Integrated annual report

2020

AFRIMAT®
LIMITED

CONSISTENTLY
DELIVERING

Contents

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Performance for the year

Financial Performance

Since 2009, Afrimat's share price rose 1 400% and over the past five years it is up 19% – during the time when most other companies felt the pain of an economic deterioration.

Afrimat is hedged against economic volatility through wide diversification, which generates a balanced and consistent income stream.

Afrimat has a superb track record in acquiring, assimilating and growing businesses.

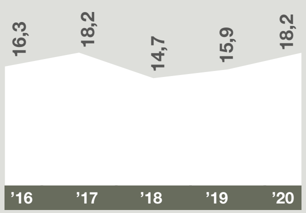
Return on net operating assets **30,9%**

Net debt:equity ratio **8,2%**

Strong balance sheet

Operating profit margin (%)

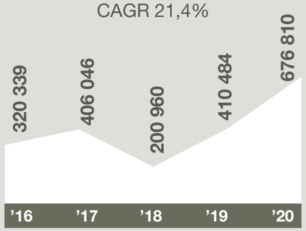
18,2%



Net cash from operating activities (R'000)

676 810

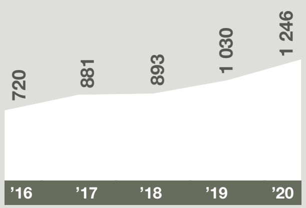
CAGR 21,4%



NAV per share (cents)

1 246

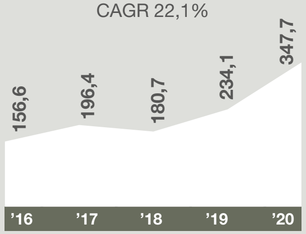
CAGR 14,7%



HEPS (cents)

347,7

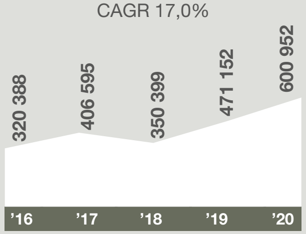
CAGR 22,1%



Operating profit (R'000)

600 952

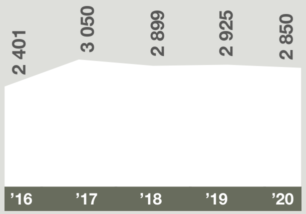
CAGR 17,0%



Share price at year-end (cents)

2 850

CAGR 4,4%



Safety is our top priority

No fatalities for **eight** consecutive years.

Advancing sustainability

Value creation in communities

Consolidated Broad-Based Black Economic Empowerment status improved to a level 4 (level 5 in 2019)

Skills and socio-economic development spend R40,4 million (2019: R30,6 million)

Preferential procurement B-BBEE score of 71,5% (2019: 58,3%) as verified by South African National Accreditation System ('SANAS') Accredited B-BBEE Rating Agency

Certain subsidiary companies achieved a B-BBEE status of level 1

About this report

Afrimat is a leading black empowered Group with its main business and core competence in open pit mining. The Group supplies industrial minerals and construction materials to a range of industries across southern Africa. It further supplies bulk commodities to local and international markets. It is listed in the 'Construction & Materials' sector of the JSE Main Board since 2006.

Corporate information

The Group's executive directors are Andries J van Heerden (CEO), Pieter GS de Wit (CFO) and Collin Ramukhubathi. They can be contacted at the registered office of the Company. The Company Secretary is Catharine Burger. See contact details on the inside back cover of this integrated annual report.

The integrated annual report 2020 is available in hard copy, on request, from the Company Secretary and is also published on the Group's website www.afrimat.co.za.

Our integrated annual report 2020 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with accurate, balanced and transparent reporting. Overall the report is intended to give our stakeholders a better understanding of the material issues, risks and opportunities that we face in terms of business sustainability, value creation and growth over the short-term (less than 12 months), medium term (one to three years) and long term (beyond three years).

Reporting parameters

This integrated annual report 2020 presents the annual financial results and the economic, environmental, social and governance performance of the Group for the year ended 29 February 2020.

For more information, see the annual financial statements on pages 60 to 123.

Frameworks applied

In compiling this report, Afrimat considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in December 2013 and endorsed by the IRC South Africa in March 2014, as well as the Information Papers issued by the IRC South Africa in December 2014 and 2015. Our report conforms to the requirements of local and international integrated reporting frameworks, the South African Companies Act 2008, JSE Listings Requirements and the Mining Charter. We continue to use the GRI guidelines for our sustainable development reporting. The Company applies the majority of principles in the King IV™ Report. An explanation and summary for each principle is provided and published on the Group's website www.afrimat.co.za. This is to allow stakeholders to make an informed decision as to whether Afrimat is achieving the four good governance outcomes required by King IV™.

