AFRIMAT LIMITED

(formerly Clidet No. 679 (Pty) Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2006/022534/06)
Share code: AFT ISIN: ZAE000086302
("Afrimat" or "the company")

Prepared and issued in terms of the Listings Requirements ("the Listings Requirements") of the JSE Limited ("the JSE") relating to a private placement of ordinary shares by way of an offer for subscription of 15 000 000 ordinary shares by the company at an issue price of 500 cents per ordinary share and an offer for sale of 10 000 000 ordinary shares by the existing shareholders at a sale price of 500 cents per ordinary share (together, "the private placement"), thereby raising a total of R125 000 000 before expenses, and the subsequent listing of the ordinary shares of Afrimat on the JSE.

Opening date of the private placement at 09:00 on	Monday, 30 October 2006
Closing date of the private placement at 12:00 on	Wednesday, 1 November 2006
Anticipated listing date on the JSE at 09:00 on	Tuesday, 7 November 2006

This prospectus is not an invitation to the general public to subscribe for or purchase shares in Afrimat. This is an offer to selected members of the public to subscribe for or purchase shares in Afrimat and is issued in compliance with the Listings Requirements and the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), for the purpose of providing information to the public and investors with regard to Afrimat.

At the date of listing, the authorised share capital of Afrimat will comprise 1 000 000 000 ordinary shares having a par value of 1 cent each. After the private placement and at the date of the listing the issued share capital of Afrimat will consist of 124 299 497 ordinary shares of 1 cent each.

The ordinary shares issued and sold in terms of the private placement will rank *pari passu* with all other ordinary shares issued by Afrimat. Applications for shares in Afrimat must be for a minimum of 1 000 shares and in multiples of 1 000 shares thereafter.

Subject to the required spread of public shareholders in terms of the Listings Requirements being obtained pursuant to the private placement, the JSE has granted Afrimat a listing in respect of 124 299 497 ordinary shares on the JSE under the abbreviated name "Afrimat", share code "AFT" and ISIN ZAE000086302, with effect from the commencement of business on Tuesday, 7 November 2006.

The directors of Afrimat, whose names are set out in Annexure 1 to this prospectus, accept, collectively and individually, full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief, no facts have been omitted which would make any statement false or misleading and that they have made all reasonable enquiries to ascertain such facts and that this prospectus contains all information required by law and the Listings Requirements.

Moores Rowland, Chartered Accountants (SA), whose reports are included in this prospectus, have given and have not, prior to publication, withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The sponsor, attorneys, commercial bankers and transfer secretaries, whose names are set out in this prospectus, have given and have not, prior to registration, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this prospectus.

An English copy of this prospectus, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 28 of this prospectus, was registered by the Registrar of Companies on 25 October 2006 in terms of section 155(1) of the Act. The Registrar of Companies has scrutinised the information disclosed in this prospectus. The Registrar of Companies does not express any view on the risk for investors or the price of the shares.

Sponsor and corporate advisor	Auditors of Afrimat and reporting accountants	Attorneys
BRIDGE CAPITAL	Moores Rowland Chartered Accountants (SA)	CLIFFE DEKKER

Date of issue: 30 October 2006

Corporate information

Directors

Marthinus Wilhelmus von Wielligh*^ *(Chairperson)*
Andries Johannes van Heerden *(Chief Executive Officer)*
Peter Geoffrey Corbin
Loyiso Dotwana*
Francois du Toit*
Monty Kaplan*^
Gillian Nonhlanhla Jiyane*
Hendrik Johannes Erasmus van Wyk *(Financial Director)*

* Non-executive
^ Independent

Company secretary and registered office

Francisco Vicente Coelho
(B.Com., B.Com.(Hons), M.Com., ACIS)
1 Bryanston Drive
Bryanston, 2191
(PO Box 67056, Bryanston, 2021)
Telephone: +27 11 706 0258
Facsimile: +27 11 706 5750

Attorneys

Cliffe Dekker
4th Floor, 1 Protea Place
Sandown
Sandton, 2196
(Private Bag X7, Benmore, 2010)
Telephone: +27 11 290 7000
Facsimile: +27 11 290 7300

Commercial bankers

The Standard Bank of South Africa Limited
36 Adderley Street
Worcester, 6850
(PO Box 36, Worcester, 3849)
Telephone: +27 23 347 2731
Facsimile: +27 23 342 6646

The Standard Bank of South Africa Limited
196 Mark Street
Vryheid, 3100
(PO Box 4, Vryheid, 3100)
Telephone: +27 34 989 8614
Facsimile: +27 34 980 7057

Sponsor and corporate advisor

Bridge Capital Advisors (Pty) Limited
(Registration number 1998/016302/07)
1st Floor, Building 22A
Woodlands
Woodlands Drive
Woodmead, 2157
(PO Box 651010, Benmore, 2010)
Telephone: +27 11 802 5271
Facsimile: +27 11 802 5275

Auditors of Afrimat and reporting accountants

Moores Rowland
27th Floor, 1 Thibault Square
Cape Town, 8001
(PO Box 2817, Cape Town, 8000)
Telephone: +27 21 405 4000
Facsimile: +27 21 405 4140

Transfer secretaries

Computershare Investor Services 2004
(Pty) Limited
(Registration number 2004/003647/07)
Ground Floor, 70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5210

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The definitions commencing on page 10 of this prospectus apply *mutatis mutandis* to the following table of contents:

Salient features

The salient features are a summary only. For full appreciation, this prospectus should be read in its entirety. The definitions commencing on page 10 of this prospectus apply *mutatis mutandis* to the salient features.

1. INCORPORATION AND HISTORY

Afrimat is a black-empowered group supplying building materials to the building and construction industries. The group has a strong brand presence, with operations that are market dominant in the Eastern and Western Cape, northern KwaZulu-Natal, eastern Free State and Namibia. Its primary products are:

- aggregate stone products;
- ready-mix concrete;
- building blocks and bricks; and
- moulded concrete products.

The Afrimat group was recently formed through the merger of two specialist companies, founded in 1965 and 1963, respectively, namely Lancaster and Prima. Both groups are similar in nature as regards their businesses, but operate in different geographical regions. It is the intention of the group to maintain the separate brandings of Lancaster and Prima for some time going forward. The rationale for the merger is to exploit the synergies of the operations and to expand the group's product and geographical diversity.

Both Lancaster and Prima have similar cultures and a historical integration of management teams: Andries van Heerden, Afrimat's CEO, was previously the managing director of Prima until January 2005 when he left and formed the consortium that acquired Lancaster. Three of van Heerden's fellow Prima board members serve on the Afrimat board, including Prima chairman Francois du Toit, managing director Peter Corbin and director Loyiso Dotwana.

Lancaster is dominant in quarrying and the supply of concrete blocks and bricks in northern KwaZulu-Natal and eastern Free State. Prima mainly supplies aggregates to the Cape construction and road building industries and has smaller ready-mix and pre-cast operations. Prima also has a quarry and mobile crushing plant in Namibia. The Afrimat group has 18 quarries, 12 ready-mix concrete plants and 8 pre-cast factories. In addition, it has 4 mobile crushing plants and a mobile ready-mix plant, offering greater geographical flexibility.

Afrimat complements its supply of building materials with expertise in drilling and blasting. It services the open-cast mining industry and the general construction industry with trench blasting, using its fleet of earthmoving equipment and hydraulic rigs. The group also owns 120 ready-mix, tipper and delivery trucks. Its customer base ranges from small cash-paying companies to large multi-national construction corporations and parastatals, including Spoornet.

The group's substantial BEE ownership is critical to its prospects. The BEE ownership, ahead of Mining Charter compliance, is necessary to maintain the quarries' mining licences and to enable the group to participate in and secure national and provincial Government contracts. The BEE equity ownership is held by Kwezi Mining, with Ms Jiyane represented on the Afrimat board, and Mega Oils, represented on the board by Mr Dotwana.

Set out below are further details concerning Lancaster and Prima.

1.1 Lancaster

Lancaster was established in 1965 and supplies aggregate stone, ready-mix concrete and pre-cast concrete products to the building and construction industry in South Africa. Lancaster's head office is situated in Vryheid, KwaZulu-Natal, while its quarries are located in northern KwaZulu-Natal and eastern Free State. Lancaster's pre-cast division was established in 1972 and has production units in northern KwaZulu-Natal and eastern Free State. In total, the Lancaster group operates five quarries, four ready-mix batch plants and six concrete block plants.

1.1.1 **Lancaster Quarries** was formed in 1965 to mine and crush dolerite stone on a farm situated five kilometres outside Vryheid in KwaZulu-Natal. The growth in the KwaZulu-Natal operation can be attributed to the construction and subsequent upgrading of the railway line to the Richards Bay coal terminal. Lancaster Quarries opened quarries in Ulundi, Harrismith and acquired the Qwa-Qwa quarry, where the business of Qwa-Qwa Stone (Pty) Limited was acquired. A fifth quarry at Hluhluwe opened in 1998 principally to serve the road construction in the area. This geographic spread makes Lancaster Quarries the dominant player in the northern KwaZulu-Natal and eastern Free State regions.

All quarries currently have sufficient reserves of stone for at least fifteen years and the group is not dependent on any other industry for its raw material. Historically, quarries tend to have a monopoly within a 50 to 100 kilometre radius and accordingly the market tends to be localised.

1.1.2 **Lancaster Pre-Cast** was formed in 1972, principally as an outlet for crusher dust produced by Lancaster Quarries, as the crusher dust was, at that time, regarded as a waste product of the quarries.

Lancaster Pre-Cast owns factories in Vryheid, Ulundi, Harrismith, Qwa-Qwa, Ladysmith and Mkuze, making it a dominant supplier of concrete products in northern KwaZulu-Natal and eastern Free State. These factories manufacture a wide range of concrete products, such as bricks, blocks, paving and wall slabs. Ready-mix concrete is supplied to the eastern Free State and northern KwaZulu-Natal from 4 ready-mix plants in Vryheid, Harrismith, Ulundi and Qwa-Qwa.

Lancaster's customer base is wide spread ranging from small individual cash customers to large multi-national construction companies and parastatals, including Spoornet. This gives the Lancaster group exposure to the full spectrum of construction spend in the area, from small private building projects through large low-cost housing projects to multi-million Rand road and rail projects.

1.2 Prima

Prima was established in 1963 as Prima Klipbrekers (Pty) Limited. It started as a small quarry and stone crushing business situated in Worcester. In 1979 Prima Quarries (Pty) Limited was formed as a holding company. Since 1979, Prima has diversified and acquired or formed various entities within the same industry.

The Prima group has grown to become one of the largest independent building materials suppliers in the Western and Eastern Cape. It operates various quarries and production units in the Western Cape, with branches in the eastern Cape and Namibia. The Prima group has over 300 transport trucks, loaders, graders and bakkies at 13 quarries and 3 sand mines, situated in an area stretching from Namibia through the western Cape, to Port Alfred in the Eastern Cape. It also undertakes contract stone crushing projects, such as those for road construction and resurfacing, and boasts a state-of-the-art fleet of mobile crushers. The Prima group offers expertise in drilling and blasting, operating 4 hydraulic drill rigs.

The Prima group further supplies ready-mix concrete in the Cape Peninsula and Boland area through Prima Ready-mix Concrete (Pty) Limited and Mengbeton (Pty) Limited. Boublok (Pty) Limited is a subsidiary that supplies concrete blocks and bricks through two plants in the western Cape primarily to the residential and non-residential construction sectors.

2. PROSPECTS

Positive industry conditions are driving solid growth prospects for Afrimat. The non-residential, low-cost residential and civil engineering sectors of the building industry continue to flourish, driving increasing demand for aggregates, ready-mix concrete and bricks and blocks. This growth is underpinned by Government spend on infrastructure and low-cost housing, estimated to reach R400 billion in the medium term, Spoornet and Eskom upgrades, infrastructure projects and to a lesser extent events such as the 2010 Soccer World Cup.

3. SUMMARY OF HISTORICAL AND FORECAST INCOME STATEMENTS

The *pro forma* historical and forecast financial information of Afrimat and its subsidiaries for the financial years ended 29 February 2004, 28 February 2005 and 28 February 2006 and the year ending 28 February 2007, the preparation of which is the responsibility of the directors, is set out below.

R'000	Aggregated Years ended 29 February 2004	Aggregated Years ended 28 February 2005	*Pro forma* Before the private placement Year ended 28 February 2006	Annualised Forecast Year ending 28 February 2007[1]
Revenue	215 703	296 666	413 443	471 354
Growth		37.5%	39.4%	14.0%
Operating profit	37 114	61 272	80 953	93 940
Operating margin	17.2%	20.7%	19.6%	19.9%
Profit before tax	36 319	60 705	74 806	87 954
Profit for the year after minorities	23 586	40 370	46 082	63 604
Net profit margin	10.9%	13.6%	11.1%	13.5%
Pro forma shares in issue	109 299 497	109 299 497	109 299 497	124 299 497
Pro forma headline earnings per share (cents)	21.5	36.9	42.7	50.5

Note:

1. The forecast for the year ending 28 February 2007 includes 12 months' results of both Lancaster and Prima. However, the actual results that will be reported will include 12 months' results of Prima and the results of Lancaster for the four-month period from the date of listing to 28 February 2007 in order to comply with IFRS 3 – Business Combinations.

4. PURPOSE OF THE PRIVATE PLACEMENT AND THE LISTING

The purpose of the private placement is to:

- raise capital and to have the flexibility of listed shares to allow the company to take advantage of potential growth opportunities in the building materials sector;
- strengthen the group's financial position which will allow the company to make further strategic acquisitions;
- enhance investor and general public awareness of Afrimat;
- attract and retain intellectual capital through the incentive of meaningful equity participation;
- broaden Afrimat's shareholder base and to obtain the spread of shareholders required for the listing of Afrimat's ordinary shares on the JSE; and
- afford members of the investing public, clients and business associates of Afrimat the opportunity to participate directly in the income stream earned by Afrimat, as well as in the future capital growth of its assets.

The private placement is made up of an offer for subscription of 15 000 000 new ordinary shares at an issue price of 500 cents per share and an offer for sale by existing shareholders of 10 000 000 ordinary shares at a sale price of 500 cents per share. Therefore, a total amount of R125 000 000, before share issue and listing expenses, will be raised through the private placement to private individuals, corporations and institutions. The proceeds of the private placement will first be applied to the offer for subscription (R75 million) which will allow the company to grow its market share in the aggregates, pre-cast and ready-mix concrete businesses, through funding organic growth and facilitating the working capital requirements of the existing businesses, as well as facilitating potential acquisition opportunities. Thereafter, the proceeds of the private placement will be applied to the offer for sale (R50 million), which will allow current shareholders to partially realise approximately 10% of their current investment in the company.

Those private individuals, corporations and institutions that have been invited to apply should do so by completing the attached private placement application form in accordance with the provisions of this prospectus and the instructions contained in the private placement application form.

No offer will be made to the general public in terms of the private placement. The private placement will be made to selected applicants only.

Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 124 299 497 ordinary shares in the share capital of Afrimat on the JSE with effect from the commencement of business on Tuesday, 7 November 2006 in the "Construction & Materials" sector. The shares will trade under the abbreviated name "Afrimat", with the share code "AFT" and ISIN ZAE000086302.

5. DETAILS OF THE PRIVATE PLACEMENT

The salient features of the private placement are as follows:

• Offer/Sale price per ordinary share (cents)	500
• Par value per ordinary share (cents)	1
• Premium per ordinary share (cents)	499
• Number of ordinary shares offered for subscription in terms of the private placement	15 000 000
• Total consideration received by the company before expenses	R75 million
• Number of ordinary shares offered for sale in terms of the private placement	10 000 000
• Total consideration received by the existing shareholders	R50 million

The opening and closing dates of the private placement are as follows:

• Opening date of the private placement at 09:00 on	Monday, 30 October 2006
• Closing date of the private placement at 12:00 on	Wednesday, 1 November 2006
• Anticipated listing date on the JSE at 09:00 on	Tuesday, 7 November 2006

The placement will not be underwritten and is not subject to a minimum subscription being achieved. The proceeds received in terms of the private placement will first be applied to the offer for subscription and thereafter to the offer for sale.

6. COPIES OF THIS PROSPECTUS

Copies of this prospectus, in English, may be obtained during business hours, prior to the closing of the private placement, from the registered office of Afrimat and the offices of Bridge Capital Services (Pty) Limited, the transfer secretaries and the reporting accountants, details of which are set out in the "Corporate information" section of this prospectus.

Important dates and times

	2006
Abridged prospectus released on SENS on	Friday, 27 October
Opening date of the private placement at 09:00 on	Monday, 30 October
Closing date of the private placement at 12:00 on	Wednesday, 1 November
Listing of Afrimat on the JSE at opening of business, 09:00 on	Tuesday, 7 November
Safe custody accounts at CSDP or broker updated in respect of dematerialised shareholders on or about	Tuesday, 7 November
Posting of share certificates in respect of certificated shareholders on or about	Tuesday, 7 November
Refund of surplus private placement application monies received (where applicable) on	Wednesday, 8 November

Note:

The above dates and times are subject to change. Any such change will be released on SENS and published in the press.

Definitions

In this prospectus and the annexures and the attachment hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

"Act"	the Companies Act, 1973 (Act 61 of 1973), as amended;
"Afrimat" or "the company"	Afrimat Limited (registration number 2006/022534/06), formerly Clidet No. 679 (Pty) Limited, a public company incorporated in accordance with the laws of South Africa on 20 July 2006 in Pretoria;
"Afrimat BEE scheme"	the Afrimat Limited BEE Incentive Scheme, details of which are contained in Annexure 12;
"Afrimat employee scheme"	the Afrimat Limited Employee Share Incentive Scheme, details of which are contained in Annexure 11;
"Afrimat shareholders" or "shareholders" or "ordinary shareholders"	holders of ordinary shares in Afrimat;
"Afrimat shares" or "shares" or "ordinary shares"	ordinary shares of 1 cent each in the share capital of the company;
"aggregate(s)"	different sizes of stone used in the building, civil and road construction industries;
"applicants"	selected private individuals, corporations and institutions that have been invited to subscribe for Afrimat shares in terms of the private placement;
"application form"	the application form in respect of the private placement, attached to and forming part of this prospectus;
"auditors" or "independent reporting accountants"	Moores Rowland, Chartered Accountants (SA) (Practice number 900222E);
"BEE"	as defined in the Broad-Based Black Economic Empowerment Act, 2003 (Act 53 of 2003), as amended, and which means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies;
"BEE SPV"	a special purpose vehicle created by the initial Prima shareholders which will hold 6 392 575 Afrimat shares on listing, the economic benefit of which accrues to the initial Prima shareholders, with the shares and their voting rights being held by Mega Oils, details of which are contained in paragraphs 16.5 and 16.6;
"BEE trust"	the trust to be created for purposes of the Afrimat BEE scheme;
"business day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"certificated shareholders"	Afrimat shareholders who elect to receive physical Afrimat share certificates;

"certificated shares"	Afrimat shares for which physical Afrimat share certificates have been issued;
"common monetary area"	South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
"CSDP"	Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act, 2004 (Act 36 of 2004), as amended, appointed by an individual shareholder for purposes of, and in regard to the dematerialisation of documents of title for purposes of incorporation into the STRATE system;
"dematerialised shareholder"	a shareholder who holds ordinary shares which have been incorporated into the STRATE system and which are no longer evidenced by physical documents of title in terms of the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"directors" or "board of directors"	the directors of Afrimat, further details of whom appear in Annexure 1;
"documents of title"	share certificates, certified transfer deeds in respect of balance receipts or any other documents of title acceptable to Afrimat in respect of shares;
"EBITDA"	earnings before interest, taxation, depreciation and amortisation;
"emigrant"	an emigrant from South Africa whose address is outside the common monetary area;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
"group" or "Afrimat group"	includes Afrimat and the trading activities of its wholly-owned subsidiaries, Lancaster and Prima, all companies incorporated in accordance with the laws of South Africa;
"IFRS"	International Financial Reporting Standards;
"initial Lancaster acquisition"	the acquisition by the initial Lancaster shareholders of the entire issued share capitals of Lancaster Pre-Cast, Lancaster Quarries, Rodag Properties and Rodag Holdings, details of which are set out in paragraph 16.1 of this prospectus;
"initial Lancaster shareholders"	collectively, Andries Johannes van Heerden, Maryke Elizabeth van Heerden, the Korsten Family Trust (Master's reference number IT3127/98), the JC Trust (Master's reference number IT3777/1999) and Jan Hendrik Mahoney Korsten;
"initial Prima shareholders"	collectively, Peter Geoffrey Corbin, the Frans du Toit Trust (Master's reference number IT91/85), the Korum Trust (Master's reference number IT 147/85);
"Investec"	Investec Bank Limited (registration number 1969/004763/06), acting through its Private Bank Division, being a company with limited liability incorporated in accordance with the laws of South Africa;
"JSE"	JSE Limited (registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa, licensed as an exchange under the Securities Services Act, 2004 (Act 36 of 2004), as amended;
"Kwezi Mining"	Kwezi Mining (Pty) Limited (registration number 2002/011259/07), a company incorporated in accordance with the laws of South Africa;

"Lancaster"	Lancaster Group (Pty) Limited (registration number 2003/020093/07), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Afrimat;
"Lancaster acquisition"	the acquisition by Afrimat, immediately prior to, and in pursuance of, an application to list Afrimat on the JSE, of the entire issued share capital of Lancaster from the Lancaster shareholders;
"Lancaster BEE transaction"	a transaction entered into on 1 October 2005 between the initial Lancaster shareholders, Investec and Kwezi Mining in terms of which Kwezi Mining acquired a 25.1% interest in Lancaster;
"Lancaster group"	Lancaster and its subsidiaries;
"Lancaster Pre-Cast"	Lancaster Pre-Cast (Pty) Limited (registration number 1983/007664/07), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Lancaster;
"Lancaster Quarries"	Lancaster Quarries (Pty) Limited (registration number 1965/008581/07), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Lancaster;
"Lancaster sale of shares agreement"	an agreement, dated 16 October 2006, entered into between Afrimat and the Lancaster shareholders in terms of which Afrimat acquired the entire issued share capital of Lancaster from the Lancaster shareholders;
"Lancaster shareholders"	collectively, Andries Johannes van Heerden, Maryke Elizabeth van Heerden, the Korsten Family Trust (Master's reference number IT3127/98), Forecast Investments (Pty) Limited (registration number 1959/001157/07), the JC Trust (Master's reference number IT3777/99), Jan Hendrik Mahoney Korsten, Kwezi Mining, Petrus Hendry de Wet and Investec;
"last practicable date"	the last practicable date prior to the finalisation of this prospectus, being 13 October 2006;
"listing"	the proposed listing of the entire issued share capital of the company on the JSE, at 09:00 on Tuesday, 7 November 2006 in the "Construction & Materials" sector;
"Listings Requirements"	the Listings Requirements of the JSE;
"Mega Oils"	Mega Oils (Pty) Limited (registration number 2000/006634/07), a company incorporated in accordance with the laws of South Africa;
"Mega Oils agreement"	an agreement, dated 30 August 2006, entered into between the Prima shareholders, governing Mega Oils' shareholding in Afrimat;
"non-resident"	a person whose registered address is outside the common monetary area and who is not an emigrant;
"offer for sale"	an offer, forming part of the private placement, in terms of which current shareholders of Afrimat are offering for sale 10 000 000 ordinary shares at a sale price of 500 cents per share;
"offer for subscription"	an offer, forming part of the private placement, in terms of which Afrimat is offering for subscription 15 000 000 new ordinary shares at an offer price of 500 cents per share;
"Prima"	Prima Quarries (Pty) Limited (registration number 1979/006794), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Afrimat;

"Prima acquisition"	the acquisition by Afrimat, immediately prior to, and in pursuance of, an application to list Afrimat on the JSE, of the entire issued share capital of Prima from the Prima shareholders;
"Prima BEE transaction"	a transaction entered into on 1 June 2004 between the initial Prima shareholders and Mega Oils in terms of which Mega Oils acquired a 25.1% interest in Prima;
"Prima group"	Prima and its subsidiaries;
"Prima sale of shares agreement"	an agreement, dated 17 October 2006, entered into between Afrimat and the Prima shareholders in terms of which Afrimat acquired the entire issued share capital of Prima from the Prima shareholders;
"Prima shareholders"	collectively, Peter Geoffrey Corbin, the Frans du Toit Trust (Master's reference number IT91/85), the Korum Trust (Master's reference number IT 147/85) and Mega Oils;
"private placement" or "placement"	the private placement of 25 000 000 ordinary shares, in terms of the offer for sale and the offer for subscription, at 500 cents per ordinary share to selected private individuals, institutions and corporations for cash;
"this prospectus"	this bound document, dated 30 October 2006, including all annexures and the attachment hereto;
"Rand" or "R" or "cents"	the official currency of South Africa;
"Registrar"	the Registrar of Companies in South Africa;
"restructuring agreement"	an agreement, dated 17 October 2006, entered into between the Lancaster shareholders and the Prima shareholders in terms of which they record their principle agreement regarding the restructuring and the sale of shares in Lancaster and Prima, respectively, to Afrimat for the purpose of combining the assets of Lancaster and Prima in contemplation of the listing of Afrimat on the JSE, details of which are set out in paragraph 16.7 of this prospectus;
"Rodag Holdings"	Rodag Holdings (Pty) Limited (registration number 1961/001037/07), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Lancaster;
"Rodag Properties"	Rodag Properties (Pty) Limited (registration number 2005/011659/07), a private company incorporated in accordance with the laws of South Africa, being a wholly-owned subsidiary of Lancaster;
"SENS"	the Securities Exchange News Service of the JSE;
"share schemes"	collectively, the Afrimat employee scheme and the Afrimat BEE scheme, salient details of which are set out in Annexures 11 and 12, respectively;
"South Africa"	the Republic of South Africa;
"Sponsor"	Bridge Capital Advisors (Pty) Limited (registration number 1998/016302/07), a company incorporated in accordance with the laws of South Africa and a sponsor as contemplated in the Listings Requirements;
"STRATE"	the settlement and clearing system used by the JSE, managed by STRATE Limited (registration number 1998/022242/06), a public company incorporated in accordance with the laws of South Africa; and
"transfer secretaries"	Computershare Investor Services 2004 (Pty) Limited (registration number 2004/003647/07), a company incorporated in accordance with the laws of South Africa.

AFRIMAT LIMITED

(formerly Clidet No. 679 (Pty) Limited)
(Incorporated in the Republic of South Africa)
(Registration number 2006/022534/06)
Share code: AFT ISIN: ZAE000086302

Directors

Marthinus Wilhelmus von Wielligh* *(Chairperson)*
Andries Johannes van Heerden *(Chief Executive Officer)*
Peter Geoffrey Corbin
Loyiso Dotwana*
Francois du Toit*
Monty Kaplan*
Gillian Nonhlanhla Jiyane*
Hendrik Johannes Erasmus van Wyk *(Financial Director)*

* Non-executive

Prospectus

1. INTRODUCTION

1.1 Summarised background and history

Afrimat is a black-empowered group supplying building materials to the building and construction industries. The group has a strong brand presence, with operations that are market dominant in the eastern and western Cape, northern KwaZulu-Natal and eastern Free State and Namibia. Its primary products are:

- aggregate stone products;
- ready-mix concrete;
- building blocks and bricks; and
- moulded concrete products.

The Afrimat group was recently formed through the merger of two specialist companies, founded in 1965 and 1963, respectively, namely Lancaster and Prima. Both groups are similar in nature as regards their businesses, but operate in different geographical regions. It is the intention of the group to maintain the separate brandings of Lancaster and Prima for some time going forward. The rationale for the merger is to exploit the synergies of the operations and to expand the group's product and geographical diversity.

Both Lancaster and Prima have similar cultures and a historical integration of management teams: Andries van Heerden, Afrimat's CEO, was previously the managing director of Prima until January 2005 when he left and formed the consortium that acquired Lancaster. Three of van Heerden's fellow Prima board members serve on the Afrimat board, including Prima chairman Francois du Toit, managing director Peter Corbin and director Loyiso Dotwana.

Lancaster is dominant in quarrying and the supply of concrete blocks and bricks in northern KwaZulu-Natal and eastern Free State. Prima mainly supplies aggregates to the Cape construction and road building industries and has smaller ready-mix and pre-cast operations. Prima also has a quarry and mobile crushing plant in Namibia. The group has 18 quarries, 12 ready-mix concrete plants and 8 pre-cast factories. In addition, it has 4 mobile crushing plants and a mobile ready-mix plant, offering greater geographical flexibility.

Afrimat complements its supply of building materials with expertise in drilling and blasting. It services the open-cast mining industry and the general construction industry with trench blasting, using its fleet of earthmoving equipment and hydraulic rigs. The group also owns 120 ready-mix, tipper and delivery trucks. Its customer base ranges from small cash-paying companies to large multinational construction corporations and parastatals, including Spoornet.

The group's substantial BEE ownership is critical to its prospects. The BEE ownership, ahead of Mining Charter compliance, is necessary to maintain the quarries' mining licences and to enable the group to participate in and secure national and provincial Government contracts. The BEE equity ownership is held by Kwezi Mining, with Ms Jiyane represented on the Afrimat board, and Mega Oils, represented on the board by Mr Dotwana.

1.2 Rationale for listing

Afrimat's listing objectives are to:

- create value for shareholders by leveraging the established presence and significant experience of Lancaster and Prima;
- create value for and incentivise management and staff through the implementation of the share schemes;
- facilitate further empowerment initiatives through the establishment of the Afrimat BEE scheme;
- strengthen the group's financial position through the raising of funds pre-listing in the form of the private placement;
- expand its asset base through selective acquisitions, both domestically and in other parts of Africa, in order to entrench an already significant footprint in South and southern Africa.

2. INCORPORATION AND HISTORY

2.1 Lancaster

Lancaster was established in 1965 and supplies aggregate stone, ready-mix concrete and pre-cast concrete products to the building and construction industry in South Africa. Lancaster's head office is situated in Vryheid, KwaZulu-Natal, while its quarries are located in northern KwaZulu-Natal and eastern Free State. Lancaster's pre-cast division was established in 1972 and has production units in northern KwaZulu-Natal and eastern Free State. In total, the Lancaster group operates 5 quarries, 4 ready-mix batch plants and 6 concrete block plants.

Lancaster Quarries was formed in 1965 to mine and crush dolerite stone on a farm situated five kilometres outside Vryheid in KwaZulu-Natal. The growth in the KwaZulu-Natal operation can be attributed to the construction and subsequent upgrading of the railway line to the Richards Bay coal terminal. Lancaster Quarries opened quarries in Ulundi, Harrismith and acquired the Qwa-Qwa quarry, where the business of Qwa-Qwa Stone (Pty) Limited was acquired. A fifth quarry at Hluhluwe opened in 1998 principally to serve the road construction in the area. This geographic spread makes Lancaster Quarries the dominant player in the northern KwaZulu-Natal and eastern Free State regions.

All quarries currently have sufficient reserve of stone for at least fifteen years and the group is not dependent on any other industry for its raw material. Historically, quarries tend to have a dominance within a 50 to 100 kilometre radius and accordingly the market tends to be localised.

Lancaster Pre-Cast was formed in 1972 principally as an outlet for crusher dust produced by Lancaster Quarries, as the crusher dust was, at that time, regarded as a waste product of the quarries.

Lancaster Pre-Cast owns factories in Vryheid, Ulundi, Harrismith, Qwa-Qwa, Ladysmith and Mkuze, making it a dominant supplier of concrete products in northern KwaZulu-Natal and eastern Free State. These factories manufacture a wide range of concrete products, such as bricks, blocks, paving and wall slabs. Ready-mix concrete is supplied to the eastern Free State and northern KwaZulu-Natal from four ready-mix plants in Vryheid, Harrismith, Ulundi and Qwa-Qwa.

Lancaster's customer base is wide spread ranging from small individual cash customers to large multi-national construction companies and parastatals, including Spoornet. This gives the Lancaster group exposure to the full spectrum of construction spend in the area, from small private building projects, through large low-cost housing projects to multi-million Rand road and rail projects.

2.2 Prima

Prima was established in 1963 as Prima Klipbrekers (Pty) Limited. It started as a small quarry and stone crushing business situated in Worcester. In 1979 Prima Quarries (Pty) Limited was formed as a holding company. Since 1979, Prima has diversified and acquired or formed various entities within the same industry. The more significant formations and acquisitions are listed below:

- 1981 – formed Boublok (Pty) Limited, manufacturing a wide range of concrete products;
- 1983 – formed Mengbeton (Pty) Limited, supplying ready-mix concrete;
- 1994 – 1997 – acquired quarries in Caledon, Bredasdorp, Robertson and Paarl;
- 2001 – formed Prima Ready-mix Concrete (Pty) Limited, a wholly-owned subsidiary of Mengbeton (Pty) Limited;
- 2001 – formed Prima Quarries Namibia (Pty) Limited;
- 2003 – purchased Patcor Quarries in Port Elizabeth;
- 2004 – acquired Volmoed Quarries in Oudtshoorn and Port Alfred Quarries; and
- 2005 – commissioned the Capmat quarry in Grabouw.

