



# Unaudited condensed consolidated interim financial results

for the six months ended  
31 August 2020

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## Highlights

Operating profit up **11,0%** to  
**R353,1 million**

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Headline earnings per share  
(‘HEPS’) up **1,1%** to  
**183,9 cents**

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Interim dividend per share  
of **36,0 cents**

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Operating profit margin  
**22,7%**

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Return on net operating  
assets **32,9%**

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Net cash from  
operating activities of  
**R333,7 million**

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Strong balance sheet  
with net cash position

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

**CONSISTENTLY  
DELIVERING**

# Commentary

## Introduction

The Group continued to deliver solid results despite the effect caused by the sudden and unexpected global Covid-19 pandemic. This disruption was countered by implementing proactive measures by Afrimat management to manage and minimise the impact of this pandemic, as well as the Group's diversification strategy, cost reduction and efficiency improvement initiatives.

## Financial results

Headline earnings per share increased by 1,1% from 181,9 cents to 183,9 cents.

Operating profit for the Group increased with 11,0% to R353,1 million despite a decrease of 9,4% in revenue from R1,7 billion to R1,6 billion. The balance sheet of the Group is strong with a net cash position compared to a net debt:equity ratio of 9,4% in the prior year, ending the period with cash and cash equivalents of R330,6 million, an increase of 170,0% from the comparative 2019 period.

The effective tax rate of the Group increased from 16,5% to 28,4% in the current period, mainly due to the utilisation of previously unrecognised assessed losses of R288,3 million, in Afrimat Demaneng Proprietary Limited ('Demaneng iron ore mine'), in the prior year.

## Operational review

Afrimat entered the national lockdown with a very strong balance sheet, positioning it strongly for the uncertainty that may lay ahead. The impact of the national lockdown on the Group was dampened by the partial reopening of the Demaneng iron ore mine and certain Industrial Minerals operations early during the lockdown period. The reopening was undertaken with utmost care to ensure the safety and well-being of all employees. From 20 April 2020, as gazetted by the government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat ramped up operations according to market demand and in line with government regulations. All business units recovered from the Covid-19 impact and returned to profitability during August 2020.

All operating units are strategically positioned to deliver outstanding service to the Group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is diversified and consists of Construction Materials including aggregates and concrete-based products, Industrial Minerals including limestone, dolomite and silica, and Bulk Commodities, which is made up of iron ore.

Good labour relations continued during the period under review, with no labour action occurring in the period. The Group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Afrimat continues to prioritise staff development, training and education on the human capital agenda.

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, continued to make an excellent contribution to the Group results, delivering growth of 135,8% in operating profit of R325,8 million, compared to R138,2 million in the prior year. The mine was allowed to operate at 50,0% of its workforce capacity during April 2020 and 100,0% from May 2020 onwards. The excellent performance was largely due to favourable iron ore pricing during the reporting period.

**Industrial Minerals** businesses across all regions delivered satisfactory results. The segment was able to sell limited quantities of product into certain essential services markets during the lockdown. It was, however, affected by the lockdown and experienced a decrease in operating profit of 60,6% from R62,4 million to R24,6 million.

The **Construction Materials** segment was impacted considerably by the national lockdown, which resulted in no revenue for the month of April, as well as limited revenue during May and June 2020. This resulted in a decrease in operating profit of 97,7% being recorded from R122,2 million to R2,8 million. The segment, however, recovered post the hard-lockdown levels and is now back to monthly sales levels similar to those experienced prior to the lockdown.

## 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 35,3% 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 2019: 36,0 cents) for the period was declared on 28 October 2020. The dividend payable to shareholders who are subject to dividend tax is 28,8 cents per share (August 2019: 28,8 cents per share).

## **Prospects**

There is limited clarity on the future impact of the Covid-19 pandemic, but the Group has recovered from the initial impact and is poised to deliver a strong performance in the second half of the year. The Group is, furthermore, well positioned to capitalise on its strategic initiatives and future opportunities. The Group's future growth will continue to be driven by the successful execution of its proven strategy, recent and current acquisitions and a wider product offering to the market.

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.

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*

28 October 2020

## Dividend declaration

Notice is hereby given that an interim gross dividend, No. 27 of 36,0 cents per share, in respect of the six months ended 31 August 2020, was declared by the board on Wednesday, 28 October 2020.

There are 143 262 412 shares in issue at reporting date, of which 8 583 978 are held in treasury. The total dividend payable is R51,6 million (August 2019: R51,6 million).

