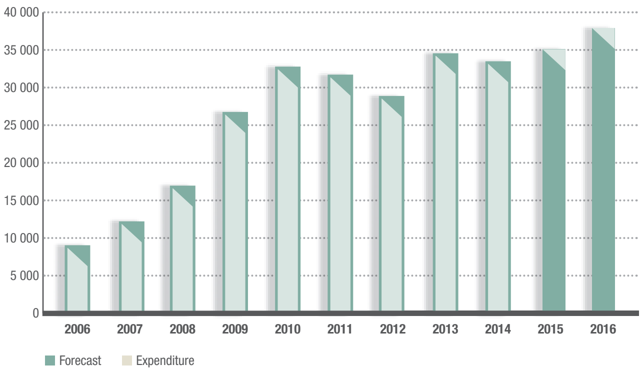
B-BBEE

We have partially mitigated the risk to our BEE ownership given the expiry of Mega Oils' seven-year 'lock-in' period in November 2013 by including Mr Loyiso Dotwana as a participant in the Afrimat BEE Trust: Share Purchase scheme. Afrimat has effectively addressed the threat to our mining rights and entrenched our sustainability in this regard.

Sustainability

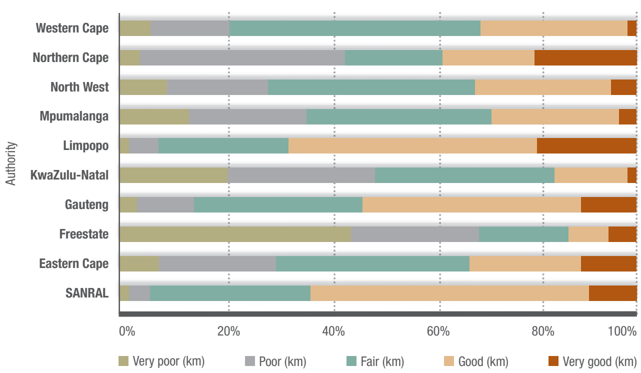
We are committed to delivering sustainable growth and wealth creation for shareholders while developing our people, protecting our environment and supporting communities. Since our operations

Provincial and SANRAL's expenditures on roads trend (R'000)



Source: SABITA

Paved network condition: Summary 2013



Source: SABITA

Chairman's review (continued)

have a physical impact on the environment in the ordinary course of business activity, environmental management and effective stakeholder engagement in this regard are key priorities.

Directorate

It was with great sadness that we bade a final farewell to fellow director, Laurie Korsten, who passed away during the year. His invaluable contribution to Afrimat from inception will be deeply missed. The success of Afrimat is part of his legacy.

With regard to our board composition, we acknowledge the vacancy and we need to appoint an independent non-executive director to align our board with the recommendations of King III. This will be a priority when appointing new directors. We are also confident in our non-executive directors' ability to act independently.

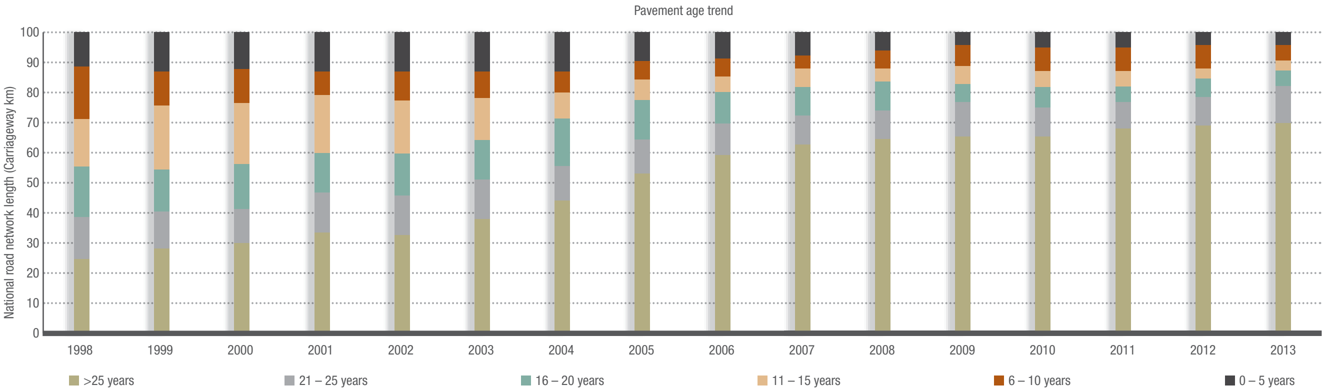
Appreciation

I wish to thank Andries, the leadership team and all Afrimat employees for their unflagging commitment and hours of hard work. Your consistent efforts are the cornerstone of our success and are much appreciated. My fellow directors' contribution has been significant and I thank you for that. Finally, a word of appreciation to our stakeholders whose support and demonstrated confidence fuelled our inspiration to continue on our path of success.

Matie von Wielligh
Chairman

24 June 2014

SA age of national road network



Source: StanLib

CEO's review

We have continued reaping the rewards of the consistent execution of our growth strategy over the past seven years. In brief, in the year under review our business excelled across the board, with our traditional businesses – specifically aggregates – making a solid comeback.

When analysing our overall growth in profits over the past five years and comparing it to the growth of the traditional business the result in itself was gratifying as it confirmed the success of the conscious growth strategy. Our decision to diversify has resulted in a compound average growth rate of headline earnings per share in excess of 20% over the past five years, well ahead of the industry.

Revenue and PAT for FY2014 were substantially higher by 42,1% and 57,0%, respectively. We maintained satisfactory gearing, especially given that we assumed Infrasors' debt burden when we acquired a majority stake in the company. We escalated our shareholding in Infrasors to 79,6% during the year. Margins have improved, our cash flow remains robust, our balance sheet is strong and all fundamentals are healthy.

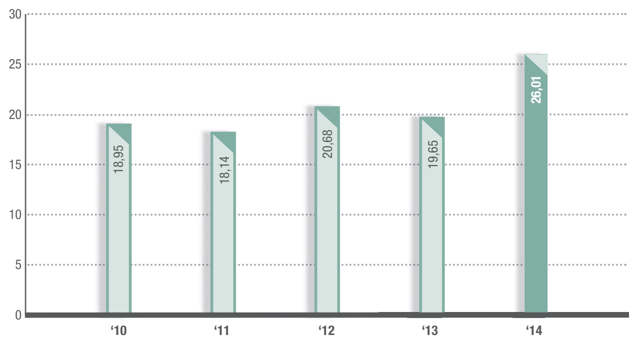
In addition, our sustainability markers have shown significant improvement, with our lost-time injury frequency rate and other safety statistics reflecting our efforts in regard of safe mining. We were pleased with the fact that we experienced only limited labour action at our operations during the year, notwithstanding a volatile labour scenario in the wider economy.

Financial results

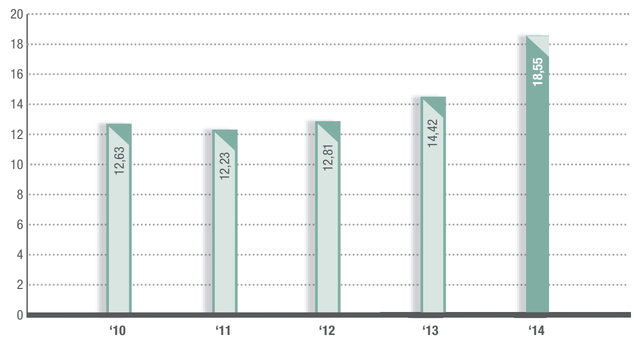
The results of Infrasors were included in Afrimat's results for the first time with effect from 1 March 2013.

Revenue of R1,9 billion was up from R1,3 billion last year. PAT grew from R103,8 million to R163,0 million. Headline earnings increased by 41,4%, translating into HEPS of 109,0 cents compared

Return on net operating assets/liabilities (R'000)



Return on shareholders' funds (R'000)



CEO's review (continued)

to 76,9 cents in the previous year. Net cash from operating activities grew 43,6% to bolster the group's net cash position.

Gearing increased to 15,5% in light of the debt of Infrasors assumed by the group on acquisition of a controlling stake in that company. By year-end Infrasors' debt burden reduced significantly.

NAV per share was up from 530 cents to 579 cents.

Full details of our annual financial results are set out in the annual financial statements and accompanying notes.

Dividends

In line with Afrimat tradition we declared dividends totalling 39 cents a share, significantly higher than the 28 cents a share last year. We have maintained a consistent dividend policy since our listing in 2006.

Our operations in the year

The group's industrial minerals acquisitions contributed significantly to the results and have in the last three years ensured Afrimat's resilience during the down cycle in our original markets. Given this, we continued with the diversification strategy and commissioned a major plant upgrade at Glen Douglas in the third quarter of the year. The increased capacity has resulted in higher output volumes of high demand products. We also began the environmental approvals process to build a kiln on the Glen Douglas site to further beneficiate the minerals and boost profits. The process is protracted and we anticipate that, all going according to plan, we can start to realise benefit from this initiative in the near future.

The Clinker Group remained a stellar performer. Management is addressing the life of mine issue and is actively seeking new sources to grow the resource base ahead of the current remaining seven-year time horizon.

In the Western Cape region a new quarry was commissioned near Durbanville, which is fully operational.

Integration of Infrasors into the group is progressing well. Our turnaround strategy is seeing the positive results of reduced costs and improved revenue. We recognise there is some way yet to go to capitalise on the full potential of Infrasors' mines. We project that Marble Hall can revitalise to achieve profitability in the short term and that Delf Sand should return to profitability within the next year, subject thereto that the Cullinan mining licence is received. The group's intention is to own all the Infrasors issued shares in due course.

In Afrimat's traditional aggregates market we were pleased with a positive resurgence. Demand for aggregates is escalating and helping to drive improved volumes in our Mining & Aggregates segment. With all processing plants fully operational we are well positioned to continue meeting the increased demand from our customers. Further, Afrimat's flexible delivery proposition including mobile plant means the group can take advantage of opportunities in limitless geographical reach across Africa, irrespective of the location of our fixed quarries and mines.

The Mining & Aggregates segment delivered 86% of group contribution from operations at R195,2 million, up from R117,5 million in the previous year.

Concrete Based Products achieved a satisfactory increase in sales pricing. However, the business unit suffered restricted volumes and a decline in profit as a result of a strike at its Gauteng operation.

Looking ahead

We anticipate that our original aggregates business can return to its former levels of performance in time, especially in light of the market recovery. Bolstered by our growing industrial minerals business, this bodes well for Afrimat's continued growth.

Key growth drivers are expected to come from ongoing development of the industrial minerals market, continued roadworks at the behest of South African National Roads Agency Limited and the provinces and government unlocking infrastructure spend in the interest of service delivery.

Our focus in the year ahead remains on unlocking the value of recent acquisitions, efficiency improvement initiatives, cost reduction and developing employees' skill levels. We will also remain on the look-out for sustainable growth opportunities in and beyond South Africa with increasing focus on Africa.

The prevailing business environment is more positive than it has been in years and we project ongoing moderate growth. Within this context we will continue to methodically roll out our proven business formula focusing on 'doing the right things the right way'.

Our competitive edge remains a firm financial position and innovative strategic positioning from leveraging the market intelligence gathered by our business development team, led by Carl Malan, which are underpinned by our successful track record in greenfield projects and acquisitions. We also pride ourselves in respect of operational competence, reliable service delivery, quality products and superior reaction time.

We have proved that patient and unwavering focus are indeed a business virtue. When we balance this with first-to-market resulting from the identification of trends and opportunities, we believe we have the winning formula for continued growth.

Andries van Heerden
CEO

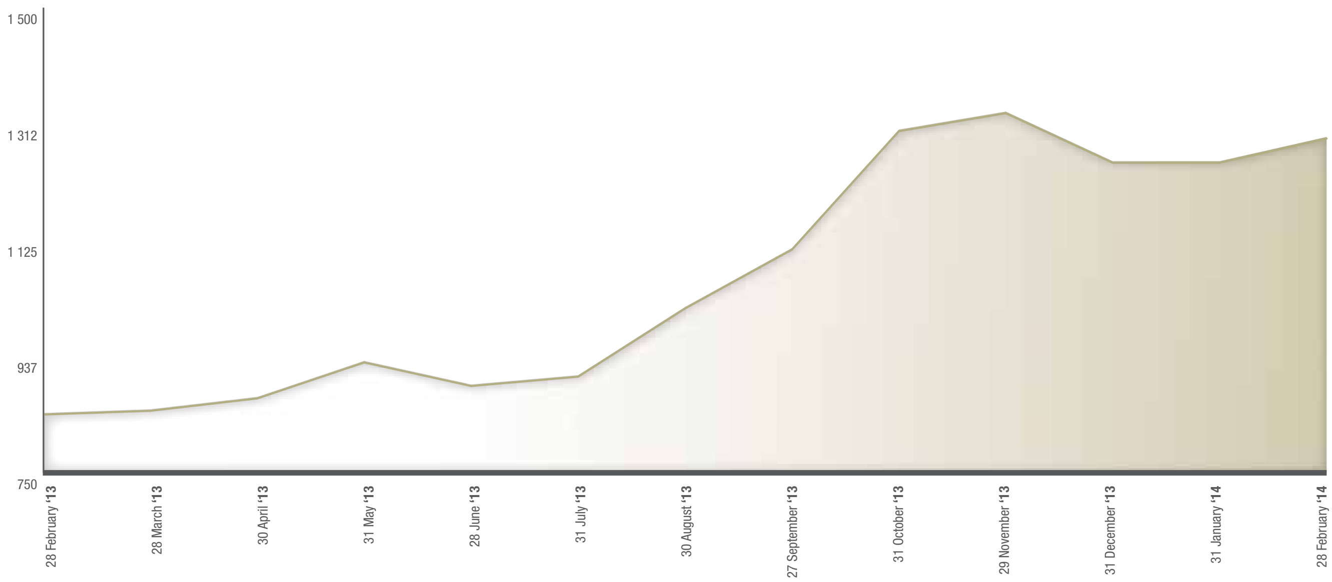
24 June 2014

Share performance

at year-end

	2014	2013	2012	2011	2010
Number of ordinary shares in issue	**143 262 412**	143 262 412	143 262 412	143 262 412	143 262 412
Less: Number of treasury shares	**1 048 676**	204 242	6 145 174	5 149 510	3 398 280
Net number of ordinary shares in issue	**142 213 736**	143 058 170	137 117 238	138 112 902	139 864 132
Weighted number of ordinary shares in issue	**142 620 285**	142 867 266	137 371 771	138 596 357	137 236 345
Headline earnings per share (cents)	**109,0**	76,9	62,6	53,3	51,3
Price:earnings ratio	**11,8**	11,0	9,2	6,2	6,1
Market price per share at date of listing (7 November 2006 – issue price 500) (cents)					
Market price per share at year-end (cents)	**1 289**	844	575	330	313
Market capitalisation based on issued shares (Rand)	**1 846 652 490**	1 209 134 757	823 758 869	472 765 960	448 411 350
Market capitalisation based on issued shares less treasury shares (Rand)	**1 833 135 057**	1 207 410 955	788 424 119	455 772 577	437 774 733

Share price (cents)



Operational reviews

Mining & Aggregates

Highlights FY2014

- Improved market conditions across all regions
- Strong performance from industrial minerals division
- Infrasors included for the first time
- New Durbanville quarry, in Western Cape, fully operational

Key distinguishing features

- Quality geological resources
- Operations are geographically widely spread
- Diverse customer base
- Wide product range complemented by ability to customise solutions
- High quality standards (including compliance with COLTO and SABS standards)

Review of 2014

Financial performance

R'000	**Audited February 2014**	Audited February 2013	% change
Revenue	**1 346 029**	846 388	59,0
Contributions from operations	**195 235**	117 480	66,2
Contributions from operations margin (%)	**14,5**	13,9	
Capital expenditure	**99 039**	58 930	
Headcount	**1 390**	1 094	

The **Mining & Aggregates** segment generated excellent profits in light of improved market conditions and the first-time inclusion in results of Infrasors for the full year. Increased mining costs were incurred in the KwaZulu-Natal region to ensure long-term compliance with Department of Mineral Resources requirements. The traditional business performed very well and this is expected to continue. The group's industrial minerals operations performed strongly, with the Infrasors' turnaround progressing as planned and yielding positive results.

All processing plants are fully operational and well-placed to supply market demand, which should assist in sustaining revenue going forward. Afrimat's flexible service delivery model supplemented by mobile equipment positions the group to take advantage of opportunities as and where they arise.

A major plant upgrade at the Glen Douglas dolomite mine was commissioned during the third quarter of the financial year, which successfully increased production output of high demand products. Further, a new quarry was commissioned close to Durbanville and is now fully operational.

Clinker Group continues to produce stellar results. Management is actively addressing the life of mine restriction and is confident of viable opportunities.

The incorporation of Infrasors into Afrimat is progressing well. Lyttelton and Marble Hall operations are performing well while the Delf Sand operation is being impacted by high cost of transporting raw materials from Delf Cullinan due to its mineral resources being depleted. Various new initiatives implemented have resulted in improved production output and reduced costs.

Concrete Based Products *(including Readymix)*

Highlights FY2014

- Demand for readymix products increasing countrywide

Key distinguishing features

- Wide product range
- Products carry the SABS seal of approval
- Products meet SARMA standards
- Flexible customised solutions for individual customer needs

Review of 2014

Financial performance

R'000	**Audited February 2014**	Audited February 2013	% change
Revenue	**555 158**	491 197	13,0
Contributions from operations	**30 409**	37 291	(18,5)
Contributions from operations margin (%)	**5,5**	7,6	
Capital expenditure	**20 376**	22 150	
Headcount	**946**	960	

The **Concrete Based Products** segment achieved a satisfactory increase in sales pricing. However, a strike at the Gauteng operation, coupled with high cost increases, resulted in lower sales volumes and profits for the year.

The segment boasts a strong pipeline relating to government infrastructure and renewable energy. A shift is evident from low-cost housing to infrastructure and services spend.

The Gauteng operation returned to full production in the second half of the year following the industrial action and a renewed focus by management on labour relations is bearing fruit.

Overall

Momentum drivers across all segments are renewable energy, road building and maintenance by SANRAL and provinces, as well as infrastructure and service delivery projects from government.

Five-year review

	2014 R	2013 R	2012 R	Restated 2011 R	Restated 2010 R
Financial results and status					
Revenue	**1 901 187 222**	1 337 584 566	996 137 470	854 495 775	778 015 852
Mining & Aggregates	**1 346 029 103**	846 387 589	704 509 731	581 878 020	487 386 941
Concrete Based Products	**555 158 119**	491 196 977	291 627 739	272 617 755	290 628 911
Revenue					
Mining & Aggregates	**70,80%**	63,28%	70,72%	68,10%	62,64%
Concrete Based Products	**29,20%**	36,72%	29,28%	31,90%	37,36%
Contribution from operations	**228 271 328**	152 482 246	124 241 237	107 615 508	107 722 960
Mining & Aggregates	**195 234 930**	117 480 395	105 760 474	98 779 210	82 963 712
Concrete Based Products	**30 408 618**	37 290 564	21 326 908	10 809 986	24 083 054
Unsegmental	**2 627 780**	(2 288 713)	(2 846 145)	(1 973 688)	676 194
Operating profit	**229 697 403**	147 833 587	130 130 432	109 597 858	108 923 749
Mining & Aggregates	**196 661 005**	117 577 263	110 808 958	98 779 210	83 632 654
Concrete Based Products	**30 408 618**	37 290 564	22 505 102	13 392 336	24 083 054
Unsegmental	**2 627 780**	(7 034 240)	(3 183 628)	(2 573 688)	1 208 041
Profit after tax	**162 965 395**	103 777 230	90 917 042	76 762 649	72 912 631
Headline earnings	**155 415 642**	109 877 993	86 060 667	74 080 561	70 437 121
Net operating assets	**883 238 015**	752 379 393	629 379 859	604 096 567	574 859 415
Total assets	**1 479 417 249**	1 201 263 446	1 000 377 433	939 990 095	833 944 978
Total equity	**837 963 474**	761 852 233	671 906 281	605 565 234	557 772 359
Total liabilities	**641 453 775**	439 411 213	328 471 152	334 424 861	276 172 619
Net cash from operating activities	**243 859 722**	169 763 603	146 343 295	130 579 439	134 757 595
Number of ordinary shares in issue	**143 262 412**	143 262 412	143 262 412	143 262 412	143 262 412
Number of treasury shares	**(1 048 676)**	(204 242)	(6 145 174)	(5 149 510)	(3 398 280)
Net number of ordinary shares in issue	**142 213 736**	143 058 170	137 117 238	138 112 902	139 864 132
Weighted number of ordinary shares in issue	**142 620 285**	142 867 266	137 371 771	138 596 357	137 236 345
Profitability ratios					
Contribution from operations margin					
Mining & Aggregates	**14,50%**	13,88%	15,01%	16,98%	17,02%
Concrete Based Products	**5,48%**	7,59%	7,31%	3,97%	8,29%
Total	**12,01%**	11,40%	12,47%	12,59%	13,85%
Operating profit margin					
Mining & Aggregates	**14,61%**	13,89%	15,73%	16,98%	17,16%
Concrete Based Products	**5,48%**	7,59%	7,72%	4,91%	8,29%
Total	**12,08%**	11,05%	13,06%	12,83%	14,00%

Five-year review (continued)

	2014 R	2013 R	2012 R	Restated 2011 R	Restated 2010 R
Earnings per ordinary share (cents)	**108,3**	72,1	65,7	55,0	53,1
Headline earnings per share (cents)	**109,0**	76,9	62,6	53,5	51,3
Dividends declared (cents)					
Interim	**11,0**	8,0	6,0	6,0	6,0
Final	**28,0**	20,0	13,0	11,0	10,0
Total	**39,0**	28,0	19,0	17,0	16,0
PBIT return on net operating assets/liabilities	**26,01%**	19,65%	20,68%	18,14%	18,95%
Return on shareholders' funds	**18,55%**	14,42%	12,81%	12,23%	12,63%
Utilisation of assets ratios					
Revenue: fixed assets ratio	**2,86**	2,66	2,32	2,12	2,02
Revenue: net operating assets ratio	**2,15**	1,78	1,57	1,41	1,35
Net asset value per share (cents)	**579**	530	487	436	399
Tangible net asset value per share (cents)	**470**	422	404	353	316
Capital expenditures					
Mining & Aggregates	**99 039 001**	58 930 237	56 284 530	38 937 848	29 201 523
Concrete Based Products	**20 376 026**	22 150 386	14 174 863	5 098 952	8 105 819
Unallocated	**1 910 943**	1 853 830	1 472 850	1 940 040	779 208
	121 325 970	82 934 453	71 932 243	45 976 840	38 086 550
Liquidity and solvency ratios					
Current assets: current liabilities	**1,30**	1,59	2,04	1,74	1,66
Debt/overdraft less cash: equity	**15,53%**	4,67%	(4,88%)	5,24%	10,71%
Total liabilities: shareholders' funds	**76,55%**	57,68%	48,89%	55,23%	49,51%
Dividend cover (based on headline earnings)	**2,78**	2,74	3,16	3,04	3,07
Interest cover	**14,58**	18,38	28,28	20,27	12,83
Productivity, efficiencies and consumption					
Number employees at year-end	**2 381**	2 085	1 605	1 630	1 440
Revenue per weighted number of employees	**798 483**	656 229	614 549	569 284	540 289
Depreciation	**93 920 432**	55 449 750	45 735 363	44 880 075	38 642 472
Amortisation of intangible assets	**2 981 408**	2 437 457	659 556	659 564	659 564
	96 901 840	57 887 207	46 394 919	45 539 639	39 302 036
Electricity usage (Rands)	**50 663 400**	27 902 754	21 089 140	13 610 957	9 798 571
Fuel usage (Rands)	**151 221 113**	110 327 007	90 086 588	64 455 066	49 315 387
– Average fuel price (Western Cape) (Rand/litre)	**12,29**	10,82	9,57	7,59	6,73
Cement usage (Rands)	**190 358 999**	174 147 017	93 329 816	88 203 858	92 596 820
Disabling injuries frequency rate	**1,41**	2,15	2,86	2,47	3,66

