AFRIMAT® LIMITED

Unaudited condensed consolidated interim financial results

for the six months ended 31 August 2019

CONSISTENTLY DELIVERING

Highlights

- Revenue **up 19,9% to R1,7 billion**
- Operating profit **up 56,9% to R318,0 million**
- Headline earnings per share ('HEPS') **up 94,3% to 181,9 cents**
- Interim dividend per share of **36,0 cents**
- Return on net operating assets **32,3%**
- Net debt:equity ratio improved from **35,7% to 9,4%**

Afrimat Limited
('Afrimat' or 'the company' or 'the group')
(Incorporated in the Republic of South Africa)
(Registration number: 2006/022534/06)
Share code: AFT ISIN code: ZAE000086302

www.afrimat.co.za

COMMENTARY

Basis of preparation

The unaudited condensed consolidated interim financial results ('financial statements') for the six months ended 31 August 2019 ('the period') are prepared in accordance with the requirements of the JSE Limited ('JSE') for summary financial statements, and the requirements of the Companies Act applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements for the year ended 28 February 2019, except for the implementation of IFRS 16: *Leases*. Details of the implementation of this standard is disclosed in note 16.

The financial statements have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

Introduction

The group continues to deliver exceptional results supported by its diversification strategy as well as cost reduction and efficiency improvement initiatives.

Improved earnings generated in all three operating segments contributed to these record results.

Financial results

External revenue increased by 19,9% from R1,4 billion (August 2018) to R1,7 billion (August 2019) and operating profit increased by an impressive 56,9% from R202,7 million (August 2018) to R318,0 million (August 2019), mainly due to an improvement across all three business segments, including an excellent performance by the Bulk Commodities segment. The operating profit margin increased from 14,1% (August 2018) to 18,5% (August 2019).

Earnings per share and headline earnings per share increased by 92,5% and 94,3% from 95,3 cents (August 2018) to 183,5 cents (August 2019) and 93,6 cents (August 2018) to 181,9 cents (August 2019), respectively.

Net asset value per share increased by 21,3% from 935 cents (August 2018) to 1 134 cents (August 2019).

Net cash from operating activities increased by 192,1% to R425,0 million, which resulted in a decrease of the net debt:equity ratio from 35,7% in the prior reporting period to 9,4% in the current reporting period.

Operational review

All operating units are strategically positioned to deliver excellent service to the group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is well diversified to include aggregates and concrete-based products as construction materials and limestone, dolomite and silica as industrial minerals as well as iron ore as bulk commodities.

Labour relations continued to be satisfactory during the period under review, with no labour action having occurred. The group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively.

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, continued to deliver a healthy contribution to the group results, being 28,9% of revenue. Revenue increased by 77,5% from R280,4 million (August 2018) to R497,7 million (August 2019) and operating profit increased by 176,2% from R50,0 million (August 2018) to R138,2 million (August 2019) as a result of an impressive increase in volumes and favourable pricing during the period. This translated into an increase in the operating profit margin of 17,9% (August 2018) to 27,8% (August 2019).

Industrial Minerals businesses across all regions delivered strong results with revenue increasing by 5,2% from R284,3 million (August 2018) to R299,2 million (August 2019) and operating profit increased by a more than satisfactory 50,4% from R41,5 million (August 2018) to R62,4 million (August 2019), which resulted in the operating profit margin improving from 14,6% (August 2018) to 20,9% (August 2019). The strong growth is attributable to these businesses successfully entering new markets, increasing activity, reducing costs and implementing efficiency improvement initiatives.

After a slowdown in **Construction Materials** experienced in the prior period, the segment experienced a marginal recovery with revenue and operating profit increasing by 6,1% and 6,5% to R923,0 million and R122,2 million, respectively. The operating profit margin remained flat at 13,2% for the period. The KwaZulu-Natal business reported improved results following a successful restructuring process in the prior year. The Western Cape aggregates business continued to deliver solid results. The Mozambique business continued to supply construction materials to smaller projects in the north of the country, in anticipation of the major LNG project. The Gauteng business is still feeling the effect of the slowdown in the economy.

Business development

New business development remains a key component of the group's growth strategy. The dedicated business development team continues to successfully identify and pursue opportunities in existing markets, as well as in anticipated new high growth areas in southern Africa.

B-BBEE

Existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 33,2% of Afrimat's issued shares.

Notwithstanding the fully empowered ownership platform in line with the Mining Charter requirements, the group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and had a successful period in terms of sustained training, skills development and all-round employee upliftment.