The Board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, 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 of the interim dividend are as follows:

Last day to trade <i>cum</i> dividend	Tuesday, 24 November 2020
Commence trading <i>ex-dividend</i>	Wednesday, 25 November 2020
Record date	Friday, 27 November 2020
Dividend payable	Monday, 30 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 November and Friday, 27 November 2020, both dates inclusive.

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Change %	Audited year ended 29 February 2020 R'000
<b>Revenue</b>	<b>1 558 629</b>	1 719 802	(9,4)	3 304 376
Cost of sales	(973 811)	(1 170 592)		(2 239 352)
<b>Gross profit</b>	<b>584 818</b>	549 210	6,5	1 065 024
Operating expenses	(234 733)	(254 486)		(478 400)
Profit on disposal of property, plant and equipment	839	3 144		2 788
Other income	3 625	9 076		13 035
Other net gains and losses	(1 441)	11 049		8 657
Impairment of goodwill (refer to note 3)	-	-		(10 152)
<b>Operating profit</b>	<b>353 108</b>	317 993	11,0	600 952
Finance income	11 595	9 867		18 179
Finance costs	(15 336)	(27 512)		(46 161)
Share of profit of associate and joint venture	143	64		300
<b>Profit before tax</b>	<b>349 510</b>	300 412	16,3	573 270
Income tax expense (refer to note 5)	(99 375)	(49 501)		(108 094)
<b>Profit for the period</b>	<b>250 135</b>	250 911	(0,3)	465 176
<b>Profit attributable to:</b>				
Owners of the parent	248 179	248 994		462 512
Non-controlling interests	1 956	1 917		2 664
	<b>250 135</b>	250 911		465 176
<b>Other comprehensive income</b>				
<b>Items that may be subsequently reclassified to profit or loss</b>				
Currency translation differences	755	(5 161)		(3 586)
<b>Items that will not be reclassified to profit or loss</b>				
Net change in fair value of equity instruments at fair value through other comprehensive income	63	37		88
Income tax effect relating to these items	(14)	(8)		(17)
<b>Other comprehensive profit/(loss) for the period, net of tax</b>	<b>804</b>	(5 132)		(3 515)
<b>Total comprehensive income for the period</b>	<b>250 939</b>	245 779	2,1	461 661
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	248 983	243 862		458 997
Non-controlling interests	1 956	1 917		2 664
	<b>250 939</b>	245 779		461 661
<b>Earnings per share</b>				
Earnings per ordinary share (cents) (refer to note 7)	184,4	183,5	0,5	341,6
Diluted earnings per ordinary share (cents) (refer to note 7)	181,9	182,0	(0,1)	337,7

## Reconciliation of Headline Earnings

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Change %	Audited year ended 29 February 2020 R'000
Profit attributable to owners of the parent	<b>248 179</b>	248 994		462 512
Profit on disposal of property, plant and equipment attributable to owners of the parent	<b>(839)</b>	(3 144)		(2 788)
Impairment of goodwill (refer to note 3)	<b>-</b>	-		10 152
Total income tax effects of adjustments	<b>235</b>	880		781
	<b>247 575</b>	246 730	0,3	470 657
Headline earnings per ordinary share ('HEPS') (cents)	<b>183,9</b>	181,9	1,1	347,7
Diluted HEPS (cents)	<b>181,4</b>	180,3	0,6	343,6