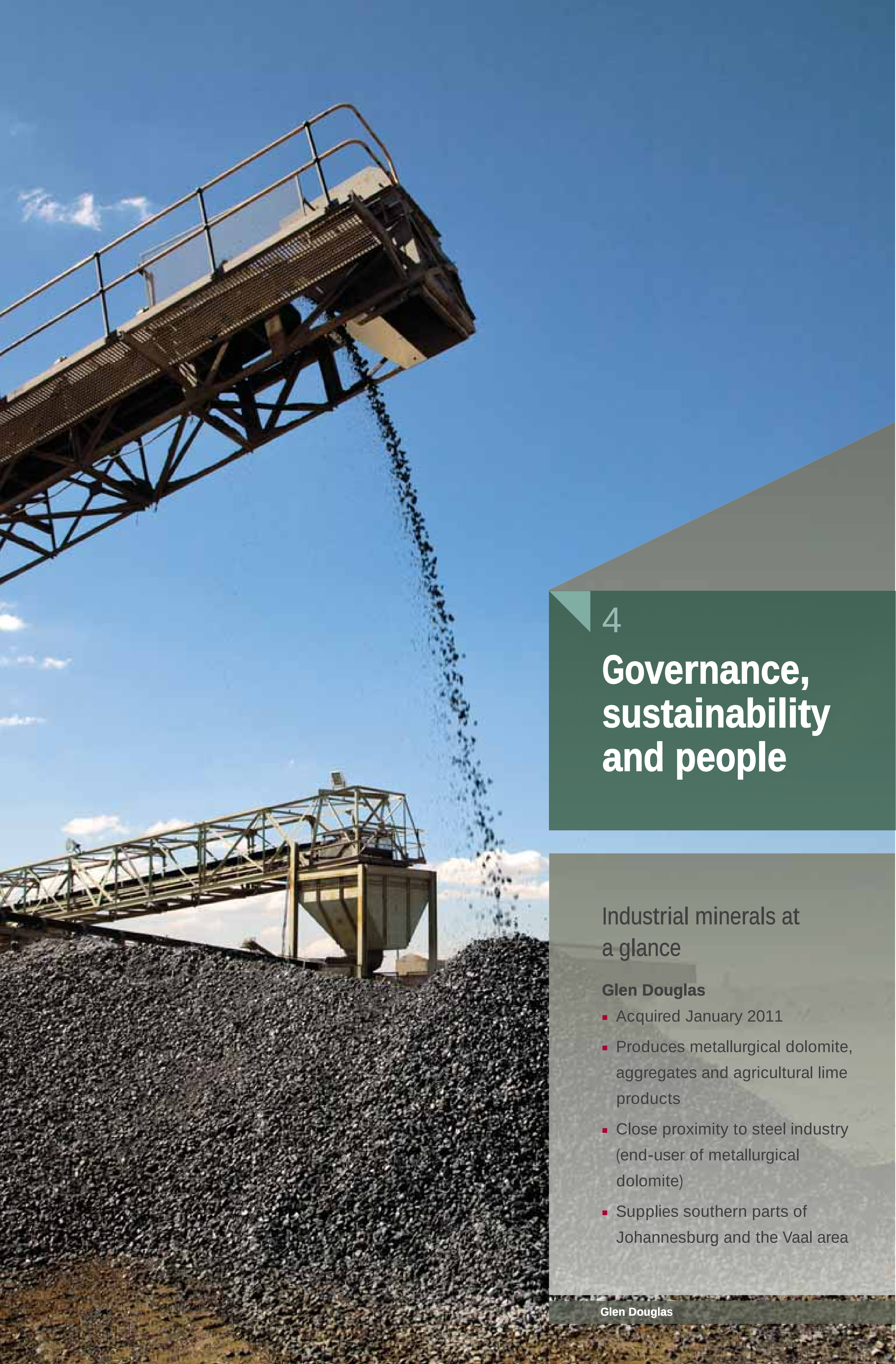
4

Governance, sustainability and people

Industrial minerals at a glance

Glen Douglas

- Acquired January 2011
- Produces metallurgical dolomite, aggregates and agricultural lime products
- Close proximity to steel industry (end-user of metallurgical dolomite)
- Supplies southern parts of Johannesburg and the Vaal area



Glen Douglas

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 75% is independent.	We acknowledge the recommendations of King III for a majority of independent non-executive directors on the board, and this will be taken into account with future appointments. However, in the interests of restricting costs the board will not remediate this until further board appointments are necessary. 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.
All members of the Nominations Committee should be non-executive directors – presently one of the four members is an executive director of the company.	See above.
The Chairman of the board should chair the Nominations Committee and must not chair the Remuneration Committee, but may be a member of it.	The Chairman of Afrimat's board is an independent non-executive director and is a high merit individual who objectively contributes a wide range of industry skills, knowledge and experience to the Remuneration & Nomination Committee. The fact that he is the chairman of the Remuneration Committee does not provide any conflict, as both the remuneration policy and remuneration of non-executive directors are approved by shareholders at the annual general meeting of the company. The fact that the chairman is an independent non-executive director also does not provide any conflict in terms of the remuneration of the executive directors and management.
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.
Companies should consider establishing a compliance function – presently no dedicated compliance officer.	Due to the size of the company no dedicated compliance officer is considered necessary. The CEO and FD drive compliance, supported by the relevant reporting and functional lines.
Remuneration of the three highest paid employees who are not directors should be disclosed per individual in the integrated annual report – presently not disclosed.	This is highly sensitive information in the competitive arena. Given the scarcity of skills this disclosure could lead to 'headhunting' of key personnel, which Afrimat will avoid at all costs in the interests of sustainability.

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

Our board

See our Governance Structure on page 13.

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. 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*.)

During the year non-executive director Dr Laurie Korsten sadly passed away. Laurie had been integrally involved in the establishment of Afrimat, and served as a director and member of the Audit & Risk Committee since 2009. He will be deeply missed at the group.

Independent non-executive director Phuti RE Tsukudu was appointed to the Audit & Risk Committee in Dr Laurie Korsten's stead.

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. 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. In addition, the chairmen or a nominated committee member attend the company's annual general meeting 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 page 41, 42 and 46 .)

Board 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, capital expenditure, standards of conduct, transformation, diversity, employment equity, human resources and environmental management.

Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Loyiso Dotwana*>	4/4	4/4	3/3	2/2	4/4
Francois du Toit*	4/4	1/1+			4/4
Andries J van Heerden (CEO)	4/4	4/4+	3/3	2/2	
Hendrik JE van Wyk**#	4/4	4/4			4/4
Hendrik P Verreynne (FD)	4/4	4/4+			
Marthinus W von Wielligh (Chairman)**~	4/4	4/4	3/3	2/2	4/4
Phuti RE Tsukudu**	4/4		3/3	2/2	4/4
Laurie P Korsten* (deceased August 2013)	2/2	2/2			2/2
Gert J Coffee	4/4			1/2	

** Non-executive ** Independent non-executive # Audit & Risk Committee Chairman ~ Remuneration & Nominations 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 and Marthinus W von Wielligh will retire at the upcoming annual general meeting 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 FD, 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 FD, ensures publication of share dealings on SENS.

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 time. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the group.

Company secretary

Pieter GS de Wit resigned as company secretary of Afrimat effective 7 November 2013, due to his appointment into an executive position within the group. Mariëtte Swart, a chartered accountant, has been appointed by the board in his stead with effect from 7 November 2013.

Information Technology ('IT') governance

IT governance is the responsibility of the Audit & Risk Committee. The committee is supported by the external auditors, the internal audit function and the IT infrastructure manager in assessing and reporting on the effectiveness of general IT and application system controls. The IT infrastructure manager performs annual adherence audits and reports to the Audit & Risk Committee on a quarterly basis.

Afrimat's IT control framework forms part of the general internal controls framework of the business. The Audit & Risk Committee and FD, supported by the IT infrastructure manager and two senior business system managers are responsible for evaluating the security of computer systems and applications. To minimise risk, an information security management system is in place, comprising a disaster recovery capability for central file servers, fire walls at major sites and data security measures. Further this team is responsible for devising the contingency plans for processing financial information in the event of a system breakdown. Afrimat has an IT Governance Charter in place, further, augmented by a formal IT usage policy and disaster recovery plan (guided by the IT and business systems strategy). (Afrimat's IT Governance Charter and policy documents are available at *www.afrimat.co.za* .)

Corporate governance (continued)

King III application

In terms of its board Afrimat complies with King III Chapter 2 as below:

Principle number	Description	Compliance
Chapter 2: Boards and directors		
2.1	The board should act as the focal point for and custodian of corporate governance.	The board is the focal point and custodian of corporate governance at Afrimat. In accordance with the Board Charter, the board is committed to the highest standards of corporate governance.
2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	The board, in accordance with the Board Charter and all committee terms of reference reviewed in line with King III, is responsible for aligning the strategic objectives, vision and mission with performance and sustainability considerations. The group's formalised risk management process takes into account the full range of risks including strategic and operational risk while considering performance and sustainability.
2.3	The board should provide effective leadership based on an ethical foundation.	The board provides effective leadership and is committed to the highest standards of ethical conduct.
2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	See 2.1 above.
2.5	The board should ensure that the company's ethics are managed effectively.	The Social, Ethics & Sustainability Committee is tasked with ensuring that the company's ethics are managed effectively.
2.6	The board should ensure that the company has an effective and independent Audit Committee.	The board is satisfied that the Audit & Risk Committee is effective. The committee is chaired by an independent non-executive director. It further consists of two independent non-executive directors and one non-executive director. The board is satisfied that these directors act independently for the purposes of the committee. 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.
2.7	The board should be responsible for the governance of risk.	The board's Audit & Risk Committee has conducted an evaluation of risk and is satisfied with the effective management of risk.
2.8	The board should be responsible for information technology ('IT') governance.	The board ensures that IT governance is an integral part of corporate governance and that it is assessed in line with the IT Governance Charter.
2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	Compliance is fully integrated in the legislative, political and corporate governance risks identified in the half-yearly risk register. This ensures compliance risks are addressed with the same rigour as other categories of risk. To ensure the best overall risk coverage, standardisation and discharging the accountability of risk owners, the implementation of all mitigation techniques is coordinated centrally. The company received no material fines or penalties for non-compliance during the year.

Principle number	Description	Compliance
Chapter 2: Boards and directors		
2.10	The board should ensure that there is an effective risk-based internal audit.	The board ensures that the internal audit function continues to report directly and effectively to the Audit & Risk Committee. The internal Audit Charter defines the scope of the internal audit function as assisting the board in assessing the group's risk management and governance processes.
2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	The board recognises the importance of developing and nurturing positive and stable relationships with key stakeholders as a key driver of business success. Refer Stakeholders, page 10.
2.12	The board should ensure the integrity of the company's integrated annual report.	The board continues to ensure that the integrated annual report endeavours to provide a true view of the group's commitment to financial, social and environmental value creation.
2.13	The board should report on the effectiveness of the company's system of internal controls.	Internal audit provides a written assessment on the design, implementation and effectiveness of the company's system of internal financial controls on an annual basis. Based on the results of this assessment, the Audit & Risk Committee is able to form an opinion on whether the internal financial controls form a sound basis for the preparation of reliable financial statements. The Audit & Risk Committee reports to the board and this is reported in the integrated annual report.
2.14	The board and its directors should act in the best interests of the company.	The board acknowledges its role as a trustee on behalf of the shareholders. In addition to the Code of Conduct, the members of the board are governed by a formal policy in respect of dealing in Afrimat shares.
2.15	The board should consider business rescue proceeding or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.	The board monitors the company's solvency and liquidity. Business rescue has not been required.
2.16	The board should elect a Chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of Chairman of the board.	The Chairman, Marthinus W von Wielligh, is an independent non-executive Chairman and the roles of CEO and Chairman are clearly defined and separated.
2.17	The board should appoint the CEO and establish a framework for the delegation of authority.	The board has appointed Andries J van Heerden as CEO and a delegation of authority framework is contained in the Board Charter and reviewed annually.
2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	The board comprises a majority of non-executive directors. It comprises three independent non-executive directors, two non-executive directors and three executive directors. The responsibilities of the Chairman and CEO, and those of other non-executive and executive directors, are clearly separated to ensure a balance of power and prevent any one director from exercising unfettered powers of decision-making. The Chairman provides leadership to the board in all deliberations ensuring independent input, and oversees its efficient operation. The CEO is responsible for proposing, updating, implementing and maintaining the strategic direction of Afrimat as well as ensuring appropriately supervised and controlled daily operations. In this regard, the CEO is assisted by the FD and another executive director. The independent non-executive directors and non-executive directors are high merit individuals who objectively contribute a wide range of industry skills, knowledge and experience to the board's decision-making process. These directors are not involved in the daily operations of the company.

Corporate governance (continued)

Principle number	Description	Compliance
Chapter 2: Boards and directors		
2.19	Directors should be appointed through a formal process.	The entire board participates in a formal and transparent process for the appointment of new board members, including the CEO. The Remuneration & Nominations Committee recommends suitable candidates following a vetting process which takes into account a candidate's skills offering, experience and interests such as diversity.
2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	In the case of new appointees, the Chairman and company secretary are responsible for implementing a comprehensive induction programme, including introductions to key senior management and site visits. New appointees also receive copies of the latest annual report, the latest interim announcements, recent circulars to stakeholders, board packs, details of the company's structure and operations and an overview of the company's accounting systems. The programme further sets out the new directors' responsibilities and fiduciary duties, as well as advises on the relevant statutory and regulatory framework and the JSE Listings Requirements. Subsequent to reviewal of board evaluations by the Chairman as per 2.22, potential training needs are identified. Based on these needs identified, directors will attend seminars and courses at the company's expense. The induction programme is extended to new senior management as well, in order to ensure maximum efficacy as early as possible after appointment.
2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	The board of directors is assisted by a competent, suitably qualified and experienced company secretary. The board, through the Nominations & Remunerations Committee assesses this on an annual basis. The company secretary is a qualified CA(SA). 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 and its directors. The company secretary keeps record of, inter alia, shareholder registers, meeting attendance registers, meeting minutes, resolutions, directors' declarations of personal interest/s, all notices and circulars issued by the company, directors' training, guidance on directors' duties and good governance and assistance of evaluation of board and board committees' performance. She is well versed in all relevant updates to current legislation and regulation and is responsible for advising the board as such. Further, the company secretary reviews the rules and procedures applicable to the conduct of the board. To this end she will involve, wherever necessary, the sponsor and other relevant advisers/experts to ensure that the directors have adequate information to sufficiently discharge their responsibilities.
2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	The company secretary compiles the self-evaluation programme which is then assessed and reviewed by the directors prior to implementation. The Chairman reviewed each director's performance and communicated the outcome. The annual self-evaluation included a comprehensive review of performance across key performance areas such as financial and business knowledge, business judgment and willingness to go against the flow, entrepreneurial, strategic and conceptual capability and industry and company knowledge and insight.

Principle number	Description	Compliance
Chapter 2: Boards and directors		
2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The board delegates certain functions without abdicating its own responsibilities to the following committees: Audit & Risk Committee; Remuneration & Nominations Committee; and Social, Ethics & Sustainability Committee.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	Afrimat ensures sound corporate governance throughout the group, communicating policies on corporate governance and ethics to subsidiary boards and their financial managers. The FD and Audit & Risk Committee review application of and compliance with recommendations and legislation at subsidiary level.
2.25	Companies should remunerate directors and executives fairly and responsibly.	The group's remuneration philosophy reflects Afrimat's commitment to best practice. The Remuneration & Nominations Committee determines the remuneration policy on executive and senior management remuneration in line with the group's remuneration philosophy. The total remuneration packages of the executive directors and senior management are subject to annual review as benchmarked against external market data, taking into account the size of the company, its market sector and business complexity. A detailed remuneration report is contained in the integrated annual report on page 41.
2.26	Companies should disclose the remuneration of each individual director and certain senior executives.	The remuneration of directors is disclosed in the integrated annual report on page 97. The executive directors are deemed to be the prescribed officers. Refer to page 28 for reason as to why the three highest employee salaries are not disclosed.
2.27	Shareholders should approve the company's remuneration policy.	Shareholders consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy at the annual general meeting.

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

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.

External audit

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

Risk process

The CEO and FD, 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.

Risks are classified in the sub-categories of:

- Business strategy
- Economic
- Legislative, political and corporate governance
- Social
- Operational
- SHE
- Financial
- Human resources
- Market and competition behaviour
- IT

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 Principal Risks on page 12.)

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 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 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, FD 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 FD, 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 systems are 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 systems are 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. Internal audit, 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, FD and senior management, supported by internal audit. 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 licence compliance

We are committed to conducting our mining operations in strict compliance with the mining licence conditions set by the DMR, 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 divisions: Health and Safety, Environment, Quality, Compliance and Skills Development (in line with the sub-sections of the Mining Charter).

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

- Mine Works Programme
- Social and labour plan
- EMP
- Mining Charter

The DMR performs random inspections and scheduled audits at the group's quarries and all issues identified are addressed by management.

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 DIFR reduced to 1,41 from 2,15 at the end of the previous year.

Health & Safety reporting framework

CEO

General manager: sustainability

Group SHE manager

Regional manager

Regional Health & Safety manager/officer

Employees

Responsibility for health and safety devolves down from the general manager: sustainability and group SHE manager to all levels of employees, and radiates up again with the CEO taking ultimate responsibility.

Regional managers assume full accountability for SHE 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 thereby to the group SHE manager.

The group SHE manager, Katarien Deysel, 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.

Risks identified in HIRAs are mitigated through:

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

During the year Afrimat achieved a DIFR of 1,41 (2013: 2,15), reflecting a decrease in the number of reportable injuries, of which the majority were in any event of minor nature.

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.

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 for expired certificates
- HIRA as per job specifications on each site
- Safe Operating Procedures as per job specifications on each site
- General fire fighting for expired certificates
- Operators/drivers training for expired certificates and new operators/drivers
- NOSAs Samtrac courses
- 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.

We conduct the following medicals:

- 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.

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 Policy is available at *www.afrimat.co.za* | i). 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 and TB symptoms and awareness;
- staff newsletters; and
- information leaflets distributed prior to World AIDS Day.

Environmental responsibility

We operate in an industry (opencast 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.

In recognition of the importance of this aspect of operations, in the previous year we appointed a dedicated environmental conservation officer (Louis de Wet) with the aim of furthering our commitment to containing our environmental impact.

It goes without saying that we comply with all environmental legislation. 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 water usage; and
- rehabilitation.

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 external consultants/specialists and only minor changes were required, all of which were implemented.

The group SHE 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 during the year. Programmes conducted for all employees during the year included SHE induction for new employees and revision for all existing employees.

Environmental initiatives

During the year 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 needs for optimum production leading to the establishment of a standard of 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;
- a shift in production times to fall in non-peak consumption periods for electricity; and
- used oil to be sold to accredited companies for recycling purposes.

The group has committed to undertaking formal carbon footprint assessments in the current financial year. The initial assessments will be conducted internally.

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

Human capital

Not only do we consider our employees as key to our success but in many ways, we see them as an area of our business in which we have achieved considerable success. 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.

However, we realise that this is dynamic and requires ongoing attention from the stage of recruitment through to advancement. We need to identify, target and hire the 'right people for the right job', and then 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 Principal risks and opportunities on page 12). 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 10). The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. These include:

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

Skills development

Courses during the year included plant and equipment maintenance, blasting, project leadership, materials testing, computer literacy, Adult Basic Education and Training, H&S and sales.

2014 review:

- R15,7 million (2013: R11,0 million) committed to skills development, bursaries, training, learnerships and internships for the year
- 70,6% of expenditure was in respect of black employees
- Focused on training where available skills are limited
- Specified operator training for all operators of specialised equipment

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 personally 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 skills development division is responsible for identifying needs across the group and implementing and monitoring initiatives. Skills development needs are determined in terms of regular performance appraisals and the day-to-day interaction with employees.

During the year under review we specifically 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, which is a reward and an incentive in itself. 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 skills for future promotion.	The group's top 30 employees identified through a prescribed evaluation process.
Afrimat Management Development Programme	A three-year in-house programme, custom-designed for Afrimat as part of its strategy to create a sustainable team for the future.	Production managers, quarry foremen, concrete products production managers and foremen on readymix and concrete products plants.
Study assistance	We provide study loans and support to our employees for tertiary qualifications relevant to their positions and/or potential advancement at the group.	Employees in production, administration, marketing, management and leadership.
Internships	Afrimat is a workplace provider (providing practical workplace exposure within the candidate's field of study) in partnership with the Mining Qualifications Authority – the mining sector SETA. During the year 17 internships were in place. In the event that a suitable vacancy is available in the group then interns are considered for placement.	External persons who have completed their academic courses.
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 34 artisan learnerships and nine other learnerships were in place. These 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.

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 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. Remuneration and benefits of executive directors are disclosed on page 97 of this report. 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 participates to a material degree in such exercise of general executive control and management.

The committee is further responsible for devising a general remuneration policy for the group, which is tabled annually at the annual general meeting for a non-binding advisory vote by shareholders.

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. This is 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 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 health care and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living. 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 pages 50, 82 and 83 of this report. (Afrimat's full remuneration policy is available at *www.afrimat.co.za*.)

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 2014/15 R**	Existing annual fee 2013/14 R
Board		
Chairman	**500 000**	467 000
Board member	**150 000**	130 000
Audit & Risk Committee		
Chairman	**92 000**	86 000
Member	**58 000**	54 000
Remuneration & Nominations Committee		
Chairman	**50 000**	46 000
Member	**32 000**	30 000
Social, Ethics & Sustainability Committee		
Chairman	**50 000**	46 000
Member	**32 000**	30 000

No material payments that are *ex gratia* in nature have been paid during the year under review.

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, and independent non-executive board Chairman Marthinus W von Wielligh. Details of meeting attendance are on page 29.

Key indicators monitored by the committee include:

Indicator	Standard or future goal
Transformation and B-BBEE ratings including: B-BBEE ownership Management control Employment equity Skills development and training Preferential procurement Enterprise 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	Zero harm to environment Compliance with mining licence EMPs
DMR compliance including: Mine Works Programme Social and labour plan EMP Mining Charter returns	All existing mining licences maintained All future mining licence applications predicated on group's reliable track record of compliance
Mining rights/licence status including: New applications Conversion of old order mining rights NEMA/LUPO regulations	Business expansion not restricted by insufficient mining licences
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
  - 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
  - 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
  - employment relationships, and our contribution towards the educational development of our employees

The committee draws these matters to the attention of the board and reports on them to the shareholders at the annual general meeting. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the committee are reported on pages 39 and 43.

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 blowers hot line, 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 are our Afrimat BEE Trust, benefiting black Afrimat employees, Mega Oils (Pty) Limited and Joe Kalo Investments (Pty) Limited – both 100% black-owned companies. Black ownership in the group totals 26,01% in line with Mining Charter requirements.

- Afrimat BEE Trust: 21,71%
- Mega Oils (Pty) Limited 4,11%
- Joe Kalo Investment (Pty) Limited 0,19%

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

Subsidiary name	2014 B-BBEE rating level
Afrimat Aggregates (Trading) (Pty) Limited	3
Ikapa Quarries (Pty) Limited	3
Afrimat Readymix (Cape) (Pty) Limited	4
Afrimat Aggregates (KZN) (Pty) Limited	4
Afrimat Aggregates (Operations) (Pty) Limited	4
Afrimat Aggregates (Eastern Cape) (Pty) Limited	4
Afrimat Contracting International (Pty) Limited	4
Afrimat Concrete Products (Pty) Limited	5
Infrasors Holdings Limited	5
Glen Douglas Dolomite (Pty) Limited	7

Management control

Our board includes two black directors, one of whom is female. All subsidiaries have at least 50% 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 40).