Dividend

The group's dividend policy is to maintain a 2,75 times dividend cover. An interim gross dividend of 36,0 cents per share (August 2018: 19,0 cents) for the period was declared on 30 October 2019. The dividend payable to shareholders who are subject to dividend tax is 28,8 cents per share (August 2018: 15,2 cents per share).

Prospects

The group is well positioned to capitalise on its strategic initiatives. It foresees continued growth from an excellent asset base and expects further expansion of its range of unique products. The continuation of selective acquisitions is expected to deliver good results.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees, remain a key focus in all operations.

Afrimat expects the current business climate to continue with the group's future growth driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market. These financial statements may contain forward-looking statements that have not been reviewed nor reported on by the company's auditors.

On behalf of the board

MW von Wielligh
Chairman

AJ van Heerden
Chief Executive Officer

30 October 2019

DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 25 of 36,0 cents per share, in respect of the six months ended 31 August 2019, was declared on Wednesday, 30 October 2019.

There are 143 262 412 shares in issue at reporting date, of which 7 685 068 are held in treasury. The total dividend payable is R51,6 million (August 2018: R27,2 million).

The board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 28,8 cents and 36,0 cents per share, respectively. The income tax number of the company is 9568738158.

Relevant dates to the interim dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 26 November 2019
Commence trading *ex* dividend	Wednesday, 27 November 2019
Record date	Friday, 29 November 2019
Dividend payable	Monday, 2 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 27 November and Friday, 29 November 2019, both dates inclusive.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2019 R'000	Restated unaudited six months ended 31 August 2018 R'000*	Change %	Audited year ended 28 February 2019 R'000
Revenue*	**1 719 802**	1 434 850	19,9	2 966 399
Cost of sales*	**(1 170 592)**	(1 011 072)		(2 043 234)
Gross profit	**549 210**	423 778	29,6	923 165
Operating expenses	**(254 486)**	(224 231)		(451 497)
Profit on disposal of property, plant and equipment	**3 144**	3 122		3 538
Other income	**9 076**	–		12 189
Other net gains and losses	**11 049**	–		4 225
Impairment of goodwill (refer note 2)	**–**	–		(20 468)
Operating profit	**317 993**	202 669	56,9	471 152
Finance income	**9 867**	6 662		14 771
Finance costs	**(27 512)**	(32 762)		(66 706)
Share of profit of associate and joint venture	**64**	25		2 326
Profit before tax	**300 412**	176 594	70,1	421 543
Income tax expense (refer note 4)	**(49 501)**	(44 953)		(117 328)
Profit for the period	**250 911**	131 641	90,6	304 215
Profit attributable to:				
Owners of the parent	**248 994**	130 096		301 363
Non-controlling interests	**1 917**	1 545		2 852
	250 911	131 641		304 215
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Currency translation differences (refer note 5)	**(5 161)**	(496)		(1 430)
Income tax effect relating to these items	**–**	–		–
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments at fair value through other comprehensive income	**37**	(34)		35
Income tax effect relating to these items	**(8)**	7		(8)
Other comprehensive loss for the period, net of tax	**(5 132)**	(523)		(1 403)
Total comprehensive income for the period	**245 779**	131 118	87,5	302 812
Total comprehensive income attributable to:				
Owners of the parent	**243 862**	129 573		299 960
Non-controlling interests	**1 917**	1 545		2 852
	245 779	131 118		302 812
Earnings per share				
Earnings per ordinary share (cents)	**183,5**	95,3	92,5	221,0
Diluted earnings per ordinary share (cents)	**182,0**	94,8	92,0	219,5
Note to statement of profit or loss and other comprehensive income				
Shares in issue				
Total shares in issue	**143 262 412**	143 262 412		143 262 412
Treasury shares (refer note 7)	**(7 685 068)**	(6 780 549)		(7 572 503)
Net shares in issue	**135 577 344**	136 481 863		135 689 909
Weighted average number of net shares in issue	**135 666 426**	136 550 836		136 387 043
Diluted weighted average number of shares	**136 840 409**	137 257 328		137 285 229

* *Comparative information has been reclassified. Refer note 17 for further disclosure.*