## Condensed Consolidated Statement of Financial Position

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	1 551 695	1 514 283	1 571 519
Investment property*	-	3 040	3 040
Intangible assets	209 632	221 065	210 226
Investment in associate and joint venture	16 514	214	16 420
Other financial assets (refer to note 9)	78 899	58 669	53 015
Deferred tax	39 072	39 712	31 870
<b>Total non-current assets</b>	<b>1 895 812</b>	<b>1 836 983</b>	<b>1 886 090</b>
<i>Current assets</i>			
Inventories	286 703	258 409	260 526
Current tax receivable	4 716	7 199	4 757
Trade and other receivables	526 506	426 516	476 356
Other financial assets (refer to note 9)	41 667	-	-
Cash and cash equivalents	332 747	156 850	167 533
<b>Total current assets</b>	<b>1 192 339</b>	<b>848 974</b>	<b>909 172</b>
<b>Total assets</b>	<b>3 088 151</b>	<b>2 685 957</b>	<b>2 795 262</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Stated capital	238 685	250 161	245 988
Treasury shares	(116 635)	(90 432)	(108 365)
Net issued stated capital	122 050	159 729	137 623
Other reserves	(85 768)	(97 067)	(90 382)
Retained earnings	1 889 478	1 474 501	1 634 537
Attributable to equity holders of the parent	1 925 760	1 537 163	1 681 778
Non-controlling interests	8 341	12 083	7 129
<b>Total equity</b>	<b>1 934 101</b>	<b>1 549 246</b>	<b>1 688 907</b>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Borrowings (refer to note 10)	106 444	148 199	138 761
Provisions	157 794	147 232	152 748
Deferred tax	231 437	209 231	215 943
<b>Total non-current liabilities</b>	<b>495 675</b>	<b>504 662</b>	<b>507 452</b>
<i>Current liabilities</i>			
Other financial liabilities	8 909	9 184	9 631
Borrowings (refer to note 10)	152 061	110 987	157 071
Current tax payable	28 147	8 053	11 109
Trade and other payables	467 138	469 444	421 072
Bank overdraft	2 120	34 381	20
<b>Total current liabilities</b>	<b>658 375</b>	<b>632 049</b>	<b>598 903</b>
<b>Total liabilities</b>	<b>1 154 050</b>	<b>1 136 711</b>	<b>1 106 355</b>
<b>Total equity and liabilities</b>	<b>3 088 151</b>	<b>2 685 957</b>	<b>2 795 262</b>

\* During the current year 'Investment property' was transferred to 'Property, plant and equipment' due to a change in use.

## Condensed Consolidated Statement of Cash Flows

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	405 726	484 278	781 573
Finance income received	11 575	9 583	17 829
Dividends received	49	15	64
Finance costs paid	(11 262)	(23 085)	(37 305)
Tax paid	(72 385)	(45 791)	(85 351)
<b>Net cash inflow from operating activities</b>	<b>333 703</b>	425 000	676 810
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(45 466)	(55 345)	(154 245)
Proceeds on disposal of property, plant and equipment	4 419	12 800	34 320
Loans advanced to associate	(51 356)	-	-
Purchase of financial assets	(159)	(15)	(369)
Acquisition of share of associate	-	-	(16 020)
Repayment of other financial assets	294	-	6 390
<b>Net cash outflow from investing activities</b>	<b>(92 268)</b>	(42 560)	(129 924)
<b>Cash flows from financing activities</b>			
Repurchase of Afrimat shares	(12 026)	(8 721)	(28 815)
Proceeds from borrowings (refer to note 10.2)	43 982	-	54 908
Repayment of borrowings (refer to note 10.2)	(102 921)	(219 233)	(305 050)
Capital elements of lease payments (refer to note 10.2)	(5 889)	(2 285)	(8 191)
Repayment of other financial liabilities	(723)	(290)	(1 212)
Acquisition of additional non-controlling interest	-	-	(10 854)
Dividends paid (refer to note 13.3)	(744)	(87 052)	(137 769)
<b>Net cash outflow from financing activities</b>	<b>(78 321)</b>	(317 581)	(436 983)
Net increase in cash, cash equivalents and bank overdrafts	163 114	64 859	109 903
Cash, cash equivalents and bank overdrafts at the beginning of the period	167 513	57 610	57 610
<b>Cash, cash equivalents and bank overdrafts at the end of the period</b>	<b>330 627</b>	122 469	167 513

## 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
<b>Balance at 1 March 2019*</b>	258 292	(85 822)	(94 391)	1 307 129	11 351	1 396 559
<b>Total comprehensive income</b>						
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	-	-	(5 161)	-	-	(5 161)
<b>Total comprehensive income</b>	-	-	(5 132)	248 994	1 917	245 779
<b>Transactions with owners of the parent</b>						
<b>Contributions and distributions</b>						
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 to note 13.3)	-	-	-	(85 867)	(1 185)	(87 052)
<b>Total contributions and distributions</b>	(8 131)	(4 610)	2 456	(81 622)	(1 185)	(93 092)
<b>Total transactions with the owners of the parent</b>	(8 131)	(4 610)	2 456	(81 622)	(1 185)	(93 092)
<b>Balance at 31 August 2019</b>	250 161	(90 432)	(97 067)	1 474 501	12 083	1 549 246
<b>Balance at 1 March 2019*</b>	258 292	(85 822)	(94 391)	1 307 129	11 351	1 396 559
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	462 512	2 664	465 176
Other comprehensive income for the year	-	-	(3 515)	-	-	(3 515)
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	88	-	-	88
Income tax effect	-	-	(17)	-	-	(17)
Currency translation differences	-	-	(3 586)	-	-	(3 586)
<b>Total comprehensive income</b>	-	-	(3 515)	462 512	2 664	461 661
<b>Transactions with owners of the parent</b>						
<b>Contributions and distributions</b>						
Share-based payments, net of tax	-	-	14 157	-	-	14 157
Purchase of treasury shares	-	(28 815)	-	-	-	(28 815)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(12 304)	6 272	(6 633)	6 633	-	(6 032)
Dividends paid (refer to note 13.3)	-	-	-	(136 051)	(1 718)	(137 769)
<b>Total contributions and distributions</b>	(12 304)	(22 543)	7 524	(129 418)	(1 718)	(158 459)