Employment equity

A total of 81,2% (2013: 82,4%) of the group's 2 381 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 41 .)

Skills development and training

(See Human Capital on page 39 .)

Preferential procurement

A formal preferential procurement policy is in place which reflects the group's commitment to broadening its supplier base with empowered enterprises who can supply goods and services on a preferred basis. The preference is for suppliers with minimum Level 5 B-BBEE contribution and black shareholding greater than 25%.

Enterprise development

Our group provides extensive management advice, administration services and working capital funding to BEE entrepreneurial enterprises, and also procures services from these enterprises.

These include:

- Joe Kalo Investments (Pty) Limited – investment business;
- Ikapa Quarries (Pty) Limited – mining services and vehicle rental business;
- transport sub-contractor schemes;
- lorry owner/driver schemes; and
- sand mining businesses.

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.

Socio-economic development

Our CSI focus is on the empowerment of the communities surrounding our operations, with specific beneficiaries negotiated with local economic fora. The group targets 1% of PAT for contribution to these beneficiaries. Beneficiaries include schools, community upliftment organisations, health and HIV/AIDS programmes. CSI expenditures during FY2014 amounted to R4,5 million (2013: R2,0 million).

6

Afrimat Limited annual financial statements

for the year ended 28 February 2014

The integrated annual report and the annual financial statements have been prepared under the supervision of the FD, Hendrik P Verreynne B Compt. Hons CA(SA).

The annual financial statements have been audited in compliance with the Companies Act No. 71 of 2008, as amended.

Publication date: 24 June 2014.

Ladysmith

Directors' responsibility statement

The annual financial statements set out on pages 49 to 105 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

The annual financial statements have been 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.

The annual financial statements were approved by the board of directors and were signed on their behalf by:

Andries J van Heerden
CEO

Hendrik P Verreynne
FD

Cape Town
24 June 2014

Declaration by company secretary

I, Mariëtte Swart, declare that, to the best of my knowledge, the company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of the Companies Act No. 71 of 2008, as amended, and that all such returns are true, correct and up-to-date.

Mariëtte Swart
Company secretary

Cape Town
24 June 2014

Audit & Risk Committee report

The information below constitutes the report of the Audit & Risk Committee in respect of the year under review.

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 and independent non-executive director Phuti RE Tsukudu. The board of directors is satisfied that these directors act independently for the purposes of the committee.

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.

Attendance

The committee met four times during the year and attendance is set out in the table on page 29. The committee assists the board in fulfilling its review and control responsibilities.

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 Audit & Risk Committee of Infrasors report to this committee at each meeting. Infrasors' own Audit & Risk Committee comprises three independent non-executive directors and consequently fulfils its responsibilities independent of the committee. Afrimat's representatives on the board of Infrasors also attend the Infrasors Audit & Risk Committee, ex officio.

The CEO, FD, CAE and representatives of the external auditors attend committee meetings by invitation. The committee members also have a confidential meeting with the internal auditors once a year.

Charter

During the year the Audit & Risk Committee Charter was reviewed by the committee and the board, in terms of King III requirements, amongst others. It was deemed by the committee to be adequate and effective.

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

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;
- approved the internal audit plan;
- considered and reviewed the internal audit charter 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 chief audit executive; and
- reviewed legal matters that could have a significant impact on the financial statements.

The committee is satisfied with the effectiveness of the system of internal control.

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 external auditor for approval by shareholders at the annual general meeting;
- the external audit plan; and
- the remuneration of the external auditor for approval to the board.

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.

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

Finance function

As per the JSE Listings Requirements, the committee considered and is satisfied with the appropriateness of the expertise and experience of Hendrik P Verreynne as FD. 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.

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

24 June 2014

Independent auditor's report

To the shareholders of Afrimat Limited

We have audited the consolidated and separate financial statements of Afrimat Limited set out on pages 52 to 105, which comprise the statements of financial position as at 28 February 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited at 28 February 2014, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. The reports are the responsibility of the respective preparers. Based on our reading of the reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on them.

Mazars Inc.
Registered Auditor
Director: Conrad Burger
Registered Auditor
Chartered Accountant (SA)

24 June 2014
Cape Town

Directors' report

for the year ended 28 February 2014

The directors of Afrimat present their report for the group or the year ended 28 February 2014.

Nature of business

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

Financial results

The annual financial statements and accompanying notes presented on pages 52 to 105 set out fully the group's financial position, results of operations and cash flows for the year, and in the directors' opinion require no further comment.

Headline earnings increased by 41,4%, translating into headline earnings per share of 109,0 cents (2013: 76,9 cents).

Operational review

The operations are reviewed in detail in the CEO's report and operational reviews, (pages 21, 22 and 24), which form part of this integrated annual report.

Accounting policies

Detailed accounting policies are set out on pages 57 to 67 of the annual financial statements.

Dividend

A final dividend of 28 cents per share (2013: 20 cents per share), 23,8 cents a share for shareholders who are subject to dividend tax (2013: 17,0 cents a share for shareholders who are subject to dividend tax) was declared for the year on 14 May 2014. 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 39 cents per share (2013: 28,0 cents per share).

Stated and issued share capital

The total authorised ordinary stated capital at year-end was R10,0 million, consisting of 1 000 000 000 (2013: 1 000 000 000) no par value ordinary shares. 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 Hendrik P Verreynne	(FD)
Mr Marthinus (Matie) W von Wielligh	(independent non-executive Chairman)

Mr von Wielligh and Mr van Wyk will retire by rotation at the upcoming annual general meeting and being eligible, will stand for re-election.

Directors' and officers' interests in contracts

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 34 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 36 to the annual financial statements.

Directors' report (continued)

for the year ended 28 February 2014

Directors' shareholding at 28 February 2014

	Number of securities held				
	Direct	Indirect			
Director	Beneficial	Beneficial	Through associates	Total	% held
2014					
Gert J Coffee	**415 072**	**–**	**–**	**415 072**	**0,29**
Loyiso Dotwana	**–**	**1 963 176**	**–**	**1 963 176**	**1,37**
Francois du Toit	**–**	**–**	**19 408 502**	**19 408 502**	**13,55**
Laurie P Korsten	**–**	**–**	**–**	**–**	**–**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**4 975 026**	**–**	**1 717 573**	**6 692 599**	**4,67**
Hendrik JE van Wyk	**–**	**–**	**112 000**	**112 000**	**0,08**
Hendrik P Verreynne	**445 650**	**–**	**–**	**445 650**	**0,31**
Marthinus W von Wielligh	**520 000**	**80 000**	**–**	**600 000**	**0,42**
	6 355 748	**2 043 176**	**21 238 075**	**29 636 999**	**20,69**
2013					
Gert J Coffee	300 000	–	–	300 000	0,21
Loyiso Dotwana	–	2 079 843	–	2 079 843	1,45
Francois du Toit	–	–	19 408 502	19 408 502	13,55
Laurie P Korsten	–	–	6 450 000	6 450 000	4,50
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 975 026	–	1 198 543	6 173 569	4,31
Hendrik JE van Wyk	–	–	112 000	112 000	0,08
Hendrik P Verreynne	253 863	–	–	253 863	0,18
Marthinus W von Wielligh	520 000	80 000	–	600 000	0,42
	6 048 889	2 159 843	27 169 045	35 377 777	24,70

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

	Number of securities held			
	Direct	Indirect		
	Beneficial	Beneficial	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	456 659	–	–	**456 659**
– Disposal of shares to settle tax liability relating to vested rights in the Afrimat Share Appreciation Rights Scheme	(182 664)	–	–	**(182 664)**
Hendrik P Verreynne				
– Receipt of shares as settlement of vested rights in the Afrimat Share Appreciation Rights Scheme	198 547	–	–	**198 547**
– Disposal of shares to settle tax liability relating to vested rights in the Afrimat Share Appreciation Rights Scheme	(79 419)	–	–	**(79 419)**

Save as detailed above there has been no change in directors' interests since year-end to the date of this report.

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

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

Interest in subsidiaries

The company's interest in subsidiaries is presented in note 6 to the annual financial statements. The interest of the company in the profits and losses of the subsidiaries, after taxation and profits attributable to minority interests, is as follows:

	2014 R	2013 R
Profit	**168 162 228**	123 990 250
Losses	**(9 382 349)**	(8 710 276)

Special resolutions

The following special resolutions were passed by shareholders of the company during the year (at the annual general meeting of shareholders held on 31 July 2013), 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 2014; and
- special resolution providing authority for the provision of financial assistance to group inter-related entities (in terms of section 45 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

No material events occurred between the reporting date and the date of the integrated annual report.

Statements of financial position

at 28 February 2014

	Notes	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
ASSETS					
Non-current assets					
Property, plant and equipment	2	**662 306 609**	503 614 678	**3 522 160**	2 976 279
Investment property	3	**3 040 000**	–	**–**	–
Intangible assets	4	**21 407 107**	21 698 345	**–**	–
Goodwill	5	**134 493 535**	132 706 771	**–**	–
Investments in subsidiaries	6	**–**	–	**627 626 486**	546 528 389
Investment in associate	7	**201 362**	77 257	**147**	147
Other financial assets	8	**134 222 992**	115 397 881	**107 869 147**	101 655 733
Deferred tax	10	**5 047 929**	3 008 993	**2 058 298**	2 357 840
		960 719 534	776 503 925	**741 076 238**	653 518 388
Current assets					
Inventories	11	**112 965 489**	89 489 665	**–**	–
Loans to subsidiaries	6	**–**	–	**28 129 283**	10 613 271
Current tax receivable		**6 162 579**	5 220 020	**–**	–
Trade and other receivables	12	**305 966 591**	195 788 275	**4 534 415**	4 698 896
Other financial assets	8	**1 274 857**	–	**846 887**	–
Cash and cash equivalents	13	**92 328 199**	134 261 561	**5 049 524**	65 354 969
		518 697 715	424 759 521	**38 560 109**	80 667 136
Total assets		**1 479 417 249**	1 201 263 446	**779 636 347**	734 185 524
EQUITY AND LIABILITIES					
Equity					
Stated capital	14	**323 176 094**	347 660 405	**316 666 887**	342 223 012
Share premium	15	**–**	–	**–**	–
Business combination adjustment	15	**(105 788 129)**	(105 788 129)	**–**	–
Treasury shares	16	**(10 691 947)**	(1 490 499)	**–**	–
Net issued stated capital		**206 696 018**	240 381 777	**316 666 887**	342 223 012
Other reserves	18	**6 562 249**	6 929 263	**3 819 272**	4 192 329
Retained income		**610 509 044**	510 610 558	**289 851 025**	255 074 402
Attributable to equity holders of parent		**823 767 311**	757 921 598	**610 337 184**	601 489 743
Non-controlling interests	19	**14 196 163**	3 930 635	**–**	–
Total equity		**837 963 474**	761 852 233	**610 337 184**	601 489 743
LIABILITIES					
Non-current liabilities					
Borrowings long-term	20	**94 605 884**	58 678 648	**8 442 566**	25 308 132
Provisions	21	**55 860 235**	33 724 698	**–**	–
Deferred tax	10	**91 651 996**	80 610 005	**–**	–
		242 118 115	173 013 351	**8 442 566**	25 308 132
Current liabilities					
Loans from subsidiaries	6	**–**	–	**132 167 583**	62 352 185
Borrowings short-term	20	**76 431 659**	62 005 657	**16 874 569**	16 872 090
Current tax payable		**5 709 786**	3 288 967	**694 335**	–
Trade and other payables	22	**265 742 749**	151 984 476	**11 120 110**	6 992 409
Bank overdraft	13	**51 451 466**	49 118 762	**–**	21 170 965
		399 335 660	266 397 862	**160 856 597**	107 387 649
Total liabilities		**641 453 775**	439 411 213	**169 299 163**	132 695 781
Total equity and liabilities		**1 479 417 249**	1 201 263 446	**779 636 347**	734 185 524

Statements of comprehensive income

for the year ended 28 February 2014

		Group		Company	
	Notes	**2014 R**	2013 R	**2014 R**	2013 R
Revenue	23	**1 901 187 222**	1 337 584 566	**64 739 418**	44 703 244
Cost of sales		**(1 440 138 347)**	(1 023 137 956)	**–**	–
Gross profit		**461 048 875**	314 446 610	**64 739 418**	44 703 244
Operating expenses		**(230 091 730)**	(158 955 300)	**(61 661 347)**	(46 964 352)
(Loss)/profit on disposal of plant, equipment and vehicles		**(2 685 817)**	(3 009 064)	**–**	–
Contribution/(loss) from operations		**228 271 328**	152 482 246	**3 078 071**	(2 261 108)
Other income		**–**	–	**(392 085)**	–
Other net gains/(losses) – net	24	**1 426 075**	96 868	**–**	–
Impairment of intangible assets	5	**–**	(4 745 527)	**–**	–
Operating profit/(loss)	25	**229 697 403**	147 833 587	**2 685 986**	(2 261 108)
Investment revenue	26	**16 186 531**	10 811 018	**82 618 389**	187 056 244
Finance costs	27	**(24 981 282)**	(14 295 568)	**(7 605 833)**	(9 674 762)
Share of profit of associate	7	**173 105**	67 744	**–**	–
Profit before taxation		**221 075 757**	144 416 781	**77 698 542**	175 120 374
Taxation	28	**(58 110 362)**	(40 639 551)	**(982 234)**	524 889
Profit for the year		**162 965 395**	103 777 230	**76 716 308**	175 645 263
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**1 694 325**	67 060	**–**	–
Income taxation effect		**(444 784)**	(11 756)	**–**	–
Realised gains on disposal of available-for-sale financial assets		**(1 426 075)**	–	**–**	–
Income taxation effect		**399 301**	–	**–**	–
Other comprehensive income for the year, net of taxation		**222 767**	55 304	**–**	–
Total comprehensive income for the year		**163 188 162**	103 832 534	**76 716 308**	175 645 263
Profit attributable to:					
Owners of the parent		**154 508 627**	103 035 685	**76 716 308**	175 645 263
Non-controlling interests		**8 456 768**	741 545	**–**	–
		162 965 395	103 777 230	**76 716 308**	175 645 263
Total comprehensive income attributable to:					
Owners of the parent		**154 731 394**	103 090 989	**76 716 308**	175 645 263
Non-controlling interests		**8 456 768**	741 545	**–**	–
		163 188 162	103 832 534	**76 716 308**	175 645 263
Earnings per ordinary share (cents)	35	**108,3**	72,1	**–**	–
Diluted earnings per ordinary share (cents)	35	**105,6**	70,2	**–**	–

Statements of changes in equity

for the year ended 28 February 2014

	Share and stated capital R	Share premium R	Treasury shares R	Business combination adjustment R	Other reserves R	Retained income R	Non-controlling interests R	**Total equity R**
Group								
Balance at 1 March 2012	1 434 624	352 149 773	(20 558 867)	(105 788 129)	5 494 802	435 564 227	3 609 851	**671 906 281**
Changes:								
Conversion to no par value shares	352 149 773	(352 149 773)	–	–	–	–	–	**–**
Movements in non-controlling interests	–	–	–	–	–	–	(32 661)	**(32 661)**
Share-based payments (refer note 17)	–	–	–	–	3 354 207	–	–	**3 354 207**
Purchase of treasury shares (refer note 16)	–	–	(6 568 867)	–	–	–	–	**(6 568 867)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(10 168 112)	–	5 049 945	–	(1 975 050)	1 975 050	–	**(5 118 167)**
Treasury shares used for acquisitions, net of taxation (refer note 16)	4 244 120	–	20 587 290	–	–	–	–	**24 831 410**
Profit for the year	–	–	–	–	–	103 035 685	741 545	**103 777 230**
Other comprehensive income for the year	–	–	–	–	55 304	–	–	**55 304**
Net change in fair value of available-for-sale financial assets	–	–	–	–	67 060	–	–	**67 060**
Income taxation effect	–	–	–	–	(11 756)	–	–	**(11 756)**
Dividends paid (refer note 30)	–	–	–	–	–	(29 964 404)	(388 100)	**(30 352 504)**
Total changes	346 225 781	(352 149 773)	19 068 368	–	1 434 461	75 046 331	320 784	**89 945 952**
Balance at 28 February 2013	347 660 405	–	(1 490 499)	(105 788 129)	6 929 263	510 610 558	3 930 635	**761 852 233**
Changes:								
Initial non-controlling interest acquired (refer note 31)	–	–	–	–	–	–	31 742 958	**31 742 958**
Additional non-controlling interest acquired (refer note 31)	–	–	–	–	–	(25 986 442)	(22 008 648)	**(47 995 090)**
Infrasors treasury shares sold to BEE investor (refer note 8)	–	–	–	–	–	2 811 605	1 978 395	**4 790 000**
Increase in effective shareholding in Infrasors due to:								
– Retrieval of shares from Infrasors Empowerment Trust	–	–	–	–	–	9 010 383	(9 010 383)	**–**
– Increase in shares held in treasury by Infrasors	–	–	–	–	–	(468 271)	(340 912)	**(809 183)**
Share-based payments (refer note 17)	–	–	–	–	3 527 901	–	–	**3 527 901**
Purchase of treasury shares (refer note 16)	–	–	(26 659 477)	–	–	–	–	**(26 659 477)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(24 878 366)	–	15 521 929	–	(4 117 682)	4 117 682	–	**(9 356 437)**
Treasury shares sold to BEE investor, net of taxation (refer note 8)	394 055	–	1 936 100	–	–	–	–	**2 330 155**
Profit for the year	–	–	–	–	–	154 508 627	8 456 768	**162 965 395**
Other comprehensive income for the year	–	–	–	–	222 767	–	–	**222 767**
Net change in fair value of available-for-sale financial assets	–	–	–	–	268 250	–	–	**268 250**
Income taxation effect	–	–	–	–	(45 483)	–	–	**(45 483)**
Dividends paid (refer note 30)	–	–	–	–	–	(44 095 098)	(552 650)	**(44 647 748)**
Total changes	(24 484 311)	–	(9 201 448)	–	(367 014)	99 898 486	10 265 528	**76 111 241**
Balance at 28 February 2014	**323 176 094**	**–**	**(10 691 947)**	**(105 788 129)**	**6 562 249**	**610 509 044**	**14 196 163**	**837 963 474**

	Share and stated capital R	Share premium R	Treasury shares R	Business combination adjustment R	Other reserves R	Retained income R	Non-controlling interests R	**Total equity R**
Company								
Balance at 1 March 2012	1 432 624	352 149 773	–	–	2 879 072	108 661 222	–	**465 122 691**
Changes:								
Conversion to no par value shares	352 149 773	(352 149 773)	–	–	–	–	–	**–**
Share-based payments (refer note 17)	–	–	–	–	2 166 280	–	–	**2 166 280**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(11 359 385)	–	–	–	(853 023)	853 023	–	**(11 359 385)**
Profit for the year	–	–	–	–	–	175 645 263	–	**175 645 263**
Other comprehensive income for the year	–	–	–	–	–	–	–	**–**
Dividends paid (refer note 30)	–	–	–	–	–	(30 085 106)	–	**(30 085 106)**
Total changes	340 790 388	(352 149 773)	–	–	1 313 257	146 413 180	–	**136 367 052**
Balance at 28 February 2013	342 223 012	–	–	–	4 192 329	255 074 402	–	**601 489 743**
Changes:								
Share-based payments (refer note 17)	–	–	–	–	2 098 606	–	–	**2 098 606**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of taxation	(25 556 125)	–	–	–	(2 471 663)	2 471 663	–	**(25 556 125)**
Profit for the year	–	–	–	–	–	76 716 308	–	**76 716 308**
Other comprehensive income for the year	–	–	–	–	–	–	–	**–**
Dividends paid (refer note 30)	–	–	–	–		(44 411 348)	–	**(44 411 348)**
Total changes	(25 556 125)	–	–	–	(373 057)	34 776 623	–	**8 847 441**
Balance at 28 February 2014	**316 666 887**	**–**	**–**	**–**	**3 819 272**	**289 851 025**	**–**	**610 337 184**

Statements of cash flows

for the year ended 28 February 2014

	Notes	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Cash flows from operating activities					
Cash generated from operations	29.1	**310 705 566**	216 420 626	**(14 910 908)**	(9 136 042)
Interest revenue	29.2	**17 918 453**	10 940 216	**14 103 961**	6 478 862
Dividends received	7, 26	**49 000**	34 680	**70 246 350**	180 706 580
Finance costs	29.3	**(23 405 554)**	(12 852 845)	**(7 605 833)**	(9 674 762)
Tax paid	29.4	**(61 407 743)**	(44 779 074)	**11 643**	(240 882)
Net cash from operating activities		**243 859 722**	169 763 603	**61 845 213**	168 133 756
Cash flows from investing activities					
Acquisition of property, plant and equipment	2	**(121 325 970)**	(82 934 453)	**(2 305 712)**	(1 853 830)
Proceeds on sale of property, plant and equipment	29.5	**16 894 085**	7 345 537	**191 390**	–
Acquisition of businesses	31	**(69 942 474)**	(86 715 523)	**(81 098 095)**	(95 954 818)
Consideration paid for shares held in treasury by Infrasors		**(809 183)**	–	**–**	–
Purchase of financial assets		**(4 795 150)**	(31 858 422)	**(8 792 225)**	(31 475 025)
Proceeds on sale of financial assets		**13 521 548**	96 868	**–**	–
Net cash outflow from investing activities		**(166 457 144)**	(194 065 993)	**(92 004 642)**	(129 283 673)
Cash flows from financing activities					
Purchase of treasury shares	16	**(26 659 477)**	(6 568 867)	**–**	–
Proceeds from borrowings		**51 996 977**	94 854 199	**–**	52 570 616
Repayment of borrowings		**(102 358 396)**	(62 897 937)	**(16 863 087)**	(10 390 394)
Loans repaid by/(advanced to) subsidiaries		**–**	–	**52 299 384**	(30 249 164)
Dividends paid	30	**(44 647 748)**	(30 352 504)	**(44 411 348)**	(30 085 106)
Net cash outflow from financing activities		**(121 668 644)**	(4 965 109)	**(8 975 051)**	(18 154 048)
Net (decrease)/increase in cash and cash equivalents and bank overdrafts		**(44 266 066)**	(29 267 499)	**(39 134 480)**	20 696 035
Cash, cash equivalents and bank overdrafts at the beginning of the year	13	**85 142 799**	114 410 298	**44 184 004**	23 487 969
Cash, cash equivalents and bank overdrafts at the end of the year	13	**40 876 733**	85 142 799	**5 049 524**	44 184 004

Notes to the annual financial statements

for the year ended 28 February 2014

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 have been prepared using a combination of the historical cost and fair value basis of accounting. The annual financial statements are expressed in South African Rand (ZAR or R). Those categories to which the fair value basis of accounting has applied are indicated in the individual accounting policy notes below.

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 consolidated 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. Accounting policies

1.1 Business combination

(a) Basis of consolidation

Group financial statements

The group financial statements comprise the consolidated financial statements of the company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition-related costs are expensed as incurred. 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 excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Company financial statements

Investments in subsidiaries and associates are initially recognised at cost. The cost of an investment in subsidiaries and associates is the aggregate of the fair value, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued.

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

(b) Non-controlling interests

Non-controlling shareholders' interests included on the statement of financial position represent the portion of profit or loss and net assets in subsidiaries not held by the group. Profit attributable to non-controlling interests are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position.

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) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in the group financial statements and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss. See note 1.12 for the impairment of non-financial assets including goodwill.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

The group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income/reserves is recognised in other comprehensive income/reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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 obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

(d) Share Trusts

The group consolidates the Afrimat BEE Trust and the Afrimat Share Incentive Trust.

1.2 Property, plant and equipment

Property, plant and equipment is initially recognised at cost. The cost of property, plant and equipment includes amounts incurred initially to acquire or construct an item of property, plant and equipment and amounts incurred subsequently to add to or replace part of the asset. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. Day-to-day servicing costs, such as labour and consumables, are expensed in the statement of comprehensive income as repairs and maintenance.