RECONCILIATION OF HEADLINE EARNINGS

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Change %	Audited year ended 28 February 2019 R'000
Profit attributable to owners of the parent	**248 994**	130 096		301 363
Profit on disposal of plant and equipment attributable to owners of the parent	**(3 144)**	(3 122)		(3 538)
Impairment of goodwill (refer note 2)	**–**	–		20 468
Total income tax effects of adjustments	**880**	874		991
	246 730	127 848	93,0	319 284
Headline earnings per ordinary share ('HEPS') (cents)	**181,9**	93,6	94,3	234,1
Diluted HEPS (cents)	**180,3**	93,1	93,7	232,6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 August 2019 R'000	Restated unaudited six months ended 31 August 2018 R'000*	Audited year ended 28 February 2019 R'000
Assets			
Non-current assets			
Property, plant and equipment	**1 514 283**	1 451 475	1 469 837
Investment property	**3 040**	3 040	3 040
Intangible assets	**221 065**	243 173	221 873
Investment in associate and joint venture	**214**	166	164
Other financial assets (refer note 6)	**58 669**	60 843	56 698
Deferred tax*	**39 712**	46 288	33 680
Total non-current assets	**1 836 983**	1 804 985	1 785 292
Current assets			
Inventories	**258 409**	289 498	261 249
Current tax receivable	**7 199**	9 854	13 250
Trade and other receivables*	**426 516**	432 707	435 458
Cash and cash equivalents	**156 850**	164 945	191 763
Total current assets	**848 974**	897 004	901 720
Total assets	**2 685 957**	2 701 989	2 687 012
Equity and liabilities			
Equity			
Stated capital	**250 161**	262 800	258 292
Treasury shares	**(90 432)**	(62 830)	(85 822)
Net issued stated capital	**159 729**	199 970	172 470
Other reserves	**(97 067)**	(98 880)	(94 391)
Retained earnings*	**1 474 501**	1 174 886	1 320 087
Attributable to equity holders of the parent	**1 537 163**	1 275 976	1 398 166
Non-controlling interests	**12 083**	10 580	11 351
Total equity	**1 549 246**	1 286 556	1 409 517
Liabilities			
Non-current liabilities			
Borrowings (refer note 8)	**148 199**	281 348	235 542
Deferred tax	**209 231**	201 077	214 576
Provisions	**147 232**	135 782	141 080
Total non-current liabilities	**504 662**	618 207	591 198
Current liabilities			
Borrowings (refer note 8)	**110 987**	182 526	148 004
Other financial liabilities (refer note 9)	**9 184**	11 663	9 480
Current tax payable	**8 053**	9 697	4 143
Trade and other payables	**469 444**	444 844	390 517
Bank overdraft	**34 381**	148 496	134 153
Total current liabilities	**632 049**	797 226	686 297
Total liabilities	**1 136 711**	1 415 433	1 277 495
Total equity and liabilities	**2 685 957**	2 701 989	2 687 012
Note to statement of financial position:			
Net asset value per share (cents)*	**1 134**	935	1 030
Net tangible asset value per share (cents)*	**971**	757	867
Total borrowings and other financial liabilities	**268 370**	475 537	393 026
Surplus cash	**(122 469)**	(16 449)	(57 610)
Net debt	**145 901**	459 088	335 416
Net debt:equity ratio (%)*	**9,4**	35,7	23,8

* *Opening balances have been amended due to IFRS 9 measurement requirements. Refer note 17 for further disclosure.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Cash flows from operating activities			
Cash generated from operations	**484 278**	211 717	551 722
Finance income received	**9 583**	6 303	14 320
Dividends received	**15**	34	58
Finance costs paid	**(23 085)**	(28 692)	(58 565)
Tax paid	**(45 791)**	(43 857)	(97 051)
Net cash inflow from operating activities	**425 000**	145 505	410 484
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(55 345)**	(51 399)	(93 889)
Proceeds on disposal of property, plant and equipment	**12 800**	11 886	14 369
Purchase of financial assets	**(15)**	(76)	(444)
Net cash outflow from investing activities	**(42 560)**	(39 589)	(79 964)
Cash flows from financing activities			
Repurchase of Afrimat shares	**(8 721)**	(5 469)	(30 981)
Acquisition of additional non-controlling interest	**–**	–	(9 014)
Proceeds from borrowings (refer note 8.2)	**–**	60 000	144 635
Repayment of borrowings (refer note 8.2)	**(221 518)**	(96 517)	(309 847)
Repayment of other financial liabilities	**(290)**	(10 305)	(3 488)
Dividends paid (refer note 12.2)	**(87 052)**	(59 181)	(86 220)
Net cash outflow from financing activities	**(317 581)**	(111 472)	(294 915)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**64 859**	(5 556)	35 605
Cash, cash equivalents and bank overdrafts at the beginning of the period	**57 610**	22 005	22 005
Cash, cash equivalents and bank overdrafts at the end of the period	**122 469**	16 449	57 610