Materiality

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

Risk management

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

Refer page 33 for the risk management report.

Forward-looking disclaimer

This integrated annual report 2020 contains forward-looking statements that, unless otherwise indicated, reflect the Company's expectations as at 29 February 2020. Actual results may differ materially from the Company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions realise differently. The Company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason.

Six capitals categorisation

The Company has not formally adopted the six capitals categorisation of the International <IR> Framework. However, throughout the integrated annual report we explain our dependence and impact on the forms of capital that are fundamental to our ability to achieve our strategy. The capitals are covered throughout the report and highlighted and explained on pages 6 and 7.

Approval of the report

The Afrimat Board approved this integrated annual report and authorised its release on 19 June 2020.

Combined assurance

A combined assurance model is used to provide Afrimat with assurance obtained from management, internal and external assurance providers. PricewaterhouseCoopers Inc. are the auditors of Afrimat and provided an unmodified opinion after auditing our consolidated annual financial statements 2020. The extracts from the annual financial statements in this integrated annual report are from audited information but not audited.

The Group's financial, operating, compliance and risk management controls are assessed by the Group's internal audit function, which is overseen by the Audit, Risk and Compliance Committee.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

19 June 2020

Our business

Construction of six brick and mortar classrooms

Thomas Nhlapo Primary School is a farm school situated in Daleside and has 700 learners from the surrounding farms. The school initially had an admin block, six brick and mortar classrooms and several mobile containers being used as classrooms. The containers were dilapidated and not conducive for learning. As part of the Local Economic Development Project, our Glen Douglas Dolomite mine in Meyerton removed the dilapidated container classrooms and funded the building of two new blocks of classrooms. The mine also assisted with the rezoning and consolidation application after it was discovered that the school did not have approved building plans and that the six erfs of the school were never rezoned and consolidated. Construction began shortly thereafter with 16 local jobs being created. The official handover of the new blocks was on 5 February 2020 with dignitaries from the Department of Education and Midvaal Local Municipality in attendance.

Business overview

Footprint

Afrimat primarily engages in open pit mining processing and the supply of a broad range of industrial minerals and construction materials to an assortment of industries across southern Africa. In addition, Afrimat supplies bulk commodities to local and international markets.

The Group has extensive in-house industry experience, and a stable employee base.

Business operations

Construction Materials

- 27 Commercial quarries
- 24 Readymix batching sites
- 9 Concrete brick and block factories
- 5 Sand and gravel mines
- 3 Clinker sources
- Mobile crushing and screening
- Drilling and blasting

Industrial Minerals

- 2 Dolomite mines
- 2 Limestone mines
- 1 Silica mine

Bulk Commodities

- 1 Iron ore and manganese mine

	Construction Materials	Industrial Minerals	Bulk Commodities
	Aggregates I Contract crushing, drilling and blasting Concrete products I Readymix	Limestone I Dolomite I Silica	Iron ore
Core activities	Open pit mining and processing of aggregates products Contract crushing, drilling and blasting Concrete brick and block manufacturing and readymix concrete batching	Open pit mining and processing of industrial minerals	Open pit iron ore and manganese mining
Revenue contribution	52% 	17% 	31% 
Products	■ Clinker ash ■ Aggregates: roadstone, concrete stone, layer-works materials, ballast ■ Manufactured and natural sand ■ Stone dust ■ Building blocks and bricks ■ Pavers ■ Lintels ■ Readymix concrete	■ Metallurgical dolomite ■ Metallurgical quartzite ■ Metallurgical limestone ■ High calcium neutralisation limestone ■ Agricultural lime ■ Hydrated lime ■ Un-slaked lime – calcium oxide ■ Slaked lime – calcium hydroxide ■ Silica sand ■ Ultra-fine limestone and dolomite ■ Dolomite fillers	■ Top-end quality iron ore from Hematite geology up to 65% Fe ■ Lump and fine fraction product range ■ Siliceous manganese ore ■ Mixed metal manganese ore
Services	■ Mobile crushing ■ Mobile screening ■ Drilling ■ Blasting ■ Readymix concrete batched on demand and transported to customers by concrete mixer trucks ■ Readymix mortars	■ Open cast mining services ■ Limestone beneficiation	■ Iron ore beneficiation ■ Open cast mining services
Markets/ applications	■ Building and construction ■ Low-cost housing ■ Residential and commercial property ■ Civil engineering and infrastructure projects ■ Renewable energy projects ■ Power distribution network ■ Mines ■ Road and bridge building ■ Railroads ■ Concrete product manufacturers ■ Readymix producers ■ Power stations	■ Metallurgical manufacturers ■ Water and sewage treatment ■ Acid mine drainage treatment ■ Paints and plastics ■ Foundries ■ Glass manufacturers ■ Tile adhesive manufacturers ■ Agriculture ■ Renewable energy projects ■ Power distribution network ■ Chemical	■ International export ■ Local consumption ■ Mine to road to train to port logistics
Quality assurance	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.** **Blocks and bricks manufactured in accordance with SABS specification.**	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.**	**All ore products manufactured in accordance with customer specifications and sold in terms of the Platts iron ore 62% grade for export. The utilisation of an in-house test laboratory for continuous process control and quality and specification statements are generated by an outsourced accredited laboratory.**
Vertical integration	**Supply the majority of aggregates used by Afrimat's own Concrete Based Product ('CMP') divisions.**		**In-house mining services provided:** ■ **Mobile crushing, drilling and blasting performed by the Group's contracting segment. Furthermore, this segment is utilised to manage and operate a railway load out station with direct access to the Oryx Sishen-Saldanha rail link.**

