Integrated annual report 2016

AFRIMAT®
LIMITED

GROWTH
through diversification

10 Years
2006-2016
Celebrating a
decade of success

Contents

Read more *More info on website*

Definitions

'Afrimat' or 'company'	Afrimat Limited (Registration number 2006/022534/06), 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
'BEE'	Black Economic Empowerment
'board'	The board of directors of Afrimat, as set out on pages 20 and 21
'CAE'	Chief audit executive, André Smith
'Cape Lime'	Cape Lime Proprietary Limited
'CEO'	Chief executive officer of Afrimat, Andries J van Heerden
'Clinker Group'	SA Block Proprietary Limited and its 100%-owned subsidiary Clinker Supplies Proprietary Limited
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice
'COLTO'	Committee of Land Transport Officials
'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 19
'FD'	Financial director of Afrimat, Hendrik P Verreynne. Pieter GS de Wit was appointed in his stead as from 1 March 2016
'Glen Douglas'	Glen Douglas Dolomite Proprietary Limited
'the group'	Afrimat Limited, its subsidiaries and associate and joint venture 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, incrementally acquired by Afrimat since 1 March 2013
'IRBA'	Independent Regulatory Board of Auditors
'IRC South Africa'	The Integrated Reporting Committee of South Africa
'IRMSA'	The Institute of Risk Management South Africa
'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
'NOSA'	National Occupational Safety Association (South Africa)
'previous/prior year' or 'FY2015'	Year ended 28 February 2015
'SABS'	South African Bureau of Standards
'SARMA'	South African Readymix Association
'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, Health and Environment
'SHEQ'	Safety, Health, Environment and Quality
'year' or 'year under review' or 'FY2016'	Year ended 29 February 2016

Financial definitions

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

On the cover:
Elvis Mkrola | Brewelskloof

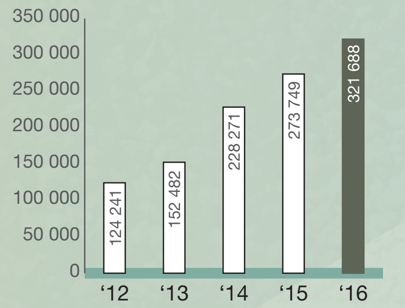
Performance highlights

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

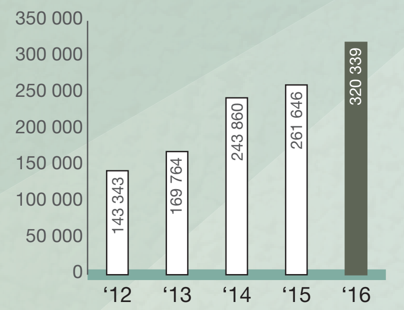
Contribution from operations margin	HEPS	Total dividend per share	Return on net operating assets
16,3%	156,6 cents up 15,5%	57 cents	32,5%

Net cash from operating activities up	NAV per share	Net debt:equity ratio	
22,4%	720 cents up 10,8%	3,5%	Strong balance sheet

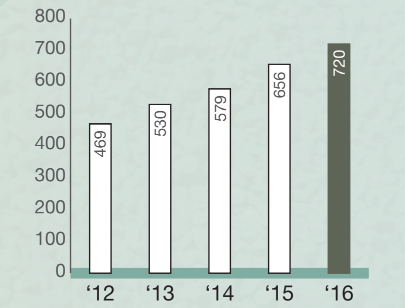
Contributions from operations
(R'000)



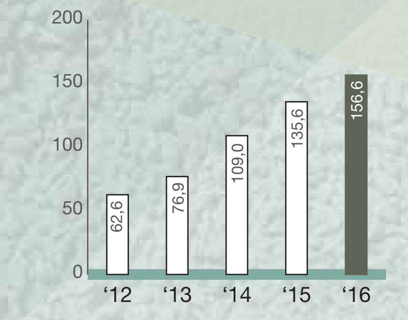
Net cash from operating activities (R'000)



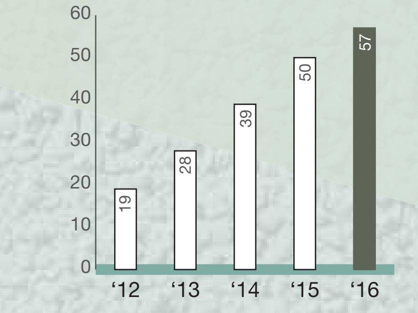
NAV per share
(cents)



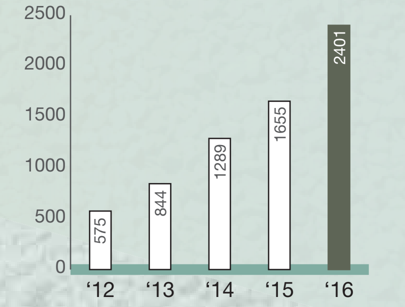
HEPS
(cents)



Total dividends per share
(cents)



Share price at year-end
(cents)



Integrated reporting

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

Corporate information

The group's executive directors are Andries J van Heerden (CEO), Hendrik P Verreynne (FD) (Pieter GS de Wit was appointed in his stead from 1 March 2016) and Gert J Coffee. They can be contacted at the registered office of the company. The company secretary is Mariëtte Swart. See contact details on the inside back cover of this integrated annual report.

The integrated annual report 2016 is available in hard copy, on request, from the company secretary and is published on the group's website www.afrimat.co.za.

Our integrated annual report 2016 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with accurate, balanced and transparent reporting. The report aims to share our performance across FY2016, including demonstrating how our strategy of entering the industrial minerals business, 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 2016 presents the annual financial results and the economic, environmental, social and governance performance of the group for the year ended 29 February 2016.

For more financial information, see the annual financial statements on pages 49 to 118.

Frameworks applied

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

The following frameworks are applicable to Afrimat:

JSE Listings Requirements

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

King III

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

Companies Act

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

Framework for integrated reporting

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

Mining Charter

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

Materiality

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

Risk management

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

Refer to page 37 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 29 February 2016. Actual results may differ materially from the company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions realise differently. The company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason.

Approval of the report

The Afrimat board approved this integrated report and authorised its release on 24 June 2016.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

24 June 2016

01

Business activities

TRUST

Firm belief in the reliability and ability of our people

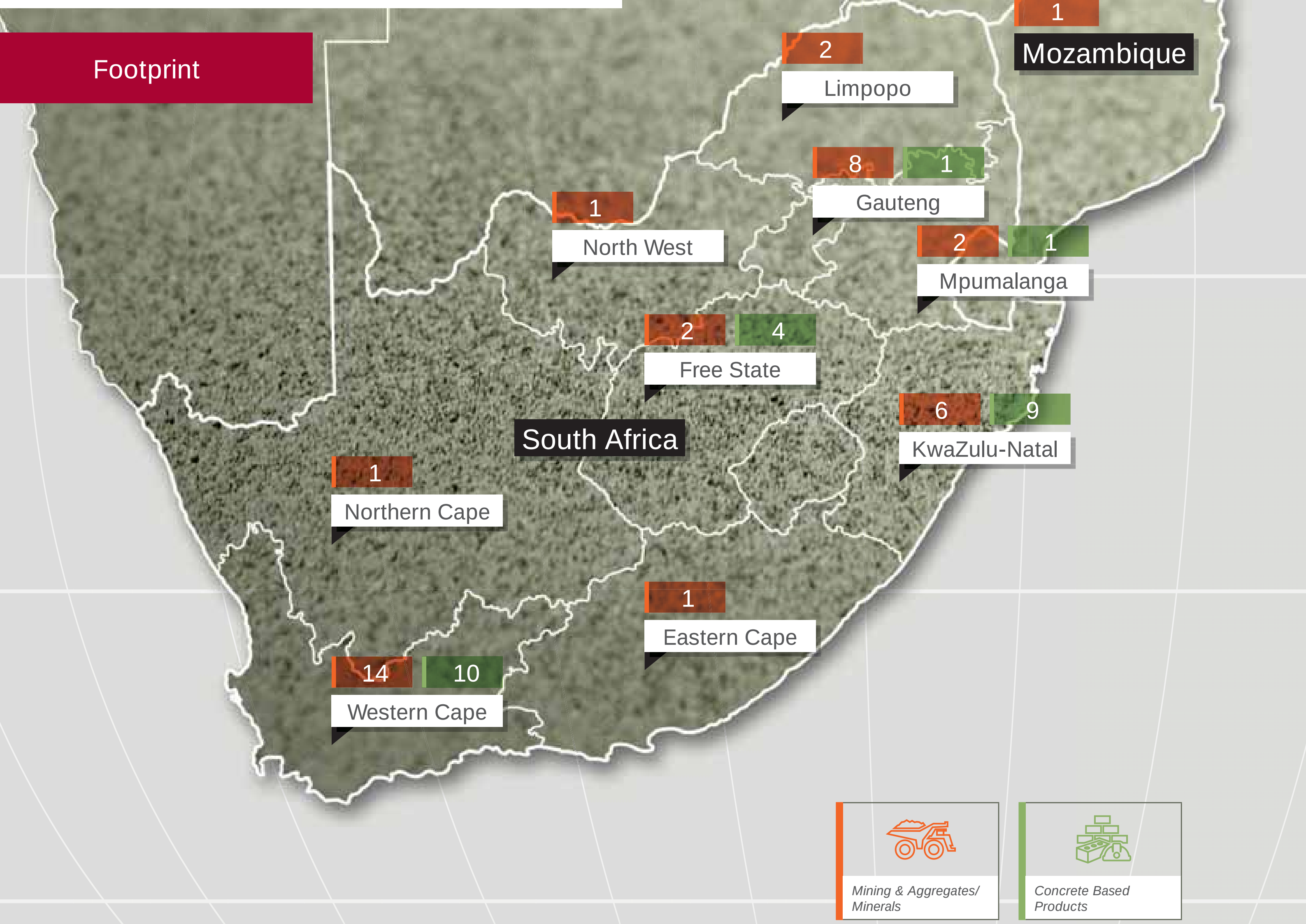
Boitumelo Mothobi | Glen Douglas

Business overview

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

We have extensive in-house industry experience, and a very stable employee force.

Footprint



Business operations

Mining & Aggregates/Minerals

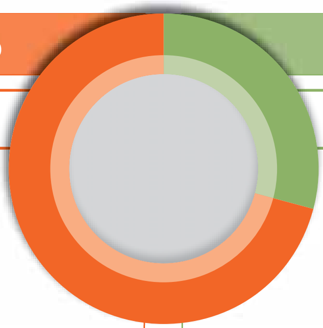
Core activities

Open pit mining and processing of industrial minerals as well as aggregates products.

Revenue contribution 72%

Number of operations 38

- 25 Commercial quarries
- 5 Sand and gravel mines
- 2 Dolomite mines
- 3 Clinker supplies
- 1 Limestone mine
- 2 Silica mines
- Mobile crushing and screening
- Drilling and blasting



Industrial minerals

Aggregates

Contract crushing, drilling and blasting

Concrete Based Products

Core activities

Concrete brick and block manufacturing and readymix concrete batching.

Revenue contribution 28%

Number of operations 25

- Concrete brick & block factories 9
- Readymix batching sites 16

Concrete products

Readymix

	Mining & Aggregates/Minerals	Concrete Based Products
Products	Metallurgical dolomite; Metallurgical quartzite; Metallurgical limestone; High calcium neutralisation limestone; Agricultural lime; Clinker ash; Silica sand; Ultra-fine limestone; Aggregates: crushed stone and sand	Building blocks and bricks; Pavers
Services	Mobile crushing; Mobile screening; Drilling; Blasting; Reclaiming	Readymix concrete batched on demand and transported to customers by concrete mixer trucks; Readymix mortar
Markets/applications	Metallurgical manufacturers; Mines; Foundries; Glass manufacturers; Tile adhesive manufacturers; Agriculture; Building and construction; Road and bridge building; Railroads; Concrete product manufacturers; Readymix processors; Power stations; Renewable energy projects; Power distribution network; Water treatment of acid mine drainage	Building and construction; Low-cost housing; Residential and commercial property; Civil engineering and infrastructure projects; Renewable energy projects; Power distribution network
Quality assurance	Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.	Blocks and bricks carry the SABS mark of approval.
Vertical integration	Supply the majority of aggregates used by Afrimat's own Concrete Based Product divisions.	Close to 90% of aggregates sourced from the group's own operations.

Value added statement

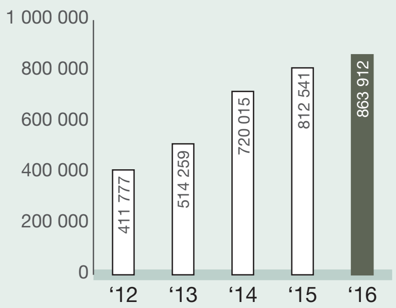
for the year ended 29 February 2016

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

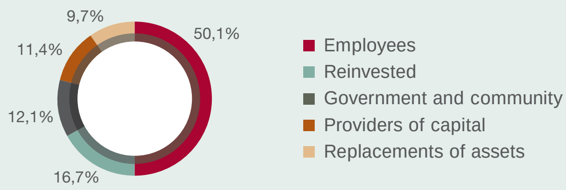
	%	2016 R	%	2015 R
Revenue		**1 969 785 674**		1 998 600 102
Less: Cost of goods and services provided*		**1 128 583 737**		1 210 031 735
Value added by operations		**841 201 937**		788 568 367
Profit/(loss) on sale of property, plant and equipment		**930 919**		(483 929)
Profit on disposal of businesses		**–**		7 853 090
Income from investments		**21 779 270**		16 603 705
Total value added		**863 912 126**		812 541 233
Applied as follows:				
To remunerate employees:				
Salaries, wages, pensions, bonuses and other benefits	50,1	**433 284 051**	52,9	429 596 854
To reward providers of capital:				
To shareholders as dividends paid	8,8	**76 141 346**	7,2	58 729 585
To lenders as finance charges	2,6	**22 625 437**	2,8	22 463 964
Government and community:				
Taxation	10,5	**90 929 710**	9,0	73 035 387
Mining royalties	1,0	**8 387 183**	0,7	6 066 230
Social investment**	0,6	**5 284 814**	0,9	6 984 142
To replace assets:				
Depreciation and amortisation	9,5	**81 880 992**	9,4	76 609 386
Impairment of property, plant and equipment	–	**–**	0,2	1 554 875
Impairment of goodwill	0,2	**1 300 000**	–	–
To expand the group:				
Retained earnings	16,7	**144 078 593**	16,9	137 500 810
Total distribution including reinvestment	100,0	**863 912 126**	100,0	812 541 233

* *Cost of goods and services provided were lower in 2016 due to improved efficiencies and cost reduction initiatives.*
** *Social Investment includes expenditure with regards to local economic development and corporate social investment spending.*

Value added (R'000)



Distribution of value added



02

Strategic context

INTEGRITY

Moral conduct, reflected in transparent honesty

Mfutuzeli Marwede | Brewelskloof

Our business model

Vision

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

Our vision is built on

+ *Well-managed operations*
+ *Responsible, honest and motivated personnel*
+ *Effective and reliable systems and controls*
+ *Outstanding customer service and stakeholder relations*
+ *Healthy finances*
+ *Concern for the community and the environment*
+ *Being innovative and flexible*

Mission

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

Measuring value through our six pillars

Trust	*Integrity*	*Respect*	*Accountability*	*Customer satisfaction*	*Teamwork*
Firm belief in the reliability and ability of our people	Moral conduct, reflected in transparent honesty	Admiration elicited by people's abilities, qualities or achievements	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	Meeting or surpassing customer expectations	Working collaboratively in order to achieve a goal

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)*

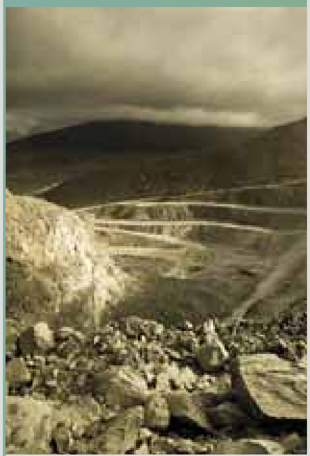
Coming of age and stronger strategic management

Built a solid foundation

- Narrow focus on building materials
- Mainly coastal provinces
- Instilled governance structures

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 16,79% interest in Afrimat (now 23,00%)

2011 onwards

Standing out

Growth in unique products

- Glen Douglas acquisition *(January 2011)*
- Clinker Group acquisition *(March 2012)*
- Infrasors acquisition *(March 2013)*
- Cape Lime acquisition *(March 2016)*

Business environment

The construction industry experienced another challenging year in F2016. This led to many companies reaching all-time lows and decision makers being left to instil cost reduction initiatives in order to conserve cash and protect shareholders' wealth.

Economic environment facing South Africa

A number of local and global trends have developed in recent years that have had a significant bearing on the economic performance and prospects of companies.

Longer term structural deficiencies in the South African economy and the low demand for commodities will keep the economic growth rate low. On the short to medium-term, the drought and political situation will put downward pressure on economic growth. The economic growth rate for 2016 may even be lower than the International Monetary Fund's figure of 0,7%.

In addition to the above factor the drought, perceptions by South Africans and foreign investors, rating agencies' grading of South Africa, the commodity market and the strength of the US dollar will probably cause the rand to depreciate further. With the depreciation of the rand, local industries will start benefiting and stem the extensive flow of imports. This will result in higher use of local produced products, profitable exports and eventually higher tax revenue. Altogether leading to a higher growth rate prospect which will create opportunities for Afrimat.

The unemployment rate is 25,5% and the expanded unemployment rate is 34,4%. For South Africa to remain competitive it has to take advantage of new technologies. According to Klaus Schwap the world is at the beginning of a technology revolution and technology will change at an exponential pace (*K Schwap, 2015. The Fourth Industrial Revolution*). This will have a negative impact on employment and especially on the employment of the youth. Unemployment amongst the youth is just above 50%. South Africa can only solve this unemployment gap by growing the economy by at least 7% and should maintain this growth rate for many years.

Due to the weak rand, the drought, electricity and water tariff increases and other structural problems in South Africa, inflation expectations tend to exceed the 6% upper band of the South African Reserve Bank's ('SARB') monetary target. The inflation rate for 2016 may be close to 7%. Continued high inflation expectations will put interest rates in an upward spiral and the SARB might restrict interest rates between 11% and 12%.

The political situation is a contributing factor to business confidence in South Africa. The economic situation in South Africa and the threat of a downgrading to junk status forced the government to consult with 100 CEOs.

"*The talks focused on the crisis facing SA and the need for all sectors to pull together behind a united and confidence-inspiring plan. The businessmen and women interviewed were confident that if the plan was implemented, a credit rating downgrade could be avoided. The plan was drawn up by the country's top CEOs under the leadership of Old Mutual CEO in charge of emerging markets, Ralph Mupita, and Nedbank Group CEO, Mike Brown.*

It includes concrete measures such as uniting behind a cohesive narrative and plan; over-delivery on fiscal consolidation; more effective management of state-owned enterprises, by appointing, for example, professionals to their boards; accelerated public-private partnerships; a review of legislative implementation to ensure consistency and certainty; ensuring that labour legislation contributes to inclusive growth, especially of the youth; and the appointment of a standing anticorruption committee to combat graft in both the public and private sectors" (*Business Day, 10 February 2016*).

A task team put in place to monitor the above, will report back on progress later on in 2016.

The global supply of oil exceeds demand. The surplus will increase as soon as all oil produced in Iran reaches the market. Russia and Nigeria are negotiating a strategy to put upward pressure on the price of oil. The break-even point of a number of oil producers is at least $40 per barrel. A weak rand and higher price of oil may lead to higher rand-fuel prices in South Africa.

During the Ministerial Conference of the Forum on China-Africa Cooperation ('FOCAC'), which was held in Johannesburg during 3 to 5 December 2015, the parties agreed to cooperate on political, economic, educational, health, agricultural and judicial aspects. It is envisaged that when these agreements are implemented, the business environment in Africa, and specifically in South Africa, may change.

Challenges facing Afrimat

It is important to have 'a robust enterprise risk management process that identifies emerging risks, in order to deal with a complex web of issues at the company level' (*Settling the dust in South African Mining, KPMG, 2015*).

Political risk

The High Court ruling on Nkandla, the Nene-gate saga, allegations of the Guptas' influence over government and the appointment of cabinet ministers, the uncertainty surrounding the investigation by the Hawks of the minister of finance, increased doubts over the current government's ability to govern the country.

Increasing corruption

South Africa is one of eight countries named as the worst in Africa for corruption according to a survey conducted by ENSafrica. The other hot spots include Angola, the Democratic Republic of Congo, Ghana, Kenya, Mozambique, Nigeria and Uganda (*IRMSA, 2016*).

Increased unionisation and high wage demand

The labour dispensation in South Africa does not create a cost-effective labour environment or a friendly environment for investors.

Labour as well as capital productivity are low and both are two of the pre-conditions of controlling cost.

Skills shortage

Skills shortage is the third highest risk both on the national and industry levels. There are currently 829 800 unfilled positions for high-skilled workers (432 100 technicians, 216 200 managers and 178 400 professionals) (*IRMSA, 2016*).

If South Africa keeps pace with new technology, the skills shortage may worsen while unemployment may increase (*K Schwap, 2015. The Fourth Industrial Revolution*).

Grading of South Africa's investment status

A lower grading of South Africa implies that all financial institutions as well as companies based in South Africa will carry greater financial risk.

A lower grade will lead to higher interest rates. Against the background of a weak economy, the higher interest rates will put pressure on government finances, which may lead to higher taxes and reduced spending.

Stakeholders

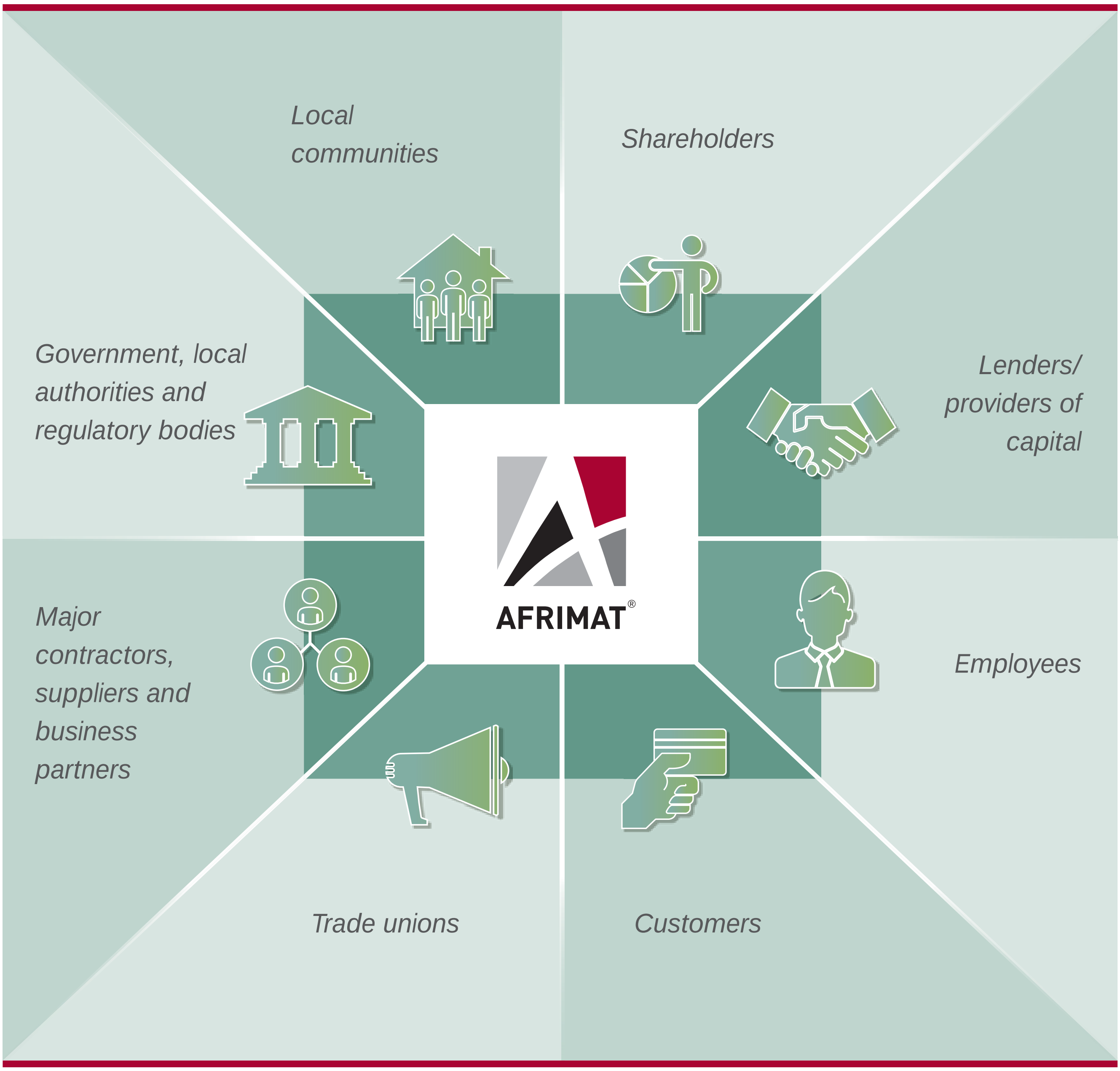
We recognise that developing and nurturing dialogue with our key stakeholders, and actively listening and responding to feedback, is a driver of business sustainability. The process of identifying and monitoring stakeholder relationships is reviewed annually by the board. Our internal open door policy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

Our approach

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

Stakeholder groups

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



Stakeholders *(continued)*

What matters to them	Tools of engagement	Responsibility	Our response
Shareholders			
‣ Profitability ‣ ROI (share price and dividends) ‣ Cash generation ‣ Corporate governance and compliance ‣ Risk management ‣ Growth prospects ‣ Reputational issues ‣ Cost reductions ‣ Labour relations ‣ Sustainability ‣ Growth prospects	‣ Annual and interim results announcements ‣ SENS announcements ‣ Website publications ‣ Group results presentations ‣ 1:1 meetings ‣ Roadshows ‣ Annual general meeting ‣ Results of decisions taken at shareholders' meetings published on the company's website following the meetings ‣ Media releases ‣ Site visits	‣ 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 ‣ Liquidity and solvency ‣ Cash generation ‣ Corporate governance and compliance ‣ Risk management ‣ Growth prospects ‣ Reputational issues ‣ Punctuality and ability to meet capital and interest payments	‣ Contractually required information flow ‣ Annual and interim results announcements ‣ Regular meetings	‣ 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 ‣ Transformation ‣ Job satisfaction	‣ Annual culture climate survey ‣ Training sessions ‣ News updates ‣ Employment equity forums ‣ Regular reinforcement of Code of Conduct and policies/procedures ‣ Annual performance reviews ‣ Union meetings as required	‣ General manager: human resources assisted by all management	‣ Investment in training and talent management ‣ Dedicated skills development division ‣ Skills Development and Employment Equity Consultative Committees established for each subsidiary ‣ Ongoing health and safety programme ‣ Weekly "toolbox talks"
Customers			
‣ Quality ‣ Service ‣ Value for money ‣ Product availability ‣ Credit facility levels	‣ Annual customer surveys conducted to determine service improvement opportunities ‣ Contractual engagement ‣ Personal interaction with main customers ‣ Product brochures	‣ CEO, managing directors of subsidiaries and sales teams	‣ Commitment to quality products and service excellence
Trade unions			
‣ Wage negotiations ‣ Bargaining council agreements ‣ Conditions of employment ‣ Engagement on safety issues ‣ Engagement on health and wellness issues	‣ Regular meetings at the relevant levels	‣ General manager: human resources assisted by all management	‣ Ongoing focus on labour and employee relations ‣ Consistency in industrial relations ‣ Recognition agreements at industry level

What matters to them	Tools of engagement	Responsibility	Our response
Major contractors, suppliers and business partners			
• Consistent offtake • Group payment record • Local economic development	• 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 • Employment equity	• 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 • Infrastructure 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

Afrimat's performance during the year

Achievements

- Decrease in DIFR – reflecting a decrease in safety incidents.
- Approval of crucial mining licences, ie Cullinan and Scottburgh mining licences.
- Recurring successful supplier days arranged. Assistance provided to suppliers by means of requesting the attendance of representatives by BEE rating agencies.
- Significant improvement in Mining Charter scores.
- Reduction of Section 54* and 55** notices.
- Improvements on the Social and Labour Plan implementation.
- Continuous improvement in health and safety standards.
- Successful cost improvement initiatives.

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

Challenges

- Increased input costs, such as diesel, explosives, salaries and equipment.
- The current global and South African economic environment, including pressures on the South African steel industry.
- Continuous changes in legislation governing the industry.
- Increased occurrence of theft and fraud.
- Constant and adequate supply of electricity and water.

Competitive strengths

Strategic positioning

- Flexible business model
- Ongoing business development
- Proven successful acquisitions
- Successful greenfield projects
- Wide geographic footprint
- Solid presence in growth markets

People

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

Operations

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

Marketing

- Good market intelligence and expertise
- Reliable quality products and services
- Diverse products and services offering
- Superior reaction time to meet customer needs

Financial

- Strong cash inflow from operating activities
- Robust balance sheet
- Industry leading margins throughout economic cycles
- Consistent dividend payer

Identifying principal risks

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

- **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; and
- **Strategic** – which impact the group's ability to implement its strategy.

Risk management

Afrimat views the management of risk central to its operational strategy of delivering sustained growth to stakeholders. While the CEO and FD are the key drivers of risk management, the different management teams in the group, Executive Committee, Management Committee, Audit & Risk Committee and board, as well as all employees, further assist with identifying, evaluating and managing key risk areas.

Risk management process

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

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

Risk register

Key control drivers

Risk management monitoring:

The board ensures that risk management is effective and that risk monitoring is continuous.

Adherence to key controls

Risk incidents reporting

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

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

Risk incidents must be reported as follows:

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

Identifying principal risks *(continued)*

Shareholders | Lenders/providers of capital | Employees | Customers

Risk rating

The risks identified in the risk management process are ranked according to their probability (rare, unlikely, moderate, likely and almost certain) and impact (minor, moderate, high and critical). Based on the respective rating, responses are documented.