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2018*	266 985	(59 660)	(99 900)	1 101 103	9 980	1 218 508
Total comprehensive income						
Profit for the year	–	–	–	130 096	1 545	131 641
Other comprehensive income for the year	–	–	(523)	–	–	(523)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	(34)	–	–	(34)
Income tax effect	–	–	7	–	–	7
Currency translation differences (refer note 5)	–	–	(496)	–	–	(496)
Total comprehensive income	–	–	(523)	130 096	1 545	131 118
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments, net of tax	–	–	3 466	–	–	3 466
Purchase of treasury shares	–	(5 469)	–	–	–	(5 469)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(4 185)	2 299	(1 923)	1 923	–	(1 886)
Dividends paid (refer note 12.2)	–	–	–	(58 236)	(945)	(59 181)
Total contributions and distributions	(4 185)	(3 170)	1 543	(56 313)	(945)	(63 070)
Total transactions with the owners of the parent	(4 185)	(3 170)	1 543	(56 313)	(945)	(63 070)
Balance at 31 August 2018	262 800	(62 830)	(98 880)	1 174 886	10 580	1 286 556
Balance at 1 March 2018	266 985	(59 660)	(99 900)	1 101 103	9 980	1 218 508
Total comprehensive income						
Profit for the year	–	–	–	301 363	2 852	304 215
Other comprehensive income for the year	–	–	(1 403)	–	–	(1 403)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	35	–	–	35
Income tax effect	–	–	(8)	–	–	(8)
Currency translation differences (refer note 5)	–	–	(1 430)	–	–	(1 430)
Total comprehensive income	–	–	(1 403)	301 363	2 852	302 812
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments, net of tax	–	–	9 286	–	–	9 286
Purchase of treasury shares	–	(30 981)	–	–	–	(30 981)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(8 693)	4 819	(2 374)	2 374	–	(3 874)
Dividends paid (refer note 12.2)	–	–	–	(84 745)	(1 475)	(86 220)
Total contributions and distributions	(8 693)	(26 162)	6 912	(82 371)	(1 475)	(111 789)

** Opening balances have been amended due to IFRS 9 measurement requirements. Refer to note 17 for further disclosure.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(continued)

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Changes in ownership interest						
Additional non-controlling interest acquired due to:						
– Infrasors	–	–	–	(8)	(6)	(14)
Total changes in ownership interests	–	–	–	(8)	(6)	(14)
Total transactions with the owners of the parent	(8 693)	(26 162)	6 912	(82 379)	(1 481)	(111 803)
Balance at 28 February 2019	**258 292**	**(85 822)**	**(94 391)**	**1 320 087**	**11 351**	**1 409 517**
IFRS 16 adjustment (refer note 16)	–	–	–	**(12 958)**	–	**(12 958)**
Adjusted balance at 1 March 2019	**258 292**	**(85 822)**	**(94 391)**	**1 307 129**	**11 351**	**1 396 559**
Total comprehensive income						
Profit for the period	–	–	–	**248 994**	**1 917**	**250 911**
Other comprehensive income for the period	–	–	**(5 132)**	–	–	**(5 132)**
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	**37**	–	–	**37**
Income tax effect	–	–	**(8)**	–	–	**(8)**
Currency translation differences (refer note 5)	–	–	**(5 161)**	–	–	**(5 161)**
Total comprehensive income	–	–	**(5 132)**	**248 994**	**1 917**	**245 779**
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments, net of tax	–	–	**6 701**	–	–	**6 701**
Purchase of treasury shares	–	**(8 721)**	–	–	–	**(8 721)**
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	**(8 131)**	**4 111**	**(4 245)**	**4 245**	–	**(4 020)**
Dividends paid (refer note 12.2)	–	–	–	**(85 867)**	**(1 185)**	**(87 052)**
Total contributions and distributions	**(8 131)**	**(4 610)**	**2 456**	**(81 622)**	**(1 185)**	**(93 092)**
Total transactions with the owners of the parent	**(8 131)**	**(4 610)**	**2 456**	**(81 622)**	**(1 185)**	**(93 092)**
Balance at 31 August 2019	**250 161**	**(90 432)**	**(97 067)**	**1 474 501**	**12 083**	**1 549 246**

NOTES

1. Segment information

The segments of the group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services.