## Summary 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
<b>Changes in ownership interest</b>						
Additional non-controlling interest acquired due to:						
- Afrimat Logistics Limitada	-	-	-	-	12	12
- Infrasors	-	-	-	(5 686)	(5 180)	(10 866)
<b>Total changes in ownership interests</b>	-	-	-	(5 686)	(5 168)	(10 854)
<b>Total transactions with the owners of the parent</b>	(12 304)	(22 543)	7 524	(135 104)	(6 886)	(169 313)
<b>Balance at 29 February 2020</b>	245 988	(108 365)	(90 382)	1 634 537	7 129	1 688 907
<b>Balance at 1 March 2020</b>	<b>245 988</b>	<b>(108 365)</b>	<b>(90 382)</b>	<b>1 634 537</b>	<b>7 129</b>	<b>1 688 907</b>
<b>Total comprehensive income</b>						
Profit for the period	-	-	-	248 179	1 956	250 135
Other comprehensive income for the period	-	-	804	-	-	804
Net change in fair value of equity instruments at fair value through other comprehensive income	-	-	63	-	-	63
Income tax effect	-	-	(14)	-	-	(14)
Currency translation differences	-	-	755	-	-	755
<b>Total comprehensive income</b>	-	-	804	248 179	1 956	250 939
<b>Transactions with owners of the parent</b>						
<b>Contributions and distributions</b>						
Share-based payments, net of tax	-	-	10 572	-	-	10 572
Purchase of treasury shares	-	(12 026)	-	-	-	(12 026)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(7 303)	3 756	(6 762)	6 762	-	(3 547)
Dividends paid (refer to note 13.3)	-	-	-	-	(744)	(744)
<b>Total contributions and distributions</b>	<b>(7 303)</b>	<b>(8 270)</b>	<b>3 810</b>	<b>6 762</b>	<b>(744)</b>	<b>(5 745)</b>
<b>Total transactions with the owners of the parents</b>	<b>(7 303)</b>	<b>(8 270)</b>	<b>3 810</b>	<b>6 762</b>	<b>(744)</b>	<b>(5 745)</b>
<b>Balance at 31 August 2020</b>	<b>238 685</b>	<b>(116 635)</b>	<b>(85 768)</b>	<b>1 889 478</b>	<b>8 341</b>	<b>1 934 101</b>

\* In the prior year, opening balances were amended due to the implementation of IFRS 16.

## Notes

### 1. Basis of preparation

The unaudited condensed consolidated interim financial results ('financial statements') for the six months ended 31 August 2020 ('the period') are prepared in accordance with the requirements of the JSE Limited ('JSE') for provisional reports, and the requirements of the Companies Act. The JSE requires the provisional reports 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 29 February 2020.

The financial statements have not been audited or reported on by Afrimat's auditors, PricewaterhouseCoopers Inc., and have been prepared under the supervision of the Chief Financial Officer ('CFO'), PGS de Wit CA(SA).