The following significant risks have been identified by the group together with the corresponding controls and mitigation strategies:

Macroeconomic

Market cycles/volatility/sustainable profit growth

Impacted: All stakeholders

Risk mitigation

- Ongoing diversification into the industrial minerals market, into unique products with scarcity value, and into new regions which are strategically positioned to capitalise on market opportunities
- Development of superior operational and marketing expertise
- Careful cost control
- Pre-emptive anticipation and forecasting of market conditions
- Proactive innovative solutions ahead of occurrence to maintain competitive advantage
- Driving uniform and intelligent marketing approach

Cost of production and distribution with high escalation costs

Impacted: All stakeholders

Risk mitigation

- Drive business efficiency project
- Focused cost management

Political instability, growing polarisation and populist government policies (reallocation of available funds by government)

Impacted: All stakeholders

Risk mitigation

- Diversify into other African countries
- Deal with political risks on an ongoing basis by having exit strategies or evaluation of alternative investment strategies
- Careful assessment and analysis of political situations
- Maintain strong balance sheet
- Risk scoring of political risks and implementation of control procedures

Rand volatility

Impacted: All stakeholders

Risk mitigation

- Focus on cost control and efficiency improvement
- Diversify revenue into other currencies

Trade unions | Major contractors, suppliers and business partners | Government, local authorities and regulatory bodies | Local communities

Operational

Industrial action/labour unrest

Impacted: Employees, trade unions, shareholders and funders

Risk mitigation

- Strict adherence to legislation and bargaining arrangements
- Open lines of communication with unions and employees
- Increased line managers involvement
- Stakeholder engagement processes
- Employee incentivisation and motivation programmes
- Culture of employee development and well-being

Theft, fraud, robberies

Impacted: Shareholders and funders

Risk mitigation

- Create culture of ownership and value system reinforced
- Strict internal controls and procedures and audited by in-house internal audit department
- Effective disciplinary procedures
- Whistleblowing hotline

Increasing complexity of legal compliance

Impacted: Employees, customers, suppliers, government, local authorities, regulatory bodies and funders

Risk mitigation

- Focused attention by dedicated compliance team
- Main legal compliance registers maintained
- Executive (top-down) endorsement of compliance

Identifying principal risks *(continued)*

Succession in rural areas and loss of high level skilled staff

Impacted: Employees and shareholders

Risk mitigation

- Active management of internal culture and climate
- Ongoing training, development and career path management
- Appropriate incentivisation for retention
- Active leadership mentoring and advancement
- Succession planning
- Remain an employer of choice with good human resource practices

Electricity supply instability

Impacted: Customers, shareholders and funders

Risk mitigation

- Proactive production planning
- Use of generators in critical areas
- Uninterruptible power supply and battery installations for computers and weighbridges

Limited remaining life of Clinker stock piles

Impacted: Local communities, shareholders, funders, employees, customers, trade unions and suppliers

Risk mitigation

- Vierfontein started
- Witbank agreement signed
- Advance stages of securing further resources

Strategic

Pressure on cash flow, increased debt levels and liquidity management

Impacted: Shareholders and funders

Risk mitigation

- Strict credit control processes
- Credit control of national customers centralised
- Debtor insurance
- Regular cash generation and funding projections
- Strong balance sheet
- Weekly cash reporting, monthly reporting on debt levels

Governance structure

Statement of compliance

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

Board

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

Executive directors

- Andries J van Heerden (CEO)
- Hendrik P Verreynne (*Retired 1 March 2016*)
- Pieter GS de Wit (FD) (*Appointed 1 March 2016*)
- Gert J Coffee

Non-executive directors

- Francois du Toit
- Loyiso Dotwana

Independent non-executive directors

- Marthinus W von Wielligh (Chairman)
- Phuti RE Tsukudu
- Jacobus F van der Merwe
- Hendrik JE van Wyk

The board meets four times per year.

Committees

Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	EXCO	Management Committee
Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the group.	Assists the board with the development of the Afrimat remuneration policy, as well as assisting the board in the administration of the remuneration policy. Regularly reviews the structure, size and composition (including diversity) of the board and makes recommendations to the board with regard to any adjustments that are deemed appropriate.	Monitors and reviews the group's safety, health and environmental activities, labour practices and the company's approach to transformation.	Assists the CEO implement strategies for sustainable growth.	Assists the CEO with implementation of strategies and operational matters.
Hendrik JE van Wyk (Chairman) Loyiso Dotwana Phuti RE Tsukudu Jacobus F van der Merwe Marthinus W von Wielligh	Marthinus W von Wielligh (Chairman – Nominations committee) Phuti RE Tsukudu (Chairman – Remuneration committee) Loyiso Dotwana	Loyiso Dotwana (Chairman) Gert J Coffee Phuti RE Tsukudu Andries J van Heerden Marthinus W von Wielligh	Andries J van Heerden (Chairman) Gert J Coffee Anton Gerber Carl P Malan Jan HP van Heerden Pieter GS de Wit	Executive directors Regional directors Various departmental, regional and operational heads
Number of independent director members				
4	2	2		
Number of meetings per year				
4	3	2	6	4
Self-evaluation completed				
Yes	Yes	Yes		
For further information see page				
51	42	44		

Directorate

Executive directors

1. Andries J van Heerden (50) *CEO*
BEng (Mech), MBA (University of Stellenbosch), Government Certificate of Competence

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

2. Pieter GS de Wit (42) *FD*
BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax (Unisa), MBA (Cum Laude) (University of Stellenbosch)

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

3. Gert J Coffee (65) *Head of Operational Efficiency*
BSc BEng Mechanical (Industrial)

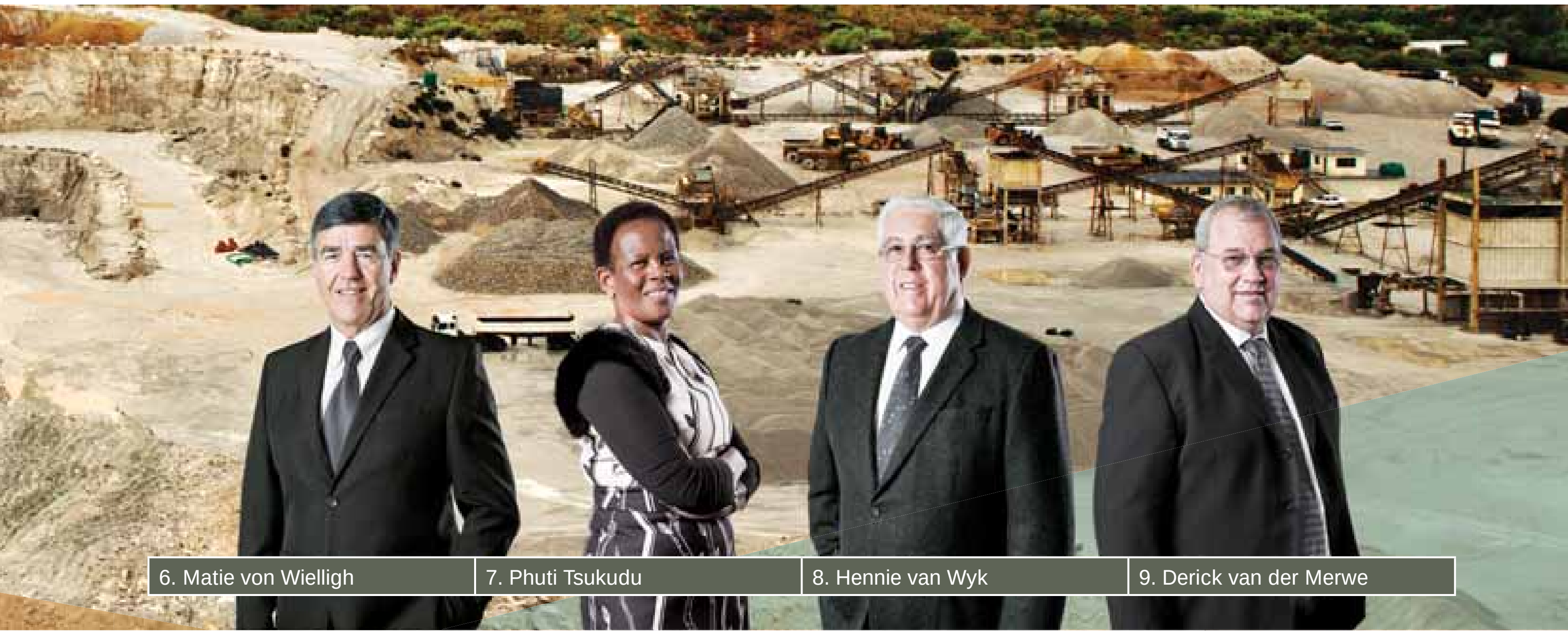
Gert, a registered professional engineer has spent the past 36 years in the civil construction and materials supply industries in various executive management capacities. He joined Afrimat in January 2010.

Non-executive directors

4. Loyiso Dotwana (52)
BSc 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 and rural, urban and national roads. He was involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Port Elizabeth. Loyiso founded Illiso Consulting Proprietary Limited, one of South Africa's largest black owned consulting engineering companies, of which he is currently a director and the major shareholder.

5. Francois du Toit (69)
Francois joined Prima Klipbrekers as managing director in 1967 and helped establish the Prima group 12 years later, where he remained as managing director until 2003 and then as chairman until his retirement in 2009.



Independent non-executive directors

6. Marthinus (Matie) W von Wielligh (64) *Chairman*
BSc (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 Proprietary Limited.

7. Phuti RE Tsukudu (62)
MEd (University of Bristol), Postgraduate Diploma in Adult Education, BA (SW)

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

8. Hendrik (Hennie) JE van Wyk (72)
BCom (Hons), CA(SA)

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

9. Jacobus (Derick) F van der Merwe (62)
BCompt (Hons), CA(SA)

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

Ethical leadership

The board strives to ensure that the group conducts its business with integrity and through 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.

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

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

Ethical conduct is an area with which the Social, Ethics & Sustainability Committee is tasked by the board. 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.

03

Business performance

RESPECT

Admiration elicited by people's abilities, qualities or achievements

Afrimat employees | SA Block

Chairman's review


Matie von Wielligh

The business is able to pull together entrepreneurial flair and flexibility and balance these against the controls required of a public company.

Afrimat sees through 10 years of being listed on the stock exchange

2006 was an auspicious year for Afrimat. It was the year the company made its debut on the JSE Securities Exchange. Since then the company has grown in size to a market capitalisation of more than R3 billion today. In the past 10 years we have declared dividends every six months and provided, in the opinion of the board, good returns to shareholders and stakeholders.

This was achieved by balancing entrepreneurial flair, efficiency and diversification strategy with good governance. This has been the mantra of the company since listing. The group has a strong calibre of innovative leadership and this has ensured sustained value creation since listing, sometimes under trying circumstances.

The group, although still relatively small, is diligent and agile, being able to adapt to changing circumstances and quick to respond to opportunities.

Overview of the year

Afrimat once again delivered a good set of results despite difficult trading conditions; with milestones set for the group being achieved. Afrimat adapted to tough economic conditions, remained relevant and delivered good results for the past year. This outstanding performance was achieved for most of the 10 years by remaining true to the tagline of "Growth through diversification", coupled with consistently driving costs down. In this set of results, margins have improved further despite the difficulty of the economic slowdown.

The strategic leadership given by the board since the listing and the thorough execution of the defined strategy by management, enabled Afrimat to be relevant in the sector of industry in which it operates, a sector which is currently under pressure. The group is encouraged to be able to once again add to the story of diversification – last year this included geographic expansion into Mozambique and this year, the successful acquisition of Cape Lime. Having received regulatory authorisation, the transaction is effective from 31 March 2016. This is a further step in the execution of a defined diversification strategy. Furthermore the strategy to strive towards operational excellence has contributed to improved margins.

Afrimat's acquisitions continue to be bedded down and all are contributing to the group. This success is thanks to following through on targets identified, sure in the knowledge that the management team will be able to extract the necessary value from the acquisition, which history has shown to be the case.

Afrimat is a company known for its stringent capital management, as well as the maintenance of a strong balance sheet. Once again this is the result of a professional management team, focused on objectives set. The vision of this prudent management style speaks to the commitment to the delivery of desired outcomes which was delivered this year.

The achievements of Afrimat have been met through the drive for diversification underpinned by a dedicated management team that sticks to fundamentals and good business practice when assessing new acquisitions and growth.

Acquisitions are assessed against the goal of enhanced sustainability, diversity, robustness and profitability. This means that acquisitions and their markets are strategically analysed and infinitely understood before Afrimat makes an offer to purchase. This approach has ensured successful acquisitions that are now well entrenched into the Afrimat group.

Our ongoing commitment to B-BBEE and staff relations

The Afrimat BEE Trust, Mega Oils Proprietary Limited, Joe Kalo Investments Proprietary Limited and Tando Mbikwana are Afrimat's

main BEE partners. Black ownership in the group totals 26,14%, which is in line with the Mining Charter requirements.

Of Afrimat's total workforce, 81,3% (2015: 80,6%) are historically disadvantaged individuals. Staff remains core to the business and management remains dedicated to good staff relations. Management makes a conscious effort to ensure that staff is engaged in open dialogue. Afrimat will continue the efforts made towards transformation, which remains a key focus area for the group.

The future Afrimat aspires to

Afrimat is able to base its success largely on the maintenance and dynamics of an entrepreneurial culture and acting as a responsible corporate citizen. Management has made good decisions and these will be enhanced through accessing all information and making timeous decisions based on this information, to ensure the group is well positioned to benefit from structural changes in the environment or economy.

On our path we want to attract responsible investors, interested in what the company wants to achieve and willing to walk the path together with Afrimat, as well as supporting growth initiatives; where the interests of the company are aligned with those of its shareholders and stakeholders.

Acting as a responsible corporate citizen means that corporate governance is core to the organisation and in line with this; Afrimat wishes to maintain its target of attracting competent leadership talent.

For Afrimat to achieve above average profit growth, returns, dividend payments and margin growth, the entrepreneurial culture needs to be maintained. In this way the company will continue to earn respect as a responsible corporate citizen and a good investment destination.

Our future will be shaped by our strategy and the execution thereof

Afrimat will continue on the path of diversification, assessing attractive opportunities across the commodities spectrum. This is an area that Afrimat understands and in which it has the competitive advantage of being able to identify marketing opportunities for its commodities.

Industrial minerals currently makes up a large portion of the business and Afrimat will continue to grow this area.

Going forward, trading conditions are expected to be even tougher; however, Afrimat is adaptable. During tough economic times, opportunities arise for companies with strong balance sheets and I remain confident that Afrimat will be able to make good on such opportunities.

Appreciation

Afrimat has strong leadership and a competent board in place. To my fellow board members I wish to thank you for your support during the year.

Gratitude is extended to all employees and management for once again delivering a very good set of results. Andries van Heerden, our CEO, has again led the executive management team in an exemplary manner, providing guidance and advice for each to achieve success in their respective businesses.

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

Matie von Wielligh
24 June 2016

CEO's review

Andries van Heerden

Afrimat is a company built on sound thought processes, with strategic decisions that are made based on a thorough understanding of the environment. Internal research, analysis and experience are drawn on to position the company ahead of changes in the marketplace.

Introduction

This, our 10th annual report, is quite a special report to be writing to shareholders. Taking you back on the journey a little, it was shortly after listing on the Johannesburg Stock Exchange that Afrimat established its vision: *'To be the most respected construction materials and industrial minerals supplier in southern Africa'*. It has been a wonderful journey to see the company grow from a small family-owned business to a company that is respected in the market today.

This would not have been possible were it not for our motivated people, systems, financials and a steadfast strategy. Upon reflection I feel that Afrimat has been blessed: in tough times the group always seems to manage to find good opportunities able to support its future.

Transformation from a small business to a corporate means working at the core culture of the company. It is important to Afrimat that the good value system entrenched in the business continues to be a work in progress. We acknowledge that this is important to Afrimat and we will continue to drive this through the business, as this is a large contributor to our success.

Strategy is central to Afrimat. Over the years we have made some fundamental changes to the strategy, but the core has remained the same: the strengths, values and ethics of the group have remained unchanged. Changes are brought about when market traits are used to the group's advantage, ensuring its sustainability. This balance of new opportunities, coupled with core strengths, has ensured the growth produced.

Year under review

The last year was a relatively good one for Afrimat. In spite of showing a double digit growth rate, the second half reflected a slowdown in the growth rate when compared to the first half of this year. The largest contributors to this good growth came from the traditional aggregates businesses. Infrasors' Gauteng operations were impacted by the closure of Highveld Steel and generally more competition in the Gauteng market. We remain pleased with the group's compound annual growth rate for the past seven years which is in excess of 20%.

The country struggled with the backlash of some poor political decision-making in early December 2015. The effect on exchange rates and general economic conditions cannot be dismissed.

Afrimat prides itself on working hard to ensure staff are engaged with and well-supported in the workplace. Despite some attempts by certain trade unions to shift this position, we are pleased to report that the workforce stuck together, the results being a productive year for Afrimat. This is once again testament to the quality of the people throughout the organisation.

Trading environment

There can be no doubt that the economic climate is different to what it was when Afrimat listed. The group's diversification strategy has seen it through, and in this past financial year the strategy has once again proven itself. Increased competition in the Gauteng market during the second half of the year was countered by a good performance from our operations across the rest of the country.

Government spend is an important contributor to revenue of the group, and in our experience it remains reasonable and largely unchanged for the past two to three years. Smaller infrastructure projects such as water distribution systems and sanitation projects together with significant roads projects contributed to the results for the year under review.

Afrimat has never shied from structural changes in the marketplace. Changes with interesting implications for Afrimat, included strong competition in the cement industry and the slowdown in the mining industry, specifically in the Northern Cape. The group's excellent footprint and well diversified business model ensured that these challenges were dealt with and an above average growth rate could be sustained. The group's business development initiatives remain a differentiator. These have provided new opportunities for the company and as such Afrimat sees water purification and renewable energy as good future sources of revenue.

Financial results

The good 2016 results produced by Afrimat are underpinned by three important areas. First, a sustained, strong cash flow. Net cash inflow from operating activities increased by 22,4% in this financial period, and Afrimat remains known for its strong cash conversion.

Second, we are pleased to report an improvement in margins from 14,0% to 16,3% at an operating level. This is largely due to a focused efficiency improvement drive initiated two years ago as well as the sale of non-performing assets. Third, Afrimat is fastidious with regard to the strength of its balance sheet, which as at year-end reflected a net debt to equity ratio of 3,5%.

Headline earnings increased by 15,5%, translating into headline earnings per share of 156,6 cents (2015: 135,6 cents). The solid improvement of earnings resulted from a strong performance of mineral producing operations across all regions.

Improved efficiencies, cost reduction and disposal of marginal businesses in the prior year contributed to this improvement in earnings. A shift towards more valuable products in the product mix enhanced earnings, but was affected by the overall lower sales volumes. Operating expenses include the cost of additional resources required to increase the group's compliance capability and costs associated to establish Mozambique operations.

Afrimat has a dividend cover policy of 2,75 times and in the financial year the company announced a total dividend of 57 cents per share.

Performance from the operations

Afrimat operates in two segments, the largest being the **Mining & Aggregates/Minerals** segment, which in this financial year delivered a strong performance with an improved contribution from Infrasors Holdings Limited ('Infrasors') and the KwaZulu-Natal operations, which generated satisfactory profits after a period of reinvestment.

Infrasors' Lyttelton operation was affected by the closure of Highveld Steel, but encouragingly, various new initiatives have been launched to recover lost sales. A very good performance was recorded by the Marble Hall operation.

Afrimat continues with the development of operations in the north of Mozambique as part of its southern Africa expansion initiative.

The **Concrete Based Products** segment was impacted by lower revenue, reflecting a tough environment. Management is focusing on initiatives to reduce costs and to increase market share.

For the past two years, Afrimat has communicated its cost reduction strategies to the market. I am pleased to report that results are showing and this is further improved due to certain operations, which we felt lacked potential, being sold off. We feel that Afrimat now has excellent assets from which to grow the business further.

Strategy and prospects

Afrimat is a company built on sound thought processes, with strategic decisions that are made based on a thorough understanding of the environment. Internal research, analysis and experience are drawn on to position the group ahead of changes in the marketplace. In this way Afrimat is able to face headwinds when they come, rather than be surprised.

However, Afrimat does not enter markets without thorough research to determine marketing opportunities, and then uses its core skills to penetrate these markets further. This way of thinking has been embedded in the culture of the organisation and has proved to be successful. It is the pillar on which we base our tagline – *'Growth through diversification'*.

Over the years Afrimat has worked on and built a strong culture, which is a team approach based on a strong common set of values. Afrimat prides itself on its outstanding ability to execute on the strategy and it retains, as a core focus, this ability to execute in the operations of the business.

The Cape Lime acquisition opens up additional markets for Afrimat and the growth potential this acquisition brings is exciting. This is a business with a unique product offering across a wide range of industries. All conditions of the acquisition have been complied with and as from 31 March 2016 the business forms part of Afrimat.

In our outlook for the South African economy, we don't foresee tailwinds helping us along. However, given the quality of Afrimat's asset base, prospects are being opened up by the strategy of diversification and cost cutting adopted. Better value will be extracted from the existing business now that non-performing assets have been sold. The traditional business is performing well as government spend in rural areas increases and operations are being managed for greater efficiencies.

Appreciation

To all stakeholders and shareholders who have been with Afrimat along this auspicious path, I would like to thank you for your support of the organisation.

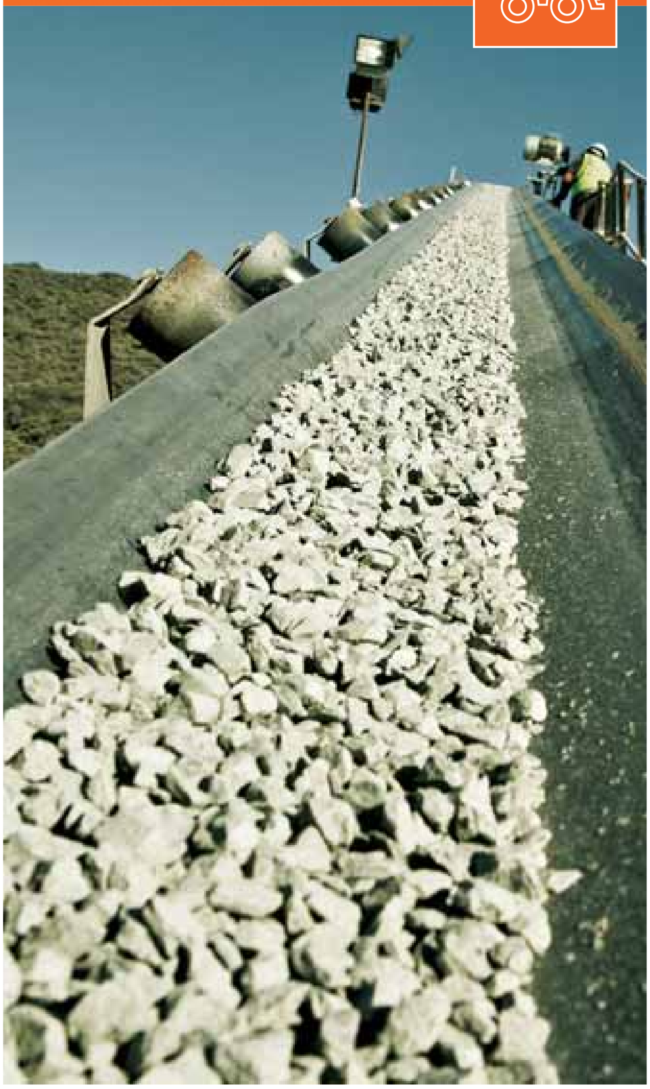
The board has assisted the management team with its guidance and wisdom, and for this we are grateful.

To all staff in the organisation, your valued work ethic and commitment is testament to the successful organisation we have today. For this I would really like to thank you.

Andries van Heerden
24 June 2016

Operational reviews

Mining & Aggregates/Minerals



Highlights FY2016

- Strong performance from industrial minerals division
- Constant improved contribution from traditional aggregates businesses
- Operational efficiency improvement initiatives delivering improved margins
- Rationalisation of sales to less profitable markets
- Infrasors turnaround progressing as planned
- Improved performance in Mozambique

Key distinguishing features

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

Review of 2016

Financial performance

	Audited February 2016	Audited February 2015	% change
Revenue (R'000)	**1 409 937**	1 422 305	(0,9)
Contributions from operations (R'000)	**281 838**	220 255	28,0
Contributions from operations margin (%)	**20,0**	15,5	
Capital expenditure (R'000)	**105 880**	136 144	
Headcount	**1 347**	1 302	

The **Mining & Aggregates/Minerals** segment benefited from a good improvement from the traditional aggregates business. However, after the closure of Highveld Steel and other market dynamics, the Gauteng market showed a marginal slowdown.

The Clinker Group continues to produce strong results. Management is actively addressing the life of mine restriction and procurement of additional raw material sources is progressing well.

In line with Afrimat's strategy to diversify, new greenfield projects were initiated in the Northern Cape, Mpumalanga and Mozambique. These projects were impacted by the decline in commodity prices, which resulted in the postponement of major projects.

Turnaround initiatives at Infrasors are making good progress. During the year, the Delf Cullinan mining licence was approved by the DMR. The approval of this licence will contribute towards the group's initiatives towards improving margins.

All processing plants are fully operational and strategically positioned to deliver excellent service to the group's customers. In respect of aggregates, Afrimat offers flexible services, which are supplemented by mobile mining and crushing equipment.

Concrete Based Products (including Readymix)

Review of 2016

Financial performance

	Audited February 2016	Audited February 2015	% change
Revenue (R'000)	**559 849**	576 295	(2,9)
Contributions from operations (R'000)	**40 878**	55 051	(25,7)
Contributions from operations margin (%)	**7,3**	9,6	
Capital expenditure (R'000)	**23 411**	19 138	
Headcount	**847**	864	

Highlights FY2016

- Cost reduction initiatives successfully introduced
- Successful market penetration
- Turnaround strategy commenced at KwaZulu-Natal operations

Key distinguishing features

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

The **Concrete Based Products** segment was impacted by lower revenue reflecting a tough trading environment. Management has focused on initiatives to reduce costs and to increase market share, and results are positive.