There are three main operational pillars with five segments being allocated to these pillars, based on the market use of products.

The principal services and products of each of these segments are as follows:
- Construction Materials: Comprises Aggregates, Concrete-Based Products and Contracting operations;
- Industrial Minerals: Comprises limestone, dolomite and industrial sand; and
- Bulk Commodities: Comprises Iron Ore.

	Split six months ended 31 August 2019 %	**Unaudited six months ended 31 August 2019 R'000**	Split six months ended 31 August 2018 %	Restated unaudited six months ended 31 August 2018 R'000	Split year ended 28 February 2019 %	Audited year ended 28 February 2019 R'000
Revenue						
External revenue						
Construction Materials	**53,7**	**922 917**	60,7	870 149	58,6	1 739 496
Industrial Minerals	**17,4**	**299 184**	19,8	284 323	18,4	544 705
Bulk Commodities*	**28,9**	**497 701**	19,5	280 378	23,0	682 198
		1 719 802		1 434 850		2 966 399
Intersegment revenue						
Construction Materials	**90,6**	**80 045**	100,0	63 674	87,2	126 316
Industrial Minerals	**9,4**	**8 280**	–	–	12,8	18 462
Bulk Commodities	**–**	**–**	–	–	–	–
		88 325		63 674		144 778
Total revenue						
Construction Materials	**55,5**	**1 002 962**	62,3	933 823	60,0	1 865 812
Industrial Minerals	**17,0**	**307 464**	19,0	284 323	18,1	563 167
Bulk Commodities*	**27,5**	**497 701**	18,7	280 378	21,9	682 198
		1 808 127		1 498 524		3 111 177
Operating profit						
Construction Materials	**38,4**	**122 161**	56,6	114 748	40,4	190 182
Industrial Minerals	**19,6**	**62 368**	20,5	41 477	16,6	78 012
Bulk Commodities	**43,5**	**138 191**	24,7	50 035	42,7	201 329
Services	**(1,5)**	**(4 727)**	(1,8)	(3 591)	0,3	1 629
		317 993		202 669		471 152
Operating profit margin on external revenue (%)						
Construction Materials**		**13,2**		13,2		10,9
Industrial Minerals		**20,9**		14,6		14,3
Bulk Commodities*		**27,8**		17,9		29,5
Overall contribution*		**18,5**		14,1		15,9
Other information						
Assets						
Construction Materials***		**1 164 802**		1 133 102		1 080 543
Industrial Minerals		**645 125**		616 047		610 521
Bulk Commodities		**370 572**		416 741		467 230
Services***		**505 458**		536 099		528 718
		2 685 957		2 701 989		2 687 012

1. Segment information *(continued)*

	Unaudited six months ended 31 August 2019 R'000	Restated unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
Liabilities			
Construction Materials	**454 279**	359 420	358 604
Industrial Minerals	**141 424**	113 300	131 860
Bulk Commodities	**59 604**	80 852	56 370
Services****	**481 404**	861 861	730 661
	1 136 711	1 415 433	1 277 495
Capital expenditure (excluding acquisitions through business combinations and RoU assets)			
Construction Materials	**76 895**	49 895	110 643
Industrial Minerals	**6 535**	46 184	63 593
Bulk Commodities	**12 461**	18 554	25 975
Services	**4 174**	1 127	7 332
	100 065	115 760	207 543

* *Comparative information has been reclassified. Refer note 17 for further disclosure.*
** *Excluding goodwill impairment (12,1%) for the year ended 28 February 2019.*
*** *Comparative information has been amended due to IFRS 9 measurement requirements. Refer note 17 for further disclosure.*
**** *The prior year includes the R300,0 million five-year facility with SBSA and FNB.*

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
2. Impairment of goodwill			
Impairment of goodwill	**–**	–	20 468
	–	–	20 468

In the prior year, it was determined that the carrying value of the reporting unit, Afrimat Concrete Products Proprietary Limited, exceeded its fair value, resulting in a R20,5 million goodwill impairment. This was mainly due to the reduction in sales volumes as a result of small medium enterprises entering the market adding to the level of competition.

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
3. Depreciation and amortisation			
Depreciation	**81 412**	73 367	144 712
Amortisation	**811**	797	1 629
	82 223	74 164	146 341

4. Income tax expense

The effective tax rate of the group decreased from 25,5% to 16,5% in the current period, mainly due to the utilisation of previously unrecognised assessed tax losses of R288,3 million, in Afrimat Demaneng Proprietary Limited.