### 2. 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, responsible for allocating resources and assessing performance of the operating segments, is 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 segments. Products are allocated to these segments, based on the market use of these 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 2020	Unaudited six months ended 31 August 2020	Split six months ended 31 August 2019	Unaudited six months ended 31 August 2019	Split year ended 29 February 2020	Audited year ended 29 February 2020
	%	R'000	%	R'000	%	R'000
<b>Revenue</b>						
<b>External revenue</b>						
Construction Materials	41,8	651 965	53,7	922 917	51,9	1 714 180
Industrial Minerals	15,3	238 749	17,4	299 184	16,7	552 683
Bulk Commodities	42,9	667 915	28,9	497 701	31,4	1 037 513
		1 558 629		1 719 802		3 304 376
<b>Intersegment revenue</b>						
Construction Materials	92,0	78 928	90,6	80 045	77,9	138 384
Industrial Minerals	2,3	1 956	9,4	8 280	8,8	15 585
Bulk Commodities	-	-	-	-	-	-
Services	5,7	4 932	-	-	13,3	23 714
		85 816		88 325		177 683
<b>Total revenue</b>						
Construction Materials	44,5	730 893	55,5	1 002 962	53,2	1 852 564
Industrial Minerals	14,6	240 705	17,0	307 464	16,3	568 268
Bulk Commodities	40,6	667 915	27,5	497 701	29,8	1 037 513
Services	0,3	4 932	-	-	0,7	23 714
		1 644 445		1 808 127		3 482 059
<b>Operating profit</b>						
Construction Materials	0,8	2 764	38,4	122 161	32,0	192 438
Industrial Minerals	7,0	24 574	19,6	62 368	15,9	95 568
Bulk Commodities	92,3	325 829	43,5	138 191	53,5	321 665
Services	(0,1)	(59)	(1,5)	(4 727)	(1,4)	(8 719)
		353 108		317 993		600 952

## Notes (continued)

### 2. Segment information (continued)

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>Operating profit margin on external revenue (%)</b>			
Construction Materials	0,4	13,2	11,2
Industrial Minerals	10,3	20,9	17,3
Bulk Commodities	48,8	27,8	31,0
Overall contribution	22,7	18,5	18,2
<b>Other information</b>			
<b>Assets</b>			
Construction Materials	1 140 759	1 164 802	1 140 593
Industrial Minerals	607 816	645 125	591 289
Bulk Commodities	563 153	370 572	498 630
Services	776 423	505 458	564 750
	3 088 151	2 685 957	2 795 262
<b>Liabilities</b>			
Construction Materials	357 777	454 279	400 257
Industrial Minerals	104 337	141 424	106 852
Bulk Commodities	92 078	59 604	97 182
Services	599 858	481 404	502 064
	1 154 050	1 136 711	1 106 355
<b>Capital expenditure</b>			
Construction Materials	30 767	76 895	170 123
Industrial Minerals	11 862	6 535	21 963
Bulk Commodities	25 320	12 461	58 391
Services	6 859	4 174	22 961
	74 808	100 065	273 438

### 3. Impairment of goodwill

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
Impairment of goodwill	-	-	10 152
	-	-	10 152

In the prior year, it was determined that the carrying value of the reporting unit, SA Block Proprietary Limited, exceeded its fair value, resulting in a R10,2 million goodwill impairment. This was mainly due to the reduction in sales volumes resulting from a slowdown in the market and a decline in demand for construction materials in the Gauteng area. This contributed to the Company not achieving its budget and significant pressure on margins.

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>4. Depreciation and amortisation</b>			
Depreciation	92 958	81 412	175 672
Amortisation	840	811	1 495
	<b>93 798</b>	82 223	177 167

#### 5. Income tax expense

The effective tax rate of the Group increased from 16,5% to 28,4% in the current period, mainly due to the utilisation of previously unrecognised assessed losses of R288,3 million, in Afrimat Demaneng Proprietary Limited, in the prior year.

	Number of shares		
	<b>31 August 2020</b>	31 August 2019	29 February 2020
<b>6. Movement in number of treasury shares</b>			
Opening balance	8 239 965	7 572 503	7 572 503
Utilised for Share Appreciation Rights Scheme	<b>(128 368)</b>	(143 635)	(213 340)
Purchased during the period/year	<b>472 381</b>	256 200	880 802
Closing balance	<b>8 583 978</b>	7 685 068	8 239 965

The Afrimat BEE Trust (indirectly through Afrimat Empowerment Investments Proprietary Limited) holds, on an unencumbered basis, 6 673 454 shares representing 4,66% of the issued share capital of the Company.

Afrimat Management Services Proprietary Limited ('AMS') holds 899 250 shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP'). The remaining 1 011 274 shares held in AMS are held for the purposes of the Company's Share Appreciation Rights Scheme.