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

Head office and related services

Review of 2016

Financial performance

	Audited February 2016	Audited February 2015	% change
Contributions from operations (R'000)	**(1 028)**	(1 557)	34,0
Capital expenditure (R'000)	**1 973**	7 185	
Headcount	**63**	54	

Highlights FY2016

- Rollout of enterprise resource planning financial software is progressing well
- Group sustainability function ensured a high compliance standard
- Dedicated new business development team ensures new business opportunities are investigated for sustainable growth
- Improvement of internal audit efficiency and migration through the implementation of an approved analytical tool with internal audit function
- Group shared services function geared to support growth

Five-year review

	2016 R	2015 R	2014 R	2013 R	2012 R
Financial results and status					
Revenue	**1 969 785 674**	1 998 600 102	1 901 187 222	1 337 584 566	996 137 470
Mining & Aggregates/Minerals	**1 409 936 715**	1 422 305 079	1 346 029 103	846 387 589	704 509 731
Concrete Based Products	**559 848 959**	576 295 023	555 158 119	491 196 977	291 627 739
Revenue split					
Mining & Aggregates/Minerals	**71,58%**	71,17%	70,80%	63,28%	70,72%
Concrete Based Products	**28,42%**	28,83%	29,20%	36,72%	29,28%
Contribution from operations	**321 687 932**	273 748 815	228 271 328	152 482 246	124 241 237
Mining & Aggregates/Minerals	**281 838 473**	220 254 779	195 234 930	117 480 395	105 760 474
Concrete Based Products	**40 877 727**	55 050 784	30 408 618	37 290 564	21 326 908
Unsegmental	**(1 028 268)**	(1 556 748)	2 627 780	(2 288 713)	(2 846 145)
Operating profit	**320 387 932**	280 047 030	229 697 403	147 833 587	130 130 432
Mining & Aggregates/Minerals	**280 538 473**	226 552 994	196 661 005	117 577 263	110 808 958
Concrete Based Products	**40 877 727**	55 050 784	30 408 618	37 290 564	22 505 102
Unsegmental	**(1 028 268)**	(1 556 748)	2 627 780	(7 034 240)	(3 183 628)
Profit after tax	**224 192 146**	200 342 323	162 965 395	103 777 230	90 917 042
Headline earnings	**222 755 137**	193 282 184	155 415 642	109 877 993	86 060 667
Net operating assets	**986 454 557**	965 890 629	920 052 566	757 665 817	627 367 732
Total assets	**1 647 705 542**	1 567 670 749	1 479 417 249	1 201 263 446	1 000 377 433
Total equity	**1 025 085 972**	949 437 228	837 963 474	761 852 233	671 906 281
Total liabilities	**622 619 570**	618 233 521	641 453 775	439 411 213	328 471 152
Net cash from operating activities	**320 339 322**	261 645 632	243 859 722	169 763 603	146 343 295
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	**(1 918 751)**	(505 829)	(1 048 676)	(204 242)	(6 145 174)
Net number of ordinary shares in issue	**141 343 661**	142 756 583	142 213 736	143 058 170	137 117 238
Weighted number of ordinary shares in issue	**142 239 928**	142 524 228	142 620 285	142 867 266	137 371 771
Profitability ratios					
Contribution from operations margin					
Mining & Aggregates/Minerals	**19,99%**	15,49%	14,50%	13,88%	15,01%
Concrete Based Products	**7,30%**	9,55%	5,48%	7,59%	7,31%
Overall contribution	**16,33%**	13,70%	12,01%	11,40%	12,47%
Operating profit margin					
Mining & Aggregates/Minerals	**19,90%**	15,93%	14,61%	13,89%	15,73%
Concrete Based Products	**7,30%**	9,55%	5,48%	7,59%	7,72%
Overall operating profit margin	**16,27%**	14,01%	12,08%	11,05%	13,06%

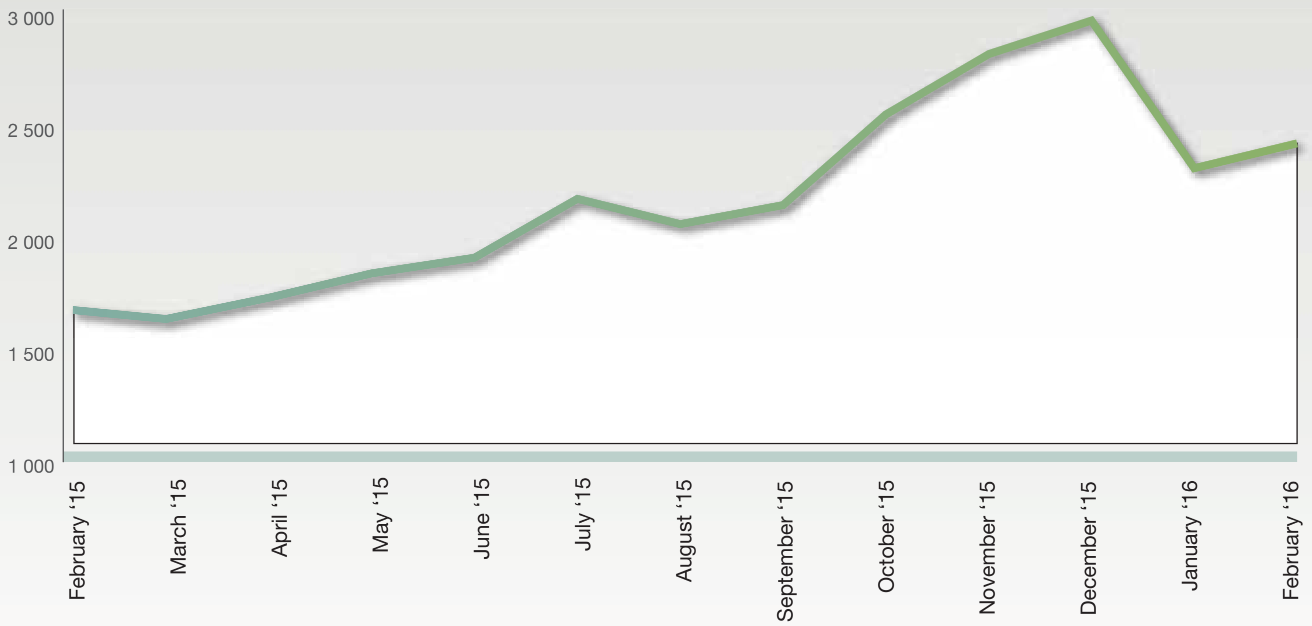
	2016 R	2015 R	2014 R	2013 R	2012 R
Earnings per ordinary share (cents)	**156,2**	139,0	108,3	72,1	65,7
Headline earnings per share (cents)	**156,6**	135,6	109,0	76,9	62,6
Dividends declared (cents)					
Interim	**16,0**	13,0	11,0	8,0	6,0
Final	**41,0**	37,0	28,0	20,0	13,0
Total	**57,0**	50,0	39,0	28,0	19,0
PBIT return on net operating assets/liabilities	**32,48%**	28,99%	24,97%	19,51%	20,74%
Headline earnings on equity	**21,73%**	20,36%	18,55%	14,42%	12,81%
Utilisation of assets ratios					
Revenue:fixed assets ratio	**2,58**	2,75	2,86	2,66	2,32
Revenue:net operating assets ratio	**1,46**	2,07	2,07	1,78	1,57
Net asset value per share (cents)	**720**	656	579	530	487
Tangible net asset value per share (cents)	**615**	549	470	422	404
Capital expenditures					
Mining & Aggregates/Minerals	**105 879 798**	136 144 245	99 039 001	58 930 237	56 284 530
Concrete Based Products	**23 411 412**	19 137 881	20 376 026	22 150 386	14 174 863
Unallocated	**1 973 172**	7 185 401	1 910 943	1 853 830	1 472 850
	131 264 382	162 467 527	121 325 970	82 934 453	71 932 243
Liquidity and solvency ratios					
Current assets:current liabilities	**1,42**	1,29	1,30	1,59	2,04
Debt/overdraft less cash:equity	**3,47%**	10,23%	15,53%	4,67%	(4,88%)
Total liabilities:equity	**60,74%**	65,12%	76,55%	57,68%	48,89%
Dividend cover (based on headline earnings)	**2,73**	2,80	2,78	2,74	3,16
Interest cover	**27,13**	21,31	14,58	18,38	28,28
Productivity, efficiencies and consumption					
Number of employees at year end	**2 257**	2 220	2 381	2 085	1 605
Revenue per weighted number of employees	**872 745**	900 270	798 483	641 527	620 646
Depreciation	**79 585 218**	74 047 649	93 920 432	55 449 750	45 735 363
Amortisation of intangible assets	**2 295 774**	2 561 737	2 981 408	2 437 457	659 556
	81 880 992	76 609 386	96 901 840	57 887 207	46 394 919
Electricity usage (rand)	**60 935 519**	53 372 605	50 663 400	27 902 754	21 089 140
Fuel usage (rand)	**112 678 866**	143 404 816	151 221 113	110 327 007	90 086 588
– Average fuel price (Western Cape) (rand/litre)	**11,76**	12,45	12,29	10,82	9,57
Cement usage (rand)	**133 700 302**	153 242 573	190 358 999	174 147 017	93 329 816
Disabling injuries frequency rate	**0,77**	1,03	1,44	2,15	2,86

Share performance

at year end

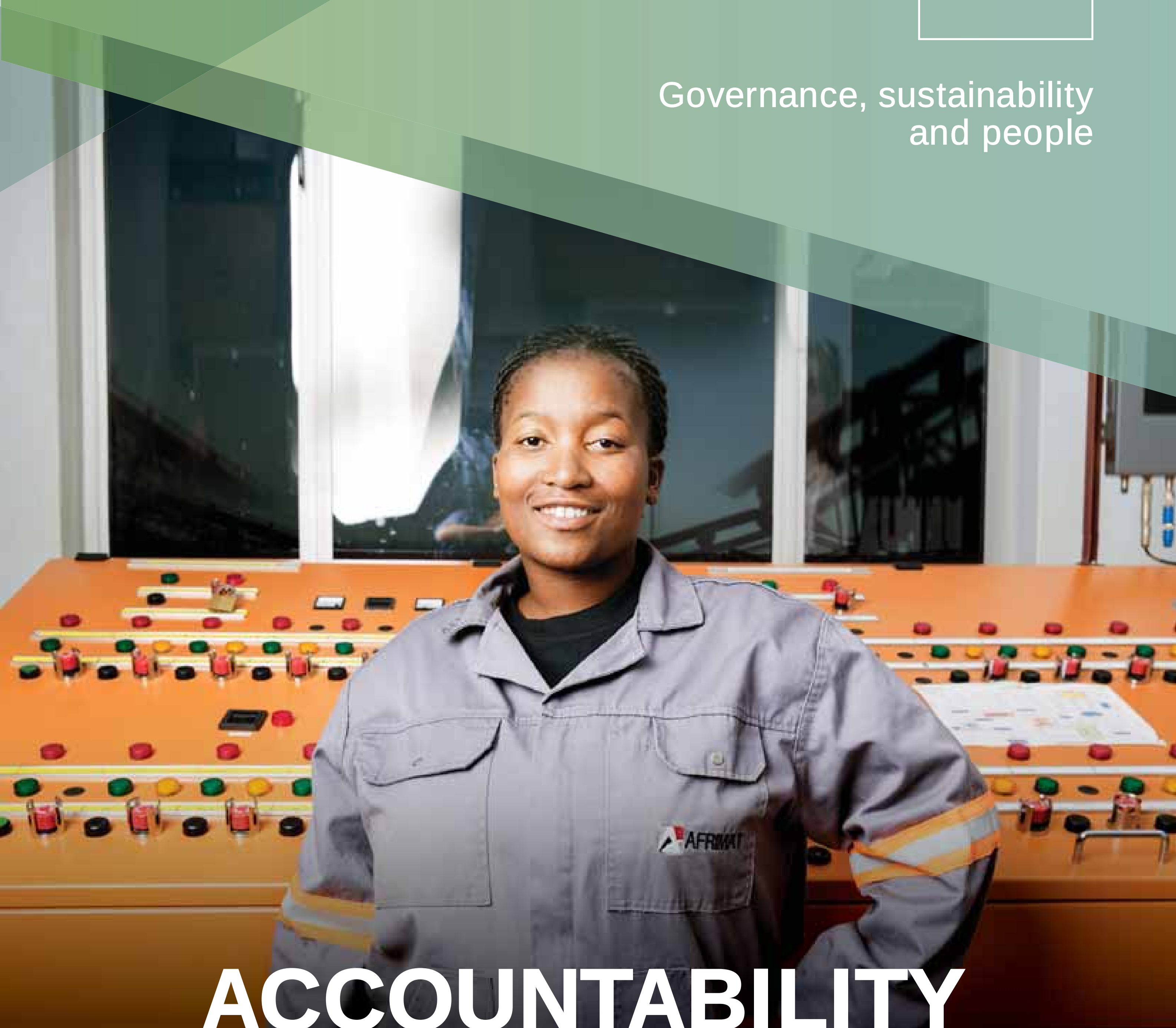
	2016	2015	2014	2013	2012
Number of ordinary shares in issue	**143 262 412**	143 262 412	143 262 412	143 262 412	143 262 412
Less: Number of treasury shares	**1 918 751**	505 829	1 048 676	204 242	6 145 174
Net number of ordinary shares in issue	**141 343 661**	142 756 583	142 213 736	143 058 170	137 117 238
Weighted number of ordinary shares in issue	**142 239 928**	142 524 228	142 620 285	142 867 266	137 371 771
Headline earnings per share (cents)	**156,6**	135,6	109,0	76,9	62,6
Price:earnings ratio	**15,3**	12,2	11,8	11,0	9,2
Market price per share at date of listing (7 November 2006 – issue price 500 cents)					
Market price per share at year-end (cents)	**2401**	1655	1289	844	575
Market capitalisation based on issued shares (rand)	**3 439 730 512**	2 370 992 919	1 846 652 491	1 209 134 757	823 758 869
Market capitalisation based on issued shares less treasury shares (rand)	**3 393 661 301**	2 362 621 449	1 833 135 057	1 207 410 955	788 424 119

Share price (cents)



04

Governance, sustainability and 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.

Mandisa Norubela | Kliprug

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-application	Explanation of non-application
All members of the Audit & Risk Committee should be independent non-executive directors – presently only 80% are independent.	The current size and composition of the board is considered appropriate for the size of the company. In addition, the non-executive directors have demonstrated the ability to act independently.
The Chairman of the board should not be the Chairman of or member of the Audit & Risk Committee – Chairman of the board is presently a member.	A JSE governance guidance letter allows the board Chairman to be a member of the Audit & Risk Committee. In line with this and to address the shortage of independent non-executive directors, the Chairman of the board is a member of the Audit & Risk Committee. Hendrik JE van Wyk is the Chairman of the committee. As per JSE guidance letter dated 30 September 2014, if the company's independent non-executive board Chairman is a member of the Audit & Risk Committee, all other members of the Audit & Risk Committee must be independent non-executive directors. See above for further explanation to this exception.
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, FD and company secretary drive compliance, supported by the relevant reporting and functional lines.
Non-executive fees should comprise a base fee as well as an attendance fee per meeting.	The remuneration of non-executive directors are paid monthly. The non-executive directors are therefore not paid board attendance fees, as historically, 100% attendance of meetings is evident.

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

Our board

See our governance structure on page 19.

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.)

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

Directors appointed by the board between annual general meetings, to fill a casual vacancy, hold office only until the next annual general meeting and are eligible for election. They are not included in the number of directors who retire by rotation. Hendrik P Verreynne retired as an executive director on 1 March 2016. Pieter GS de Wit was appointed in his stead on the same date, and will therefore stand for re-election at the annual general meeting to be held on Friday, 5 August 2016. To improve the effectiveness of the directors and to understand the company's business, the Afrimat directors scheduled key company site visits during the year. These included visits to the KwaZulu-Natal and Lyttelton operations. These visits are vital in order to provide context to any board deliberations.

Board composition

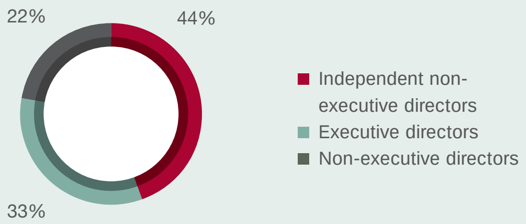
Afrimat has a unitary board of nine members, with a balance of skills and experience. The board consists of a majority of non-executive directors, of whom the majority are independent.

A brief *curriculum vitae* in respect of the board members appear on pages 20 and 21 of the integrated report.

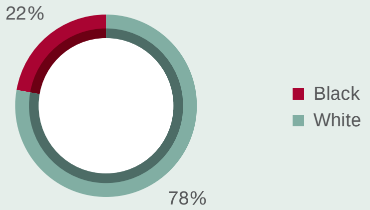
In identifying and considering potential candidates, the Remuneration & Nominations Committee and board will, amongst skills, experience, race and age diversity, suitability and the specific requirement to be addressed, take gender diversity into consideration to ensure that the company's policy on employment equity, particularly gender diversity, is aligned with that of the 2013 Codes of Good Practice of the Broad-Based Black Economic Empowerment Act 53 of 2003, as amended, namely:

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

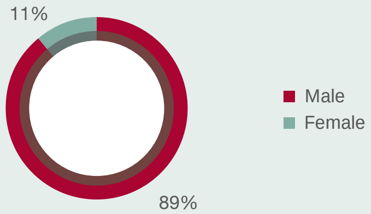
Mix of directors



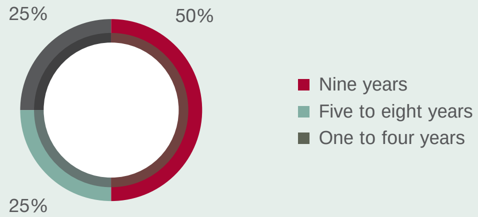
Diversity



Gender



Independent non-executive directors: Length of service



Independence

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

The classification of independent non-executive directors is determined by the board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King III. King III suggests that any independent non-executive director serving more than nine years should be subjected to a rigorous review of his independence and performance by the board. The guidance summarises that an independent director should be independent in character and judgement. Independence is the absence of undue influence and bias which can be affected by the intensity of the relationship between the director and the company rather than any particular fact such as length of service or age. It is for this reason that King III requires the board to do an independence assessment. It is the board's responsibility as a whole to decide on the independence of the respective independent non-executive directors serving more than nine years.

A rigorous review of independence was performed on Marthinus W von Wielligh and Hendrik JE van Wyk due to them serving as independent non-executive directors for more than nine years. The board, by following the "look through" principle, concluded that in each circumstance the independent non-executive director's independence of character and judgement was not impaired by the length of service.

Succession

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

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. Board members receive packs for each committee meeting held. 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 42, 44 and 51.)

Corporate governance *(continued)*

Board and board committee meetings

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

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

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

The group's memorandum of incorporation provides for one-third of the non-executive directors to retire by rotation after a three-year term of office. Accordingly, Phuti RE Tsukudu and Marthinus W von Wielligh will retire at the upcoming annual general meeting and being eligible, will stand for re-election. Pieter GS de Wit was appointed to the board during the year and 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. The company adheres to closed periods in compliance with legislation, during which time directors, officers and designated persons are precluded from dealing in company securities.

Independent advice

Access to the advice and services of the company secretary and to company records, information, documents and property is unrestricted. Non-executive directors also have unfettered access to the external auditors and to management at all times. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the group.

Company secretary

The board of directors is assisted by a competent, suitably qualified and experienced company secretary. The board, through the Remuneration & Nominations Committee, assesses this on an annual basis. The company secretary is Mariëtte Swart, a chartered accountant. On completing her CSSA International Qualifying Board Examination, Mariëtte has been admitted as an Associate Member of the Chartered Secretaries of Southern Africa ('ACIS').

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

Risk management

Risk management and assurance

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

Combined assurance model

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

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

The CEO and 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.

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 15.)

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

External audit

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

Internal audit

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

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

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

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

Internal control framework

The board is responsible for the group's systems of internal control and risk management (as above). The Audit & Risk Committee, 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 system of internal control is primarily designed to safeguard and maintain accountability of the group's assets. Further, these systems should identify and curtail significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

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

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

Legal compliance

Compliance is driven by the CEO, FD, company secretary and senior management, supported by the internal audit function. The group has a legal compliance checklist in place which includes the Mining Charter. Further, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

EXCO and senior management make an annual declaration that all laws have been complied with, based on there being no material reported instances of non-compliance. The effectiveness of the compliance framework is continuously monitored at board level.

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 **0,77** from **1,03** at the end of the previous year.*

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

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

The group SHEQ manager, 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.

Identified risks are mitigated through the following processes:

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

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

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

- Injury On Duty Report – lost-time injuries, used to report on the DIFR;
- Near misses and property damage report; and
- First aid and medical cases report.

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

During the year Afrimat achieved a DIFR of 0,77 (2015: 1,03), reflecting a decrease in the number of reportable injuries for a third consecutive year in a row from 1,44 in 2014, 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.

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

Health & Safety training

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

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

Our employees' well-being

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

The following medicals are conducted:

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

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

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

Environmental responsibility

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

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

Environmental training

Training was identified as the first step in improving the mitigation of the risks identified 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 requirements to deliver optimum production leading to the establishment of a standard energy consumption rate per machine;
- Ongoing monitoring of power factor corrector capacitors to ensure a decreasing trend in electricity usage;
- Sequential start-up of electrical motors at each start-up procedure;
- Shifting production times to fall in non-peak consumption periods for electricity; and
- Used oil and scrap steel to be sold to accredited companies for recycling purposes.

The group undertook formal carbon footprint assessments in the current financial year. The initial assessments was conducted internally.

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

Mining right compliance

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

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

- Mine Works Programme
- Social and labour plan
- Environmental Authorisation
- Mining Charter

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

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

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

Human capital

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

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

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

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

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

We have identified industrial action as a high risk (see principal risks on page 15). 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 11). The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. These include:

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

Skills development

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

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

Training and skills development is divided in three main categories namely:

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

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

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

FY2016 review

- *R25,4 million (2015: R19,9 million) committed to skills development, bursaries, training, learnerships and internships for the year*
- *69,9% of this expenditure was in respect of black employees*

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

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

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.

Skills initiatives

Initiative	Detail	Target participants
Talent management programme	Targeted at the group's top employees. The programme is aimed at managing their performance and retention through recognition, reward and motivation, and in so doing developing young talent for good succession planning. We ensure that these employees remain abreast of new technology and are equipped with appropriate leadership skills for future promotion.	The group's top 102 employees are identified through a prescribed evaluation process.
Afrimat technical development programme	A three-year in-house programme, custom-designed for Afrimat's employees as part of its strategy to create a sustainable team for the future. The programme focus is on technical and leadership development. Fifteen employees are currently participating.	Production managers, quarry foremen, concrete products production managers and foremen on readymix and concrete products plants.
Afrimat graduate development programme	A two-year programme where Afrimat, in partnership with the Mining Qualification Authority ('MQA'), the mining sector SETA, hosts external qualified engineering technicians and graduates as interns. The interns follow a structured programme that exposes the interns to all the disciplines and business units of the group and with specific focus on their respective fields of expertise. During the year 12 internships were in place. In the event that a suitable vacancy is available in the group then these interns are considered for placement.	Engineering technicians and graduates in the field of mining, mechanical engineering, geology, civil and environmental management.
Afrimat internships	Afrimat also provides workplace experience for non-MQA candidates who have completed their studies. During the year, four internships were undertaken.	External persons who have completed their studies in the field of finance, human resources, safety and health and compliance.
Afrimat learnerships	The Afrimat Learnership Programme focuses on the recruitment of learners to be trained and developed as qualified artisans and for other technical occupations in the group. During the year 48 artisan learnerships and nine other learnerships were in place. During the year six learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. These qualified learnership employees are considered for placement, in the event that a suitable vacancy is available in the group.	Employees and external persons with the required aptitude.
Afrimat study assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 49 employees were assisted of which 32 were black employees.	Employees who will benefit by improving their qualifications.
Leadership development for junior employees	Afrimat implemented internal leadership development workshops for junior talent in the group. During the year 32 employees participated in these training programmes.	Afrimat graduate development programme, Afrimat technical development programme and junior talent in operations.
Adult education training	Numeric and communications skills improvement programmes for selected employees. During the year 193 employees participated in these programmes.	Assessed and selected employees with education levels lower than Grade 9.
Statutory training	Compulsory and legislative training as prescribed by the industry and includes training such as firefighting, first aid, health and safety and operator licences. During the year 1 082 employees received statutory training.	Responsible employee representatives and or employees per operation.
Core business skills	Training interventions required for all employees to function effectively in their current positions. The group had 855 training interventions related to core skills.	All employees.

Remuneration

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

The committee is an independent and objective body which monitors and strengthens the credibility of the group's executive remuneration system. It ensures that executive remuneration is linked, in part, to individual performance, the group's performance and market conditions and benchmarks. The committee considers and makes recommendations to the board on remuneration packages and policies in this regard. It is therefore authorised by the board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the group.

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

Prescribed officers are defined as those who exercise general executive control over and management of the whole or significant portion of the business and activities of the group, or who regularly participate to a material degree in such exercise of general executive control and management. The prescribed officers have been assessed as the executive directors of the company. Their remuneration is disclosed in the integrated annual report on page 107.

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. Shareholders thereby express their view on the company's remuneration policy and its implementation. As a vote of confidence, the non-binding advisory note was passed by the shareholders at the 2015 annual general meeting.

The CEO attends Remuneration & Nominations Committee meetings by invitation to assist with deliberations, except with discussions on his own remuneration.

Remuneration policy

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

The group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme. The remuneration packages are structured on a 'cost to company' basis and include contributions to healthcare and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living and market-related changes. Performance incentives are calculated in terms of defined profit targets and key performance indicators ('KPIs'), including risk management efficacy. Details of the share appreciation rights scheme for executive directors and senior management are disclosed on page 92 of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

Pay mix

Remuneration packages of executives consists of a combination of:

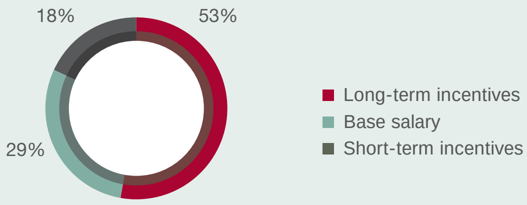
- **Annual compensation**
  - Base salary;
  - Pension and medical payments;
  - Other perks including travel allowances; and
  - Short-term incentive bonus tied to the annual performance of the company.
- **Long-term compensation**
  - Share appreciation rights.

The company ensures that the salaries of executives constitute a mix of fixed and variable elements as well as short term and long term compensation. Base salary of executives are benchmarked against Deloitte's annual industry remuneration paper and the research of external consultants, Compensation Technologies, who are employed particularly for this purpose to ensure independence and integrity of information. The industry remuneration paper reflects the median levels based on the role and individual skills and experience of key individuals. The F2016 benching study revealed that the CEO's base salary was below the median as described, resulting in a more than market-related increase percentage being presented to the board for approval.

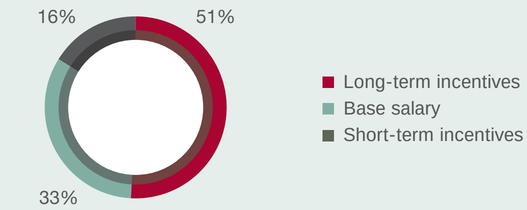
Share appreciation rights are issued to executives to align the interest of executives with those of the shareholders. The award of options to key management is recommended by the Remuneration & Nominations Committee and approved by the board. Refer to note 17 of the annual financial statements for further information. Share appreciation rights are not issued to non-executive directors as to not adversely affect the independence and objectivity of such directors.

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

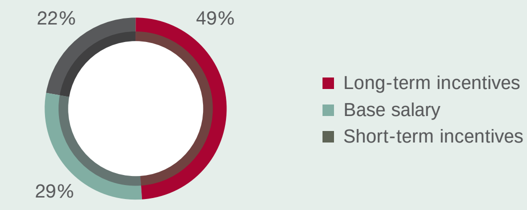
CEO



FD*



Head of Operational Efficiency



* *For the purposes of consistency the* ex gratia *payment of R3 400 000 accrued to the FD has been excluded above. The bonus paid to the FD during the year under review has been included in the above split for comparative purposes.*

Employment contracts

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

Gert J Coffee's contract is for a one-year period, which started on 1 January 2016. No compensation will apply to termination.

Andries J van Heerden, the CEO, has an indefinite employment contract. An amendment was made to Andries's employment contract stating that his restraint of trade shall cease to exist in the event that the company implements any hostile transaction not supported by the board.

The company had an indefinite employment contract with Hendrik P Verreynne, the FD, who retired on 1 March 2016. All vested and unvested share appreciation rights granted are deemed vested and settled in accordance with the rules of the scheme at retirement date.

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

Non-executive directors' remuneration

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

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

Type of fee	**Proposed annual fee 2016/17 R**	Existing annual fee 2015/16 R
Board		
Chairman	**570 000**	535 000
Member	**200 000**	180 000
Audit & Risk Committee		
Chairman	**120 000**	98 500
Member	**66 000**	62 000
Remuneration & Nominations Committee		
Chairman – Remuneration	**46 900**	44 000
Chairman – Nominations	**46 900**	44 000
Member	**36 800**	34 500
Social, Ethics & Sustainability Committee		
Chairman	**57 000**	53 500
Member	**36 800**	34 500

The company accrued for an *ex gratia* amount of R3 400 000 to Hendrik P Verreynne as consideration for a restraint of trade agreement entered into between the company and himself.

On advice of the Remuneration & Nominations Committee, the board recommends the increase for all non-executive director fees for approval by shareholders at the next annual general meeting. Only once the shareholder resolution has been passed, will the proposed fees be paid.

Service contracts: Non-executive directors

A daily rate of R15 000 for non-executive directors is paid for extraordinary duties.

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

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

Social, ethics and sustainability

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

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

Key indicators monitored by the committee include:

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

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

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

The committee draws these matters to the attention of the board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the committee are reported on pages 40 and 45.

Management reports to the committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities. Mechanisms to encourage ethical behaviour such as the Code of Conduct, corporate citizenship policy and whistle blower's hotline, were confirmed as adequate by the committee in the year.

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

Transformation

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

Ownership

Our main BEE partners are our Afrimat BEE Trust, Mega Oils Proprietary Limited, Tando Mbikwana, Joe Kalo Investments Proprietary Limited and Joe Kalo – all 100% black-owned organisations. Black ownership in the group totals 26,14% in line with Mining Charter requirements.

- Afrimat BEE Trust: 23,00%
- Mega Oils (Pty) Limited 2,32%
- Tando Mbikwana 0,50%
- Joe Kalo Investment (Pty) Limited 0,19%
- Joe Kalo 0,13%

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

Subsidiary name	**2016 B-BBEE rating level**	2015 B-BBEE rating level
Ikapa Quarries Proprietary Limited	**3**	3
Afrimat Readymix (Cape) Proprietary Limited	**5**	4
Afrimat Aggregates (KZN) Proprietary Limited	**4**	4
Afrimat Aggregates (Operations) Proprietary Limited	**4**	4
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**6**	4
Afrimat Contracting International Proprietary Limited	**4**	4
Afrimat Concrete Products Proprietary Limited	**4**	4
Infrasors Holdings Limited	**3**	3
Glen Douglas Dolomite Proprietary Limited	**3**	3

Management control

Our board includes two black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective boards of directors. To enhance and accelerate development of management skill, suitable candidates are identified to undergo management development training and black candidates are prioritised wherever viable (see Afrimat's management development programme on page 41).

Employment equity

A total of 81,3% (2015: 80,6%) of the group's 2 257 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 42.)

Transformation *(continued)*

Employment equity reports

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

Each business has registered its report on BEE employment status at the Department of Labour by 15 January 2016.

Summary of reports:

	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	**Total**
Afrimat Limited	–	–	–	1	–	–	–	1	–	–	**2**
Afrimat Management Services	2	1	–	20	3	4	–	10	–	–	**40**
Afrimat Shared Services	–	–	–	16	–	1	–	4	–	–	**21**
Afrimat Aggregates Operations	105	117	1	53	7	23	1	13	–	–	**320**
Afrimat Aggregates Eastern Cape	25	10	–	10	3	2	–	5	–	–	**55**
Afrimat Readymix Cape	26	26	–	8	1	3	–	5	2	–	**71**
Afrimat Contracting International	101	14	–	39	11	2	–	6	–	–	**173**
Afrimat Aggregates (KZN)	190	3	2	59	38	1	2	17	–	–	**312**
Afrimat Concrete Products (KZN)	483	1	–	30	38	1	1	16	–	–	**570**
AFT Aggregates	49	–	–	7	5	–	–	2	–	–	**63**
Boublok	30	8	–	3	1	–	–	2	–	–	**44**
Clinker Supplies	67	–	–	4	1	–	–	–	–	–	**72**
Delf Sand	25	–	–	6	5	–	–	1	–	–	**37**
Glen Douglas Dolomite	121	–	–	38	20	–	–	13	–	–	**192**
Lyttelton Dolomite	97	1	1	13	9	–	–	9	2	–	**132**
SA Block	133	1	–	17	152	–	1	10	–	–	**314**

The Employment Equity reports have a different cut off period than the year under review and include employees that have already left the employment of Afrimat at the end of the reporting period.

Skills development and training

(See human capital on page 40.)

Preferential procurement

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

The group intensified its focus on BEE procurement during the year. Four supplier open days were held to increase the awareness of B-BBEE amongst existing suppliers and to create an opportunity for new BEE suppliers to meet with the group's procurement management. The group will continue its focus on supplier development in the new year.