5. Currency translation differences

Foreign currency transactions relating to the Mozambique operations are translated into the presentation currency (ZAR or R) by means of translating assets and liabilities at the closing rate at the date of the statement of financial position and income and expenses at average exchange rates for the year and recognising all resulting exchange differences in other comprehensive income. Exchange differences arising on monetary items that form part of the group's net investment in the Mozambique operations are recognised in other comprehensive income, whilst all other translations including those on short-term receivables, are recognised in profit or loss.

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
6. Other financial assets			
Financial assets at fair value through other comprehensive income	**2 787**	2 643	2 734
Financial assets at fair value through profit or loss	**51 467**	49 935	50 025
Financial assets at amortised cost	**4 415**	8 265	3 939
	58 669	60 843	56 698
Non-current other financial assets	**58 669**	60 843	56 698
Current other financial assets	**–**	–	–
	58 669	60 843	56 698

Refer note 11 for fair value disclosure of other financial assets.

	Number of shares		
	31 August 2019	31 August 2018	28 February 2019
7. Movement in number of treasury shares			
Opening balance	**7 572 503**	6 654 039	6 654 039
Utilised for Share Appreciation Rights Scheme	**(143 635)**	(82 490)	(183 036)
Purchased during the period/year	**256 200**	209 000	1 101 500
Closing balance	**7 685 068**	6 780 549	7 572 503

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

Afrimat Management Services Proprietary Limited ('AMS') holds 407 700 shares, as nominee for the absolute benefit of the participants of the company's Forfeitable Share Plan ('FSP').

The remaining 623 514 shares held in AMS are held for the purposes of the company's Share Appreciation Rights Scheme.

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
8. Borrowings			
8.1 Capital net movement			
Opening balance	**383 546**	436 958	436 958
IFRS 16 adjustment – lease liability	**53 447**	–	–
Borrowings raised	**43 711**	123 433	256 435
Repayments	**(221 518)**	(96 517)	(309 847)
Closing balance	**259 186**	463 874	383 546
Analysis as per statement of financial position			
Borrowings non-current	**148 199**	281 348	235 542
Borrowings current	**110 987**	182 526	148 004
	259 186	463 874	383 546
8.2 Analysis as per statement of cash flow			
New borrowings	**–**	60 000	144 635
Repayments	**(221 518)**	(96 517)	(309 847)
	(221 518)	(36 517)	(165 212)

In FY2018, the group financed the debt included in the general bank facilities into a R300,0 million amortising five-year term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments commencing 30 November 2017.

During the prior year an amount equal to R60,0 million of the original R300,0 million facility commitment which had previously been repaid by the company, was redrawn. This facility was repaid in full during the current period.

During the prior year, the group financed plant and machinery with SBSA to fund capital expenditure and working capital requirements to support growth and expansion of the group. The financed plant and machinery was purchased in preceding years and would have been included in the 'additions' of those respective years. A vehicle asset facility of R109,6 million over 36 months at prime rate minus 1,15% repayable in monthly instalments of capital and interest, was agreed upon for this purpose.

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
9. Other financial liabilities			
Net capital proceeds owing to Afrimat BEE Trust participants	**9 184**	11 663	9 480
	9 184	11 663	9 480

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

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000

10. Authorised capital expenditure

Not yet contracted for			
– Property, plant and equipment	**160 251**	68 155	194 697

11. Fair value estimation

Fair value estimation

The following table presents the financial assets that are measured at fair value:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
At 31 August 2019			
Assets			
Investment property*	**–**	**–**	**3 040**
At fair value through other comprehensive income			
Equity securities**	**71**	**–**	**–**
Environmental funds***	**–**	**2 716**	**–**
At fair value through profit or loss			
Unit trusts***	**–**	**51 467**	**–**
Total assets	**71**	**54 183**	**3 040**
Liabilities			
Trade payables****	**–**	**(16 610)**	**–**
Total liabilities	**–**	**(16 610)**	**–**
At 31 August 2018			
Assets			
Investment property*	**–**	**–**	**3 040**
At fair value through other comprehensive income			
Equity securities**	**95**	**–**	**–**
Environmental funds***	**–**	**2 548**	**–**
At fair value through profit or loss			
Unit trusts***	**–**	**49 935**	**–**
Trade receivables****	**–**	**22 331**	**–**
Total assets	**95**	**74 814**	**3 040**
At 28 February 2019			
Assets			
Investment property*	**–**	**–**	**3 040**
At fair value through other comprehensive income			
Equity securities**	**71**	**–**	**–**
Environmental funds***	**–**	**2 663**	**–**
At fair value through profit or loss			
Unit trusts***	**–**	**50 025**	**–**
Trade receivables****	**–**	**52 522**	**–**
Total assets	**71**	**105 210**	**3 040**