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

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

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

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

Where a part of an item of property, plant and equipment with a different useful life is significant in relation to the cost of the item, that part is depreciated separately. The depreciation charge for each period is recognised as an expense in the statement of comprehensive income.

The residual values, useful lives and depreciation methods applied to property, plant and equipment are reviewed, and adjusted if necessary, on an annual basis. These changes are accounted for as a change in estimate.

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 the statement of comprehensive income 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.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in the statement of comprehensive income 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.

1.3 Mining assets

Mining assets are capitalised due to the future benefits in respect of acquiring mineral reserves and resources. Mining assets acquired through business combinations are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

Mining assets	15 years

1.4 Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. 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 the statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no further economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying value of the asset is recognised in the statement of comprehensive income in the period of derecognition.

Group policy is that investment property will be reviewed annually and re-assessed by independent consultants every three years.

Transfers are made to and from investment property only when there is a change in use. For a transfer of investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If the owner occupied property becomes an investment property, the group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use, when it is revalued to fair value before being transferred to investment properties.

1.5 Intangible assets

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in a business combination, the cost of that intangible asset is its fair value at the acquisition date.

Intangible assets are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

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

Mining rights	20 to 30 years

Purchasing rights were 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 and is estimated to have a finite life, of between five and 10 years. The amortisation charge is recognised as an operating expense in the statement of comprehensive income. 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.

Where the recoverable amount is less than the carrying amount of the assets or the cash-generating unit, an impairment loss is recognised in the statement of comprehensive income.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition on an intangible asset is included in the statement of comprehensive income and is calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset at the date of derecognition.

1.6 Goodwill

Goodwill arises from business combinations and is initially measured at cost. Cost represents the excess of the purchase consideration over the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired at the date of the acquisition.

Subsequently, goodwill is carried at cost less any accumulated impairment.

Where the fair value of the group's share of the identifiable assets, liabilities and contingent liabilities acquired in a business combination is greater than the cost of the combination, the difference is recognised in the statement of comprehensive income immediately.

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. 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.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

Where the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, an impairment loss is recognised in the statement of comprehensive income 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.

An impairment loss recognised for goodwill is not subsequently reversed.

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 and borrowings.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a current legally enforceable right to set off recognised amounts and there is an intention to realise the assets and settle the liabilities on a net basis. Subsequent to initial recognition, these instruments are measured as set out below.

(b) Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss; available-for-sale; held-to-maturity and loans and receivables. The classification is dependent on the purpose for which the financial assets were acquired.

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.

Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current assets. 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.

Available-for-sale financial assets

Available-for-sale financial assets include equity instruments classified as available-for-sale that are neither classified as held for trading nor designated at fair value through profit or loss. Available-for-sale financial assets consist of investments within other financial assets in the statement of financial position. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investment have expired or have been transferred and the group has transferred substantially all risk and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value with changes in fair value recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income through a reclassification adjustment. The fair values of quoted investments are based on current bid prices.

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 and finance costs.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market. The are included in current assets, except for maturities greater than 12 months after reporting date.

Loans and receivables are carried at amortised cost using the effective interest method. Interest on loans and receivables are calculated using the effective interest method and recognised in the statement of comprehensive income.

Trade and other receivables

Trade and other receivables are classified as loans and receivables and are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. An allowance for estimated irrecoverable amounts is recognised in the statement of comprehensive income 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 the 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 comprehensive income within operating expenses. When a trade receivable is uncollectible, it 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 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 equivalent defined above, net of outstanding bank overdrafts.

Impairment of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is disclosed under trade receivables.

(c) Financial liabilities

Bank overdrafts and borrowings

Bank overdrafts and borrowings are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest method. The amortised cost method results in the accrual of interest in each period by applying the effective interest rate implicit to the outstanding balance on the borrowings. Borrowings are reduced when repayments are made.

Trade and other payables

Trade and other payables are classified as financial liabilities and are subsequently measured at amortised cost using the effective interest method.

(d) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the right to receive cash flows from the asset has expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

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 and share capital

Ordinary shares are classified as equity.

During the prior year, the ordinary shares were converted to no par value shares, resulting in the existing share capital and share premium being transferred to stated capital.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Treasury shares

Where any group company purchases the company's equity share capital (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 until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received,

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

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.

1.9 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of the inventories is assigned using the first-in, first-out ('FIFO') formula. The same cost formula is used for all inventories having similar nature and use to the entity. The cost of consumable stores 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 Tax

Tax expense

Current and deferred taxes are recognised as income or an expense and included in the statement of comprehensive income, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or a business combination.

Current tax and deferred taxes are charged or credited to equity if the tax relates to items that are credited or charged, in the same or different period, directly to equity.

The current tax payable is based on taxable profit. Taxable profit differs from profit reported in the statement of comprehensive income when there are items of income or expense that are taxable or deductible in other years and it also excludes items that are not taxable or deductible under existing tax legislation.

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates (tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable differences associated with investments in subsidiaries, branches and associates, and interest in joint ventures, except to the extent that both the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset from the initial recognition of an asset or liability in an transaction that:

- at the time of transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investment in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the unused tax losses can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date.

The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the group expects to recover or settle the carrying amounts of its assets and liabilities at the reporting date.

Deferred tax assets and liabilities are offset for presentation in the statement of financial position where the company has a legally enforceable right to do so and the income taxes relate to the same tax authority.

Therefore, deferred tax assets and deferred tax liabilities arising in the group financial statements from different subsidiaries are not offset because there is no allowance in South African tax law that allows income tax from different entities to be offset.

1.11 Leases as lessee and instalment 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 to the lessor is included in the statement of financial position as borrowings.

The discount rate used in calculating the present value of the minimum instalment payments is the interest rate implicit in the instalment purchase agreement.

The instalment purchase payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Assets held under instalment purchase agreements are depreciated over their expected useful lives on the same basis as owned assets.

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.

Contingent rentals are not accounted for on a straight-line basis, but are expensed in the statement of comprehensive income in the period in which they occur.

Leases as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the group's net investment outstanding in respect of the leases.

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

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 to sell 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. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- and then to the other assets of the unit, *pro-rata* on the basis of the carrying amount of each asset in the 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.

The accounting policy that deals with the impairment of goodwill are included in the respective accounting policy notes for those assets.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

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 paid vacation leave and 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.

The expected cost of compensated absences is recognised as an expense as the employee renders service that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal constructive obligation to make such payments as a result of past performance.

Share-based compensation

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example HEPS, profitability, sales growth targets and remaining an employee over a specified time period); and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity. When the options are exercised, the company utilises treasury shares. The market value of share options exercised by employees, net of any directly attributable transaction costs, are debited to stated capital when the options are exercised. The fair value of the employee services received, measured by reference to the equity instrument granted at grant date fair value, is recognised over the vesting period as an expense in the statement of comprehensive income of the subsidiary, with a corresponding credit to reserves in the subsidiary equity.

Defined contribution plans

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

1.14 Provisions

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Provisions are reviewed annually to reflect current best estimates of the expenditure required to settle the obligation.

1.15 Revenue

Revenue from the sale of goods 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 excluding value added tax, trade discounts and volume rebates.

Revenue arising from the rendering of services is recognised when the outcome of the transaction can be estimated reliably by reference to the stage of completion of the transaction. Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax and trade discounts.

Dividends are recognised in profit or loss when the company's right to receive payment has been established. This normally coincides with the date of declaration of the dividend.

Interest revenue is recognised in profit or loss using the effective interest method.

Rental income due from operating leases 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

Where equity instruments are issued to a BEE party at less than fair value, these are accounted for as share-based payments in terms of IFRS 2: *Share-based Payments*, IFRIC 8: *Scope of IFRS 2* and SAICA Financial Reporting Guide 2: *Accounting for Black Economic Empowerment (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.

1.18 Foreign currency transactions

Translation of operations conducted in Namibia due to the fixed exchange rate, do not result in translation gains or losses.

1.19 Borrowing costs

The group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. All investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 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.

The expected cost of any decommissioning programme, discounted to its net present value, has been capitalised at current date and amortised over the estimated remaining useful life of the related asset. The increase or decrease in the net present value of the expected cost is included in finance costs.

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.

1.21 Segment information

The principal 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. Inter-group transactions across segments occur under terms that are no less favourable than those arranged with third parties. 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.

Property, plant and equipment

The group assigns useful lives and residual values to property, plant and equipment based on periodic studies of actual asset lives and the intended use for those assets. Changes in circumstances such as technological advances, prospective economic utilisation and physical condition of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Where the group determines that the useful life of property, plant and equipment should be shortened or residual value reduced, it depreciates the net book value in excess of the residual value over the revised remaining useful life, thereby increasing depreciation expense. Any change in an asset's life or residual value is reflected in the group's annual financial statements when the change in estimate is determined. Consideration is given to whether subsequent expenditure is to be treated as maintenance or to be capitalised.

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 2014

Decommissioning and rehabilitation provisions

Quantifying the future costs of these obligations is complex and requires various estimates to be made thereof, 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 Department of Mineral Resources, have been used to estimate future rehabilitation costs.

Impairment of goodwill

Goodwill has been allocated to cash-generating units. The carrying value of goodwill is assessed using a discounted methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure. Refer note 5 for assumptions used.

Amortisation of intangible assets

The best estimate of the useful life of mining rights is used in assessing the period over which the group amortises mining rights. Where available, the life of mine ('LOM') is used to assign useful lives to mining rights. Hereby an independent expert in the field is commissioned to evaluate each mine, to determine the mineral reserve and mineral resources, used to calculate the LOM, which includes the preparation of a Mineral Resources and Mineral Reserves Statement. This information contains laboratory test results and relevant information upon which the geologist base his assumptions.

The amortisation on purchasing rights is determined on an annual basis by reference to raw materials consumed.

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 17.

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.

1.23 New and amended standards

New and amended standards adopted by the group

The group has adopted the following standards, amendments and interpretations that are effective for the current financial year and that are relevant to its operations:

IFRS 10: *Consolidated Financial Statements*

The new standard establishes control as the only basis for consolidation of all entities, regardless of the nature of the investee. It amends the definition of control to include three elements, namely power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. The new standard replaces a portion of IAS 27: *Consolidated and Separate Financial Statements* and SIC 12: *Consolidation – Special Purpose Entities*.

IFRS 12: *Disclosure of Interests in Other Entities*

The objective of the new standard is to increase transparency in financial reporting where the reporting entity has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard requires disclosure of information to enable users of financial statements to evaluate the nature, risks and financial effects associated with its interests in other entities.

IFRS 13: *Fair Value Measurement*

The objective of the new standard is to reduce the complexity and improve the consistency of fair value measurements and is part of the IASBs IFRS and US GAAP convergence project. The standard consolidates and clarifies the requirements for measuring fair value and includes disclosure enhancements to assist users of financial statements to better assess the valuation techniques and inputs used to measure fair value.

Amendments to IAS 1: *Presentation of Financial Statements*

The amendments to IAS 1 require items that are recognised in other comprehensive income, that may in a future period be reclassified to profit and loss, to be presented separately from those items that may never be reclassified to profit and loss.

Amendments to IAS 16: *Property, Plant and Equipment*

The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

IFRIC 20: *Stripping Costs in the Production Phase of a Surface Mine*

The objective of the new standard is to set out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. An extensive exercise to determine the impact of IFRIC 20 on the surface mines within the group was performed during the year. Based on the results thereof, it has been concluded that there is no impact on the current treatment of stripping costs. Therefore the benefits derived from stripping are for current production and not for access to production beyond a 12-month future period. The group does not have any predecessor stripping assets (stripping assets recognised prior to the effective date) and therefore the transitional adjustments of IFRIC 20 are not applicable.

There has been no material financial effect on the results of the group as a result of the adoption of the abovementioned new standards and amendments.

The following new standards, amendments or interpretations to existing standards became effective during the year, but are not relevant to the group's operations:

- Amendments to IFRS 7: *Financial Instruments – Disclosures*. Offsetting Financial Assets and Financial Liabilities
- IFRS 11: *Joint Arrangements*. Rights and obligations of the arrangement, rather than its legal form
- Amendments to IAS 32: *Financial Instruments – Presentation*. Income tax relating to distributions to equity holders
- Amendments to IAS 28: *Investments in Associates*. Consequential amendments arising as a result of issuing IFRS 10, 11 and 12
- Annual Improvements to IFRS

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 2014 or later periods, but the group has not early adopted them. Only those expected to impact the group are included below:

IFRS 2 (Amended): *Share-based Payment*

Definitions changed for vesting condition and service condition; definition added for performance condition and service condition. The amendment become effective for the group for annual periods beginning on or after 1 March 2015. 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. The standard is intended ultimately to replace IAS 39. It is expected that the new standard will become effective for the group for annual periods beginning on or after 1 March 2018, but has not yet been confirmed. The group is still considering the expected impact of IFRS 9.

IAS 36 (Amended): *Impairment of Assets*

The amendment brings the disclosures for impaired assets whose recoverable amount is fair value less cost to sell in line with the disclosure requirements of IFRS 13: *Fair Value Measurements*. The amendment become effective for the group for annual periods beginning on or after 1 March 2014. The group expects that its adoption will not have a material financial impact on its annual financial statements, however it will impose additional disclosure requirements.

IFRIC 21 (Amended): *Levies*

The interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. The amendment become effective for the group for annual periods beginning on or after 1 March 2014. The group is not currently subjected to significant levies so the impact on the group is immaterial.

1.24 New and amended standards and interpretations not currently relevant to the group's operations

The group has not applied the following new and amended standards and interpretations that have been issued but are not yet effective, nor relevant to the group's operations:

Amendments to IFRS 10: *Consolidated Financial Statements (effective 1 March 2014)*

Exemption from requirement to consolidate investment entities that must be fair valued in accordance with IAS 39 or IFRS 9 (if applicable) if it meets the requirements.

Amendments to IFRS 12: *Disclosure of Interests in Other Entities (effective 1 March 2014)*

Disclosure requirements for investment entities that are fair valued.

Amendments to IAS 27: *Consolidated and Separate Financial Statements (effective 1 March 2014)*

Requirement to account for the interests in investment entities at fair value in accordance with IAS 39 or IFRS 9 (if applicable) in the separate financial statements of the parent.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Cost/ valuation 2014 R	Accumulated depreciation 2014 R	Carrying value 2014 R	Cost/ valuation 2013 R	Accumulated depreciation 2013 R	Carrying value 2013 R
2. Property, plant and equipment						
Group						
Land and buildings	**105 270 264**	**(29 777 210)**	**75 493 054**	51 228 239	(7 060 870)	44 167 369
Leasehold property	**12 361 510**	**(3 159 225)**	**9 202 285**	11 751 324	(2 558 281)	9 193 043
Plant and machinery	**563 004 200**	**(249 716 613)**	**313 287 587**	442 459 906	(195 136 560)	247 323 346
Motor vehicles	**462 623 628**	**(255 949 537)**	**206 674 091**	356 032 656	(161 319 156)	194 713 500
Office and computer equipment	**21 360 473**	**(18 359 315)**	**3 001 158**	15 096 449	(11 802 905)	3 293 544
Dismantling costs	**15 144 756**	**(7 683 855)**	**7 460 901**	11 114 305	(6 190 429)	4 923 876
Mining assets	**106 451 392**	**(59 263 859)**	**47 187 533**	–	–	–
Total	**1 286 216 223**	**(623 909 614)**	**662 306 609**	887 682 879	(384 068 201)	503 614 678
Company						
Motor vehicles	**1 778 893**	**(448 922)**	**1 329 971**	950 000	(49 875)	900 125
Office and computer equipment	**7 970 532**	**(5 778 343)**	**2 192 189**	6 441 222	(4 365 068)	2 076 154
Total	**9 749 425**	**(6 227 265)**	**3 522 160**	7 391 222	(4 414 943)	2 976 279

Analysis of movements in carrying value:

	Opening carrying value R	Additions R	Additions through business combinations* R	Change in category# R	Disposals R	Depreciation R	Closing carrying value R
Group – 2014							
Land and buildings	**44 167 369**	**4 121 564**	**28 000 000**	**–**	**–**	**(795 879)**	**75 493 054**
Leasehold property	**9 193 043**	**610 187**	**–**	**–**	**–**	**(600 945)**	**9 202 285**
Plant and machinery	**247 323 346**	**63 559 082**	**42 746 953**	**–**	**(2 704 980)**	**(37 636 814)**	**313 287 587**
Motor vehicles	**194 713 500**	**48 478 418**	**23 000 000**	**–**	**(13 983 652)**	**(45 534 175)**	**206 674 091**
Office and computer equipment	**3 293 544**	**2 768 480**	**–**	**–**	**(45 570)**	**(3 015 296)**	**3 001 158**
Dismantling costs	**4 923 876**	**1 788 239**	**5 251 622**	**–**	**(2 845 700)**	**(1 657 136)**	**7 460 901**
Mining assets	**–**	**–**	**51 867 720**	**–**	**–**	**(4 680 187)**	**47 187 533**
Total	**503 614 678**	**121 325 970**	**150 866 295**	**–**	**(19 579 902)**	**(93 920 432)**	**662 306 609**
Group – 2013							
Land and buildings	39 944 966	74 453	5 258 214	–	–	(1 110 264)	44 167 369
Leasehold property	8 369 861	1 368 014	–	–	–	(544 832)	9 193 043
Plant and machinery	231 610 477	31 875 573	48 517 093	(34 766 272)	(1 717 391)	(28 196 134)	247 323 346
Motor vehicles	136 984 810	47 576 107	6 264 769	34 766 272	(8 637 139)	(22 241 319)	194 713 500
Office and computer equipment	3 286 861	1 575 670	538 763	–	(71)	(2 107 679)	3 293 544
Dismantling costs	5 708 762	464 636	–	–	–	(1 249 522)	4 923 876
Total	425 905 737	82 934 453	60 578 839	–	(10 354 601)	(55 449 750)	503 614 678

	Opening carrying value R	Additions R	Additions through business combinations* R	Change in category# R	Disposals R	Depreciation R	Closing carrying value R
2. Property, plant and equipment (continued)							
Company – 2014							
Motor vehicles	**900 125**	**755 082**	**–**	**–**	**(191 390)**	**(133 846)**	**1 329 971**
Office and computer equipment	**2 076 154**	**1 550 630**	**–**	**–**	**–**	**(1 434 595)**	**2 192 189**
Total	**2 976 279**	**2 305 712**	**–**	**–**	**(191 390)**	**(1 568 441)**	**3 522 160**
Company – 2013							
Motor vehicles	–	950 000	–	–	–	(49 875)	900 125
Office and computer equipment	2 555 376	903 830	–	–	–	(1 383 052)	2 076 154
Total	2 555 376	1 853 830	–	–	–	(1 432 927)	2 976 279

* *Note 31.*

\# *Certain assets were reclassified to ensure conformity with group policy and guidelines.*

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (note 20).

	Group	
	2014 R	2013 R
Carrying value of assets pledged as security:		
Property, plant and equipment	**259 038 232**	142 841 183

Included in disposals are plant and equipment with a cost of R3 815 738 (2013: R3 510 529) and accumulated depreciation of R1 122 781 (2013: R2 359 639), which had no further economic value and have been removed from the register.

Depreciation expense of R88 694 491 (2013: R51 246 080) has been charged in ‘cost of sales’ and R5 225 941 (2013: R4 203 670) in ‘operating expenses’.

Land within the group was pledged to ABSA Bank Limited as security over the bond acquired on the initial bond amount issued of R64 861 708 (note 20).

	Group	
	2014 R	2013 R
3. Investment property		
Fair value of investment property	**3 040 000**	–

The property was valued by an independent registered professional valuer, Mr George Nel, as potential use being for agricultural purposes. He conducted a valuation of the investment property in February 2013. Management confirmed there to be no significant movements from the value as estimated in the prior year.

The group’s investment property is encumbered by means of a mortgage to the amount of R2 040 000 with ABSA Bank Limited.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group					
	Cost 2014 R	Accumulated amortisation 2014 R	Carrying value 2014 R	Cost 2013 R	Accumulated amortisation 2013 R	Carrying value 2013 R
4. Intangible assets						
Mining rights	**22 802 619**	**(8 241 972)**	**14 560 647**	20 112 449	(6 839 619)	13 272 830
Purchasing rights	**9 982 716**	**(3 136 256)**	**6 846 460**	9 982 716	(1 557 201)	8 425 515
Total	**32 785 335**	**(11 378 228)**	**21 407 107**	30 095 165	(8 396 820)	21 698 345

Analysis of movements in carrying value:

	Group				
	Opening carrying value R	Additions R	Additions through business combinations* R	Amortisation R	Closing carrying value R
2014					
Mining rights	**13 272 830**	**–**	**2 690 170**	**(1 402 353)**	**14 560 647**
Purchasing rights	**8 425 515**	**–**	**–**	**(1 579 055)**	**6 846 460**
Total	**21 698 345**	**–**	**2 690 170**	**(2 981 408)**	**21 407 107**
2013					
Mining rights	13 159 928	–	993 158	(880 256)	13 272 830
Purchasing rights	–	–	9 982 716	(1 557 201)	8 425 515
Total	13 159 928	–	10 975 874	(2 437 457)	21 698 345

* *Note 31.*

Mining rights are amortised on a straight-line basis over the best estimate of their useful lives. None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods varies between 14 and 24 years (2013: 15 and 25 years).

Purchasing rights were 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 purchasing right has a finite life of between five and 10 years.

	Group 2014 R	Group 2013 R
5. Goodwill		
Gross amount	**141 148 064**	139 361 300
Accumulated impairment	**(6 654 529)**	(6 654 529)
Carrying value	**134 493 535**	132 706 771
Analysis of movements in carrying value:		
Carrying value – opening balance	**132 706 771**	101 194 917
Additions through business combinations (refer note 31)	**1 786 764**	36 257 381
Impairment of goodwill	**–**	(4 745 527)
Carrying value – closing balance	**134 493 535**	132 706 771
Goodwill acquired through business combinations has been allocated to cash-generating units as follows:		
Afrimat Concrete Products (Pty) Limited	**20 468 422**	20 468 422
Afrimat Aggregates (KZN) (Pty) Limited	**16 877 717**	16 877 717
Rodag Holdings (Pty) Limited	**1 057 984**	1 057 984
Afrimat Aggregates (Operations) (Pty) Limited	**122 216**	122 216
Malans Group	**10 832 307**	10 832 307
Afrimat Aggregates (Eastern Cape) (Pty) Limited	**39 266 892**	39 266 892
SA Block (Pty) Limited	**10 152 067**	10 152 067
Clinker Supplies (Pty) Limited	**26 105 314**	26 105 314
Scottburgh Group	**1 300 000**	1 300 000
Sunshine Crushers (Pty) Limited	**5 723 351**	5 723 351
Glen Douglas Dolomite (Pty) Limited	**800 501**	800 501
Infrasors Holdings Limited	**1 786 764**	–

The group applied a discounted cash flow methodology to value goodwill. These cash flows were based on forecasts which included assumptions on operating profit, depreciation, working capital movements and capital expenditure. The assumptions are based on past experience. The discount rate applied to the cash flow projections was 19% (2013: 19%). The key assumptions used were growth rates of 5% to 10% (2013: 5% to 10%) over a period of 10 years. The period of 10 years was assumed due to the long-term nature of mining activities. The growth rates were based on industry experience. Management believe that any reasonable possible change in key assumptions on which the recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount.