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:

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

These enterprises are further assisted by settling monthly purchases earlier than the normal payment terms applicable to suppliers and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. Converting these enterprises into full fledge suppliers will receive attention in the new year.

Socio-economic development

Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. We negotiate with specific beneficiaries and their leaders to address the needs in the specific community through the local economic fora. The group targets 1,0% of PAT for contribution to these beneficiaries. Beneficiaries include schools, community upliftment organisations, health and HIV/AIDS programmes. The programmes include infrastructure creation and enhancement. At schools, educational support is undertaken with expenditures on handbooks, libraries, computers and recreational facilities. CSI expenditures during FY2016 amounted to R5,3 million (2015: R6,9 million).

Afrimat had an outstanding year, completing the most number of local economic development project commitments as per the Social Labour Plans in a single year. Below is a detailed breakdown of projects completed during the year.

Area	Type of project	Project description	Beneficiaries
Worcester	School support programme	Subsidising maths teacher's salary and providing maths awards to students at Vusisiswe High School	Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School
Worcester	Community training/ unemployment	Code 14 driver's licence community project	Historically Disadvantaged Individual ('HDI') youth of Worcester
Bredasdorp	Uplifting/mentoring/ feeding	Upgrade of community centre – safe house project	Elderly people of Bredasdorp
Fisantekraal	Education/early child development	Early childhood development centre	Pre-school children of Fisantekraal
Vredenburg	Small business empowerment	BEE hives Centre	Entrepreneurs
Bronkhorstspruit	Community uplifting and security	Installation of high mast lights in the village	Community
Lephalale	Community uplifting and security	Installation of high mast lights in the Morapong village	Community
Cookhouse	School support	Contribution towards Touch Tutor Maths and Science Desktop project	Students
Daleside	Community skills programme	Community articulated dump truck skills programme	HDI youth of Daleside
Harrismith and Qwaqwa	School support	Mini chess programme	Grade R, 1, 2 and 3 learners at Majweng Primary, Mabate Intermediate School and Tswaraganang Primary

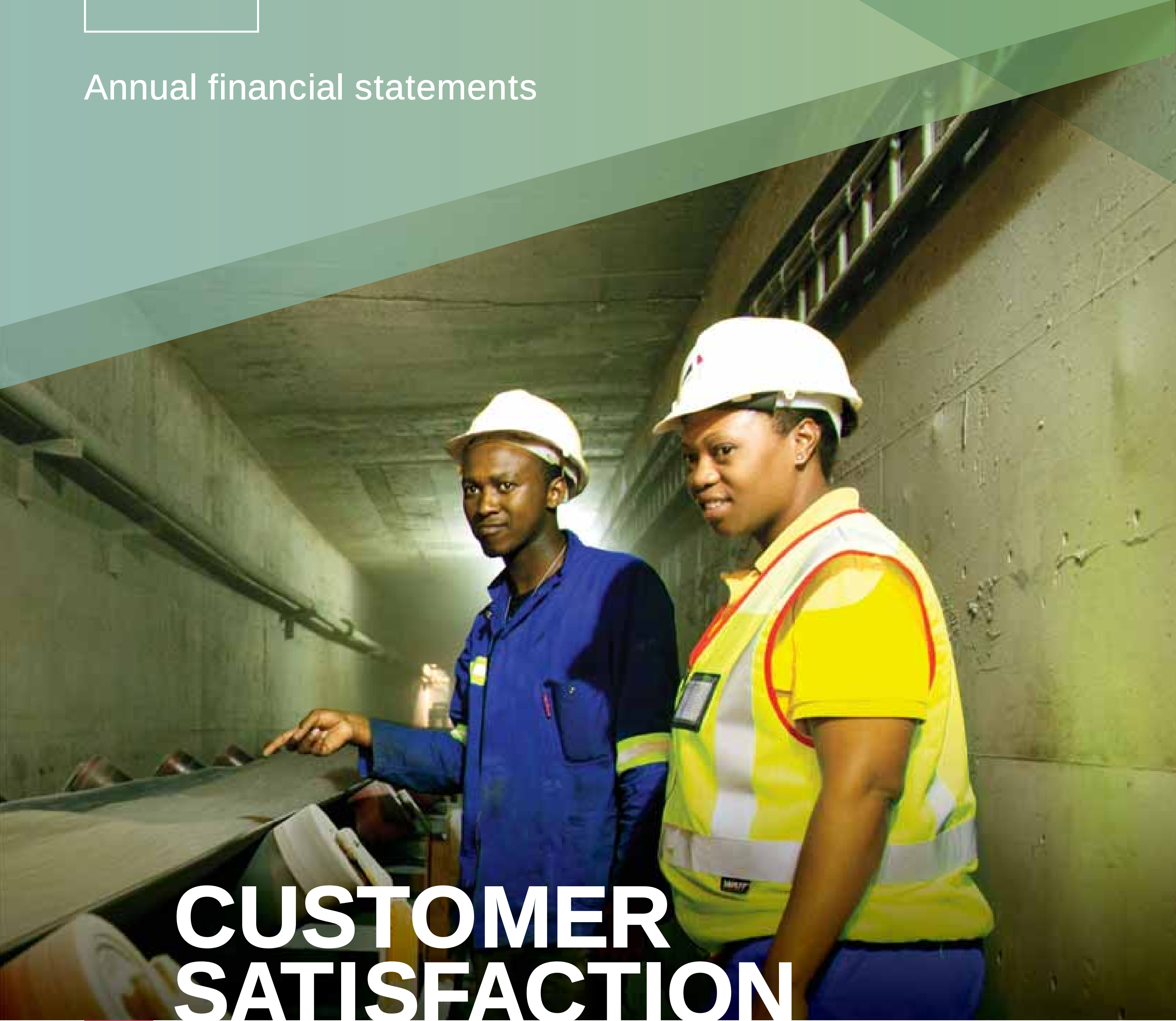

Mini chess programme
Harrismith and Qwaqwa


High mast light projects
Lephalale and Bronkhorstspruit


BEE hives Project
Vredenburg

05

Annual financial statements



CUSTOMER SATISFACTION

Meeting or surpassing customer expectation

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

Publication date 24 June 2016

Elvis Masondo and Maleshoane Hlahane | Glen Douglas

Directors' responsibility statement

The annual financial statements set out on pages 55 to 118 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

The Audit & Risk Committee has confirmed that effective systems of internal control and risk management are being maintained. There were no breakdowns of the internal financial control systems during the year under review, which had a material impact on the annual financial statements.

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

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

Pieter GS de Wit
FD

Cape Town
24 June 2016

Declaration by the company secretary

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 29 February 2016 and that all such returns and notices are true, correct and up to date.

Mariëtte Swart
Company Secretary

Cape Town
24 June 2016

Audit & Risk Committee report

The Audit & Risk Committee is pleased to present its report for the financial year ended 29 February 2016 to the shareholders of Afrimat Limited.

Composition

The committee is chaired by independent non-executive director Hendrik JE van Wyk and further comprises independent non-executive board Chairman Marthinus W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Phuti RE Tsukudu and Jacobus F van der Merwe. The board of directors is satisfied that these directors act independently for the purposes of the committee. A brief *curriculum vitae* of the committee members appear on pages 20 and 21 of the integrated annual report.

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

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation process.

Attendance

The committee met four times during the year and attendance is set out in the table on page 36. The committee assists the board in fulfilling its review and control responsibilities.

The committee has established an annual meeting plan agenda. The chairman of the committee reports to the board after each committee meeting and also attends the annual general meeting of shareholders to answer any questions that may arise concerning the activities of the committee.

The CEO, FD, CAE and representatives of the external auditors attend committee meetings by invitation.

Role and responsibilities

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

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

Charter

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

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

Review of interim and integrated annual reports

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

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

Audit procedures and internal controls

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

- reviewed the internal control framework and procedures including accounting policies, legislative compliance, regulatory matters and governance;
- considered and dealt with any concerns or complaints;
- approved the internal audit plan;
- considered and reviewed the internal audit charter for approval by the board;
- 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.

Audit & Risk Committee report *(continued)*

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

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

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

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

Risk management

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

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

- six-monthly reviews of the risk register with findings reported to the board;
- confirmation that the risk policy is widely distributed throughout the group (and management provided assurance that risk management is integrated into the daily activities of the group); and
- ensured that the combined assurance model was appropriate to address all the significant risks facing the group.

External auditor

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

- the appointment of the external auditor for approval by shareholders at the annual general meeting;
- the external audit plan; and
- the remuneration of the external auditor for approval to the board (note 24 on page 99).

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

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

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

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

The committee has nominated, for approval at the annual general meeting, Mazars as the external auditor for the 2016 financial year. The committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors.

Finance function

As per the JSE Listings Requirements, the committee considered and is satisfied with the appropriateness of the expertise and experience of Pieter GS de Wit as 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.

Election of committee members

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

- Mr Loyiso Dotwana
- Mrs Phuti RE Tsukudu
- Mr Jacobus F van der Merwe
- Mr Hendrik JE van Wyk
- Mr Marthinus W von Wielligh

Statutory duties

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

Hendrik JE van Wyk
Audit & Risk Committee Chairman

24 June 2016

Independent auditor's report

for the year ended 29 February 2016

To the shareholders of Afrimat Limited

Report on the annual financial statements

We have audited the consolidated and separate annual financial statements of Afrimat Limited set out on pages 58 to 118, which comprise the statements of financial position as at 29 February 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of 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 consolidated annual financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 annual 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 annual financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited as at 29 February 2016, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate annual financial statements for the year ended 29 February 2016, we have read the directors' report, the Audit & Risk Committee report, the company secretary's certificate and the Social & Ethics Committee report for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate annual financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate annual financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that Mazars has been the auditor of Afrimat Limited for 10 years.

Mazars

Mazars
Registered Auditor
Partner: Duncan Dollman

Cape Town
24 June 2016

Directors' report

for the year ended 29 February 2016

The directors of Afrimat present their report for the group for the year ended 29 February 2016.

Nature of business

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

Financial results

The annual financial statements and accompanying notes presented on pages 58 to 118 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 15,2%, translating into headline earnings per share of 156,6 cents (2015: 135,6 cents).

Operational review

The operations are reviewed in detail in the CEO's report and operational reviews (pages 26 to 29), which form part of this integrated annual report.

Accounting policies

Detailed accounting policies are set out on pages 64 to 74 of the annual financial statements.

Dividend

A final dividend of 41,0 cents per share (2015: 37,0 cents per share), 34,85 cents a share for shareholders who are subject to dividend tax (2015: 31,45 cents a share for shareholders who are subject to dividend tax) was declared for the year on 18 May 2016. 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 57,0 cents per share (2015: 50,0 cents per share).

Taxation

The latest tax assessment of the company relates to the year ended 28 February 2015. All tax submissions up to and including February 2015 have been submitted. Tax returns for 29 February 2016 will be submitted during the next financial year.

Stated capital

The total authorised ordinary stated capital at year-end consisted of 1 000 000 000 (2015: 1 000 000 000) no par value ordinary shares of which 143 262 412 (2015: 143 262 412) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

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

Mr Gert J Coffee	(executive director)
Mr Loyiso Dotwana	(non-executive director)
Mr Francois du Toit	(non-executive director)
Mrs Phuti RE Tsukudu	(independent non-executive director)
Mr Andries J van Heerden	(CEO)
Mr Hendrik (Hennie) JE van Wyk	(independent non-executive director)
Mr Jacobus (Derick) F van der Merwe	(independent non-executive director)
Mr Pieter GS de Wit	(FD)
Mr Marthinus (Matie) W von Wielligh	(independent non-executive Chairman)

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

Mr Hendrik P Verreynne retired as an executive director on 1 March 2016. Mr Pieter GS de Wit was appointed, in his stead, to the board on 1 March 2016 and his appointment must be ratified at the upcoming general meeting.

Directors' and officers' interests in contracts

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

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 37 to the annual financial statements.

Shareholder analysis

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3,0% of the ordinary shares of the company at 29 February 2016, is set out on page 119.

Directors' report *(continued)*

for the year ended 29 February 2016

Directors' shareholding at 29 February 2016

	Number of securities held				
Director	**Direct beneficial**	**Indirect beneficial**	**Through associates**	**Total**	**% held**
2016					
Gert J Coffee	**616 127**	**–**	**–**	**616 127**	**0,43**
Loyiso Dotwana	**–**	**3 314 529**	**–**	**3 314 529**	**2,31**
Francois du Toit	**–**	**–**	**18 658 502**	**18 658 502**	**13,02**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**3 975 026**	**–**	**2 180 084**	**6 155 110**	**4,30**
Hendrik JE van Wyk	**–**	**–**	**112 000**	**112 000**	**0,08**
Jacobus F van der Merwe	**–**	**–**	**–**	**–**	**–**
Hendrik P Verreynne	**489 858**	**–**	**–**	**489 858**	**0,34**
Marthinus W von Wielligh	**400 000**	**60 000**	**–**	**460 000**	**0,33**
	5 481 011	**3 374 529**	**20 950 586**	**29 806 126**	**20,81**
2015					
Gert J Coffee	534 163	–	–	534 163	0,37
Loyiso Dotwana	–	3 964 529	–	3 964 529	2,77
Francois du Toit	–	–	18 658 502	18 658 502	13,02
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	3 975 026	–	1 991 568	5 966 594	4,16
Hendrik JE van Wyk	–	–	142 000	142 000	0,10
Jacobus F van der Merwe	–	–	–	–	–
Hendrik P Verreynne	394 778	–	–	394 778	0,28
Marthinus W von Wielligh	700 000	80 000	–	780 000	0,54
	5 603 967	4 044 529	20 792 070	30 440 566	21,24

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

Non-executive directors' participation in the BEE share scheme

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

	Number of shares	
Director	**Direct beneficial**	**Total**
2016		
Loyiso Dotwana	**1 000 000**	**1 000 000**
Phuti RE Tsukudu	**350 000**	**350 000**
	1 350 000	**1 350 000**
2015		
Loyiso Dotwana	1 000 000	1 000 000
Phuti RE Tsukudu	350 000	350 000
	1 350 000	1 350 000

Refer to note 9 for further disclosure on funding provided by Afrimat in relation to the Broad-Based BEE ownership initiative.

Internal control

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

Going concern

The directors have reviewed the group's cash flow forecast for the year to 28 February 2017 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Litigation statement

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

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 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.

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 5 August 2015), 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 29 February 2016; 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

Refer to note 38 for disclosure of events after reporting date.

Except for the matter disclosed in note 38, the directors are not aware of any other circumstance arising between the reporting date and the date of the integrated annual report.

Statements of financial position

at 29 February 2016

	Note	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
ASSETS					
Non-current assets					
Property, plant and equipment	2	**763 156 338**	724 856 231	**–**	–
Investment property	3	**3 040 000**	3 040 000	**–**	–
Intangible assets	4	**16 549 596**	18 845 370	**–**	–
Goodwill	5	**133 193 535**	134 493 535	**–**	–
Investments in subsidiaries	6	**–**	–	**636 909 447**	633 161 106
Investment in associate	7	**250 091**	379 711	**147**	147
Investment in joint venture	8	**–**	–	**8 310**	8 310
Other financial assets	9	**156 423 648**	158 228 452	**137 774 927**	141 323 982
Deferred tax	11	**20 754 708**	25 274 292	**4 433 654**	3 039 325
Total non-current assets		**1 093 367 916**	1 065 117 591	**779 126 485**	777 532 870
Current assets					
Inventories	12	**132 701 635**	126 803 723	**–**	–
Loans to subsidiaries	6	**–**	–	**101 397 856**	64 462 703
Current tax receivable		**7 968 401**	8 866 814	**–**	53 155
Trade and other receivables	13	**295 551 529**	287 976 110	**1 043 506**	1 155 030
Other financial assets	9	**875 014**	782 453	**–**	–
Cash and cash equivalents	14	**117 241 047**	78 124 058	**208 754**	198 233
Total current assets		**554 337 626**	502 553 158	**102 650 116**	65 869 121
Total assets		**1 647 705 542**	1 567 670 749	**881 776 601**	843 401 991
EQUITY AND LIABILITIES					
Equity					
Stated capital	15	**263 610 946**	295 327 963	**249 638 619**	283 260 947
Business combination adjustment	15	**(105 788 129)**	(105 788 129)	**–**	–
Treasury shares	16	**(40 181 262)**	(8 056 216)	**–**	–
Net issued stated capital		**117 641 555**	181 483 618	**249 638 619**	283 260 947
Other reserves	18	**8 619 376**	7 506 267	**1 690 577**	2 524 209
Retained earnings		**892 088 447**	748 009 854	**272 332 728**	290 664 315
Attributable to equity holders of the parent		**1 018 349 378**	936 999 739	**523 661 924**	576 449 471
Non-controlling interests	19	**6 736 594**	12 437 489	**–**	–
Total equity		**1 025 085 972**	949 437 228	**523 661 924**	576 449 471
Liabilities					
Non-current liabilities					
Borrowings	20	**47 320 522**	56 774 021	**–**	–
Provisions	21	**75 565 275**	67 323 209	**–**	–
Deferred tax	11	**108 387 338**	105 707 504	**–**	–
Total non-current liabilities		**231 273 135**	229 804 734	**–**	–
Current liabilities					
Loans from subsidiaries	6	**–**	–	**343 324 626**	253 404 963
Borrowings	20	**65 563 679**	65 646 103	**–**	8 449 511
Current tax payable		**2 606 770**	5 945 734	**–**	–
Trade and other payables	22	**277 831 538**	262 984 195	**3 439 552**	3 530 567
Obligation for share of joint venture's losses	8	**5 466 369**	979 100	**–**	–
Bank overdraft	14	**39 878 079**	52 873 655	**11 350 499**	1 567 479
Total current liabilities		**391 346 435**	388 428 787	**358 114 677**	266 952 520
Total liabilities		**622 619 570**	618 233 521	**358 114 677**	266 952 520
Total equity and liabilities		**1 647 705 542**	1 567 670 749	**881 776 601**	843 401 991

Statements of profit or loss and other comprehensive income

for the year ended 29 February 2016

		Group		Company	
	Note	**2016 R**	2015 R	**2016 R**	2015 R
Revenue	23	**1 969 785 674**	1 998 600 102	**13 331 186**	44 735 063
Cost of sales		**(1 349 583 578)**	(1 472 007 314)	**–**	–
Gross profit		**620 202 096**	526 592 788	**13 331 186**	44 735 063
Operating expenses		**(299 445 083)**	(252 360 044)	**(13 944 691)**	(45 245 836)
Profit/(loss) on disposal of plant and equipment		**930 919**	(483 929)	**–**	–
Contribution/(loss) from operations		**321 687 932**	273 748 815	**(613 505)**	(510 773)
Other income		**–**	–	**–**	35 655
Profit on disposal of businesses	28.6	**–**	7 853 090	**–**	–
Impairment of property, plant and equipment	2	**–**	(1 554 875)	**–**	–
Impairment of goodwill	5	**(1 300 000)**	–	**–**	–
Operating profit/(loss)	24	**320 387 932**	280 047 030	**(613 505)**	(475 118)
Investment revenue	25	**21 779 270**	16 603 705	**77 567 380**	69 986 880
Finance costs	26	**(22 625 437)**	(22 463 964)	**(23 803 265)**	(12 989 449)
Share of profit of associate	7	**67 360**	178 349	**–**	–
Share of losses of joint venture	8	**(4 487 269)**	(987 410)	**–**	–
Profit before tax		**315 121 856**	273 377 710	**53 150 610**	56 522 313
Income tax expense	27	**(90 929 710)**	(73 035 387)	**2 833 077**	981 027
Profit for the year		**224 192 146**	200 342 323	**55 983 687**	57 503 340
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**90 414**	212 777	**–**	–
Income tax effect		**(16 859)**	(57 564)	**–**	–
Currency translation differences		**91 148**	(561 272)	**–**	–
Income tax effect		**(6 934)**	179 608	**–**	–
Other comprehensive income for the year, net of tax		**157 769**	(226 451)	**–**	–
Total comprehensive income for the year		**224 349 915**	200 115 872	**55 983 687**	57 503 340
Profit attributable to:					
Owners of the parent		**222 127 980**	198 104 118	**55 983 687**	57 503 340
Non-controlling interests	19	**2 064 166**	2 238 205	**–**	–
		224 192 146	200 342 323	**55 983 687**	57 503 340
Total comprehensive income attributable to:					
Owners of the parent		**222 285 749**	197 877 667	**55 983 687**	57 503 340
Non-controlling interests	19	**2 064 166**	2 238 205	**–**	–
		224 349 915	200 115 872	**55 983 687**	57 503 340
Earnings per ordinary share (cents)	35	**156,2**	139,0	**–**	–
Diluted earnings per ordinary share (cents)	35	**153,8**	136,2	**–**	–

Statements of changes in equity

for the year ended 29 February 2016

	Stated capital R	Treasury shares R	Business combination adjustment R	Other reserves R	Retained earnings R	Non-controlling interests R	**Total equity R**
Group							
Balance at 1 March 2014	323 176 094	(10 691 947)	(105 788 129)	6 562 249	610 509 044	14 196 163	**837 963 474**
Total comprehensive income							
Profit for the year	–	–	–	–	198 104 118	2 238 205	**200 342 323**
Other comprehensive income for the year	–	–	–	(226 451)	–	–	**(226 451)**
Net change in fair value of available-for-sale financial assets	–	–	–	212 777	–	–	**212 777**
Income tax effect	–	–	–	(57 564)	–	–	**(57 564)**
Currency translation differences	–	–	–	(561 272)	–	–	**(561 272)**
Income tax effect	–	–	–	179 608	–	–	**179 608**
Total comprehensive income	–	–	–	(226 451)	198 104 118	2 238 205	**200 115 872**
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 18)	–	–	–	10 663 207	–	–	**10 663 207**
Purchase of treasury shares (refer note 16)	–	(14 508 591)	–	–	–	–	**(14 508 591)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 17 and 18)	(27 911 985)	13 289 232	–	(2 936 738)	2 936 738	–	**(14 622 753)**
Treasury shares issued to non-executive directors (refer note 16)	63 854	3 855 090	–	(6 556 000)	–	–	**(2 637 056)**
Equity-related cost on Infrasors treasury shares cancelled	–	–	–	–	(220 000)	–	**(220 000)**
Dividends paid (refer note 29)	–	–	–	–	(58 729 585)	–	**(58 729 585)**
Total contributions and distributions	(27 848 131)	2 635 731	–	1 170 469	(56 012 847)	–	**(80 054 778)**
Changes in ownership interests							
Additional non-controlling interest acquired due to:							
▸ Infrasors Holdings Limited (refer note 31)	–	–	–	–	(749 512)	(778 066)	**(1 527 578)**
▸ Afrimat Aggregates (Trading) Proprietary Limited (refer note 31)	–	–	–	–	(2 755 863)	(1 235 893)	**(3 991 756)**
▸ Delf Silica Coastal Proprietary Limited (refer note 31)	–		–	–	(1 051 872)	(1 770 899)	**(2 822 771)**
Increase in effective shareholding in Infrasors due to:							
▸ Increase in shares held in treasury by Infrasors (refer note 31)	–	–	–	–	(33 214)	(212 165)	**(245 379)**
Acquisition of non-controlling interest in:							
▸ Afrimat Mozambique Limitada	–	–	–	–	–	144	**144**
Total changes in ownership interests	–	–	–	–	(4 590 461)	(3 996 879)	**(8 587 340)**
Total transactions with owners of the parent	(27 848 131)	2 635 731	–	1 170 469	(60 603 308)	(3 996 879)	**(88 642 118)**
Balance at 28 February 2015	295 327 963	(8 056 216)	(105 788 129)	7 506 267	748 009 854	12 437 489	**949 437 228**

	Stated capital R	Treasury shares R	Business combination adjustment R	Other reserves R	Retained earnings R	Non-controlling interests R	**Total equity R**
Total comprehensive income							
Profit for the year	–	–	–	–	222 127 980	2 064 166	**224 192 146**
Other comprehensive income for the year	–	–	–	157 769	–	–	**157 769**
Net change in fair value of available-for-sale financial assets	–	–	–	90 414	–	–	**90 414**
Income tax effect	–	–	–	(16 859)	–	–	**(16 859)**
Currency translation differences	–	–	–	91 148	–	–	**91 148**
Income tax effect	–	–	–	(6 934)	–	–	**(6 934)**
Total comprehensive income	–	–	–	157 769	222 127 980	2 064 166	**224 349 915**
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 18)	–	–	–	4 676 353	–	–	**4 676 353**
Purchase of treasury shares (refer note 16)	–	(50 100 238)	–	–	–	–	**(50 100 238)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 17 and 18)	(31 717 017)	17 975 192	–	(3 721 013)	3 721 013	–	**(13 741 825)**
Dividends paid (refer note 29)	–	–	–	–	(75 541 346)	(600 000)	**(76 141 346)**
Total contributions and distributions	(31 717 017)	(32 125 046)	–	955 340	(71 820 333)	(600 000)	**(135 307 056)**
Changes in ownership interests							
Additional non-controlling interest acquired due to:							
▸ Infrasors Holdings Limited (refer note 31)	–	–	–	–	(1 897 792)	(1 849 389)	**(3 747 181)**
Increase in effective shareholding in Infrasors due to:							
▸ Increase in shares held in treasury by Infrasors (refer note 31)	–	–	–	–	(4 331 262)	(5 315 672)	**(9 646 934)**
Total changes in ownership interests	–	–	–	–	(6 229 054)	(7 165 061)	**(13 394 115)**
Total transactions with owners of the parent	(31 717 017)	(32 125 046)	–	955 340	(78 049 387)	(7 765 061)	**(148 701 171)**
Balance at 29 February 2016	**263 610 946**	**(40 181 262)**	**(105 788 129)**	**8 619 376**	**892 088 447**	**6 736 594**	**1 025 085 972**

Statements of changes in equity *(continued)*

for the year ended 29 February 2016

	Stated capital R	Treasury shares R	Business combination adjustment R	Other reserves R	Retained earnings R	Non-controlling interests R	**Total equity R**
Company							
Balance at 1 March 2014	316 666 887	–	–	3 819 272	289 851 025	–	**610 337 184**
Total comprehensive income							
Profit for the year	–	–	–	–	57 503 340	–	**57 503 340**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Total comprehensive income	–	–	–	–	57 503 340	–	**57 503 340**
Transactions with company							
Contributions and distributions							
Share-based payments (refer note 18)	–	–	–	752 476	–	–	**752 476**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 17 and 18)	(33 405 940)	–	–	(2 047 539)	2 047 539	–	**(33 405 940)**
Dividends paid (refer note 29)	–	–	–	–	(58 737 589)	–	**(58 737 589)**
Total contributions and distributions	(33 405 940)	–	–	(1 295 063)	(56 690 050)	–	**(91 391 053)**
Total changes	(33 405 940)	–	–	(1 295 063)	813 290	–	**(33 887 713)**
Balance at 28 February 2015	283 260 947	–	–	2 524 209	290 664 315	–	**576 449 471**
Total comprehensive income							
Profit for the year	–	–	–	–	55 983 687	–	**55 983 687**
Other comprehensive income for the year	–	–	–	–	–	–	**–**
Total comprehensive income	–	–	–	–	55 983 687	–	**55 983 687**
Transactions with company							**–**
Contributions and distributions							**–**
Share-based payments (refer note 18)	–	–	–	780 172	–	–	**780 172**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 17 and 18)	(33 622 328)	–	–	(1 613 804)	1 613 804	–	**(33 622 328)**
Dividends paid (refer note 29)	–	–	–	–	(75 929 078)	–	**(75 929 078)**
Total contributions and distributions	(33 622 328)	–	–	(833 632)	(74 315 274)	–	**(108 771 234)**
Total changes	(33 622 328)	–	–	(833 632)	(18 331 587)	–	**(52 787 547)**
Balance at 29 February 2016	**249 638 619**	**–**	**–**	**1 690 577**	**272 332 728**	**–**	**523 661 924**
Note	15	16	15	18		19	

Statements of cash flows

for the year ended 29 February 2016

		Group		Company	
	Note	2016 R	2015 R	2016 R	2015 R
Cash flows from operating activities					
Cash generated from/(used in) operations	28.1	**399 373 181**	348 967 877	**(33 435 152)**	(36 475 033)
Interest revenue	28.2	**25 429 031**	13 501 665	**27 412 161**	13 104 468
Dividends received	7, 25	**196 980**	119 628	**53 804 980**	53 900 000
Finance costs	28.3	**(18 465 233)**	(19 391 051)	**(23 803 265)**	(12 989 449)
Tax (paid)/refunded	28.4	**(86 194 637)**	(81 552 487)	**53 155**	(747 490)
Net cash inflow from operating activities		**320 339 322**	261 645 632	**24 031 879**	16 792 496
Cash flows from investing activities					
Acquisition of property, plant and equipment	2	**(131 264 382)**	(162 467 527)	**–**	(5 044 032)
Proceeds on disposal of property, plant and equipment	28.5	**14 309 976**	23 197 501	**–**	7 702 484
Acquisition of businesses and investments	6, 30	**–**	(14 285)	**(3 748 341)**	(5 542 930)
Proceeds on disposal of businesses	28.6	**–**	10 800 000	**–**	–
Consideration paid for shares held in treasury by Infrasors		**–**	(245 379)	**–**	–
Purchase of financial assets	9	**(2 100 729)**	(32 412 576)	**(100 706)**	(29 625 535)
Proceeds on sale of financial assets	9	**–**	14 288 004	**–**	–
Net cash outflow from investing activities		**(119 055 135)**	(146 854 262)	**(3 849 047)**	(32 510 013)
Cash flows from financing activities					
Repurchase of Afrimat shares	16	**(50 100 238)**	(14 508 591)	**–**	–
Proceeds from borrowings	20	**68 754 515**	53 566 511	**–**	–
Repayment of borrowings	20	**(78 290 438)**	(102 183 930)	**(8 449 511)**	(16 867 624)
Acquisition of additional non-controlling interest	31	**(3 747 181)**	(8 342 105)	**–**	–
Infrasors treasury buy-back	31	**(9 646 934)**	–	**–**	–
Equity-related cost on share cancellation by Infrasors		**–**	(220 000)	**–**	–
Repayment by subsidiaries	6	**–**	–	**54 423 258**	84 903 960
Dividends paid	29	**(76 141 346)**	(58 729 585)	**(75 929 078)**	(58 737 589)
Net cash (outflow)/inflow from financing activities		**(149 171 622)**	(130 417 700)	**(29 955 331)**	9 298 747
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**52 112 565**	(15 626 330)	**(9 772 499)**	(6 418 770)
Cash, cash equivalents and bank overdrafts at the beginning of the year	14	**25 250 403**	40 876 733	**(1 369 246)**	5 049 524
Cash, cash equivalents and bank overdrafts at the end of the year	14	**77 362 968**	25 250 403	**(11 141 745)**	(1 369 246)

Notes to the annual financial statements

for the year ended 29 February 2016

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 Interpretations Committee ('IFRIC'). The annual financial statements have been prepared under the historical cost convention, as modified by the fair value model for investment property, available-for-sale financial assets and financial assets and liabilities at fair value through profit or loss. 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 annual financial statements, are disclosed in note 1.23.