The Prima group has grown to become one of the largest independent building materials suppliers in the Western and Eastern Cape. It operates various quarries and production units in the western Cape, with branches in the Eastern Cape and Namibia. The Prima group has a large fleet of transport trucks, loaders, graders and bakkies at 13 quarries and 3 sand mines, situated in an area stretching from Namibia through the Western Cape, to Port Alfred in the Eastern Cape. It also undertakes contract stone crushing projects, such as those for road construction and resurfacing, and boasts a state-of-the-art fleet of mobile crushers. The Prima group offers expertise in drilling and blasting, operating 4 hydraulic drill rigs.

The Prima group further supplies ready-mix concrete in the Cape Peninsula and Boland area through Prima Ready-mix Concrete (Pty) Limited and Mengbeton (Pty) Limited. Boublok (Pty) Limited is a subsidiary that supplies concrete blocks and bricks through 2 plants in the Western Cape, primarily to the residential and non-residential construction sectors.

3. INDUSTRY

The South African economy grew by 4.5% in 2005, but Government remains committed to achieving Gross Domestic Product ("GDP") growth of 6% by 2010. In order to achieve these targets, Government has committed, amongst other things, to a significant program of infrastructure spend to facilitate such growth objectives. Gross Fixed Capital Formation ("GFCF") as a percentage of GDP looks set to rise to approximately 25% in 2014 from its current level of around 18%.

In the February 2006 Budget, Government committed over R400 billion to fund public infrastructure over the next three years. The bulk of this spend will be directed towards transport, with R63 billion allocated to the building and rehabilitation of national and provincial roads. A large portion (R32.4 billion) will be spent on low-cost housing, while provincial health and educational infrastructure will also see significant activity.

Parastatals such as Eskom and Transnet have also embarked on significant capital expenditure programs. Transnet's commitment of R64.5 billion over the next five years aims to address the significant investment backlog and lay the foundation in port, rail and pipeline capacity for future growth over the medium term. This figure includes the allocation of R31.5 billion to Spoornet for the Iron Ore Corridor expansion (rail and Saldanha infrastructure) and the Richards Bay coal line and infrastructure expansion, where Lancaster is the major supplier of ballast/product.

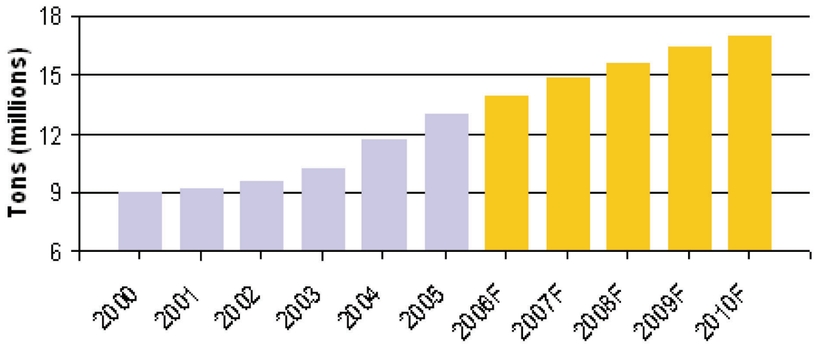
The construction sector can be divided into three main sub-sectors:

- civil engineering and construction;
- residential building;
- non-residential building.

Prospects for the industry remain buoyant. Despite signs of a potential slowdown in residential activity, the planned Government infrastructure spend coupled with private expenditure will lead to a boost in activity in the civils and non-residential sectors of the construction economy.

The increase in construction activity and the anticipated continuation of this trend is evidenced in the expected increase in cement sales as can be seen from the following graph:

Cementitious sales demand 2000 – 2010



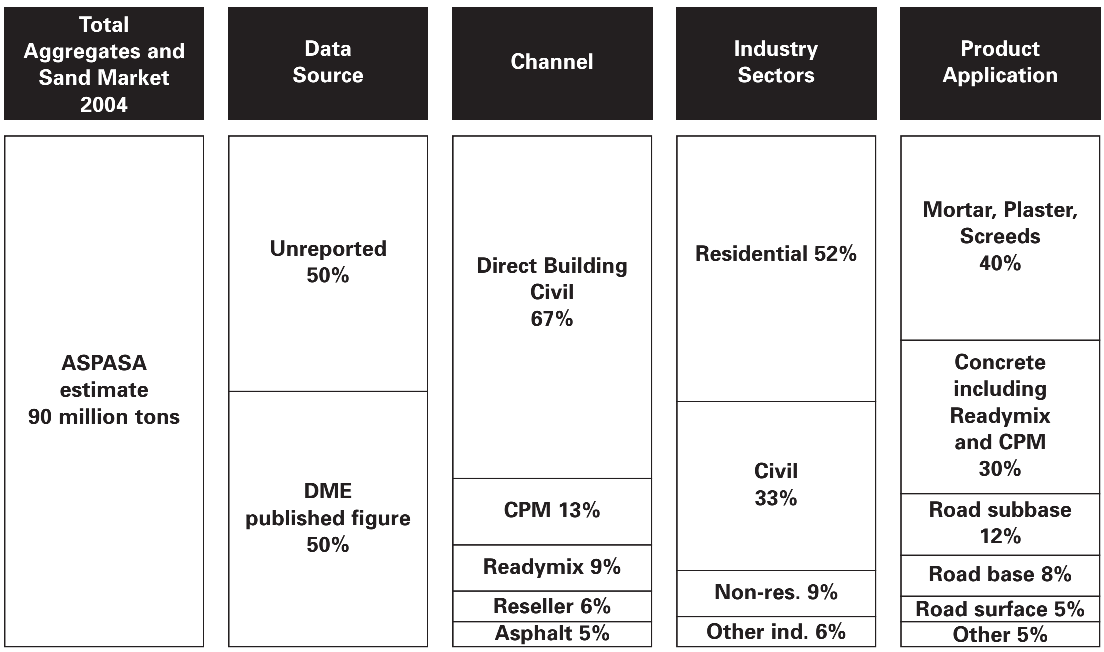
Source: Concrete & Cement Institute

3.1 Aggregates

Aggregate is the name given to different sizes of stone that are used in the building, civil construction and road construction industries. Crushed stone is usually designated as coarse aggregate and sand as fine aggregate. Aggregates make up 70% to 80% of the volume of concrete and typically forms between 90% to 95% of asphalt. Therefore, all roads, pavements, buildings, structures and anything made from concrete require aggregate.

The aggregates market is highly fragmented with more than 520 registered quarries. The Aggregate and Sand Producers Association of South Africa ("ASPASA") estimates the total South African aggregate market, both formal and informal, in 2004 to be 90 million tons which translates into revenues in the order of R3.8 billion.

Map of the aggregate market:



Source: ASPASA 2005 Annual Report

3.2 Ready-mix concrete

The term ready-mix concrete refers to concrete made in industrial facilities called ready-mix plants. Such concrete is made on demand and, if necessary, is transported to worksites by concrete mixer trucks.

The ready-mix industry has exhibited robust growth, with annual sales volume growth of above 20% for the past two years. The largest growth in cement demand (up 24% in 2005 compared to 2004) has been from Ready-mix producers as a result of a change in the construction process from on-site mixing to Ready-mix product.

Annual change in estimated ready-mix sales volumes (m^3)

Province	2004 vs 2003	2005 vs 2004	Est. Sales 2005 (m^3)
Limpopo	(4%)	64%	110 761
Mpumalanga	22%	(3%)	222 043
Gauteng	20%	24%	2 964 643
Free State	(1%)	(2%)	127 766
Northern KZN	(2%)	74%	123 694
Southern KZN	17%	43%	971 920
Eastern Cape	28%	(13%)	241 855
Border/Transkei	29%	0%	64 496
North West	(13%)	15%	230 627
Northern Cape	7%	34%	50 582
Western Cape	45%	29%	1 192 289
South Africa	**20%**	**24%**	6 360 676

Source: SARMA 2005 Annual Report

3.3 Pre-cast blocks and bricks

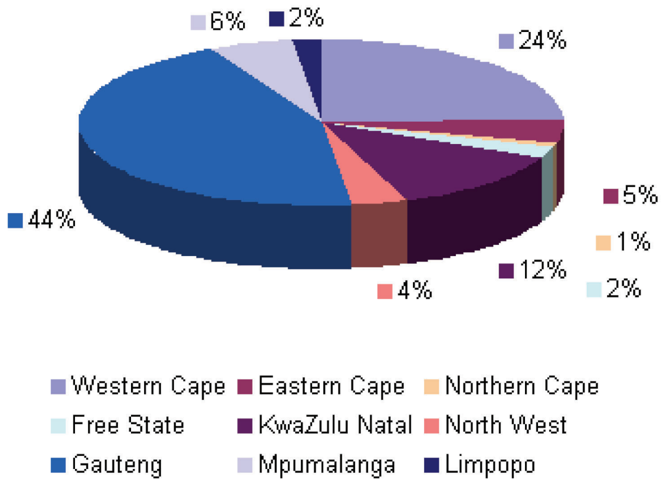
Pre-cast blocks and bricks are primarily used in residential and non-residential construction projects. Similar to the aggregate and ready-mix industries, the pre-cast market is highly fragmented with hundreds of small "backyard" facilities and fewer large manufacturers who have the ability to provide SABS approved products in sizable volumes.

Building plans passed (January 2006 – July 2006) at current prices

	January – July 2005		January – July 2006		Year-on-year Percentage Change	
	m^2	R'000	m^2	R'000	m^2	R'000
Residential						
Dwellings<80m^2	903 604	1 391 672	965 323	1 718 932	6.8%	30.3%
Dwellings<80m^2	4 632 230	12 151 616	4 598 086	13 107 845	(0.7%)	7.9%
Flats and townhouses	2 343 046	6 492 247	2 425 304	7 347 670	3.5%	13.2%
Other residential	106 747	323 441	101 285	351 342	(5.1%)	8.6%
	7 985 627	**20 286 976**	**8 089 998**	**22 525 789**	**1.3%**	**11.0%**
Non-residential						
Office and banking space	425 157	1 220 273	519 937	1 652 438	23.7%	35.4%
Shopping space	665 086	2 022 380	541 961	2 023 455	(18.5%)	0.1%
Industrial and warehouse space	963 886	2 297 339	1 313 107	3 429 582	36.2%	49.7%
Other non-residential buildings	191 475	512 492	212 902	588 856	11.2%	14.9%
	2 240 604	**6 052 484**	**2 587 907**	**7 704 331**	**15.5%**	**27.3%**
Additions and alterations						
Dwellings	3 012 960	7 411 400	3 075 597	8 107 143	2.1%	9.4%
Other buildings	733 569	2 185 503	823 523	2 529 670	12.3%	15.7%
	3 746 529	**9 596 903**	**3 899 120**	**10 636 813**	**4.1%**	**10.8%**
Total at current prices	**13 972 760**	**35 936 363**	**14 577 025**	**40 866 933**	**4.3%**	**13.7%**

Source: Stats SA

Building plans passed (January 2006 – July 2006) at current prices by Province



Source: Stats SA

Although growth in the residential housing market seems to be slowing, Afrimat's exposure to the residential market is geared more towards the low-cost housing segment of the market which is Government-funded and hence less sensitive to interest rate changes.

The provinces in which Afrimat operates, especially KwaZulu-Natal, have been allocated a large portion of Government's budget for low cost housing.

Total Government Allocation of Housing Funds

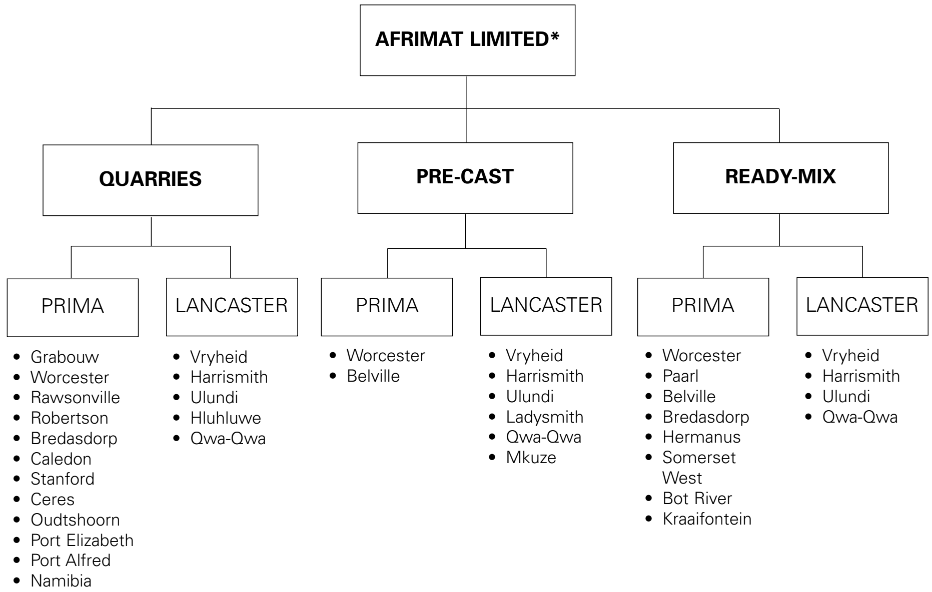
Province	Amount R'000	Percentage of budget
Western Cape	4 767	10.8
Eastern Cape	5 758	13.0
Northern Cape	908	2.1
Free State	3 312	7.5
KwaZulu-Natal	8 276	18.8
North West	3 614	8.2
Gauteng	10 997	24.9
Mpumalanga	2 768	6.3
Limpopo	3 729	8.5
Total	**44 129**	**100.0**

Source: Department of Housing

The construction industry has performed extremely well in the recent past. Sound economic fundamentals (growing economy, stable inflation and relatively low interest rates) coupled with massive commitment to investment in infrastructure by Government lend a strong underpin to the sector and all indications are towards a continuation in the trend.

4. GROUP OPERATING STRUCTURE

As mentioned above, the trading operations of the group are housed in the Lancaster group and the Prima group. In September 2006, the group acquired a shelf company, Clidet No. 679 (Pty) Limited, to become the holding company of the Afrimat group, converted it to a public company on 2 October 2006, and changed its name to Afrimat Limited. Afrimat is purely a holding company with no operating activities and it will be listed on the JSE. Set out below is the group operating structure:



* To be listed on the JSE.

In addition to the quarries, ready-mix plants and pre-cast factories mentioned above, the group operates 4 mobile crushing plants, 1 mobile ready-mix plant and 4 hydraulic rigs used for drilling and blasting.

5. NATURE OF BUSINESS

5.1 Key strengths

The key strengths of the Afrimat group include:

5.1.1 *Operational*

- A focus on operational efficiencies that have resulted in both Lancaster and Prima being two of the most efficient operations in this industry in South Africa, and which will enable the Afrimat group to sustain solid performance through effective systems and processes.
- Plant and equipment are well maintained in a scientific, cost effective and reliability-focused manner with timely repairs and replacements.
- Well-equipped workshop infrastructure and systems.

5.1.2 *Financial*

- Following the private placement, the group will have a strong balance sheet with low levels of gearing and healthy cash reserves.
- Exceptional profit history in both Lancaster and Prima.
- Cash generative.

5.1.3 *Marketing*

- A well-established reputation for quality, service and cost competitiveness, resulting in customer loyalty and a high percentage of repeat business, specifically from contractors.
- Good geographic distribution in northern KwaZulu-Natal, eastern Free State, Namibia, Western Cape and Eastern Cape, with mobile crushing and ready-mix concrete plants offering geographical flexibility.
- A strong distribution and delivery system with a large fleet of trucks.
- Good vertical integration.
- Diversity of product.

5.1.4 *Human resources*

- Consistently low staff turnover resulting in a solid and deep base of technical knowledge and skills.
- Resourcefulness of maintenance and fabrication teams resulting in cost efficiencies.
- "Can do" culture, underpinned by the energy and passion of a dynamic management team, led and guided by an experienced board of directors.
- Prudent decision-making and action orientation.

5.2 Regulatory environment

The main regulatory authority presiding over the Afrimat group is the Department of Minerals and Energy Affairs. All regulations with which the group is required to comply are published in the Government Gazette. These include:

- Act No. 28 of 2002: Mineral and Petroleum Resources and Development Act, 2002;
- Act No. 107 of 1998: National Environmental Management Act, 1998;
- Act No. 25 of 1999: National Heritage Resources Act, 1999;
- Act No. 29 of 1996: Mine Health and Safety Act, 1996;
- Act No. 36 of 1998: National Water Act, 1998;
- Explosives Act; and
- Mining Charter.

The Department of Minerals and Energy Affairs requires that a mining licence must be issued before any mining may take place. This licence is subject to the requirements of the Mining Charter with regards to Black Economic Empowerment. Details of these mining licences are contained in Annexure 14.

There is no degree of Government protection or any investment encouragement law affecting the business of Afrimat.

6. PROSPECTS

Afrimat's underlying operations are currently experiencing positive momentum driven by a generally buoyant economy and booming building and construction industry. It is anticipated that the company will continue to benefit from continuing housing demands. In particular, the Western Cape market, in which Prima has a strong presence, continues to experience substantial growth in excess of inflation.

Management will continue to focus in the short to medium term on local growth opportunities and geographical expansion in Southern Africa. A number of prospects have been identified to increase the Afrimat footprint for the whole of Southern Africa and will be considered by management in due course. At the same time the group will continue to concentrate on organically growing its Southern African building material supply activity.

The following factors bode well for the group's prospects:

6.1 Market

- Increased spend on low-cost housing by Government, as well as general spend on residential property.
- Increased spend on road infrastructure nationally, with a substantial backlog on road maintenance being addressed at present.
- A buoyant industry due to increased consumer spend driven by a favourable macro-economic environment.

6.2 Major projects

- Transnet, as part of the drive by the Chief Executive Officer, Ms Maria Ramos, is implementing a project to better leverage its suppliers. The objective is to reduce the number of suppliers and so increase the volume of business with each supplier to achieve improved economies of scale. Lancaster Quarries is perfectly situated close to the busy Richards Bay coal route, enabling it to capitalise on Transnet's rationalisation programme.
- The 2010 Soccer World Cup creates the need for spending on infrastructure around South Africa.
- Proposed rehabilitation of the N1 and N2 in the Western Cape.

6.3 **New markets and takeovers**

Being a listed entity, with the ability to fund acquisitions through the issue of shares, creates the opportunity to acquire select companies to expand both the group's geographical footprint and the product range. Afrimat is considering acquisitions of new businesses to strengthen its position in the regions in which it currently operates and has recently been awarded new licences to open up new quarries.

7. MAJOR SHAREHOLDERS

7.1 The shareholders who are, directly or indirectly beneficially interested in 5% or more of the issued ordinary share capital of Afrimat at the last practicable date are as follows:

Name of shareholder	Number of shares		Percentage held	
	Before the private placement	After the private placement	Before the private placement	After the private placement
Frans du Toit Trust	23 129 297	22 529 297	21.2	18.1
Mega Oils	17 239 529	18 632 104*	15.8	15.0
Korum Trust	12 343 038	11 143 038	11.3	9.0
Kwezi Mining	7 852 750	7 852 750	7.2	6.3
P G Corbin	6 171 519	5 571 519	5.6	4.5
A J van Heerden	5 475 026	5 475 026	5.0	4.4
The Korsten Family Trust	5 443 740	5 443 740	5.0	4.4

* This shareholding by Mega Oils includes 6 392 575 Afrimat shares held by the BEE SPV.

7.2 No other shareholder will, as far as the directors of Afrimat are aware, directly or indirectly, currently hold 5% or more of the issued share capital of Afrimat following the private placement. The company will have a public shareholding of at least 500 shareholders that will hold a minimum of 20% of the ordinary shares on the day of listing. There will be no controlling shareholder in Afrimat after the private placement.

7.3 There will be no change in the controlling shareholder as a result of the private placement.

7.4 There have been no changes in the trading objects of Afrimat and its subsidiaries during the last five years. There have been no changes in the controlling shareholders of Prima during the last five years. As regards Lancaster, there was a change in the controlling shareholders in April 2005 as a result of the initial Lancaster acquisition, detailed in paragraph 16.1 below.

8. DIRECTORS AND EXECUTIVE MANAGEMENT

Details of the directors and executive management, including the appointment, remuneration and borrowing powers of directors and directors' interests and declarations are set out in Annexure 1.

9. PURPOSE OF PLACEMENT AND LISTING

9.1 Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 124 299 497 ordinary shares in the share capital of Afrimat on the JSE with effect from commencement of business on Tuesday, 7 November 2006 in the "Construction & Materials" sector. The shares will trade under the abbreviated name "Afrimat", with the share code "AFT" and ISIN ZAE000086302.

9.2 Afrimat has a subscribed capital, including reserves but excluding minority interests, and revaluations of assets and intangible assets that are not supported by a valuation by an independent professional expert acceptable to the JSE prepared within the last six months, of at least R25 million. The company will have a public shareholding of at least 500 shareholders that will hold a minimum of 20% of the ordinary shares on the day of listing.

9.3 A total amount of R125 million, before share issue and listing expenses, will be raised by the issue of 15 000 000 new ordinary shares by the company for cash, and by the sale of 10 000 000 ordinary shares by the existing Lancaster and Prima shareholders for cash, to private individuals, corporations and institutions. The proceeds received in terms of the private placement will first be applied to the offer for subscription and thereafter to the offer for sale. The proceeds from the offer for subscription will be utilised to grow the company's market share in the aggregate and ready-mix concrete and pre-cast businesses, through potential acquisition opportunities and facilitate the working capital requirements of the existing business.

9.4 The purpose of the placement and the listing are to:

- raise capital and to have the flexibility of listed shares to allow the company to take advantage of growth opportunities in the building materials sector;
- enhance investor and general public awareness of Afrimat, its activities and specialised skills;
- strengthen the group's financial position which will allow the company to make further strategic acquisitions;
- attract and retain intellectual capital through the incentive of meaningful equity participation;
- broaden Afrimat's shareholder base and to obtain the spread of shareholders required for the listing of Afrimat's ordinary shares on the JSE;
- afford members of the investing public, clients and business associates of Afrimat the opportunity to participate directly in the income stream earned by Afrimat, as well as in the future capital growth of its assets.

10. DETAILS OF THE PRIVATE PLACEMENT

10.1 Salient features

10.1.1 The salient features of the private placement are as follows:

• Offer/Sale price per ordinary share (cents)	500
• Par value per ordinary share (cents)	1
• Premium per ordinary share (cents)	499
• Number of ordinary shares offered for subscription in terms of the placement	15 000 000
• Total consideration received by the company before expenses	R75 million
• Number of ordinary shares offered for sale in terms of the placement	10 000 000
• Total consideration received by the existing shareholders	R50 million

10.1.2 The opening and closing dates of the private placement are as follows:

• Opening date of the private placement at 09:00 on	Monday, 30 October 2006
• Closing date of the private placement at 12:00 on	Wednesday, 1 November 2006
• Anticipated listing date on the JSE at 09:00 on	Tuesday, 7 November 2006

10.1.3 Those private individuals, corporations and institutions that have been invited to apply should do so by completing the attached private placement application form in accordance with the provisions of this prospectus and the instructions contained in such private placement application form.

10.1.4 No offer will be made to the general public in terms of the private placement. The private placement will be made to selected applicants only.

10.1.5 The Afrimat ordinary shares issued or sold in terms of the private placement will rank *pari passu* with all other ordinary shares issued by Afrimat.

10.2 Procedures for application to subscribe for/purchase shares in Afrimat

10.2.1 Applications to subscribe for/acquire shares in terms of the private placement must be made on the attached private placement application form provided to selected applicants. Photocopies or reproductions will be accepted.

10.2.2 The rights granted to an applicant to apply for shares in terms of the private placement may be exercised only by the applicant for whom they are intended and may not be ceded, renounced or assigned in favour of anyone else.

10.2.3 The private placement applications are irrevocable once received by the Sponsor.

10.2.4 No receipts will be issued for applications and/or payments received.

10.2.5 Applications must be for a minimum of 1 000 shares and in multiples of 1 000 shares thereafter.

10.2.6 The private placement applications will only be regarded as complete once payment for the total amount of the application has been received. Payment may only be made by bank guaranteed cheque (crossed "not transferable") or banker's draft or electronic transfer (confirmed by fax or electronic proof of payment in the case of electronic transfers) in accordance with the instructions in paragraphs 10.3, 10.4, 10.6 and 10.7 below. Postal orders, cash or telegraphic transfers will not be accepted. All cheques and banker's drafts will be deposited by the Sponsor immediately upon receipt in a designated account under the control of Afrimat with a registered South African bank.

10.2.7 Should any cheque or banker's draft subsequently be dishonoured, the directors of Afrimat may, in their sole discretion, and without prejudice to any rights the company may have, regard the private placement application of such applicant as being revoked or take such steps in regards thereto as they deem fit.

10.2.8 "Blocked Rand" may be used by emigrants and non-residents of the common monetary area for payment in terms of the private placement. In this regard, reference should be made to paragraph 10.13 below that deals with Exchange Control Regulations.

10.3 Application for certificated shares – payment by bank guaranteed cheque or banker's draft

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of bank guaranteed cheque or banker's draft must complete and return the private placement application form, together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" and drawn in favour of "**Afrimat Limited**") in an envelope marked "**Afrimat Private Placement**", marked for the attention Michelle Henning, to:

if delivered by hand	***if posted***
Sponsor Attention: M Henning Bridge Capital Advisors (Pty) Limited 1st Floor, Building 22A The Woodlands, Woodlands Drive Woodmead, Sandton	Sponsor Attention: M Henning Bridge Capital Advisors (Pty) Limited PO Box 651010 Benmore 2010

so as to be received no later than 12:00 on Wednesday, 1 November 2006. No late applications will be accepted.

10.4 Application for certificated shares – payment by electronic transfer

10.4.1 Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of electronic transfer may do so, in which case the private placement application form and proof of such payment by electronic transfer must be hand delivered, posted, faxed or emailed to the Sponsor (and not the transfer secretaries), marked for the attention of Michelle Henning, to:

if delivered by hand	***if posted***	***if faxed/emailed***
Sponsor Attention: M Henning Bridge Capital Advisors (Pty) Limited 1st Floor, Building 22A The Woodlands, Woodlands Drive Woodmead, Sandton	Sponsor Attention: M Henning Bridge Capital Advisors (Pty) Limited PO Box 651010 Benmore 2010	Sponsor Attention: M Henning Bridge Capital Advisors (Pty) Limited mhenning@bridgecapital.co.za +27 11 802 5275 (fax)

so as to be received by no later than 12:00 on Wednesday, 1 November 2006. No late applications will be accepted.

Payment by electronic transfer must be made into the following bank account, with the name of the applicant as the payer's reference:

Bank:	Standard Bank
Branch:	Fourways Crossing
Branch code:	00995300
Account name:	Afrimat Private Placement
Account number:	420 207 279

Afrimat accepts no responsibility and will not be liable for the failure to allocate any private placement shares where proof of payment by electronic transfer has not been received or the purported proof of such payment is insufficient or defective or Afrimat is, for any reason, not able to reconcile a payment or purported payment with a particular application for private placement shares.

10.5 Disadvantages of holding shares in certificated form

10.5.1 The current risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, remain.

10.5.2 Shares will only be traded in electronic form. At the point at which the shareholder wishes to transact on the JSE, he will be required to appoint a CSDP or broker to dematerialise the shares prior to the broker being able to transact in the shares, which dematerialisation can take up to ten days. A certificated shareholder will have no recourse in the event of delays occasioned by the validation process or the acceptance or otherwise of its certificated shares by a CSDP.

10.6 Application for dematerialised shares – payment by bank guaranteed cheque or banker's draft

Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of bank guaranteed cheque or banker's draft must complete and return the private placement application form (with the section on their CSDP or broker completed), together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" and drawn in favour of "**Afrimat Limited**") in an envelope marked "**Afrimat Private Placement**", marked for the attention Michelle Henning, to:

if delivered by hand	***if posted***
Sponsor	Sponsor
Attention: M Henning	Attention: M Henning
Bridge Capital Advisors (Pty) Limited	Bridge Capital Advisors (Pty) Limited
1st Floor, Building 22A	PO Box 651010
The Woodlands, Woodlands Drive	Benmore
Woodmead, Sandton	2010

so as to be received no later than 12:00 on Wednesday, 1 November 2006. No late applications will be accepted.

10.7 Application for dematerialised shares – payment by electronic transfer

10.7.1 Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of electronic transfer may do so, in which case the private placement application form and the completed section on their CSDP or broker, and proof of such payment by electronic transfer must be hand delivered, posted, faxed or emailed to:

if delivered by hand	***if posted***	***if faxed/emailed***
Sponsor	Sponsor	Sponsor
Attention: M Henning	Attention: M Henning	Attention: M Henning
Bridge Capital Advisors	Bridge Capital Advisors	Bridge Capital Advisors
(Pty) Limited	(Pty) Limited	(Pty) Limited
1st Floor, Building 22A	PO Box 651010	mhenning@bridgecapital.co.za
The Woodlands,	Benmore	+27 11 802 5275 (fax)
Woodlands Drive	2010	
Woodmead, Sandton		

marked for the attention of Michelle Henning, so as to be received by no later than 12:00 on Wednesday, 1 November 2006. No late applications will be accepted.

10.7.2 Payment by electronic transfer must be made into the following bank account, with the name of the applicant as the payer's reference:

Bank:	Standard Bank
Branch:	Fourways Crossing
Branch code:	00995300
Account name:	Afrimat Private Placement
Account number:	420 207 279

10.7.3 Afrimat accepts no responsibility and will not be liable for the failure to allocate any private placement shares where proof of payment by electronic transfer has not been received or the purported proof of such payment is insufficient or defective or Afrimat is, for any reason, not able to reconcile a payment or purported payment with a particular application for private placement shares.

10.7.4 In respect of those applicants who elect to receive dematerialised shares, their duly appointed CSDPs or broker's account will be updated on or about Tuesday, 7 November 2006.

10.8 Reservation of rights

10.8.1 The directors of Afrimat reserve the right to accept or refuse any application(s), either in whole or in part, or to pro-rate any or all application(s) in such manner as they may, in their sole and absolute discretion, determine.

10.8.2 The directors of Afrimat reserve the right to accept or reject, either in whole or in part, any private placement applications should the terms and the instructions contained in this prospectus not properly be complied with.

10.9 Results of allocations

Applicants will be notified of the allocation of shares pursuant to the private placement by the close of business on Friday, 3 November 2006.

10.10 No minimum subscription

The private placement is not subject to a minimum subscription being achieved.

10.11 Oversubscriptions

In the event of any private placement application being rejected or accepted for a lesser number of shares than applied for, any surplus application monies received will be refunded by the company by electronic transfer, without interest from the date of receipt of such monies, on or about Wednesday, 8 November 2006 (or on clearance of the funds, if later).

10.12 Issue/Sale of private placement shares

10.12.1 All private placement shares offered/sold will be issued/sold at the expense of Afrimat.

10.12.2 All private placement shares issued/sold are subject to the provisions of Afrimat's memorandum and articles of association and will rank *pari passu* in all respects with the existing ordinary shares in issue.

10.12.3 Afrimat shares will only be traded on the JSE in electronic form and, as such, all shareholders need to dematerialise their shares should they wish to trade them. Applicants are advised that it takes between one and ten days to dematerialise certificated shares, depending on volumes being processed by STRATE at the time of the dematerialisation.

10.12.4 The principle features of STRATE are as follows:

- trades executed on the JSE must be settled within five business days;
- there will be penalties for late settlement;
- electronic record of ownership replaces share certificates and physical delivery of certificates; and
- all investors are required to appoint either a broker or CSDP to act on their behalf and to handle all settlement requirements.

10.13 Exchange Control Regulations

The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt, please consult your professional advisor.

10.13.1 A former resident of the common monetary area who has emigrated from South Africa may use blocked Rand to purchase shares in terms of this prospectus.

10.13.2 All payments in respect of subscriptions for shares by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.

10.13.3 Share certificates issued in respect of certificated shares purchased using blocked Rand in terms of this prospectus will be endorsed "non-resident". Such share certificates will be placed under the control of the authorised dealer through whom the payment was made. Statements issued to non-resident dematerialised shareholders will be restrictively endorsed as "non-resident".