The recoverable amount has been determined using the value-in-use calculations. During the prior year an amount of R4 745 527 was identified as not recoverable and was subsequently written off as impaired, due to declining reserves and resources.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

Name of company	Nature of business	Total share capital R	% holding 2014	% holding 2013	Carrying amount shares 2014 R	Carrying amount shares 2013 R	Carrying amount indeb-tedness 2014 R	Carrying amount indeb-tedness 2013 R
6. Investments in subsidiaries								
Afrimat Share Incentive Trust	Investment	–	**–**	–	**–**	–	**(126 776)**	678 727
Afrimat BEE Trust	Investment	–	**–**	–	**–**	–	**–**	–
Afrimat Empowerment Investments (Pty) Limited	Investment	120	**100,0**	100,0	**–**	–	**–**	–
AFT Aggregates (Pty) Limited	Aggregates	20	**100,0**	100,0	**175 108**	175 108	**291 252**	1 311 401
Boublok (Pty) Limited	Concrete Based Products	100	**100,0**	100,0	**888 831**	888 831	**2 151 138**	942 565
Capmat (Pty) Limited	Aggregates	4 000	**87,5**	87,5	**6 255 231**	6 255 231	**2 702 124**	2 130 371
Afrimat Concrete Products (Pty) Limited	Concrete Based Products	10 000	**100,0**	100,0	**67 378 835**	67 378 835	**(12 212 190)**	88 012
Afrimat Aggregates (KZN) (Pty) Limited	Aggregates	30 000	**100,0**	100,0	**35 182 874**	35 182 874	**2 781 068**	(2 699 664)
Afrimat Readymix (Cape) (Pty) Limited	Concrete Based Products	200	**100,0**	100,0	**5 267 084**	5 267 084	**325 199**	(579 732)
Afrimat Aggregates (Operations) (Pty) Limited	Aggregates	100	**100,0**	100,0	**106 220 430**	106 220 430	**(28 268 688)**	(2 527 026)
Prima Quarries Namibia (Pty) Limited	Aggregates	100	**100,0**	100,0	**100**	100	**–**	–
Rodag Holdings (Pty) Limited	Property	4	**100,0**	100,0	**3 829 110**	3 829 110	**4 089 218**	3 865 667
Rodag Properties (Pty) Limited	Dormant	1 000	**100,0**	100,0	**–**	–	**–**	–
Tradeselect 5 (Pty) Limited	Dormant	100	**100,0**	100,0	**–**	–	**–**	–
Maritzburg Quarries (Pty) Limited	Aggregates	70 000	**100,0**	100,0	**1 295 741**	1 295 741	**457 490**	457 490
Scottburgh Quarries (Pty) Limited	Aggregates	100	**100,0**	100,0	**8 020 000**	8 020 000	**108**	108
Afrimat Aggregates (Eastern Cape) (Pty) Limited	Aggregates	600	**100,0**	100,0	**53 181 208**	53 181 208	**(8 004 852)**	(361 215)
Afrimat Aggregates (Trading) (Pty) Limited	Aggregates	5 000	**92,7**	92,7	**24 933 683**	24 933 683	**(19 606 340)**	(28 595 266)
Community Quarries (Pty) Limited	Aggregates	100	**100,0**	100,0	**33 771 554**	33 771 554	**–**	–
Olympic Sand (Pty) Limited	Aggregates	1 000	**100,0**	100,0	**1 204 580**	1 204 580	**–**	–
Malric Properties (Pty) Limited	Property	100	**100,0**	100,0	**13 053 322**	13 053 322	**–**	–
Propateez 66 (Pty) Limited	Property	100	**100,0**	100,0	**831 872**	831 872	**–**	–
ASBE Community Empowerment (Pty) Limited	Aggregates	900	**100,0**	100,0	**–**	–	**(525)**	(1 000)
Labonte 3 (Pty) Limited	Property	1 000	**50,0**	50,0	**149 494**	149 494	**546 218**	933 287
Jeffreys Bay Crushers (Pty) Limited	Aggregates	200	**100,0**	100,0	**200**	200	**(100)**	(100)
Sunshine Crushers (Pty) Limited	Aggregates	1 179 960	**100,0**	100,0	**8 081 014**	8 081 014	**(2 872 565)**	(2 872 565)
Afrimat Contracting International (Pty) Limited	Contracting	100	**100,0**	100,0	**3 180 001**	3 180 001	**(6 362 472)**	34 108
SA Block (Pty) Limited	Concrete Based Products	200	**100,0**	100,0	**120 805 535**	120 805 535	**(23 800 808)**	(24 396 758)
Clinker Supplies (Pty) Limited	Aggregates	100 000	**100,0**	100,0	**24 210 000**	24 210 000	**409 192**	171 535
Meepo Ya Mmu Resources (Pty) Limited	Aggregates	1 000	**54,0**	54,0	**954 818**	954 818	**(36 788)**	(9 000)
Glen Douglas Dolomite (Pty) Limited	Aggregates	10 000	**100,0**	100,0	**27 657 764**	27 657 764	**(30 875 479)**	(309 859)
Infrasors Holdings Limited*	Aggregates	185 521 091	**79,6**	–	**81 098 097**	–	**14 376 276**	–
					627 626 486	546 528 389	**(104 038 300)**	(51 738 914)
Analysis of current assets and liabilities:								
Current assets								
Loans to subsidiaries							**28 129 283**	10 613 271
Current liabilities								
Loans from subsidiaries							**(132 167 583)**	(62 352 185)
							(104 038 300)	(51 738 914)

* *Indirectly held subsidiaries include Delf Sand (Pty) Limited, Pienaarspoort Ontwikkeling (Pty) Limited, Delf Silica Coastal (Pty) Limited, Delf Cullinan (Pty) Limited, Delf Silica (Pty) Limited, Lyttelton Dolomite (Pty) Limited, Infrasors Environmental Rehabilitation Trust, Infabric (Pty) Limited, Infrasors Management Services (Pty) Limited, Infrasors Empowerment Trust and Prima Quarries Social Development Trust.*

6. Investments in subsidiaries (continued)

The carrying amounts of subsidiaries are shown net of impairment losses. The loans have no fixed terms of repayment and the majority bear interest at prime less 3,5%. Interest on the Infrasors Holdings Limited loan is calculated at prime plus 1,5% and the Afrimat Empowerment Investments (Pty) Limited bears interest at prime. The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia (Pty) Limited that is incorporated in Namibia.

Afrimat holds 79,6% of Infrasors, whilst treasury shares account for 12,0% and minorities account for the remaining 8,4% of the total issued Infrasors ordinary shares.

No impairment was made to any of the investments during current or prior year.

All subsidiaries are entities over which the group has control. The group is exposed to, or has rights to, variable returns from its involvement with the subsidiaries and has the ability to affect the returns through its power over the entities. Management has assessed the level of influence that the group has over Labonte 3 (Pty) Limited and determined that it has control over the board of directors and therefore controls the operations of the entity.

A notice of cession and pledge of 94 171 108 Infrasors shares by Afrimat in favour of ABSA Bank Limited was made on 6 May 2013. An entry in favour of ABSA Bank Limited has been made in Afrimat's securities account held at FNB Securities (Pty) Limited as contemplated in terms of section 39 of the Financial Markets Act No. 19 of 2012, noting ABSA's interest in the aforementioned shares. With effect from the date on which ABSA Bank Limited notifies FNB Securities (Pty) Limited in writing of an event of default that has occurred or has not been rectified as the case may be, FNB Securities (Pty) Limited shall on written instruction of ABSA Bank Limited, transfer the shares to ABSA Bank Limited or another party nominated by it.

The group consolidated the Afrimat Share Incentive Trust and Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments (Pty) Limited ('AEI'), due to the group having power to control the financial and operating policies of the trusts. Refer to note 8 for explanation regarding the de-recognition of shares allocated to BEE participants.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
7. Investment in associate				
Ikapa Quarries (Pty) Limited (49%)	**201 362**	77 257	**147**	147
Analysis of investment in associate:				
Opening balance	**77 257**	44 193	**147**	147
Share of net profit after taxation	**173 105**	67 744	**–**	–
Dividend received from associate	**(49 000)**	(34 680)	**–**	–
Closing balance	**201 362**	77 257	**147**	147
The group's share of the results of its associate, which is unlisted, and the group's share of its aggregated assets and liabilities, are as follows:				
Assets	**3 310 026**	718 917	**–**	–
Liabilities	**(3 111 720)**	(640 966)	**–**	–
Revenues	**7 730 732**	2 678 493	**–**	–
Profit	**173 105**	67 744	**–**	–
8. Other financial assets				
Non-current assets:				
Available-for-sale	**1 914 925**	13 742 148	**–**	–
Loans and receivables	**109 861 777**	101 655 733	**107 869 147**	101 655 733
At fair value through profit or loss	**17 583 654**	–	**–**	–
Held-to-maturity	**4 862 636**	–	**–**	–
	134 222 992	115 397 881	**107 869 147**	101 655 733
Current assets:				
Available-for-sale	**–**	–	**–**	–
Loans and receivables	**1 274 857**	–	**846 887**	–
At fair value through profit or loss	**–**	–	**–**	–
Held-to-maturity	**–**	–	**–**	–
	1 274 857	–	**846 887**	–
Total other financial assets	**135 497 849**	115 397 881	**108 716 034**	101 655 733

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
8. Other financial assets (continued)				
Analysis of other financial assets:				
Available-for-sale				
Listed shares at fair value				
Old Mutual PLC shares	**107 813**	83 440	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**1 601 203**	1 357 326	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**205 909**	12 301 382	**–**	–
	1 807 112	13 658 708	**–**	–
Total available-for-sale financial assets	**1 914 925**	13 742 148	**–**	–
Loans and receivables				
Non-current assets:				
Funding provided to Afrimat employees	**103 926 034**	101 655 733	**–**	–
Preference shares in Afrimat Empowerment Investments (Pty) Limited/Afrimat BEE Trust	**–**	–	**103 926 034**	101 655 733
BEE investor	**5 935 743**	–	**3 943 113**	–
Total non-current portion of loans and receivables	**109 861 777**	101 655 733	**107 869 147**	101 655 733
Current assets:				
BEE investor	**1 274 857**	–	**846 887**	–
Total current portion of loans and receivables	**1 274 857**	–	**846 887**	–
Total loans and receivables	**111 136 634**	101 655 733	**108 716 034**	101 655 733

In previous years Afrimat launched a broad-based BEE ownership initiative, whereby Afrimat's black employees ('participants'), via the Afrimat BEE Trust, acquired 16,8% of the issued share capital of the company (24 050 000 shares). Funding was provided by Afrimat to the Afrimat BEE Trust via a funding vehicle Afrimat Empowerment Investments (Pty) Limited ('AEI'). AEI issued 1 000 preference shares to Afrimat Limited for a total subscription price of R64 205 000 as well as 1 000 preference shares for a total subscription price of R4 239 000, on behalf of participants. These preference shares are redeemable cumulative participating preference shares. Preference dividends are calculated at a rate of 70% of the prime interest rate.

During the prior year, Afrimat's black employees, via the Afrimat BEE Trust, acquired a further 4,4% of the issued share capital of the company (6 392 575 shares). Funding was provided by Afrimat to the Afrimat BEE Trust via a funding vehicle AEI. AEI issued 1 000 preference shares to Afrimat Limited for a total subscription price of R31 506 000. These preference shares are redeemable cumulative participating preference shares. Preference dividends are calculated at a rate of 100% of the prime interest rate.

The company's shares held by Afrimat Empowerment Investments (Pty) Limited/Afrimat BEE Trust serve as security for the preference shares. The preference shares are redeemable when the Afrimat shares are handed over to the participants via the Afrimat BEE Trust in terms of the scheme rules or the date when the preference shares are taken over by an external financier or the date when the preference shares are settled by the participants in cash.

For company shares that are allocated to BEE participants, it is deemed that the risk and rewards of ownership in these shares have passed to the employees. On group level, therefore the shares qualify for de-recognition and are treated as a loan to participants and not treasury shares.

The fair values of loans and receivables are considered to be equal to the carrying value.

On 21 February 2014, 190 000 treasury shares were sold to a BEE investor for a value of R12,74 per share. Loan funding to the value of R2 420 600 for the purchase of the shares were provided by one of the group's subsidiaries, Afrimat Aggregates (Operations) (Pty) Limited. The loan will be subject to interest at Standard Bank Limited prime overdraft rate less 3 percentage points and is repayable over five years with the final repayment date on 20 February 2019.

On 24 January 2014, 4 790 000 shares held in treasury by Infrasors, were sold to a BEE investor for a value of R1,00 per share. Loan funding to the value of R4 790 000 for the purchase of the shares were provided by Afrimat. The loan will be subject to interest at Standard Bank Limited prime overdraft rate less 3 percentage points and is repayable over five years with the final repayment date on 23 January 2019.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
8. Other financial assets (continued)				
At fair value through profit or loss				
Environmental insurance policies	**17 583 654**	–	**–**	–
Total financial assets at fair value through profit or loss	**17 583 654**	–	**–**	–
Opening balance	**–**	–	**–**	–
Additions through business combinations (refer note 31)	**15 134 643**	–	**–**	–
Movement for the year	**2 449 011**	–	**–**	–
Insurance policy units purchased	**1 300 800**	–	**–**	–
Insurance policy payout growth	**1 411 212**	–	**–**	–
Policy costs	**(263 001)**	–	**–**	–
Closing balance	**17 583 654**	–	**–**	–

Environmental insurance policies 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 21).

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'operating expenses' in the statement of comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Held-to-maturity				
Guaranteed endowment policy investment	**4 862 636**	–	**–**	–
Total financial assets held-to-maturity	**4 862 636**	–	**–**	–
Opening balance	**–**	–	**–**	–
Additions through business combinations (refer note 31)	**6 518 520**	–	**–**	–
Movement for the year	**(1 655 884)**	–	**–**	–
Settlement of Wesbank (Pty) Limited liability	**(5 016 000)**	–	**–**	–
Insurance policy payout growth	**3 360 116**	–	**–**	–
Closing balance	**4 862 636**	–	**–**	–

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. The guaranteed payout at the end of the policy is R8 295 290, and is guaranteed to settle the outstanding instalment liability due.

The fair value of the financial assets were determined as follows:

- The fair value of available-for-sale financial assets and financial assets through profit or loss are based on the quoted market price.
- Fair value are determined annually at reporting date.
- None of these financial assets is either past due or impaired.
- Environmental funds were originally established to fund the cost of rehabilitation on closure of certain of the group's quarries. The group since replaced the environmental fund held by Liberty Life with guarantees as per note 33. Due to the environmental fund being replaced before the termination of the original policy, the cumulative income up to date of replacement will not be repaid before the termination date of 25 February 2016.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
9a. Financial instruments by category				
Assets as per statement of financial position				
Available-for-sale				
Other financial assets (refer note 8)	**1 914 925**	13 742 148	**–**	–
	1 914 925	13 742 148	**–**	–
Loans and receivables at amortised cost				
Other financial assets (refer note 8)	**111 136 634**	101 655 733	**108 716 034**	101 655 733
Trade and other receivables excluding pre-payments and value-added taxation[1] (refer note 12)	**299 749 039**	188 845 006	**4 249 882**	4 459 328
Cash and cash equivalents (refer note 13)	**92 328 199**	134 261 561	**5 049 524**	65 354 969
Loans to subsidiaries (refer note 6)	**–**	–	**28 129 283**	10 613 271
	503 213 872	424 762 300	**146 144 723**	182 083 301
At fair value through profit or loss				
Other financial assets (refer note 8)	**17 583 654**	–	**–**	–
	17 583 654	–	**–**	–
Held-to-maturity				
Other financial assets (refer note 8)	**4 862 636**	–	**–**	–
	4 862 636	–	**–**	–
Total	**527 575 087**	438 504 448	**146 144 723**	182 083 301

1 Pre-payments 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 omnibus securityship as per note 38(c), which is considered equal to the amounts mentioned above.

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

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Liabilities as per statement of financial position				
Financial liabilities at amortised cost				
Borrowings (refer note 20)	**171 037 543**	120 684 305	**25 317 135**	42 180 222
Loans from subsidiaries (refer note 6)	**–**	–	**132 167 583**	62 352 185
Trade and other payables excluding non-financial liabilities[2] (refer note 22)	**252 669 647**	143 580 316	**10 649 190**	6 359 370
Bank overdraft (refer note 13)	**51 451 466**	49 118 762	**–**	21 170 965
Total	**475 158 656**	313 383 383	**168 133 908**	132 062 742

2 Taxes and other statutory liabilities are excluded from the trade and other payables balance, as this analysis is required only for financial instruments.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
9b. Credit quality of fully performing financial assets				
Trade receivables				
Customers without external ratings				
Group 1 (New customers)	**23 478 652**	12 381 956	**–**	–
Group 2 (Existing customers – with no defaults in the past)	**189 845 497**	115 269 448	**–**	–
Group 3 (Existing customers – Some prior defaults, but fully recoverable)	**16 915 649**	16 973 745	**–**	–
	230 239 798	144 625 149	**–**	–

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

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
10. Deferred tax				
Accelerated capital allowances for tax purposes	**(98 839 800)**	(86 995 596)	**–**	–
Provisions	**15 198 981**	10 823 330	**2 336 820**	380 655
Tax losses available for set off against future taxable income	**7 401 381**	6 044 734	**–**	2 255 707
Other deferred tax	**(10 364 629)**	(7 473 480)	**(278 522)**	(278 522)
	(86 604 067)	(77 601 012)	**2 058 298**	2 357 840
Analysis of movement in deferred tax balance:				
Opening balance	**(77 601 012)**	(64 948 448)	**2 357 840**	1 059 513
Acquired through business combinations (refer note 31)	**(12 909 083)**	(9 370 318)	**–**	–
Accelerated capital allowances for tax purposes	**(5 581 561)**	(4 811 243)	**–**	–
Provisions	**2 828 517**	770 048	**1 956 165**	124 141
Increase/(decrease) in tax losses available for set off against future taxable income	**208 519**	935 184	**(2 255 707)**	1 243 609
Other	**6 450 553**	(176 235)	**–**	(69 423)
Closing balance	**(86 604 067)**	(77 601 012)	**2 058 298**	2 357 840
Non-current assets	**5 047 929**	3 008 993	**2 058 298**	2 357 840
Non-current liabilities	**(91 651 996)**	(80 610 005)	**–**	–
	(86 604 067)	(77 601 012)	**2 058 298**	2 357 840

Analysis of movement in group deferred tax assets and liabilities during the year:

	Provisions	Tax losses	Total
Deferred tax assets			
At 1 March 2012	9 111 633	5 109 550	14 221 183
Acquired through business combinations (refer note 31)	941 649	28 000	969 649
Charged to profit and loss	770 048	907 184	1 677 232
At 28 February 2013	10 823 330	6 044 734	16 868 064
Acquired through business combinations (refer note 31)	**7 724 612**	**916 700**	**8 641 312**
Charged to profit and loss	**(3 348 961)**	**439 947**	**(2 909 014)**
At 28 February 2014	**15 198 981**	**7 401 381**	**22 600 362**

	Accelerated capital allowances	Other deferred tax	Total
Deferred tax liabilities			
At 1 March 2012	74 667 547	4 502 084	79 169 631
Acquired through business combinations (refer note 31)	7 516 806	2 795 161	10 311 967
Charged to profit and loss	4 799 487	176 235	4 975 722
Charged to other comprehensive income	11 756	–	11 756
At 28 February 2013	86 995 596	7 473 480	94 469 076
Acquired through business combinations (refer note 31)	**17 178 940**	**4 371 455**	**21 550 395**
Charged to profit and loss	**(5 380 219)**	**(1 480 306)**	**(6 860 525)**
Charged to other comprehensive income	**45 483**	**–**	**45 483**
At 28 February 2014	**98 839 800**	**10 364 629**	**109 204 429**
Deferred tax asset			22 600 362
Deferred tax liabilities			(109 204 429)
Total deferred tax liability			(86 604 067)

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

10. Deferred tax (continued)

Deferred income tax assets are recognised for tax losses carried forward, to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group has estimated income tax losses available, amounting to R46 124 039 (2013: R21 588 336). The group has estimated capital tax losses available, amounting to R38 655 725 (2013: RNil).

Included in the above tax losses were R19 690 536 (2013: RNil) and R38 655 725 (2013: RNil) relating to income and capital tax losses, respectively, which were not raised as deferred tax assets.

Management is of the opinion that it is probable, based on the new financial year budget, that future taxable profits will be available against which the unused tax losses can be utilised.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
11. Inventories				
The amounts attributable to the different categories are as follows:				
Raw materials, components	**15 240 637**	9 448 201	**–**	–
Finished goods	**90 304 434**	71 390 569	**–**	–
Production supplies	**19 945 127**	15 280 287	**–**	–
	125 490 198	96 119 057	**–**	–
Provision for stock obsolescence	**(12 524 709)**	(6 629 392)	**–**	–
	112 965 489	89 489 665	**–**	–

The carrying value of finished products, identified as slow-moving is R12 914 603 (2013: R2 079 028), after allowing for the provision of stock obsolescence.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
12. Trade and other receivables				
Trade receivables	**298 800 558**	184 121 354		–
Less: Provision for impairment of receivables	**(13 923 406)**	(10 156 013)	**–**	–
Trade receivables – net	**284 877 152**	173 965 341	**–**	–
Pre-payments	**3 636 296**	1 378 143	**284 533**	239 568
Deposits	**1 639 048**	1 061 491	**–**	–
Value-added taxation	**2 581 256**	5 565 126	**–**	–
Loans to related parties	**863 627**	1 141 717	**321 331**	272 331
Other receivables	**12 369 212**	12 676 457	**3 928 551**	4 186 997
	305 966 591	195 788 275	**4 534 415**	4 698 896
Analysis of trade and other receivables:				
Trade and other receivables (refer note 9a)	**299 749 039**	188 845 006	**4 249 882**	4 459 328
Pre-payments and value-added taxation	**6 217 552**	6 943 269	**284 533**	239 568
	305 966 591	195 788 275	**4 534 415**	4 698 896

12. Trade and other receivables (continued)

The fair values of trade and other receivables are considered to be equal to the carrying value.

The carrying values of the trade and other receivables are all denominated in South African Rand.

Included in other receivables are loans to Joe Kalo Investments (Pty) Limited of R3 859 164 (2013: R4 047 018). These loans were made with respect to the group's BEE shareholding in certain subsidiaries.

The loans to related parties are loans made by the group to the group's associate, Ikapa Quarries (Pty) Limited. The receivables have no fixed repayment terms and bear interest at prime less 3,5%.

The trade receivables of SA Block (Pty) Limited to the amount of RNil (2013: R28 322 522) serve as security for the FirstRand Bank Limited medium term loan as per note 20.

As at 28 February 2014, the group had trade and other receivables of R54 637 354 (2013: R29 340 192) 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	
	2014 R	2013 R	**2014 R**	2013 R
The age analysis of these trade and other receivables is as follows:				
Neither impaired nor past due	**230 239 798**	144 625 149	**–**	–
Not impaired but past due in				
– between 30 and 60 days	**41 940 023**	19 541 157	**–**	–
– between 60 and 90 days	**5 631 286**	4 487 986	**–**	–
– more than 90 days	**7 066 045**	5 311 049	**–**	–
	54 637 354	29 340 192	**–**	–
	284 877 152	173 965 341	**–**	–
An impairment provision of R13 923 406 (2013: R10 156 013) was recognised against receivables. The ageing of the impairment portion of receivables, which is past due, is as follows:				
Between 30 and 60 days	**613 674**	97 083	**–**	–
Between 60 and 90 days	**456 970**	598 351	**–**	–
More than 90 days	**12 852 762**	9 460 579	**–**	–
	13 923 406	10 156 013	**–**	–
Analysis of movements in the provision for impairment of trade receivables are as follows:				
Opening balance	**10 156 013**	11 242 609	**–**	–
Additional provision charged to profit and loss	**5 465 003**	2 785 570	**–**	–
Provisions reversed to profit and loss	**(637 933)**	(3 164 028)	**–**	–
Receivables written off during the year as uncollectible	**(1 059 677)**	(708 138)	**–**	–
Closing balance	**13 923 406**	10 156 013	**–**	–

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of comprehensive income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
13. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	**313 703**	256 460	**1 617**	1 452
Bank balances	**64 474 271**	37 089 136	**3 013 852**	97 115
Short-term deposits	**27 540 225**	96 915 965	**2 034 055**	65 256 402
Bank overdraft	**(51 451 466)**	(49 118 762)	**–**	(21 170 965)
	40 876 733	85 142 799	**5 049 524**	44 184 004
Current assets	**92 328 199**	134 261 561	**5 049 524**	65 354 969
Current liabilities	**(51 451 466)**	(49 118 762)	**–**	(21 170 965)
	40 876 733	85 142 799	**5 049 524**	44 184 004

Favourable bank balances to the value of RNil (2013: R7 465 844) in SA Block (Pty) Limited, serve as security for the FirstRand Bank Ltd medium term loan as per note 20.