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

1. Significant accounting policies

1.1 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 in such a way 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 group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in retained earnings.

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

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

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between the share acquired of the carrying value of net assets of the subsidiary and the purchase consideration is recorded in equity.

Gains or losses on disposals of ownership interests to non-controlling interests are also recorded in equity.

(d) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20,0% and 50,0% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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

(e) Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The company has assessed the nature of its joint arrangement and determined it to be a joint venture. The joint venture is accounted for using the equity method.

When the group's share of losses in joint venture equals or exceeds its interests in joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(f) Share trusts

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

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income within 'operating expenses'.

(c) Group companies

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

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

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

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

1.3 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. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. 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 profit or loss and other comprehensive income as repairs and maintenance within 'operating expenses'.

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

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

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

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

1.4 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

1.5 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 profit or loss in the period in which they arise.

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

1.6 Intangible assets

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

1.7 Goodwill

Goodwill is carried at cost less any accumulated impairment.

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

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

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

An impairment is recognised immediately as an expense in profit or loss and is not subsequently reversed.

1.8 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.

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 or loss' are expensed.

(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. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

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

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

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

Held-to-maturity

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

Loans and receivables

The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

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 profit or loss.

Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets.

Trade and other receivables are classified as loans and receivables 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 profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered objective indicators that trade receivables are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within 'operating expenses'. When 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 profit or loss and other comprehensive income.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

Cash and cash equivalents

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

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

Impairment of financial assets

If there is objective evidence that an asset, carried at amortised cost, is impaired, the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows discounted at its original effective interest rate. When impaired, the carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in profit or loss. Assets, together with the associated provision for impairment, are written off when there is no realistic prospect of future recovery.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed and, for which an impairment loss is, or continues to be recognised, are not included in a collective assessment of impairment.

(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.

Trade and other payables

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

Trade and other payables are classified as financial liabilities 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.

1.9 Stated capital and equity

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

Stated capital

Ordinary shares are classified as equity.

Treasury shares

Shares in Afrimat Limited held by a wholly owned subsidiary are classified as 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, 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. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the group profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Other reserves

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

1.10 Inventories

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

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

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

1.11 Taxation

Tax expense

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries operate and generate taxable income. In South Africa, a change in tax rate is substantively enacted when it is announced in the Minister of Finance’s Budget Statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The group estimates an amount payable, where appropriate, on the basis of taxes expected to be paid to tax authorities.

The group determines its best estimate of an uncertain tax position on the basis of the individual most likely outcome, while also considering other possible outcomes. Where these other outcomes are mostly higher or mostly lower than the most likely outcome, the best estimate is adjusted upwards or downwards, accordingly.

Current tax assets and liabilities

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. In South Africa, a change in tax rate is substantively enacted when it is announced in the Minister of Finance’s Budget Statement.

Deferred tax assets and liabilities

Deferred tax is provided for on the statement of financial position liability basis on the temporary differences at the reporting date between the carrying values, for financial reporting purposes, and tax bases of assets and liabilities.

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 or loss.

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. In South Africa, a change in tax rate is substantively enacted when it is announced in the Minister of Finance’s Budget Statement

Deferred tax assets are raised on a proportionate basis on the rehabilitation and dismantling provision in the statement of financial position. The proportion is calculated on the basis that certain of the quarry and manufacturing sites will not have sufficient taxable profit available at the end of their productive lives, against which the rehabilitation and dismantling expense can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. 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.

1.12 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, net of finance charges, to the lessor is included in the statement of financial position as borrowings.

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

1.13 Impairment of non-financial assets

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

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

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

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
- 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 is included in the respective accounting policy notes for those assets.

1.14 Employee benefits

Short-term employee benefits

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

Share-based compensation

The group operates an equity-settled, share-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 (for example, the requirement for employees to save or holding shares for a specific period of time).

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 profit or loss with a corresponding adjustment to equity. 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 profit or loss of the subsidiary, with a corresponding credit to reserves in the subsidiary 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 share-based payment reserve in equity, related to share options previously provided, is transferred directly to retained income as the share options expire or are exercised.

Defined contribution plans

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

Bonus plans

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

1.15 Provisions

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.

1.16 Revenue

Revenue from the sale of aggregates, concrete based products and industrial minerals is recognised when the significant risks and rewards of ownership are transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, which is represented by the invoiced amount excluding value-added tax, trade discounts, returns, volume rebates and amounts collected on behalf of third parties. Shipping and handling is included in sale of goods as one performance obligation exists due to risks and rewards over goods only passing to the customer on delivery to site.

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

Investment revenue comprises interest revenue and dividend revenue. Interest revenue is recognised in profit or loss using the effective interest method.

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.

1.17 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.

1.18 Accounting for BEE transactions

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

1.19 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. 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.

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

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

1.21 Earnings per share

(a) Basic and headline earnings per share

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

(b) Diluted earnings per share

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

1.22 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.

1.23 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.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

Investment property

The group values the investment property based on the valuations performed by external valuators and requires a significant amount of judgement to arrive at the fair value recognised. The external valuation was based on the actual use of the property for agricultural purposes. Actual use is considered to be the highest and best use of the property. In the absence of revaluations performed by external valuators, management considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions.

The carrying amount of investment properties at 29 February 2016 was R3 040 000 (2015: R3 040 000). Further details, including key assumptions used for the fair value measurement, are given in note 3 to the financial statements.

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.

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

Deferred tax assets

The best estimate of the deferred tax assets recognised based on assessed tax losses are estimated to only include deferred tax assets relating to assessed losses which is expected to be offset against future taxable income in the foreseeable future. For further information about assumptions refer to note 11.

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 to note 5 for assumptions used.

Share-based payment expense calculation

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

Stock obsolescence is made for excess/old stock and is calculated as follows:

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

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

The company holds 49,0% of the share capital and 50,0% of the voting rights of Pemba Aggregates Limitada. The company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The company also entered into a deed of usufruct and pledge of shares of 1,0% of Pemba Aggregates Limitada, resulting in 50,0% of the entity being equity accounted.

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

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

Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited (‘AEI’)
Afrimat BEE Trust and its subsidiary AEI was established with the objective of holding and funding shares on behalf of BEE participants and passing the benefits of share ownership to BEE participants. Funding of the trust is provided by the group. The group is exposed to variable returns from the trust as it is exposed to changes in the trust’s net asset value. Management therefore concluded that the group controls the trust and its subsidiary.

Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust
The group consolidated the Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust due to the group having rights to variable returns from its involvement with the trusts and has the ability to affect those returns through its control over the trusts.

Consolidation of Infrasors Empowerment Trust
The group consolidated the trust due to Infrasors Holdings Limited (a subsidiary) taking control over the Infrasors shares held by the Infrasors Empowerment Trust with effect from 1 March 2013. Due to the group having the right to appoint the trustees, providing all loan funding and the fact that the group is exposed to variable returns from the trust, management has concluded that the group controls the trust.

1.24 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 2 (Amended): Share-based Payment
The amendment defines ‘performance condition’ and ‘service condition’ to clarify various issues.

IFRS 3 (Amended): Business Combinations
Contingent consideration shall be treated in accordance with the IFRS 9 (IAS 39) requirements where it is a financial instrument, or it shall be measured at fair value at each reporting date with changes recognised in profit or loss. A further amendment clarifies that the formation of joint arrangements in the financial statements of the joint arrangement itself is scoped out of IFRS 3.

IFRS 8 (Amended): Operating Segments
The amendment clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8.12, including a brief description of operating segments that have been aggregated and the economic characteristics (eg sales and gross margins) used to assess whether the segments are similar. A further amendment to clarify that the reconciliation of segment assets to total assets is required to be disclosed only if the reconciliation is reported to the chief operation decision maker, similar to the required disclosure for segment liabilities.

IAS 24 (Amended): Related Party Disclosures
The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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.

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 2016 or later periods, but the group has not early adopted them. Only those expected to impact the group are included below:

IFRS 9: Financial Instruments – Classification and Measurement
This new standard covers the classification and measurement of financial instruments and aims to enhance the ability of investors and other users of financial information to understand the accounting of financial assets and reduce complexity. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. This standard introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk.

The standard also incorporates a forward looking ‘expected loss’ impairment model, which is a departure from the ‘incurred loss’ model applied previously under IAS 39. Therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised. The standard becomes effective for the group for the annual period beginning on 1 March 2018. The group is still considering the expected impact of IFRS 9.

IFRS 15: Revenue from contracts with customers
IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of disposal of certain non-financial assets including property, equipment

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

and intangible assets. The standard becomes effective for the group for the annual period beginning on 1 March 2018. The group is still considering the expected impact of IFRS 15.

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

IAS 1 (Amendment): Presentation of Financial Statements
The amendment clarifies as part of a major initiative to improve presentation and disclosure in financial reports, designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendment becomes effective for the group for the annual period beginning on 1 March 2016. 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.

IAS 27 (Amendment): Separate Financial Statements
The amendment reinstates the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The amendment becomes effective for the group for the annual period beginning on 1 March 2016. The group expects that its adoption will not have a material financial impact on its annual financial statements.

	Cost 2016 R	Accumulated depreciation 2016 R	Carrying value 2016 R	Cost 2015 R	Accumulated depreciation 2015 R	Carrying value 2015 R
2. Property, plant and equipment						
Group						
Land and buildings	**103 152 281**	**(31 928 785)**	**71 223 496**	101 126 008	(30 810 674)	70 315 334
Leasehold property	**12 906 957**	**(4 399 736)**	**8 507 221**	12 416 710	(3 765 018)	8 651 692
Plant and machinery	**687 223 063**	**(292 155 981)**	**395 067 082**	633 012 773	(269 231 434)	363 781 339
Motor vehicles	**514 344 582**	**(278 164 073)**	**236 180 509**	482 160 276	(255 602 569)	226 557 707
Office and computer equipment	**27 394 132**	**(21 355 930)**	**6 038 202**	26 050 449	(20 466 204)	5 584 245
Dismantling costs	**15 888 303**	**(10 194 974)**	**5 693 329**	15 122 122	(8 973 224)	6 148 898
Mining assets	**106 451 392**	**(66 004 893)**	**40 446 499**	106 451 392	(62 634 376)	43 817 016
Total	**1 467 360 710**	**(704 204 372)**	**763 156 338**	1 376 339 730	(651 483 499)	724 856 231
Company						
Motor vehicles	**–**	**–**	**–**	–	–	–
Office and computer equipment	**–**	**–**	**–**	–	–	–
Total	**–**	**–**	**–**	–	–	–

Analysis of movements in carrying value:

	Opening carrying value R	Additions R	Impairments R	Disposals* R	Depreciation R	Closing carrying value R
Group – 2016						
Land and buildings	**70 315 334**	**2 059 561**	**–**	**–**	**(1 151 399)**	**71 223 496**
Leasehold property	**8 651 692**	**490 247**	**–**	**–**	**(634 718)**	**8 507 221**
Plant and machinery	**363 781 339**	**64 913 763**	**–**	**(4 226 581)**	**(29 401 439)**	**395 067 082**
Motor vehicles	**226 557 707**	**58 663 437**	**–**	**(9 044 956)**	**(39 995 679)**	**236 180 509**
Office and computer equipment	**5 584 245**	**4 371 195**	**–**	**(107 520)**	**(3 809 718)**	**6 038 202**
Dismantling costs	**6 148 898**	**766 179**	**–**	**–**	**(1 221 748)**	**5 693 329**
Mining assets	**43 817 016**	**–**	**–**	**–**	**(3 370 517)**	**40 446 499**
Total	**724 856 231**	**131 264 382**	**–**	**(13 379 057)**	**(79 585 218)**	**763 156 338**
Group – 2015						
Land and buildings	75 493 054	852 437	–	(4 996 697)	(1 033 460)	70 315 334
Leasehold property	9 202 285	55 200	–	(5)	(605 788)	8 651 692
Plant and machinery	313 287 587	84 682 942	(1 554 875)	(6 671 892)	(25 962 423)	363 781 339
Motor vehicles	206 674 091	70 491 246	–	(11 547 551)	(39 060 079)	226 557 707
Office and computer equipment	3 001 158	5 416 993	–	(107 891)	(2 726 015)	5 584 245
Dismantling costs	7 460 901	968 709	–	(991 345)	(1 289 367)	6 148 898
Mining assets	47 187 533	–	–	–	(3 370 517)	43 817 016
Total	662 306 609	162 467 527	(1 554 875)	(24 315 381)	(74 047 649)	724 856 231

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

2. Property, plant and equipment *(continued)*

	Opening carrying value R	Additions R	Impairments R	Disposals* R	Depreciation R	Closing carrying value R
Company – 2016						
Motor vehicles	–	–	–	–	–	–
Office and computer equipment	–	–	–	–	–	–
Total	–	–	–	–	–	–
Company – 2015						
Motor vehicles	1 329 971	3 692 150	–	(4 856 483)	(165 638)	–
Office and computer equipment	2 192 189	1 351 882	–	(2 846 001)	(698 070)	–
Total	3 522 160	5 044 032	–	(7 702 484)	(863 708)	–

* *Group disposals in prior year, include property, plant and equipment items sold as part of the disposal of business of Prima Quarries Namibia Proprietary Limited with a carrying value of R633 951.*

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

	Group 2016 R	Group 2015 R
Carrying value of assets pledged as security:		
Land and buildings	**34 257 869**	34 433 402
Plant and machinery	**61 288 365**	74 505 360
Motor vehicles	**81 957 884**	61 928 670
Mining assets	**40 446 499**	43 817 010
Total	**217 950 617**	214 684 442

Land and mining assets within the group was pledged to ABSA Bank Limited for the Infrasors overdraft facility, guarantees, borrowings and medium-term loan as security over the bond amount to the value of R70 000 000 (2015: R70 000 000).

Included in disposals are plant and equipment with a cost of R6 262 381 (2015: R4 266 165) and accumulated depreciation of R5 849 770 (2015: R3 440 686), which had no further economic value and have been removed from the register.

During the prior year, Rodag Holdings Proprietary Limited disposed of Erf 250, 251, Portion 2 of Erf 253 and remainder of Erf 253 Park Rynie for R5 000 000.

During the prior year, the company sold its 'shared services' and 'management services' businesses, as a going concern to Afrimat Shared Services Proprietary Limited and Afrimat Management Service Proprietary Limited, respectively. All assets were disposed of at carrying value with no effect to the 'unsegmental' segment.

Depreciation expense of R72 904 765 (2015: R68 823 411) has been charged in 'cost of sales' and R6 680 453 (2015: R5 224 238) in 'operating expenses'. In the prior year, an impairment loss of R1 554 875 was charged to 'impairment of property, plant and equipment', relating to property, plant and equipment items written off at Delf Silica Coastal Proprietary Limited after the disposal of the business as a going concern.

3. Investment property

	Group 2016 R	Group 2015 R
Fair value of investment property	**3 040 000**	3 040 000

The investment property consists of 152 hectares of portion 55 of Farm Pienaarspoort 339, Reg Division JR Gauteng Province.

3. Investment property *(continued)*

The property was valued by an independent registered professional valuer, Hendrik Marx (Val – Co Property Valuers), based on its actual use ie agricultural purposes. The results of the valuation confirmed that the property value had not fluctuated significantly from the prior year and the price per square metre input was within prior year ranges.

Rental income from investment properties totalled RNil (2015: RNil). Direct operating expenses totalling R34 377 (2015: R84 892) was incurred.

Valuation techniques used in the determination of fair values within Level 3 of the hierarchy
The fair value measurement for the investment property has been categorised as a Level 3 fair value hierarchy based on the inputs to the valuation technique used.

In arriving at management's opinion of market value, the following key assumptions were made by management:
- Property was valued based on its actual use, ie agricultural purposes;
- Environmental issues applicable and large quantity of squatters present on the property;
- The property is situated outside the urban edge of the Tshwane Metropolitan Municipality; and
- Current economic climate and demand for similar properties.

Current use, for agricultural purposes, is considered highest and best use. The alternative being township development which is not practical due to the rejection of the rezoning application by authorities and such development not being financially viable.

The value of the investment property is reviewed annually and reassessed by directors of the company. An increase in average price per hectare will increase the fair value measurement of the investment property. The following significant unobservable inputs were used by management in its assessment of the fair value: Average rand per hectare ranging between R17 600/ha and R27 126/ha. A change of 500 basis points to the highest average price per hectare will have an effect of R1 289 310 (2015: R1 289 310) to the fair value of investment property.

4. Intangible assets

	Group					
	Cost 2016 R	**Accumulated amortisation 2016 R**	**Carrying value 2016 R**	Cost 2015 R	Accumulated amortisation 2015 R	Carrying value 2015 R
Mining rights	**22 802 619**	**(10 041 159)**	**12 761 460**	22 802 619	(9 205 935)	13 596 684
Purchasing rights	**9 982 716**	**(6 194 580)**	**3 788 136**	9 982 716	(4 734 030)	5 248 686
Total	**32 785 335**	**(16 235 739)**	**16 549 596**	32 785 335	(13 939 965)	18 845 370

Analysis of movements in carrying value:

	Group			
	Opening carrying value R	**Additions R**	**Amortisation R**	**Closing carrying value R**
2016				
Mining rights	**13 596 684**	**–**	**(835 224)**	**12 761 460**
Purchasing rights	**5 248 686**	**–**	**(1 460 550)**	**3 788 136**
Total	**18 845 370**	**–**	**(2 295 774)**	**16 549 596**
2015				
Mining rights	14 560 647	–	(963 963)	13 596 684
Purchasing rights	6 846 460	–	(1 597 774)	5 248 686
Total	21 407 107	–	(2 561 737)	18 845 370

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 vary between 12 and 22 years (2015: 13 and 23 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 remaining finite life of between two and seven years.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group	
	2016 R	2015 R
5. Goodwill		
Gross amount	**141 148 064**	141 148 064
Accumulated impairment	**(7 954 529)**	(6 654 529)
Carrying value	**133 193 535**	134 493 535
Analysis of movements in carrying value:		
Carrying value – opening balance	**134 493 535**	134 493 535
Impairment of goodwill	**(1 300 000)**	–
Carrying value – closing balance	**133 193 535**	134 493 535
Goodwill acquired through business combinations has been allocated to cash-generating units as follows:		
Afrimat Concrete Products Proprietary Limited	**20 468 422**	20 468 422
Afrimat Aggregates (KZN) Proprietary Limited	**16 877 717**	16 877 717
Rodag Holdings Proprietary Limited	**1 057 984**	1 057 984
Afrimat Aggregates (Operations) Proprietary Limited	**5 615 522**	5 615 522
Malans Group	**5 339 001**	5 339 001
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**39 266 892**	39 266 892
SA Block Proprietary Limited	**10 152 067**	10 152 067
Clinker Supplies Proprietary Limited	**26 105 314**	26 105 314
Scottburgh Group	**–**	1 300 000
Sunshine Crushers Proprietary Limited	**5 723 351**	5 723 351
Glen Douglas Dolomite Proprietary Limited	**800 501**	800 501
Infrasors Holdings Limited	**1 786 764**	1 786 764
	133 193 535	134 493 535

The recoverable amount has been determined using the value-in-use calculations. The group applied a discounted cash flow methodology to value goodwill. These cash flows were based on forecasts which included assumptions on operating profit, depreciation, working capital movements and capital expenditure. The assumptions are based on past experience. The discount rate applied to the cash flow projections varied between 12,0% and 16,0% (2015: 19,0%). The key assumptions used were growth rates of 5,0% to 10,0% (2015: 5,0% to 10,0%) over a period of 10 years. The period of 10 years was assumed due to the long-term nature of mining activities.

Furthermore, relating to the non-impaired cash-generating units, management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based, would not cause the carrying amount to exceed the recoverable amounts.

The growth rates were based on the current inflation rate in South Africa, compound annual growth rates of the group as well as the profit generating ability of certain businesses resulting from its products having distinct characteristics that are difficult to replicate or substitute. If the growth in operating results used in the value-in-use calculation for the group had been a negative growth rate of 2,4% (which is the decrease in the gross domestic product of the 'mining and quarrying' industry calculated by Trading Economics relating to 2015) the group would still not have recognised an impairment of goodwill. Growth rates of between 5,0% and 10,0%, ie higher than industry growth rates, were used in the value-in-use calculations, due to the group reflecting an annual compound growth rate in HEPS of 25,8% for the past five years.

Goodwill is monitored by management at each reporting period and an impairment was recognised relating to goodwill at Scottburgh Quarries Proprietary Limited due to declining financial returns. The recoverable amount of the cash-generating unit was calculated by means of value in use, ie the net present value of future cash flows. Assumptions included a growth rate of 10,0% and a weighted average cost of capital of 14,0%, resulting in a recoverable amount of R26 778 372. Due to the recoverable amount being less than the carrying amount of the group of units, the impairment loss was allocated firstly to reduce the carrying amount of goodwill and will only then be allocated to other assets (including mining rights) of the unit.

Name of company	Nature of business	Principal place of business	Total share capital R	**% holding 2016**	% holding 2015	**Carrying amount shares 2016 R**	Carrying amount shares 2015 R	**Carrying amount indebtedness 2016 R**	Carrying amount indebtedness 2015 R
6. Investments in subsidiaries									
Afrimat Share Incentive Trust	◊	WC	–	**–**	–	**–**	–	**(58 245)**	(88 658)
The Afrimat BEE Trust	◊	WC	–	**–**	–	**–**	–	**–**	–
Afrimat Empowerment Investments Proprietary Limited	◊	WC	120	**100,0**	100,0	**–**	–	**–**	–
Afrimat Management Services Proprietary Limited*	■	WC	1 000	**100,0**	100,0	**1 000**	1 000	**14 478 042**	12 047 578
Afrimat Shared Services Proprietary Limited**	■	WC	200	**100,0**	100,0	**200**	200	**949 652**	(741 646)
AFT Aggregates Proprietary Limited	●	GP	20	**100,0**	100,0	**175 108**	175 108	**6 337 203**	663 533
Boublok Proprietary Limited	⊙	WC	100	**100,0**	100,0	**888 831**	888 831	**(1 383 840)**	224 182
Capmat Proprietary Limited	●	WC	4 000	**87,5**	87,5	**6 255 231**	6 255 231	**3 080 753**	2 872 094
Afrimat Concrete Products Proprietary Limited	⊙	KZN	10 000	**100,0**	100,0	**67 378 836**	67 378 836	**(9 746 012)**	(14 401 171)
Afrimat Aggregates (KZN) Proprietary Limited	●	KZN	30 000	**100,0**	100,0	**35 182 874**	35 182 874	**10 252 310**	23 715 400
Afrimat Readymix (Cape) Proprietary Limited	⊙	WC	200	**100,0**	100,0	**5 267 084**	5 267 084	**(23 293 013)**	(6 798 663)
Afrimat Aggregates (Operations) Proprietary Limited	●	WC	100	**100,0**	100,0	**106 220 430**	106 220 430	**(77 596 776)**	(92 609 622)
Prima Quarries Namibia Proprietary Limited	●	NM	100	**100,0**	100,0	**100**	100	**–**	–
Rodag Holdings Proprietary Limited	✦	KZN	4	**100,0**	100,0	**3 829 110**	3 829 110	**4 669 512**	4 352 363
Tradeselect 5 Proprietary Limited	×	WC	100	**100,0**	100,0	**–**	–	**–**	–
Maritzburg Quarries Proprietary Limited	●	KZN	70 000	**100,0**	100,0	**1 295 741**	1 295 741	**457 490**	457 490
Scottburgh Quarries Proprietary Limited	●	KZN	100	**100,0**	100,0	**8 020 000**	8 020 000	**108**	108
Afrimat Aggregates (Eastern Cape) Proprietary Limited	●	EC	600	**100,0**	100,0	**53 181 208**	53 181 208	**(23 852 101)**	(15 204 694)
Afrimat Aggregates (Trading) Proprietary Limited	●	WC	5 000	**100,0**	100,0	**28 925 440**	28 925 440	**–**	–
Community Quarries Proprietary Limited	●	WC	100	**100,0**	100,0	**33 771 554**	33 771 554	**–**	–
Olympic Sand Proprietary Limited	●	WC	1 000	**100,0**	100,0	**1 204 580**	1 204 580	**–**	–
Afrimat Minerals Proprietary Limited***	◊	WC	100	**100,0**	100,0	**13 053 322**	13 053 322	**–**	–
Afrimat Manufacturing Proprietary Limited****	◊	WC	100	**100,0**	100,0	**831 872**	831 872	**–**	–

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

Name of company	Nature of business	Principal place of business	Total share capital R	**% holding 2016**	% holding 2015	**Carrying amount shares 2016 R**	Carrying amount shares 2015 R	**Carrying amount indebtedness 2016 R**	Carrying amount indebtedness 2015 R
6. Investments in subsidiaries *(continued)*									
Afrimat Readymix (Inland) Proprietary Limited*****	⊙	MP	900	**75,0**	100,0	**1 160**	–	**(1 546)**	–
Labonte 3 Proprietary Limited	✦	WC	1 000	**50,0**	50,0	**149 494**	149 494	**–**	–
Sunshine Crushers Proprietary Limited	●	KZN	1 179 960	**100,0**	100,0	**8 081 014**	8 081 014	**(2 872 565)**	(2 872 565)
Afrimat Contracting International Proprietary Limited	♦	WC	100	**100,0**	100,0	**3 180 001**	3 180 001	**25 476 681**	2 964 524
SA Block Proprietary Limited	⊙	GP	200	**100,0**	100,0	**120 805 535**	120 805 535	**(19 099 521)**	(44 465 132)
Clinker Supplies Proprietary Limited	●	GP	100 000	**100,0**	100,0	**24 210 000**	24 210 000	**(126 681 195)**	(43 277 592)
Meepo Ya Mmu Resources Proprietary Limited	●	MP	1 000	**54,0**	54,0	**954 818**	954 818	**(146 733)**	(84 167)
Glen Douglas Dolomite Proprietary Limited	●	GP	10 000	**100,0**	100,0	**27 657 764**	27 657 764	**(58 593 079)**	(32 846 768)
Infrasors Holdings Limited******	●	GP	163 290 337	**93,0**	91,2	**86 372 855**	82 625 674	**26 996 319**	17 165 431
Afrimat Mozambique Limitada	●	MZ	14 429	**99,0**	99,0	**14 285**	14 285	**8 699 786**	(14 285)
						636 909 447	633 161 106	**(241 926 770)**	(188 942 260)
Analysis of current assets and liabilities:									
Current assets									
Loans to subsidiaries								**101 397 856**	64 462 703
Current liabilities									
Loans from subsidiaries								**(343 324 626)**	(253 404 963)
								(241 926 770)	(188 942 260)

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

◊ Investment
■ Services
● Aggregates
⊙ Concrete Based Products
✖ Dormant
✦ Property
♦ Contracting

* *Previously known as Rodag Properties Proprietary Limited*
** *Previously known as Jeffreys Bay Crushers Proprietary Limited*
*** *Previously Malric Properties Proprietary Limited*
**** *Previously Properteez 66 Proprietary Limited*
***** *Previously ASBE Community Empowerment Proprietary Limited*
****** *Indirectly held subsidiaries include Delf Sand Proprietary Limited, Pienaarspoort Ontwikkeling Proprietary Limited, Delf Silica Coastal Proprietary Limited, Delf Cullinan Proprietary Limited, Delf Silica Proprietary Limited, Lyttelton Dolomite Proprietary Limited, Infrasors Environmental Rehabilitation Trust, Afrimat Lime Company Proprietary Limited, Infrasors Management Services Proprietary Limited, Infrasors Empowerment Trust.*

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 2,5% (2015: 3,5%). Interest on the Infrasors Holdings Limited loan is calculated at prime plus 1,5% and the Afrimat Empowerment Investments Proprietary Limited bears interest at prime. The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited and Afrimat Mozambique Limitada that are incorporated in Namibia and Mozambique, respectively.

6. Investments in subsidiaries *(continued)*

Afrimat holds 93,0% of Infrasors, whilst treasury shares account for 4,5% and minorities account for the remaining 2,5% of the total issued Infrasors ordinary shares. The listing of Infrasors' ordinary shares has terminated from the commencement of business on Tuesday, 13 October 2015.

No impairment was made to the investments in subsidiaries during the current or prior year.

In the prior year, the business including all assets of Prima Quarries Namibia Proprietary Limited has been disposed of as a going concern with effect from 1 October 2014. The legal entity was retained by the group.

During the prior year, Afrimat Limited sold its 'shared services' and 'management services' businesses, as a going concern, together with assets and liabilities to Afrimat Shared Services Proprietary Limited and Afrimat Management Services Proprietary Limited, previously known as Jeffreys Bay Crushers Proprietary Limited and Rodag Properties Proprietary Limited, respectively.

The business of Delf Silica Coastal Proprietary Limited was sold as a going concern with effect from 1 September 2014. The legal entity was retained by the group and Delf Sand Proprietary Limited acquired an additional 33,3% shareholding from non-controlling interest parties, in order to obtain 100,0% shareholding in Delf Silica Coastal Proprietary Limited.