10.13.4 If applicable, refund monies payable in respect of an unsuccessful application, emanating from blocked Rand accounts will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such unsuccessful applicant's blocked Rand account.

10.13.5 Applicants resident outside the common monetary area:

10.13.5.1 A person who is not resident in the common monetary area should obtain advice as to whether any governmental, and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the private placement.

10.13.5.2 This prospectus is accordingly not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances this prospectus is provided for information purposes only. All share certificates issued to non-residents of South Africa will be endorsed "non- resident" in terms of the Exchange Control Regulations. Statements issued to dematerialised shareholders will be restrictively endorsed as "non-resident".

11. MATERIAL CHANGES

The directors report that there have been no material changes in the financial or trading position of Afrimat and the group since 28 February 2006, other than as disclosed in this prospectus, being the conclusion of the restructuring agreement, the Lancaster acquisition and the Prima acquisition.

12. PROFIT HISTORY, FORECASTS, UNAUDITED *PRO FORMA* FINANCIAL INFORMATION AND DIVIDEND POLICY

12.1 Historical financial information for Afrimat at 30 September 2006

As mentioned previously, Afrimat (previously Clidet No. 679 (Pty) Limited) was acquired to be the holding company of the Afrimat group and the company whose ordinary shares are to be listed on the JSE. Afrimat was previously a shelf company with no trading history. Set out below is Afrimat's balance sheet at 30 September 2006, which is the responsibility of the company's directors. The independent reporting accountants' report on Afrimat's balance sheet is set out in Annexure 8.

Share capital	R1.00
Cash on hand	R1.00

12.2 Historical financial information for Lancaster for the three financial years ended 28 February 2006

12.2.1 The audited consolidated historical financial information for Lancaster and its subsidiaries for the year ended 28 February 2006, the preparation of which is the responsibility of the directors, is presented in Annexure 2. Annexure 6 contains the independent reporting accountants' report on the audited consolidated historical financial information of Lancaster and its subsidiaries.

12.2.2 The reviewed aggregated historical financial information for Lancaster and its subsidiaries for the two years ended 28 February 2005, the preparation of which is the responsibility of the directors, is presented in Annexure 2. Annexure 6 contains the independent reporting accountants' report on the reviewed aggregated historical financial information of Lancaster and its subsidiaries.

12.3 Historical financial information for Prima for the three financial years ended 28 February 2006

The audited and reviewed consolidated historical financial information for Prima and its subsidiaries for the three years ended 28 February 2006, the preparation of which is the responsibility of the directors, is presented in Annexure 3. Annexure 7 contains the independent reporting accountants' report on the audited and reviewed consolidated historical financial information of Prima and its subsidiaries.

12.4 *Pro forma* historical financial information for Afrimat for the year ended 28 February 2006

The unaudited *pro forma* income statement and balance sheet, as set out in Annexure 4, are provided for illustrative purposes only to provide information about the group's results and financial position had it been constituted as a single entity with effect from 1 March 2005. The unaudited *pro forma* income statement and balance sheet are based on the audited results of Lancaster and Prima at 28 February 2006 as set out in Annexures 2 and 3 and reported on by the independent reporting accountants' in their reports in Annexures 6 and 7. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 9. The directors of Afrimat are responsible for the preparation of the unaudited *pro forma* financial information of Afrimat.

12.5 Unaudited *pro forma* income statement and balance sheet after the private placement

The unaudited *pro forma* income statement and balance sheet after the private placement, as set out in Annexure 4, are provided for illustrative purposes only to provide information about how the private placement may have impacted on the group's results and financial position. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the group's results and financial position after the private placement. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 9. The directors of Afrimat are responsible for the preparation of the unaudited *pro forma* financial information of Afrimat.

12.6 Profit forecast for the year ending 28 February 2007

The consolidated profit forecast of the group for the year ending 28 February 2007, the preparation of which is the responsibility of the directors, is set out in Annexure 5. The consolidated forecast should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 10.

12.7 Dividends

In respect of the financial year ending 28 February 2007, no dividend will be declared. However, thereafter the company's targeted dividend policy will be to distribute bi-annually, an interim and final dividend, up to a maximum of one-third of net profit after tax, taking into account available distributable reserves and cash available for distribution.

The boards of directors of Afrimat's subsidiary companies are only entitled to recommend a dividend to be paid by such subsidiary company. They do not have the power to declare such dividend.

Any dividends not claimed for a period of not less than three years from the date on which such dividends became payable may be forfeited for the benefit of the company.

There is no arrangement under which future dividends will be waived or have been waived.

13. PRELIMINARY AND SHARE ISSUE EXPENSES

13.1 The estimated expenses of the private placement and the listing, exclusive of Value-Added Tax, are as follows:

	Rand
Printing, publication, distribution and advertising expenses	215 000
JSE documentation fees	80 000
JSE listing fees	90 000
Company secretary	100 000
Sponsor – Bridge Capital Services (Pty) Limited	650 000
Capital raising fees – Bridge Capital Services (Pty) Limited	1 875 000
Reporting accountants – Moores Rowland	650 000
Current auditors of Lancaster	130 000
Current auditors of Prima	230 000
Attorneys – Cliffe Dekker	480 000
Contingency	500 000
Estimated total	5 000 000

13.2 The abovementioned estimated expenses, which will not exceed the share premium will be written-off against the share premium account to the extent permissible by the Act.

14. CAPITAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

The company had no material capital commitments, lease payments or contingent liabilities at 28 February 2006, except as disclosed in notes 18, 27 and 28 of the historical financial information for Lancaster in Annexure 2 and notes 18 and 26 of the historical financial information for Prima in Annexure 3. There have been no material changes to the capital commitments, lease payments and contingent liabilities of the company since that date, other than as disclosed in this prospectus.

15. BORROWINGS AND LOANS RECEIVABLE

15.1 Details of material loans made to Lancaster and Prima are disclosed in notes 10, 11 and 14 of the historical financial information of Lancaster in Annexure 2 and notes 7, 12 and 13 of the historical financial information of Prima in Annexure 3.

15.2 No material loans have been made by Lancaster and Prima.

15.3 No loan capital is outstanding.

16. MATERIAL TRANSACTIONS

Set out below are details regarding material transactions entered into by Afrimat and its subsidiaries during the last three years:

16.1 Initial Lancaster acquisition

On 11 April 2005, the initial Lancaster shareholders entered into an agreement with a number of vendors ("the Lancaster vendors"), details of whom are disclosed below, for the acquisition of the entire issued share capitals of, and all outstanding shareholders' claims against, Lancaster Pre-Cast, Lancaster Quarries, Rodag Properties and Rodag Holdings with effect from 1 March 2005 ("the effective date"). An addendum to the aforementioned agreement was entered into on 18 August 2005, amending, *inter alia*, the purchase consideration and payment thereof.

The purchase consideration for the initial Lancaster acquisition was R54.8 million. An amount of R39.8 million was paid in cash, financed by Investec, to the Lancaster vendors, with the outstanding amount of R15 million being settled in the form of a loan by the Lancaster vendors to Lancaster. Certain of the initial Lancaster shareholders signed personal sureties for the loan. The loan bears interest at prime less 2.5% and is repayable as to R5 million on or before 31 August 2007 and the balance on or before 31 August 2008. The loan is convertible, at the option of the Lancaster vendors into Afrimat shares on terms and conditions agreed between the initial Lancaster shareholders and the Lancaster vendors. Agreement has been reached with the Lancaster vendors in this regard, allowing for the conversion of the loan into Afrimat shares on listing at 500 cents per share. This will result in the Lancaster vendors or their nominees receiving 3 000 000 new Afrimat shares.

Name of Lancaster vendor	Address	Amount paid to each Lancaster vendor R
Hendrik Jacobus Marthinus Fourie	75 Hlobane Street, Vryheid, 3100	5 163 620
Anthony Charles Houston	225 Bree Street, Vryheid, 3100	5 163 620
Desmond Lawrence Lemmon-Warde	97 Smal Street, Vryheid, 3100	5 163 620
Gordon Henry Lemmon-Warde	158 Kommissie Street, Vyrheid, 3100	5 163 620
Petrus Herodus Lourens	229 Klip Street, Vryheid, 3100	5 171 690
Michael Farmerey Rash	199 Kommissie Street, Vryheid, 3100	4 691 260
Oliver Harry Rissik	14 Darnaway Road, Forest Town, Johannesburg, 2193	5 163 620
Ronald Malcolm Thomson	334 Main Road, Hermanus, 7200	4 691 260
The Desmond Lemmon-Warde Trust (IT 10998)	97 Smal Street, Vryheid, 3100	8 244 080
The Gordon Lemmon-Warde Trust (IT 11000)	158 Kommissie Street, Vyrheid, 3100	6 183 610

Warranties and indemnities normal for a transaction of this nature were given by the Lancaster vendors, which warranties and indemnities will lapse on 1 March 2007. The Lancaster vendors did not guarantee the book debts or other assets of the Lancaster group. The initial Lancaster shareholders were indemnified by the Lancaster vendors against any liability for taxation not accrued for in the financial accounts prepared on the effective date. The Lancaster vendors are, for a period of three years following the termination of their employment from the Lancaster group, restrained from entering into any business in competition with the business conducted by the Lancaster group.

16.2 Lancaster BEE transaction

On 5 September 2005, a memorandum of understanding was entered into between Lancaster and Kwezi Mining in terms of which Kwezi Mining acquired a 25.1% interest in Lancaster for R251.00. Simultaneously with this agreement, Investec, being the funder of the initial Lancaster acquisition, subscribed for 100 shares in Lancaster for R100, giving Investec a 10% shareholding in Lancaster. The initial Lancaster shareholders, Investec and Kwezi Mining then entered into a shareholders' agreement, dated 27 September 2005, governing their relationship as shareholders in Lancaster. The shareholders' agreement contains provisions normal for an agreement of this nature including pre-emptive provisions requiring the parties to first offer their shares to the other shareholders, tag-along and come-along provisions and a provision prohibiting Kwezi Mining from disposing of its shares other than to another suitably qualified BEE party. This shareholders' agreement is replaced with the restructuring agreement.

16.3 Lancaster acquisition

On 16 October 2006, Afrimat entered into an agreement with the Lancaster shareholders to acquire the entire issued capital of Lancaster and all the Lancaster shareholders' claims against Lancaster with effect from 1 March 2006. The Lancaster acquisition, as with the Prima acquisition detailed below, was in pursuance of an application to list Afrimat on the JSE. The consideration for the Lancaster acquisition was the issue of 32 068 007 new Afrimat shares of 1 cent each at an issue price of 152.5 cents per share, equating to the net asset value of Lancaster at 28 February 2006 of R5.6 million and goodwill of R43.3 million. The shares have been transfered into the name of Afrimat.

Set out in the table below are the details concerning the Lancaster shareholders:

Name of Lancaster shareholder	Address	Names of beneficial shareholders, if applicable	Addresses of beneficial shareholders, if applicable	Number of Afrimat ordinary shares issued for the Lancaster acquisition
Andries Johannes van Heerden	1 Bryanston Drive, Bryanston	N/A	N/A	5 475 026
Maryke Elizabeth van Heerden	1 Bryanston Drive, Bryanston	N/A	N/A	1 564 293
Korsten Family Trust (Master's reference number IT3127/98)	1 Bryanston Drive, Bryanston	N/A	N/A	5 443 740
Forecast Investments (Pty) Limited (registration number 1959/001157/07)	1 Bryanston Drive, Bryanston	Korsten Family Trust (83.3%) JC Trust (16.7%)	1 Bryanston Drive, Bryanston	1 564 293
JC Trust (Master's reference number IT3777/99)	1 Bryanston Drive, Bryanston	N/A	N/A	1 564 293
Jan Hendrik Mahoney Korsten	1 Bryanston Drive, Bryanston	N/A	N/A	4 692 879
Kwezi Mining (Pty) Limited (registration number 2002/011259/07)	745 Saddle Drive, Woodmead Office Park, Woodmead	Kwezi Group (Pty) Limited (57.9%) The Wright Family Trust (7.6%) SADTU Investments Holdings (Pty) Limited (11.1%), JE Clarke (5.6%), Gold Rose Investment (5.6%) The National Council for persons with Physical Disabilities in South Africa (6.7%) Nonhlanhla Chili Family Trust (5%)	745 Saddle Drive, Woodmead Office Park, Woodmead	7 852 750
Petrus Hendry de Wet	107 Smal Street, Vryheid	N/A	N/A	782 147
Investec Bank Limited (registration number 1969/004763/06)	100 Grayston Drive, Sandton	N/A	N/A	3 128 586

The Lancaster shareholders have not guaranteed the book debts or any other assets of Lancaster. Warranties normal for a transaction of this nature, including environmental warranties specific to the nature of business conducted by Lancaster, have been given by the Lancaster shareholders. The warranties are for a period of two years from the listing date. Included in the aforementioned warranties, the Lancaster shareholders have indemnified Afrimat against any liability for taxation not accrued for in the financial accounts.

All the Lancaster shareholders, save for Kwezi Mining whose disposal rights are contained in paragraph 16.7.2 below, will not dispose of more than:

- 25% of their shareholdings in Afrimat during the first year after listing;
- 50% of their shareholdings in Afrimat during the second year after listing.

Rights of pre-emption have been established with respect to the Afrimat shares so acquired by the Lancaster shareholders. Where a Lancaster shareholder wishes to dispose of the Afrimat shares in one or more transactions, and the 30 day volume weighted average price calculated at the date of disposal exceeds R1 million in any rolling 12-month period, such shareholder may dispose of its shares only if it first offers such shares to the other Lancaster shareholders on the same terms and conditions as offered to a third party.

16.4 Prima BEE transaction

With effect from 1 June 2004, the initial Prima shareholders sold 251 "A" and "B" Prima ordinary shares to Mega Oils for R13.8 million, such that Mega Oils acquired a 25.1% interest in Prima. Simultaneously with this transaction, the Prima shareholders entered into a shareholders' agreement governing their relationship as shareholders in Prima. The shareholders' agreement contains provisions normal for an agreement of this nature including pre-emptive provisions requiring the parties to first offer their shares to the other shareholders, tag-along and come-along provisions and a provision prohibiting Mega Oils from disposing of its shares other than to the other Prima shareholders or another suitably qualified BEE party. This shareholders' agreement is replaced with the restructuring agreement.

16.5 Prima acquisition

On 17 October 2006, Afrimat entered into an agreement with the Prima shareholders to acquire the entire issued capital of Prima and all the Prima shareholders' claims against Prima with effect from 1 March 2006. The Prima acquisition was in pursuance of an application to list Afrimat on the JSE. The consideration for the Prima acquisition was the issue of 70 075 959 new Afrimat shares of 1 cent each at an issue price of 152.5 cents per share, equating to the net asset value of Prima at 28 February 2006 of R113.2 million net of the minorities interests of R6.3 million disclosed in paragraph 19.6.3 below. The shares have been transferred into the name of the Afrimat.

Set out in the table below are the details concerning the Prima shareholders:

Name of Prima shareholder	Address	Names of beneficial holders, if applicable	Addresses of beneficial shareholders, if applicable	Number of Afrimat ordinary shares issued for the Prima acquisition
Peter Geoffrey Corbin	3 Sennet Street, Worcester	N/A	N/A	7 623 856
Frans du Toit Trust (Master's reference number IT91/85)	3 Sennet Street, Worcester	N/A	N/A	28 572 288
Korum Trust (Master's reference number IT 147/85)	3 Sennet Street, Worcester	N/A	N/A	15 247 711
Mega Oils (Pty) Limited (registration number 2000/006634/07)	102 Park Drive, Port Elizabeth	Celani Nzo (33.33%), Tando Mbikwana (33.33%), Loyiso Dotwana (33.33%)	102 Park Drive, Port Elizabeth, 6001	17 239 529
BEE SPV*	3 Sennet Street, Worcester	Mega Oils	102 Park Drive, Port Elizabeth, 6001	1 392 575

*In terms of the restructuring agreement, details of which are set out in paragraph 16.7 below, the initial Prima shareholders are required to contribute a minimum BEE shareholding of 25.1% to Afrimat.

The Prima shareholders have not guaranteed the book debts or any other assets of Prima. Warranties normal for a transaction of this nature, including environmental warranties specific to the nature of business conducted by Prima, have been given by the Prima shareholders. The warranties are for a period of two years from the listing date. Included in the aforementioned warranties, the Prima shareholders have indemnified Afrimat against any liability for taxation not accrued for in the financial accounts. As regards the environmental warranties, the Department of Minerals and Energy has approved the provisions for and insurance of rehabilitation of Prima's properties in accordance with applicable legislation.

All the Prima shareholders, save for Mega Oils whose disposal rights are contained in paragraph 16.7.2 below, will not dispose of more than:

- 25% of their shareholdings in Afrimat during the first year after listing;
- 50% of their shareholdings in Afrimat during the second year after listing.

Rights of pre-emption have been established with respect to the Afrimat shares so acquired by the Prima shareholders. Where a Prima shareholder wishes to dispose of the Afrimat shares in one or more transactions, and the 30 day volume weighted average price calculated at the date of disposal exceeds R1 million in any rolling 12-month period, such shareholder may dispose of its shares only if it first offers such shares to the other Prima shareholders on the same terms and conditions as offered to a third party.

16.6 **Mega Oils agreement**

On 30 August 2006, the Prima shareholders entered into an agreement governing Mega Oils' shareholding in Afrimat. In terms of the Mega Oils agreement, Mega Oils have the option to either:

- procure the placement of its entire shareholding in Afrimat with BEE third party investors at a discount to the Afrimat listing price immediately prior to listing; or
- procure the realisation of cash to a maximum of R25 million by the placement with third party investors of not more than 30% of its entire shareholding in Afrimat at the listing price ("the second alternative").

Mega Oils have chosen the second alternative and as such the R25 million placement forms part of the R50 million offer for sale. As a result of Mega Oils electing the second alternative, the initial Prima shareholders are required to establish a special purpose vehicle ("BEE SPV") which will hold a similar amount of Afrimat shares as disposed of by Mega Oils, being 5 000 000 Afrimat shares. The BEE SPV will be owned by Mega Oils but the economic benefits of the Afrimat shares will be for the account of the initial Prima shareholders. The creation of the BEE SPV has ensured that the 25.1% BEE credentials required to be contributed to Afrimat by the Prima shareholders, in terms of the restructuring agreement, are complied with.

16.7 **Restructuring agreement**

16.7.1 *General*

On 17 October 2006, the Lancaster shareholders and the Prima shareholders entered into an agreement in terms of which the parties recorded their principle agreement regarding the restructuring and the sale of shares in and claims against Lancaster and Prima, respectively, to Afrimat for the purpose of combining the assets of Lancaster and Prima in contemplation of the listing of Afrimat on the JSE. The restructuring agreement is subject to the fulfilment of the suspensive condition that the JSE approves the listing of Afrimat's issued share capital, and the issued share capital is in fact listed, by not later than 30 November 2006.

16.7.2 *BEE credentials*

In terms of the restructuring agreement, both the Lancaster and Prima shareholders have agreed to collectively contribute to Afrimat, BEE credentials equal to 25.1% of their collective shareholding in Afrimat immediately prior to the private placement. In this regard, as set out in paragraphs 16.5 and 16.6 above, the initial Prima shareholders have transferred 6 392 575 Afrimat shares to the BEE SPV.

Both Kwezi Mining and Mega Oils have undertaken not to dispose of their shareholdings in Afrimat to anyone other than another suitably qualified BEE party for a period of seven years from the date of listing of Afrimat.

In addition, in order to ensure that the BEE credentials of the company are maintained, the Lancaster and Prima shareholders have agreed to form the BEE trust, which may acquire shares in Afrimat from the Lancaster and Prima shareholders up to 25.1% of the company's issued share capital. Following the listing, whenever there is an issue of shares to the BEE trust, all Afrimat shareholders will be diluted proportionately. Only employees of Afrimat and its subsidiaries who are Black will be eligible to be beneficiaries under the BEE trust.

17. **PRINCIPAL IMMOVABLE PROPERTIES OWNED AND LEASED**

Details of the principal immovable properties held or occupied by the Afrimat group are set out in Annexure 16.

18. DETAILS OF SUBSIDIARIES

Details of the group's subsidiaries are set out in Annexure 15.

19. SHARE CAPITAL

19.1 Authorised and issued share capital

The authorised and issued share capital of Afrimat, taking into account the private placement and listing costs as set out in paragraph 13.1 above, which are to be offset against the share premium, are set out below:

	R'000
Authorised	
1 000 000 000 ordinary shares of 1 cent each	10 000
Issued, before the private placement	
109 299 497 ordinary shares of 1 cent each	1 093
Share premium	176 014
Issued, after the private placement	
124 299 497 ordinary shares of 1 cent each	1 243
Share premium	250 864

19.2 All the authorised and issued shares are of the same class and rank *pari passu* in every respect.

19.3 Save as set out in paragraph 19.5 below, there has been no sub-division or consolidation of shares during the three years prior to the date of issue of this prospectus.

19.4 Save as provided for in paragraph 19.6 below, no offer has been made for the subscription or sale of shares during the three year period preceding the date of issue of this prospectus.

19.5 Alterations to authorised share capital

19.5.1 Afrimat was incorporated with an authorised ordinary share capital of 1 000 ordinary shares with a par value of 100 cents each.

19.5.2 The company:

19.5.2.1 sub-divided its authorised share capital from 1 000 ordinary shares of 100 cents each into 100 000 ordinary shares of 1 cent each on 13 October 2006;

19.5.2.2 increased its authorised share capital of R1 000 to R10 million by the creation of 999 900 000 ordinary shares of 1 cent each on 13 October 2006.

19.5.3 Afrimat has a total authorised share capital of R10 million, comprising 1 000 000 000 ordinary shares of 1 cent each.

19.5.4 The special resolution to alter the authorised share capital was registered on 13 October 2006.

19.6 Issue/Sale of shares

19.6.1 The following issues of shares took place in Lancaster in the preceding three years:

- On 14 September 2005, Lancaster issued 549 ordinary shares at 100 cents per share (par value) to Andries Johannes van Heerden, Maryke Elizabeth van Heerden, the Korsten Family Trust, the JC Trust and Jan Hendrik Mahoney Korsten as part of the restructuring of the Lancaster group which resulted in the formation of a holding company for the Lancaster group.
- On 1 October 2005, Lancaster issued 351 ordinary shares at 100 cents per share (par value) to Investec and Kwezi Mining in pursuance of the Lancaster BEE transaction.

- Effective 1 March 2006, Lancaster issued 25 ordinary shares at R5 840 per share (being the net asset value of Lancaster at the effective date of the issue) to Mr P H de Wet, an executive director of Lancaster.

19.6.2 The following issues of shares took place in Prima in the preceding three years:

- On 31 May 2004, Prima Quarries issued 1 000 "A" and "B" ordinary shares at 100 cents per share to Francois du Toit Trust (550), the Korum Trust (300) and Peter Corbin (150) in anticipation of the Prima BEE transaction; and
- On 1 June 2004, the Prima shareholders sold 251 "A" and "B" ordinary shares to Mega Oils for R13.8 million, such that Mega Oils acquired a 25.1% interest in Prima.

19.6.3 The following issues of shares took place in Afrimat in the preceding three years:

- On 25 October 2006, 102 143 966 new Afrimat shares were issued at a price of 152.5 cents per share to the Lancaster and Prima shareholders for the Lancaster and Prima acquisitions.
- On 25 October 2006, 480 000 ordinary shares were issued to the Capmat minorities, 3 453 102 ordinary shares were issued to the Mengbeton minorities and 222 429 ordinary shares were issued to the Boublok minorities at an issue price of 152.5 cents per share, such that, on listing, Capmat (Pty) Limited, Mengbeton (Pty) Limited and Boublok (Pty) Limited would be constituted as wholly-owned subsidiaries of the Afrimat group.
- On listing, as detailed in paragraph 16.1 above, the Lancaster vendors' loan of R15 million will be converted into 3 000 000 new Afrimat shares at 500 cents per share.

19.6.4 On incorporation, Afrimat issued and allotted 1 ordinary par value share of 100 cents.

19.6.5 The company sub-divided its issued share capital of 1 ordinary share of 100 cents into 100 ordinary shares of 1 cent each on 13 October 2006.

19.6.6 At the date of issue of this prospectus, before the private placement, Afrimat had a total issued share capital (including share premium) of R177 106 733, consisting of 109 299 497 ordinary shares of 1 cent each.

19.7 The ordinary resolutions to approve the above issues of shares were implemented at the time of the issues. In terms of an ordinary resolution approved by 75% of the majority of shareholders on 19 October 2006, the directors have the power to allot and issue ordinary shares of the company for cash, subject to the following conditions:

- compliance with the provisions of the Act, the Listings Requirements and the memorandum and articles of association of Afrimat;
- that the securities be of a class already in issue;
- that securities be issued to public shareholders and not to related parties;
- that an announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s;
- that issues in the aggregate in any one financial year shall not exceed 15% of the company's issued share capital of that class;
- that, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors; and
- that the approval will be valid until the next annual general meeting or for 15 months from the date of the resolution, whichever period is the shorter.

19.8 Unissued shares

In terms of an ordinary resolution passed at a general meeting of Afrimat on 4 October 2006, after the allotment and issue of the private placement shares, the authorised but unissued ordinary shares in the company will be under the control of the directors of Afrimat until its first annual general meeting, subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

19.9 Voting, rights and variation of rights

The articles of association of the company provide that, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by any person, the chairman or by the members referred to in section 198(1)(b) of the Act.

The company in general meeting or the directors may declare a dividend to be paid to the members according to their rights and interests in the profits and in proportion to the number of their shares. No larger dividend shall be declared by the company in general meeting than is recommended by the directors, but the company in general meeting may declare a smaller dividend. A dividend shall be payable to the members registered at a date to be determined by the directors of the company provided that such date shall not be less than fourteen days from the date of declaration or date of confirmation of the dividend, whichever is the later.

The company in general meeting or the directors may at any time and from time to time resolve that any sum forming part of the undivided profits of the company standing to the credit of the company's reserves, or any sum in the hands of the company and available for dividend, or any sum carried to reserve as the result of a sale or revaluation of the assets of the company, or any part thereof, be capitalised, and that any such sum or sums be set free for distribution and be appropriated to and amongst the members, either with or without deduction for any income or other tax, ratable according to their rights and shareholdings, in such manner as the resolution may direct; provided that unrealised profits resulting from a revaluation of assets may only be regarded as distributable if such unrealised profits did not result from short term market fluctuations and on a bona fide revaluation of all non-current assets it is clear that the share capital of the company will remain intact after a distribution; provided further that no such distribution shall be resolved upon by the company unless recommended by the directors; and the directors may in accordance with such resolution, apply such sum or sums in paying up shares, debentures or debenture stock of the company and appropriate such shares, debentures or debenture stock to or distribute the same amongst the holders of such shares ratable according to their holdings of such shares, respectively, as aforesaid, or shall otherwise deal with such sum or sums as provided for in such resolution.

If the company be wound up, the assets remaining after payment of the debts and liabilities of the company and the costs of the liquidation shall be distributed among the members in proportion to the number of shares, respectively, held by each of them, provided that the provisions of this article shall be subject to the rights of the holders of shares (if any) issued upon special conditions. In a winding-up, any part of the assets of the company, including any shares or securities of other companies may, with the sanction of a special resolution of the company, be paid to the members of the company *in specie*, or may, with the same sanction, be vested in trustees for the benefit of such members, and the liquidation of the company may be closed and the company dissolved.

Any variation in rights attaching to shares will require the consent of the shareholders in general meeting in accordance with the company's articles of association.

19.10 No other listings

The issued ordinary shares of Afrimat will be listed on the JSE. No other shares of Afrimat are listed on any other stock exchange.

20. ADEQUACY OF WORKING CAPITAL

The directors of the company are of the opinion that the working capital available to the Afrimat group, prior to the private placement, is sufficient for the group's present requirements, that is, for at least the next 12 months from the date of issue of this prospectus.

21. SHARE SCHEMES

Save as disclosed in the share schemes, there are no contracts or arrangements, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the company or its subsidiaries.

The directors of the company have established two share schemes, a share incentive scheme for the benefit of executive directors and employees of the group and a share scheme for BEE employees. The salient features of the share schemes are set out in Annexures 11 and 12.

22. MATERIAL CONTRACTS

Details of the material contracts entered into in writing by the company or any of its subsidiaries during the two years preceding the date of this prospectus, being a contract entered into otherwise than in the ordinary course of business carried on or proposed to be carried on by Afrimat or any of its subsidiaries, are contained in paragraph 16 above.

The company is subject to various royalty agreements with respect to its quarries. It also has a number of mining licences with respect to these quarries. Details of the royalty agreements and mining licences are set out in Annexure 14. The company has not paid any material technical or secretarial fees during the three years preceding the issue of this prospectus.

The company has not entered into any promoters' agreements during the three years preceding the date of this prospectus.

23. LITIGATION STATEMENT

There are no legal or arbitration proceedings, including any proceedings that are pending or threatened of which Afrimat is aware, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the group's financial position.

24. ADVISORS' INTERESTS

None of the advisors, whose particulars are set out in the "Corporate information" section of this prospectus, hold any shares in the company or have agreed to acquire any shares in the company at the date of this prospectus.

25. EXPERTS' CONSENTS

Each of the company's advisors, commercial bankers and the transfer secretaries have consented in writing to act in the capacities stated and to their names appearing in this prospectus and have not withdrawn their consent prior to the registration of this prospectus.

26. KING CODE

The company's Corporate Governance Report is set out in Annexure 13.

27. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are set out in Annexure 1, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this prospectus contains all information required by law and the Listings Requirements.

28. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents, which have been submitted to the Registrar, will be available for inspection at the registered office of the company at any time during normal business hours from 08:00 to 17:00 for a period of 14 days from the date of this prospectus:

- the memoranda and articles of association of the company, Lancaster and Prima;
- the signed reports by the reporting accountants, the texts of which are set out in Annexures 6, 7, 8, 9 and 10;

- the written consents of the company's advisors, commercial bankers and transfer secretaries to act in those capacities, which consents have not been withdrawn prior to registration;
- the company's share schemes;
- the executive directors' service agreements;
- the audited annual financial statements of Lancaster and its subsidiaries at 28 February 2006;
- the audited annual financial statements of Prima for the three financial years ended 28 February 2006;
- copies of the material contracts referred to in paragraph 22 above; and
- a copy of this prospectus.

29. PARAGRAPHS OF SCHEDULE 3 TO THE ACT WHICH ARE NOT APPLICABLE

The numbers of the paragraphs in Schedule 3 to the Act, which are not applicable, are:

1(b), 2(d), 6(a)(iii), 6(d), 6(e)(ii), 6(h), 12, 13, 14, 18(b), 21, 24, 26 and Part III.

Signed at Johannesburg by Andries Johannes van Heerden on his own behalf and on behalf of all the directors of the company on 20 October 2006, he being duly authorised in terms of a power of attorney granted to him by such directors.

SGD

Andries van Heerden

SGD

For: Marthinus Wilhelmus von Wielligh, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 17 October 2006.

SGD

For: Peter Geoffrey Corbin, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 6 October 2006.

SGD

For: Loyiso Dotwana, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 4 October 2006.

SGD

For: Francois du Toit, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 6 October 2006.

SGD

For: Monty Kaplan, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 4 October 2006.

SGD

For: Nonhlanhla Jiyane, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 4 October 2006.

SGD

For: Hendrik Johannes Erasmus van Wyk, herein represented by Andries Johannes van Heerden under and in terms of a power of attorney executed on 4 October 2006.

Directors and executive management

FULL NAMES, NATIONALITIES, AGES, BUSINESS ADDRESSES AND FUNCTIONS OF THE BOARD OF DIRECTORS OF AFRIMAT

Name	Age	Function	Business address
Marthinus Wilhelmus von Wielligh*^	54	Chairperson	349 Penquin Crescent, Wierdapark, 0149
Andries Johannes van Heerden	40	Chief Executive Officer	15 Bloekom Street, Vryheid, 3400
Peter Geoffrey Corbin	58	Executive director of Prima	3 Sennet Street, Worcester, 6850
Loyiso Dotwana*	43	Civil engineer and director of companies	102 Park Drive, Port Elizabeth, 6001
Francois du Toit*	60	Co-founder of Prima and executive director of Prima	3 Sennet Street, Worcester, 6850
Monty Kaplan*^	77	Director of companies	PO Box 7677, Roggebaai, 8012
Gillian Nonhlanhla Jiyane*	37	Accountant and director of companies	PO Box 49095, East End, 4018
Hendrik Johannes Erasmus van Wyk	62	Financial director	3 Sennet Street, Worcester, 6850

*Non-executive
^Independent

All of the directors are South African citizens.