Value creation through the use of capitals

Capital		Trade-off	Outlook	Input
FINANCIAL CAPITAL	**The money obtained from providers of capital and the retained earnings generated by operations to support all business activities and invest in the strategy. Furthermore, creating and managing stakeholder value (including social development, dividends for shareholders and salaries for employees).**	Due to the volatile and uncertain market conditions, a decision was made to keep gearing low and to preserve additional cash resources.	Afrimat is investigating future business acquisitions to increase sustainable financial growth. A strong balance sheet and cash balance enables the Company to exploit possible investment opportunities and expansion.	Market capitalisation of R4,1 billion (2019: R4,2 billion) Net debt:equity of 8,2% (2019: 23,8%) to execute growth Funding facilities of R1,1 billion (2019: R1,0 billion) of which R316,3 million is utilised (2019: R603,6 million)
NATURAL CAPITAL	**We depend on natural resources to create value and returns for our stakeholders. Environmental management is a critical part of the management process.**	Using natural resources may sometimes negatively affect human and social capital. This is a key trade-off for generating value across the other capitals. We are, however, committed to minimise the environmental impact of our operations and activities.	Accelerate and expand our response in an effort to be resilient in a lower-carbon future. Refer to page 39.	Water used 633,8 thousand cubic metre ('m³') 33,2 million tCO_2/kWh (2019: 43,2 million tCO_2/kWh) electricity 14,3 million litres (2019: 8,6 million litres) fuel
MANUFACTURED CAPITAL	**The tangible and intangible infrastructure used to conduct our business activities. We leverage off our asset base (including plant and equipment), successful awarding of mining rights and information technology assets to service customers.**	Mining and run-of-mine operations have a positive impact on manufactured capital, but negative for financial capital, marginally offset by rising product value.	Beneficiation leads to multiple product development, sales and associated benefits.	74 operations throughout southern Africa creating a distribution network and general infrastructure (including technology) which enable us to produce, deliver and sell our products and services Property, plant and machinery R767,7 million (2019: R723,8 million)
HUMAN CAPITAL	**How we select, develop and manage our people.**	Investing in attracting, retaining and developing the best talent, thereby resulting in employee costs being a significant cost to our business and in turn, impacting financial capital.	Attracting, retaining and developing our employees will increase sustainable growth in the long term. Safety remains a top priority and a focus area.	Strong leadership team, driving our entrepreneurial culture A diverse Board and executive team 2 289 (2019: 2 258) employees with relevant knowledge, skills and experience
SOCIAL AND RELATIONSHIP CAPITAL	**To operate as a responsible corporate citizen. Fostering a good relationship with stakeholders (including customers, capital providers, regulators and other stakeholders).**	Maintaining quality relationships across all stakeholders require financial capital inputs, but generally generates positive returns across most capitals over the longer term.	Creating an effective shareholder engagement strategy. Further improvements in our transformation strategy and B-BBEE status as well as socio-economic development.	Good relationships with the communities surrounding our mining operations and production plants Confidence of shareholders by creating an effective shareholder engagement strategy
INTELLECTUAL CAPITAL	**Our strong brand, procedures and processes and the knowledge of our people constitute our intellectual capital. The balance of new opportunities and core strengths ensures growth.**	Our commitment to implementing reliable systems as well as determining the role of Artificial Intelligence ("AI") and big data, may result in pressure on some existing traditional job functions, but will harvest opportunities in new roles.	Implementation of agile business processes across all business units. Maintain our reputation as a quality supplier with an exceptional brand.	Enabling growth through sound business principles and new opportunities The intangibles that constitute our product and service offering and provide our competitive advantage

Shareholders | Lenders/providers of capital | Employees | Customers | Trade unions | Major contractors, suppliers and business partners | Government, local authorities and regulatory bodies | Local communities