The fair values of cash and cash equivalents are considered to be equal to the carrying value.

Cessions of the Infrasors bank accounts to the value of R14 008 929 are provided as security to ABSA Bank Limited.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
14. Stated capital				
Authorised				
1 000 000 000 (2013: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued				
143 262 412 (2013: 143 262 412) ordinary shares with no par value	**347 660 405**	1 434 624	**342 223 012**	1 432 624
Share premium transferred upon conversion of shares to no par value shares (refer note 15)	**–**	352 149 773	**–**	352 149 773
Net effect of settlement of employee share options	**(24 878 366)**	(10 168 112)	**(25 556 125)**	(11 359 385)
Treasury shares used for acquisitions	**–**	4 244 120	**–**	–
Treasury shares sold to BEE investor, net of taxation	**394 055**	–	**–**	–
Stated capital	**323 176 094**	347 660 405	**316 666 887**	342 223 012

The ordinary shares of the company have been converted to no par value shares during the prior year.

Refer to explanation of capital structure included with note 15 on share premium.

The net effect of settlement of employee share options refer to the total shares issued to employees in terms of the Share Appreciation Rights Scheme including the shares ‘surrendered’ by employees in order to raise cash to pay the taxation owing.

All shares issued by the company were fully paid.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
15. Share premium and business combination adjustment				
Share premium				
Opening balance	**–**	352 149 773	**–**	352 149 773
Transferred to stated capital upon conversion of ordinary shares to no par value shares (refer note 14)	**–**	(352 149 773)	**–**	(352 149 773)
Closing balance	**–**	–	**–**	–
Business combination adjustment	**(105 788 129)**	(105 788 129)	**–**	–

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 (Pty) Limited ('Prima'). For purposes of these group consolidated results, Prima was identified as the acquirer in terms of IFRS 3. In arriving at the issued share capital of the group under this method, the amount of the issued share capital of Prima immediately before the business combination is added to the cost of the business combination in accordance with IFRS 3. This has resulted in an adjustment against the issued share capital of the group of R105 788 129. This amount is reflected separately on the statement of financial position. The issue and authorised equity structure in note 14 is that of Afrimat Limited.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
16. Treasury shares				
Nil (2013: 101 784) shares held by the Afrimat Share Incentive Trust	**–**	(624 890)	**–**	–
1 048 676 (2013: 102 458) shares held by Afrimat Aggregates (Operations) (Pty) Limited, a subsidiary	**(10 691 947)**	(865 609)	**–**	–
	(10 691 947)	(1 490 499)	**–**	–

The company acquired Nil (2013: Nil) of its own shares through purchases on the JSE Limited in the Afrimat Share Incentive Trust and 2 808 578 (2013: 1 108 337) in Afrimat Aggregates (Operations) (Pty) Limited. The total amount paid to acquire the shares was R26 659 477 (2013: R6 568 867) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R9,49 (2013: R5,93). In prior year, 5 932 306 shares were utilised for the acquisition of the Clinker Group valued at R25 805 535. This value excluded the tax effect of treasury shares utilised of R974 121. During the year, 1 774 144 (2013: 1 116 963) shares were utilised in terms of the Share Appreciation Rights Scheme for an amount of R15 521 929 (2013: R5 049 945). The shares are held as 'treasury shares'. The group has the right to sell these shares at a later date.

On 21 February 2014, 190 000 treasury shares were sold to a BEE investor for a value of R12,74 per share (refer note 8).

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Analysis of movement in number of treasury shares:				
Opening balance	**204 242**	6 145 174	**–**	–
Utilised for part settlement of Clinker Group acquisition	**–**	(5 932 306)	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(1 774 144)**	(1 116 963)	**–**	–
Sold to BEE investor	**(190 000)**	–	**–**	–
Purchased during the year	**2 808 578**	1 108 337	**–**	–
Closing balance	**1 048 676**	204 242	**–**	–

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

17. Share options

Share options are granted to executive directors and to selected employees in the format 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, when the option is exercised. Options are conditional on the employee completing three year's 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:

	Average grant price in cents per share 2014	Number of options 2014	Average grant price in cents per share 2013	Number of options 2013
Opening balance	**401**	**9 335 000**	376	12 470 000
Granted	**850**	**2 160 000**	572	2 835 000
Forfeited	**–**	**–**	442	(490 000)
Exercised	**325**	**(3 870 000)**	200	(3 150 000)
Expired	**–**	**–**	740	(2 330 000)
Closing balance	**567**	**7 625 000**	401	9 335 000

None of the options outstanding are exercisable at 28 February 2014 (2013: Nil). During the year, 3 870 000 (2013: 3 150 000) options were exercised. These options were issued at a weighted average price of R3,25 (2013: R2,00) each. The related average share price at the time of exercise was R9,24 (2013: R6,35) per share.

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

		Number of options	
	Grant price cents	2014	2013
2017	325	**–**	3 870 000
2018	340	**2 750 000**	2 750 000
2019	572	**2 715 000**	2 715 000
2020	850	**2 160 000**	–
		7 625 000	9 335 000

The remaining number of shares that may be utilised for the purpose of share options are:

	Number of shares	
	2014	2013
Opening balance	**20 222 425**	23 480 000
Exercised	**3 870 000**	3 150 000
Expired	**–**	2 330 000
Utilised	**(2 818 234)**	(9 227 575)
Forfeited	**–**	490 000
Closing balance	**21 274 191**	20 222 425

17. Share options (continued)

Number of share options held by directors:

	Opening balance	Granted	Average grant price in cents per share	Expiry dates	Exercised/ expired	Closing balance
2014						
Andries van Heerden	**1 785 000**	**330 000**	**850**	**2020**	**(750 000)**	**1 365 000**
Hendrik Verreynne	**995 000**	**200 000**	**850**	**2020**	**(500 000)**	**695 000**
Gert Coffee	**750 000**	**150 000**	**850**	**2020**	**(300 000)**	**600 000**
	3 530 000	**680 000**	**–**	**–**	**(1 550 000)**	**2 660 000**
2013						
Andries van Heerden	2 300 000	435 000	572	2019	(950 000)	1 785 000
Hendrik Verreynne	1 410 000	245 000	572	2019	(660 000)	995 000
Peter Corbin (deceased)	570 000	–	–	–	(570 000)	–
Gert Coffee	550 000	200 000	572	2019	–	750 000
	4 830 000	880 000	–	–	(2 180 000)	3 530 000

None of the outstanding options (2013: Nil) were exercisable at 28 February 2014.

The fair value of options granted during the year; using the Black Scholes valuation model, was R3 672 000 (2013: R4 167 450), 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 R3 527 901 (2013: R3 354 207).

Analysis of movement in remaining options:

Grant date	11 May 2011	9 May 2012	8 May 2013	Total
Originally granted	3 100 000	2 835 000	2 160 000	8 095 000
Forfeited	(350 000)	(120 000)	–	(470 000)
Net outstanding	2 750 000	2 715 000	2 160 000	7 625 000
Grant price (cents)	340	572	850	–
Fair value of option (cents)	117	147	170	–

The assumptions used in determining the fair value were as follows:

Grant date	11 May 2011	9 May 2012	8 May 2013
Grant price (cents)	340	572	850
Expected option life	3 years	3 years	3 years
Expected volatility	53,30	62,60	76,90
Expected likelihood	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%
Expected risk free rates	7,55%	6,44%	5,07%
Expected dividend yields	5,00%	3,32%	3,29%

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.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Available-for-sale reserve R	Share-based payment reserve R	Total other reserves R
18. Other reserves			
Group			
Balance at 1 March 2012	108 964	5 385 838	5 494 802
Share option expense for the year	–	3 354 207	3 354 207
Settlement of employee share options	–	(1 975 050)	(1 975 050)
Fair value adjustment	55 304	–	55 304
Total changes	55 304	1 379 157	1 434 461
Balance at 1 March 2013	164 268	6 764 995	6 929 263
Share option expense for the year	**–**	**3 527 901**	**3 527 901**
Settlement of employee share options	**–**	**(4 117 682)**	**(4 117 682)**
Fair value adjustment	**222 767**	**–**	**222 767**
Total changes	**222 767**	**(589 781)**	**(367 014)**
Balance at 28 February 2014	**387 035**	**6 175 214**	**6 562 249**
Company			
Balance at 1 March 2012	–	2 879 072	2 879 072
Share option expense for the year	–	2 166 280	2 166 280
Settlement of employee share options	–	(853 023)	(853 023)
Total changes	–	1 313 257	1 313 257
Balance at 1 March 2013	–	4 192 329	4 192 329
Share option expense for the year	**–**	**2 098 606**	**2 098 606**
Settlement of employee share options	**–**	**(2 471 663)**	**(2 471 663)**
Total changes	**–**	**(373 057)**	**(373 057)**
Balance at 28 February 2014	**–**	**3 819 272**	**3 819 272**

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 portion of share options (determined at grant date) granted in terms of the group's share-based payment schemes. Refer to note 17 for further details on the relevant schemes.

19. Non-controlling interests

	Infrasors Holdings Limited R	Other individually immaterial subsidiaries R	Total non-controlling interest R
Effective non-controlling interest percentage	9,5%	–	–
Non-current assets	161 234 859	8 062 468	–
Current assets	66 778 992	36 793 195	–
Non-current liabilities	(81 266 716)	(1 956 670)	–
Current liabilities	(61 884 790)	(19 018 917)	–
Net assets	84 862 345	23 880 076	–
Non-controlling interest within Infrasors	1 858 827	–	1 858 827
Carrying amount of non-controlling interest	7 890 507	4 446 829	12 337 336
Total non-controlling interest	9 749 334	4 446 829	14 196 163
Revenue	320 920 295	358 533 197	–
Profit after taxation included in results	17 726 634	8 308 819	–
Reported by subsidiaries	4 907 046	8 308 819	–
Reversal of depreciation and impairments by Afrimat on consolidated pre-acquisition adjustments	12 819 588	–	–
Other comprehensive income	–	–	–
Total comprehensive income	17 726 634	8 308 819	–
Profit after taxation, allocated to non-controlling interest	7 387 922	1 068 846	8 456 768
Other comprehensive income, allocated to non-controlling interest	–	–	–
Cash flows from operating activities	14 764 439	(16 266 655)	–
Cash flows from investment activities	(5 556 918)	(104 038)	–
Cash flows from financial activities	(13 035 134)	21 119 836	–
Net increase/(decrease) in cash and cash equivalents	(3 827 613)	4 749 143	–

The company acquired 50,7% of Infrasors' gross shares in issue, effective 1 March 2013. A further 28,9% was acquired during the year, resulting in a total shareholding of 79,6%. Treasury shares account for 12,0% while the minorities account for the remaining 8,4% of Infrasors's gross shares in issue.

The effective percentage shareholding (excluding treasury shares) held by non-controlling interest at the end of the year amounted to 9,5%.

20. Borrowings

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Non-current liabilities				
Medium-term loans	**56 866 232**	25 308 132	**8 442 566**	25 308 132
Instalment purchase agreements	**37 739 652**	33 370 516	**–**	–
	94 605 884	58 678 648	**8 442 566**	25 308 132
Current liabilities				
Medium-term loans	**27 132 654**	17 296 671	**16 874 569**	16 872 090
Instalment purchase agreements	**49 299 005**	44 708 986	**–**	–
	76 431 659	62 005 657	**16 874 569**	16 872 090

Notes to the annual financial statements (continued)
for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
20. Borrowings (continued)				
Medium-term loans				
Analysis of movements in the Standard Bank of South Africa Limited medium-term loan were as follows:				
Opening balance	**42 180 222**	–	**42 180 222**	–
Borrowings raised	**–**	52 570 616	**–**	52 570 616
Repayments	**(16 863 087)**	(10 390 394)	**(16 863 087)**	(10 390 394)
Closing balance	**25 317 135**	42 180 222	**25 317 135**	42 180 222
Analysis of movements in the ABSA Bank Limited medium-term loan were as follows:				
Opening balance	**–**	–	**–**	–
Borrowings raised	**–**	–	**–**	–
Acquired through acquisitions (refer note 31)	**64 966 536**	–	**–**	–
Repayments	**(7 683 756)**	–	**–**	–
Closing balance	**57 282 780**	–	**–**	–
Analysis of movements in the FirstRand Bank Limited medium-term loan were as follows:				
Opening balance	**424 581**	–	**–**	–
Borrowings raised	**–**	–	**–**	–
Acquired through acquisitions (refer note 31)	**–**	424 581	**–**	–
Repayments	**(424 581)**	–	**–**	–
Closing balance	**–**	424 581	**–**	–
Analysis of movements in the Spec Sand CC medium-term loan were as follows:				
Opening balance	**–**	–	**–**	–
Borrowings raised	**–**	–	**–**	–
Acquired through acquisitions (refer note 31)	**2 863 057**	–	**–**	–
Repayments	**(1 464 086)**	–	**–**	–
Closing balance	**1 398 971**	–	**–**	–
Analysis of movements in the Industrial Development Corporation of South Africa Limited medium-term loan were as follows:				
Opening balance	**–**	–	**–**	–
Borrowings raised	**–**	–	**–**	–
Acquired through acquisitions (refer note 31)	**13 283 977**	–	**–**	–
Repayments	**(13 283 977)**	–	**–**	–
Closing balance	**–**	–	**–**	–
Total medium-term loans	**83 998 886**	42 604 803	**25 317 135**	42 180 222
Instalment purchase agreements				
Analysis of movements in instalment purchase agreements were as follows:				
Opening balance	**78 079 502**	81 589 470	**–**	–
Borrowings raised	**51 996 977**	42 283 584	**–**	–
Acquired through acquisitions (refer note 31)	**19 601 087**	6 713 991	**–**	–
Repayments	**(62 638 909)**	(52 507 543)	**–**	–
Closing balance	**87 038 657**	78 079 502	**–**	–

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
20. Borrowings (continued)				
Minimum payments due on instalment purchase agreements are as follows:				
– within one year	**53 109 778**	47 548 413	**–**	–
– in second to fifth year inclusive	**40 151 683**	36 069 563	**–**	–
	93 261 461	83 617 976	**–**	–
Less: future finance charges	**(6 222 804)**	(5 538 474)	**–**	–
Present value of minimum payments	**87 038 657**	78 079 502	**–**	–
Analysis of present value of minimum payments due:				
– within one year	**49 299 005**	44 708 986	**–**	–
– in second to fifth year inclusive	**37 739 652**	33 370 516	**–**	–
Total instalment purchase agreements	**87 038 657**	78 079 502	**–**	–
Non-current liabilities				
At amortised cost	**94 605 884**	58 678 648	**8 442 566**	25 308 132
Current liabilities				
At amortised cost	**76 431 659**	62 005 657	**16 874 569**	16 872 090
	171 037 543	120 684 305	**25 317 135**	42 180 222

During the prior year, the company negotiated an additional working capital finance facility of R50 000 000 with Standard Bank of South Africa Limited, through a medium-term loan. The purpose of this loan is to facilitate an increase in working capital. The loan is secured by a cession of trade receivables, bears interest at 3-month Jibar rate less 2,5% and is payable in varying quarterly instalments, starting at R5 331 016 on 28 September 2012, over a period of three years. The capital portion of the repayment being R4 166 667. The company may not cancel or prepay any portion of the medium-term loan before 30 September 2013. Thereafter, the company may, if it gives Standard Bank of South Africa Limited prior notice, cancel the whole or any part (being a minimum amount of R10 000 000) of the available facility.

A FirstRand Bank Limited, medium-term loan, secured by a cession of trade receivables and favourable bank balances of SA Block (Pty) Limited (refer note 12 and note 13 respectively), bearing interest at prime, and payable in monthly instalments of R214 335 over a period of two years, has been repaid during the current year.

Infrasors Holdings Limited renegotiated a working capital finance facility of R64 861 708 with ABSA Bank Limited during 2012. 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 is secured by a cession of property held in Delf Sand (Pty) Limited and Lyttelton Dolomite (Pty) Limited (refer note 2) as well as a cession of the Infrasors Group bank accounts (refer note 13), bears interest at an effective interest rate of prime plus 1,3% (2013: 1,1%) and is payable in varying bi-annual instalments, over a period of five years. The terms of the bond are fixed. The total instalments paid were R14 237 537 (2013: R14 248 740). Further to the abovementioned, ABSA Bank Limited has agreed to continue with the current Infrasors funding arrangements for a further 36-month period from 1 March 2014.

As a result of Infrasors’ reduced profitability during the prior year, covenants as stipulated by the existing funding agreement with ABSA were breached. ABSA agreed to continue with the current funding arrangements for both the borrowings of R57 282 780 and the overdraft facilities utilised to the amount of R8 053 583 at year-end. The classification of long-term and short-term borrowings is performed on the basis that the current terms of funding from ABSA will remain unchanged as stated above.

The loan agreement entered into with Spec Sand CC by one of the Infrasors subsidiaries is unsecured, bear interest at prime plus 2,0% and is payable over five years.

It is the group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements are repayable in monthly instalments of R5 174 875 (2013: R4 574 333) including interest and capital.

Interest rates are linked to prime overdraft rate and varied between 7,0% and 10,5% (2013: 6,5% and 9,0%) during the year. There were no breaches in payments 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) (Pty) Limited, a subsidiary, also provided a cession of R15 000 000 on its short-term insurance policy in favour of Standard Bank of South Africa Limited for borrowing facilities held.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

20. Borrowings (continued)

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

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
At floating rates	**171 037 543**	120 684 305	**25 317 135**	42 180 222
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 group has the following undrawn borrowing facilities with FirstRand Bank Limited, Standard Bank of South Africa Limited and ABSA Bank Limited:				
Floating rate:				
– Expiring within one year	**133 022 739**	69 231 784	**19 258 800**	–

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.

21. Provisions

	Group		
	Environmental rehabilitation R	Dismantling R	Total provisions R
Balance at 1 March 2012	20 610 430	10 649 669	31 260 099
Discount unwinding	1 442 723	–	1 442 723
Additions	557 240	464 636	1 021 876
Total changes	1 999 963	464 636	2 464 599
Balance at 1 March 2013	22 610 393	11 114 305	33 724 698
Acquired through business combinations (refer note 31)	**19 650 641**	**7 096 562**	**26 747 203**
Discount unwinding	**1 575 728**	**–**	**1 575 728**
Additions	**1 552 502**	**952 952**	**2 505 454**
Reversed during year	**(4 673 790)**	**(4 019 058)**	**(8 692 848)**
Total changes	**18 105 081**	**4 030 456**	**22 135 537**
Balance at 28 February 2014	**40 715 474**	**15 144 761**	**55 860 235**

Group policy is that environmental rehabilitation and dismantling estimates will be reviewed annually. All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 7,0% (2013: 7,0%) was used.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the Department of Mineral and Resources to the amount of R87 031 136 (2013: R41 628 845) (refer note 33). Funds to the amount of R17 583 654 have been invested in environmental insurance policies and R205 909 (2013: R12 301 382) in a Liberty Life New Growth Rehabilitation Plan Trust (refer note 8).

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
22. Trade and other payables				
Trade payables	**174 394 255**	77 612 974	**821 188**	69 193
Amounts due to non-controlling shareholders	**546 218**	933 287	**–**	–
Taxes and other statutory liabilities	**13 073 102**	8 404 160	**470 920**	633 039
Accrued expenses	**59 941 066**	49 916 774	**9 075 153**	6 216 218
Other payables	**17 788 108**	15 117 281	**752 849**	73 959
	265 742 749	151 984 476	**11 120 110**	6 992 409

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

The fair values of trade and other payables, are considered to be equal to the carrying value due to their short-term nature.

The carrying values of trade and other payables, are all denominated in South African Rand.

The amounts due to non-controlling shareholders of a subsidiary, relate to those of Labonte 3 (Pty) Limited. The payables have no fixed repayment terms and bear interest at prime (2013: prime).