1. EXPERIENCE OF DIRECTORS

Marthinus Wilhelmus von Wielligh (SA)

Education: B.Sc (Mech. Eng.), MBA (University of Stellenbosch), Stanford Executive Progamme (Stanford University USA)

Career: Matie has over 30 years' professional experience at Iscor Limited and Kumba Resources. At Iscor he has been employed in, *inter alia*, the following capacities: project engineer of the Sishen Saldanha Project, maintenance engineer at the Sishen Mine, Thabazimbi Iron Ore Mine and the Grootgeluk Coal Mine, project manager on the Iscor Heavy Minerals Project, general manager of the Iscor Heavy Minerals Business and the Iron Ore Business until 31 March 2006, managing director of the Sishen Iron Ore Company. At Kumba Resources, Matie was the general manager of the Iron Ore Business. He has extensive experience in the areas of strategic and financial management, corporate finance, new business development, feasibility studies, project management, human resources management, black economic empowerment and corporate governance. Matie has served on various boards of directors in South Africa, Hong Kong and Australia.

Andries Johannes van Heerden (SA)

Education: B.Eng (Mech), MBA, Government Certificate of Competence

Career: Andries started his career with Iscor Mining at the Grootegeluk Coal Mine. After gaining excellent experience in Open Pit Mining and developing a passion for heavy earthmoving equipment, he served in different managerial positions, ranging from Maintenance Management to Business Process Re-engineering. He expanded his management expertise at APL Cartons where he was the Operations Director and was closely involved with growing the business at an exceptional rate. Andries gained invaluable experience in critical aspects such as strategic positioning of the business, marketing and finance. During 2001 he joined Prima as a director and became Managing Director in 2003. He left Prima in 2005 and formed a consortium which acquired the Lancaster group, where he then became CEO.

Peter Geoffrey Corbin (SA)

Education: B.Sc., B.Eng (University of Stellenbosch)

Career: Peter began his career in 1972 as an engineer with the Department of Internal Affairs. He worked as a resident engineer on various road construction projects for VKE Consulting Engineers for a period of four years. He was appointed as a site agent at Concor Construction (Pty) Limited in 1977 and was later promoted to divisional director. In 1985 he joined Prima as a director and was appointed as Managing Director of Prima in January 2005.

Loyiso Dotwana (SA)

Education: BSc, Civil Engineering (University of Cape Town)

Career: Loyiso is a civil engineer with 20 years' experience in the design and project management of civil engineering services. His primary experience is the design and contract administration of township services, rural and urban roads and national roads. In recent years Loyiso has been involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Port Elizabeth. Loyiso is a founder, director and major shareholder of Iliso Consulting (Pty) Limited, one of the largest black-owned consulting engineering companies in South Africa.

Francois du Toit (SA)

Career: Francois began his career in 1965 as a diesel mechanic at Jaffes Ford. In 1967, he joined Prima Klipbrekers (Pty) Limited as Managing Director. In 1979, Francois established Prima Quarries (Pty) Limited. In 1967, Prima Klipbrekers (Pty) Limited had 12 employees and was producing 15 tons of aggregates per hour. By 2006, this company had grown to 361 employees producing 1 000 tons per hour.

Monty Kaplan (SA)

Education: CA(SA)

Career: Monty was previously Deputy Chairman and Chief Executive Officer of the Cape of Good Hope Bank and a director of the SA Post Office Limited. He is chairman of the boards of directors of Spearhead Property Holdings Limited, Wooltru Limited and Trematon Capital Investments Limited.

Gillian Nonhlanhla Jiyane (SA)

Education: CA(SA), National Diploma in Analytical Chemistry

Career: Nonhlanhla was employed by Shell and BP as a laboratory technician for two and a half years between 1989 and 1992. She then served her articles with Ngubane and Co. from 1996 to 1999. Here she was promoted to assistant manager for a year and a half and was then made a director in 2000. In mid-2002, Nonhlanhla joined SARS as a project manager. She is now the managing partner of Chili & Co.

Hendrik Johannes Erasmus van Wyk (SA)

Education: B.Com, CA(SA)

Career: Hennie qualified as a Chartered Accountant in 1975 with the audit firm Brink Roos & Du Toit. In 1978 he was made a partner at Brink Roos & Du Toit and in 1987 was appointed lead partner in the Cape Town office of Theron du Toit. In 1990 Hennie was appointed as lead partner of Coopers & Lybrand at the time of the merger with Theron du Toit and in 1998 became managing partner of PricewaterhouseCoopers in the Western Cape. Hennie joined Afrimat in August 2006.

2. FULL NAMES, NATIONALITIES, AGES, BUSINESS ADDRESSES AND FUNCTIONS OF EXECUTIVE MANAGEMENT OF LANCASTER AND PRIMA

Name, nationality and qualification	Age	Function and experience	Business address
Lancaster			
Jan Hendrik Mahoney Korsten (SA), (B Com, CTA)	51	Financial director of Lancaster Group. Jan is a Chartered Accountant who spent a large part of his career in the profession. After becoming the Senior Partner in the Free State for KPMG, he left the profession in 1991. He has served as the financial director of numerous private companies and has been the financial director of Lancaster Group (Pty) Limited since January 2006.	15 Bloekom Street, Vryheid, 3400
Michael Farmery Rash (SA), (NHD Civil Eng, Pr Tech Eng)	51	Executive director (technical) of Lancaster Pre-cast. Mike holds an Advanced Concrete Technology diploma, is a registered Professional Civil Technologist and a member of the Institute of Concrete Technology. He is regarded as one of the leading concrete technologists in South Africa and has many years experience in the field. He has 20 years' service with Lancaster Pre-cast and is responsible for quality and product development.	15 Bloekom Street, Vryheid, 3400
Hendrik Jacobus Marthinus Fourie (SA)	56	Operations director of Lancaster Pre-Cast. Hennie is a qualified Diesel Mechanic with 28 years' service with Lancaster Pre-cast. He has an intimate knowledge of the plant and equipment and has built a formidable team who ensures that the production and maintenance activities of the company are performed to a world class standard.	15 Bloekom Street, Vryheid, 3400
Pieter Hendry de Wet (SA)	53	Managing director of Lancaster Quarries. Piet is a qualified Diesel Mechanic with 28 years' service with Lancaster Quarries. He progressed through the ranks and was appointed as managing director of Lancaster Quarries on 1 March 2006 after 10 years as operations director. He is well respected in the industry and is the Regional Chairman for the Aggregates and Sand Producers Association of South Africa. He has a good understanding of the market.	15 Bloekom Street, Vryheid, 3400

Name, nationality and qualification	Age	Function and experience	Business address
Jan van Heerden (SA) (B.Sc (Econ), Honns.B.Sc (Math), M.Sc (Stat), D.Comm (Econ))	54	Jan was employed for 33 years by Potchefstroom University as an Economist and Econometrician. During this period he was Director, Vice Dean and Acting Dean in the Faculty of Commerce. Jan served for 12 years on the Building Research Council of the Minister. He submitted 24 written reports to this Council. He also tabled three reports for SAPPI and three reports for HL&H. These six reports were linked to the building industry. Jan also wrote two highly confidential reports for the CSIR on the strategic products of South Africa. He also developed a benchmark for SWK to improve the effectiveness of their outlets. Since October 2005 Jan has been a consultant for Lancaster and joined Lancaster Pre-cast in October 2006 as Managing Director.	15 Bloekom Street, Vryheid, 3400
Prima			
Theunis Christoffel Botha Jordaan (SA)	57	From 1971 to 1979, Theunis was an assistant accountant at Ceres Fruit Growers. In 1979 he joined Prima Klipbrekers (Pty) Limited as a director.	3 Sennet Street, Worcester, 6850
Celane Mezo Mthuli Nzo (SA) MBA, Bachelor of Pharmacy	43	Celane is the managing director of International Business Consultancy and Development at the SA Post Office.	Schubart Street, Pretoria Central, 0002
Marthinus Gerhardus Odendaal (SA) NHD (T4) Civil Engineering	41	Marthinus is an experienced civil engineer with over 20 years' experience in the construction industry.	3 Sennet Street, Worcester, 6850
William John Paton (Scottish)	48	Managing director of Prima Ready Mix Concrete (Pty) Limited. William has 25 years' experience in the concrete industry, starting his career as a site manager at Crudens Construction and LTA Construction. He was employed at Lafarge Ready Mix from 1990 to 2000, where after he joined Prima.	3 Sennet Street, Worcester, 6850

3. QUALIFICATION, APPOINTMENT, REMUNERATION AND BORROWING POWERS OF DIRECTORS

3.1 The relevant provisions of the articles of association of Afrimat relating to qualification, appointment, remuneration and borrowing powers of directors are set out in paragraph 8 below. The borrowing powers may only be varied by special resolution, although the members may set limits by way of ordinary resolutions, which limits have not been exceeded since Afrimat's incorporation.

3.2 In terms of the declarations lodged by the directors in accordance with Schedule 21 of the Listings Requirements, none of the following applies to any of the directors listed in paragraph 1 above for the 12 months preceding the date of this prospectus: bankruptcies, insolvencies or individual voluntary compromise arrangements; receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary liquidations, or any compromise or arrangement with creditors generally or any class of creditors of any company where such person is or was a director with an executive function of such company at the time of any such event; compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships of which the person is or was a partner at the time of such event; receiverships of any asset(s) of such person or of a partnership of which the person is or was a partner at the time of such event; public criticisms of such person by statutory or regulatory authorities, including recognised professional bodies; disqualification by a Court from acting as a director of a company or from acting in the management or conduct of the affairs of any company; or any offence involving dishonesty.

4. DIRECTORS' REMUNERATION

4.1 The remuneration and benefits paid to directors for the year ended 28 February 2006 were as follows:

Year ended 28 February 2006	Basic R	Incentive bonus R	Travel allowance R	Medical aid R	Relocation allowance R	Total R
Executive						
Andries van Heerden*	360 000	–	60 000	9 360	70 000	499 360
Peter Corbin	745 200	177 500	21 947	–	–	944 647
	1 105 200	177 500	81 947	9 360	70 000	1 444 007
Non-executive						
Francois du Toit	777 600	180 000	57 220	–	–	1 014 820
	1 882 800	357 500	139 167	9 360	70 000	2 458 827

*Andries van Heeden was appointed a director on 1 September 2005, therefore his remuneration is for a 6-month period only.

4.2 Remuneration for the newly appointed non-executive directors will be determined by the Remuneration Committee. It is envisaged that the non-executive directors will be paid approximately R10 000 per meeting attended and the Chairperson R15 000 per meeting attended.

4.3 There will be no variation in the remuneration receivable by any of the directors as a direct consequence of the private placement and listing.

4.4 No fees were paid or accrued as payable to a third party *in lieu* of directors' fees.

4.5 No sums were paid or agreed to be paid within the three years preceding the date of this prospectus to any director or to any company in which he is beneficially interested, directly or indirectly, or of which he is a director, or to any partnership, syndicate or other association of which he is a member, in cash or securities or otherwise, by any person either to induce him to become or to qualify him as a director, or otherwise for services rendered by him or by the associate company or the associate entity in connection with the promotion or formation of Afrimat.

4.6 No director or promoter has any material beneficial interest, direct or indirect, in the promotion of Afrimat and in any material property to be acquired or proposed to be acquired by Afrimat out of the proceeds of the private placement or during the three years preceding the date of this prospectus, except as disclosed in paragraph 16 of this prospectus which details material transactions of the group.

5. DIRECTORS' SHAREHOLDINGS

5.1 The directors, will at the last practicable date, before and after the private placement hold, directly and indirectly the following shares in Afrimat. There have been no changes in these interests between 28 February 2006 and the date of this prospectus.

Before the private placement

Director	Number of shares held				
	Direct		Indirect		
	Beneficially	**Non-beneficially**	**Beneficially**	**Non-beneficially**	**Percentage held**
P G Corbin	6 171 519	–	–	–	5.6
L Dotwana	–	–	5 745 935*	–	5.3
F du Toit	–	–	–	23 129 297	21.2
N Jiyane	–	–	392 638*	–	0.4
A J van Heerden	5 475 026	–	–	–	5.0
	11 646 545	–	6 138 573	23 129 297	37.5

* Dotwana is a 33.33% shareholder in Mega Oils and the Nonhlanhla Chili Family Trust is a 5% shareholder in Kwezi Mining.

After the private placement

Director	Number of shares held				
	Direct		Indirect		
	Beneficially	**Non-beneficially**	**Beneficially**	**Non-beneficially**	**Percentage held**
P G Corbin	5 571 519	–	–	–	4.5
L Dotwana	–	–	6 210 080*	–	5.0
F du Toit	–	–	–	22 529 297	18.1
N Jiyane	–	–	392 638*	–	0.3
A J van Heerden	5 475 026	–	–	–	4.4
	11 046 544	–	6 602 718	22 529 297	32.3

* Dotwana is a 33.33% shareholder in Mega Oils and the Nonhlanhla Chili Family Trust is a 5% shareholder in Kwezi Mining.

5.2 No director has any material beneficial interest, whether direct or indirect, in any transactions which were effected by the company during the current or immediately preceding financial year or during an earlier financial year and remain in any respect outstanding or unperformed, except as disclosed in paragraph 16 of this prospectus which details material transactions of the group.

6. DIRECTORS' SERVICE AGREEMENTS

The directors' service agreements contain no unusual or onerous provisions. Set out below is a summary of the employment contracts entered into with certain directors of Afrimat and their material terms:

Director	Material terms of the employment contract
Peter Geoffrey Corbin	Duration for a period of five years. Restraint of trade for a period of five years from the date of listing of Afrimat on the JSE.
Francois du Toit	Duration for a period of two years. Thereafter, Francois will consult to Afrimat for a period of two years and make 50% of his working days available to the company. Restraint of trade for a period of four years from the date of listing of Afrimat on the JSE.
Andries Johannes van Heerden	Duration for a period of five years. Restraint of trade for a period of five years from the date of listing of Afrimat on the JSE.
Hendrik Johannes Erasmus van Wyk	

7. OTHER DIRECTORSHIPS HELD BY DIRECTORS OF AFRIMAT

Set out below are the names of all the companies and partnerships of which the directors have been a director or partner at any time during the previous five years, indicating whether or not the individual is still a director or partner:

Director	Directorships/Partnerships
Marthinus Wilhelmus von Wielligh	IHM Heavy Minerals (Pty) Limited*, Tiscor (Pty) Limited*, Ticor South Africa (Pty) Limited*, Manganore Iron Mining Limited*, Pietersburg Iron Company (Pty) Limited*, Sibelo Resource Development (Pty) Limited*, Sishen Iron Ore Company (Pty) Limited*, Sishen South Mining (Pty) Limited*, Trans Orient Ore Supplies, Hong Kong*, SIBELO Resource Development (Pty) Limited*
Peter Geoffrey Corbin	Prima Quarries (Pty) Limited, Prima Quarries 1987 (Pty) Limited, Prima Klipbrekers (Pty) Limited, Boublok (Pty) Limited, Boublok Tuinmure (Pty) Limited, Bak-Klei en Steen (Pty) Limited, Mengbeton (Pty) Limited, Ikapa Quarries (Pty) Limited, Alpha Civils (Pty) Limited, Soundprops Investments 1291 (Pty) Limited, Tradepost 45 (Pty) Limited, Aymara Investments (Pty) Limited, Prima Readymix Concrete (Pty) Limited, DMC Civils (Pty) Limited, Domotec (Pty) Limited, Effluent Management (Pty) Limited, Cape Lime (Pty) Limited, Extra Dimensions 34 (Pty) Limited, Apiece Investments (Pty) Limited, Prima Quarries Namibia (Pty) Limited, Chrystalpine Holdings 107 (Pty) Limited, Parch Properties (Pty) Limited, Proud Heritage Properties 99 (Pty) Limited, Tema Projects 8 (Pty) Limited, Hex River Development Company (Pty) Limited, Green Willows Properties 118 (Pty) Limited, Capmat (Pty) Limited, Lancaster Group (Pty) Limited
Francois du Toit	Prima Quarries (Pty) Limited, Prima Quarries 1987 (Pty) Limited, Prima Klipbrekers (Pty) Limited, Boublok (Pty) Limited, Boublok Tuinmure (Pty) Limited, Bak-Klei en Steen (Pty) Limited, Mengbeton (Pty) Limited, Ikapa Quarries (Pty) Limited, Alpha Civils (Pty) Limited, Soundprops Investments 1291 (Pty) Limited, Tradepost 45 (Pty) Limited, Aymara Investments (Pty) Limited, Prima Readymix Concrete (Pty) Limited, Domotec (Pty) Limited, Effluent Management (Pty) Limited, Cape Lime (Pty) Limited, Nicklia Property Investments 2 (Pty) Limited, Extra Dimensions 34 (Pty) Limited, Apiece Investments (Pty) Limited, Prima Quarries Namibia (Pty) Limited, Chrystalpine Holdings 107 (Pty) Limited, Tresso Trading 930 (Pty) Limited, Parch Properties (Pty) Limited, Proud Heritage Properties 99 (Pty) Limited, Capstone 1215 (Pty) Limited, Hex River Development Company (Pty) Limited, Green Willows Properties 118 (Pty) Limited, Capmat (Pty) Limited, Schonmer Properties (Pty) Limited
Andries Johannes van Heerden	Lancaster Group (Pty) Limited, Prima Quarries (Pty) Limited, Aeroconveyor Technologies (Pty) Limited*, Lancaster Quarries (Pty) Limited, Lancaster Pre-cast (Pty) Limited, Rodag Holdings (Pty) Limited, Rodag Properties (Pty) Limited
Loyiso Dotwana	Boonzaaier Dotwana and Associates CC, Boonzaaier Dotwana and Associates (Pty) Limited, Boonzaaier Dotwana and Associates (WC) CC, Capmat (Pty) Limited, Fongoqa Skade Toyi and Associates (Western Cape) CC, Iliso Consulting (Pty) Limited, Iliso Consulting Eastern Cape (Pty) Limited, Iliso Consulting Gauteng (Pty) Limited, Iliso Strategic Investments (Pty) Limited, M Steyn Design and Engineering (Pty) Limited, Nungu Trading 396 (Pty) Limited*, Phumani Leisure (Pty) Limited, Prestedge Retief Dresner Wijnberg (Pty) Limited, Prima Quarries (Pty) Limited, Prima Klipbrekers (Pty) Limited, Rossal No 58 (Pty) Limited, RZT Zelpy 4398 (Pty) Limited, Sable Sand Trading 56 (Pty) Limited, Sisanda Development Services CC, Tacelo Investments (Pty) Limited, Tacelo Resources (Pty) Limited, Ukhanyo Electrical CC*, Zonwabise Resort Holdings (Pty) Limited*, Tina Bantu Investments (Pty) Limited*

Director	Directorships/Partnerships
Gillian Nonhlanhla Jiyane	Kingdom Communications (Pty) Limited, Kwezi Mining (Pty) Limited, Lancaster Group, Mpumalanga Economic Growth Agency
Monty Kaplan	Spearhead Property Holdings Limited, Wooltru Limited, Trematon Capital Investments Limited
Hendrik Johannes Erasmus van Wyk	PricewaterhouseCoopers Inc.*

*Resigned.

8. RELEVANT PROVISIONS OF THE ARTICLES OF ASSOCIATION OF THE COMPANY PROVIDING FOR THE APPOINTMENT, QUALIFICATION, TERM OF OFFICE, REMUNERATION AND BORROWING POWERS OF DIRECTORS

Extracts from the articles of association of Afrimat are set out below:

DIRECTORS – NUMBER, QUALIFICATION, REMUNERATION AND TERM OF OFFICE

"68 The number of directors excluding alternate directors shall be not less than 4 (four).

69 At the first annual general meeting of the Company all the other directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one-third), but not less than 1/3 (one-third), shall retire from office, provided that if a director is appointed as managing director or as an employee of the Company in any other capacity, the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office under contract for a term of rotation be subject to retirement by such contract and he shall not in such case be taken into account in determining the rotation of retirement of directors provided that less than half of the directors may be appointed to any such position on the condition that they shall not be subject to retirement by rotation.

70 The directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot.

71 A retiring director shall be eligible for re-election.

72 The Company, at the annual general meeting at which a director retires in the manner aforesaid or at any other general meeting, may fill the vacancy by electing a person thereto.

73 If at any meeting at which an election of directors ought to take place the Offices of the retiring directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the provisions of Articles 53, 54 and 55 shall apply *mutatis mutandis* to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring directors or such of them as have not had their offices filled shall be deemed to have been re-elected at such adjourned meeting.

74 It shall not be necessary for a director to hold any shares in the Company in order to qualify him to act as such.

75 The remuneration of the directors for the rendering by them of services as directors shall, from time to time, be determined by the Company in general meeting.

76 The directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company, and in attending meetings of the directors or committees thereof. If any director shall be required to perform extra services, or to go or reside abroad, or shall be otherwise specially occupied about the Company's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of directors, and such remuneration may be either in addition to or in substitution for his remuneration provided for in the preceding article."

BORROWING POWERS

"100 The board of directors may from time to time and in such manner and on such terms as they deem fit, exercise all the powers of the Company to borrow, raise or secure the payment of money, either with or without any specific security on the undertaking or property of the Company; provided, however, that if the Company has a holding company whose shares are listed on the JSE the total amount at any one time owing by the Company in respect of moneys so borrowed, raised or secured shall not exceed the amount authorised by such holding company.

101 The directors may raise or secure the repayment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Company (both present and future), provided that no special privileges as to allotment of shares or stock, attending and voting at general meetings, appointment of directors or otherwise shall be given, save with the sanction of the Company in general meeting.

102 Any debentures, debenture stock, bonds or other securities may be issued at a premium, and with any special privileges as to redemption, surrender or drawings.

103 If any of the directors or any other person becomes personally liable for the payment of any sum primarily due from the Company, the directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or persons becoming liable as aforesaid from any loss in respect of such liability."

POWERS ENABLING A DIRECTOR TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS MATERIALLY INTERESTED

"79 A director may:

79.1 hold any other office or place of profit in the Company;

79.2 act as a director of and/or hold any other office or place of profit in any subsidiary company of the Company;

79.3 act by himself or by his firm in a professional capacity (other than as auditor) for the Company or any subsidiary company of the Company;

79.4 act as a director of any company promoted by the Company or in which the Company is interested; or

79.5 subscribe for, guarantee the subscription of, or otherwise acquire shares in any such company as is referred to in sub-Articles 79.2 and 79.4 above,

and shall be entitled to receive remuneration, profit or benefits therefor which he shall not be obliged to account for or pay over to the Company, provided always, however, that a director shall not be otherwise employed by the Company nor shall he act as a director of or be otherwise employed by any subsidiary company of the Company unless his appointment and remuneration in any such respect be determined or approved by a disinterested quorum of directors.

80 Subject to the provisions of Article 79, no director shall be disqualified by his office from holding any office or place of profit under the Company (except as auditor) or under any other company. No director or officer of the Company, who has been authorised by the directors of the Company to enter into any contract or proposed contract which is of significance in relation to the Company's business, shall be disqualified by his office from contracting or dealing with the Company or any other company and, in this regard:

80.1 no contract or arrangement entered into by or on behalf of the Company in which any director or officer is directly or indirectly interested shall be avoided by virtue of such interest;

80.2 no director or officer shall be liable to account to the Company for any profit arising from any such office or place of profit or any such contract or arrangement;

80.3 any director or officer may vote as such or act on behalf of the Company in respect of any such contract or arrangement between the Company and himself or any other person including any company in which he is in any way directly or indirectly interested or of which he is a director, officer or employee and in respect of any matter relating to or arising out of such contract or arrangement;

80.4 any officer of the Company may, within the limits of his authority as such, cause the Company to enter into any contract or arrangement with any such persons (except himself) or with any other such company in which he is in any way directly or indirectly interested or of which he is a director, officer or employee.

81 A director or officer shall be obliged to make full disclosure, in the manner and at the times required by sections 234 to 238 inclusive of the Act, of the nature and extent of his direct or indirect interest in every contract or proposed contract or arrangement between the Company and himself or any other company in which he is or becomes in any way directly or indirectly interested or of which he is or becomes a director, officer or employee."

Historical financial information on Lancaster

Commentary on the historical financial information

The definitions commencing on page 10 of the prospectus have been used in this report.

The following has been extracted from the Lancaster group's audited consolidated financial statements for the year ended 28 February 2006. These financial statements were previously audited and reported upon by Trotter & Houston Chartered Accountants (SA), Enslins (Harrismith) Incorporated and Lloyd Viljoen Chartered Accountants (SA), without qualification. The effective date of the Lancaster group business combination was 1 March 2005 and the 2004 and 2005 financial years therefore represent an aggregation of the companies within the Lancaster group. The individual companies in the Lancaster group were previously audited and reported upon, without qualification, by Trotter & Houston, Chartered Accountants (SA), and Enslins (Harrismith) Incorporated for the 2004 and 2005 financial years.

The independent accountants' report on the historical financial information is set out in Annexure 6 to this prospectus.

Balance Sheet

	Note	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
ASSETS				
Non-current assets				
Property, plant and equipment	2	40 101 546	38 528 574	31 726 545
Goodwill	3	10 590 938	3 916 005	3 822 817
Investments	4	2 971 551	2 480 427	2 076 370
Retirement benefit asset	16	11 390 522	–	–
Total non-current assets		**65 054 557**	**44 925 006**	**37 625 732**
Current assets				
Inventories	5	11 195 896	10 292 886	8 521 986
Trade and other receivables	6	11 310 361	9 568 672	8 520 493
Current tax receivable		303 534	1 231 385	529
Cash and cash equivalents	7	2 404 273	17 999 350	9 173 370
Other financial asset	8	–	–	1 910 327
Total current assets		**25 214 064**	**39 092 293**	**28 126 705**
Total assets		**90 268 621**	**84 017 299**	**65 752 437**
EQUITY AND LIABILITIES				
Equity				
Share capital	9	1 000	28 300	28 300
Revaluation reserve		336 193	778 683	509 731
Distributable reserves		5 327 134	49 322 881	40 042 808
Total equity		**5 664 327**	**50 129 864**	**40 580 839**
LIABILITIES				
Non-current liabilities				
Other financial liabilities	10	38 113 817	–	–
Finance lease obligation	11	3 328 836	5 183 754	2 658 054
Deferred tax	12	11 048 106	10 821 633	5 462 634
Provisions	13	1 713 692	1 592 696	1 618 453
Deficit on defined benefit scheme	16	–	2 825 706	1 631 527
Total non-current liabilities		**54 204 451**	**20 423 789**	**11 370 668**
Current liabilities				
Loans from shareholders	14	7 232 703	–	–
Finance lease obligation	11	5 054 540	4 743 176	4 421 182
Current tax payable		247 469	826 718	1 222 894
Other financial liabilities	10	6 089 350	–	–
Trade and other payables	15	11 035 400	7 568 214	7 819 190
Provisions	13	218 387	325 538	337 664
Bank overdraft	7	521 994	–	–
Total current liabilities		**30 399 843**	**13 463 646**	**13 800 930**
Total liabilities		**84 604 294**	**33 887 435**	**25 171 598**
Total equity and liabilities		**90 268 621**	**84 017 299**	**65 752 437**

* Restated according to IFRS.

Income Statement

	Note	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Revenue	17	104 278 455	98 990 747	75 990 694
Cost of sales		(53 164 476)	(47 297 931)	(37 977 641)
Gross profit		**51 113 979**	**51 692 816**	**38 013 053**
Fair value adjustments		–	341 900	231 333
Other income		671 961	262 810	397 173
Operating expenses		(29 867 701)	(27 465 644)	(24 721 718)
Operating profit	18	**21 918 239**	**24 831 882**	**13 919 841**
Investment income	19	714 241	1 354 422	624 932
Finance costs	20	(5 278 235)	(804 762)	(426 696)
Profit before taxation		**17 354 245**	**25 381 542**	**14 118 077**
Taxation	21	(9 527 111)	(8 394 227)	(4 521 805)
Profit for year		**7 827 134**	**16 987 315**	**9 596 272**

* Restated according to IFRS.

Statement of Changes in Equity

	Share capital R	Distributable reserves R	Fair value reserve R	Total equity R
Balance at 1 March 2003 as previously reported	**28 300**	**24 202 235**	**507 998**	**24 738 533**
Change in accounting policy	–	5 524 224	–	5 524 224
Prior period errors	–	4 050 077	–	4 050 077
Balance at 1 March 2003 as restated unconsolidated	**28 300**	**33 776 536**	**507 998**	**34 312 834**
Profit for the year	–	9 596 272	–	9 596 272
Dividends	–	(3 330 000)	–	(3 330 000)
Fair value adjustment on financial assets	–	–	1 733	1 733
Balance at 1 March 2004 as restated unconsolidated	**28 300**	**40 042 808**	**509 731**	**40 580 839**
Balance at 01 March 2004 as previously reported	**28 300**	**30 318 821**	**507 998**	**30 855 119**
Change in accounting policy	–	6 756 606	1 733	6 758 339
Prior period errors	–	2 967 381	–	2 967 381
Profit for the year	–	16 987 315	–	16 987 315
Disposal of subsidiary	–	(301 409)	–	(301 409)
Dividends	–	(7 405 833)	–	(7 405 833)
Fair value adjustment on financial assets	–	–	268 952	268 952
Balance at 1 March 2005 as restated unconsolidated	**28 300**	**49 322 881**	**778 683**	**50 129 864**
Balance at 1 March 2005 as previously reported	**28 300**	**28 725 468**	**507 998**	**29 261 766**
Change in accounting policy	–	5 167 946	270 685	5 438 631
Prior period errors	–	15 429 467	–	15 429 467
Transfer as a result of the business combination	(28 200)	(49 322 881)	(778 683)	(50 129 764)
Profit for the year	–	7 827 134	–	7 827 134
Dividends	–	(2 500 000)	–	(2 500 000)
Fair value adjustment on financial assets	–	–	336 193	336 193
Issue of shares	900	–	–	900
Balance at 28 February 2006 as restated	**1 000**	**5 327 134**	**336 193**	**5 664 327**

Cash Flow Statement

	Note	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Cash flows from operating activities				
Cash generated from operations	22.1	25 173 256	24 855 337	13 543 939
Investment income	19	699 617	1 051 327	621 602
Finance costs	20	(5 278 235)	(804 762)	(426 696)
Tax paid	22.2	(8 948 318)	(4 709 722)	(3 475 281)
Dividends received	19	14 624	303 095	3 330
Dividends paid	22.3	(2 500 000)	(7 405 833)	(3 330 000)
Net cash from operating activities		**9 160 944**	**13 289 442**	**6 936 894**
Cash flows from investing activities				
Replacement of property, plant and equipment		(4 787 302)	(9 396 028)	(6 644 114)
Proceeds on disposal of property, plant and equipment		795 647	563 597	931 345
Acquisition of businesses	23	(38 805 650)	–	–
Purchase of investments and pension fund		(11 545 453)	(87 643)	–
Disposal of share in subsidiary		–	(301 410)	(91 387)
Net cash used in investing activities		**(54 342 758)**	**(9 221 484)**	**(5 804 156)**
Cash flows from financing activities				
Proceeds from borrowings		44 563 093	2 847 695	3 680 348
Proceeds from shareholders loans		2 500 000	–	–
Issue of new shares		900	–	–
Proceeds from loan receivable		–	1 910 327	–
Net cash from financing activities		**47 063 993**	**4 758 022**	**3 680 348**
Cash at beginning of year		**100**	**9 173 370**	**4 360 284**
Total cash movement for year		1 882 179	8 825 980	4 813 086
Total cash at end of year	7	**1 882 279**	**17 999 350**	**9 173 370**

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new and revised standards and interpretation has resulted in changes to the groups accounting policies that have effected the amounts reported for the current or prior year.

1.1 Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The principal accounting policies adopted in the preparation of each of these financial statements are set out below and are consistent in all material respects with those applied in the previous year as reported.

1.2 Basis of consolidation

1.2.1 *Investments in subsidiaries*

Lancaster Group (Pty) Ltd acquired its subsidiaries with effect from 1 March 2005. In prior year the results and financial position of the companies have been aggregated for comparative purposes.

A consolidation was only performed for the 2006 year.

Group annual financial statements

The group annual financial statements include those of the holding company and its subsidiaries. The results of subsidiaries are included from the effective date of acquisition.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

1.2.2 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing consolidated financial statements.

1.2.3 *Business combinations*

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. On acquisition, the assets and liabilities and contingent liabilities of the subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of the acquisition over the group's share of the fair value of the identifiable net assets at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of fair values of the identifiable net assets at the date of acquisition is credited in profit and loss in the period of acquisition. All intergroup transactions, balances, income and expenses are eliminated on consolidation.