Capital	Outcomes	Page reference	
FINANCIAL CAPITAL	Revenue up 11,4% to R3,3 billion EBITDA up 26,0% to R778,1 million Net cash generated from operations: R676,8 million (2019: R410,5 million) HEPS 347,7 cents (2019: 234,1 cents) Total dividend per share declare: 36 cents (2019: 81 cents) Net debt:equity of 8,2% (2019: 23,8%)	14 60	CFO's report Annual financial statements
NATURAL CAPITAL	169,2 tCO_2e (2019: 162,9 tCO_2e) emissions	39	Environmental responsibility
MANUFACTURED CAPITAL	Capital expenditure of R273,4 million (2019: R207,5 million) Depreciation and amortisation of R177,2 million (2019: R146,3 million)	38 58 60 39	Legal and mining right compliance Technology and systems Annual financial statements Environmental responsibility
HUMAN CAPITAL	Wages and salaries of R664,4 million (2019: R604,7 million) 15 (2019: 14) artisans successfully trained Board attendance of 100% (2019: 100%)	41 28 52	Safe and reliable operations Governance structure Remuneration report
SOCIAL AND RELATIONSHIP CAPITAL	Spending on skills and socio-economic development of R40,4 million (2019: R30,6 million) B-BBEE Level 4 (2019: Level 5) Preferential procurement B-BBEE score of 71,5% (2019: 58,3%) as verified by SANAS Accredited B-BBEE Rating Agency	8 37 48	Stakeholders Social, ethics and sustainability Transformation
INTELLECTUAL CAPITAL	Investment in quality assurance and research and development R5,5 million (2019: R4,9 million)	4 60	Business overview Annual financial statements

Value creation (R'000)

Total value added
R1 481 533

Value added by operations
R1 460 566

Income from investment
R18 179

Profit on sale of property, plant and equipment R2 788

- Remunerate employees 45%
- Reward providers of capital 12%
- Government and community 8%
- Replace assets 13%
- Expand the Group 22%

Stakeholders

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

Our approach

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

Stakeholder groups

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

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Employees	▪ Job security ▪ Personal growth and development ▪ Skills development ▪ Remuneration and incentives ▪ Sustainability ▪ Safety ▪ Health and wellness ▪ Transformation ▪ Job satisfaction	▪ Annual culture climate survey ▪ Employment equity forums ▪ Regular reinforcement of Code of Conduct and policies/ procedures ▪ Training sessions ▪ News updates ▪ Understanding "The Afrimat Way" ▪ Annual performance reviews ▪ Union meetings as required	▪ Executive Head: HR & Sustainability and General Manager: HR assisted by all management	▪ Investment in training and talent management ▪ Dedicated skills development division ▪ Skills Development and Employment Equity Consultative Committees established for each subsidiary ▪ Ongoing health and safety programme ▪ Weekly 'toolbox talks'
Customers	▪ Quality ▪ Service ▪ Value for money ▪ Product availability ▪ Credit facility levels	▪ Annual customer surveys conducted to determine service improvement opportunities ▪ Contractual engagement ▪ Personal interaction with main customers ▪ Product brochures ▪ Traditional and social media ▪ Product testing	▪ CEO, MDs of subsidiaries and sales teams	▪ Commitment to quality products and service excellence ▪ Product and quality feedback ▪ Account queries and payment
Shareholders/ investors	▪ Profitability ▪ Strategy to ensure sustained financial growth ▪ ROI (share price and dividends) ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Sound corporate practices ▪ Cost reductions ▪ Labour relations ▪ Sustainability ▪ Ethics ▪ Transparent executive remuneration ▪ Reputational issues	▪ Annual and interim results announcements ▪ Integrated annual report ▪ SENS announcements and trading updates ▪ Website publications ▪ Group results presentations ▪ 1:1 meetings ▪ Roadshows ▪ AGM ▪ Results of decisions taken at shareholders' meetings published on the Company's website following the meetings ▪ Media releases ▪ Site visits ▪ Investor open days ▪ Regular investor perception polls	CEO assisted by the CFO	▪ Feedback from results presentations and 1:1 meetings relayed to and dealt with at Board level ▪ Consistent dividend payments ▪ Publishing of voluntary SENS announcements to address shareholder concerns ▪ Shareholder engagement meetings ▪ Educating shareholders regarding business processes by means of arranging site visits and an annual investor open day ▪ Feedback on Company performance, future prospects and strategy ▪ Feedback on economic, social and environmental risks