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

** *The fair value was based on quoted market prices at the end of the reporting period.*

*** *The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's statement of financial position.*

**** *The fair value was determined using the three-month forward looking commodity prices and foreign exchange rates as at the end of the reporting period.*

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
12. Dividends			
12.1 Afrimat Limited dividends paid/declared in respect of the current year profits			
Interim dividend paid	**51 574**	27 220	27 220
Final dividend declared/paid	**–**	–	88 823
	51 574	27 220	116 043
12.2 Dividends cash flow			
Current year interim dividend paid	**–**	–	27 220
Previous year final dividend paid	**88 823**	60 170	60 170
Dividends received on treasury shares	**(2 956)**	(1 934)	(2 645)
	85 867	58 236	84 745
Dividends paid by subsidiaries to non-controlling shareholders	**1 185**	945	1 475
	87 052	59 181	86 220

13. Events after reporting date

No material reportable events occurred between the reporting date and the date of this announcement.

14. Contingencies

Guarantees to the value of R70,9 million (August 2018: R87,5 million) were supplied by SBSA to various parties, including the DMR and Eskom, respectively during the period under review.

Guarantees to the value of R18,3 million (August 2018: R76,7 million) were supplied by FNB to various parties, including the DMR and Eskom, respectively during the period under review. The decrease in amount relates to the release of a guarantee of R50,0 million provided to the business rescue practitioner and comprised creditors in terms of the Demaneng acquisition.

Guarantees to the value of R1,6 million (August 2018: R1,6 million) by Lombard's Insurance group, R0,9 million (August 2018: R0,5 million) by ABSA Bank Limited, R116,5 million (August 2018: R98,2 million) by Centriq Insurance Innovation and R2,7 million (August 2018: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMR, Eskom and Chevron South Africa Proprietary Limited.

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

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMR in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R8,2 million (August 2018: R9,3 million). An accrual has been raised in respect of commitments made up to the end of the year.

The company received notice on 31 March 2017 from the Competition Commissioner that it had referred a complaint to the Competition Tribunal, alleging that the company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ('Clinker'), has engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for FY2016 which equates to R16,3 million. The company awaits a final hearing date to be set by the Tribunal.

14. Contingencies *(continued)*

The company received notice on 27 February 2019 from the South African Revenue Service ('SARS'), in terms of which SARS demand payment of R74,3 million from Afrimat Demaneng Proprietary Limited ('Demaneng'). The company submits that the debts owed to SARS prior to the commencement of business rescue proceedings have been settled in full as envisaged in the business rescue plan. On 13 March 2019, the company requested SARS to permanently write off the outstanding balance, in accordance with the provision of section 197 and section 198 of the Tax Administration Act. After taking legal advice and considering the claim, the company is of the opinion that there is no merit to the claim and will therefore vigorously defend itself against SARS. The probability of outflow is remote and no liability has been raised. The company awaits further correspondence from SARS.

	Unaudited six months ended 31 August 2019 R'000	Unaudited six months ended 31 August 2018 R'000	Audited year ended 28 February 2019 R'000
15. Related parties			
Loan balance owing by associate	**8 234**	6 334	7 777
Loan balance owing by joint venture	**14 162**	32 060	11 884
Interest received from associate	**247**	317	574
Interest received from joint venture	**1 444**	420	1 971

16. New accounting standards

New standards adopted by the group

IFRS 16: *Leases*

The group has adopted IFRS 16 from 1 March 2019 using the modified retrospective transition method and therefore comparative figures have not been restated.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The result thereof is that all leases have been recognised on the balance sheet as lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17: *Leases*.

These lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. (The lessee's incremental borrowing rate applied to the lease liability on 1 March 2019 was between 8,4% to 10,1%).

The accounting for lessors did not significantly change.