	<b>Unaudited six months ended 31 August 2020</b>	Unaudited six months ended 31 August 2019	Audited year ended 29 February 2020
<b>7. Earnings per share</b>			
<b>Number of shares in issue</b>			
Total shares in issue	143 262 412	143 262 412	143 262 412
Treasury shares (refer to note 6)	<b>(8 583 978)</b>	(7 685 068)	(8 239 965)
<b>Net shares in issue</b>	<b>134 678 434</b>	135 577 344	135 022 447
Weighted average number of net shares in issue	<b>134 597 658</b>	135 666 426	135 379 713
Diluted weighted average number of shares	<b>136 467 419</b>	136 840 409	136 965 803
Profit attributable to ordinary shareholders (R'000)	<b>248 179</b>	248 994	462 512
Earnings per ordinary share (cents)	<b>184,4</b>	183,5	341,6
Diluted earnings per ordinary share (cents)	<b>181,9</b>	182,0	337,7

## Notes (continued)

	<b>Unaudited six months ended 31 August 2020</b>	Unaudited six months ended 31 August 2019	Audited year ended 29 February 2020
<b>8. Financial Position ratios</b>			
<b>8.1 Net asset value ('NAV') per share</b>			
<b>Number of shares in issue</b>			
Total shares in issue	<b>143 262 412</b>	143 262 412	143 262 412
Treasury shares (refer to note 6)	<b>(8 583 978)</b>	(7 685 068)	(8 239 965)
<b>Net shares in issue</b>	<b>134 678 434</b>	135 577 344	135 022 447
Shareholders' funds attributable to owners of the parent (R'000)	<b>1 925 760</b>	1 537 163	1 681 778
<b>Total NAV per share (cents)</b>	<b>1 430</b>	1 134	1 246
<b>8.2 Tangible net asset value ('TNAV') per share</b>			
Shareholders' funds attributable to owners of the parent (R'000)	<b>1 925 760</b>	1 537 163	1 681 778
Intangible assets and goodwill (R'000)	<b>(209 632)</b>	(221 065)	(210 226)
	<b>1 716 128</b>	1 316 098	1 471 552
<b>Total TNAV per share (cents)</b>	<b>1 274</b>	971	1 090
<b>8.3 Net debt:equity</b>			
Total borrowings and other financial liabilities (R'000)	<b>267 414</b>	268 370	305 463
Net cash (R'000)	<b>(330 627)</b>	(122 469)	(167 513)
Net debt (R'000)	<b>(63 213)</b>	145 901	137 950
<b>Net debt:equity ratio (%)</b>	<b>(3,3)</b>	9,4	8,2

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>9. Other financial assets</b>			
Financial assets at fair value through other comprehensive income	<b>720</b>	2 787	2 851
Financial assets at fair value through profit or loss	<b>49 984</b>	51 467	49 475
Financial assets at amortised cost	<b>69 862</b>	4 415	689
	<b>120 566</b>	58 669	53 015
Non-current other financial assets	<b>78 899</b>	58 669	53 015
Current other financial assets	<b>41 667</b>	-	-
	<b>120 566</b>	58 669	53 015

During the year, loans were made to the Group's associate and related party, Unicorn Capital Partners Limited ('UCP') and Nkomati Anthracite Proprietary Limited ('Nkomati'), respectively. The UCP loan (including interest accrued) of R20,0 million bears interest at 24,0% and is repayable by 31 December 2020. The Nkomati loan (including interest accrued) consists of a R21,6 million and R27,4 million loan, bearing interest at 24,0% and 10,0%, repayable by 30 September 2020 and 31 December 2021, respectively. No repayment has been received to date.

In the prior year, the Group granted funding to UCP of an amount of R17,7 million, bearing interest at 24,0% per annum and was repayable before or on 30 September 2020, the classification being trade and other receivables. In the current year, the nature and terms and conditions of the loan changed in that it is used to fund the working capital requirements of UCP and resulting in the classification as other financial assets.

Refer to note 12 for fair value disclosure of other financial assets.

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>10. Borrowings</b>			
<b>10.1 Capital net movement</b>			
Opening balance	295 832	383 546	383 546
Change in accounting policy due to implementation of IFRS 16 in the prior year	-	53 447	53 447
Borrowings raised	71 483	43 711	172 080
Repayments	(108 810)	(221 518)	(313 241)
<b>Closing balance</b>	<b>258 505</b>	259 186	295 832
Analysis as per statement of financial position			
Borrowings non-current	106 444	148 199	138 761
Borrowings current	152 061	110 987	157 071
	<b>258 505</b>	259 186	295 832
<b>10.2 Analysis as per statement of cash flow</b>			
Opening balance	295 832	383 546	383 546
Change in accounting policy due to implementation of IFRS 16 in the prior year	-	53 447	53 447
Borrowings raised	43 982	-	54 908
Borrowings raised – non-cash	27 501	43 711	117 172
Instalment sale agreements	25 502	43 711	109 723
Lease liabilities	1 999	-	7 449
Repayments	(108 810)	(221 518)	(313 241)
Instalment sale agreements and medium-term loans	(102 921)	(219 233)	(305 050)
Lease liabilities	(5 889)	(2 285)	(8 191)
<b>Total closing balance borrowings</b>	<b>258 505</b>	259 186	295 832