Stakeholder	What matters to them	Tools of engagement	Responsibility	Our response
Lenders/providers of capital	▪ Capital management ▪ Sustainability ▪ Profitability ▪ Liquidity and solvency ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Punctuality and ability to meet capital and interest payments ▪ To comply with covenant requirements	▪ Contractually required information flow ▪ Annual and interim results announcements ▪ Regular meetings	▪ CFO assisted by financial managers	▪ Feedback from meetings relayed to and dealt with at Board level ▪ 1:1 meetings with financier relationship managers to identify risks and discuss viable funding options
Trade unions	▪ Wage negotiations ▪ Bargaining council agreements ▪ Conditions of employment ▪ Engagement on safety issues ▪ Engagement on health and wellness issues	▪ Regular meetings at the relevant levels	▪ General Manager: HR assisted by all management	▪ Ongoing focus on labour and employee relations ▪ Consistency in industrial relations ▪ Recognition agreements at industry level
Major contractors, suppliers and business partners	▪ Consistent offtake ▪ Group payment record ▪ BEE compliance and local economic development	▪ Contract and service agreements ▪ Whistleblower's hotline ▪ Results presentations ▪ Supplier days	▪ CEO and MDs of subsidiaries	▪ Regular business updates to suppliers ▪ Vision and values ▪ Group strategy and financial performance ▪ Group policies and guidelines ▪ Transformation and employment equity ▪ Health and safety ▪ B-BBEE compliance
Government, local authorities and regulatory bodies	▪ Compliance with mining licence requirements ▪ Regulatory compliance ▪ B-BBEE status and black shareholding ▪ Environmental compliance ▪ Skills development ▪ Enterprise development ▪ Job creation ▪ Employment equity ▪ Uplift communities and environments in which we operate	▪ Lobbying with government departments ▪ Regular communication ▪ Report our impact on communities and environment	▪ CEO, Executive Head: HR & Sustainability and MD's of subsidiaries	▪ Developing DMRE required social and labour plans in conjunction with local municipalities ▪ Raising awareness of local economic, social and infrastructure conditions and gaining approval for government funded projects ▪ Focus on procurement from suppliers with BEE shareholding ▪ Energy, water and waste reduction ▪ Education and job creation
Local communities	▪ Environmental issues – dust, emission, water, traffic, noise, unsightly development ▪ Infrastructure development ▪ Economic upliftment ▪ Job creation ▪ Enterprise development ▪ Preferential procurement	▪ Dialogue with local community interest groups	▪ Executive Head: HR & Sustainability and MDs of subsidiaries and branch operational managers	▪ Supplementing labour force from surrounding communities ▪ Practicing a limited automation policy ▪ Prioritising environmental management of operations

Chairman's report

Matie von Wielligh

The culmination of diversification, attractive iron ore prices, and recovery across all the businesses, in addition to the dedication to a core operating model, resulted in Afrimat's strong financial performance.

The year under review

It is always a pleasure to report back to shareholders on the performance of Afrimat, a Company that continues to demonstrate absolute dedication towards the principles upon which the business was founded and has subsequently been built. Aside from excellent governance and ethical behaviour, there is unwavering attention to ensuring efficiencies across all operations, strict cash management, mindful capital allocation and a focus on business development where new applications and diversity add to a drive for a balanced portfolio to which our expertise can be added. All of this supports our fundamental principles. Over the years we have found that sticking to this proven formula ensures positive stakeholder and shareholder returns.

In FY2020, the business performed exceptionally well, with all the segments showing improvement. After some restructuring in the Construction Materials segment in KwaZulu-Natal, we are pleased with the resultant performance. This is the case too with Industrial Minerals where entering new markets, increasing volumes, reducing costs and implementing efficiency improvements lifted the segment's performance. Once again, the iron ore mine, Demaneng, helped deliver attractive results and ensured strong cash flow for Afrimat.

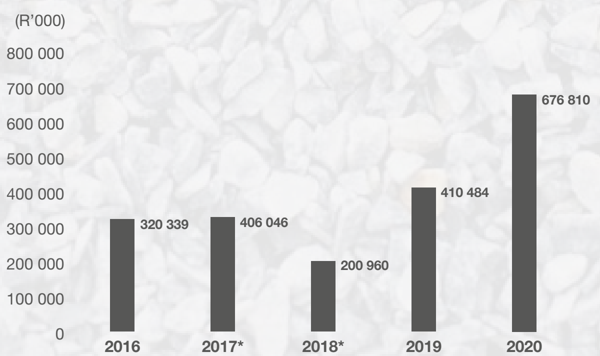
You can read more about the segment results on page 26 of this integrated annual report.

This pulling together of all the segments has placed Afrimat in a strong position to weather as best we can the Covid-19 pandemic. Who would have thought that a tiny virus could bring the world to an almost complete standstill? During the lockdown period in South Africa, the majority of Afrimat's operations ceased, except for the Demaneng mine, which operated at 50% capacity, and in strict adherence to the guidelines set out by Government.