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
23. Revenue				
Sale of goods and services	**1 893 129 271**	1 332 274 610	**64 739 418**	44 703 244
Interest received (trading)	**8 057 951**	5 309 956	**–**	–
	1 901 187 222	1 337 584 566	**64 739 418**	44 703 244
24. Other net gains/(losses) – net				
Profit on disposal of available-for-sale financial assets	**1 426 075**	96 868	**–**	–
	1 426 075	96 868	**–**	–
25. Operating profit				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Administration and management fees	**–**	–	**64 739 418**	44 703 244
Operating lease charges	**60 861 363**	58 390 252	**956 590**	871 838
Premises				
– Contractual amounts	**5 406 286**	6 404 731	**895 398**	836 271
Equipment				
– Contractual amounts	**52 335 508**	48 795 637	**61 192**	35 567
Lease rentals on operating lease – other				
– Contractual amounts	**3 119 569**	3 189 884	**–**	–
Amortisation of intangible assets	**2 981 408**	2 437 457	**–**	–
Depreciation of property, plant and equipment	**93 920 432**	55 449 750	**1 568 441**	1 432 927
Profit on disposal of available-for-sale financial assets	**(1 426 075)**	(96 868)	**–**	–
Loss/(profit) on disposal of property, plant and equipment	**2 685 817**	3 009 064	**–**	–
Impairment of goodwill	**–**	4 745 527	**–**	–
Increase in inventory provision for impairment	**5 895 317**	527 513	**–**	–
Audit fees – current year	**4 370 221**	2 294 183	**897 261**	718 492
Employee costs	**384 985 694**	284 659 163	**43 478 649**	31 085 098
Defined contribution plan contributions	**19 935 344**	13 950 474	**2 099 303**	1 578 408
Share-based payment expense	**3 527 901**	3 354 207	**2 098 606**	2 166 280
Short-term employee expenses	**361 522 449**	267 354 482	**39 280 740**	27 340 410

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
26. Investment revenue				
Dividend revenue				
Inter-company	**–**	–	**70 246 350**	180 706 580
	–	–	**70 246 350**	180 706 580
Interest revenue				
Bank	**8 360 188**	5 037 600	**3 740 034**	1 037 564
Deemed interest/Preference dividends (BEE structure)	**6 963 505**	4 560 079	**6 963 505**	4 560 079
Group companies	**–**	–	**1 441 867**	525 864
Other interest	**862 838**	1 213 339	**226 633**	226 157
	16 186 531	10 811 018	**12 372 039**	6 349 664
	16 186 531	10 811 018	**82 618 389**	187 056 244
27. Finance costs				
Instalment purchase agreements	**13 292 896**	7 928 815	**–**	–
Bank	**8 707 936**	4 550 172	**3 871 940**	2 790 533
South African Revenue Services	**26 982**	1 320	**–**	–
Group companies – loans	**–**	–	**3 733 893**	5 711 101
Environmental rehabilitation	**1 575 728**	1 442 723	**–**	–
Other interest paid	**1 377 740**	372 538	**–**	1 173 128
	24 981 282	14 295 568	**7 605 833**	9 674 762
28. Taxation				
Major components of the tax expense/income				
Current				
Local income tax				
– current year	**62 025 927**	39 950 807	**682 692**	11 643
– recognised in current year for prior years	**35 953**	(3 371 543)	**–**	–
Secondary tax on companies				
– current year	**–**	1 862 411	**–**	1 862 411
– recognised in current year for prior years	**–**	(1 100 616)	**–**	(1 100 616)
	62 061 880	37 341 059	**682 692**	773 438
Deferred				
Deferred income tax – current year	**(3 951 518)**	3 298 492	**299 542**	(1 298 327)
	58 110 362	40 639 551	**982 234**	(524 889)
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**(1,8)**	(0,1)	**(26,7)**	(28,7)
Prior year adjustment (%)	**–**	(0,4)	**–**	–
Effect of higher Namibia tax rate (%)	**–**	0,1	**–**	–
Secondary tax on companies (%)	**–**	0,5	**–**	0,4
Effective rate (%)	**26,2**	28,1	**1,3**	(0,3)

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R

29. Notes to the cash flow statements

29.1 Cash generated from/(used in) operations

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Profit/(loss) before taxation	**221 075 757**	144 416 781	**77 698 542**	175 120 374
Adjustments for:				
Depreciation and amortisation	**96 901 840**	57 887 207	**1 568 441**	1 432 927
Share of profit of associate	**(173 105)**	(67 744)	**–**	–
Impairment of goodwill	**–**	4 745 527	**–**	–
Loss on sale of property, plant and equipment	**2 685 817**	3 009 064	**–**	–
Profit on disposal of available-for-sale financial assets	**(1 426 075)**	(96 868)	**–**	–
Dividend revenue	**–**	–	**(70 246 350)**	(180 706 580)
Interest revenue	**(16 186 531)**	(10 811 018)	**(12 372 039)**	(6 349 664)
Finance costs	**24 981 282**	14 295 568	**7 605 833**	9 674 762
Net effect of settlement of employee share options	**(9 356 437)**	(5 118 167)	**(25 556 125)**	(11 359 383)
Tax effect on treasury shares used for acquisitions	**–**	(974 121)	**–**	–
Movements in provisions	**(6 187 394)**	921 876	**–**	–
Share-based payment reserve	**3 527 901**	3 354 207	**2 098 606**	2 166 280
Changes in working capital (excluding the effects of acquisition on consolidation):				
Inventories	**(6 617 054)**	(5 651 803)	**–**	–
Trade and other receivables	**(71 585 528)**	(7 352 347)	**164 481**	291 582
Trade and other payables	**73 065 093**	17 862 464	**4 127 703**	593 660
	310 705 566	216 420 626	**(14 910 908)**	(9 136 042)

29.2 Interest revenue

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Interest revenue (refer note 26)	**16 186 531**	10 811 018	**12 372 039**	6 349 664
Adjustments for:				
Deemed interest not yet received	**1 731 922**	129 198	**1 731 922**	129 198
	17 918 453	10 940 216	**14 103 961**	6 478 862

29.3 Finance costs

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Amount as per statement of comprehensive income (refer note 27)	**24 981 282**	14 295 568	**7 605 833**	9 674 762
Adjustments for:				
Rehabilitation discount unwinding	**(1 575 728)**	(1 442 723)	**–**	–
	23 405 554	12 852 845	**7 605 833**	9 674 762

29.4 Tax (paid)/refunded

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Opening balance as per statement of financial position	**1 931 053**	(6 935 428)	**–**	532 556
Current tax for the year recognised in statement of comprehensive income (refer note 28)	**(62 061 880)**	(37 341 059)	**(682 692)**	(773 438)
Adjustment in respect of businesses acquired during the year (refer note 31)	**(733 677)**	1 428 466	**–**	–
Current tax recognised on treasury shares sold to BEE investor, recognised in equity	**(90 446)**	–	**–**	–
Closing balance in statement of financial position	**(452 793)**	(1 931 053)	**694 335**	–
	(61 407 743)	(44 779 074)	**11 643**	(240 882)

29.5 Proceeds on sale of property, plant and equipment

	Group 2014 R	Group 2013 R	Company 2014 R	Company 2013 R
Net book amount (refer note 2)	**19 579 902**	10 354 601	**191 390**	–
Loss on sale of property, plant and equipment	**(2 685 817)**	(3 009 064)	**–**	–
	16 894 085	7 345 537	**191 390**	–

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
30. Dividends paid				
Current year interim dividend paid	**15 758 865**	11 460 993	**15 758 865**	11 460 993
Previous year final dividend paid	**28 652 483**	18 624 113	**28 652 483**	18 624 113
Dividends received on treasury shares	**(316 250)**	(120 702)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**552 650**	388 100	**–**	–
	44 647 748	30 352 504	**44 411 348**	30 085 106
The company has made the following cash distributions to shareholders:				
Interim dividend paid	**–**	–	**11,0**	8,0
Final dividend declared	**–**	–	**28,0**	20,0
Distributions paid (cents)	**–**	–	**39,0**	28,0

31. Acquisitions of businesses

Infrasors Holdings Limited

The company acquired 94 171 108 Infrasors shares, representing 50,7% of Infrasors' gross shares in issue, from Hanchurch Asset Managers and certain retiring management of Infrasors, with effect from 1 March 2013 for a cash consideration of R33 103 003 (35 cents per share).

As a result of Afrimat's holding in Infrasors surpassing 35% of the issued ordinary share capital of Infrasors, Afrimat is required, in terms of section 123 of the Companies Act, No. 71 of 2008, as amended, to extend a mandatory offer to the remaining Infrasors ordinary shareholders. As announced on SENS on 4 March 2013 and 7 June 2013, unconditional mandatory offers were made to the minority shareholders of Infrasors for Afrimat to purchase Infrasors shares held by them at 35 cents and 65 cents per ordinary share, respectively. As a result of the abovementioned mandatory offers, the company acquired a further 8 219 715 Infrasors ordinary shares.

Afrimat also acquired 9 928 927 ordinary shares on the open market, at prices ranging from 35 cents to 100 cents per ordinary share.

Afrimat made an offer on 16 January 2014 to RE: CM Calibre to acquire 35 445 839 ordinary shares at 100 cents per ordinary share and the transaction was concluded on 20 January 2014.

The 24 325 348 Infrasors ordinary shares held by the Infrasors Empowerment Trust ('Trust') were provided as security to the loan agreements between Infrasors and Hanchurch in order to facilitate a B-BBEE transaction. Hanchurch subordinated its loan in favour of Infrasors following a large drop in the market value of the Infrasors ordinary shares held by the Trust. Given the extent of exposure relative to the value of the underlying securities, and the inability to obtain restitution through any other means, Infrasors has decided as a last resort to exercise its rights according to the loan agreement and the subordination agreement. On 7 October 2013 Hanchurch agreed to cancel the loan to the borrower and agreed that Infrasors may re-posses and cancel the portion of shares held in pledge by Hanchurch, (refer to Infrasors SENS announcement dated 18 March 2014). These ordinary shares are held by Infrasors as treasury shares.

In total Afrimat now holds 79,6%, treasury shares account for 12,0% while the minorities account for the remaining 8,4% of the total issued Infrasors ordinary shares.

31. Acquisitions of businesses (continued)

Amounts included in the group results are as follows:

	Infrasors – Initial acquisition	Infrasors – Additional shares acquired	Infrasors – Total
Carrying amount/fair value of net assets			
Property, plant and equipment	(150 866 295)	–	(150 866 295)
Investment property (refer note 3)	(3 040 000)	–	(3 040 000)
Intangible assets (refer note 4)	(2 690 170)	–	(2 690 170)
Deferred tax (assets)/liabilities (refer note 10)	12 909 083	–	12 909 083
Other financial assets (refer note 8)	(21 653 163)	–	(21 653 163)
Inventories	(16 858 766)	–	(16 858 766)
Trade and other receivables	(38 592 788)	–	(38 592 788)
Trade and other payables	40 692 984	–	40 692 984
Tax (assets)/liabilities	733 677	–	733 677
Borrowings (refer note 20)	100 714 657	–	100 714 657
Provisions (refer note 21)	26 747 203	–	26 747 203
Cash	(11 155 621)	–	(11 155 621)
Fair value of assets acquired	(63 059 199)	–	(63 059 199)
Non-controlling interest within Infrasors	1 364 480	–	1 364 480
Additional non-controlling interest acquired	30 378 478	(22 008 648)	8 369 830
Premium paid on additional shares acquired in subsidiary after initial acquisition	–	(25 986 442)	(25 986 442)
Net assets	(31 316 241)	(47 995 090)	(79 311 331)
Goodwill (refer note 5)	(1 786 764)	–	(1 786 764)
Purchase consideration settled in cash	(33 103 005)	(47 995 090)	(81 098 095)
Net cash outflow on acquisition			
Purchase consideration settled in cash	(33 103 005)	(47 995 090)	(81 098 095)
Cash acquired	11 155 621	–	11 155 621
	(21 947 384)	(47 995 090)	(69 942 474)
Revenue included in results	–	–	320 920 295
Profit after taxation included in results			
– Reported by Infrasors	–	–	4 907 046
– Reversal of depreciation and impairments by Afrimat on consolidated pre-acquisition adjustments	–	–	12 819 588
	–	–	17 726 634
Gross trade and other receivables before provision for impairment (at acquisition)			39 207 888
Acquisition costs included in Afrimat's operating expenses			922 662

The fair value of trade and other receivables is R38 592 788 and includes trade receivables of R34 172 142. An amount of R31 634 897 is reflected as neither impaired nor past due.

The property, plant and equipment was revalued as at 1 March 2013 based on the replacement value or market value of current assets.

Non-controlling interest was measured using the proportionate share of the acquired entity's net identifiable assets. At acquisition, non-controlling interest was identified as the remaining 49,3% in Infrasors as well as the non-controlling interest of Infrasors in Delf Silica Coastal (Pty) Limited of 33,3%.

Goodwill recorded with the above Infrasors Group acquisition is primarily attributable to the profit generating ability of this business.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

31. Acquisitions of businesses (continued)

Clinker Group and other

During the prior year, business combinations included were 100% of SA Block (Pty) Limited and its 100% owned subsidiary Clinker Supplies (Pty) Limited ('Clinker Group') from 1 March 2012 and 54% of Meepo Ya Mmu (Pty) Limited ('Meepo') from 1 November 2012.

Amounts included were as follows:

	Clinker Group	Meepo	Total
Carrying amount/fair value of net assets			
Property, plant and equipment (refer note 2)	(60 578 839)	–	(60 578 839)
Intangible assets (refer note 4)	(9 982 716)	(993 158)	(10 975 874)
Deferred tax (assets)/liabilities (refer note 10)	9 370 318	–	9 370 318
Other assets	–	(60 660)	(60 660)
Inventories	(12 011 165)	–	(12 011 165)
Trade and other receivables	(24 887 678)	–	(24 887 678)
Trade and other payables	17 070 115	–	17 070 115
Tax (assets)/liabilities	(1 428 466)	–	(1 428 466)
Borrowings (refer note 20)	7 138 572		7 138 572
Provisions	–	100 000	100 000
Cash	(9 238 295)	(1 000)	(9 239 295)
Fair value of assets acquired	(84 548 154)	(954 818)	(85 502 972)
Goodwill (refer note 5)	(36 257 381)	–	(36 257 381)
	(120 805 535)	(954 818)	(121 760 353)
Purchase consideration settled in shares (refer note 16)	25 805 535	–	25 805 535
	(95 000 000)	(954 818)	(95 954 818)
Net cash outflow on acquisition			
Purchase consideration settled in cash	(95 954 818)	–	(95 954 818)
Cash acquired	9 238 295	1 000	9 239 295
	(86 716 523)	1 000	(86 715 523)

Acquisition-related costs of R1 593 241 were charged to administrative expenses in the consolidated statement of comprehensive income for the year ended 28 February 2013.

The acquired businesses contributed after tax profits of R46 609 905 and revenue of R286 119 452 to the group for the 2013 period.

Goodwill recorded with the above Clinker Group acquisition is primarily attributable to the profit generating ability of this business resulting from its products having distinct characteristics that are difficult to replicate or substitute.

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
32. Commitments				
Authorised capital expenditure				
Contracted after year-end, but not provided for				
– Property, plant and equipment	**8 141 967**	4 176 049	**219 887**	130 641
Not yet contracted for				
– Property, plant and equipment	**145 673 217**	108 602 592	**2 143 400**	565 859
Total authorised capital expenditure	**153 815 184**	112 778 641	**2 363 287**	696 500
Operating leases – as lessee (expense)				
Minimum lease payments due				
– No later than 1 year	**4 692 706**	3 978 950	**994 993**	1 637 924
– Later than 1 year and no later than 5 years	**5 714 691**	7 433 333	**167 450**	968 042
	10 407 397	11 412 283	**1 162 443**	2 605 966

32. Commitments (continued)

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 1 and 5 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. All rental agreements exceeding 5 years have a notice period of 6 months and therefore not disclosed above. The lease expenditure charged to profit and loss during the year is disclosed in note 25.

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

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Notarial bond commitments				
– No later than 1 year	**14 122 353**	–	**–**	–
– Later than 1 year and no later than 5 years	**55 509 565**	–	**–**	–
Total notarial bond commitments	**69 631 918**	–	**–**	–

The notarial bond commitments relate to loans acquired by Infrasors Holdings Limited (refer note 20).

33. Contingencies

Guarantees

Guarantees to the value of R68 221 076 (2013: R50 683 922) were supplied by Standard Bank of South Africa Limited to various parties, including the Department of Mineral Resources and Eskom.

Guarantees to the value of R10 028 725 (2013: R6 141 927) were supplied by FirstRand Bank Limited to various parties, including the Department of Mineral Resources and Eskom.

Guarantees to the value of R25 162 897 by Lombards Insurance Group, R594 941 by ABSA Bank Limited and R2 703 000 by SIG Guarantee Acceptances (Pty) Limited to various parties, including the Department of Mineral Resources, Eskom, Chevron South Africa (Pty) Limited, were acquired as part of the Infrasors acquisition.

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

On 25 June 2013 SARS issued an adjusted income tax assessment claiming R9 652 413 additional tax, R7 239 308 penalties and R2 432 117 interest, relating to the activities of a subsidiary of Infrasors for the tax years 2010, 2011 and 2012 based on the premise that the company is not a mining entity. The company has submitted an objection to SARS and is of the opinion that the activities are of a mining nature.

34. 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. Those transactions occurred under terms that are no less favourable than those arranged with third parties. For a list of the group’s subsidiaries, associates and related trusts, refer note 6.

		Company	
		2014	2013
Loan balances owing (to)/by	Subsidiaries	**(104 038 300)**	(51 738 914)
Sales of goods to – gross values	Subsidiaries	**64 739 418**	44 703 244
Dividends received	Subsidiaries	**70 246 350**	180 706 580
Interest paid to	Subsidiaries	**(3 733 893)**	(5 711 101)
Interest received from	Subsidiaries	**1 441 867**	525 864

The company has provided an unlimited omnibus securityship to Standard Bank of South Africa Limited in respect of funding provided by the bank to its subsidiaries.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

34. Related parties (continued)

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 36.

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 17.

Shareholding

Refer to the analysis of shareholders on page 106 for a list of shareholders with a beneficial interest of 5,0% or more in the company.

Associate

Details regarding the group's associate are set out in notes 7 and 12. Transactions with the associate is entered into at the prevailing market rates.

Treasury shares

The company acquired Nil (2013: Nil) of its own shares through purchases on the JSE Limited in The Afrimat Share Incentive Trust and 2 808 578 (2013: 1 108 337) in Afrimat Aggregates (Operations) (Pty) Limited. Refer note 16 for further disclosure.

Other related parties

Retirement funds

The group provides retirement benefits for its permanent employees through various defined-contribution plans. The funds are registered under and governed by the Pension Funds Act, 1956, as amended. The latest valuation received from the fund administrators confirmed that the funds were in a sound financial position.

	Group	
	2014	2013
35. Earnings per share		
Number of shares in issue		
Total shares in issue	**143 262 412**	143 262 412
Treasury shares	**(1 048 676)**	(204 242)
Net shares in issue	**142 213 736**	143 058 170
Net shares in issue		
March	**143 223 396**	141 797 976
April	**142 647 321**	142 391 207
May	**143 186 264**	142 333 152
June	**143 242 120**	142 846 028
July	**143 237 620**	143 031 625
August	**142 237 620**	143 158 172
September	**142 237 620**	143 158 172
October	**142 237 620**	143 158 172
November	**142 328 186**	143 158 172
December	**142 328 186**	143 158 172
January	**142 323 736**	143 158 172
February	**142 213 736**	143 058 170
Weighted average number of net shares in issue	**142 620 285**	142 867 266
Adjusted for effect of future share-based compensation payments	**3 702 749**	3 880 639
Diluted weighted average number of shares	**146 323 034**	146 747 905
Profit attributable to ordinary shareholders	**154 508 627**	103 035 685
Earnings per ordinary share (cents)	**108,3**	72,1
Diluted earnings per ordinary share (cents)	**105,6**	70,2

	Gross 2014	Net of tax 2014	Gross 2013	Net of tax 2013
35. Earnings per share (continued)				
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders		**154 508 627**		103 035 685
Loss/(profit) on disposal of property, plant and equipment	**2 685 817**	**1 933 789**	3 009 064	2 166 526
Realised gains on disposal of available-for-sale financial assets (refer note 24)	**(1 426 075)**	**(1 026 774)**	(96 868)	(69 745)
Impairment of goodwill	**–**	**–**	4 745 527	4 745 527
Headline earnings		**155 415 642**		109 877 993
Headline earnings per share ('HEPS') (cents)		**109,0**		76,9
Diluted HEPS (cents)		**106,2**		74,9

	Short-term benefits				Post-retirement benefits	Share-based payments and other	
	Basic salary R	Incentive bonus* R	Travel allowance R	Medical aid R	Pension R	Other allowances R	Total R
36. Directors' emoluments							
2014							
Paid by company							
Executive							
Andries J van Heerden	**2 635 750**	**1 348 000**	**161 380**	**17 250**	**–**	**4 320 000**	**8 482 380**
Hendrik P Verreynne	**1 886 487**	**585 750**	**38 153**	**–**	**207 513**	**2 880 000**	**5 597 903**
Gert J Coffee	**1 390 428**	**459 351**	**312 834**	**10 872**	**–**	**1 728 000**	**3 901 485**
	5 912 665	**2 393 101**	**512 367**	**28 122**	**207 513**	**8 928 000**	**17 981 768**
Non-executive							
Marthinus W von Wielligh	**597 000**	**–**	**–**	**–**	**–**	**–**	**597 000**
Francois du Toit	**170 000**	**–**	**–**	**–**	**–**	**–**	**170 000**
Loyiso Dotwana	**260 000**	**–**	**–**	**–**	**–**	**–**	**260 000**
Hendrik JE van Wyk	**216 000**	**–**	**–**	**–**	**–**	**24 300**	**240 300**
Laurie P Korsten (deceased)	**92 000**	**–**	**–**	**–**	**–**	**–**	**92 000**
Phuti RE Tsukudu	**190 000**	**–**	**–**	**–**	**–**	**–**	**190 000**
	1 525 000	**–**	**–**	**–**	**–**	**24 300**	**1 549 300**
Total	**7 437 665**	**2 393 101**	**512 367**	**28 122**	**207 513**	**8 952 300**	**19 531 068**
2013							
Paid by company							
Executive							
Andries J van Heerden	2 503 046	415 294	167 417	15 954	–	3 370 000	6 471 711
Hendrik P Verreynne	1 639 640	330 000	36 000	–	180 360	1 497 600	3 683 600
Gert J Coffee	1 295 100	136 425	310 420	9 900	–	322 500	2 074 345
	5 437 786	881 719	513 837	25 854	180 360	5 190 100	12 229 656
Non-executive							
Marthinus W von Wielligh	563 000	–	–	–	–	–	563 000
Francois du Toit	145 000	–	–	–	–	–	145 000
Loyiso Dotwana	248 000	–	–	–	–	–	248 000
Hendrik JE van Wyk	205 000	–	–	–	–	–	205 000
Laurie P Korsten	175 000	–	–	–	–	–	175 000
Phuti RE Tsukudu	183 000	–	–	–	–	–	183 000
	1 519 000	–	–	–	–	–	1 519 000
Total	6 956 786	881 719	513 837	25 854	180 360	5 190 100	13 748 656

* *Incentives include those earned in current year but only received in the following year.*

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

36. Directors' emoluments (continued)

In terms of the Share Appreciation Rights Scheme: Grant 5 (2013: Grant 4), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Directors fees, to the amount of R80 000 and R60 000 were paid by Infrasors to Afrimat in respect of Andries J van Heerden and Hendrik P Verreynne being members of the Infrasors board.

37. Events after the reporting period

No event material to the understanding of these financial statements has occurred between the end of the financial year and the date of approval.

38. Financial risk management

The group's financial instruments consist mainly of cash and cash equivalents, trade and other receivables, other financial assets, trade and other payables, loans to/from subsidiaries and borrowings.

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, 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, evaluates and hedges financial risks when beneficial with prior approval from the board. The board provides guidance on overall risk management, as well as on policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, 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 of future cash flows of a financial instrument will fluctuate because of market prices. Market prices comprise two types of risk: equity price risk and interest rate risk. Financial instruments affected by market risk include trade and other receivables, borrowings, other financial assets, cash and cash equivalents.

(i) Equity price risk

The group is exposed to equity securities price risk because of investments held by the group and classified on the statement of financial position as available-for-sale investments, financial assets at fair value through profit or loss and held-to-maturity. The group is not exposed to commodity price risk.

The group's investments in equity securities are publicly traded on the JSE Limited. R205 909 of the available-for-sale investments of R1 914 925 comprise an investment in a guaranteed fund with no negative price risk and limited positive exposure.

As part of the presentation of market risks, IFRS 7 also requires disclosures on how hypothetical changes in risk variables affect the price of financial instruments. Important risk variables are stock exchange prices or indices.

Equity investments classified as available-for-sale investments, will change due to movements in market prices of investments which will be charged directly to equity.

Post-taxation profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss.

(ii) Interest rate risk

The group's interest rate risk arises from cash and cash equivalents and borrowings as set out in notes 13 and 20. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the group to cash flow interest rate risk.

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

Sensitivity analysis

Interest rate risks are presented by way of sensitivity 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 28 February. The group regards a 200 basis points (2013: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the reporting dates.

	Movement in basis points	Effect on profit after tax R
38. Financial risk management (continued)		
(a) Market risk (continued)		
(ii) Interest rate risk (continued)		
2014		
Group		
Cash and cash equivalents	**+200**	**1 329 526**
	-200	**(1 329 526)**
Borrowings	**+200**	**(2 462 941)**
	-200	**2 462 941**
Bank overdraft	**+200**	**(740 901)**
	-200	**740 901**
Company		
Cash and cash equivalents	**+200**	**72 713**
	-200	**(72 713)**
Loans to subsidiaries	**+200**	**405 062**
	-200	**(405 062)**
Loans from subsidiaries	**+200**	**(1 903 213)**
	-200	**1 903 213**
Borrowings	**+200**	**(364 567)**
	-200	**364 567**
2013		
Group		
Cash and cash equivalents	+200	1 933 366
	-200	(1 933 366)
Borrowings	+200	(1 737 854)
	-200	1 737 854
Bank overdraft	+200	(707 310)
	-200	707 310
Company		
Cash and cash equivalents	+200	941 112
	-200	(941 112)
Loans to subsidiaries	+200	152 831
	-200	(152 831)
Loans from subsidiaries	+200	(897 871)
	-200	897 871
Borrowings	+200	(607 395)
	-200	607 395
Bank overdraft	+200	(304 862)
	-200	304 862

(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. Potential concentrations of credit risk consist principally of trade receivables and short-term cash deposits.

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

(i) Trade receivables

Trade receivables are disclosed net of provision for impairment. Risk control 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. Provision for impairment is considered adequate as most of the 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.

Limited security is obtained for trade receivables, and accordingly most of the balance as per the statement of financial position is exposed to credit risk.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

38. 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 28 February was:

	2014 %	2013 %
Contractual		
Neither impaired nor past due	**80,8**	83,1
Between 30 and 60 days	**14,7**	11,2
Between 60 and 90 days	**2,0**	2,6
More than 90 days	**2,5**	3,1
Total	**100,0**	100,0

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

(ii) Cash and cash equivalents

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.