During the prior year, as part of the group's strategy to intensify its focus on finding opportunities outside of South Africa, the company acquired a 99,0% shareholding in Afrimat Mozambique Limitada.

In order to expand the group's supply of readymix concrete and related cementitious products in the north, the group has commissioned an entity, Afrimat Readymix (Inland) Proprietary Limited. 25,0% shareholding has been disposed of to a third party, Anton H Combrink.

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.

The group has control over the Afrimat Share Incentive Trust, Infrasors Environmental Rehabilitation Trust and the Infrasors Empowerment Trust due to the group providing loan funding that is required for the operations thereof. Refer to note 1.23 on significant accounting judgements and estimates.

The group has no contractual or other commitments or intentions to provide financial assistance to the trusts or to buy assets from the trusts.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
7. Investment in associate				
Ikapa Quarries Proprietary Limited (49,0%)	**250 091**	379 711	**147**	147
Analysis of investment in associate:				
Opening balance	**379 711**	201 362	**147**	147
Share of net profit after tax	**67 360**	178 349	**–**	–
Dividend received from associate	**(196 980)**	–	**–**	–
Closing balance	**250 091**	379 711	**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	**4 775 126**	1 942 132	**–**	–
Liabilities	**(4 524 342)**	(1 607 960)	**–**	–
Revenue	**4 229 727**	18 866 716	**–**	–
Profit after tax	**67 360**	178 349	**–**	–

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
8. Investment in joint venture/obligation for share of joint venture's losses				
Pemba Aggregates Limitada (49,0%)	**(5 466 369)**	(979 100)	**8 310**	8 310
Analysis of investment in joint venture:				
Opening balance	**(979 100)**	–	**–**	–
Investment acquired	**–**	8 310	**–**	–
Share of net loss after tax	**(4 487 269)**	(987 410)	**–**	–
Closing balance	**(5 466 369)**	(979 100)	**–**	–
The group's share of the results of its joint venture, which is unlisted, and the group's share of its aggregated assets and liabilities, are as follows:				
Assets	**4 864 137**	473 144	**–**	–
Liabilities	**(10 330 336)**	(1 452 074)	**–**	–
Revenue	**4 637 948**	–	**–**	–
Loss	**(4 487 269)**	(987 410)	**–**	–

In the prior year, the company acquired 49,0% of the share capital and 50,0% of the voting rights of Pemba Aggregates Limitada as part of the group's strategy to intensify its focus on finding opportunities outside of South Africa. The company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities. The company also entered into a deed of usufruct and pledge of shares of 1,0% of Pemba Aggregates Limitada, resulting in 50,0% of the entity being equity accounted.

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

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
9. Other financial assets				
Non-current assets:				
Available-for-sale	**2 327 892**	2 127 703	**–**	–
Loans and receivables	**140 895 853**	144 293 199	**137 774 927**	141 323 982
At fair value through profit or loss – designated	**13 199 903**	11 807 550	**–**	–
	156 423 648	158 228 452	**137 774 927**	141 323 982
Current assets:				
Loans and receivables	**89 181**	54 929	**–**	–
Held-to-maturity	**785 833**	727 524	**–**	–
	875 014	782 453	**–**	–
Total other financial assets	**157 298 662**	159 010 905	**137 774 927**	141 323 982

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
9. Other financial assets *(continued)*				
Analysis of other financial assets:				
Available-for-sale				
Non-current assets:				
Listed shares at fair value				
Old Mutual PLC shares	**114 057**	124 195	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**1 898 148**	1 797 599	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**315 687**	205 909	**–**	–
	2 213 835	2 003 508	**–**	–
Total available-for-sale financial assets	**2 327 892**	2 127 703	**–**	–

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 only be repaid on termination date in FY2017.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
Loans and receivables				
Non-current assets:				
Funding provided to Afrimat employees	**137 774 927**	136 200 156	**–**	–
Preference shares in Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	**–**	–	**137 774 927**	136 200 156
BEE investor	**3 120 926**	8 093 043	**–**	5 123 826
Total non-current portion of loans and receivables	**140 895 853**	144 293 199	**137 774 927**	141 323 982
Current assets:				
BEE investor	**89 181**	54 929	**–**	–
Total current portion of loans and receivables	**89 181**	54 929	**–**	–
Total loans and receivables	**140 985 034**	144 348 128	**137 774 927**	141 323 982

Funding provided to Afrimat employees

Afrimat launched a broad-based BEE ownership initiative, whereby Afrimat's black employees ('participants'), via the Afrimat BEE Trust acquired issued share capital of the company. Funding was provided by Afrimat to the Afrimat BEE Trust via a funding vehicle – Afrimat Empowerment Investments Proprietary Limited ('AEI').

AEI issued cumulative participating preference shares to Afrimat Limited on behalf of participants:

	Redeemable cumulative participating preference shares					
	Number 1	Number 2	Number 3	Number 4	Number 5	Number 6
Ordinary shares of the company acquired by AEI/Afrimat BEE Trust	22 700 000	1 350 000	6 392 575	658 234	1 203 045	650 000
Ordinary shares acquired as a percentage of total issued shares of the company	15,8%	0,9%	4,5%	0,5%	0,8%	0,5%
Quantity of redeemable cumulative preference shares issued by AEI	1 000	1 000	1 000	1 000	1 000	1 000
Total subscription price of redeemable cumulative preference shares	R64 205 000	R4 239 000	R31 506 000	R8 485 000	R19 420 000	R13 455 000
Preference dividends rate	70% of prime	70% of prime	100% of prime	100% of prime	100% of prime	100% of prime

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

9. Other financial assets *(continued)*

The company's shares held by AEI/Afrimat BEE Trust serve as security for the preference shares. The preference shares are redeemable at the earliest of Afrimat's shares being 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, the risk and rewards of ownership in these shares have passed to the participants. On group level, therefore the shares qualify for derecognition and are treated as a loan to participants and not treasury shares.

BEE investor

During F2014, 190 000 treasury shares were issued to a BEE investor for a value of R12,74 per share. Loan funding to the value of R2 420 600 for the purchase of the shares were provided by one of the group's subsidiaries, Afrimat Aggregates (Operations) Proprietary Limited. The loan is subject to interest at Standard Bank Limited's prime overdraft rate less 3 percentage points and is repayable by 20 February 2019.

During F2014, an agreement for the issue of 4 790 000 shares held in treasury by Infrasors, was concluded with a BEE investor for a value of 100 cents per share. Loan funding to the value of R4 790 000 for the purchase of the shares were provided by the company. The loan was subject to interest at Standard Bank Limited's prime overdraft rate less 3 percentage points and was repayable by 23 January 2019. During the year, Infrasors exercised its right in terms of the repurchase clause of the sale of shares agreement ('Agreement') between Infrasors, Afrimat and Joe Kalo Investments Proprietary Limited ('JKI') to repurchase 4 790 000 Infrasors shares from JKI at a purchase consideration of R6 466 500 (the 'Purchase Consideration'), which is equivalent to a share price of 135 cents per ordinary share. The share price is based on the JSE price of the shares on 26 August 2015 ('Market Price').

The carrying values of loans and receivables are considered to be a reasonable approximation of fair value due to market-related interest rate terms and conditions.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
At fair value through profit or loss – designated				
Non-current assets:				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**6 990 673**	5 993 848	**–**	–
Sanlam Investment Management Proprietary Limited Balanced Fund	**6 209 230**	5 813 702	**–**	–
Total financial assets at fair value through profit or loss	**13 199 903**	11 807 550	**–**	–

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites included in the Infrasors Group (refer note 21).

The group realised certain of the unit trusts during the prior year. The resultant amounts received from the unit trusts will be distributed in line with the objects of the Infrasors Rehabilitation Trust.

Changes in fair values of financial assets at fair value through profit or loss are recorded in 'operating expenses' in the statement of profit or loss and other comprehensive income. The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of (R195 315) (2015: R2 193 292) was allocated to 'operating expenses' in profit or loss.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
Held-to-maturity				
Current assets:				
Liberty Group Limited Guaranteed Endowment Policy Investment	**785 833**	727 524	**–**	–
Total financial assets held-to-maturity	**785 833**	727 524	**–**	–

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.

10. Financial instruments by category

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Assets as per statement of financial position				
Available-for-sale				
Other financial assets (refer note 9)	**2 327 892**	2 127 703	**–**	–
	2 327 892	2 127 703	**–**	–
Loans and receivables at amortised cost				
Other financial assets (refer note 9)	**140 985 034**	144 348 128	**137 774 927**	141 323 982
Trade and other receivables* (refer note 13)	**289 803 709**	280 026 180	**990 672**	1 044 991
Cash and cash equivalents (refer note 14)	**117 241 047**	78 124 058	**208 754**	198 233
Loans to subsidiaries (refer note 6)	**–**	–	**101 397 856**	64 462 703
	548 029 790	502 498 366	**240 372 209**	207 029 909
At fair value through profit or loss – designated				
Other financial assets (refer note 9)	**13 199 903**	11 807 550	**–**	–
	13 199 903	11 807 550	**–**	–
Held-to-maturity				
Other financial assets (refer note 9)	**785 833**	727 524	**–**	–
	785 833	727 524	**–**	–
Total financial assets	**564 343 418**	517 161 143	**240 372 209**	207 029 909

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 Standard Bank of South Africa Limited omnibus securityship as per note 39(c).

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Liabilities as per statement of financial position				
Financial liabilities at amortised cost				
Medium-term loans (refer note 20)	**20 664 324**	45 708 300	**–**	8 449 511
Instalment purchase agreements (refer note 20)	**92 219 877**	76 711 824	**–**	–
Loans from subsidiaries (refer note 6)	**–**	–	**343 324 626**	253 404 963
Trade and other payables** (refer note 22)	**218 232 255**	212 051 792	**941 917**	1 175 818
Bank overdraft (refer note 14)	**39 878 079**	52 873 655	**11 350 499**	1 567 479
Total financial liabilities	**370 994 535**	387 345 571	**355 617 042**	264 597 771

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

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
11. Deferred tax				
Accelerated capital allowances for tax purposes	**(130 881 046)**	(119 389 891)	**–**	–
Accruals/provisions	**31 482 021**	22 821 964	**552 930**	23 594
Accruals	**16 671 228**	12 916 621	**552 930**	23 594
Provisions	**14 810 793**	9 905 343	**–**	–
Tax losses available for set-off against future taxable income	**16 739 660**	18 256 712	**4 159 246**	3 015 731
Other deferred tax	**(4 973 265)**	(2 121 997)	**(278 522)**	–
Fair value adjustments	**(2 725 266)**	634 920	**(278 522)**	–
Other	**(2 247 999)**	(2 756 917)	**–**	–
	(87 632 630)	(80 433 212)	**4 433 654**	3 039 325
Analysis of movement in deferred tax balance:				
Opening balance	**(80 433 212)**	(86 604 067)	**3 039 325**	2 058 298
Accelerated capital allowances for tax purposes	**(11 491 155)**	(20 550 091)	**–**	–
Accruals/provisions	**8 660 057**	7 622 983	**529 336**	(2 313 226)
Accruals	**3 754 607**	2 903 440	**529 336**	(2 313 226)
Provisions	**4 905 450**	4 719 543	**–**	–
(Decrease)/increase in tax losses available for set-off against future taxable income	**(1 517 052)**	10 855 331	**1 143 515**	3 015 731
Other deferred tax	**(2 851 268)**	8 242 632	**(278 522)**	278 522
Fair value adjustments	**(3 360 186)**	3 872 116	**(278 522)**	278 522
Other	**508 918**	4 370 516	**–**	–
Closing balance	**(87 632 630)**	(80 433 212)	**4 433 654**	3 039 325
Non-current assets	**20 754 708**	25 274 292	**4 433 654**	3 039 325
Non-current liabilities	**(108 387 338)**	(105 707 504)	**–**	–
	(87 632 630)	(80 433 212)	**4 433 654**	3 039 325

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

Deferred tax assets	Accruals/ provisions	Accruals	Provisions	Tax losses	Total
At 1 March 2014	15 198 981	10 013 181	5 185 800	7 401 381	22 600 362
Charged to profit or loss	7 622 983	2 903 440	4 719 543	10 855 331	18 478 314
At 28 February 2015	22 821 964	12 916 621	9 905 343	18 256 712	41 078 676
Charged/(credited) to profit or loss	**8 660 057**	**3 754 607**	**4 905 450**	**(1 517 052)**	**7 143 005**
At 29 February 2016	**31 482 021**	**16 671 228**	**14 810 793**	**16 739 660**	**48 221 681**

11. Deferred tax *(continued)*

Deferred tax liabilities	Other deferred tax	Fair value adjustments	Other	Accelerated capital allowances	Total
At 1 March 2014	10 364 629	3 237 196	7 127 433	98 839 800	109 204 429
(Credited)/charged to profit or loss	(8 242 632)	(3 872 116)	(4 370 516)	20 672 134	12 429 502
Credited to other comprehensive income	–	–	–	(122 043)	(122 043)
At 28 February 2015	2 121 997	(634 920)	2 756 917	119 389 891	121 511 888
Charged/(credited) to profit or loss	**2 851 268**	**3 360 186**	**(508 918)**	**11 467 362**	**14 318 630**
Charged to other comprehensive income	**–**	**–**	**–**	**23 793**	**23 793**
At 29 February 2016	**4 973 265**	**2 725 266**	**2 247 999**	**130 881 046**	**135 854 311**
Deferred tax assets					**48 221 681**
Deferred tax liabilities					**(135 854 311)**
Total deferred tax asset/(liability)					**(87 632 630)**

Deferred income tax assets are recognised for tax loss carry 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 R66 728 251 (2015: R65 695 955). The group has estimated capital tax losses available amounting to R38 655 725 (2015: R38 655 725). The realisation of the related tax benefit through future taxable profits are probable due to new cost saving measures implemented, continuous improvement of production abilities and new products being launched.

Included in the above tax losses were R6 943 752 (2015: R1 038 999) and R38 655 725 (2015: R38 655 725) relating to income and capital tax losses, respectively, which were available for set-off against future taxable income but due to the improbability of the realisation of related tax benefits, these assets were not raised.

Management is of the opinion that it is probable, based on the new financial year budget, that for all deferred tax assets raised relating to assessed losses, future taxable profits will be available against which the unused tax losses can be utilised.

12. Inventories

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
The amounts attributable to the different categories are as follows:				
Raw materials, components	**26 415 039**	21 336 394	**–**	–
Finished goods	**109 711 099**	102 761 610	**–**	–
Production supplies	**19 436 212**	19 517 050	**–**	–
	155 562 350	143 615 054	**–**	–
Allowance for inventory obsolescence:	**(22 860 715)**	(16 811 331)	**–**	–
Raw materials, components	**(324 460)**	(88 116)	**–**	–
Finished goods	**(21 282 619)**	(14 900 958)	**–**	–
Production supplies	**(1 253 636)**	(1 822 257)	**–**	–
	132 701 635	126 803 723	**–**	–

The group reversed R2 245 472 (2015: R2 397 518) of a previous inventory obsolescence provision during the year, due to a change in economic circumstances. The respective inventory items have been disposed of during the year. In addition, business processes have also been amended to restructure certain unsellable material into a sellable format.

The carrying value of finished products, identified as slow-moving, is R10 124 094 (2015: R20 839 662), after allowing for the provision of inventory obsolescence.

Inventory write-off to net realisable value amounted to R427 260 (2015: R3 136 454) and was included in 'cost of sales' in the statement of profit or loss and other comprehensive income. The total amount of inventory recognised as an expense is R629 910 026 (2015: R580 028 950) and was recognised in 'cost of sales'.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

13. Trade and other receivables

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Trade receivables	**259 036 556**	277 421 914	**–**	–
Less: Provision for impairment of receivables	**(11 740 008)**	(16 698 744)	**–**	–
Trade receivables – net	**247 296 548**	260 723 170	**–**	–
Prepayments	**3 683 710**	6 139 517	**52 834**	110 039
Deposits	**1 875 574**	2 701 108	**–**	–
Value-added taxation	**2 064 110**	1 810 413	**–**	–
Loans to related parties	**28 376 274**	5 893 022	**565 839**	321 331
Other receivables	**12 255 313**	10 708 880	**424 833**	723 660
	295 551 529	287 976 110	**1 043 506**	1 155 030
Analysis of trade and other receivables:				
Trade and other receivables (refer note 10)	**289 803 709**	280 026 180	**990 672**	1 044 991
Prepayments and value-added taxation	**5 747 820**	7 949 930	**52 834**	110 039
	295 551 529	287 976 110	**1 043 506**	1 155 030

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

Included in other receivables are loans to Joe Kalo Investments Proprietary Limited of R59 474 (2015: R55 670). These loans were made with respect to the group's BEE shareholding in certain subsidiaries.

The loans to related parties include loans made by the group to the group's associate and joint venture, Ikapa Quarries Proprietary Limited and Pemba Aggregates Limitada. The Ikapa Quarries Proprietary Limited receivables have no fixed repayment terms and bear interest at prime (2015: prime less 3,5%). The Pemba Aggregates Limitada receivables are interest-free and have no fixed repayment terms.

Trade receivables to the amount of R175 457 961 (2015: R209 880 505) serve as security for the Standard Bank of South Africa Limited overdraft facility and medium-term loan as per notes 14 and 20, respectively.

As at 29 February 2016, the group had trade receivables of R41 729 525 (2015: R50 997 540) 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 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
The ageing analysis of these trade receivables is as follows:				
Neither impaired nor past due	**205 567 023**	209 725 630	**–**	–
Not impaired but past due				
Between 30 and 60 days past due	**29 379 876**	29 291 823	**–**	–
Between 60 and 90 days past due	**5 101 114**	8 705 008	**–**	–
More than 90 days past due	**7 248 535**	13 000 709	**–**	–
	41 729 525	50 997 540	**–**	–
	247 296 548	260 723 170	**–**	–
An impairment provision of R11 740 008 (2015: R16 698 744) has been recognised against receivables. The ageing of the impairment portion of receivables, which is past due, is as follows:				
Between 30 and 60 days	**1 136**	1 758 031	**–**	–
Between 60 and 90 days	**30 903**	662 181	**–**	–
More than 90 days	**11 707 969**	14 278 532	**–**	–
	11 740 008	16 698 744	**–**	–

13. Trade and other receivables *(continued)*

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Movements on the group provision for impairment of trade receivables are as follows:				
Opening balance	**16 698 744**	13 923 406	**–**	–
Additional provision charged to profit or loss	**5 583 412**	5 489 017	**–**	–
Provisions reversed to profit or loss	**(1 271 889)**	(882 853)	**–**	–
Receivables written off during the year as uncollectible	**(9 270 259)**	(1 830 826)	**–**	–
Closing balance	**11 740 008**	16 698 744	**–**	–

As at 29 February 2016, trade and other receivables of R9 270 259 (2015: R1 830 826) were impaired. These impaired receivables mainly relate to debtors, which are in unexpectedly difficult economic situations as well as companies placed under liquidation.

The creation and release of the provision for impaired receivables has been included in profit or loss. 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.

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Credit quality of fully performing financial assets				
Trade receivables				
Customers without external ratings				
Group 1 (New customers)	**11 452 953**	20 016 028	**–**	–
Group 2 (Existing customers – with no defaults in the past)	**184 802 943**	173 626 889	**–**	–
Group 3 (Existing customers – some prior defaults, but fully recoverable)	**9 311 127**	16 082 713	**–**	–
	205 567 023	209 725 630	**–**	–

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

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

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
The carrying amounts of the group's trade and other receivables are denominated in the following currencies:				
Rand	**259 293 750**	283 541 883	**–**	–
Metical	**36 257 779**	4 434 227	**–**	–
	295 551 529	287 976 110	**–**	–

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
14. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand	**291 449**	367 145	**–**	1 430
Bank balances	**57 847 803**	66 425 512	**208 754**	196 803
Short-term bank deposits	**59 101 795**	11 331 401	**–**	–
Bank overdraft	**(39 878 079)**	(52 873 655)	**(11 350 499)**	(1 567 479)
	77 362 968	25 250 403	**(11 141 745)**	(1 369 246)
Current assets	**117 241 047**	78 124 058	**208 754**	198 233
Current liabilities	**(39 878 079)**	(52 873 655)	**(11 350 499)**	(1 567 479)
	77 362 968	25 250 403	**(11 141 745)**	(1 369 246)

An unlimited omnibus securityship between group companies was provided to Standard Bank of South Africa Limited for the group overdraft facility.

The fair values of cash and cash equivalents are considered to be equal to the carrying value due to their short-term nature.

Cessions of the Infrasors bank accounts to the value of R9 666 909 (2015: R9 080 942) are provided as security to ABSA Bank Limited.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
15. Stated capital				
Authorised				
1 000 000 000 (2015: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued				
143 262 412 (2015: 143 262 412) ordinary shares with no par value	**295 327 963**	323 176 094	**283 260 947**	316 666 887
Net effect of settlement of employee share options	**(31 717 017)**	(27 911 985)	**(33 622 328)**	(33 405 940)
Treasury shares issued to non-executive directors, net of taxation	**–**	63 854	**–**	–
Stated capital	**263 610 946**	295 327 963	**249 638 619**	283 260 947
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 Proprietary 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 issued and authorised equity structure is that of Afrimat Limited.

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	
	2016 **R**	2015 R	**2016** **R**	2015 R
16. Treasury shares				
1 918 751 (2015: 505 829) shares held by Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary	**(40 181 262)**	(8 056 216)	**–**	–

The group acquired 2 482 093 (2015: 911 865) of its own shares through purchases on the JSE Limited in Afrimat Aggregates (Operations) Proprietary Limited. The shares are held as 'treasury shares'. The group has the right to reissue these shares at a later date. The total amount paid to acquire the shares was R50 100 238 (2015: R14 508 591) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R20,18 (2015: R15,91). During the year, 1 069 171 (2015: 1 214 712) shares were utilised in terms of the Share Appreciation Rights Scheme for an amount of R17 975 192 (2015: R13 289 232). The related weighted average share price at the time of exercise was R16,81 (2015: R10,94).

On 15 December 2014, Afrimat announced on SENS that in terms of special resolution number 4 passed by shareholders at the annual general meeting held on 6 August 2014, ordinary shares will be awarded to non-executive directors. Following the announcement, 240 000 treasury shares, with a fair value of R16,39 per share (weighted average traded price over 30 days prior to agreement date), were issued to non-executive directors for no consideration. These treasury shares were held at a cost of R16,06 per share. The difference between the fair value of the shares issued and their cost amounting to R63 854 was allocated to 'stated capital'. A share-based payment expense of R6 556 000 was allocated to profit or loss.

	Group		Company	
	2016	2015	**2016**	2015
Analysis of movement in number of treasury shares:				
Opening balance	**505 829**	1 048 676	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(1 069 171)**	(1 214 712)	**–**	–
Issued to non-executive directors	**–**	(240 000)	**–**	–
Purchased during the year	**2 482 093**	911 865	**–**	–
Closing balance	**1 918 751**	505 829	**–**	–

17. Share options

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

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

	Average grant price in cents per share 2016	**Number of options 2016**	Average grant price in cents per share 2015	Number of options 2015
Opening balance	**852**	**6 295 000**	567	7 625 000
Granted	**1726**	**1 105 000**	1565	1 220 000
Exercised	**563**	**(2 575 000)**	340	(2 550 000)
Closing balance	**1205**	**4 825 000**	852	6 295 000

Out of the 4 825 000 outstanding options (2015: 6 295 000), 340 000 options (2015: 200 000) were exercisable. Options exercised in 2016 resulted in 2 475 000 and 100 000 shares (2015: 2 550 000) being issued at a weighted average price of R5,63 each and R3,40 each, respectively (2015: R3,40 each). The related weighted average share price at the time of exercise was R19,00 (2015: R16,50) per share.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

17. Share options *(continued)*

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

	Grant price	Number of options	
Financial year of expiry	Cents	**2016**	2015
2018	340	**100 000**	200 000
2019	572	**240 000**	2 715 000
2020	850	**2 160 000**	2 160 000
2021	1565	**1 220 000**	1 220 000
2022	1726	**1 105 000**	–
		4 825 000	6 295 000

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

	Number of shares	
	2016	2015
Opening balance	**21 401 146**	21 274 191
Exercised	**2 575 000**	2 550 000
Utilised	**(1 755 000)**	(2 423 045)
Closing balance	**22 221 146**	21 401 146

Number of share options held by directors:

	Opening balance	Granted	Average grantprice in cents per share	Expiry dates	Exercised/ expired	Closing balance
2016						
Andries J van Heerden	**990 000**	**200 000**	**1726**	**2022**	**(460 000)**	**730 000**
Hendrik P Verreynne	**565 000**	**115 000**	**1726**	**2022**	**(245 000)**	**435 000**
Gert J Coffee	**350 000**	**–**	**1726**	**2022**	**(200 000)**	**150 000**
	1 905 000	**315 000**	**–**	**–**	**(905 000)**	**1 315 000**
2015						
Andries J van Heerden	1 365 000	200 000	1565	2021	(575 000)	990 000
Hendrik P Verreynne	695 000	120 000	1565	2021	(250 000)	565 000
Gert J Coffee	600 000	–	–	–	(250 000)	350 000
	2 660 000	320 000	–	–	(1 075 000)	1 905 000

The fair value of options granted during the year, using the Black Scholes valuation model, was R5 635 500 (2015: R5 734 000), 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 R4 676 353 (2015: R4 107 207).

Analysis of movement in remaining options:

Grant date	11 May 2011	9 May 2012	8 May 2013	14 May 2014	20 May 2015	Total
Originally granted	2 750 000	2 835 000	2 160 000	1 220 000	1 105 000	**10 070 000**
Forfeited	–	(120 000)	–	–	–	**(120 000)**
Exercised	(2 650 000)	(2 475 000)	–	–	–	**(5 125 000)**
Net outstanding	100 000	240 000	2 160 000	1 220 000	1 105 000	**4 825 000**
Grant price (cents)	340	572	850	1565	1726	
Fair value of option (cents)	117	147	170	470	510	

17. Share options *(continued)*

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

Grant date	11 May 2011	9 May 2012	8 May 2013	14 May 2014	20 May 2015
Grant price (cents)	340	572	850	1565	1726
Expected option life	3 years	3 years	3 years	3 years	3 years
Expected volatility	56,75	36,53	29,09	31,69	28,76
Expected likelihood	100,00%	100,00%	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%	5,00%	5,00%
Expected risk-free rates	7,55%	6,44%	5,07%	6,73%	7,58%
Expected dividend yields	5,00%	3,32%	3,29%	0,02%	0,03%

The share price volatility is measured at the standard deviation of expected share price returns based on the statistical analysis of monthly share prices over the current year.

18. Other reserves

	Available-for-sale reserve R	Share-based payment reserve R	Translation reserve R	Total other reserves R
Group				
Balance at 1 March 2014	387 035	6 175 214	–	6 562 249
Share-based payment expense for the year	–	10 663 207	–	10 663 207
Settlement of employee share options	–	(2 936 738)	–	(2 936 738)
Share-based payment to non-executive directors	–	(6 556 000)	–	(6 556 000)
Fair value adjustment	155 213	–	–	155 213
Currency translation differences	–	–	(381 664)	(381 664)
Total changes	155 213	1 170 469	(381 664)	944 018
Balance at 28 February 2015	542 248	7 345 683	(381 664)	7 506 267
Share-based payment expense for the year	**–**	**4 676 353**	**–**	**4 676 353**
Settlement of employee share options	**–**	**(3 721 013)**	**–**	**(3 721 013)**
Fair value adjustment	**73 555**	**–**	**–**	**73 555**
Currency translation differences	**–**	**–**	**84 214**	**84 214**
Total changes	**73 555**	**955 340**	**84 214**	**1 113 109**
Balance at 29 February 2016	**615 803**	**8 301 023**	**(297 450)**	**8 619 376**
Company				
Balance at 1 March 2014	–	3 819 272	–	3 819 272
Share-based payment expense for the year	–	752 476	–	752 476
Settlement of employee share options	–	(2 047 539)	–	(2 047 539)
Total changes	–	(1 295 063)	–	(1 295 063)
Balance at 28 February 2015	–	2 524 209	–	2 524 209
Share-based payment expense for the year	**–**	**780 172**	**–**	**780 172**
Settlement of employee share options	**–**	**(1 613 804)**	**–**	**(1 613 804)**
Total changes	**–**	**(833 632)**	**–**	**(833 632)**
Balance at 29 February 2016	**–**	**1 690 577**	**–**	**1 690 577**

Included in the share option expense for the prior year is an amount of R4 107 207 and R6 556 000 relating to the Share Appreciation Rights Scheme and treasury shares issued to non-executive directors for no consideration, respectively.

Nature and purpose of reserves

(a) Available-for-sale reserve

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

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

18. Other reserves *(continued)*

(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.

(c) Translation reserve

The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

	Infrasors Holdings Limited		Other individually immaterial subsidiaries		Total non-controlling interest	
	R 2016	R 2015	**R 2016**	R 2015	**R 2016**	R 2015
19. Non-controlling interests						
Effective non-controlling interest percentage	**2,5%**	8,6%	**–**	–	**–**	–
Non-current assets	**187 527 358**	168 463 793	**12 952 663**	8 898 827	**–**	–
Current assets	**34 753 148**	66 205 422	**30 641 940**	11 839 192	**–**	–
Non-current liabilities	**(53 915 561)**	(58 020 846)	**(1 955 603)**	(1 794 132)	**–**	–
Current liabilities	**(58 913 817)**	(75 966 016)	**(31 874 347)**	(13 395 674)	**–**	–
Net assets	**109 451 128**	100 682 353	**9 764 653**	5 548 213	**–**	–
Non-controlling interest within Infrasors	**–**	–	**–**	–	**–**	–
Carrying amount of non-controlling interest	**2 767 525**	8 656 334	**3 969 069**	3 781 155	**6 736 594**	12 437 489
Total non-controlling interest	**2 767 525**	8 656 334	**3 969 069**	3 781 155	**6 736 594**	12 437 489
Revenue	**319 212 392**	335 804 324	**64 319 968**	4 825 029	**–**	–
Profit after taxation included in results	**18 198 719**	18 961 317	**5 403 769**	(1 348 262)	**–**	–
Reported by subsidiaries	**15 102 527**	15 360 986	**5 403 769**	(1 348 262)	**–**	–
Reversal of depreciation and impairments by Afrimat on consolidated						–
pre-acquisition adjustments	**3 096 192**	3 600 331	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**18 198 719**	18 961 317	**5 403 769**	(1 348 262)	**–**	–
Profit after taxation, allocated to non-controlling interest	**1 276 253**	1 668 133	**787 913**	570 072	**2 064 166**	2 238 205
Other comprehensive income, allocated to non-controlling interest	**–**	–	**–**	–	**–**	–

During the prior year, Afrimat Limited in total held 91,3% of Infrasors' gross shares in issue, treasury shares accounted for 0,1% while minorities accounted for the remaining 8,6% of the total issued Infrasors ordinary shares.