As a critical industry, by 20 April 2020 we were thankfully able to begin operating again. However, opening and ramp-up in production at quarries and operations took some time and was also market dependent. We were also not willing to take any short cuts that would in any way adversely affect our employees as they are our most important asset. Going forward we will have a new way of operating, mindful of social distancing and paying even more stringent attention to the health of those around us. Afrimat is equipped to deal with all of this but, as we have mentioned on many occasions, we need to know the exact parameters and the rules according to which we can operate, and we will adapt accordingly.

The unwavering management of cash and debt sets Afrimat up to enter a potentially difficult year in a much stronger position than most. Cash generated in FY2020 resulted in the net debt level being less than 10% and I am confident that we will weather this storm, but this will be within strict controls, given the uncertainties still in place.

Net cash from operating activities – full year

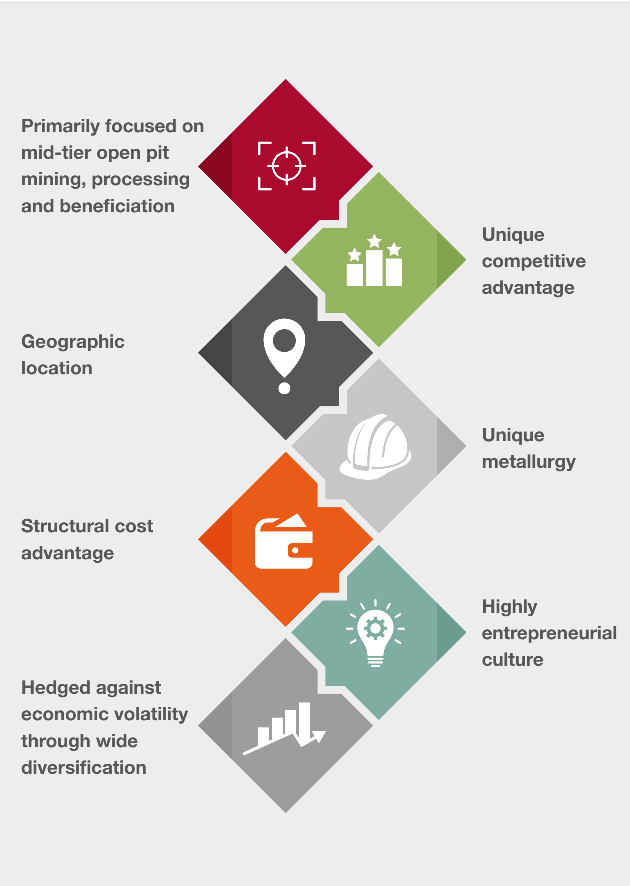


** Net cash from operating activities was impacted by an amount of R80,0 million paid in 2018, resulting from PAYE owed by The Afrimat BEE Trust.*

Cape Lime Vredendal

Strategic focus remains core to Afrimat

I cannot emphasise enough that the Group is meticulous with regard to ensuring its strategic focus and not deviating from its core expertise. This laser-like focus in turn drives shareholder value through sustainable earnings. Afrimat has not only survived a dismal climate but has thrived. Had we remained exclusively focused on construction materials, the outcome would not have been the same. Having said this, our diversification drive is underpinned by remaining true to our core areas of competence which are:



Environmental, Social, Governance ('ESG')

Our ESG principles remain sound across the business, with employees being a core component of our efforts. A vast amount of time is dedicated to employee well-being and as a result there was no labour action during the year.

Environmentally, we are governed by the DMRE and we have an excellent relationship with the department, which we respect. In fact, we go beyond simply adhering to all their principles. From a governance perspective, Afrimat observes the spirit and principles of the JSE Listings Requirements, King IV™, the Framework for Integrated Reporting, the Mining Charter and the Companies Act.

Afrimat has made significant progress during FY2020 in developing social and labour plans and executing the requirements to assist in developing the communities in which we operate.

Governance across the Group is strong and unwavering, with a unitary Board as well as all the necessary sub-committees in place. Afrimat also adheres to fair remuneration practices. All the ordinary and special resolutions as set out in the notice of AGM were approved by the requisite majority of shareholders present at the meeting or represented by proxy.

What we expect for the future

As a result, not only of Covid-19, but also the downgrade of the South African economy and a general slow-down for a period of time of the world economy, a 'new normal' will be in place for the coming year. We remain hopeful that once Government is sure it has provided as much humanitarian relief as possible, that it will swiftly turn its attention to the economy, providing the necessary stimulus needed. The efforts of our Government to kick-start the economy will, in our view, be making a difference but will still not create a strong growth in economic activity that we, as a country, desperately need.

We foresee that the year ahead will not be plain sailing. However, I know that the executive and management teams at Afrimat will find the markets and volumes required to produce satisfactory results. We will continue to manage the business as prudently as possible, respectful of the cash we generate.