In 2004 and 2005 a group did not exist and a consolidation was not performed. The results of the various companies were aggregated, which is merely the adding together of the figures of the companies in the group.

1.2.4 *Goodwill*

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets of the subsidiary or associate entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. For the purposes of impairment testing goodwill is allocated to each of the groups cash generating units expected to benefit from the synergies of the combination. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.3 **Property, plant and equipment**

The cost of an item of plant and equipment is recognised as an asset 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.

Costs include costs incurred initially to acquire an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The residual value and the useful life of each asset are reviewed at each financial year-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is provided on all plant and equipment to write down the cost, less residual value, in instalments over their useful lives as follows:

Item	**Useful life**	
Land	Indefinite life	
Buildings	Indefinite life	
Leasehold improvements	10 – 50 years	Straight line
Office furniture	5 – 10 years	Reducing balance
Plant and machinery		
– Crushing plants	40 years	Straight line
– Loaders and dumpers	15 – 40 years	Straight line
– Other (quarries)	4 – 20 years	Straight line
– Other	5 – 10 years	Reducing balance
Motor vehicles		
– Trailers	30 years	Straight line
– Trucks and tractors	20 years	Straight line
– Light delivery vehicles and sedans	5 years	Reducing balance
– Other	4 – 15 years	Straight line
Furniture and equipment	1 – 6 years	Straight line

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

Depreciation is not provided on buildings as the group is of the opinion that adequate maintenance is carried out and that the current market price will result in a residual value greater than the original cost.

1.4 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Borrowing costs

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

1.5 Impairment

The carrying amount of the company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds it's recoverable amount. Impairment losses are recognised in the income statement.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

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

1.7 Financial instruments

Initial recognition

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

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

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost; and
- other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value; and
- other financial liabilities are measured at amortised cost using the effective interest method.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- a gain or loss on a financial asset or financial liability classified at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in profit or loss, is recognised in equity; and
- financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Gains or losses on subsequent measurement

Gains and losses arising from a change in the fair value of financial instruments that are not part of the hedging relationship are included in profit or loss in the period in which the change arises.

1.8 Investments

Marketable securities are carried at market value. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date.

Non-current investments excluding marketable securities are shown at cost and adjustments are made only where, in the opinion of the directors, the investment is impaired. Where an investment has been impaired, it is recognised as an expense in the period in which the impairment is identified.

Increases in the carrying amount of marketable securities classified as non-current assets are credited to revaluation and other reserves in shareholders' equity. Decreases that offset previous increases of the same marketable security are charged to the income statement.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement. On disposal of a marketable security classified as a non-current asset, amounts in revaluation and other reserves relating to that marketable security are transferred to distributable reserves.

1.9 Inventories

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

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

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is evidence that the asset is impaired.

1.11 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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 substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

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

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

1.12 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.13 Loans from shareholders

These financial instruments are carried at amortised cost. Vendor loans due for repayment from proceeds raised from the private placement are reflected at cost.

1.14 Trade and other payables

Trade and other payables are measured at amortised cost using the effective interest method.

1.15 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation. The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The company estimates its liability for rehabilitation annually and a competent and independent third party confirms this periodically. Monies invested for this purpose, which are sums, determined by current legislation, are expensed. A liability contingent on the closure of the company's quarries is treated as a provision with annual gains or losses accounted for through profit or loss.

Contingent assets and contingent liabilities are not recognised.

1.16 Employee benefits

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Independent actuaries, separately for each plan, conduct actuarial valuations on an annual basis. Consideration is given to any event that could impact the funds up to balance sheet date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amendment benefits become vested.

To the extent that, at the beginning of the financial year, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the income statement over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the income statement, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contributions to the plan.

Defined contribution plans

The group also operates defined contribution retirement benefit plans for all qualifying employees, the assets of the plans are held separately from those of the group in funds under control of trustees.

The total expense recognised in the income statement represents contributions payable to those plans by the group at rates specified in the rules of the plans.

1.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fees and sales are recorded in the financial statements at the date the services are performed or the goods are delivered to the customer.

Interest is recognised, in profit or loss, using the time proportion basis.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.18 Cost of sales

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.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.19 Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation arises as a result of past events, estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised if significant, and amortised in accordance with the group's accounting policy for property, plant and equipment.

Contributions are made to an environmental fund to provide for the estimated cost of rehabilitation during and at the end of the life of quarries. The cost of ongoing current programmes to rehabilitate the environment is charged against income as incurred.

1.20 Comparative figures

Comparative figures have been restated where necessary to give a more appropriate comparison.

2. PROPERTY, PLANT AND EQUIPMENT

	* Cost R	* 2006 Consolidated accumulated depreciation R	* Carrying value R
Land	2 293 225	–	2 293 225
Buildings	1 187 727	–	1 187 727
Leasehold improvements	210 016	(13 962)	196 054
Plant and machinery	22 550 759	(1 196 507)	21 354 252
Motor vehicles	15 932 855	(1 110 442)	14 822 413
Furniture and equipment	319 306	(71 431)	247 875
Total	**42 493 888**	**(2 392 342)**	**40 101 546**

	* Cost R	* 2005 Aggregated accumulated depreciation R	* Carrying value R
Land	2 293 225	–	2 293 225
Buildings	1 187 727	–	1 187 727
Leasehold improvements	518 107	(312 576)	205 531
Plant and machinery	35 169 583	(15 034 571)	20 135 012
Motor vehicles	21 921 468	(7 477 708)	14 443 760
Furniture and equipment	1 329 218	(1 065 899)	263 319
Total	**62 419 328**	**(23 890 754)**	**38 528 574**

	* Cost R	* 2004 Aggregated accumulated depreciation R	* Carrying value R
Land	2 044 513	–	2 044 513
Buildings	1 187 727	–	1 187 727
Leasehold improvements	576 289	(396 028)	180 261
Plant and machinery	32 900 730	(15 522 568)	17 378 162
Motor vehicles	17 483 612	(6 823 501)	10 660 111
Furniture and equipment	1 740 209	(1 464 438)	275 771
Total	**55 933 080**	**(24 206 535)**	**31 726 545**

Certain property is encumbered as stated in note 11.

The carrying amount of property, plant and equipment can be reconciled as follows:

Consolidated 2006	* **Opening balance R**	* **Additions R**	* **Disposals R**	* **Depreciation R**	* **Total R**
Land	2 293 225	–	–	–	2 293 225
Buildings	1 187 727	–	–	–	1 187 727
Leasehold improvements	205 531	4 485	–	(13 962)	196 054
Plant and machinery	20 135 012	3 035 697	(422 161)	(1 394 296)	21 354 252
Motor vehicles	14 443 760	1 691 134	(72 807)	(1 239 674)	14 822 413
Furniture and equipment	263 320	55 986	–	(71 431)	247 875
	38 528 575	**4 787 302**	**(494 968)**	**(2 719 363)**	**40 101 546**

Aggregated 2005	* **Opening balance R**	* **Additions/ Revaluations R**	* **Disposals R**	* **Depreciation R**	* **Total R**
Land	2 044 513	248 712	–	–	2 293 225
Buildings	1 187 727	–	–	–	1 187 727
Leasehold improvements	180 261	47 490	(1)	(22 219)	205 531
Plant and machinery	17 378 162	4 480 262	(417 080)	(1 306 332)	20 135 012
Motor vehicles	10 660 111	4 798 620	(74 542)	(940 429)	14 443 760
Furniture and equipment	275 771	69 656	(9 031)	(73 077)	263 319
	31 726 545	**9 644 740**	**(500 654)**	**(2 342 057)**	**38 528 574**

Aggregated 2004	* **Opening balance R**	* **Additions/ Revaluations R**	* **Disposals R**	* **Depreciation R**	* **Total R**
Land	1 995 547	48 966	–	–	2 044 513
Buildings	1 071 634	116 093	–	–	1 187 727
Leasehold improvements	204 119	–	–	(23 858)	180 261
Plant and machinery	14 826 880	3 897 453	(266 193)	(1 079 977)	17 378 162
Motor vehicles	9 224 035	2 710 974	(303 319)	(971 579)	10 660 111
Furniture and equipment	329 076	35 688	(15)	(88 978)	275 771
	27 651 291	**6 809 174**	**(569 527)**	**(2 164 392)**	**31 726 545**

A register containing the information required by paragraph 22(3) of Schedule 4 of the Act is available for inspection at the registered office of the company.

3. GOODWILL

	* **Audited Consolidated 28 February 2006 R**	* **Reviewed Aggregated 28 February 2005 R**	* **Reviewed Aggregated 29 February 2004 R**
Balance at beginning of year	3 916 005	3 822 817	3 550 723
Arising on acquisition of subsidiaries	6 674 933		
Revaluation	–	93 188	332 094
Balance at end of year	**10 590 938**	**3 916 005**	**3 822 817**

The goodwill existing in 2004 and 2005 is an aggregated figure and consists of Rodag Properties (Pty) Limited's interest in Rodag Holdings (Pty) Limited and Lancaster Pre-Cast (Pty) Limited's investment in Lancaster Quarries (Pty) Limited.

The purchase consideration was based on the fair value of the net operating assets of Rodag Holdings (Pty) Limited and Lancaster Quarries (Pty) Limited. The goodwill arose from the additional consideration given in recognition of future economic benefits that the company will earn through the acquisition of the respective subsidiary and does not represent any asset that was not separately recognised.

The increase in goodwill during the 2006 year represents the business combination of the Lancaster group. Prior to 1 March 2005 the Lancaster group traded as separate independent entities.

The purchase consideration was based on the fair value of the net operating assets of Rodag Holdings (Pty) Limited, Rodag Properties (Pty) Limited, Lancaster Quarries (Pty) Limited and Lancaster Pre-Cast (Pty) Limited at the date of acquisition. The goodwill arose from the additional consideration given in recognition of future economic benefits that the company will earn through the acquisition of the respective subsidiary and does not represent any asset that was not separately recognised.

There was no indication of impairment.

For details relating to the acquisition see note 23.

4. INVESTMENTS

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Available for sale financial assets			
Listed shares at fair value	362 573	255 236	187 996
Unlisted investments at fair value	2 608 978	2 225 191	1 888 374
	2 971 551	**2 480 427**	**2 076 370**
The unlisted investments, in the name of Lancaster Quarries Rehabilitation Fund are ceded to The Standard Bank of South Africa Limited as security for the issue of guarantees in favour of the Department of Mineral and Energy Affairs relating to the company's liability for rehabilitation. Refer Note 13.			
Non-current assets			
Available for sale	2 971 551	2 480 427	2 076 370

5. INVENTORIES

The amounts attributable to the different categories are as follows:			
Finished products	7 249 618	6 424 630	5 153 960
Consumable stores	2 270 303	2 040 598	1 392 096
Work in progress	1 675 975	1 827 658	1 975 930
	11 195 896	**10 292 886**	**8 521 986**

6. TRADE AND OTHER RECEIVABLES

Trade receivables	11 238 039	9 468 986	8 417 671
Prepayments	31 260	54 846	59 452
VAT refundable	–	2 948	3 551
Deposits	41 062	41 892	39 819
	11 310 361	**9 568 672**	**8 520 493**

7. CASH AND CASH EQUIVALENTS

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Cash and cash equivalents consist of:			
Cash on hand	10 370	10 020	10 020
Bank balances	2 393 903	10 489 330	4 163 350
Short-term deposits	–	7 500 000	5 000 000
	2 404 273	17 999 350	9 173 370
Bank overdraft	(521 994)	–	–
	1 882 279	17 999 350	9 173 370

8. OTHER FINANCIAL ASSET

Biz Africa Citrus (Pty) Limited	–	–	1 910 327

This loan was unsecured and interest free.
The loan was repaid during the 2005 year.

9. SHARE CAPITAL

Authorised and issued			
1 000 ordinary shares of R1.00 each	1 000	–	–
Authorised			
30 000 ordinary shares of R1.00 each (Lancaster Quarries (Pty) Limited)		30 000	30 000
100 000 ordinary shares of 10 cents each (Rodag Properties (Pty) Limited)		1 000	1 000
20 000 ordinary shares of R1.00 each (Lancaster Pre-Cast (Pty) Limited)		20 000	20 000
		51 000	51 000
Issued			
30 000 ordinary shares of R1.00 each (Lancaster Quarries (Pty) Limited)		30 000	30 000
4 ordinary shares of R1.00 each (Rodag Holdings (Pty) Limited)		4	4
Members' contribution (Rodag Properties CC)		800	800
10 000 ordinary shares of R1.00 each (Lancaster Pre-Cast (Pty) Limited)		10 000	10 000
		40 804	40 804
Less: Transferred to investments in group		(12 504)	(12 504)
		28 300	28 300

- Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.
- As an aggregation is presented for the 2004 and 2005 year, the share capital of all the companies in the group has been disclosed.

10. OTHER FINANCIAL LIABILITIES

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Held at amortised cost			
Investec Private Bank Limited	29 203 167	–	–
The loan bears interest at 0.75% below prime and is repayable within 60 months of the inception date, being 26 August 2006. Secured as follows: Mortgage bonds over properties relating to Rodag Properties (Pty) Limited and Rodag Holdings (Pty) Limited amounting to R1 698 297. General notarial bond over all fixed assets and inventory relating to Lancaster Pre-Cast (Pty) Limited and Lancaster Quarries (Pty) Limited. This loan arose when Lancaster financed the acquisition of the Lancaster subsidiaries.			
Vendors			
H J M Fourie	1 413 401	–	–
A C Houston	1 413 401	–	–
D L Lemmon-Warde	1 413 401	–	–
G H Lemmon-Warde	1 413 401	–	–
P H Lourens	1 415 612	–	–
M F Rash	1 284 106	–	–
O H Rissik	1 413 401	–	–
R M Thomson	1 284 106	–	–
The Desmond Lemmon-Warde Trust	2 256 573	–	–
The Gordon Lemmon-Warde Trust	1 692 598	–	–
	15 000 000	–	–
These loans bear interest at the prime lending rate less 2.5%, and are payable quarterly. They are secured by suretyships from directors. R5 000 000 is repayable by October 2007 and R10 000 000 is repayable by October 2008. These loans arose when Lancaster Group (Pty) Limited acquired the shares in Lancaster Quarries (Pty) Limited, Lancaster Pre-Cast (Pty) Limited and the Rodag companies.			
	44 203 167	–	–
Non-current liabilities			
At amortised cost	**38 113 817**	–	–
Current liabilities			
At amortised cost	**6 089 350**	–	–
	44 203 167	–	–

11. FINANCE LEASE OBLIGATION

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Minimum lease payment due			
– within one year	5 342 945	5 404 599	4 892 937
– in second to fifth year inclusive	3 758 538	5 586 599	2 863 781
	9 101 483	10 991 198	7 756 718
Less: Future finance charges	(718 107)	(1 064 268)	(677 482)
Present value of minimum lease payments	**8 383 376**	**9 926 930**	**7 079 236**
The above finance lease obligations are held with WesBank, Stannic and Nedbank.			
Present value of minimum lease payments due			
– within one year	5 054 540	4 743 176	4 421 182
– in second to fifth year inclusive	3 328 836	5 183 754	2 658 054
	8 383 376	**9 926 930**	**7 079 236**
Non-current liabilities	3 328 836	5 183 754	2 658 054
Current liabilities	5 054 540	4 743 176	4 421 182
	8 383 376	**9 926 930**	**7 079 236**

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. The above obligations are secured by property, plant and equipment with a book value of R10 682 286 (2005 – R13 846 488), (2004 – R9 884 761).

12. DEFERRED TAX

Deferred tax asset/(liability)			
Accelerated capital allowances for tax purposes	(7 496 929)	(6 805 640)	(5 919 796)
Revaluation of property	(438 144)	(458 601)	(381 242)
Rehabilitation provision	327 280	331 525	364 430
Provision for leave pay and bonuses	63 332	97 661	74 468
Provision for pension fund	(3 303 249)	(3 849 164)	489 459
Fair value adjustments on investments	(200 396)	(137 414)	(89 953)
	(11 048 106)	**(10 821 633)**	**(5 462 634)**
Reconciliation of deferred tax (liability)			
At beginning of year	(10 821 633)	(5 462 634)	(5 028 353)
Taxable temporary differences on accelerated capital allowances	(905 689)	(885 842)	(346 173)
Taxable temporary differences on revaluation of property	–	(77 360)	(236 465)
Tax rate change	328 900	–	–
Taxable temporary differences on fair value adjustments	(65 526)	(47 462)	(41 081)
Taxable temporary differences on rehabilitation provision	–	(32 905)	(106 692)
Taxable temporary differences on retirement benefits	–	(4 338 623)	–
Deductible temporary differences on rehabilitation provision	6 805	–	–
Deductible temporary differences on retirement benefits	442 570	–	275 607
Taxable temporary differences on provisions	(33 533)	–	–
Deductible temporary differences on provisions	–	23 193	20 523
	(11 048 106)	**(10 821 633)**	**(5 462 634)**

13. PROVISIONS

2006	* Opening balance R	* Additions R	* Utilised during year R	* Reversed during year R	* Total R
Provision for bonuses and leave pay	325 538	82 210	(122 987)	(66 374)	218 387
Environmental rehabilitation	1 592 696	120 996	–	–	1 713 692
	1 918 234	**203 206**	**(122 987)**	**(66 374)**	**1 932 079**

2005	* Opening balance R	* Additions R	* Utilised during year R	* Reversed during year R	* Total R
Provision for bonuses and leave pay	337 664	–	–	(12 126)	325 538
Environmental rehabilitation	1 618 453	–	(25 757)	–	1 592 696
	1 956 117	**–**	**(25 757)**	**(12 126)**	**1 918 234**

2004	* Opening balance R	* Additions R	* Utilised during year R	* Reversed during year R	* Total R
Provision for bonuses and leave pay	279 815	68 413	–	(10 564)	337 664
Environmental rehabilitation	–	1 618 453	–	–	1 618 453
	279 815	**1 686 866**	**–**	**(10 564)**	**1 956 117**

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Non-current provisions	1 713 692	1 592 696	1 618 453
Current provisions	218 387	325 538	337 664

14. LOANS FROM SHAREHOLDERS

A J van Heerden	674 114	–	–
Korsten Family Trust	862 866	–	–
J C Trust	192 604	–	–
M E van Heerden	192 604	–	–
J H M Korsten	577 812	–	–
Forecast Investments (Pty) Limited	4 732 703	–	–
	7 232 703	–	–

The loans are unsecured and bear interest at the prime lending rate. There are no fixed repayment terms. These loans, excluding Forecast Investments (Pty) Limited, arose as a result of dividends declared, but not yet paid. The loan from Forecast Investments (Pty) Limited arose on acquisition of the Lancaster subsidiaries. The loans are recorded at cost as there is uncertainty to the timing of future cash flows. The loan from Forecast Investments (Pty) Limited is secured by the cession and pledge of the holding company's right, title and interest in and to the entire issued share capital of Lancaster Quarries (Pty) Limited and Lancaster Pre-Cast (Pty) Limited, and bears interest at the prime lending rate. The loan is recorded at cost as there is uncertainty to the timing of future cash flows.

15. TRADE AND OTHER PAYABLES

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Trade payables	7 517 504	5 604 801	5 367 213
Amounts received in advance	1 656 640	1 244 749	1 663 440
VAT payable	1 038 496	283 704	206 119
Accrued bonus	407 500	194 065	200 000
Other accruals	415 260	240 895	382 418
	11 035 400	**7 568 214**	**7 819 190**

16. EMPLOYEE BENEFITS

The company operates various retirement schemes for the benefit of employees:

Defined benefit retirement plan

The company operates a defined benefit retirement plan, for the benefit of its employees. The plan is governed by the Pension Funds Act,1956 (Act 24 of 1956).

The assets of the plan are administered by trustees in a fund independent of the company.

Until 2000 the defined benefit plan was operated as part of the Old Mutual's Orion Umbrella Fund. During December 2000 Old Mutual unbundled the Orion Fund.

This permission and the issue of the required Section 14 certificate (inclusive of all rules being registered) was only received in November 2003.

The directors of Lancaster were of the opinion that the Fund was at all times fully funded. In fact, they believed that there was a slight actuarial surplus, due to the employer contributing more than the required company contribution.

In 2005 the previous shareholders sold their interest to Lancaster Group (Pty) Limited. A requirement of that transaction was that the pension fund should be actuarially valued and any deficit be fully accounted for in the financial statements of the participating employers.

The 2005 actuarial valuation (performed by QED Actuaries & Consultants (Pty) Limited) was the first valuation for the fund. This valuation reflected a significant deficit of some R15 656 253. This was provided for in the participating employers financial statements and it was also claimed for normal income tax purposes.

It is now a requirement that the Lancaster companies financial statements should comply with IAS 19 and IAS 8.

The proportion of employees covered by the retirement benefits plans are 76.4% of total employees.

The effective date of the most recent valuation is 28 February 2006.

The actuary is of the opinion that the fund is over 100% funded as at 30 June 2006 on the valuation basis used for the 28 February 2006 valuation.

The actuary recommended an increase in the contribution rate to 14.5%, this increase has been implemented and will be in place until an alternative rate is recommended.

A full actuarial valuation is done every three years, the last was performed in February 2005 and the next one will be performed in February 2008. IAS 19 valuations are performed for financial statement purposes annually.

The directors of Lancaster Group (Pty) Limited will adopt a policy of recognising actuarial gains and losses under the minimum requirements of paragraph 93 (IAS 19) being referred to as "corridor limits".

16. **EMPLOYEE BENEFITS** (continued)

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Amounts recognised in the Balance Sheet, Income Statement, and Related Analyses			
Present value of obligation at end of year	31 354 699	31 956 167	34 463 187
Fair value of plan assets at end of year	(29 384 313)	(16 299 914)	(23 469 308)
Shortfall	1 970 386	15 656 253	10 993 879
Unrecognised actuarial (losses)	(13 360 908)	(12 830 547)	(9 362 352)
Liability/(asset) per balance sheet	(11 390 522)	2 825 706	1 631 527
Movement for the year			
Balance at beginning of year	2 825 706	1 631 527	712 835
Expenses as below	3 654 373	3 371 084	2 952 109
Contributions paid	(17 870 601)	(2 176 905)	(2 033 417)
Balance at end of year	(11 390 522)	2 825 706	1 631 527
Expense recognised in income statement			
Current service cost	2 214 349	1 891 499	1 786 301
Interest cost	3 288 941	3 051 465	3 377 342
Expected return on plan assets	(2 504 354)	(1 963 670)	(2 393 204)
Net actuarial loss recognised in year	655 437	391 790	181 670
Included in staff costs	3 654 373	3 371 084	2 952 109
Actual return on plan assets			
Expected return on plan assets	2 504 354	1 963 670	2 393 204
Actuarial gain/(loss) on plan assets	712 890	(1 193 956)	(1 291 385)
Actual return on plan assets	3 217 244	769 714	1 101 819
Changes in the present value of the obligations and in fair value of the plan assets			
Present value of obligations	31 956 167	34 463 187	38 027 962
Interest costs	3 288 941	3 051 465	3 377 342
Current service costs	2 214 349	1 891 499	1 786 301
Benefits paid	(8 003 447)	(10 116 013)	(10 453 204)
	29 456 010	29 290 138	32 738 401
Actuarial loss on obligation	1 898 689	2 666 029	1 724 786
Present value of obligation	31 354 699	31 956 167	34 463 187
Fair value of plan assets	16 299 914	23 469 308	30 787 276
Expected return on plan assets	2 504 354	1 963 670	2 393 204
Contributions	17 870 602	2 176 905	2 033 417
Benefits paid	(8 003 447)	(10 116 013)	(10 453 204)
	28 671 423	17 493 870	24 760 693
Actuarial gain/(loss) on plan assets	712 890	(1 193 956)	(1 291 385)
Fair value of plan assets	29 384 313	16 299 914	23 469 308
Average remaining useful lives of employees	15	15	15

16. **EMPLOYEE BENEFITS** (continued)

	* Audited Consolidated 28 February 2006 %	* Reviewed Aggregated 28 February 2005 %	* Reviewed Aggregated 29 February 2004 %
Principal actuarial assumptions on balance sheet date			
Discount rate	8.00	10.00	10.00
Expected rates of return on plan assets	8.00	10.00	10.00
Future salary increases	5.25	8.00	8.00
Future pension increases	2.65	4.50	4.50

	R	R	R
17. REVENUE			
Gross revenue comprises turnover, which excludes value-added tax and represents the invoiced value of goods and services supplied.			
Sale of goods			
Quarrying activity	68 621 811	66 886 902	52 257 022
Pre-cast/Ready-mix activity	35 656 644	32 103 845	23 733 672
	104 278 455	98 990 747	75 990 694
18. OPERATING PROFIT			
Operating profit is stated after taking the following into account.			
Income from subsidiaries			
Dividends	35 300 000	–	–
Administration and management fees	1 680 000	–	–
Operating lease charges			
Premises			
Contractual amounts	773 570	876 917	399 389
Profit on sale of property, plant and equipment	300 679	876 917	399 389
Depreciation on property, plant and equipment	2 719 363	2 342 058	2 164 392
Employee costs	29 745 378	27 750 345	22 122 124
Auditors' remuneration			
Fees	84 641	78 000	110 000
Tax and secretarial services	52 130	52 649	31 440
	136 771	**130 649**	**141 440**
Directors' emoluments:			
Executive directors (past and present)			
Fees	30 000	38 000	48 000
Salaries	2 425 391	1 702 990	1 717 625
Retirement fund contributions	676 734	713 155	776 718
Other benefits	971 475	1 245 959	1 332 094
	4 103 600	**3 700 104**	**3 874 437**
Non-executive			
Independent	–	63 000	24 000
Non-independent	63 000	63 000	24 000

19. INVESTMENT INCOME

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Interest received			
Bank	602 100	1 051 327	621 602
Other interest	97 517	–	–
	699 617	1 051 327	621 602
Dividend revenue			
Former subsidiary	–	299 918	–
Listed financial assets	14 624	3 177	3 330
	714 241	**1 354 422**	**624 932**

20. FINANCE COSTS

Finance leases	852 760	804 762	426 696
Shareholder's loan	108 596	–	–
Mortgage bond	3 283 223	–	–
Other	527 846	–	–
Vendors' loans	505 810	–	–
	5 278 235	**804 762**	**426 696**

21. TAXATION

Major components of the tax expense:			
South African normal tax			
Local income tax – current period	4 823 411	2 156 960	3 898 601
Local income tax – recognised in current tax for prior periods	61 009	–	–
Secondary Tax on Companies	4 412 500	925 730	416 250
	9 296 920	**3 082 690**	**4 314 851**
Deferred			
Originating and reversing temporary differences	559 091	5 338 368	206 954
Prior year adjustment	–	(26 831)	–
Change in standard tax rate	(328 900)	–	–
	9 527 111	**8 394 227**	**4 521 805**

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate:

	%	**%**	**%**
Standard tax rate	29.0	30.0	30.0
Exempt dividend income	(0.1)	(0.4)	(0.1)
Non-taxable capital profit	(0.1)	(0.3)	(0.9)
Deductions	2.0	0.1	0.1
Taxation in respect of previous years	0.4	0.1	0.1
Rate change	(1.7)	–	–
Secondary Tax on Companies	25.4	3.6	2.9
	54.9	**33.1**	**32.1**

22. NOTES TO THE CASH FLOW STATEMENT

22.1 Cash generated from operations

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Profit before taxation	17 354 245	25 381 542	14 118 077
Adjustments for:			
Depreciation and amortisation	2 719 363	2 342 058	2 164 392
Profit on sale of property, plant and equipment	(300 679)	(62 944)	(361 818)
Investment income	(714 241)	(1 354 422)	(624 932)
Finance costs	5 278 235	804 762	426 696
Fair value adjustments	–	(341 900)	(231 333)
Movements in provisions	339 383	1 156 296	807 503
	24 676 306	**27 925 392**	**16 298 585**
Changes in working capital:			
Inventories	(903 010)	(1 770 900)	(1 759 201)
Trade and other receivables	(621 934)	(1 048 179)	(1 677 797)
Trade and other payables	2 021 894	(250 976)	682 352
	25 173 256	**24 855 337**	**13 543 939**

22.2 Tax paid

Balance at beginning of year	–	(1 222 365)	(382 795)
Acquisition of business	404 667	–	–
Taxation recognised in the income statement	(9 296 920)	(3 082 690)	(4 314 851)
Balance at end of year	(56 065)	(404 667)	1 222 365
	(8 948 318)	**(4 709 722)**	**(3 475 281)**

22.3 Dividends paid

Dividends	**2 500 000**	**7 405 833**	**3 330 000**

23. ACQUISITION OF BUSINESSES

Fair value of assets acquired			
Property, plant and equipment	38 528 575	–	–
Deferred tax liabilities	(10 821 633)	–	–
Other non-current assets	2 480 427	–	–
Goodwill	10 590 938	–	–
Inventories	10 292 886	–	–
Trade and other receivables	10 688 427	–	–
Trade and other payables	(9 013 505)	–	–
Tax overpaid	404 667	–	–
Retirement benefit liability	(2 825 706)	–	–
Provision for rehabilitation	(1 592 696)	–	–
Borrowings	(9 926 730)	–	–
Cash and cash equivalents	17 999 350	–	–
	56 805 000	–	–
Net cash outflow on acquisition			
Cash consideration paid	56 805 000	–	–
Cash acquired	(17 999 350)	–	–
	38 805 650	–	–

24. CHANGES IN ACCOUNTING POLICY AND PRIOR PERIOD ERRORS

During the year the group changed its accounting policy with respect to the treatment of property, plant and equipment in order to conform with the benchmark treatment of IAS 16. The group now depreciates property, plant and equipment over their expected useful lives, instead of using the reducing balance method.

Prior period errors:

1. The residual values of property, plant and equipment were not appropriately considered.
2. No provision had been made for rehabilitation expenditure.

The above have been changed retrospectively and the 2005 and 2004 comparatives contained in this report differ from those published in the annual financial statements for the year ended 28 February 2005 and 29 February 2004.

The effects of the above changes are as follows:

Reconciliation of equity at 28 February 2005	**Previously stated R**	**Changes in accounting policy R**	**Prior period errors R**	**Restated R**
Property, plant and equipment	22 141 859	9 496 084	6 890 631	38 528 574
Goodwill	3 550 725	365 280	–	3 916 005
Investments	1 076 712	–	1 403 715	2 480 427
Total assets	**26 769 296**	**9 861 364**	**8 294 346**	**44 925 006**
Provision for rehabilitation	–	–	1 592 696	1 592 696
Deficit on defined benefit scheme	15 656 256	–	(12 830 550)	2 825 706
Deferred tax liability	2 296 167	4 422 733	4 102 733	10 821 633
Total liabilities	**17 952 423**	**4 422 733**	**(7 135 121)**	**15 240 035**
Total assets less total liabilities	**8 816 873**	**5 438 631**	**15 429 467**	**29 684 971**
Retained earnings	28 725 468	5 167 946	15 429 467	49 322 881
Revaluation reserve	507 998	270 685	–	778 683
Total equity	**29 233 466**	**5 438 631**	**15 429 467**	**50 101 564**

Reconciliation of equity at 29 February 2004	**Previously stated R**	**Changes in accounting policy R**	**Prior period errors R**	**Restated R**
Property, plant and equipment	16 685 847	8 767 261	6 273 437	31 726 545
Goodwill	3 550 725	272 092	–	3 822 817
Investments	1 073 000	–	1 003 370	2 076 370
Subsidiary	–	301 411	–	301 411
Total assets	**21 309 572**	**9 340 764**	**7 276 807**	**37 927 143**
Provision for rehabilitation	–	–	1 618 453	1 618 453
Deficit on defined benefit scheme	–	–	1 631 527	1 631 527
Deferred tax liability	1 820 764	2 582 425	1 059 446	5 462 635
Total liabilities	**1 820 764**	**2 582 425**	**4 309 426**	**8 712 615**
Total assets less total liabilities	**19 488 808**	**6 758 339**	**2 967 381**	**29 214 528**
Retained earnings	30 318 821	6 756 606	2 967 381	40 042 808
Revaluation reserve	507 998	1 733	–	509 731
Total equity	**30 826 819**	**6 758 339**	**2 967 381**	**40 552 539**

25. RELATED PARTIES

Relationships

Subsidiaries	Lancaster Pre-Cast (Pty) Limited Lancaster Quarries (Pty) Limited Rodag Holdings (Pty) Limited Rodag Properties (Pty) Limited
Shareholder	Forecast Investments (Pty) Limited

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
Subsidiaries:			
Dividends (received)/paid	(35 300 000)	–	–
Lancaster Pre-Cast (Pty) Limited	(23 500 000)	–	–
Lancaster Quarries (Pty) Limited	(9 700 000)	–	–
Rodag Holdings (Pty) Limited	(330 000)	(190 000)	(150 000)
Rodag Properties (Pty) Limited	(1 770 000)	190 000	150 000
Administration fees (received)/paid	–	–	–
Lancaster Pre-Cast (Pty) Limited	(630 322)	(146 600)	(285 600)
Lancaster Quarries (Pty) Limited	(1 049 678)	146 600	285 600
Lancaster Group (Pty) Limited	1 680 000	–	–
Rent (received)/paid	–	–	–
Lancaster Pre-Cast (Pty) Limited	(1 083 600)	(1 083 600)	(1 027 200)
Rodag Holdings (Pty) Limited	360 000	360 000	336 000
Rodag Properties (Pty) Limited	723 600	723 600	691 200
Purchases/(Sales)	–	–	–
Lancaster Pre-Cast (Pty) Limited	(10 599 458)	(10 888 908)	(7 934 258)
Lancaster Quarries (Pty) Limited	10 599 458	10 888 908	7 934 258
Balances included in debtors			
Lancaster Pre-Cast (Pty) Limited	1 733 928	1 119 755	1 037 782
Lancaster Quarries (Pty) Limited	1 731 391	1 119 755	1 034 765
Lancaster Group (Pty) Limited	2 537	–	3 017
Balances included in creditors			
Lancaster Pre-Cast (Pty) Limited	(1 733 928)	(1 119 755)	(1 037 782)
Lancaster Quarries (Pty) Limited	(2 537)	(3 017)	–
Lancaster Group (Pty) Limited	(1 731 391)	(1 119 755)	(1 034 765)
Interest paid to related parties	636 451	–	–
Forecast Investments (Pty) Limited	527 855	–	–
Shareholders' loans	108 596	–	–
Controlling shareholders			
Dividends paid	(2 500 000)	–	–

26. RISK MANAGEMENT

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate borrowing facilities are monitored.