During the year, the Infrasors group acquired 2 346 511 ordinary shares on the open market, at an average price of 135 cents per ordinary share. Furthermore, Infrasors exercised its right in terms of the repurchase clause of the sale of shares agreement ('Agreement') between Infrasors, Afrimat and Joe Kalo Investments Proprietary Limited ('JKI') to repurchase a further 4 790 000 Infrasors shares from JKI at 135 cents per ordinary share.

Afrimat acquired 2 774 774 ordinary shares on the open market at an average price of 135 cents per ordinary share, in terms of a general offer made to Infrasors shareholders in August 2015.

As a result of the above repurchases Afrimat Limited now in total holds 93,0% of Infrasors' gross shares in issue, treasury shares account for 4,5% while minorities account for the remaining 2,5% of the total issued Infrasors ordinary shares.

During the prior year, the company acquired a 99,0% shareholding in Afrimat Mozambique Limitada. The effective percentage shareholding held by non-controlling interest at the end of the year amount to 1,0% (2015: 1,0%) in Afrimat Mozambique Limitada. The acquisition of Afrimat Mozambique Limitada resulted in the increased revenue balance in current year as disclosed above under 'other individually immaterial subsidiaries'.

19. Non-controlling interests *(continued)*

Afrimat acquired the remaining 7,3% issued shares held by Joe Kalo Investments Proprietary Limited in Afrimat Aggregates (Trading) Limited ('AAT') with effect 1 March 2014.

As part of the group's strategy to establish some presence in the Mpumalanga region, the group commenced with a quarry operation in Nelspruit. This resulted in a more comprehensive product offering to markets in the north. Afrimat Readymix (Inland) Proprietary Limited has been used by the group for this purpose and 25,0% shareholding has been disposed of to a third party, Anton H Combrink.

Management does not consider the non-controlling interests to be material to the group.

Afrimat Aggregates (Trading) Proprietary Limited

The value of additional shareholding acquired in AAT was estimated based on the net asset value calculated on 28 February 2014.

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
20. Borrowings				
Non-current liabilities				
Medium-term loans	**1 252 906**	19 993 319	**–**	–
Instalment purchase agreements	**46 067 616**	36 780 702	**–**	–
	47 320 522	56 774 021	**–**	–
Current liabilities				
Medium-term loans	**19 411 418**	25 714 981	**–**	8 449 511
Instalment purchase agreements	**46 152 261**	39 931 122	**–**	–
	65 563 679	65 646 103	**–**	8 449 511
Medium-term loans				
Capital reconciliation of the Standard Bank of South Africa Limited medium-term loan was as follows:				
Opening balance	**8 449 511**	25 317 135	**8 449 511**	25 317 135
Repayments	**(8 449 511)**	(16 867 624)	**(8 449 511)**	(16 867 624)
Closing balance	**–**	8 449 511	**–**	8 449 511
Capital reconciliation of the ABSA Bank Limited medium-term loan was as follows:				
Opening balance	**36 005 883**	57 282 780	**–**	–
Repayments	**(17 238 882)**	(21 276 897)	**–**	–
Closing balance	**18 767 001**	36 005 883	**–**	–
Capital reconciliation of the Spec Sand CC medium-term loan was as follows:				
Opening balance	**1 252 906**	1 398 971	**–**	–
Repayments	**–**	(146 065)	**–**	–
Closing balance	**1 252 906**	1 252 906	**–**	–
Capital reconciliation of the Anton H Combrink medium-term loan was as follows:				
Opening balance	**–**	–	**–**	–
Additions	**644 417**	–	**–**	–
Closing balance	**644 417**	–	**–**	–
Total medium-term loans	**20 664 324**	45 708 300	**–**	8 449 511

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

20. Borrowings *(continued)*

	Group 2016 R	Group 2015 R	Company 2016 R	Company 2015 R
Instalment purchase agreements				
Capital reconciliation of instalment purchase agreements was as follows:				
Opening balance	**76 711 824**	87 038 657	**–**	–
Borrowings raised	**68 110 098**	53 566 511	**–**	–
Repayments	**(52 602 045)**	(63 893 344)	**–**	–
Closing balance	**92 219 877**	76 711 824	**–**	–
Minimum payments due on instalment purchase agreements are as follows:				
Within one year	**52 597 813**	42 971 638	**–**	–
In second to fifth year inclusive	**48 077 927**	39 985 178	**–**	–
	100 675 740	82 956 816	**–**	–
Less: Future finance charges	**(8 455 863)**	(6 244 992)	**–**	–
Present value of minimum payments	**92 219 877**	76 711 824	**–**	–
Analysis of present value of minimum payments due:				
Within one year	**46 152 261**	39 931 122	**–**	–
In second to fifth year inclusive	**46 067 616**	36 780 702	**–**	–
	92 219 877	76 711 824	**–**	–
Non-current liabilities				
At amortised cost	**47 320 522**	56 774 021	**–**	–
Current liabilities				
At amortised cost	**65 563 679**	65 646 103	**–**	8 449 511
	112 884 201	122 420 124	**–**	8 449 511

A working capital finance facility of R50 000 000 with Standard Bank of South Africa Limited was in place. The purpose of this loan was to facilitate an increase in working capital. The loan was secured by a cession of trade receivables, bore interest at three-month Jibar rate less 2,5% and was 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 could not cancel or prepay any portion of the medium-term loan before 30 September 2013. Thereafter, the company could, if it gave 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. The working capital finance facility was settled during the current year.

Infrasors Holdings Limited entered into terms and conditions with ABSA Bank Limited on 27 February 2014, to negotiate a senior loan facility of R58 000 000 for 36 months, repayable in 36 monthly instalments of capital and interest, commencing 31 March 2014 at prime rate minus 1,0%, calculated monthly in arrears. The total instalments for the year amounted to R17 238 882 (2015: R21 276 897). 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 Lyttelton Dolomite Proprietary Limited (refer note 2) as well as a cession of the Infrasors Group bank accounts (refer note 14).

The group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. None of the covenants were breached during the year ended 29 February 2016 as well as in the preceding year.

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

The loan agreement entered into with Anton H Combrink by Afrimat Readymix (Inland) Proprietary Limited ('ARI') is unsecured, bears interest at the prime overdraft rate and shall be repaid as agreed from time to time between ARI, the company and Anton H Combrink.

It is group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements are repayable in monthly instalments of R5 070 362 (2015: R4 781 541) including interest and capital.

20. Borrowings *(continued)*

Interest rates are linked to prime overdraft rate and varied between 7,4% and 11,0% (2015: 7,4% and 10,5%) during the year. There were no breaches in payment terms during the year. The instalment purchase agreements are secured over various items of property, plant and equipment as indicated in note 2.

Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary, also provided a cession of R15 000 000 on its short-term insurance policy in favour of Standard Bank of South Africa Limited for borrowing facilities held.

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

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
At floating rates	**112 884 201**	122 420 124	**–**	8 449 511

The group has the following undrawn borrowing facilities with FirstRand Bank Limited, Standard Bank of South Africa Limited and ABSA Bank Limited:

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
Floating rate:				
– Expiring within one year	**243 744 617**	231 673 115	**13 649 501**	19 258 800

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

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

21. Provisions

	Group		
	Environmental rehabilitation R	Dismantling R	Total provisions R
Balance at 1 March 2014	40 715 474	15 144 761	55 860 235
Discount unwinding	2 874 361	198 552	3 072 913
Additions	12 144 501	968 709	13 113 210
Reversed during year	(3 731 805)	(991 344)	(4 723 149)
Total changes	11 287 057	175 917	11 462 974
Balance at 28 February 2015	52 002 531	15 320 678	67 323 209
Discount unwinding	**4 160 204**	**–**	**4 160 204**
Additions	**3 514 235**	**766 179**	**4 280 414**
Reversed during the year	**–**	**(198 552)**	**(198 552)**
Total changes	**7 674 439**	**567 627**	**8 242 066**
Balance at 29 February 2016	**59 676 970**	**15 888 305**	**75 565 275**

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 8,0% (2015: 7,0%) was used. During the prior year, the company appointed Site Plan Consulting ('SPC') to conduct an independent specialist update of the quarry site rehabilitation quantums.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the Department of Mineral and Resources to the amount of R115 816 260 (2015: R93 278 516) (refer note 33). Funds to the amount of R13 199 903 (2015: R11 807 550) have been invested in environmental insurance policies, R315 687 (2015: R205 909) in a Liberty Life New Growth Rehabilitation Plan Trust and R1 898 148 (2015: R1 797 599) in a Green Horizons Environmental Rehabilitation Trust Fund (refer note 9).

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
22. Trade and other payables				
Trade payables	**163 957 744**	154 539 716	**47 283**	338 757
Amounts due to related parties	**–**	–	**–**	8 310
Taxes and other statutory liabilities	**14 540 047**	13 779 153	**334 095**	1 316 171
Accrued expenses	**77 646 830**	71 051 901	**2 303 325**	1 149 737
Other payables	**21 686 917**	23 613 425	**754 849**	717 592
	277 831 538	262 984 195	**3 439 552**	3 530 567
Analysis of trade and other payables:				
Trade and other payables (refer note 10)	**218 232 255**	212 051 792	**941 917**	1 175 818
Taxes and other statutory liabilities	**14 540 047**	13 779 153	**334 095**	1 316 171
Employee-related accruals	**45 059 236**	37 153 250	**2 163 540**	1 038 578
	277 831 538	262 984 195	**3 439 552**	3 530 567

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 loans due to related parties in prior year included the acquisition of an investment in the group's joint venture, Pemba Aggregates Limitada. The payables had no fixed repayment terms and bore interest at prime.

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

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
Rand	**247 936 437**	260 014 131	**–**	–
Metical	**29 895 101**	2 970 064	**–**	–
	277 831 538	262 984 195	**–**	–

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
23. Revenue				
Sale of goods	**1 921 391 649**	1 945 299 743	**–**	–
Rendering of services	**31 025 098**	40 584 076	**13 331 186**	44 735 063
Interest received (trading)	**17 368 927**	12 716 283	**–**	–
	1 969 785 674	1 998 600 102	**13 331 186**	44 735 063
24. Operating profit/(loss)				
Operating profit for the year is stated after accounting for the following:				
Income from subsidiaries				
Administration and management fees	**–**	–	**13 331 186**	44 735 063
Operating lease charges	**63 473 372**	74 124 929	**–**	569 617
Premises				
– Contractual amounts	**6 809 568**	6 590 396	**–**	520 576
Equipment				
– Contractual amounts	**53 844 158**	64 260 620	**–**	49 041
Lease rentals on operating lease – other				
– Contractual amounts	**2 819 646**	3 273 913	**–**	–

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
24. Operating profit/(loss) *(continued)*				
Amortisation of intangible assets	**2 295 774**	2 561 737	**–**	–
Depreciation of property, plant and equipment	**79 585 218**	74 047 649	**–**	863 709
Impairment of property, plant and equipment	**–**	1 554 875	**–**	–
Impairment of goodwill	**1 300 000**	–	**–**	–
Impairment of trade receivables	**9 270 259**	1 830 826	**–**	–
Loss/(gains) – financial assets at fair value through profit or loss	**195 315**	(2 193 292)	**–**	–
Profit/(loss) on disposal of property, plant and equipment	**(930 919)**	483 929	**–**	–
Profit on disposal of business	**–**	(7 853 090)	**–**	–
Increase in inventory provision for impairment	**6 049 384**	4 286 622	**–**	–
Audit fees – current year	**4 539 638**	5 216 218	**786 235**	1 272 713
Employee costs	**433 284 051**	429 596 854	**9 690 159**	34 338 145
Defined contribution plan contributions	**24 688 123**	20 992 081	**41 815**	1 370 184
Share-based payment expense	**4 676 353**	10 663 207	**780 172**	752 476
Short-term employee expenses	**403 919 575**	397 941 566	**8 868 172**	32 215 485
25. Investment revenue				
Dividend revenue				
Listed financial assets	**–**	119 628	**–**	–
Inter-company	**–**	–	**53 804 980**	53 900 000
	–	119 628	**53 804 980**	53 900 000
Interest revenue				
Bank	**9 148 727**	7 068 713	**5 627 831**	4 518 668
Deemed interest/preference dividends (BEE structure)	**10 963 892**	7 282 412	**10 963 892**	7 282 412
Group companies	**–**	–	**6 992 964**	3 948 736
Other interest	**1 666 651**	2 132 952	**177 713**	337 064
	21 779 270	16 484 077	**23 762 400**	16 086 880
Total investment revenue	**21 779 270**	16 603 705	**77 567 380**	69 986 880
26. Finance costs				
Instalment purchase agreements	**6 787 572**	5 995 105	**–**	–
Bank	**11 367 823**	12 869 332	**4 783 994**	3 962 302
South African Revenue Service	**69 016**	110 696	**–**	–
Group companies	**–**	–	**19 019 271**	9 026 836
Environmental rehabilitation and dismantling	**4 160 204**	3 072 913	**–**	–
Other interest paid	**240 822**	415 918	**–**	311
	22 625 437	22 463 964	**23 803 265**	12 989 449

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
27. Income tax expense				
Major components of the tax expense/income				
Current				
Local income tax				
Current year	**85 010 876**	79 068 947	**–**	–
Recognised in current year for prior years	**(1 256 790)**	15 253	**–**	–
	83 754 086	79 084 200	**–**	–
Deferred				
Deferred income tax				
Current year	**7 175 624**	(2 156 371)	**(2 833 077)**	(981 027)
recognised in current year for prior years	**–**	(3 892 442)	**–**	–
	7 175 624	(6 048 813)	**(2 833 077)**	(981 027)
Total income tax expense	**90 929 710**	73 035 387	**(2 833 077)**	(981 027)
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**0,9**	0,1	**(33,3)**	(26,3)
Non-deductible expenses (%)	**0,6**	2,2	**0,8**	0,4
Exempt income (%)	**(0,2)**	(0,2)	**(34,1)**	(26,7)
(Decrease)/increase in unrecognised tax losses recognised in current year (%)	**0,5**	(1,9)	**–**	–
Recognised in current year for prior years (%)	**–**	(1,4)	**–**	–
Effective rate (%)	**28,9**	26,7	**(5,3)**	1,7
28. Notes to the cash flow statements				
28.1 Cash generated from/(used in) operations				
Profit before tax	**315 121 856**	273 377 710	**53 150 610**	56 522 313
Adjustments for:				
Depreciation and amortisation	**81 880 992**	76 609 386	**–**	863 708
Impairment of property, plant and equipment	**–**	1 554 875	**–**	–
Impairment of goodwill	**1 300 000**	–	**–**	–
Share of profit of associate	**(67 360)**	(178 349)	**–**	–
Share of losses of joint venture	**4 487 269**	987 410	**–**	–
(Profit)/loss on sale of property, plant and equipment	**(930 919)**	483 929	**–**	–
Profit on disposal of business	**–**	(7 853 090)	**–**	–
Losses/(gains) – financial assets at fair value through profit or loss	**253 624**	(2 193 292)	**–**	–
Foreign exchange differences	**91 148**	(561 272)	**–**	–
Dividend revenue	**–**	(119 628)	**(53 804 980)**	(53 900 000)
Interest revenue	**(21 779 270)**	(16 484 077)	**(23 762 400)**	(16 086 880)
Finance costs	**22 625 437**	22 463 964	**23 803 265**	12 989 449
Net effect of settlement of employee share options	**(13 741 825)**	(14 622 753)	**(33 622 328)**	(33 405 940)
Net effect of treasury shares issued to non-executive directors	**–**	(2 637 056)	**–**	–
Movements in provisions	**4 081 866**	8 390 057	**–**	–
Share-based payment reserve	**4 676 353**	10 663 207	**780 172**	752 476
Changes in working capital (excluding the effects of acquisition on consolidation):				
Inventories	**(5 897 912)**	(16 151 192)	**–**	–
Trade and other receivables	**(7 575 419)**	17 996 600	**111 524**	3 379 385
Trade and other payables	**14 847 341**	(2 758 552)	**(91 015)**	(7 589 544)
	399 373 181	348 967 877	**(33 435 152)**	(36 475 033)

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
28. Notes to the cash flow statements *(continued)*				
28.2 Interest revenue				
Interest revenue (refer note 25)	**21 779 270**	16 484 077	**23 762 400**	16 086 880
Adjustments for:				
Deemed interest	**3 649 761**	(2 982 412)	**3 649 761**	(2 982 412)
	25 429 031	13 501 665	**27 412 161**	13 104 468
28.3 Finance costs				
Finance costs (refer note 26)	**22 625 437**	22 463 964	**23 803 265**	12 989 449
Adjustments for:				
Environmental rehabilitation and dismantling	**(4 160 204)**	(3 072 913)	**–**	–
	18 465 233	19 391 051	**23 803 265**	12 989 449
28.4 Tax (paid)/refunded				
Opening balance as per statement of financial position	**2 921 080**	452 793	**53 155**	(694 335)
Current tax for the year recognised in statement of profit or loss and other comprehensive income (refer note 27)	**(83 754 086)**	(79 084 200)	**–**	–
Closing balance in statement of financial position	**(5 361 631)**	(2 921 080)	**–**	(53 155)
	(86 194 637)	(81 552 487)	**53 155**	(747 490)
28.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 2)	**13 379 057**	23 681 430	**–**	7 702 484
Profit/(loss) on sale of property, plant and equipment	**930 919**	(483 929)	**–**	–
	14 309 976	23 197 501	**–**	7 702 484
28.6 Proceeds on disposal of businesses				
Net book amount of property, plant and equipment (refer note 2)	**–**	633 951	**–**	–
Book value of inventory sold	**–**	2 312 959	**–**	–
Profit on disposal of business	**–**	7 853 090	**–**	–
	–	10 800 000	**–**	–
The business including all assets of Prima Quarries Namibia Proprietary Limited was disposed of as a going concern with effect from 1 October 2014.				
29. Dividends paid				
Current year interim dividend paid	**22 921 986**	18 624 114	**22 921 986**	18 624 114
Previous year final dividend paid	**53 007 092**	40 113 475	**53 007 092**	40 113 475
Dividends received on treasury shares	**(387 732)**	(8 004)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**600 000**	–	**–**	–
	76 141 346	58 729 585	**75 929 078**	58 737 589
The company has made the following cash distributions to shareholders:				
Interim dividend paid			**16,0**	13,0
Final dividend declared/paid			**41,0**	37,0
Distributions paid (cents)			**57,0**	50,0

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

30. Acquisitions of businesses

2015

Afrimat Mozambique Limitada

During the prior year, as part of the group's strategy to intensify its focus on finding opportunities outside of South Africa, the company acquired a 99,0% shareholding in Afrimat Mozambique Limitada ('AML').

	AML Total R
Net cash outflow on acquisition	
Purchase consideration settled in cash	(14 285)
	(14 285)

The subsidiary is a start-up business with no substantial assets, liabilities, income or expenses and management does not consider this to be material to the group in the current year.

2016

Cape Lime Proprietary Limited ('Cape Lime')

The group acquired 100,0% of the issued ordinary shares of Cape Lime Proprietary Limited ('Cape Lime acquisition') for R282 650 677 settled in shares of R23 595 847 and cash of R259 054 830, with effect from 31 March 2016. The effect of the acquisition will be reflected in the results for the financial year ending 28 February 2017.

	Cape Lime Total R
Acquisition information is as follows:	
Unaudited *pro forma* profit after tax assuming the business combination for full year	**29 542 353**
Unaudited *pro forma* revenue assuming the business combination for full year	**156 380 562**
Acquisition costs included in operating expenses for the year ended 29 February 2016	**208 936**

The initial accounting for this business combination was incomplete at the time of this integrated annual report. Further disclosure required in terms of IFRS 3, such as the fair value of assets acquired and liabilities assumed, have not been disclosed as the effective date financials and valuations have not been finalised.

31. Acquisition of additional non-controlling interest

2015

Afrimat Aggregates (Trading) Proprietary Limited

Afrimat acquired the remaining 7,3% issued shares held by Joe Kalo Investments Proprietary Limited in Afrimat Aggregates (Trading) Proprietary Limited ('AAT') with effect 1 March 2014.

Delf Silica Coastal Proprietary Limited

Delf Sand Proprietary Limited acquired an additional 33,3% shareholding from a non-controlling interest party, in order to obtain 100,0% shareholding in Delf Silica Coastal Proprietary Limited. The business of Delf Silica Coastal Proprietary Limited was sold as a going concern with effect from 1 September 2014. Payment to the non-controlling interest party was in the form of the transfer of physical assets and a portion of working capital.

Infrasors Holdings Limited

On 1 July 2014 Infrasors announced on SENS that it intends to issue 4 790 000 Infrasors shares for cash to Joe Kalo Investments Proprietary Limited ('JKI'). Infrasors published a circular on 7 November 2014, to provide Infrasors shareholders with information relating to the specific repurchase of 24 325 348 Infrasors shares from the Infrasors Empowerment Trust and the specific issue of 4 790 000 Infrasors shares to JKI. The directors of Infrasors were required to obtain independent external advice as to how the specific repurchase affects shareholders of Infrasors. In determining the fair and reasonableness of the repurchase price, BDO Corporate Finance Proprietary Limited determined an indicative valuation per Infrasors share on a marketable, minority basis. At the general meeting held on 4 December 2014 special authority was provided to implement the specific repurchase and the specific issue of shares for cash and to cancel and delist the remaining treasury shares.

During the prior year, Afrimat acquired a further 1 288 098 ordinary shares on the open market, at prices ranging from 112 cents to 117 cents per ordinary share. Infrasors acquired a further 197 500 ordinary shares on the open market, at an average price of 124 cents per ordinary share.

At the end of the previous year, Afrimat held 91,3% of Infrasors' gross shares in issue. Whilst treasury shares account for 0,1% and the minorities account for the remaining 8,6% of the total issued Infrasors ordinary shares (after cancellation of 27 020 754 treasury shares).

31. Acquisition of additional non-controlling interest *(continued)*

Amounts included in group equity are as follows:

	Afrimat Aggregates (Trading) Proprietary Limited R	Delf Silica Coastal Proprietary Limited R	Infrasors Holdings Limited R	Infrasors Holdings Limited – Treasury buy-back R	Total R
Additional non-controlling interest acquired	(1 235 893)	(1 770 899)	(778 066)	(212 165)	(3 997 023)
Premium paid on additional shares acquired in subsidiary after initial acquisition	(2 755 863)	(1 051 872)	(749 512)	(33 214)	(4 590 461)
	(3 991 756)	(2 822 771)	(1 527 578)	(245 379)	(8 587 484)
Net cash outflow on additional acquisition					
Consideration paid for shares held in treasury by Infrasors					(245 379)
Acquisition of additional non-controlling interest					(8 342 105)
					(8 587 484)

2016

Infrasors Holdings Limited

Infrasors acquired 2 345 511 ordinary shares on the open market, at an average price of 135 cents per ordinary share. Furthermore, Infrasors exercised its right in terms of the repurchase clause of the sale of shares agreement (‘Agreement’) between Infrasors, Afrimat and Joe Kalo Investments Proprietary Limited (‘JKI’) to repurchase a further 4 790 000 Infrasors shares from JKI at 135 cents per ordinary share.

Afrimat acquired 2 774 774 ordinary shares on the open market at an average price of 135 cents per ordinary share, in terms of a general offer made to Infrasors shareholders in August 2015.

As a result of the above repurchases Afrimat Limited now in total holds 93,0% of Infrasors’ gross shares in issue, treasury shares account for 4,5% while minorities account for the remaining 2,5% of the total issued Infrasors ordinary shares.

Amounts included in group equity are as follows:

	Infrasors Holdings Limited R	**Infrasors Holdings Limited – Treasury buy-back R**	**Total R**
Additional non-controlling interest acquired	**(1 849 389)**	**(5 315 672)**	**(7 165 061)**
Premium paid on additional shares acquired in subsidiary after initial acquisition	**(1 897 792)**	**(4 331 262)**	**(6 229 054)**
	(3 747 181)	**(9 646 934)**	**(13 394 115)**
Net cash outflow on additional acquisition			
Consideration paid for shares held in treasury by Infrasors			**(9 646 934)**
Acquisition of additional non-controlling interest			**(3 747 181)**
			(13 394 115)

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
32. Commitments				
Authorised capital expenditure				
Contracted after year-end, but not provided for				
Property, plant and equipment	**6 411 993**	17 036 240	**–**	–
Not yet contracted for				
Property, plant and equipment	**117 583 868**	165 078 164	**–**	–
Total authorised capital expenditure	**123 995 861**	182 114 404	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
No later than 1 year	**6 924 853**	6 135 248	**499 335**	1 960 167
Later than 1 year and no later than 5 years	**11 498 035**	11 428 774	**228 859**	2 833 874
	18 422 888	17 564 022	**728 194**	4 794 041

Operating lease payments represent rentals payable by the group for quarries, other premises, motor vehicles and equipment. Certain leases carry standard escalation clauses in line with inflation. The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rate. The lease expenditure charged to profit or loss during the year is disclosed in note 24.

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

33. Contingencies

Guarantees

Guarantees to the value of R80 871 480 (2015: R63 951 342) 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 R9 828 725 (2015: R9 828 725) were supplied by FirstRand Bank Limited to various parties, including the Department of Mineral Resources and Eskom.

Guarantees to the value of R23 475 064 (2015: R27 562 871) by Lombard's Insurance Group, R1 447 341 (2015: R806 341) by ABSA Bank Limited, R2 703 000 (2015: R2 703 000) by SIG Guarantee Acceptances Proprietary Limited and R8 197 723 (2015: RNil) by Centrique Insurance Company were supplied to various parties, including the Department of Mineral Resources, Eskom and Chevron South Africa Proprietary Limited.

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

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the Department of Mineral Resources in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R5 284 814 (2015: R7 459 633). An accrual has been raised in respect of commitments made up to the end of the financial year.

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. For a list of the group's subsidiaries, associates, joint ventures and related trusts, refer to notes 6, 7 and 8 respectively.

34. Related parties *(continued)*

		Group 2016 R	Group 2015 R
Loan balances owing by	Associate	**19 565 247**	2 895 837
Loan balances owing by	Joint venture	**8 811 027**	2 997 185
Interest received from	Associate	**587 591**	47 657

		Company 2016 R	Company 2015 R
Net loan balances	Subsidiaries	**(241 926 770)**	(188 942 260)
Loan balances owning (to)	Subsidiaries	**(343 324 626)**	(253 404 963)
Loan balances owning by	Subsidiaries	**101 397 856**	64 462 703
Loan balances owing by	Associate	**565 839**	321 331
Amounts included in trade and other receivables	Associate	**49 000**	49 000
Amounts included in trade and other payables	Joint venture	**–**	(8 310)
Share of net loss after tax	Joint venture	**(4 487 269)**	(987 410)
Sales of goods to – gross values	Subsidiaries	**13 331 186**	44 735 063
Dividends received from	Subsidiaries	**53 804 980**	53 900 000
Dividends received from	Associate	**196 980**	–
Interest paid to	Subsidiaries	**(19 019 271)**	(9 026 836)
Interest received from	Subsidiaries	**6 992 964**	3 948 736

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.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 37.

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 119 for a list of shareholders with a beneficial interest of 3,0% or more in the company.

Associate

Details regarding the group's associate are set out in notes 7 and 13. Transactions with the associate are entered into at the prevailing market rates. An interest amount of R587 591 (2015: R47 657) was received on intercompany loan accounts with the group's associate.

Joint venture

Details regarding the group's joint venture are set out in note 8 and 13. Transactions with the joint venture is entered into at the prevailing market rates.

Treasury shares

The group acquired 2 482 093 (2015: 911 865) of its own shares through purchases on the JSE Limited. Refer to note 16 for further disclosure.