	1 March 2019 R'000
Operating leases – as lessee disclosed as at 28 February 2019	**33 522**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(27 936)**
Less: Short-term leases recognised as expense	**(1 429)**
Less: Low-value leases recognised as expense	**(5 783)**
Add/(less): Adjustments as a result of a different treatment of extension and termination options	**55 073**
Lease liability recognised as at 1 March 2019	**53 447**

16. New accounting standards *(continued)*

The impact of the adoption of IFRS 16: *Leases* on the consolidated financial statements of the group is as follows:

	Unaudited six months ended 31 August 2019 R'000
Consolidated statement of profit or loss and other comprehensive income	
Reduction of lease rental expense	4 667
Depreciation of right-of-use asset ('RoU')	(3 047)
Finance costs in respect of lease liability	(2 381)
Reduction in profit before tax	(761)
Consolidated statement of financial position	
Right-of-use asset	
RoU asset recognised on 1 March 2019	35 448
Depreciation for the period	(3 047)
Increase in assets	32 401
Equity	
Retrospective adjustment to opening retained earnings at 1 March 2019	12 958
Movement for the period	548
Decrease in retained earnings	13 506
Deferred tax asset	
Retrospective adjustment to deferred tax asset at 1 March 2019	5 041
Movement for the period	213
Increase in deferred tax asset	5 254
Finance lease liability	
Lease liability recognised as at 1 March 2019	53 447
Add: Finance cost	2 381
Less: Lease payments	(4 667)
Increase in financial liabilities	51 161

The group's leasing activities and how these are accounted for

The group leases various land, office buildings and motor vehicles. Rental contracts are made for fixed periods, but may have extension options as described below. Leases are negotiated on an individual basis and contain different terms and conditions.

At 1 March 2019, leases are recognised as a RoU asset and corresponding liability at the application date or at the date at which the leased asset is available for use by the group. Each lease payment is allocated to the liability. Finance cost is charged to profit or loss over the lease period on the remaining balance of the liability. The RoU asset is depreciated over the lease term on a straight-line basis.

Lease payments

The group takes into consideration the following factors when measuring the lease liability:

- Fixed payments less any lease incentives received/receivable;
- Exclude variable lease payments;
- Residual value amounts expected to be payable;
- The exercise price of a purchase option if reasonably certain the option will be exercised;
- Payments of penalties for terminating the lease, if reasonably certain that the option to terminate will be exercised.

The lease payments are discounted using the interest rate implicit in the lease, except if the rate is not determinable in which case the incremental borrowing rate will be used.

16. New accounting standards *(continued)*

Initial measurement of RoU asset

The group has chosen to measure the RoU asset at an amount as if IFRS 16 had always been applied.

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

Impairment

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

Lease period

Extension and termination options are included in a number of leases of the group. The majority of extension and termination options held are exercisable only by the group and not by the respective lessors.

Significant judgements

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

17. Comparative figures

Certain comparative figures were inaccurately reflected and have been reclassified. The classification had no impact on profit.

Statement of profit or loss and other comprehensive income

The misstatement related to the recording of freight and shipping for all foreign sales in Demaneng to the landing port. Foreign sales in Demaneng are made on a free-on-board basis and risks and rewards pass at the loading port. The company has, however, previously recorded freight and shipping to the landing port and recorded a corresponding amount in cost of sales. The company had no obligation to deliver to the landing port.

The effect of the reclassification is as follows:

	31 August 2018		
	As originally presented R'000	Reclassification R'000	Restated R'000
Revenue	1 522 835	(87 985)	1 434 850
Cost of sales	(1 099 057)	87 985	(1 011 072)
Total effect		–	

Statement of financial position

(a) *Impairment of financial assets*

The increase in impairment provision from the incurred loss model to ECL amounted to a R10,8 million (net of taxation) relating to loans to the group's joint venture on 1 March 2018 upon adoption of IFRS 9.

The effect of the impairment is as follows:

	28 February 2018 R'000	IFRS 9: ECL R'000	1 March 2018 R'000
Opening balances			
Current assets			
Trade and other receivables (measured at amortised cost)	368 318	(12 042)	356 276
Equity			
Retained earnings	(1 111 915)	10 812	(1 101 103)
Non-current liabilities			
Deferred taxation	(207 583)	(1 230)	(208 813)

NOTES

Directors
MW von Wielligh*# (Chairman)
AJ van Heerden (CEO)
PGS de Wit (CFO)
GJ Coffee*
L Dotwana*
PRE Tsukudu*#
JF van der Merwe*#
HJE van Wyk*#
JHP van der Merwe*#
HN Pool*#
FM Louw*#
** Non-executive director   # Independent*

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Stellenbosch, 7600
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