On this note, the Board of Directors took a decision together with executive management in the Board meeting held on 20 May 2020, to defer the decision of declaring a dividend. This is to ensure that we are able to continue to pay employees across the business. Once we are in a position to understand the exact impact of Covid-19, we will review the declaration and payment thereof. As mentioned, it is my belief that thanks to the conservative manner in which Afrimat manages cash flow and the balance sheet will ensure that it can weather the Covid-19 crisis, especially since the Group had close to zero debt at the time of writing this report.

Much of our successful diversification is attributable to making well priced and strategic acquisitions. This is set to continue, and we have a handful of interesting opportunities in the pipeline, which are currently being evaluated. Of these, some will add to current capacity and others will add depth to the diversity of the Group.

Appreciation

I have been fortunate in that the executive team continues to excel under the leadership of Andries van Heerden, who guides the business and human capital growth in the most remarkable way.

Our Board of Directors is effective, small and compiled of dedicated people who give the necessary time to Board and committee meetings, as well as thorough input on matters that arise. I would like to thank each and every one of you for your dedication and guidance.

The outstanding performance of Afrimat would not be possible without the commitment of all of our people, which has been unwavering. We know that the year ahead will not be easy, and we will need to call on all of you to remain absolutely focused on your work and your duties, which we know you will do to the best of your ability, as you have in the past. Thank you for your ongoing passion for this business.

The continued support of shareholders, business partners, customers, suppliers and all our stakeholders is also immensely appreciated. Thank you for your steadfast support.

Matie von Wielligh

19 June 2020

CEO's report

Andries van Heerden

The Group delivered exceptional results, supported by its diversification strategy, cost reduction and efficiency improvement initiatives.

What has been the defining event this financial year?

I would not be able to single out a specific event, but rather the culmination of all the elements of a strategy to deliver very pleasing results on almost all of our critical performance metrics. Everyone is aware that the last decade in South Africa has been difficult as the economic growth rate consistently decreased and as a country, we have had to fight the dual scourges of corruption and state capture. Despite this, the Afrimat model proved to be robust as we relentlessly looked for, and implemented, diversification initiatives. However, it has not only been diversification that has supported our strategy, but also a vigorous drive across the businesses to find new applications for products, push efficiencies, watch costs and limit any unnecessary spending. Sometimes this was simply not enough and in some businesses and regions we have had to take hard decisions to restructure. That being said, for this year it has been the culmination of diversification, attractive iron ore prices and recovery across all the businesses that has resulted in Afrimat's strong financial performance.

Turning to the Afrimat financial results, we know that iron ore is a great addition to the diversification strategy, but it looks like the other segments are doing exceptionally well despite economic setbacks. What is this attributable to?

I often mention the Afrimat culture as being one that is driven by excellence, innovation, forward thinking and a perpetual drive to find new applications or industries into which our products can be sold. This definitely happened across the different business units during the year, while we were able to reap the benefits of painful restructuring that was done in the previous year in specific parts of the construction materials business. This, together with good cash generation from the iron ore business, ensured the overall financial health of Afrimat. With our strong cash balance and extremely low debt, Afrimat is in a very fortunate position considering the uncertainty that came with the Covid-19 pandemic which suddenly impacted the entire world. The devastating influence of Covid-19 became visible in South Africa after this reporting period and the full impact was not yet known at the time of writing.

Afrimat, as a conscious employer, has done a huge amount to support staff development. What areas are you most proud of?

I am most proud of the young people who joined our internship programs just a few years ago who have grown to be very successful young leaders and professionals. We discovered early on in our journey that as a responsible corporate we had to actively ensure our human capital is skilled and has sufficient opportunities within the Group to grow and thrive. Every day I see examples of people taking up opportunities and excelling, whether it be through education, training or simple hard work. The care and opportunities we have provided have ensured that we have committed employees who respect the Afrimat culture and way. This results in a wonderful working environment where everyone fully understands their role. This also ensures that our culture becomes self-sustaining where our team members can experience fulfilment.

What are the hurdles you foresee Afrimat having to navigate in the coming year?

Having been in a fortunate position of being able to deliver good results for a number of years, we know that the one thing we cannot be is complacent. I expect that the South African economy is going to suffer, not only due to the unprecedented impact of Covid-19, but also due to the country downgrade which is going to hurt. Much will depend on how Government approaches economic stimulus. The president has indicated that infrastructure development will form an important part of the stimulus, and that could bode well for Afrimat. The positive actions already taken by the South African Reserve Bank in making two reductions in the interest rate are encouraging, but more is needed.

It is also imperative that the construction sector is revived, and we are hoping Government assists the sector. It is a cornerstone of the economy with one of the highest multiplication factors for every Rand spent on it. This can assist with job creation and skills development. We remain encouraged by Government's initiatives to assist in the development of small and medium-sized operators and Afrimat has and continues to develop good working relations with these operators.