In February 2020, the Group acquired a US\$4,0 million (August 2019: US\$Nil) revolving credit facility, of which US\$2,7 million (R47,2 million) (August 2019: US\$Nil) was drawn, with Standard Bank (Mauritius) Limited. The facility bears interest at Libor plus 2,6% payable quarterly and is available for the next 18 months.

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>11. Authorised capital expenditure</b>			
<b>Not yet contracted for</b>			
- Property, plant and equipment	88 992	160 251	189 702

## Notes (continued)

### 12. 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
<b>At 31 August 2020</b>			
<b>Assets</b>			
At fair value through other comprehensive income			
Equity securities*	81	-	-
Environmental funds**	-	639	-
At fair value through profit or loss			
Unit trusts**	-	49 984	-
Trade receivables***	-	159 812	-
<b>Total assets</b>	<b>81</b>	<b>210 435</b>	<b>-</b>
<b>At 31 August 2019</b>			
<b>Assets</b>			
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	-
<b>Total assets</b>	<b>71</b>	<b>54 183</b>	<b>3 040</b>
<b>Liabilities</b>			
Trade payables***	-	(16 610)	-
<b>Total liabilities</b>	<b>-</b>	<b>(16 610)</b>	<b>-</b>
<b>At 29 February 2020</b>			
<b>Assets</b>			
Investment property****	-	-	3 040
At fair value through other comprehensive income			
Equity securities*	81	-	-
Environmental funds**	-	2 770	-
At fair value through profit or loss			
Unit trusts**	-	49 475	-
Trade receivables***	-	125 312	-
<b>Total assets</b>	<b>81</b>	<b>177 557</b>	<b>3 040</b>

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

\*\* The fair 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.

\*\*\* Trade receivables/payables measured at fair value relates to Afrimat Demaneng Proprietary Limited. The fair value was determined using the three-month forward-looking iron ore price and foreign exchange rate as at the end of the reporting period.

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

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
<b>13. Dividends</b>			
<b>13.1 Afrimat Limited dividends paid/declared in respect of the current year profits</b>			
Interim dividend declared/paid	51 574	51 574	51 574
	<b>51 574</b>	<b>51 574</b>	<b>51 574</b>
<b>13.2 Afrimat Limited dividends paid/declared in respect of the prior year profits</b>			
Final dividend declared	116 042	-	-
	<b>116 042</b>	<b>-</b>	<b>-</b>
<b>13.3 Dividends cash flow</b>			
Current year interim dividend paid	-	-	51 574
Previous year final dividend paid	-	88 823	88 823
Dividends received on treasury shares	-	(2 956)	(4 346)
	<b>-</b>	<b>85 867</b>	<b>136 051</b>
Dividends paid by subsidiaries to non-controlling shareholders	<b>744</b>	1 185	1 718
	<b>744</b>	<b>87 052</b>	<b>137 769</b>

The Group declared a final dividend on 27 July 2020 of 81,0 cents per ordinary share for the year ended 29 February 2020, paid on 7 September 2020.

## 14. Events after reporting date

### Coza Mining Proprietary Limited ('Coza')

On 17 August 2020, the Company entered into a Sale of Shares agreement, in terms of which the Company will purchase 100% of the issued ordinary shares of Coza Mining Proprietary Limited ('Coza') ('Assets'), with operations in South Africa, for a purchase consideration of R300,0 million, payable upon the fulfilment of certain conditions.

The following conditions precedent had not been met at the reporting date:

- granting of Jenkins mining right;
- written acknowledge of receipt of the section 11 approval from the Department of Mineral Resources and Energy ('DMRE').

### Unicorn Capital Partners Limited ('UCP')

The Company announced on 9 October 2020, that the Firm Intention to acquire all the ordinary shares in Unicorn Capital Partners Limited ('UCP') not already held by Afrimat, was approved by the requisite majority shareholders.

The Company will acquire the remaining UCP shares by way of a scheme of arrangement ('Scheme') in terms of section 114 of the Companies Act, No. 71 of 2008 where UCP shareholders will receive one Afrimat ordinary share for every 280 UCP ordinary shares disposed of, with no cash alternative.