35. Earnings per share

	Group 2016	Group 2015
Number of shares in issue		
Total shares in issue	**143 262 412**	143 262 412
Treasury shares	**(1 918 751)**	(505 829)
Net shares in issue	**141 343 661**	142 756 583

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

	Group 2016	Group 2015
35. Earnings per share *(continued)*		
Net shares in issue		
March	**142 683 511**	142 182 488
April	**142 546 995**	142 109 535
May	**142 406 511**	142 693 263
June	**143 132 197**	143 205 156
July	**143 201 828**	143 045 156
August	**142 826 965**	143 075 125
September	**142 342 826**	143 075 125
October	**141 703 661**	142 498 061
November	**141 703 661**	141 842 997
December	**141 543 661**	141 963 709
January	**141 443 661**	141 843 541
February	**141 343 661**	142 756 583
Weighted average number of net shares in issue	**142 239 928**	142 524 228
Adjusted for effect of future share-based compensation payments	**2 211 578**	2 971 761
Diluted weighted average number of shares	**144 451 506**	145 495 989
Profit attributable to ordinary shareholders	**222 127 980**	198 104 118
Earnings per ordinary share (cents)	**156,2**	139,0
Diluted earnings per ordinary share (cents)	**153,8**	136,2

	Gross 2016 R	Net of tax 2016 R	Gross 2015 R	Net of tax 2015 R
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**222 127 980**	–	198 104 118
Loss/(profit) on disposal of property, plant and equipment attributable to owners of the parent	**(934 504)**	**(672 843)**	483 929	348 429
Profit on disposal of businesses	**–**	**–**	(7 853 090)	(6 289 873)
Impairment of goodwill	**1 300 000**	**1 300 000**	–	–
Impairment of property, plant and equipment	**–**	**–**	1 554 875	1 119 510
Headline earnings		**222 755 137**		193 282 184
Headline earnings per share ('HEPS') (cents)		**156,6**		135,6
Diluted HEPS (cents)		**154,2**		132,8

	Group 2016	Group 2015
36. Net asset value ('NAV') per share		
Number of shares in issue		
Total shares in issue	**143 262 412**	143 262 412
Treasury shares	**(1 918 751)**	(505 829)
Net shares in issue	**141 343 661**	142 756 583
Shareholders funds attributable to owners of the parent (rand)	**1 018 349 378**	936 999 739
Net total asset value per share (cents)	**720**	656
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	**1 018 349 378**	936 999 739
Intangible assets and goodwill (rand)	**(149 743 131)**	(153 338 905)
	868 606 247	783 660 834
Total NTAV per share (cents)	**615**	549

37. Directors' emoluments

Directors' basic salary and allowances

	Short-term benefits			Post-retirement benefits	Other	
	Basic salary R	Travel allowance R	Medical aid R	Pension R	Other allowances and settlements R	Total R
2016						
Paid by company						
Executive						
Andries J van Heerden	3 228 802	168 644	14 088	–	–	3 411 534
Hendrik P Verreynne	2 236 689	38 470	–	245 941	3 400 000	5 921 100
Gert J Coffee	1 505 991	300 000	14 400	–	–	1 820 391
	6 971 482	507 114	28 488	245 941	3 400 000	11 153 025
Non-executive						
Marthinus W von Wielligh	675 500	–	–	–	–	675 500
Francois du Toit	180 000	–	–	–	–	180 000
Loyiso Dotwana	330 000	–	–	–	–	330 000
Hendrik JE van Wyk	278 500	–	–	–	27 500	306 000
Jacobus F van der Merwe	242 000	–	–	–	–	242 000
Phuti RE Tsukudu	320 500	–	–	–	66 000	386 500
	2 026 500	–	–	–	93 500	2 120 000
Total	8 997 982	507 114	28 488	245 941	3 493 500	13 273 025
2015						
Paid by company						
Executive						
Andries J van Heerden	2 927 674	161 471	6 227	–	–	3 095 372
Hendrik P Verreynne	2 078 378	37 743	–	228 622	–	2 344 743
Gert J Coffee	1 388 736	300 000	12 564	–	–	1 701 300
	6 394 788	499 214	18 791	228 622	–	7 141 415
Non-executive						
Marthinus W von Wielligh	640 000	–	–	–	–	640 000
Francois du Toit	150 000	–	–	–	–	150 000
Loyiso Dotwana	290 000	–	–	–	–	290 000
Hendrik JE van Wyk	267 760	–	–	–	25 760	293 520
Jacobus F van der Merwe	121 333	–	–	–	–	121 333
Phuti RE Tsukudu	272 000	–	–	–	11 000	283 000
	1 741 093	–	–	–	36 760	1 777 853
Total	8 135 881	499 214	18 791	228 622	36 760	8 919 268

Notes

1. Other fees include daily rates for non-executive directors utilised on extraordinary duties.
2. Other fees paid to Hendrik JE van Wyk include trustee fees paid in terms of the Afrimat Share Incentive Trust.
3. Jacobus F van der Merwe was appointed as non-executive director and member to the Audit & Risk Committee on 1 August 2014. His remuneration disclosed is for seven months ended 28 February 2015.
4. Directors' fees to the amount of R61 497 (2015: R82 000) and R34 833 (2015: R63 000) were paid by Infrasors to the company and Afrimat Management Services Proprietary Limited in respect of Andries J van Heerden and Hendrik P Verreynne being members of the Infrasors board (not included above). The payment ceased on 13 October 2015, on delisting of Infrasors.
5. Other fees paid to Hendrik P Verreynne include an *ex gratia* amount accrued as consideration for a restraint of trade agreement entered into between the company and himself. This amount becomes payable on termination of his services.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

37. Directors' emoluments *(continued)*

Executive directors' contract

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

Gert J Coffee's contract was renewed for another one-year period, which started 1 January 2016. No compensation will apply to termination.

Andries J van Heerden, the CEO, has an indefinite employment contract.

The company had an indefinite employment contract with Hendrik P Verreynne, the FD, who retired on 1 March 2016. All vested and unvested share appreciation rights granted are deemed vested and settled in accordance with the rules of the scheme at retirement date.

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a Share Appreciation Rights Scheme (refer note 17).

Name and offer date	**Date exercised**	**Number**	**Grant price in cents per share**	**Exercise price in cents per share**	**Share-based payment R**
2016 (Grant 7)					
Andries J van Heerden					
May 2012	**Friday, 29 May 15**	**460 000**	**572**	**1873**	**5 984 600**
Hendrik P Verreynne					
May 2012	**Monday, 15 June 15**	**245 000**	**572**	**1969**	**3 422 650**
Gert J Coffee					
May 2012	**Friday, 29 May 15**	**200 000**	**572**	**1873**	**2 602 000**
		905 000	**–**	**–**	**12 009 250**
2015 (Grant 6)					
Andries J van Heerden					
May 2011	Friday, 16 May 14	575 000	340	1652	7 544 000
Hendrik P Verreynne					
May 2011	Friday, 16 May 14	250 000	340	1652	3 280 000
Gert J Coffee					
May 2011	Wednesday, 30 July 14	250 000	340	1650	3 275 000
		1 075 000	–	–	14 099 000

In terms of the Share Appreciation Rights Scheme: Grant 7 (2015: Grant 6), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Grants of ordinary shares to non-executive directors

On 15 December 2014, 240 000 treasury shares (net of Pay-As-You-Earn) with a fair value of R16,39 per share (weighted average traded price over 30 days prior to agreement date), were issued to non-executive directors for no consideration. These shares were issued to non-executive directors to reward them for their personal contribution towards the company's good performance over the past few years (refer note 16).

Name and offer date	Date exercised	Number	Grant price in cents per share	Exercise price in cents per share	Share-based payment R
2015					
Marthinus W von Wielligh					
November 2014	Tuesday, 25 November 14	300 000	–	1639	4 917 000
Hendrik JE van Wyk					
November 2014	Tuesday, 25 November 14	100 000	–	1639	1 639 000
		400 000	–	–	6 556 000

37. Directors' emoluments *(continued)*

Incentive bonuses paid to executive directors

	Group	
	2016 R	2015 R
Executive		
Andries J van Heerden	**1 900 000**	1 600 000
Hendrik P Verreynne	**–**	800 000
Gert J Coffee	**840 000**	800 000
	2 740 000	3 200 000

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

38. Events after the reporting period

Cape Lime Proprietary Limited ('Cape Lime')

Afrimat entered into an agreement in respect of the acquisition of 100% of the issued ordinary shares of lime and associated products producer, Cape Lime on 9 October 2015. The acquisition was subject to a due diligence process and approval by the competition authorities and the Department of Mineral Resources. At the reporting date, the conditions precedent to the contract had not yet been satisfied and therefore Afrimat had no control over Cape Lime.

All conditions were met on 31 March 2016 and the aggregate purchase consideration paid for the acquisition of Cape Lime was R282 650 677 and was settled in cash amounting to R259 054 830 and the reissuing of treasury shares of R23 595 847. Included in the purchase consideration was an interest amount of R6 650 677. The original cash consideration of R252 404 153 bore interest at the Standard Bank of South Africa Limited's prime overdraft rate less 2 percent from 10 December 2015, or from such earlier date in the event that all approvals were received from the authorities.

Infrasors Holdings Limited

On 31 March 2016, a special shareholders' meeting was held and the following special resolutions were passed without modification: conversion of the company to a private company; conversion of ordinary shares to no par value ordinary shares; cancellation of 7 333 011 treasury shares held by Infrasors Management Services Proprietary Limited; and replacing the company's memorandum of incorporation.

General

Hendrik P Verreynne retired with effective final date of employment being 1 March 2016. Pieter GS de Wit was appointed in his stead effective 1 March 2016.

39. 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, 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 written 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.

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

39. Financial risk management *(continued)*

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

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Mozambique new metical ('MZN'). Foreign exchange risk arises from recognised assets and liabilities and investment in Afrimat Mozambique Limitada and Pemba Aggregates Limitada. Foreign exchange risk arises when recognised assets or liabilities are denominated in a currency that is not the group's functional currency.

Afrimat generally does not enter forward contracts, derivative or other hedging arrangements to establish an exchange rate in advance. The group has reviewed its foreign currency exposure on financial assets and financial liabilities and has identified the following sensitivities for a 500 basis points (2015: 500 basis points) change in the exchange rate of R1,00: MZN3,00 (2015: R1,00: MZN2,93) that would affect profit or loss.

	Amounts denominated in MZN	Movement in basis points	Effect on profit after tax R
2016			
Group			
Trade and other receivables	**108 693 570**	**+500**	**(1 232 764)**
	108 693 570	**-500**	**1 232 764**
Trade and other payables	**89 619 534**	**+500**	**1 016 433**
	89 619 534	**-500**	**(1 016 433)**
Cash and cash equivalents	**29 264 139**	**+500**	**(331 904)**
	29 264 139	**-500**	**331 904**
Total		**+500**	**(548 235)**
		-500	**548 235**
2015			
Group			
Trade and other receivables	13 011 813	+500	(158 693)
	13 011 813	-500	158 693
Trade and other payables	8 715 662	+500	106 297
	8 715 662	-500	(106 297)
Cash and cash equivalents	8 259 784	+500	(100 737)
	8 259 784	-500	100 737
Total	–	+500	(153 133)
	–	-500	153 133

In addition, a 500 basis points increase would increase the group's other comprehensive income and foreign currency translation reserve within equity by R14 872 (2015: R19 083). A 500 basis point decrease would have an equal but opposite effect.

(ii) 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 and financial assets at fair value through profit or loss. The group is not exposed to commodity price risk.

The group's investments in equity securities are publicly traded on the JSE Limited. R315 687 (2015: R205 909) of the available-for-sale investments of R2 327 892 (2015: R2 127 703) comprise an investment in a guaranteed fund with no negative price risk and limited positive exposure.

39. Financial risk management *(continued)*

(a) Market risk *(continued)*

(ii) Equity price risk (continued)

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. A change of 500 basis points (2015: 500 basis points) in the price of the investment will have an effect of R94 667 (2015: R86 526) on 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. A change of 500 basis points (2015: 500 basis points) in the price of the investment will have an effect of R536 790 (2015: R480 168) on profit or loss and retained earnings.

(iii) Interest rate risk

The group's interest rate risk arises from cash and cash equivalents and borrowings as set out in notes 14 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 reporting date. The group regards a 200 basis points (2015: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the reporting date.

	Movement in basis points	Effect on profit after tax R
2016		
Group		
Cash and cash equivalents	+200	1 684 074
	-200	(1 684 074)
Borrowings	+200	(1 625 532)
	-200	1 625 532
Bank overdraft	+200	(574 244)
	-200	574 244
Total	+200	(515 702)
	-200	515 702
Company		
Cash and cash equivalents	+200	3 006
	-200	(3 006)
Loans to subsidiaries	+200	1 460 129
	-200	(1 460 129)
Loans from subsidiaries	+200	(4 943 875)
	-200	4 943 875
Bank overdraft	+200	(163 447)
	-200	163 447
Total	+200	(3 644 187)
	-200	3 644 187

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

39. Financial risk management *(continued)*

(a) Market risk *(continued)*

(iii) Interest rate risk (continued)

	Movement in basis points	Effect on profit after tax R
2015		
Group		
Cash and cash equivalents	+200	1 124 986
	-200	(1 124 986)
Borrowings	+200	(1 762 850)
	-200	1 762 850
Bank overdraft	+200	(761 381)
	-200	761 381
Total	+200	(1 399 245)
	-200	1 399 245
Company		
Cash and cash equivalents	+200	2 855
	-200	(2 855)
Loans to subsidiaries	+200	928 263
	-200	(928 263)
Loans from subsidiaries	+200	(3 649 031)
	-200	3 649 031
Borrowings	+200	(121 673)
	-200	121 673
Bank overdraft	+200	(22 572)
	-200	22 572
Total	+200	(2 862 158)
	-200	2 862 158

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group is exposed to credit risks from its operating activities. Credit risk arise principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in notes 9 and 14.

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

(i) Trade receivables

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

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

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

39. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(i) Trade receivables (continued)

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

	2016 %	2015 %
Contractual		
Neither impaired nor past due	**83,1**	80,5
Between 30 and 60 days past due	**11,9**	11,2
Between 60 and 90 days past due	**2,1**	3,3
More than 90 days past due	**2,9**	5,0
Total	**100,0**	100,0

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

(ii) Cash and cash equivalents

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

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

(iii) Financial guarantees

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

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 and Lombards' Insurance Group 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 period is the carrying value of the debt securities classified as available-for-sale. None of the financial assets were held as collateral for any security provided. Management has assessed the credit risk as low due to the investments being held with established financial institutions and due to the underlying listed categorisation of equity investments.

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

(c) Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group monitors its cash flow requirements through monthly cash forecasts which includes the servicing of financial obligations, but excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To assist, strict credit control and debt monitoring processes are applied.

Surplus cash over and above balance required for working capital management, are transferred to the group treasury. Group treasury invests surplus cash in interest-bearing current accounts, money market deposits to provide sufficient headroom as determined by the abovementioned forecasts. At the reporting period, the group held money market funds of R59 101 795 (2015: R11 331 401) that are expected to readily generate cash inflows for managing liquidity risks.

Notes to the annual financial statements *(continued)*

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39. Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. The following table details the group's undiscounted contractual maturities for its financial liabilities:

	Group				
	Carrying values R	Total cash flows R	Less than 1 year R	Between 1 and 5 years R	Over 5 years R
At 29 February 2016					
Medium-term loans	**20 664 324**	**21 641 920**	**19 744 558**	**1 897 362**	**–**
Instalment purchase agreements	**92 219 877**	**100 675 740**	**52 597 813**	**48 077 927**	**–**
Trade and other payables	**218 232 255**	**218 232 255**	**218 232 255**	**–**	**–**
Bank overdraft	**39 878 079**	**39 878 079**	**39 878 079**	**–**	**–**
	370 994 535	**380 427 994**	**330 452 705**	**49 975 289**	**–**
At 28 February 2015					
Medium-term loans	45 708 300	47 794 825	28 197 489	19 597 336	–
Instalment purchase agreements	76 711 824	82 956 816	42 971 638	39 985 178	–
Trade and other payables*	212 051 792	212 051 792	212 051 792	–	–
Bank overdraft	52 873 655	52 873 655	52 873 655	–	–
	387 345 571	395 677 088	336 094 574	59 582 514	–

	Company				
	Carrying values R	Total cash flows R	Less than 1 year R	Between 1 and 5 years R	Over 5 years R
At 29 February 2016					
Medium-term loans	**–**	**–**	**–**	**–**	**–**
Loans from subsidiaries	**343 324 626**	**343 324 626**	**343 324 626**	**–**	**–**
Trade and other payables	**941 917**	**941 917**	**941 917**	**–**	**–**
Exposure to omnibus securityship	**39 878 079**	**39 878 079**	**39 878 079**	**–**	**–**
	384 144 622	**384 144 622**	**384 144 622**	**–**	**–**
At 28 February 2015					
Medium-term loans	8 449 511	8 600 153	8 600 153	–	–
Loans from subsidiaries	253 404 963	253 404 963	253 404 963	–	–
Trade and other payables*	1 175 818	1 175 818	1 175 818	–	–
Exposure to omnibus securityship	52 873 655	52 873 655	52 873 655	–	–
	315 903 947	316 054 589	316 054 589	–	–

* *The prior year trade and other payables balance has been amended to exclude employee-related accruals.*

(d) Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors meet regularly to review the capital structure. As part of this review the directors consider the availability of funding within the group to fund the group's capital requirements. The directors also consider the cost of capital and the risks associated with each class of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy-back its own shares or reduce debt.

The group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. The group monitors capital on the basis of the net debt:equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and loans from group companies less cash and cash equivalents as shown in the statement of financial position.

39. Financial risk management *(continued)*

(d) Capital risk management *(continued)*

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

	Group		Company	
	2016 R	2015 R	**2016 R**	2015 R
Total borrowings	**112 884 201**	122 420 124	**343 324 626**	261 854 474
Less: Cash and cash equivalents	**(77 362 968)**	(25 250 403)	**11 141 745**	1 369 246
Net debt*	**35 521 233**	97 169 721	**354 466 371**	263 223 720
Total equity	**1 025 085 972**	949 437 228	**523 661 924**	576 449 471
Total capital	**1 060 607 205**	1 046 606 949	**878 128 295**	839 673 191
Net debt:equity ratio (%)	**3,5**	10,2	**67,7**	45,7

* *Net debt has been amended to include loans from group companies in the comparative year.*

The strategy to maintain a net debt:equity ratio in the company has been influenced by the inclusion of the loans from group companies. Should this have been excluded the company would have met the group's targets at (2,1) (2015: 1,7). Solvency and liquidity ratios are monitored on a group basis and therefore capital adequacy requirements have continued to remain satisfied.

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

40. 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:

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 29/28 February:

	Group			
	Level 1 R	**Level 2 R**	**Level 3 R**	**Total balance R**
At 29 February 2016				
Assets				
Investment property	**–**	**–**	**3 040 000**	**3 040 000**
Available-for-sale financial assets				
Equity securities	**114 057**	**–**	**–**	**114 057**
Environmental funds	**–**	**2 213 835**	**–**	**2 213 835**
At fair value through profit or loss – designated				
Unit trusts	**–**	**13 199 903**	**–**	**13 199 903**
Total assets	**114 057**	**15 413 738**	**3 040 000**	**18 567 795**
At 28 February 2015				
Assets				
Investment property	–	–	3 040 000	3 040 000
Available-for-sale financial assets				
Equity securities	124 195	–	–	124 195
Environmental funds	–	2 003 508	–	2 003 508
At fair value through profit or loss – designated				
Unit trusts	–	11 807 550	–	11 807 550
Total assets	124 195	13 811 058	3 040 000	16 975 253

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

40. Fair value estimation *(continued)*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. 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.

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites included in the Infrasors Group (refer note 21).

Unit trusts are measured at fair value. The fair value of unquoted unit trusts is derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment in the unit trust by reference to the fair value of the individual assets and liabilities recognised in a unit trust's statement of financial position. The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

(a) Transfers

The group recognises transfers between level of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 29 February 2016 or the prior year.

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

Unit trusts to the value of R13 199 903 (2015: R11 807 550), held in IERT, are classified under Level 2 of the fair value hierarchy. The IERT receives, holds and invests funds contributed by the group for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions are aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

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

41. Segmental analysis

	% change	2016 R	2015 R
Mining & Aggregates/Minerals*			
Segmental revenue		**1 526 310 328**	1 511 659 963
Intersegmental		**(116 373 613)**	(89 354 884)
Revenue from external customers	(0,9)	**1 409 936 715**	1 422 305 079
Depreciation and amortisation		**65 384 439**	62 396 557
Impairment of property, plant and equipment		**–**	1 554 875
Impairment of goodwill		**1 300 000**	–
Contribution from operations	28,0	**281 838 473**	220 254 779
Contribution margin on external revenue		**20,0%**	15,5%
Operating profit	23,8	**280 538 473**	226 552 994
Assets	3,2	**981 223 902**	951 196 110
Equity		**678 048 795**	646 475 775
Liabilities	(0,5)	**303 175 107**	304 720 335
Capital expenditure (excluding acquisitions through business combinations)		**105 879 798**	136 144 245

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

41. Segmental analysis *(continued)*

	% change	2016 R	2015 R
Concrete Based Products**			
Segmental revenue		**562 582 042**	580 561 168
Intersegmental		**(2 733 083)**	(4 266 145)
Revenue from external customers	(2,9)	**559 848 959**	576 295 023
Depreciation and amortisation		**13 801 876**	12 289 173
Contribution from operations	(25,7)	**40 877 727**	55 050 784
Contribution margin on external revenue		**7,3%**	9,6%
Operating profit	(25,7)	**40 877 727**	55 050 784
Assets	10,8	**219 011 824**	197 688 325
Equity		**151 636 989**	141 578 834
Liabilities	20,1	**67 374 835**	56 109 491
Capital expenditure (excluding acquisitions through business combinations)		**23 411 412**	19 137 881

** *Comprising Concrete Products and Readymix.*

	% change	2016 R	2015 R
Unsegmental and eliminations			
Segmental revenue		**–**	–
Intersegmental		**–**	–
Revenue from external customers	–	**–**	–
Depreciation and amortisation		**2 694 677**	1 923 656
Contribution from operations	33,9	**(1 028 268)**	(1 556 748)
Contribution margin on external revenue		**–**	–
Operating profit	33,9	**(1 028 268)**	(1 556 748)
Assets***	6,8	**447 469 816**	418 786 314
Equity		**195 400 188**	161 382 619
Liabilities****	(2,1)	**252 069 628**	257 403 695
Capital expenditure (excluding acquisitions through business combinations)		**1 973 172**	7 185 401

*** *See page 118 for breakdown.*
**** *See page 118 for breakdown.*

Notes to the annual financial statements *(continued)*

for the year ended 29 February 2016

41. Segmental analysis *(continued)*

	% change	2016 R	2015 R
Total			
Segmental revenue		**2 088 892 370**	2 092 221 131
Intersegmental		**(119 106 696)**	(93 621 029)
Revenue from external customers	(1,4)	**1 969 785 674**	1 998 600 102
Depreciation and amortisation		**81 880 992**	76 609 386
Impairment of property, plant and equipment		**–**	1 554 875
Impairment of goodwill		**1 300 000**	–
Contribution from operations	17,5	**321 687 932**	273 748 815
Contribution margin on external revenue		**16,3%**	13,7%
Operating profit	14,4	**320 387 932**	280 047 030
Assets	5,1	**1 647 705 542**	1 567 670 749
Segmental equity		**1 025 085 972**	949 437 228
Liabilities	0,7	**622 619 570**	618 233 521
Capital expenditure (excluding acquisitions through business combinations)		**131 264 382**	162 467 527

	2016 R	2015 R
*****Unsegmental assets**		
Unsegmental assets consist of the following unallocated assets:		
Goodwill	**133 193 535**	134 493 535
Other financial assets	**157 298 662**	159 010 905
Deferred tax	**20 754 708**	25 274 292
Current tax receivable	**7 968 401**	8 866 814
Cash and cash equivalents	**117 241 047**	78 124 058
Other assets	**11 013 463**	13 016 710
	447 469 816	418 786 314
******Unsegmental liabilities**		
Unsegmental liabilities consist of the following unallocated liabilities:		
Provisions	**75 565 275**	67 323 209
Deferred tax	**108 387 338**	105 707 504
Current tax payable	**2 606 770**	5 945 734
Bank overdraft	**39 878 079**	52 873 655
Other liabilities	**25 632 166**	17 104 082
Borrowings	**–**	8 449 511
	252 069 628	257 403 695

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

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

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 29 February 2016

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	1 331	44,80	606 107	0,42
1 001 – 10 000 shares	1 237	41,64	4 553 818	3,18
10 001 – 100 000 shares	285	9,59	8 565 442	5,98
100 001 – 1 000 000 shares	96	3,23	29 134 996	20,34
1 000 000 shares and over	22	0,74	100 402 049	70,08
	2 971		143 262 412	
Analysis of holdings				
Non-public shareholding				
Directors and their associates	7	0,24	29 806 126	20,81
Treasury shares – Afrimat Aggregates (Operations) Proprietary Limited	1	0,03	1 918 751	1,34
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,03	32 953 854	23,00
	9	0,30	64 678 731	45,15
Public shareholding	2 962	99,70	78 583 681	54,85
	2 971	100,00	143 262 412	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Frans du Toit Trust (non-executive director)	18 658 502	13,02	–	–
Andries J van Heerden (CEO)	3 975 026	2,78	–	–
Maryke E van Heerden	1 198 543	0,84	–	–
Amala Trust (CEO)	981 541	0,69	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 000 000	6,28	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	970 000	0,68	–	–
Other major shareholders				
Old Mutual Investment Group Proprietary Limited	5 845 106	4,08	–	–
Government Employees Pension Fund	4 308 177	3,01	–	–
BEE shareholders				
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	3 314 529	2,31	3 314 529	2,32
Tando Mbikwana	720 000	0,50	720 000	0,50
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	32 953 854	23,00	32 953 854	23,00
Joe Kalo Investments Proprietary Limited	270 000	0,19	270 000	0,19
Johannes M Kalo	190 605	0,13	190 605	0,13
	82 385 883	57,51	37 448 988	26,14
Other	60 876 529	42,49	–	–
	143 262 412	100,00	37 448 988	26,14

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Shareholder information

TEAMWORK

Working collaboratively in order to achieve a goal

Afrimat employees | Glen Douglas

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 King Fisher Room, Feathers Lodge Boutique Hotel, 24 Melina Street, Durbanville on Friday, 5 August 2016 at 14:00 for the purposes of:
- considering and adopting the annual financial statements of the company for the year ended 29 February 2016;
- 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, 29 July 2016 with the last day to trade in the shares of the company on the JSE Limited being Friday, 22 July 2016.

Special resolutions

Special resolution 1: General authority to repurchase company shares

'Resolved that the company and/or its subsidiaries be and are 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 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 pages 20 and 21 of the integrated annual report;
- major beneficial shareholders – see page 119 of the integrated annual report;
- stated capital of the company – see page 55 of the integrated annual report; and
- directors' interests in ordinary shares – see page 56 of the integrated annual report.

Litigation statement

The directors, whose names appear under the board of directors on pages 20 and 21 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.

Notice of annual general meeting *(continued)*

Directors' responsibility statement

The directors, whose names appear under the board of directors on pages 20 and 21 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 2016:

Chairman of the board	R570 000
Non-executive director	R200 000
Audit & Risk Committee Chairman	R120 000
Audit & Risk Committee member	R66 000
Remuneration Committee Chairman	R46 900
Nominations Committee Chairman	R46 900
Remuneration & Nominations Committee member	R36 800
Social & Ethics and Sustainability Committee Chairman	R57 000
Social & Ethics and Sustainability Committee member	R36 800

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

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

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

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

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

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

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

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

Definition of financial assistance

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

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

Ordinary resolutions

Ordinary resolution 1: Adoption of annual financial statements

'Resolved that the annual financial statements of the company for the year ended 29 February 2016 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 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

Notice of annual general meeting *(continued)*

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 Mrs Phuti RE Tsukudu be re-elected as a director of the company.'

A brief *curriculum vitae* in respect of Mrs Tsukudu is set out on page 21 of the integrated annual report of which this notice forms part.

Ordinary resolution 5: 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 21 of the integrated annual report of which this notice forms part.

Ordinary resolution 6: Re-election of director

'Resolved that Mr Pieter GS de Wit be re-elected as a director of the company.'

A brief *curriculum vitae* in respect of Mr de Wit is set out on page 20 of the integrated annual report of which this notice forms part.

Ordinary resolution 7: Re-election of Audit & Risk Committee members

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

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

Ordinary resolution 8: Appointment of auditor

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

Ordinary resolution 9: Remuneration policy

'Resolved that the company's remuneration policy be approved as a non-binding advisory vote.'

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution. (See remuneration policy on the company's website www.afrimat.co.za).

Ordinary resolution 10: 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 9 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.

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 2016

Registered office
Tyger Valley Office Park No. 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley
7530

(PO Box 5278, Tyger Valley, 7536)

Telephone: +27 21 917 8840
Facsimile: +27 21 914 1174

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/00364/07)
70 Marshall Street
Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

Telephone: +27 11 370 5000
Facsimile: +27 11 688 520

Notes

'Form of proxy'

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

For use at the annual general meeting of the company to be held at The King Fisher Room, Feathers Lodge Boutique Hotel, 24 Melina Street, Durbanville on Friday, 5 August 2016 at 14:00 and at any adjournment thereof.

For use by the holders of the company's certificated ordinary shares ('certified shareholder') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Additional forms of proxy are available from the transfer secretaries of the company.

Not for the use by holders of the company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We (Full name in block letters)

of (Address)

being a member/members of Afrimat Limited and holding ordinary shares in the company hereby appoint

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary resolutions and/or abstain from voting in respect of the Afrimat Limited ordinary shares registered in my/our name(s), in accordance with the following instructions:

	For*	Against*	Abstain*
Special resolutions 1. To give directors general authority to repurchase company shares			
2. To give the company general authority to pay fixed fee annual payments to non-executive directors			
3. Provision of financial assistance for subscription of securities			
4. To give the company general authority to provide financial assistance to related or inter-related companies and others			
Ordinary resolutions 1. To adopt the 2016 annual financial statements			
2. To issue unissued shares for cash			
3. To place unissued shares under directors' control			
4. To re-elect Mrs Phuti RE Tsukudu as a director of the company			
5. To re-elect Mr Marthinus W von Wielligh as a director of the company			
6. To re-elect Mr Pieter GS de Wit as director of the company			
7. To re-elect the Audit & Risk Committee members of the company			
Mr Loyiso Dotwana			
Mrs Phuti RE Tsukudu			
Mr Jacobus F van der Merwe			
Mr Hendrik JE van Wyk			
Mr Marthinus W von Wielligh			
8. To authorise the directors to reappoint the auditor together with Duncan Dollman as the individual registered auditor and to fix their remuneration			
9. To approve the remuneration policy as a non-binding advisory vote			
10. 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 2016

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

Shareholders' diary

Financial year-end	**29 February**
Trading update	**April 2016**
Announcement of annual results and final dividend	**19 May 2016**
Final dividend payment	**13 June 2016**
Annual general meeting	**5 August 2016**
Annual report posted	**July 2016**
Trading update	**October 2016**
Announcement of interim results and interim dividend	**November 2016**
Interim dividend payment	**December 2016**

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
Cnr. 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 Proprietary 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 Proprietary 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
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

AFIMAT®

www.afrimat.co.za

Afrimat Limited
Tyger Valley Office Park No. 2
Corner Willie van Schoor Avenue
and Old Oak Road, Tyger Valley, 7530

(PO Box 5278, Tyger Valley, 7536)

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