Interest rate risk

Deposits attract interest at rates that vary with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit/(loss).

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

	* Audited Consolidated 28 February 2006 R	* Reviewed Aggregated 28 February 2005 R	* Reviewed Aggregated 29 February 2004 R
27. **COMMITMENTS**			
Capital expenditure			
Approved by directors			
Not contracted for	5 448 000	3 226 800	1 327 600
Contracted for	600 000	–	–
	6 048 000	**3 226 800**	**1 327 600**
Operating lease commitments			
Future minimum rentals payable under operating leases are as follows:			
Within one year	609 978	579 330	724 588
After one year but no more than five	1 298 401	1 528 971	2 108 301
	1 908 379	**2 108 301**	**2 832 889**
28. **CONTINGENCIES**			
Tax consequence of distributable reserves			
STC on remaining reserves	591 904	5 480 320	4 449 201

Each company within the group has issued a limited continuing surety for the Investec loan granted to the various companies in the group.

Each company within the group has issued an unlimited suretyship for any overdrafts incurred by the various companies in the group.

Historical financial information on Prima

Commentary on the historical financial information

The definitions commencing on page 10 of the prospectus have been used in this report.

The following has been extracted from the Prima group's audited consolidated financial statements for the years ended 29 February 2004, 28 February 2005 and 28 February 2006. These financial statements were previously audited by and reported on by Leon du Toit Chartered Accountants (SA), without qualification.

The increase in turnover over the past three years can be ascribed to effective management together with the improvement in gross margins. Management has successfully improved net margins and has lifted net profits after tax to R38.9 million in 2006 (2005 – R25 million; 2004 – R14.9 million).

The positive trading results and efficient management of working capital facilitated further strengthening in the financial position of the Prima group as reflected in capital and reserves from R60 million at 29 February 2004 to R109 million at 28 February 2006. Cash and cash equivalents increased to R14.3 million from R11.6 million, current assets increased from R40.0 million to R65.6 million and current liabilities increased from R44.6 million to R47.6 million.

The independent accountants' report on the historical financial information is set out in Annexure 7 to this prospectus.

Balance Sheet

	Note	* Audited 28 February 2006 R	* Reviewed 28 February 2005 R	* Reviewed 29 February 2004 R
ASSETS				
Non-current assets				
Property, plant and equipment	2	127 366 183	101 752 349	81 332 344
Goodwill	3	985 561	826 658	826 658
Intangible assets	4	7 289 901	6 458 083	6 450 259
Other financial assets	5	378 000	–	87 376
Total non-current assets		**136 019 645**	**109 037 090**	**88 696 637**
Current assets				
Inventories	6	10 950 146	5 798 155	4 738 171
Loans to shareholders	7	–	717	30 552
Loans to managers and employees		256 255	254 994	312 669
Other financial assets	5	766 262	130 856	442 686
Current tax receivable		2 500 407	534 749	138 252
Trade and other receivables	8	35 946 422	30 839 588	23 067 421
Cash and cash equivalents	9	15 198 394	14 668 795	11 813 597
Total current assets		**65 617 886**	**52 227 854**	**40 543 348**
Total assets		**201 637 531**	**161 264 944**	**129 239 985**
EQUITY AND LIABILITIES				
Equity				
Share capital	10	2 000	2 000	400
Distributable reserves		108 971 835	74 622 302	60 014 948
Minority interest		4 255 614	3 202 788	1 582 290
Equity-settled reserve	11	–	222 222	–
Total equity		**113 229 449**	**78 049 312**	**61 597 638**
Liabilities				
Non-current liabilities				
Other financial liabilities	12	131 250	189 000	–
Finance lease obligation	13	19 162 712	15 186 434	10 619 514
Deferred tax	14	21 450 811	15 383 411	12 341 169
Total non-current liabilities		**40 744 773**	**30 758 845**	**22 960 683**
Current liabilities				
Loans from shareholders	7	1 078 618	2 672 457	–
Other financial liabilities	12	670 290	1 465 323	5 844 079
Current tax payable		4 448 496	4 549 463	2 816 134
Finance lease obligation	13	14 577 509	10 958 442	7 819 557
Trade and other payables	15	20 888 904	29 345 058	25 564 792
Provisions	16	5 150 065	3 466 044	2 479 110
Bank overdraft	9	849 427	–	157 992
Total current liabilities		**47 663 309**	**52 456 787**	**44 681 664**
Total liabilities		**88 408 082**	**83 215 632**	**67 642 347**
Total equity and liabilities		**201 637 531**	**161 264 944**	**129 239 985**

* *Restated according to IFRS.*

Consolidated Historical Income Statement

	Note	* Audited 28 February 2006 R	* Reviewed 28 February 2005 R	* Reviewed 29 February 2004 R
Revenue	17	309 164 706	197 674 915	139 712 633
Cost of sales		(242 518 915)	(159 906 411)	(115 255 673)
Gross profit		**66 645 791**	**37 768 504**	**24 456 960**
Other income		1 922 204	3 542 286	4 010 735
Operating expenses		(9 532 952)	(4 870 905)	(5 273 755)
Operating profit	18	**59 035 043**	**36 439 885**	**23 193 940**
Investment income	19	1 285 009	998 483	1 082 637
Finance costs	20	(2 868 104)	(2 114 892)	(2 075 574)
Profit before taxation		**57 451 948**	**35 323 476**	**22 201 003**
Taxation	21	(18 532 755)	(10 300 703)	(7 234 466)
Profit for year		**38 919 193**	**25 022 773**	**14 966 537**
Attributable to:				
Majority equity		37 161 533	23 382 350	13 990 204
Minority interest		1 757 660	1 640 423	976 333
		38 919 193	**25 022 773**	**14 966 537**

* *Restated according to IFRS.*

Statement of Changes in Equity

	Share capital R	Equity-settled reserve	Distributable reserves R	Total attributable to equity holders of the group/ company R	Minority interest R	Total equity R
Balance at 1 March 2003 as previously reported	**400**	–	**29 942 429**	**29 942 829**	**450 930**	**30 393 759**
Change in accounting policy	–	–	5 499 289	5 499 289	(23 649)	5 475 640
Prior period errors	–	–	12 098 030	12 098 030	51 168	12 149 198
Balance at 1 March 2003 as restated	**400**	**–**	**47 539 748**	**47 540 148**	**478 449**	**48 018 597**
Profit for the year	–	–	13 990 204	13 990 204	976 333	14 966 537
Disposal of investment	–	–	–	–	157 508	157 508
Dividends	–	–	(1 515 000)	(1 515 000)	(30 000)	(1 545 000)
Balance at 1 March 2004 as restated	**400**	**–**	**60 014 952**	**60 015 352**	**1 582 290**	**61 597 642**
Balance at 1 March 2004 as previously reported	**400**	**–**	**38 085 094**	**38 085 494**	**1 483 375**	**39 568 869**
Change in accounting policy	–	–	8 708 199	8 708 199	15 250	8 723 449
Prior period errors	–	–	13 221 659	13 221 659	83 665	13 305 324
Share options granted	–	222 222	–	–	–	222 222
Profit for year	–	–	23 382 350	23 382 350	1 640 423	25 022 773
Issue of shares	1 600	–	–	1 600	–	1 600
Disposal of investment	–	–	–	–	75	75
Dividends	–	–	(8 775 000)	(8 775 000)	(20 000)	(8 795 000)
Balance at 1 March 2005 as restated	**2 000**	**222 222**	**74 622 302**	**74 624 302**	**3 202 788**	**78 049 312**
Balance at 1 March 2005 as previously reported	**2 000**	**–**	**47 108 902**	**47 110 902**	**2 980 623**	**50 091 525**
Change in accounting policy	–	–	13 301 108	13 301 108	129 808	13 430 916
Prior period errors	–	222 222	14 212 292	14 212 292	92 357	14 526 871
Share options granted	–	577 778	–	–	–	577 778
Transfers	–	(800 000)	800 000	800 000	–	–
Profit for year	–	–	37 161 533	37 161 533	1 757 660	38 919 193
Dividends	–	–	(3 612 000)	(3 612 000)	(704 834)	(4 316 834)
Balance at 28 February 2006	**2 000**	**–**	**108 971 835**	**108 973 835**	**4 255 614**	**113 229 449**

Cash Flow Statement

	Note	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
Cash flows from operating activities				
Cash generated from operations	22	49 728 080	35 948 263	36 158 872
Investment income		1 285 009	998 483	1 082 637
Finance costs		(2 868 104)	(2 114 892)	(2 075 574)
Tax paid	23	(14 014 877)	(4 799 757)	(2 999 570)
STC paid		(517 104)	(1 121 875)	(201 875)
Dividends paid	24	(4 316 834)	(8 795 000)	(1 545 000)
Net cash from operating activities		**29 296 170**	**20 115 222**	**30 419 490**
Cash flows from investing activities				
Purchase of property, plant and equipment	2	(34 499 812)	(29 861 760)	(29 197 564)
Intangible assets acquired	3	(1 701 559)	(7 824)	–
Proceeds on the disposal of property, plant and equipment		2 450 600	6 090 648	3 795 207
Disposal of subsidiary	25	–	–	121 344
Net cash used in investing activities		**(33 750 771)**	**(23 778 936)**	**(25 281 013)**
Cash flows from financing activities				
Proceeds on share and share premium issued		–	1 600	–
(Repayment of)/Proceeds from shareholders loans		(1 593 122)	2 702 292	28 418
Proceeds from borrowings		7 595 345	7 705 805	671 997
Decrease in loans payable		(852 783)	(4 189 156)	–
(Increase)/Decrease in loans receivable		(1 014 667)	456 363	(663 264)
Net cash from financing activities		**4 134 773**	**6 676 904**	**37 151**
Total cash movement for year				
Cash at beginning of year		14 668 795	11 655 605	6 479 977
Effect of movement on cash balances		(319 828)	3 013 190	5 175 628
Total cash at end of year	9	**14 348 967**	**14 668 795**	**11 655 605**

Accounting policies:

1. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new and revised Standards and Interpretation has resulted in changes to the Group's accounting policies that have affected the amounts reported for the current and/or prior years.

1.1 Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments carried at fair value. The principal accounting policies adopted in the preparation of each of the financial statements are set out below and are consistent in all material respects with those applied in the previous year, as reported.

1.2 Basis of consolidation

1.2.1 *Group annual financial statements*

The group annual financial statements include those of the holding company and its subsidiaries. The results of subsidiaries are included from the effective date of acquisition. The company first prepared consolidated financial statements in terms of IAS27 for the year ended 28 February 2006. In prior years the parent elected to present separate financial statements.

On acquisition the group recognises the subsidiary's identifiable assets, liabilities and contingent liabilities at fair value, except for assets classified as held-for-sale, which are recognised at fair value less costs to sell.

1.2.2 *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing consolidated financial statements.

1.2.3 *Business combinations*

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company. On acquisition, the assets and liabilities and contingent liabilities of the subsidiary are measured at fair value at the date of acquisition. Any excess of the cost of the acquisition over the group's share of the fair value of the identifiable net assets at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the group's share of fair values of the identifiable net assets at the date of acquisition is credited in profit and loss in the period of acquisition. All inter-group transactions, balances, income and expenses are eliminated on consolidation.

1.2.4 *Goodwill*

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets of the subsidiary or associate entity at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. For the purposes of impairment testing goodwill is allocated to each of the groups cash generating units expected to benefit from the synergy's of the combination. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary or associate, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.3 Plant and equipment

The cost of an item of plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the group;
- the cost of the item can be measured reliably.

Costs include costs incurred initially to acquire an item of plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of plant and equipment, the carrying amount of the replaced part is derecognised.

Plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

The residual value and the useful life of each asset are reviewed at each financial year-end.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Depreciation is provided on all plant and equipment to write down the cost, less residual value, in installments over their useful lives as follows:

Item	Useful life	Method
Land	Indefinite life	
Investment property	5 years, 10 years and 25 years	Straight line
Plant, machinery and equipment		
– Crushing plants	40 years	Straight line
– Loaders and dumpers	15–40 years	Straight line
– Other (quarries)	4–20 years	Straight line
– Other	5–10 years	Reducing balance
Motor vehicles		
– Trailers	30 years	Straight line
– Trucks and tractors	20 years	Straight line
– Light delivery vehicles and sedans	5 years	Reducing balance
– Other	4–15 years	Straight line
Leasehold improvements	25 years	Straight line

The depreciation charge for each period is recognised in profit or loss, unless it is included in the carrying amount of another asset.

Land is held at cost and is not depreciated. Buildings are recorded at amortised cost.

1.4 Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Borrowing costs

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

1.5 Impairment

The carrying amount of the company's assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is an indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

1.6 Goodwill

Goodwill is initially measured at cost, being the excess of the business combination over the company's interest of the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently goodwill, acquired in a business combination, is carried at cost less any accumulated impairment.

The excess of the company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the business combination is immediately recognised in profit or loss.

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

1.7 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity;
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no forseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets.

At each balance sheet date the group reviews the carrying amounts of intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

1.8 Financial instruments

Initial recognition

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

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

Financial assets and liabilities are recognised initially at fair value. In the case of financial assets or liabilities not classified at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument are added to the fair value.

Subsequent measurement

After initial recognition financial assets are measured as follows:

- loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost; and
- other financial assets, including derivatives, at fair values, without any deduction for transaction costs which may incur on sale or other disposal.

After initial recognition financial liabilities are measured as follows:

- financial liabilities at fair value through profit or loss, including derivatives that are liabilities, are measured at fair value; and
- other financial liabilities are measured at amortised cost using the effective interest method.

__Gains and losses__

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- a gain or loss on a financial asset or financial liability classified at fair value through profit or loss is recognised in profit or loss; and
- a gain or loss on an available-for-sale financial asset is recognised directly in equity, through the statement of changes in equity, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in profit or loss, is recognised in equity.

Financial assets and financial liabilities carried at amortised cost: a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

__Gains or losses on subsequent measurement__

Gains and losses arising from a change in the fair value of financial instruments that are not part of hedging relationship are included in net profit or loss in the period in which the change arises.

1.9 Inventories

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

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

When inventories are sold, the carrying amount of those inventories are 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Trade and other receivables

Trade and other receivables originated by the enterprise are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is evidence that the asset is impaired.

1.11 Loans to shareholders

These financial instruments are carried at amortised cost.

1.12 Loans to managers and employees

These financial instruments are carried at amortised cost.

1.13 Loans to group companies

These financial instruments are carried at amortised cost.

1.14 Tax

__Current tax assets and liabilities__

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits 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 substantively enacted by the balance sheet date.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity; or
- a business combination. Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.15 Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

1.16 Trade and other payables

Trade and other payables are measured at fair value.

The presentation of the prior year loans from the shareholders which was previously classified as a non-current liability, has been, based on the terms of the loans, disclosed as a current liability during the current year, in terms of IAS 1 (revised). Comparative figures have been restated.

1.17 Provisions and contingencies

Provisions are recognised when:

- the group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the obligation.

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

The company estimates its liability for rehabilitation annually and a competent and independent third party confirms this periodically. Monies invested for this purpose, which are sums, determined by current legislation, are expensed. A liability contingent on the closure of the company's quarries is treated as a provision with annual gains or losses accounted for through profit or loss.

Contingent assets and contingent liabilities are not recognised.

1.18 Employee benefits

Defined contribution plans

The group operates defined contribution retirement benefit plans for all qualifying employees. The assets of the plans are held separately from those of the group in funds under control of trustees.

The total expense recognised in the income statement represents contributions payable to these plans by the group at rates specified in the rules of the plans.

1.19 Impairment of assets

The group assesses at each balance sheet 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 asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests goodwill for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for 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 a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. 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.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services in the normal course of business, net of discounts and sales-related taxes.

Sales are recognised when goods are delivered and title has passed.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;

- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Fees and sales are recorded in the financial statements at the date the services are performed or the goods are delivered to the customer.

Interest is recognised, in profit or loss, using the time proportion basis.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.21 Cost of sales

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.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.22 Decommissioning and environmental rehabilitation

Provision is made for environmental rehabilitation costs where either legal or constructive obligation arises as a result of past events, estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances.

Where a provision is made for dismantling and site restoration costs, an asset of similar initial value is raised if significant and amortised in accordance with the group's accounting policy for property, plant and equipment.

1.23 Comparative figures

Comparative figures have been restated where necessary to give a more appropriate comparison.

2. PROPERTY, PLANT AND EQUIPMENT

2006	Cost R	Accumulated depreciation R	Carrying value R
Land and buildings	2 837 435	(127 509)	2 709 926
Plant and machinery	76 229 304	(6 182 541)	70 046 763
Motor vehicles	72 882 205	(19 790 476)	53 091 729
Leasehold improvements	1 580 503	(62 738)	1 517 765
Total	**153 529 447**	**(26 163 264)**	**127 366 183**

2005	Cost R	Accumulated depreciation R	Carrying value R
Land and buildings	2 709 740	(122 546)	2 587 194
Plant and machinery	57 216 656	(4 356 675)	52 859 981
Motor vehicles	63 077 342	(17 129 692)	45 947 650
Leasehold improvements	357 524	–	357 524
Total	**123 361 262**	**(21 608 913)**	**101 752 349**

2004	Cost R	Accumulated depreciation R	Carrying value R
Land and buildings	5 011 975	(164 275)	4 847 700
Plant and machinery	39 334 040	(3 127 261)	36 206 779
Motor vehicles	54 708 331	(14 486 466)	40 221 865
Leasehold improvements	56 000	–	56 000
Total	**99 110 346**	**(17 778 002)**	**81 332 344**

Certain property is encumbered as stated in note 13.

The carrying amount of property, plant and equipment can be reconciled as follows:

2006	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	2 587 194	127 695	–	(4 963)	2 709 926
Plant and machinery	52 859 981	19 091 743	(65 185)	(1 839 776)	70 046 763
Motor vehicles	45 947 650	14 057 395	(2 541 442)	(4 371 874)	53 091 729
Leasehold improvements	357 524	1 222 979	–	(62 738)	1 517 765
	101 752 349	**34 499 812**	**(2 606 627)**	**(6 279 351)**	**127 366 183**

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2005	Opening balance R	Additions R	Disposals R	Transfers R	Depreciation R	Total R
Land and buildings	4 847 700	76 993	(1 962 433)	(327 705)	(47 361)	2 587 194
Plant and machinery	36 206 779	18 359 023	(592 713)	327 705	(1 440 813)	52 859 981
Motor vehicles	40 221 865	11 124 220	(1 812 019)	–	(3 586 416)	45 947 650
Leasehold improvements	56 000	301 524	–	–	–	357 524
	81 332 344	**29 861 760**	**(4 367 165)**	**–**	**(5 074 590)**	**101 752 349**

2004	Opening balance R	Additions R	Disposals R	Depreciation R	Total R
Land and buildings	3 840 264	1 073 732	(121)	(66 175)	4 847 700
Plant and machinery	26 027 363	13 522 974	(2 300 236)	(1 043 322)	36 206 779
Motor vehicles	31 254 304	14 544 858	(2 475 125)	(3 102 172)	40 221 865
Leasehold improvements	–	56 000	–	–	56 000
	61 121 931	**29 197 564**	**(4 775 482)**	**(4 211 669)**	**81 332 344**

A register containing the information required by paragraph 22(3) of Schedule 4 to the Act is available for inspection at the registered office of the company.

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
3. GOODWILL			
Balance at beginning of year	826 658	826 658	826 658
Arising on acquisition of subsidiaries	176 559	–	–
Disposal of subsidiary	(17 656)	–	–
Balance at end of year	**985 561**	**826 658**	**826 658**

There was no indication of impairment.

4. INTANGIBLE ASSETS

2006	Cost R	Impairment losses R	Carrying value R
Mining licenses	7 983 083	(693 182)	7 289 901
2005			
Mining licenses	6 458 083	–	6 458 083
2004			
Mining licenses	6 450 259	–	6 450 259

4. INTANGIBLE ASSETS (continued)

Reconciliation of intangible assets – 2006

	Opening balance R	Additions R	Impairment losses R	Total R
Mining licenses	6 458 083	1 525 000	(693 182)	7 289 901

Reconciliation of intangible assets – 2005

	Opening balance R	Additions R	Impairment losses R	Total R
Mining licenses	6 450 259	7 824	–	6 458 083

Reconciliation of intangible assets – 2004

	Opening balance R	Additions R	Impairment losses R	Total R
Mining licenses	6 450 259	–	–	6 450 259

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
5. OTHER FINANCIAL ASSETS			
Available for sale			
Unlisted shares Investment in Apiece Investments (Pty) Limited was disposed of during the 2005 year.	–	–	87 376
Loans receivable			
Apiece Investments (Pty) Limited The loan was interest free and was repaid during the 2005 year.	–	–	79 599
F J Walters The loan has no fixed terms of repayment.	3 468	2 310	(210)
Concrete Brokers CC The loan was repaid during the 2005 year.	–	–	75 635
Green Willows Properties 118 (Pty) Limited The loan bears interest at the prime overdraft rate and is repayable within the next 12 months.	647 285	–	–
Moneyline 1291 CC The loan has no fixed terms of repayment and bears interest at a rate of 10.5% per annum.	115 509	128 546	114 951
Extra Dimensions (Pty) Limited The loan was repaid during the 2005 year.	–	–	172 711
N C Claassens The loan is interest free and is repayable in ten yearly instalments of R37 800 with the first instalment due on 30 October 2006.	378 000	–	–
	1 144 262	**130 856**	**530 062**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
5. OTHER FINANCIAL ASSETS (continued)			
Non-current assets			
Available for sale	–	–	87 376
Other financial asset	378 000	–	–
Current assets			
Other financial asset	766 262	130 856	442 686
	1 144 262	**130 856**	**530 062**
6. INVENTORIES			
The amounts attributable to the different categories are as follows:			
Raw materials and components	637 419	426 274	370 396
Work in progress	1 220 150	–	–
Live stock	–	–	296 300
Finished goods	6 815 752	3 186 079	2 673 375
Production supplies	2 276 825	2 185 802	1 398 100
	10 950 146	**5 798 155**	**4 738 171**
7. LOANS TO/(FROM) SHAREHOLDERS			
Frans du Toit Trust	(519 041)	(1 745 738)	17 280
Korum Trust	(268 666)	(876 271)	6 001
P G Corbin	(129 836)	(50 448)	7 271
Mega Oils (Pty) Limited	(161 075)	717	–
	(1 078 618)	**(2 671 740)**	**30 552**
The loans are unsecured interest free and have no fixed terms of repayment.			
Current assets	–	717	30 552
Current liabilities	(1 078 618)	(2 672 457)	–
	(1 078 618)	**(2 671 740)**	**30 552**
8. TRADE AND OTHER RECEIVABLES			
Trade receivables	35 127 717	30 011 799	21 738 269
Pre-payments	237 618	310 250	134 530
Deposits	168 164	131 215	90 124
VAT refundable	412 923	386 324	1 104 498
	35 946 422	**30 839 588**	**23 067 421**
9. CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of:			
Cash on hand	55 135	42 024	42 307
Bank balances	2 796 964	4 977 703	2 207 435
Short-term deposits	12 346 295	9 649 068	9 563 855
Bank overdraft	(849 427)	–	(157 992)
	14 348 967	**14 668 795**	**11 655 605**
Current assets	15 198 394	14 668 795	11 813 597
Current liabilities	(849 427)	–	(157 992)
	14 348 967	**14 668 795**	**11 655 605**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
10. SHARE CAPITAL			
Authorised			
2 000 Ordinary Type A shares of R1.00 each	2 000	2 000	2 000
2,000 Ordinary Type B shares of R1.00 each	2 000	2 000	2 000
	4 000	**4 000**	**4 000**
Reconciliation of number of shares issued			
Reported on 1 March	2 000	400	400
Issue of shares – ordinary shares	–	1 600	–
	2 000	**2 000**	**400**
Issued			
Ordinary Type A	1 000	1 000	400
Ordinary Type B	1 000	1 000	–
	2 000	**2 000**	**400**

Unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

11. EQUITY-SETTLED RESERVE

Options were granted on 2 June 2004, exercisable after a period of three years, to enable a director to purchase 4% of A and B class shares at R22 500 per share. The shares, in terms of the option, would be acquired from the existing shareholders. The share option was valued at R800 000 using the Black-Scholes Option Pricing Model.

During the 2005 financial year the terms of the option were varied to allow earlier exercise. The option was exercised on 1 March 2005 and the shares were subsequently repurchased by the shareholders on the resignation of the director.

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
12. **OTHER FINANCIAL LIABILITIES**			
Held at amortised cost			
Standard Bank Limited The loan is unsecured and repayable in monthly instalments of R5 250 until 31 March 2009. The loan bears interest at a rate linked to the prime overdraft rate of Standard Bank Limited.	194 250	252 000	348 502
Niromi Trust The loan was repaid during 2006.	–	759 962	–
M Prins The loan is unsecured, interest free and has no fixed terms of repayment.	24 290	24 290	2 748 590
S van der Westhuizen The loan is unsecured, interest free and has no fixed terms of repayment.	25 000	25 000	2 750 000
Fatepe Trust The loan was repaid during 2006.	–	469 627	–
Langvlei Trust The loan was repaid during 2006.	–	123 444	(3 013)
Quarry Ventures The loan relates to mining rights purchased, is interest free and was repaid after year-end.	285 000	–	–
A van Zyl The loan relates to dividends declared by Mengbeton (Pty) Limited on 28 February 2006. The loan was repaid during April 2006.	113 750	–	–
B Paton The loan relates to dividends declared by Mengbeton (Pty) Limited on 28 February 2006. The loan was repaid during April 2006.	159 250	–	–
	801 540	**1 654 323**	**5 844 079**
Non-current liabilities			
At amortised cost	131 250	189 000	–
Current liabilities			
At amortised cost	670 290	1 465 323	5 844 079
	801 540	**1 654 323**	**5 844 079**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
13. FINANCE LEASE OBLIGATION			
Minimum lease payment due			
– within one year	18 360 637	13 535 495	9 316 420
– in second to fifth year inclusive	19 314 303	15 827 725	11 468 041
	37 674 940	**29 363 220**	**20 784 461**
Less: Future finance charges	(3 934 719)	(3 218 344)	(2 345 390)
Present value of minimum lease payments	**33 740 221**	**26 144 876**	**18 439 071**
Present value of minimum lease payments due			
– within one year	14 577 509	10 958 442	7 819 557
– in second to fifth year inclusive	19 162 712	15 186 434	10 619 514
	33 740 221	**26 144 876**	**18 439 017**
Non-current liabilities	19 162 712	15 186 434	10 619 514
Current liabilities	14 577 509	10 958 442	7 819 557
	33 740 221	**26 144 876**	**18 439 071**

The group's obligations under finance leases are secured by the lessor's charge over the leased assets.The above obligations are secured by property, plant and equipment with a book value of R53 436 933 (2005 – R35 066 280) (2004 – R26 858 691).

14. DEFERRED TAX			
Deferred tax liability			
Accelerated capital allowances for tax purposes	24 023 211	17 537 215	13 572 482
Tax losses available for set-off against future taxable income	(968 886)	(610 416)	(293 928)
Provisions	(1 711 387)	(1 389 750)	(937 385)
Other deferred tax	107 873	(153 638)	–
	21 450 811	**15 383 411**	**12 341 169**
Reconciliation of deferred tax liability			
At beginning of the year	15 383 411	12 341 169	9 971 795
Reduction due to rate change	–	(411 373)	–
Increase in tax losses available for set-off against future taxable income	(358 470)	(326 285)	(232 878)
Taxable temporary difference on accelerated capital allowance	6 485 996	4 417 149	3 115 175
Taxable temporary difference on provisions	(321 637)	(483 611)	(512 923)
Other	261 511	(153 638)	–
	21 450 811	**15 383 411**	**12 341 169**

Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
15. TRADE AND OTHER PAYABLES			
Trade payables	20 087 554	28 381 859	17 550 246
VAT payable	801 350	963 199	378 180
Amounts received in advance	–	–	7 636 366
	20 888 904	**29 345 058**	**25 564 792**

16. PROVISIONS

Reconciliation of provisions 2006

	Opening balance R	Additions R	Utilised during year R	Reversed during year R	Total R
Environmental rehabilitation	2 201 300	1 577 985	–	–	3 779 285
Bonuses and leave pay	900 813	1 370 780	(900 813)	–	1 370 780
Audit fees	363 931	–	(349 536)	(14 395)	–
	3 466 044	**2 948 765**	**(1 250 349)**	**(14 395)**	**5 150 065**

Reconciliation of provisions 2005

Environmental rehabilitation	1 348 300	853 000	–	–	2 201 300
Bonuses and leave pay	831 920	900 813	(831 920)	–	900 813
Audit fees	298 890	363 931	(289 980)	(8 910)	363 931
	2 479 110	**2 117 744**	**(1 121 900)**	**(8 910)**	**3 466 044**

Reconciliation of provisions 2004

Environmental rehabilitation	646 800	701 500	–	–	1 348 300
Bonuses and leave pay	287 486	831 920	(287 486)	–	831 920
Audit fees	219 880	298 890	(219 880)	–	298 890
	1 154 166	**1 832 310**	**(507 366)**	**–**	**2 479 110**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
17. REVENUE			
Quarrying activity	212 581 377	119 658 062	83 068 649
Pre-cast/Ready-mix activity	96 535 657	77 687 481	56 286 442
Rental income	47 672	329 372	357 542
	309 164 706	**197 674 915**	**139 712 633**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R

18. OPERATING PROFIT

Operating profit is stated after taking the following into account:

Operating lease charges			
Premises			
Contractual amounts	998 241	419 080	385 853
Motor vehicles			
Contractual amounts	628 565	493 171	711 759
Equipment			
Contractual amounts	8 495 219	206 038	846 213
	10 122 025	**1 118 289**	**1 943 825**
Loss/(Profit) on sale of property, plant and equipment	156 027	(1 723 483)	60 846
Loss on sale of businesses	–	–	(236 364)
Impairment of other financial assets	653 953	–	–
Impairment of intangible assets	693 183	–	–
Depreciation on property, plant and equipment	6 280 182	5 074 590	4 211 669
Employee costs	41 657 073	32 279 413	28 240 035

Directors' emoluments

No directors' emoluments were paid by the holding company during each respective year.