The Scheme will be subject to the conditions as set out in the Conditional Firm Intention by Afrimat.

The following conditions precedent had not been met at the reporting date:

- written consent to the transfer of UCP Shares in terms of the Scheme obtained from the Industrial Development Corporation of South Africa and ABSA Bank Limited in terms of the change of control provisions under their respective loan/funding agreements with subsidiaries of UCP and agreement not to proceed in foreclosing on outstanding debt due by those subsidiaries; and
- acceptance of a strategic and mining management agreement by the Mpumalanga Economic Growth Agency, a minority shareholder.

As per the SENS announcement published on 5 October 2020, Afrimat has applied for UCP's subsidiary, Nkomati, to be placed under supervision and to commence business rescue proceedings in order to secure further funding advanced to Nkomati through post commencement finance.

## Notes (continued)

### 15. Contingencies

Guarantees to the value of R69,6 million (August 2019: R70,9 million) were supplied by Standard Bank of South Africa ('SBSA') to various parties, including the Department of Mineral Resources and Energy ('DMRE') and Eskom, respectively during the period under review.

Guarantees to the value of R204,3 million (August 2019: R18,3 million) were supplied by First National Bank ('FNB') to various parties, including the DMRE and Eskom, respectively during the period under review. The increase in amount relates to the additional guarantee of R189,2 million obtained for the Coza acquisition.

Guarantees to the value of R1,6 million (August 2019: R1,6 million) by Lombard's Insurance Group, R0,9 million (August 2019: R0,9 million) by ABSA Bank Limited, R175,8 million (August 2019: R116,5 million) by Centriq Insurance Innovation and R2,7 million (August 2019: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited. The value of Centriq guarantees has increased due to the proportionate increase in quantum calculations affected by National Environmental Management Act ('NEMA') requirements.

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 DMRE 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 2019: R8,2 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'), had 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 F2016 which equates to R16,3 million. The Company still awaits a final hearing date to be set by the Tribunal.

	<b>Unaudited six months ended 31 August 2020 R'000</b>	Unaudited six months ended 31 August 2019 R'000	Audited year ended 29 February 2020 R'000
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### 16. Related parties

Loan balance owing by associate	69 053	8 234	27 451
Loan balance owing by joint venture	-	14 162	-
Interest received from associate	2 589	247	626
Interest received from joint venture	-	1 444	1 457

In the prior year, the Group acquired 27,3% of UCP's share capital for an amount of R16,0 million. Further to this acquisition, the Company announced on SENS on 9 October 2020 that the Firm Intention of Afrimat to acquire all the ordinary shares not yet held by Afrimat in UCP, was approved by requisite majority shareholders.

Refer to note 9 for further details regarding loans to associate.

UCP released their reviewed condensed consolidated financial results for the year ended 30 June 2020 on 2 October 2020, reflecting a total loss for the year of R199,7 million. This loss relates mainly to impairments that occurred prior to the Afrimat investment in the associate. The remaining portion attributable to the Afrimat Group does not significantly impact the results and is therefore not included.



#### **Directors**

MW von Wielligh\*\* (Chairman)

AJ van Heerden<sup>o</sup> (CEO)

PGS de Wit\* (CFO)

C Ramukhubathi<sup>o</sup>

GJ Coffee\*

L Dotwana\*

PRE Tsukudu\*\*

JF van der Merwe\*\*

HJE van Wyk\*\*

JH van der Merwe\*\*

HN Pool\*\*

FM Louw\*\*

\* *Non-executive director*

# *Independent*

o *Executive director*

#### **Registered office**

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Tyger Valley, 7530

(PO Box 5278, Tyger Valley, 7536)

#### **Sponsor**

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1st Floor, Ou Kollege Building

35 Kerk Street

Stellenbosch, 7600

(PO Box 7403, Stellenbosch 7599)

#### **Auditor**

PricewaterhouseCoopers Inc.

PWC Building

Capital Place, 15 – 21 Neutron Avenue, Techno Park

Stellenbosch, 7600

(PO Box 57, Stellenbosch, 7599)

#### **Transfer secretaries**

Computershare Investor Services Proprietary Limited

(Registration number 2004/003647/07)

Rosebank Towers, 15 Biermann Avenue

Rosebank, 2196

(PO Box 61051, Marshalltown, 2107)

#### **Company secretary**

C Burger

Tyger Valley Office Park No. 2

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#### **Announcement date**

29 October 2020