Guarantees in respect of environmental rehabilitation costs payable only when the group is in default were supplied by Standard Bank of South Africa Limited, FirstRand Bank Limited and ABSA Bank Limited to various parties, including the Department of Mineral Resources as well as performance guarantees to Eskom.

(iv) Available-for-sale financial assets

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities classified as available-for-sale.

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.

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	Total cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Group					
At 28 February 2014					
Medium-term loans	**83 998 886**	**92 050 267**	**44 415 620**	**47 634 647**	**–**
Instalment purchase agreements	**87 038 657**	**93 261 461**	**53 109 778**	**40 151 683**	**–**
Trade and other payables	**252 669 647**	**252 669 647**	**252 669 647**	**–**	**–**
Bank overdraft	**51 451 466**	**51 451 466**	**51 451 466**	**–**	**–**
	475 158 656	**489 432 841**	**401 646 511**	**87 786 330**	**–**
At 28 February 2013					
Medium-term loans	42 604 803	46 446 897	19 784 371	26 662 526	–
Instalment purchase agreements*	78 079 502	83 617 976	47 548 413	36 069 563	–
Trade and other payables	143 580 316	143 580 316	143 580 316	–	–
Bank overdraft	49 118 762	49 118 762	49 118 762	–	–
	313 383 383	322 763 951	260 031 862	62 732 089	–

* *The maturities were restated to better reflect the position in prior year. No adjustment was made to the total balance.*

38. Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying values	Total cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Company					
At 28 February 2014					
Medium-term loans	**25 317 135**	**26 662 526**	**18 093 309**	**8 569 217**	**–**
Loans from subsidiaries	**132 167 583**	**132 167 583**	**132 167 583**	**–**	**–**
Trade and other payables	**10 649 190**	**10 649 190**	**10 649 190**	**–**	**–**
Exposure to omnibus securityship	**51 451 466**	**51 451 466**	**51 451 466**	**–**	**–**
	219 585 374	**220 930 765**	**212 361 548**	**8 569 217**	**–**
At 28 February 2013					
Medium-term loans	42 180 222	46 022 316	19 359 790	26 662 526	–
Loans from subsidiaries	62 352 185	62 352 185	62 352 185	–	–
Trade and other payables	6 359 370	6 359 370	6 359 370	–	–
Exposure to omnibus securityship	49 118 762	49 118 762	49 118 762	–	–
	160 010 539	163 852 633	137 190 107	26 662 526	–

(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.

Management of Infrasors believes it has not met its capital management objectives for the year and as a result entered into negotiations with the main financiers, ABSA Bank Limited, to continue with the current funding arrangement in order to allow Infrasors to return to profitability. Management is of the opinion that the results for the future period would render adequate returns.

The group is required, by 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 less cash and cash equivalents as shown in the statement of financial position.

The group's strategy is to maintain the net debt:equity ratio to below 25%. The net debt:equity ratios at 28 February were as follows:

	Group		Company	
	2014 R	2013 R	**2014 R**	2013 R
Total borrowings	**171 037 543**	120 684 305	**25 317 135**	42 180 222
Less: cash and cash equivalents	**(40 876 733)**	(85 142 799)	**(5 049 524)**	(44 184 004)
Net debt	**130 160 810**	35 541 506	**20 267 611**	(2 003 782)
Total equity	**837 963 474**	761 852 233	**610 337 184**	601 489 743
Total capital	**968 124 284**	797 393 739	**630 604 795**	599 485 961
Net debt:equity ratio (%)	**15,5**	4,7	**3,3**	(0,3)

There were no changes in the group's approach to capital maintenance during the year. Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

Notes to the annual financial statements (continued)

for the year ended 28 February 2014

38. Financial risk management (continued)

(e) Fair value estimation

The determination of the fair value of financial instruments measured as such in the statement of financial position is made using a fair value measurement hierarchy. The fair value hierarchy is identified in levels as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- 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 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 28 February:

	Group			
	Level 1	Level 2	Level 3	Total balance
At 28 February 2014				
Assets				
Available-for-sale financial assets				
– Equity securities	**107 813**	**–**	**–**	**107 813**
– Environmental funds	**–**	**1 807 112**	**–**	**1 807 112**
At fair value through profit or loss				
– Environmental insurance policies	**–**	**17 583 654**	**–**	**17 583 654**
Total assets	**107 813**	**19 390 766**	**–**	**19 498 579**
At 28 February 2013				
Assets				
Available-for-sale financial assets				
– Equity securities	83 440	–	–	83 440
– Environmental funds	–	13 658 708	–	13 658 708
Total assets	83 440	13 658 708	–	13 742 148

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments classified as available-for-sale.

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.

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 between level 1 and 2 of the fair value hierarchy during the period ended 28 February 2014.

Infrasors Environmental Rehabilitation Trust ('IERT')

The IERT is 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 that 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.

38. Financial risk management (continued)

(e) Fair value estimation (continued)

Valuation techniques used in the determination of fair values for the business combination within level 3 of the hierarchy

The fair value of Infrasors was calculated based on the remaining mineral reserves and resources together with current mining licences available in the subsidiary. The value of the acquisition was estimated as the net asset value of Infrasors as at 28 February 2013 with the exception of property, plant and equipment.

The valuation of the property, plant and equipment is classified within level 3 of the fair value hierarchy as there are no quoted market prices available in an active market for these assets. The value was calculated by the executive directors of Afrimat based on the market value and/or replacement value of these assets.

The fair value of the business combination based on the net asset value of Infrasors as at 28 February 2013, with the inclusion of the recalculated value for property, plant and equipment, was supported with a discounted cash flow model. The future cash flows used in this model were calculated based on the successful implementation of the turnaround strategies projected by Afrimat.

The significant unobservable inputs used in the model are capital expenditures, working capital changes, sales volumes and depreciation. Range of inputs included a 3% increase in sales tonnes, 7,3% increase in the average selling price per tonne and a 10% risk adjustment factor for weather and market over supply.

Segmental report

for the year ended 28 February 2014

	Change %	2014 R	2013 R
Mining & Aggregates*			
Segmental revenue		**1 419 926 788**	914 209 055
Intersegmental		**(73 897 685)**	(67 821 466)
Revenue from external customers	59,0	**1 346 029 103**	846 387 589
Contribution from operations	66,2	**195 234 930**	117 480 395
Contribution margin on external revenue (%)		**14,5%**	13,9%
Operating profit	67,3	**196 661 005**	117 577 263
Assets	44,3	**887 806 882**	615 210 850
Segmental equity		**551 898 885**	446 490 402
Liabilities	99,1	**335 907 997**	168 720 448
Depreciation and amortisation		**81 875 712**	47 162 958
Capital expenditure (excluding inter-company acquisitions and acquisitions through business combinations)		**99 039 001**	58 930 237

* *Industrial Minerals Contracting Services and Aggregates have been combined into a single operating segment as the segments have similar economic characteristics and are similar in respect of the nature of the production processes and nature of the regulatory environment,*

	Change %	2014 R	2013 R
Concrete Based Products**			
Segmental revenue		**564 686 215**	502 219 206
Intersegmental		**(9 528 096)**	(11 022 229)
Revenue from external customers	13,0	**555 158 119**	491 196 977
Contribution from operations	(18,5)	**30 408 618**	37 290 564
Contribution margin on external revenue (%)		**5,5%**	7,6%
Operating profit	(18,5)	**30 408 618**	37 290 564
Assets	10,2	**207 103 669**	187 977 269
Segmental equity		**142 694 914**	133 156 626
Liabilities	17,5	**64 408 755**	54 820 643
Depreciation and amortisation		**13 457 687**	9 291 322
Capital expenditure (excluding inter-company acquisitions and acquisitions through business combinations)		**20 376 026**	22 150 386

** *Comprising Concrete Products and Readymix, The rationale for the change is that these two segments better reflect the business, Over the years the Readymix business has become an integral part of Concrete Products and its contribution to the group results is insignificant,*

	Change %	2014 R	2013 R
Unsegmental and eliminations			
Segmental revenue		**–**	–
Intersegmental		**–**	–
Revenue from external customers	–	**–**	–
Contribution from operations	214,8	**2 627 780**	(2 288 713)
Contribution margin on external revenue (%)		**–**	–
Operating profit	137,4	**2 627 780**	(7 034 240)
Assets***	(3,4)	**384 506 698**	398 075 327
Segmental equity		**143 369 675**	182 205 205
Liabilities****	11,7	**241 137 023**	215 870 122
Depreciation and amortisation		**1 568 441**	1 432 927
Capital expenditure (excluding inter-company acquisitions and acquisitions through business combinations)		**1 910 943**	1 853 830

	Change %	2014 R	2013 R
Total			
Segmental revenue		**1 984 613 003**	1 416 428 261
Intersegmental		**(83 425 781)**	(78 843 695)
Revenue from external customers	42,1	**1 901 187 222**	1 337 584 566
Contribution from operations	49,7	**228 271 328**	152 482 246
Contribution margin on external revenue (%)		**12,0%**	11,4%
Operating profit	55,4	**229 697 403**	147 833 587
Assets	23,2	**1 479 417 249**	1 201 263 446
Segmental equity		**837 963 474**	761 852 233
Liabilities	46,0	**641 453 775**	439 411 213
Depreciation and amortisation		**96 901 840**	57 887 207
Capital expenditure (excluding inter-company acquisitions and acquisitions through business combinations)		**121 325 970**	82 934 453
***** Unsegmental assets**			
Unsegmental assets consist of the following unallocated assets:			
Goodwill		**134 493 535**	132 706 771
Other financial assets		**135 497 849**	115 397 881
Deferred tax		**5 047 929**	3 008 993
Current tax receivable		**6 162 579**	5 220 020
Cash and cash equivalents		**92 328 199**	134 261 561
Other assets		**10 976 607**	7 480 101
		384 506 698	398 075 327
****** Unsegmental liabilities**			
Unsegmental liabilities consist of the following unallocated liabilities:			
Provisions		**55 860 235**	33 724 698
Deferred tax		**91 651 996**	80 610 005
Current tax payable		**5 709 786**	3 288 967
Bank overdraft		**51 451 466**	49 118 762
Other liabilities		**11 146 405**	6 947 468
Borrowings		**25 317 135**	42 180 222
		241 137 023	215 870 122

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decisionmaker.

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 Limited.

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.

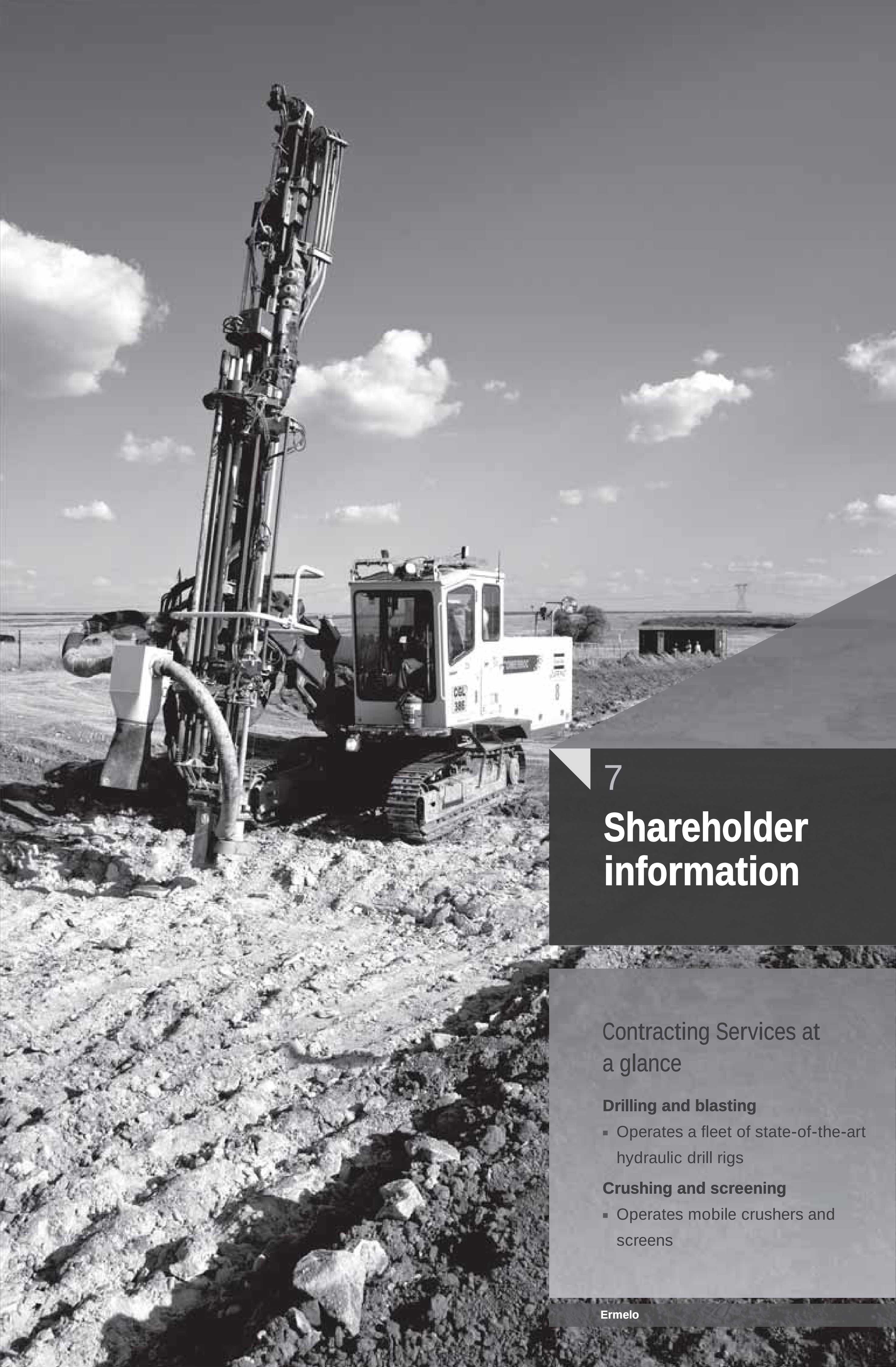
Analysis of shareholders

as at 28 February 2014

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	1 069	38,73	518 242	0,36
1 001 – 10 000 shares	1 272	46,09	5 039 767	3,52
10 001 – 100 000 shares	312	11,30	9 546 671	6,66
100 001 – 1 000 000 shares	86	3,12	29 020 589	20,26
1 000 000 shares and over	21	0,76	99 137 143	69,20
	2 760	100,00	143 262 412	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	7	0,25	29 636 999	20,69
Treasury shares – Afrimat Share Incentive Trust	–	–	–	–
– Afrimat Aggregates Operations (Pty) Limited	1	0,04	1 048 676	0,73
Afrimat Empowerment Investments (Pty) Limited/Afrimat BEE Trust	1	0,04	31 100 809	21,71
	9	0,33	61 786 484	43,13
Public shareholding	2 751	99,67	81 475 928	56,87
	2 760	100,00	143 262 412	100,0

Major, founder and BEE shareholders

	Number of shares	%	Number of BEE shares	%
Founder shareholders – related parties				
Frans du Toit Trust (Non-executive director)	19 408 502	13,55	–	–
Mr Andries J van Heerden (CEO)	4 975 026	3,47	–	–
Mrs Maryke E van Heerden	1 198 543	0,84	–	–
Amala Trust (CEO)	519 030	0,36	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 910 000	6,92	–	–
JHM Korsten	853 739	0,60	–	–
LP Korsten (estate)	4 475 500	3,12	–	–
Other major shareholders				
Old Mutual Life Assurance Company SA	4 603 505	3,21	–	–
BEE shareholders				
Mega Oils (Pty) Limited (33,3% Mr Loyiso Dotwana non-executive director)	5 889 529	4,11	5 889 529	4,11
Afrimat Empowerment Investments (Pty) Limited/Afrimat BEE Trust	31 100 809	21,71	31 100 809	21,71
Joe Kalo Investments (Pty) Limited	270 000	0,19	270 000	0,19
	83 204 183	58,08	–	26,01
Other	60 058 229	41,92	–	–
	143 262 412	100,00	37 260 338	26,01



7

Shareholder information

Contracting Services at a glance

Drilling and blasting

- Operates a fleet of state-of-the-art hydraulic drill rigs

Crushing and screening

- Operates mobile crushers and screens

Ermelo

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 annual general meeting of Afrimat will be held at The Cedar Conference Room, Poplars Restaurant, Racecourse Road, Durbanville, on Wednesday, 6 August 2014 at 14:00 for the purposes of:

- considering and adopting the annual financial statements of the company for the year ended 28 February 2014;
- 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 annual general meeting.

For purposes of the holding of the general and annual general meetings, the Companies Act No. 71 of 2008, as amended, requires that a record date be determined by the directors to establish those shareholders of the company that are entitled to attend and to vote at the relevant general or annual general meeting.

Accordingly, for purposes of the annual general meeting of the company, the record date is hereby set at close of business on Friday, 1 August 2014 with the last day to trade in the shares of the company on the JSE Limited being Friday, 25 July 2014.

Special resolutions

Special resolution 1: General authority to repurchase company shares

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

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

Reason and effect of special resolution number 1

The reason for 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 annual general meeting 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 annual general meeting. The passing and registration of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire shares issued by the company or its holding company.

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

- directors and management – see page 14 of the integrated annual report;
- major beneficial shareholders – see page 106 of the integrated annual report;
- directors' interests in ordinary shares – see page 50 of the integrated annual report; and
- share capital of the company – see page 49 of the integrated annual report.

Litigation statement

The directors, whose names appear under board of directors on page 14 of the integrated annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect of the financial position of the company or its subsidiaries.

Directors' responsibility statement

The directors, whose names appear under the board of directors on page 14 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 state that:

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

(b) in determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:

- the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next twelve (12) months after the date of notice of this annual general meeting;
- 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 annual general meeting;
- 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 annual general meeting; 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 annual general meeting.

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 2014:

Chairman of the board	R500 000
Non-executive director	R150 000
Audit & Risk Committee Chairman	R92 000
Audit & Risk Committee member	R58 000
Remuneration & Nominations Committee Chairman	R50 000
Remuneration & Nominations Committee member	R32 000
Social & Ethics and Sustainability Committee Chairman	R50 000
Social & Ethics and Sustainability Committee member	R32 000

as well as a daily rate of R11 000 for non-executive directors utilised on extraordinary duties.'

Special resolution 3: 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.'

Notice of annual general meeting (continued)

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.

Special resolution 4: Non-executive directors' award of ordinary shares

'Resolved that the company be and is hereby authorised, by way of general authority, to make the following grants of ordinary shares to non-executive directors:

Mr Marthinus W von Wielligh (Chairman of the board) 300 000 shares

Mr Hendrik JE van Wyk (Chairman of the Audit & Risk Committee) 100 000 shares.'

The reason for this special resolution number 4 is to reward the two non-executive directors for their personal contribution towards the company's good performance over the past few years. These directors do not benefit from any other Afrimat share initiative or appreciation rights scheme.

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 2014 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 annual general meeting of the company, unless it is then renewed at the next annual general meeting of the company provided that it shall not extend beyond 15 months, to allot and issue any equity securities (which shall include for the purpose of this ordinary resolution 2, the grant or issue of options or convertible securities that are convertible into an existing class of equity securities) for cash subject to the Listings Requirements of the JSE Limited ('JSE') on the following bases:

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

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

(c) the number of equity securities issued for cash shall not in the 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 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 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 annual general meeting must be cast in favour of ordinary resolution number 2 for it to be approved.

Ordinary resolution 3: Unissued ordinary shares

'Resolved that all the authorised but unissued ordinary shares of the company, be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act No. 71 of 2008, as amended, and the Listings Requirements of the JSE Limited and subject to the proviso that the aggregate number of ordinary shares which may be allotted and issued in terms of this ordinary resolution number 3, shall be limited to 10% (ten percent) of the number of ordinary shares in issue from time to time.'

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

Ordinary resolution 4: Re-election of director

'Resolved that Mr Marthinus W von Wielligh be re-elected as a director of the company.'

A brief *curriculum vitae* in respect of Mr von Wielligh is set out on page 14 of the integrated annual report of which this notice forms part.

Ordinary resolution 5: 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 14 of the integrated annual report of which this notice forms part.

Ordinary resolution 6: 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);
Mrs Phuti RE Tsukudu (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 7: Appointment of auditor

'Resolved that the directors be and are hereby authorised to reappoint the auditor, Mazars Inc. and Conrad Burger as the individual registered auditor, for the ensuing financial year and are authorised to fix the remuneration of the auditor.'

Ordinary resolution 8: 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 9: 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 8 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 annual general meeting, 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 annual general meeting 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 annual general meeting, 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.

Notice of annual general meeting (continued)

Forms of proxy may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address on the IBC, to be received by no later than 48 hours prior to the meeting. 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

24 June 2014

Registered office
Tyger Valley Office Park No. 2
Cnr. Willie van Schoor Avenue and Old Oak Road
Tyger Valley Ground Floor
7530
(PO Box 5278, Tyger Valley, 7536)
Telephone: +27 21 917 8840
Facsimile: +27 21 914 1174

Transfer secretaries
Computershare Investor Services (Pty) 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

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 Cedar Conference Room, Poplars Restaurant, Racecourse Road, Durbanville, on Wednesday, 6 August 2014 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. To give the company general authority to provide financial assistance to related or inter-related companies and others			
4. To award ordinary shares to non-executive directors			
Ordinary resolutions			
1. To adopt the 2014 annual financial statements			
2. To issue unissued shares for cash			
3. To place unissued shares under directors' control			
4. To re-elect Mr Marthinus W von Wielligh as a director of the company			
5. To re-elect Mr Hendrik JE van Wyk as a director of the company			
6. To re-elect the Audit & Risk Committee members of the company			
Mr Loyiso Dotwana			
Mrs Phuti RE Tsukudu			
Mr Hendrik JE van Wyk			
Mr Marthinus W von Wielligh			
7. To authorise the directors to reappoint the auditor together with Conrad Burger as the individual registered auditor and to fix their remuneration			
8. To approve the remuneration policy as a non-binding advisory vote			
9. 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 2014

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 sign this form of proxy.
13. Forms of proxy must be lodged with the transfer secretaries at the address given below by no later than 48 hours prior to the meeting:

    Computershare Investor Services (Pty) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001
    (PO Box 61051, Marshalltown, 2107)
    Telephone: +27 11 370 5000
    Facsimile: +27 11 688 5200

Notes

Notes

Shareholders' diary

Financial year-end	28 February
Announcement of annual results	15 May 2014
Annual general meeting	6 August 2014
Annual report posted	July 2014
Announcement of interim results	November 2014

Contact details

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
Email: info@afrimat.co.za
Website: www.afrimat.co.za

Company secretary
Mariëtte Swart
Tyger Valley Office Park No. 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)
Email: mariette.swart@afrimat.co.za
Telephone: +27 21 917 8840
Facsimile: +27 21 914 1174

Attorneys
Webber Wentzel
10 Fricker Road
Illovo, 2196
(PO Box 61771, Marshalltown, 2107)
Telephone: +27 11 530 5000
Facsimile: + 27 11 530 5111

Transfer secretaries
Computershare Investor Services (Pty) Limited
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200

Sponsor
Bridge Capital Advisors (Pty) Limited
2nd Floor, 27 Fricker Road, Illovo, 2196
(PO Box 651010, Benmore, 2010)
Telephone: +27 11 268 6231
Facsimile: +27 11 268 6538

Auditor
Mazars Inc.
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
Heerengracht, Cape Town, 8001
(PO Box 40, Cape Town, 8000)
Telephone: +27 11 401 2574
Facsimile: +27 11 401 2550

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Afrimat Limited

Tyger Valley Office Park No. 2
Cnr. Willie van Schoor Avenue
and Old Oak Road, Tyger Valley
(PO Box 5278, Tyger Valley, 7536)

Telephone: +27 21 917 8840
Facsimile: +27 21 914 1174
E-mail: info@afrimat.co.za
Website: www.afrimat.co.za