Auditors' remuneration			
Fees	54 517	388 427	370 135
Adjustment for previous year	71 690	41 348	33 512
Tax and secretarial services	138 048	97 196	105 243
	264 255	**526 971**	**508 890**

19. INVESTMENT INCOME

Interest received			
Unlisted financial assets	–	345 328	101 497
Other loans	14 006	13 595	128
Bank	1 230 450	617 641	844 749
Other interest	9 927	1 048	39 677
Loans to directors, managers and employees	30 626	20 871	86 308
Loans to members	–	–	10 278
	1 285 009	**998 483**	**1 082 637**

20. FINANCE COST

Finance leases	2 664 858	2 002 168	1 988 472
Bank	32 581	37 249	3 310
South African Revenue Services	3 982	–	–
Other interest paid	166 683	75 475	83 792
	2 868 104	**2 114 892**	**2 075 574**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
21. TAXATION			
Major components of the tax expense/(income)			
Current			
Local income tax – current period	11 948 281	6 136 589	4 668 605
Local income tax – recognised in current tax for prior periods	(29)	–	(5 388)
Secondary Tax on Companies	517 104	1 121 875	201 875
	12 465 356	**7 258 464**	**4 865 092**
Deferred			
Change in standard tax rate	–	(411 376)	–
Movement in tax losses	(337 590)	(326 285)	(232 878)
Temporary difference on property, plant and equipment	6 465 115	4 417 149	3 115 175
Movement in provisions	(321 637)	(483 611)	(512 923)
Other	261 511	(153 638)	–
	18 532 755	**10 300 703**	**7 234 466**
Tax rate reconciliation	**%**	**%**	**%**
Standard tax rate	29.0	30.0	30.0
Permanent differences	0.9	(0.1)	1.5
Effect of higher Namibia tax rate	1.5	0.3	–
Secondary tax on companies	0.9	3.2	0.9
Rate change	–	(1.2)	–
Deferred tax prior years adjustment	–	(2.8)	0.2
Capital Gains Tax	–	(0.2)	–
Effective rate	**32.3**	**29.2**	**32.6**
22. CASH GENERATED FROM OPERATIONS			
Profit before taxation	57 451 948	35 323 476	22 201 003
Adjustments for:			
Depreciation and amortisation	6 973 762	5 074 590	4 211 669
Loss/(Profit) on sale of assets	156 027	(1 723 483)	60 846
Investment income	(1 285 009)	(998 483)	(1 082 637)
Finance costs	2 868 104	2 114 892	2 075 574
Impairment losses	16 428	–	532 791
Profit on sale of business	–	–	(236 264)
Equity-settled reserve	577 778	222 222	–
Movements in provisions	1 684 021	986 934	1 324 944
Changes in working capital:			
Inventories	(5 151 991)	(1 059 984)	(1 289 381)
Trade and other receivables	(5 106 834)	(7 772 167)	(6 856 766)
Trade and other payables	(8 456 154)	3 780 266	15 217 093
	49 728 080	**35 948 263**	**36 158 872**

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
23. TAX PAID			
Charge to the income statement	(18 532 755)	(10 300 703)	(7 234 466)
Adjustment for deferred tax and STC	6 584 504	4 164 114	2 571 249
Movement in the tax balance	(2 066 626)	1 336 832	1 663 647
	(14 014 877)	**(4 799 757)**	**(2 999 570)**
24. DIVIDENDS			
Dividends paid	**4 316 834**	**8 795 000**	**1 545 000**
25. DISPOSAL OF SUBSIDIARY			
During the year the group disposed of Edge to Edge (Pty) Limited			
Property, plant and equipment	–	–	919 429
Intangible assets	–	–	139 688
Inventory	–	–	29 954
Trade and other receivables	–	–	181 307
Long-term liabilities	–	–	(1 421 185)
Trade and other payables	–	–	(121 623)
Bank overdraft	–	–	(121 344)
	–	–	(393 774)
Minority interest	–	–	157 510
	–	–	(236 264)
Gain on disposal	–	–	236 264
Proceeds	–	–	–
Net cash disposed	–	–	121 344
Cash flow on disposal	**–**	**–**	**121 344**
26. CONTINGENCIES			
Tax consequence of distributable reserves			
STC on remaining reserves	**12 107 982**	**8 316 058**	**6 844 138**

27. CHANGES IN ACCOUNTING POLICY AND PRIOR PERIOD ERRORS

During the year the group changed its accounting policy with respect to the treatment of property, plant and equipment, in order to conform with the benchmark treatment of IAS 16. The group now depreciates property, plant and equipment over their expected useful lives, instead of using the reducing balance method.

Prior period errors:

1. The residual values of property, plant and equipment were not appropriately considered.
2. No provision has been made for rehabilitation expenditure.

The above have been changed retrospectively and the 2005 and 2004 comparatives contained in this report differ from those published in the annual financial statements for the year ended 28 February 2005 and 29 February 2004.

The effects of the above changes are as follows:

Reconciliation of equity at 28 February 2005	**Previously stated R**	**Changes in accounting policy R**	**Prior period errors R**	**Restated R**
Property, plant and equipment	60 057 326	18 746 639	22 948 384	101 752 349
Provisions	1 264 744	–	2 201 300	3 466 044
Deferred tax liability	3 847 475	5 315 723	6 220 213	15 383 411
Total liabilities	**5 112 219**	**5 315 723**	**8 421 513**	**18 849 455**
Total assets less total liabilities	**54 945 107**	**13 430 916**	**14 526 871**	**82 902 894**
Retained earnings	47 108 902	13 301 108	14 212 292	74 622 302
Minority interest	2 980 623	129 808	92 357	3 202 788
Equity-settled reserve	–	–	222 222	222 222
Total equity	**50 089 525**	**13 430 916**	**14 526 871**	**78 047 312**
Reconciliation of equity at 29 February 2004				
Property, plant and equipment	48 751 271	12 225 168	20 355 905	81 332 344
Provisions	1 130 810	–	1 348 300	2 479 110
Deferred tax liability	3 137 169	3 501 719	5 702 281	12 341 169
Total liabilities	**4 267 979**	**3 501 719**	**7 050 581**	**14 820 279**
Total assets less total liabilities	**44 483 292**	**8 723 449**	**13 305 324**	**66 512 065**
Retained earnings	38 085 094	8 708 199	13 221 659	60 014 952
Minority interest	1 483 375	15 250	83 665	1 582 290
Total equity	**39 568 469**	**8 723 449**	**13 305 324**	**61 597 242**
Reconciliation of equity at 28 February 2003				
Property, plant and equipment	35 296 796	7 822 343	18 002 792	61 121 931
Provisions	507 366	–	646 800	1 154 166
Deferred tax liability	2 418 294	2 346 703	5 206 798	9 971 795
Total liabilities	**2 925 660**	**2 346 703**	**5 853 598**	**11 125 961**
Total assets less total liabilities	**32 371 136**	**5 475 640**	**12 149 194**	**49 995 970**
Retained earnings	29 942 433	5 499 289	12 098 026	47 539 748
Minority interest	450 930	(23 649)	51 168	478 449
Total equity	**30 393 363**	**5 475 640**	**12 149 194**	**48 018 197**

28. RELATED PARTIES

Relationships

Shareholders	Korum Trust
	Frans du Toit Trust
	P G Corbin
	Mega Oils (Pty) Limited
Directors of group companies	T C B Jordaan
	S van der Westhuizen
	M Prins
	W J Paton
	A van Zyl
	F J Walters
Director controlled entities	Fatepe Trust
	Langvlei Trust
	Niromi Trust
	Green Willows Properties 118 (Pty) Limited
	Moneyline 1291 CC
	Cape Lime (Pty) Limited
	Alpha Civil (Pty) Limited
	Tema Projects 8 (Pty) Limited
	Tesso Trading 930 (Pty) Limited
	Parch Properties 27 (Pty) Limited
	Effluent Management Services (Pty) Limited
	D M C Civils (Pty) Limited
	Eljohna du Toit Trust
	Apiece Investments (Pty) Limited

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
Loan accounts – Owing (to)/by related parties			
Fatepe Trust	–	(469 627)	–
Langvlei Trust	–	(123 444)	3 013
Niromi Trust	–	(759 962)	–
Korum Trust	(268 666)	(876 271)	6 001
Frans du Toit Trust	(519 041)	(1 745 738)	17 280
NC Claassen	378 000	–	–
PG Corbin	(129 836)	(50 448)	7 271
Mega Oils (Pty) Limited	(161 075)	717	–
S van der Westhuizen	(25 000)	(25 000)	(2 750 000)
M Prins	(24 290)	(24 290)	(2 748 590)
Green Willows Properties 118 (Pty) Limited	647 285	–	–
Moneyline 1291 CC	115 509	128 546	114 951
F J Walters	3 468	2 310	(210)
W J Paton	(159 250)	–	–
A van Zyl	(113 750)	–	–
Apiece Investments (Pty) Limited	–	–	79 599
MJ Screening CC	–	–	3 879
Extra Dimensions 34 (Pty) Limited	–	–	172 711

	Audited 28 February 2006 R	Reviewed 28 February 2005 R	Reviewed 29 February 2004 R
28. **RELATED PARTIES** (continued)			
Amounts included in trade receivables/(payables)			
Alpha Civil (Pty) Limited	466 777	621 289	444 530
Alpha Civil (Pty) Limited	–	(4 215)	(617 546)
Tema Projects 8 (Pty) Limited	1 091 550	34 937	–
Tresso Trading 930 (Pty) Limited	35 104	27 115	–
Parch Properties 27 (Pty) Limited	–	33 591	–
Cape Lime (Pty) Limited	9 074	225 354	404 371
Cape Lime (Pty) Limited	(49 660)	–	(45 165)
Fatepe Trust	12 404	(7 696)	–
D M C Civils (Pty) Limited	–	–	20 064
Related party transactions			
Interest received from related parties			
Green Willows Properties 118 (Pty) Limited	(23 664)	(23 664)	–
Purchases from/(sales to) related parties			
Tema Projects 8 (Pty) Limited	(5 843 410)	(609 627)	–
Effluent Management Services (Pty) Limited	(12 212)	–	–
D M C Civils (Pty) Limited	–	(661 385)	(1 225 251)
Fatepe Trust	(63 855)	–	–
Cape Lime (Pty) Limited	(1 401 131)	(1 560 065)	(1 691 015)
Cape Lime (Pty) Limited	646 762	300 166	–
Alpha Civil (Pty) Limited	(3 572 688)	(8 318 567)	(13 613 460)
Alpha Civil (Pty) Limited	336 906	1 049 507	270 130
Eljohna du Toit Trust	–	(6 365)	(223 205)
T C B Jordaan	(3 413)	–	(2 251)
FTP Beleggings Vennootskap	(10 881)	–	(743)
Rent paid to related parties			
Moneyline 1291 CC	66 200	60 090	–
Fatepe Trust	224 630	265 369	69 145
Green Willows Properties 118 (Pty) Limited	71 322	–	–
Administration fees received from related parties			
Alpha Civil (Pty) Limited	(33 500)	(201 000)	(186 000)
Directors' emoluments received from related parties			
Alpha Civil (Pty) Limited	(300 000)	(300 000)	(276 000)
Management fees received from related parties			
Cape Lime (Pty) Limited	–	–	(150 930)
Personnel services received from related parties			
Alpha Civil (Pty) Limited	(91 828)	(102 209)	(95 934)
Tema Projects 8 (Pty) Limited	(10 854)	(2 329)	–
Drilling and blasting received from related parties			
Tema Projects 8 (Pty) Limited	(448 023)	–	–

29. RISK MANAGEMENT

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate borrowing facilities are monitored.

Interest rate risk

Deposits attract interest at rates that vary with prime. The group policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on profit or loss.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Credit guarantee insurance is purchased when deemed appropriate.

Pro forma financial information on Afrimat Group

The unaudited *pro forma* financial effects[1] are presented for illustrative purposes only, to provide information about how the proposed merger of the Prima group and Lancaster group ("the merger") as well as the private placement, may have impacted on the group's financial position and results, had the merger and the private placement been effective on 1 March 2005 for income statement purposes, and 28 February 2006 for balance sheet purposes, respectively. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the group's financial position and the results of its operations after the merger and private placement.

The unaudited *pro forma* financial information is based on the audited results of the Lancaster group and Prima group for the year ended 28 February 2006 as set out in Annexures 2 and 3. The unaudited *pro forma* financial information should be read in conjunction with the reporting accountants' report thereon as set out in Annexure 9. The directors of the Prima group and Lancaster group are responsible for the preparation of the unaudited *pro forma* financial information of Afrimat.

The definitions commencing on page 10 of this prospectus have been used in this report.

Balance sheet

Rand	Audited Prima group before the merger and private placement[2] 28 February 2006	Audited Lancaster group before merger and private placement[2] 28 February 2006	Consolidation effects of Prima acquiring Lancaster[3]	Prima group incorporating the Lancaster group pre-listing 28 February 2006	Adjustments relating to the formation of Afrimat[4]	Afrimat before private placement	Adjustments for effects of private placement[5]	Afrimat after private placement 28 February 2006
ASSETS								
Non-current assets								
Property, plant and equipment	127 366 183	40 101 546	–	167 467 729	–	167 467 729	–	167 467 729
Intangible assets	7 289 901	–	–	7 289 901	–	7 289 901	–	7 289 901
Goodwill	985 561	10 590 938	43 250 800	54 827 299	–	54 827 299	–	54 827 299
Investments	–	2 971 551		2 971 551	–	2 971 551	–	2 971 551
Retirement benefit asset	–	11 390 522	–	11 390 522	–	11 390 522	–	11 390 522
Other financial assets	378 000	–	–	378 000	–	378 000	–	378 000
Total non-current assets	**136 019 645**	**65 054 557**	**43 250 800**	**244 325 002**	**–**	**244 325 002**	**–**	**244 325 002**
Current assets								
Inventories	10 950 146	11 195 896	–	22 146 042	–	22 146 042	–	22 146 042
Loans to managers and employees	256 255	–	–	256 255	–	256 255	–	256 255
Trade and other receivables	35 946 422	11 310 361	–	47 256 783	–	47 256 783	–	47 256 783
Loan receivable	766 262	–	–	766 262	–	766 262	–	766 262
Taxation overpaid	2 500 407	303 534	–	2 803 941	–	2 803 941	–	2 803 941
Cash and cash equivalents	15 198 394	2 404 273	–	17 602 667	(5 189 061)[7]	12 413 606	37 264 773[8]	49 678 379
Total current assets	**65 617 886**	**25 214 064**	**–**	**90 831 950**	**(5 189 061)**	**85 642 889**	**37 264 773**	**122 907 662**
Total assets	**201 637 531**	**90 268 621**	**43 250 800**	**335 156 952**	**(5 189 061)**	**329 967 891**	**37 264 773**	**367 232 664**
EQUITY AND LIABILITIES								
Equity								
Share capital	2 000	1 000	319 680	322 680	770 315	1 092 995	150 000	1 242 995
Share premium	–	–	48 594 447	48 594 447	14 229 685	62 824 132	68 600 000	131 424 132
Revaluation reserve	–	336 193	(336 193)	–	–	–	–	–
Distributable reserves	108 971 835	5 327 134	(5 327 134)	108 971 835	(1 597 671)	107 374 164	4 338 320	111 712 484
Minority interest	4 255 614	–	–	4 255 614	(4 240 023)	15 591	–	15 591
Total equity	**113 229 449**	**5 664 327**	**43 250 800**	**162 144 576**	**9 162 306**	**171 306 882**	**73 088 320**	**244 395 202**

Rand	Audited Prima group before the merger and private placement[2] 28 February 2006	Audited Lancaster group before merger and private placement[2] 28 February 2006	Consolidation effects of Prima acquiring Lancaster[3]	Prima group incorporating the Lancaster group pre-listing 28 February 2006	Adjustments relating to the formation of Afrimat[4]	Afrimat before private placement	Adjustments for effects of private placement[5]	Afrimat after private placement 28 February 2006
LIABILITIES								
Non-current liabilities								
Other financial liabilities	131 250	38 113 817	–	38 245 067	(15 000 000)[4]	23 245 067	(23 113 817)[5]	131 250
Finance lease obligation	19 162 712	3 328 836	–	22 491 548	–	22 491 548	–	22 491 548
Deferred tax	21 450 811	11 048 106	–	32 498 917	–	32 498 917	–	32 498 917
Provisions	–	1 713 692	–	1 713 692	–	1 713 692	–	1 713 692
Total non-current liabilities	**40 744 773**	**54 204 451**	**–**	**94 949 224**	**(15 000 000)**	**79 949 224**	**(23 113 817)**	**56 835 407**
Current liabilities								
Other financial liabilities	670 290	6 089 350	–	6 759 640	–	6 759 640	(6 089 350)[5]	670 290
Finance lease obligation	14 577 509	5 054 540	–	19 632 049	–	19 632 049	–	19 632 049
Shareholders' loans	1 078 618	7 232 703	–	8 311 321	–	8 311 321	(7 232 703)	1 078 618
Current tax payable	4 448 496	247 469	–	4 695 965	648 633	5 344 598	612 323	5 956 921
Trade and other payables	20 888 904	11 035 400	–	31 924 304	–	31 924 304	–	31 924 304
Provisions	5 150 065	218 387	–	5 368 452	–	5 368 452	–	5 368 452
Bank overdraft	849 427	521 994	–	1 371 421	–	1 371 421	–	1 371 421
Total current liabilities	**47 663 309**	**30 399 843**	**–**	**78 063 152**	**648 633**	**78 711 785**	**12 709 730**	**66 002 055**
Total liabilities	**88 408 082**	**84 604 294**	**–**	**173 012 376**	**(14 351 367)**	**158 661 009**	**(35 823 547)**	**122 837 462**
Total equity and liabilities	**201 637 531**	**90 268 621**	**43 250 800**	**335 156 952**	**(5 189 061)**	**329 967 891**	**37 264 773**	**367 232 664**
Shares in issue				109 299 497		109 299 497	15 000 000	124 299 497
Net asset value per share (cents)								196.6
Net tangible asset value per share (cents)[6]								**150.0**

Prima and Lancaster have adopted uniform accounting policies which have been applied consistently throughout the year.

Notes to balance sheet:

1. The unaudited *pro forma* financial information was prepared on the basis that the private placement was completed on 28 February 2006.
2. The "before the merger and private placement" financial information has been extracted, without adjustment, from the audited results of Lancaster group and Prima group for the year ended 28 February 2006, as reflected in Annexures 2 and 3, respectively.
3. The column "consolidation effects" represents the consolidation entries required to treat Prima group as the acquirer and Lancaster as the acquiree as required by IFRS 3, including raising of goodwill representing the excess of the cost of acquisition over the group's interest in the fair value of the identified assets of the subsidiary at the date of acquisition. As part of the consideration for the acquisition of 100% of the shares in Lancaster group, Afrimat issued 32 068 008 new shares at an issue price of 152.5 cents per share.
4. On formation of the Afrimat group, Afrimat issued 74 231 489 new shares at an issue price of 152.5 cents per share and vendor loans of R15 million were converted into 3 000 000 new ordinary shares at R5.00 per share, representing a premium of R4.99 per share.
5. Share capital and share premium have been adjusted for the 15 000 000 new ordinary shares of 1 cent each issued in terms of the private placement.

   The "adjustments for effects" column records the cash received from the private placement of 15 000 000 new ordinary shares of 1 cent each at R5.00 per share and the utilisation thereof to retire debt in the Lancaster group, as follows:

   – R29.203 million towards the Investec Bank Limited loan;

   – R4.733 million towards the Forecast Investments (Pty) Limited loan;

   – R2.500 million towards Lancaster shareholders' loans.

   The estimated expenses of R5 million, as set out in paragraph 13.1 of the prospectus, are provided for against the share premium account.
6. The net tangible asset value per share excludes intangible assets and goodwill.
7. Adjustment has been made for a dividend declared of R5.2 million after 28 February 2006 now recorded at the year-end with a corresponding adjustment to Secondary Tax on Companies.
8. The cash balances under current assets have been adjusted for the cash received and the utilisation thereof in terms of the private placement.

Income statement

Rand	Audited Prima group before the merger and private placement[2] 28 February 2006	Audited Lancaster group before merger and private placement[2] 28 February 2006	Consolidation effects of Prima acquiring Lancaster	Prima group incorporating the Lancaster group pre-listing 28 February 2006	Adjustments relating to the formation of Afrimat	Afrimat before private placement	Adjustments for effects of private placement[3]	Afrimat after private placement 28 February 2006
Sales	309 164 706	104 278 455	–	413 443 161	–	413 443 161	–	413 443 161
Cost of sales	242 518 915	53 164 476	–	295 683 391	–	295 683 391	–	295 683 391
Gross profit	**66 645 791**	**51 113 979**	**–**	**117 759 770**	**–**	**117 759 770**	**–**	**117 759 770**
Other income	1 922 204	671 961	–	2 594 165	–	2 594 165	–	2 594 165
Operating expenses	(9 532 952)	(29 867 701)	–	(39 400 653)	–	(39 400 653)	110 085[4]	(39 290 568)
Operating profit	**59 035 043**	**21 918 239**	**–**	**80 953 282**	**–**	**80 953 282**	**110 085**	**81 063 367**
Investment revenue	1 285 009	714 241	–	1 999 250	–	1 999 250	–	1 999 250
Finance costs	(2 868 104)	(5 278 235)	–	(8 146 339)	–	(8 146 339)	4 840 558[4]	(3 305 781)
Profit before taxation	**57 451 948**	**17 354 245**	**–**	**74 806 193**	**–**	**74 806 193**	**4 950 643**	**79 756 836**
Taxation	(18 532 755)	(9 527 111)	–	(28 059 866)	(648 633)	(28 708 499)	(612 323)	(29 320 822)
Profit for the year	**38 919 193**	**7 827 134**	**–**	**46 746 327**	**(648 633)**	**46 097 694**	**4 338 320**	**50 436 014**
Minorities	(16 107)	–	–	(16 107)	–	(16 107)	–	(16 107)
Profit for the year after minorities	**38 903 086**	**7 827 134**	**–**	**46 746 327**	**(648 633)**	**46 081 587**	**(4 338 320)**	**50 419 907**
Weighted average number of shares in issue				109 299 497		109 299 497	15 000 000	124 299 497
Pro forma earnings per share (cents)				42.8		42.2		40.6
Headline earnings per share (cents)				43.3		42.7		41.1
Reconciliation of headline earnings								
Profit attributable to ordinary shareholders				46 746 327		46 081 587		50 419 907
– Profit on disposal of plant and equipment				(102 703)		(102 703)		(102 703)
– Impairment loss on intangibles				693 183		693 183		693 183
Headline earnings				**47 336 807**		**46 672 067**		**51 026 494**

Notes to income statement:

1. The unaudited *pro forma* financial information was prepared on the basis that the private placement was completed on 1 March 2005.
2. The "before the merger and private placement" financial information has been extracted, without adjustment, from the audited results of Lancaster group and Prima group for the year ended 28 February 2006, as reflected in Annexures 2 and 3, respectively.
3. The adjustments in the "adjustments for effects of private placement" column will all have a continuing effect the on *pro forma* financial information.
4. Profit for the year has been adjusted by the after-tax saving of finance costs and legal fees on the debt which is assumed to have been retired on 1 March 2005.

Profit forecast

The unaudited consolidated profit forecast of Afrimat for the year ending 28 February 2007, the preparation of which is the responsibility of the directors, is set out below. The forecast has been examined by Moores Rowland and should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 10.

The accounting policies to be applied by Afrimat in the future were applied consistently in arriving at forecast income and agreed to the disclosed accounting policies and IFRS for the respective accounting period.

The definitions commencing on page 10 of the prospectus have been used in this report.

	Forecast for the year ending 28 February 2007 R	Pre-listing[1] forecast for the period 1 March 2006 – 6 November 2006 R	Forecast[2] for the period 7 November 2006 – 28 February 2007 R
Revenue[4]	**471 354 375**	**337 346 234**	**134 008 141**
Gross profit	**132 380 166**	**95 460 125**	**36 920 041**
Other income	9 896 853	7 020 969	2 875 884
Operating costs	(36 146 839)	(23 259 636)	(12 887 203)
EBITDA	**106 130 180**	**79 221 458**	**26 908 723**
Depreciation and amortisation	(12 189 876)	(8 502 478)	(3 687 398)
Profit before interest and taxation	**93 940 304**	**70 718 979**	**23 221 325**
Interest received	2 121 258	1 542 733	578 525
Interest paid	(8 107 749)	(6 777 925)	(1 329 824)
Profit before taxation	**87 953 813**	**65 483 787**	**22 470 026**
Taxation	(24 305 336)	(19 067 171)	(5 238 165)
Profit after taxation	**63 648 477**	**46 416 616**	**17 231 861**
Minority interests	(44 243)	(32 177)	(12 066)
Earnings attributable to ordinary shareholders	**63 604 234**	**46 384 439**	**17 219 795**
Reconciliation of headline earnings:			
– Profit attributable to ordinary shareholders	63 604 234	46 384 439	17 219 795
– Profit on disposal of property, plant and equipment	(798 355)	(380 694)	(417 661)
Headline earnings	**62 805 879**	**46 003 745**	**16 802 134**
Pro forma weighted average shares in issue	124 299 497	82 866 332	41 433 165
Pro forma earnings per share (cents)	51.2	56.0	–
Forecast earnings per share (cents)	–	–	41.6
Pro forma headline earnings per share (cents)	50.5	55.5	
Forecast earnings per share (cents)	–	–	40.6

Notes:

1. The pre-listing forecast for the period includes the results of both Lancaster and Prima. The pre-listing forecast for Lancaster for the period 1 March 2006 to 6 November 2006 will represent pre-incorporation results and will not form part of reported earnings for the first reporting period ending on 28 February 2007.
2. In accordance with IFRS 3 Business Combinations, the effective date of the business combination is 7 November 2006.
3. The forecast for the year includes the results of both Lancaster and Prima . The pre-acquisition results of Lancaster for the period 1 March 2006 to 6 November 2006 will not form part of the reported results for the first reporting period ending on 28 February 2007 and have been presented for comparative purposes only.

Reporting accountants' report on the Lancaster historical financial information

"The Directors
Afrimat Limited
1 Bryanston Drive
Bryanston
2021

19 October 2006

Dear Sirs

Introduction

The definitions commencing on page 10 of the prospectus have been used in this report. Annexure 2 sets out the historical financial information of the Lancaster group for the three years ended 29 February 2004, 28 February 2005 and 28 February 2006. The financial information of the Lancaster group is the responsibility of its directors.

Purpose of this report

At your request and for the purposes of the prospectus to be dated on or about 30 October 2006, we present our report on the historical financial information of the Lancaster group, presented in Annexure 2 to the prospectus, in compliance with the Listings Requirements of the JSE.

Responsibility

The directors of Afrimat are responsible for the compilation, contents and preparation of the prospectus and for the accuracy of the information contained therein. The directors of the Lancaster group are responsible for the financial information to which this report on the historical financial information of Lancaster group relates and from which the report has been prepared.

It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

Historical financial information for the years ended 29 February 2004, 28 February 2005 and 28 February 2006

We have audited the historical financial information of the Lancaster group relating to the financial year ended 28 February 2006 set out in the report of historical information attached as Annexure 2 to the prospectus. We have reviewed the historical financial information for the years ended 29 February 2004 and 28 February 2005 which represents an aggregation of the companies within the Lancaster group. The effective date of the Lancaster group business combination was 1 March 2005 as referred to in the accounting policy note 1.2. The 29 February 2004, 28 February 2005 and 28 February 2006 financial statements were previously audited and reported upon by Lloyd Viljoen, CA(SA).

Basis of the review opinion for the years ended 29 February 2004 and 28 February 2005

We conducted our review of the Lancaster group in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Basis of audit opinion for the year ended 28 February 2006

We conducted our audit in accordance with International Statements on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information for the year ended 28 February 2006 is free from material misstatement.

An audit includes:

- examining on a test basis, evidence supporting the amounts and disclosures in the historical financial information;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

We believe that our work provides a reasonable basis for our opinion.

Review opinions for the years ended 29 February 2004 and 28 February 2005

Based on our review, nothing has come to our attention that causes us to believe that the historic information included in the report of historical financial information for the years ended 29 February 2004 and 28 February 2005 set out in Annexure 2 does not give a true and fair view in accordance with International Financial Reporting Standards.

Audit opinion for the year ended 28 February 2006

In our opinion, the financial information of the Lancaster group relating to the year ended 28 February 2006 for the purposes of the prospectus, fairly presents, in all material respects, the financial position of the Lancaster group and the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973 and the JSE Listings Requirements.

Yours faithfully

MOORES ROWLAND
Registered Auditors
Chartered Accountants (SA)

PO Box 2817
Cape Town
8000

Per:
Duncan Dollman"

Reporting accountants' report on the Prima historical financial information

"The Directors
Afrimat Limited
1 Bryanston Drive
Bryanston
2021

19 October 2006

Dear Sirs

Introduction

The definitions commencing on page 10 of the prospectus have been used in this report. Annexure 3 sets out the historical financial information of the Prima group for the three years ended 29 February 2004, 28 February 2005 and 28 February 2006. The financial information of the Prima group is the responsibility of its directors.

Purpose of this report

At your request and for the purposes of the prospectus to be dated on or about 30 October 2006, we present our report on the historical financial information of the Prima group, presented in Annexure 3 to the prospectus, in compliance with the Listings Requirements of the JSE.

Responsibility

The directors of Afrimat are responsible for the compilation, contents and preparation of the prospectus and for the accuracy of the information contained therein. The directors of the Prima group are responsible for the financial information to which this report on the historical financial information of Prima group relates, and from which the report has been prepared.

It is our responsibility to form an opinion on the historical financial information and to report our opinion to you.

Historical financial information for the years ended 29 February 2004, 28 February 2005 and 28 February 2006

We have audited the historical financial information of the Prima group relating to the financial year ended 28 February 2006 set out in the report of historical information attached as Annexure 3 to the prospectus. We have reviewed the historical financial information for the years ended 29 February 2004 and 28 February 2005. The 29 February 2004, 28 February 2005 and 28 February 2006 financial statements were previously audited and reported upon by Leon du Toit, Chartered Accountants (SA).

Basis of the review opinion for the years ended 29 February 2004 and 28 February 2005

We conducted our review of the Prima group in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to enquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Basis of audit opinion for the year ended 28 February 2006

We conducted our audit in accordance with International Statements on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information for the year ended 28 February 2006 is free from material misstatement.

An audit includes:

- examining on a test basis, evidence supporting the amounts and disclosures in the historical financial information;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

We believe that our work provides a reasonable basis for our opinion.

Review opinions for the years ended 29 February 2004 and 28 February 2005

Based on our review, nothing has come to our attention that causes us to believe that the historic information included in the report of historical information for the years ended 29 February 2004 and 28 February 2005 set out in Annexure 3 does not give a true and fair view in accordance with International Financial Reporting Standards.

Audit opinion for the year ended 28 February 2006

In our opinion, the financial information of the Prima group relating to the year ended 28 February 2006 for the purposes of the prospectus, fairly presents, in all material respects, the financial position of the Prima group and the results of its operations and cash flows for the period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973 and the JSE Listings Requirements.

Yours faithfully

MOORES ROWLAND
Registered Auditors
Chartered Accountants (SA)

PO Box 2817
Cape Town
8000

Per:
Duncan Dollman"

Reporting accountants' report on the Afrimat historical financial information

"The Directors
Afrimat Limited
1 Bryanston Drive
Bryanston
2021

19 October 2006

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE AUDITED HISTORICAL FINANCIAL INFORMATION OF AFRIMAT LIMITED

Introduction

The definitions commencing on page 10 of the prospectus have been used in this report. The Prima group and Lancaster group entered into a merger agreement with the intention to apply for a JSE listing.

Purpose of this report

At your request and for the purposes of the prospectus to be dated on or about 30 October 2006 in complying with the Listings Requirements of the JSE, we present our report on the historical financial information of Afrimat.

Responsibility

The directors of Afrimat are responsible for the compilation, contents and preparation of the prospectus and for the accuracy of the information contained therein. The directors of Afrimat are also responsible for the financial information to which this report on the historical financial information of Afrimat relates, and from which the report has been prepared.

Our responsibility is to express an audit opinion on the historical financial information of Afrimat.

Historical financial information as at 30 September 2006

We have audited the historical financial information of Afrimat at 30 September 2006. Afrimat was incorporated on 20 July 2006 as Clidet No. 679 (Pty) Limited and has been dormant since incorporation until the implementation date of the intended merger.

Basis of audit opinion at 30 September 2006

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information at 30 September 2006 is free from material misstatement.

An audit includes:

- examining on a test basis, evidence supporting the amounts and disclosures in the historical financial information;
- assessing the accounting principles used and significant estimates made by management;
- evaluating the overall historical financial information presentation.

We believe that our work provides a reasonable basis for our opinion.

Audit opinion at 30 September 2006

In our opinion, the financial information for the purposes of the prospectus, fairly present, in all material respects, the financial position of Afrimat at 30 September 2006 in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa, 1973 and the JSE Listings Requirements.

Yours faithfully

MOORES ROWLAND
Registered Auditors
Chartered Accountants (SA)

PO Box 2817
Cape Town
8000

per: **Duncan Dollman**"

Reporting accountants' report on the *pro forma* financial information

"The Directors
Afrimat Limited
1 Bryanston Drive
Bryanston
2021

19 October 2006

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF AFRIMAT LIMITED

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out in Annexure 4 to the prospectus dated 30 October 2006 issued in connection with the intended listing that is the subject of this prospectus of Afrimat. The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the listing might have affected the reported historical financial information presented, had the corporate action been undertaken at the commencement of the period or at the date of the *pro forma* financial information being reported on.

The definitions commencing on page 10 of the prospectus have been used in this report.

Directors' responsibility

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the prospectus and for the financial information from which it has been prepared. Their responsibility includes determining that: the *pro forma* financial information has been properly compiled on the basis stated; the basis is consistent with the accounting policies of Afrimat; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

Reporting accountants' responsibility

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the prospectus. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Guide on *Pro Forma* Financial Information issued by SAICA.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Sources of information and work performed

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of Afrimat, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* financial information with the directors of the company in respect of the corporate actions that are the subject of this prospectus.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of Afrimat and other information from various public, financial and industry sources.

While our work performed has involved an analysis of the historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is consistent with the accounting policies of Afrimat;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed in terms of Sections 8.17 and 8.30 of the JSE Listings Requirements.

Yours faithfully

MOORES ROWLAND
Registered Auditors
Chartered Accountants (SA)

PO Box 2817
Cape Town
8000

per: **Duncan Dollman**"

Reporting accountants' report on the profit forecast

"The Directors
Afrimat Limited
1 Bryanston Drive
Bryanson
2021

19 October 2006

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE FORECAST OF AFRIMAT LIMITED

We have examined the consolidated profit forecast and the related assumptions of Afrimat Limited ("Afrimat") for the year ending 28 February 2007, as set out in Annexure 5 to the prospectus to be dated on or about 30 October 2006.

This report and the conclusion contained herein are provided solely for the benefit of the board of directors and prospective shareholders of Afrimat for the purpose of their consideration of the listing of Afrimat. This report is not addressed to and may not be relied upon by any other third party for any purpose whatsoever.

The definitions commencing on page 10 of the prospectus have been used in this report.

Directors' responsibility

The directors of Afrimat are responsible for the forecast information, including the assumptions set out in the notes to the forecast information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements of the JSE, includes: determining whether the assumptions, barring unforeseen circumstances, provide a reasonable basis for the preparation of the forecast; whether the forecast has been properly compiled on the basis stated; and whether the forecast is presented on a basis consistent with the accounting policies of the company or group in question.

Reporting accountants' responsibilities

Our responsibility is to provide a limited assurance report on the forecast prepared for the purpose of complying with the Listings Requirements of the JSE Limited and for inclusion in the prospectus. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to the Examination of Prospective Financial Information. This standard requires us to obtain sufficient appropriate evidence as to whether or not:

- management's best-estimate assumptions on which the forecast is based are not unreasonable and are consistent with the purpose of the information;
- the forecast is properly prepared on the basis of the assumptions;
- the forecast is properly presented and all material assumptions are adequately disclosed;
- the forecast is prepared and presented on a basis consistent with the accounting policies of the company or group in question for the company or the group concerned.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and, therefore, less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Conclusion

Based on our examination of the evidence obtained, nothing has come to our attention that causes us to believe that:

– the assumptions, barring unforeseen circumstances, do not provide a reasonable basis for the preparation of the forecast;
– the forecast has not been properly compiled on the basis stated;
– the forecast has not been properly presented and all material assumptions are not adequately disclosed;
– the forecast, is not presented on a basis consistent with the accounting policies of the company or group in question.

Actual results are likely to be different from the forecast, since anticipated events frequently do not occur as expected and the variation may be material; accordingly, no assurance is expressed regarding the achievability of the forecast.

Yours faithfully

MOORES ROWLAND
Registered Auditors
Chartered Accountants (SA)

PO Box 2817
Cape Town
8000

per: **Duncan Dollman**"

Salient features of the Afrimat Limited Employee Share Incentive Scheme

1. A Share Incentive Scheme has been established in terms of which the trustees of the scheme may make offers to employees to acquire shares in the company in such form as directed by the directors.
2. The first trustees of the Trust are Mr Jozua Johannes Coetzer and Mr Francisco Vicente Coelho.
3. Employees (including directors) will be eligible to participate in the Share Incentive Scheme only if and to the extent that offers are made to them.
4. The company shall only be allowed to allocate to the Trust, from time to time, shares in the company representing not more than 20% (twenty percent) in aggregate after taking into account the amount of shares allocated to the BEE Share Incentive Trust by the Company, of such issued shares at the time of the listing thereof on the JSE.
5. The maximum number of shares each employee is allowed in terms of the Share Incentive Scheme is 5% (five percent) of the shares of the company allocated to the Trust or such other amount as may, from time to time, be approved by the shareholders of the company and the JSE, provided that no such maximum shall be less than the number of shares in respect of which such participant has already accepted offers.
6. A trustee may not be a participant under the Share Incentive Scheme.
7. When shares are acquired by the Trust they become "scheme shares" and if they are not already listed on the JSE, an application will be made for a listing. Scheme shares and any linked capitalisation shares participate in all rights and capitalisation issues, reductions of capital and dividends.
8. When shares are allotted to the trustees or whenever they propose to acquire any shares for the purpose of the Share Incentive Scheme, an amount equal to the total consideration payable on account of the shares may be lent and advanced to the trustees by the company which employs the grantee of an offer or option. Any amounts owing by the Trust to the company or its subsidiaries may bear interest if so agreed between the trustees and the company or its subsidiaries.
9. Ownership of shares purchased in terms of the Share Incentive Scheme, together with the benefit and risk, passes on delivery of the shares.
10. Where shares are purchased by the acceptance of an offer, the purchase price is payable in accordance with the directions contained in the unique offer. The trustees are empowered, at any time, and from time to time, to charge interest on any payment outstanding from the participant at such a rate and on such conditions as the directors may direct. The shares are, unless otherwise agreed by the trustees and the employee, transferred to the employee who pledges them to the trustees as security for his indebtedness.
11. The Trustees shall only be entitled to release the Shares referred to in clause 7 in accordance with the terms and conditions of the unique Offer made to the Participant, which Offer shall clearly set out the period of the restrictions and the percentage that such restrictions apply to, if any.
12. Provisions are made for the participation of participants in capitalisation and rights issues and reductions of share capital. The voting rights attaching to the scheme shares sold to the participants in terms of the Share Incentive Scheme, shall vest in the trustees until the shares are released to the beneficiaries.
13. If any amount of the purchase price of any scheme shares which has become payable is not paid by the due date, the trustees are entitled to cancel the sale, effect transfer thereof to the Trust and they shall become unreserved shares. The participant shall be liable to the Trust for any damages suffered in consequence of such failure to pay.

14. Provision is made for adjustments when there is a re-organisation of the company's share capital and also to cover participants if there is a takeover of the company or a scheme of arrangement is proposed between the company and its shareholders or any class of them by virtue of which control the company would pass to another party.

15. The trustees may also, from time to time, offer or grant options to employees of the company and its subsidiaries to purchase shares in the company, the Trustees shall only be entitled to release the Shares in accordance with the terms and conditions of the unique Offer made to the Participant, which Offer shall clearly set out the period of the restrictions and the percentage that such restrictions apply to, if any.

16. The price at which shares are offered, sold or any option is granted will be equal to the close of business selling price of the shares on the trading day prior to the offer to an eligible person and which price will be stated in the offer.

17. The trustees may, if they consider that the circumstances warrant such action, with the consent of a participant, cancel a transaction resulting from the acceptance of an offer or the exercise of an option without any resultant claim against the participants or re-purchase any shares so purchased by a beneficiary for a purchase price not exceeding the cost to the beneficiary of those shares.

18. The Trust Deed may be amended from time to time by the directors and the trustees but the terms or conditions of allotment of any shares or capitalisation shares or any offer may not be altered without the consent on the part of the beneficiaries concerned (treated as a separate class) as would be required under the company's articles of association for a variation or cancellation of the rights attached to those shares. Further, no amendment may be made to the Deed without prior approval of the JSE and no amendment in respect of the following matters shall operate unless the amendment has received the approval of the shareholders of the company in general meeting, namely the persons who may become participants under the Share Incentive Scheme and the voting and dividend transfer and other rights attaching to scheme shares.

Salient features of the Afrimat Limited BEE Incentive Scheme

1. A Share Incentive Scheme has been established in terms of which the trustees of the scheme may make offers to employees, who must be Black People as contemplated in the Broad-Based Black Economic empowerment Act, 2003, to acquire shares in the company in such form as directed by the directors.
2. The first trustees of the Trust are Mr Jozua Johannes Coetzer and Mr Francisco Vicente Coelho.
3. Black Employees (including directors) will be eligible to participate in the Share Incentive Scheme only if and to the extent that offers are made to them.
4. The company shall only be allowed to allocate to the Trust, from time to time, shares in the company representing not more than 20% (twenty percent) in aggregate after taking into account the amount of shares allocated to the Employee Share Incentive Scheme by the Company, of such issued shares at the time of the listing thereof on the JSE.
5. The maximum number of shares each employee is allowed in terms of the Share Incentive Scheme is 5% (five percent) of the shares of the company allocated to the Trust or such other amount as may, from time to time, be approved by the shareholders of the company and the JSE, provided that no such maximum shall be less than the number of shares in respect of which such participant has already accepted offers.
6. A trustee may not be a participant under the Share Incentive Scheme.
7. When shares are acquired by the Trust they become "scheme shares" and if they are not already listed on the JSE, an application will be made for a listing. Scheme shares and any linked capitalisation shares participate in all rights and capitalisation issues, reductions of capital and dividends.
8. When shares are allotted to the trustees or whenever they propose to acquire any shares for the purpose of the Share Incentive Scheme, an amount equal to the total consideration payable on account of the shares may be lent and advanced to the trustees by the company which employs the grantee of an offer or option. Any amounts owing by the Trust to the company or its subsidiaries may bear interest if so agreed between the trustees and the company or its subsidiaries.
9. Ownership of shares purchased in terms of the Share Incentive Scheme, together with the benefit and risk, passes on delivery of the shares.
10. Where shares are purchased by the acceptance of an offer, the purchase price is payable in accordance with the directions contained in the offer. The trustees are empowered, at any time, and from time to time, to charge interest on any payment outstanding from the participant at such a rate and on such conditions as the directors may direct. The shares are, unless otherwise agreed by the trustees and the employee, transferred to the employee who pledges them to the trustees as security for his indebtedness.
11. The Trustees shall only be entitled to release the Shares referred to in clause 7 in accordance with the terms and conditions of the unique Offer made to the Participant, which Offer shall clearly set out the period of the restrictions and the percentage that such restrictions apply to, if any.
12. Provisions are made for the participation of participants in capitalisation and rights issues and reductions of share capital. The voting rights attaching to the scheme shares sold to the participants in terms of the Share Incentive Scheme, shall vest in the trustees until the shares are released to the beneficiaries.
13. If any amount of the purchase price of any scheme shares which has become payable is not paid by the due date, the trustees are entitled to cancel the sale, effect transfer thereof to the Trust and they shall become unreserved shares. The participant shall be liable to the Trust for any damages suffered in consequence of such failure to pay.

14. Provision is made for adjustments when there is a re-organisation of the company's share capital and also to cover participants if there is a takeover of the company or a scheme of arrangement is proposed between the company and its shareholders or any class of them by virtue of which control the company would pass to another party.

15. The trustees may also, from time to time, offer or grant options to employees of the company and its subsidiaries to purchase shares in the company, the Trustees shall only be entitled to release the Shares in accordance with the terms and conditions of the unique Offer made to the Participant, which Offer shall clearly set out the period of the restrictions and the percentage that such restrictions apply to, if any.

16. The price at which shares are offered, sold or any option is granted will be equal to the close of business selling price of the shares on the trading day prior to the offer to an eligible person and which price will be stated in the offer.

17. The trustees may, if they consider that the circumstances warrant such action, with the consent of a participant, cancel a transaction resulting from the acceptance of an offer or the exercise of an option without any resultant claim against the participants or re-purchase any shares so purchased by a beneficiary for a purchase price not exceeding the cost to the beneficiary of those shares.

18. The Trust Deed may be amended from time to time by the directors and the trustees but the terms or conditions of allotment of any shares or capitalisation shares or any offer may not be altered without the consent on the part of the beneficiaries concerned (treated as a separate class) as would be required under the company's articles of association for a variation or cancellation of the rights attached to those shares. Further, no amendment may be made to the Deed without prior approval of the JSE and no amendment in respect of the following matters shall operate unless the amendment has received the approval of the shareholders of the company in general meeting, namely the persons who may become participants under the Share Incentive Scheme and the voting and dividend transfer and other rights attaching to scheme shares.

Corporate Governance

The directors endorse, and accept full responsibility for, the application of the principles necessary to ensure that effective corporate governance is practised consistently throughout the Afrimat group. In discharging this responsibility, the intention is to comply with the requirements of the Code of Corporate Practices and Conduct ("the Code") as set out in the second King Report on Corporate Governance ("King II") in both letter and spirit. The Afrimat group's approach to corporate governance strives to be stakeholder inclusive, based on good communication and integrated into every aspect of the Afrimat group's business. One of the important objectives of the board would be to find the correct balance between conforming within the parameters of the Code of King II and performing in an entrepreneurial way.

The directors are pro-actively taking steps to ensure that all the elements required to make the Afrimat group fully compliant with the recommendations incorporated in the Code have been implemented.

Chairperson and Chief Executive Officer

The board is chaired by MW von Wielligh, an independent non-executive director. The Chairperson is responsible for providing leadership to the board and overseeing its efficient operation.

The Chief Executive Officer ("CEO"), A J van Heerden, is responsible for proposing and continuously updating, implementing and maintaining the strategic direction of the Afrimat group, as well as ensuring that the day-to-day affairs of the Afrimat group are appropriately supervised and controlled.

No individual director has unfettered powers of decision-making.

Board

The board comprises three executive directors and five non-executive directors, two of whom are independent.

The board's responsibilities include providing the Afrimat group with clear strategic direction, ensuring that there is adequate succession planning at board and senior management levels, overseeing operational performance and management, determining policies and processes which seek to ensure the integrity of Afrimat's risk management and internal controls, implementing and maintaining the Afrimat group's communications policy and overseeing director selection, orientation and evaluation.

The board will retain full and effective control over the business of the Afrimat group. The board has defined levels of materiality through a written delegation of authority, which sets out decisions the board wishes to reserve for itself. The delegation will be regularly reviewed and monitored.

Non-executive directors will bring vast experience and balanced skills to the board's decision making process.

The three executive directors have fixed terms of appointment and the non-executive directors are subject, by rotation, to retirement and re-election by shareholders at least every three years, in accordance with Afrimat's articles of association.

The board intends to meet at least four times a year with additional meetings called, if necessary or desirable. Information relevant to a meeting will be supplied on a timely basis to the board ensuring directors can make informed decisions. The directors have unrestricted access to the group information and management and, where appropriate, may seek the advice of independent professionals on matters concerning the affairs of the Afrimat group, at the expense of the Afrimat group.

Board committees

The responsibilities delegated to the committees are being formally documented into terms of reference for that committee, which will be approved by the board and will be reviewed annually. It is intended that the effectiveness of the committees will be reviewed annually by the board.

Audit committee

The audit committee will be chaired by an independent non-executive director. The committee will consist of three non-executive directors, two of whom will be independent.

It is intended that the committee will meet at least three times a year and will be responsible for assisting the board in fulfilling its responsibilities in respect of financial reporting issues, internal and external audit management, ensuring compliance with laws and regulations, risk management and procedures, and the development/maintenance of an effective internal control system.

The committee will appoint a risk working group to assist with identifying, evaluating and managing significant risks faced by the Afrimat group. It is intended that the risk working group will meet twice yearly. It will comprise suitably qualified and experienced members.

One of the major functions of the committee shall be reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into account relevant South African professional and regulatory requirements.

The audit committee will also set the principles for recommending to the board the use of the external auditors for non-audit purposes, which include:

- tax services, including advice on tax planning and transfer pricing issues;
- corporate restructuring; and
- merger and acquisition advice.

Executive committee

There will be an executive committee. The committee will be chaired by A J van Heerden, the CEO, and will consist of senior members of the executive team. The committee will meet on a regular basis and will be responsible for assisting the CEO in the management of the Afrimat group.

Remuneration and nomination committee

The remuneration and nomination committee will be chaired by MW von Wielligh, an independent non-executive director. The committee will comprise three non-executive directors.

The committee will meet at least twice a year and will be responsible for assisting the board in fulfilling its responsibilities in respect of maintaining an appropriate performance-related remuneration strategy, ensuring the Afrimat group's directors and senior management are fairly rewarded, providing for succession planning and assessing the effectiveness of the composition of the board.

The committee is responsible for vetting the individuals proposed for directorship and making recommendations to the full board for approval. Before nomination, appropriate background checks are performed on proposed new directors. New directors will be taken through a formal induction program and be provided with all the necessary background information to familiarise themselves with issues affecting the company.

Safety, health and environment committee

Afrimat is committed to sustainable development in all its operating areas and the impact these have on local economies, the communities where Afrimat operates, its environment and the effect on all stakeholders. Afrimat will ensure that employees work in a safe, healthy and clean environment. The group's activities often have an adverse effect on the environment and it is therefore constantly examining ways and means of limiting the harmful effect on the environment and has implemented numerous rehabilitation programmes and policies in every area where it is operational. For this reason a Safety, Health and Environment committee will be established. The committee will be chaired by a non-executive director and will comprise of three directors.

Company secretary

The company secretary acts as advisor to the board and plays a pivotal role in ensuring compliance with statutory regulations and the Code, the induction of new directors, tabling information on relevant regulatory and legislative changes, and giving guidance to the directors regarding their duties and responsibilities. The directors have unlimited access to the advice and services of the company secretary. The appointment, removal and performance appraisal of the company secretary is a matter for consideration by the board as a whole.

Internal audit

The internal audit function will be established and will report to the audit committee and shall have unfettered access to the Chairperson of the board and the audit committee.

The internal audit function will have its own terms of reference, clearly defined and monitored by the audit committee.

Behavioural code

The Afrimat group is committed to creating a culture of the highest levels of professionalism and integrity in its business dealings with stakeholders. Afrimat's code of ethics sets out high standards of honesty, integrity and mutual respect. Employees are expected to act in terms of the code of ethics at all times and failure to do so may result in disciplinary measures.

Stakeholder communication

In all communications with stakeholders, the board aims to present a balanced and understandable assessment of Afrimat' position. This is done through adhering to principles of openness and substance over form and striving to address material matters of significant interest and concern to all stakeholders.

The board will encourage shareholder attendance at general meetings and where appropriate provide full and understandable explanations of the effects of resolutions to be proposed.

Communication with institutional shareowners and investment analysts will be maintained through periodic presentations of financial results, one-on-one visits, trading statements and press announcements of interim and final results, as well as the pro-active dissemination of any messages considered relevant to investors.

Social responsibility

Afrimat subscribes and adheres to the principles of the Social and Labour Plan as defined by the Mineral and Petroleum Resources Development Act, 2002. The areas of endeavour are socio-economic, youth, education, AIDS awareness and housing, all in consultation with local IDP co-ordinators of the various District Municipalities in the areas in which Afrimat operates.

Human resources

Afrimat regards its people as one of the key elements of its business. It is therefore important to make the best use of human capital the group has available. All employees are encouraged and motivated to better themselves through training and study. Training programmes initiated by companies in the group are regarded as an essential element of Afrimat's investment in human capital.

Employee participation

In order to retain and attract entrepreneurs, the group has a philosophy of encouraging management and key employees to acquire a meaningful interest in the group. A significant percentage of current employees and a significant number of employees in future will become shareholders through participation in broad-based share incentive schemes. Employees are co-owners of the business and are treated as such, with transparent communication a priority.

Employment equity

The Afrimat group is committed to being a South African company and is representative of the people of South Africa. Afrimat subscribes to the principles of equal opportunity and employment equity. Group companies have set their own targets and specific action plans. Afrimat has instituted a tertiary bursary program for disadvantage students to ensure that the skills required to operate and grow the future business will be available.

Royalty agreements and mining licences

Set out below are details of all the material royalty agreements and mining licences entered into by the group with respect to its quarries:

Lancaster

Details of mining licence	Payable to	Percentage	Calculated on	Physical address	Contract expiry date
Hluhluwe KZN298/2001	Ocker Rudolf Smit	3.0	All stone sold by Lancaster mined at	Farm Spes Bona District NE Zululand Hluhluwe KwaZulu-Natal	28 February 2017
Vryheid KZN30/04	Lancaster Finance (Pty) Limited	3.5	All stone sold by Lancaster mined at	Farm Grootgewacht 76 Burlington Grange Farm, Lancaster Hill Vryheid KwaZulu-Natal	Indefinite, company has the right to terminate – 3 months' notice
Umfolozi KZN41/04	Lancaster Finance (Pty) Limited	3.5	All stone sold by Lancaster mined at	Sub div 5 of the farm Overvloed 14794 Umfolozi Rivier, district of Vryheid KwaZulu-Natal	Indefinite, company has the right to terminate – 3 months' notice
		13.5	All sand sold by Lancaster mined at		
Qwa Qwa FS4/2001	South African Government Department of Minerals and Energy	75 cents per m^3 Minimum of R2 000. Escalates annually with PPI for Mining and Quarrying industry	All stone sold by Lancaster mined at	Portion of the farm Rooisloot 3 Vaalkop 1712 Free State	31 July 2021
Harrismith FS2/1998	E C Wasserman	2.0	All stone sold by Lancaster mined at	Portion of the farm Stillerust 991 district of Harrismith Free State	29 February 2008

Prima

Property	Situation	Area	Tenure (expiry of licences)	Royalties	Who paid	Property
Smalblaar (Rawsonville)	Remaining portion of Erf 2 Rawsonville	22.4343 hectares	8 September 2005 (application submitted)	Minimum 54 000 m^3 @ R1.50/m^2 of sales	Breedevallei Munisipaliteit	Quarry
Keurkloof (Robertson)	Wolwekloof 49 Section 2,Roberston	97.1749 hectares	31 March 2006 (application submitted)	1/30 of the Rand value of sales	Heyl Viljoen Boerdery	Quarry
Brewelskloof (Worcester)	Brewelskloof Municipal Commonage 3604	49.89 hectares	Unlimited, change before1 May 2009 (application submitted)			Quarry
	New section	39.8983 hectares (new)		R1.85 per m^3	Breedevallei Munisipaliteit	
Driefontein (Bredasdorp)	Zand Fontein 185 Portion 12 Bredasdorp	39.8002 hectares	31 August 2006 (application submitted)	5% of the Rand value of sales	Albertyn Familie Trust	Quarry
Stanford	Riverside 640 Portion 3, Stanford	14 hectares and 5 hectares	4 December 2012, change before 1 May 2009	4% of the Rand value of sales	Richard Metcalf Family Trust	Quarry
Overberg (Caledon)	Remaining portion of Erf 1, Caledon Munisipaliteit	6.6672 hectares	6 January 2009	R3.01/m^3 of sales	De Kock Trust B E de Kock	Quarry
	Klip Heuwel 410 Portions 2 and 3 Caledon	8 hectares		1/30 of the Rand value of sales	Theewaterskloof Munisipaliteit	
				DME @ R1.74/m^3 of sales	Department of Minerals and Energy	
Bak Klei (Paarl)	Kliprug 826 Portion 2	188.3959 hectares	Application for closure submitted	R 1.00/m^3 of stone mined and similarly R1.00/m^3 of sand sold	Rouxbert Landgoed	Quarry
Palmiet (Grabouw)	Elgin Forest Reserve 295 Portion 7, Grabouw	±20 hectares	5 May 2008 (application submitted for stockpile area)	DME: 1% of the Rand value of sales	State	Quarry
	The farm Oude Brug 312	4.32 hectares		R10 300 minimum royalty		
Volmoed (Oudtshoorn)	Nooitgedacht 158 Portion 3, Volmoed	8.4 hectares	Unlimited, change before 1 May 2009	R2.36/m^3 of sales	Volmoed Quarries CC	Quarry
Patcor PE	Rietkuil 396		30 June 2013, change before 1 May 2009	5% with a minimum of R20 000	C van der Touw	Quarry
				Portion 7, Uitenhage		
P A Hamlet	Remaining portion of Erf 1 Prince Alfred Hamlet	4 hectares	4 July 2010, change before 1 May 2009	R4.87/m^3 of sales	Witzenberg Munisipaliteit	Quarry
De Kop (Vredenburg)	Kleinberg 87/1 Vredenburg	35 hectares	Application approved, waiting for documentation	01/04/06 – 31/03/10 4.25% of the crushed stone's value		Quarry
				01/04/10 – 28/02/15 4.5% of the crushed stone's value		

Details of subsidiary companies

Set out in the table below are details of the subsidiary companies of Lancaster and Prima, all of which are unlisted:

Name, registration number, date and place of incorporation	Date became a subsidiary	Issued share capital	Percentage of issued share capital held by Afrimat group	Nature of business
Subsidiaries of Lancaster				
Lancaster Quarries (Pty) Limited (1965/008581/07), 14 October 1965, Pretoria	1 March 2005	30 000	100%	Northern KwaZulu-Natal and eastern Free State quarries
Lancaster Pre-cast (Pty) Limited (1983/007664/07), 25 July 1983, Pretoria	1 March 2005	10 000	100%	Supplier of concrete block products
Rodag Properties (Pty) Limited (2005/011659/07), 19 April 2005, Pretoria	1 March 2005	1 000	100%	Property holding company
Rodag Holdings (Pty) Limited (1961/001037/07), 25 August 1961, Pretoria	1 March 2005	4	100%	Property holding company
Subsidiaries of Prima				
Prima Klipbrekers (Pty) Limited (1963/007141/07), 10 December 1963, Pretoria	4 December 1979	100	100%	Western Cape quarries
Bak-klei en Steen (Pty) Limited (1976/000954/07), 11 March 1976, Pretoria	11 March 1976	20	100%	Paarl quarries
Prima Quarries 1987 (Pty) Limited (1987/003424/07), 24 July 1987, Pretoria	2 September 1987	100	100%	Eastern Cape quarries
Boublok (Pty) Limited (1981/009858/07), 23 October 1981, Pretoria	17 November 1981	100	100%	Worcester concrete block products
Capmat (Pty) Limited (1999/027491/07), 10 December 1999, Pretoria	13 May 2003	4 000	93.75%	Grabouw quarries
Mengbeton (Pty) Limited (1983/000088/07), 6 January 1983, Pretoria	3 February 1988	200	100%	Ready-mix concrete
Prima Quarries Namibia (Pty) Limited (98/520), Namibia		100	100%	Namibian quarries
Prima Readymix Concrete (Pty) Limited (1999/016264/07), 28 July 1999, Pretoria	6 August 1999	200	100%	Western Cape ready-mix business
Ikapa Quarries (Pty) Limited (1998/021710/07), 2 November 1998	14 August 2003	300	75%	Dormant
Boublok Tuinmure (Pty) Limited (1983/011289/07), 23 October 1983, Pretoria	23 October 1983	100	100%	Dormant
Tradeselect 5 (Pty) Limited (1995/007180/07), 18 July 1995, Pretoria	23 October 2000	100	100%	Dormant
ChrystalPine Holdings 107 (Pty) Limited (2002/004108/07), 22 February 2002, Pretoria	27 February 2002	100	50%	Dormant

Principal immovable properties owned and leased

Details of the principal immovable properties held or occupied by the Afrimat group are set below:

Lancaster

Property	Situation	Area
Owned		
Land and buildings	Consolidated Erf 1336, Makwatini Industrial Sites, Vryheid	25 695 m^2
Land	Erf 969, Makwatini Industrial Sites, Vryheid	8 699 m^2
Land	Erf 973 (extension no. 5), Makwatini Industrial Sites, Vryheid	8 726 m^2
Land and buildings	Erf 2227, Harrismith, Maluti-A-Phofung Municipality	4.621 hectares
Land and buildings	Sub-division 10 of lot 3178, Ladysmith	1.5451 hectares
Land and buildings	Erf 1165, Harrismith, Maluti-A-Phofung Municipality	983 m^2
Land and buildings	Sub 12 (of 5) of Erf 230, Vryheid, AbaQualusi Municipality	1 166m^2

Leased

Landlord	Property description	Period of lease	Monthly rental (Rand)
Jacobus Johannes Oosthuizen	Residential Property 2 Nyala Street Hluhluwe	1 August 2006 – 31 July 2009	4 000
Ocker Rudolf Smit	Farm Spes Bona District NE Zululand (30 ha.)	1 April 1998 – 28 February 2017	
Lancaster Finance (Pty) Limited	RE sub div 3 of 2 of the farm Grootgewacht 76 Vryheid Ext 131.1864 ha.	1 March 1998 – indefinite Company has right to terminate 3-month period	R50 per ha.
	Sub div 8 of 1 of the farm Grootgewacht 76 Vryheid Ext 2.4281 ha.		
	RE sub div 1 of the farm Grootgewacht 76 Vryheid Ext 66.6343 ha.		
	Sub div 5 of 3 of the farm Grootgewacht 76 Vryheid Ext 1.1103 ha.		
Lancaster Finance (Pty) Limited	Sub div 5 of the farm Overvloed 14794 district of Vryheid Ext 124.526 ha.	1 March 1998 – indefinite Company has right to terminate 3-month period	R50 per ha. Escalates March every year Escalation is calculated % by which the average ex-works price of stone in March of any year has increased over the average ex-works price of stone of March the previous year

Landlord	Property description	Period of lease	Monthly rental (Rand)
Lancaster Finance (Pty) Limited	33 Smal Street, Vryheid	1 March 2006 – 28 February 2007	1 516
	117 Boeren Street, Vryheid	1 March 2006 – 28 February 2007	1 325
	23 van der Ryst Street Harrismith	1 March 2006 – 28 February 2007	1 134
	14 von During Street, Erf 678 Harrismith	1 March 2006 – 28 February 2007	1 134
	Workshop premises Farm Grootgewacht	1 March 2006 – 28 February 2007	13 980
South African Government Department of Minerals and Energy	Portion of the farm Rooisloot Harrismith, QWA QWA Ext 8,1325 ha.	26 August 2001 – 31 July 2021	Refer to Annexure 14
Senekal Boerdery	Farm Harlingen Estate Street Mkuze, KwaZulu-Natal, Ext 2 ha.	1 October 1998 – 30 September 2013	4 110
Free State Development Corporation	Mampoi Street Phuthaditjaba Free State	Monthly rental	1 800

Prima

Property	Situation	Area	Rental	Who paid	Property
Smalblaar (Rawsonville)	Remaining portion of Erf 2 Rawsonville	22.4343 hectares	R6 430 per annum	Breedevallei Munisipaliteit	Quarry
Brewelskloof (Worcester)	Brewelskloof Municipal Commonage 3604	49.89 hectares	1.75% of the Rand value of sales as a monthly rental		Quarry
	New section	39.8983 hectares (new)		Breedevallei Munisipaliteit	
Driefontein (Bredasdorp)	Zand Fontein 185 Portion 12 Bredasdorp	39.8002 hectares	R538.50 per month	Albertyn Familie Trust	Quarry
Stanford	Riverside 640 Portion 3 Stanford	14 hectares and 5 hectares	R779.48 per month	Richard Metcalf Family Trust	Quarry
Overberg (Caledon)	Remaining portion of Erf 1 Caledon Munisipaliteit	39.8002 hectares	R538.50 per month	Albertyn Familie Trust	Quarry
	Klip Heuwel 410 Portions 2 and 3 Caledon	8 hectares		Theewaterskloof Munisipaliteit	
				Department of Minerals and Energy	
Volmoed (Oudtshoorn)	Nooitgedacht 158 Portion 3, Volmoed	8.4 hectares	15% of sales	Volmoed Quarries CC	Quarry
Patcor PE	Rietkuil 396 Portion 7 Uitenhage	5% with a minimum of R20 000		C van der Touw	Quarry
P.A. Hamlet	Remaining portion of Erf 1 Prince Alfred Hamlet	4 hectares	R3 000 per month	Witzenberg Munisipaliteit	Quarry
De Kop (Vredenburg)	Kleinberg 87/1 Vredenburg	35 hectares	1 April 2006 to 31 March 2006 R6 000 per annum. 1 April 2006 until sales start R10 000 for 12 months. 1 April 2006 to 28 February 2015 R500 per month.		Quarry

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