From an Afrimat perspective, we will need to ensure that the business returns to previous levels of production and profitability as soon as possible after the lockdown. We need to maintain our cost effectiveness and our ability to nimbly adapt if required.

How do you foresee the private and public sector working together on economic stimulus?

I have always advocated that in South Africa, Government alone cannot fix all the problems the country faces. Now, more than ever, there has to be a concerted effort between the public and private sector to ensure that as many businesses as possible are able to continue to operate as they are in turn responsible not only for their job opportunities, but for ensuring that families and the greater community are also able to function.

Does your appetite for acquisitions remain strong, given the need to conserve cash?

Most definitely. We remain confident in our ability to execute our strategy, and in so doing, ensure that Afrimat is able to provide shareholders with acceptable returns. We expect that in the current environment we will be presented with attractive acquisition opportunities, which, as always, we have to ensure can contribute effectively to the Group and deliver a good return on invested capital.

What will the impact of Covid-19 be on Afrimat?

The impact on a global and local scale is devastating on both a humanitarian and economic level. I would like to commend the Government of South Africa and its leadership for reacting as quickly as it did to ensure our people are as safe as they can be and to limit the spread of the virus in our country, which has enough challenges as it is. The humanitarian reaction was swift and correct, in our opinion. What now needs to follow is an economic reaction that is as quick and as direct in order to stimulate a recovery so as to help the most vulnerable in the economy. Much pertaining to the disease as well as its overall impact on the globe is still to be determined.

On 18 March, 23 March, 1 April 2020 and 12 May 2020, Afrimat updated the market regarding operational closures during lockdown. From 17 March 2020, the majority of Afrimat's operations went into lockdown, except for the Demaneng iron ore mine and some of its limestone operations, which operated at 50% of staff capacity as mandated by regulations pertaining to the mining industry.

On 20 April 2020, as gazette by Government, industries in the mining and quarrying sector were granted permission to resume operations. For Afrimat, the start-up was ramped up in conjunction with its customer base's ability to purchase product.

At the time of writing, critical staff who were able to work from home, did so and Afrimat has maintained full pay for workers for the duration of the lockdown. These are unprecedented times and the situation is monitored daily. The economic future of South Africa is in a precarious balance with Government and the private sector needing to work together more so than ever before.

Appreciation

We strive to create a space for all our people in which they can thrive and build meaningful livelihoods for themselves, to support their families and grow and develop their skills base whilst building our business.

To all our employees, I want to thank you for always delivering beyond what is expected of you. To our customers, thank you for your loyal support and to all our other stakeholders, thank you for your contribution. To my management team, you continue to surprise me. Your energy, dedication and ability to thrive ensures that Afrimat continues to return the best it can to shareholders and stakeholders.

It remains a pleasure to serve on the Afrimat Board. Leadership at Board level and the guidance our Board members provide to executive management is outstanding and for this I am grateful.

What lies ahead is a year that will continue to face challenges on a scale not yet experienced. The manner in which Afrimat approaches day-to-day business will be the same approach we will continue to take to navigate these unchartered waters, knowing we are in a better position than most given our minimal debt level and strong cash position. We will do our utmost to ensure revenue and profitability remain high to see us through this year and I thank everyone who is part of this journey for the role you play in making this happen. We are truly blessed.

Andries van Heerden

19 June 2020

Achievements

- Improvement in procurement spend towards black-owned suppliers, services and consumables
- Continuous improvement in Mining Charter scores
- Continued reduction of Section 54* and 55** notices
- Improvements on the implementation of the Social and Labour Plan
- Continuous improvement on environmental industry ASPASA audits
- Continuous improvement in health and safety standards, presidential audits and Industry ISHE ASPASA audits
- Successful cost improvement initiatives
- Bulk Commodities segment delivered an exceptional contribution to Group results
- Over eight consecutive calendar years without a fatality
- Good cash generation and strong financial performance, resulting in a strong balance sheet

Challenges

- Continuous changes in legislation governing the industry, i.e. environmental laws, B-BBEE and DMRE requirements
- Establishing a reporting framework and measurement of emissions to comply with impending carbon tax laws
- Declining economic growth in the construction sector
- Exposure to foreign exchange fluctuations and commodity price volatility
- LTIFR increased from 0,56 to 0,86 during the current financial year (refer to page 41 for safety initiatives)
- Onboarding of talent and retention of key employees
- South African economic contraction

Brewelskloof

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

CFO's report

Pieter de Wit

The strong balance sheet, conservative approach to debt and the resilience and determination of our segments, continues to ensure a steady financial performance.

Introduction

It is once again my pleasure to present the background and thinking that Afrimat applies to financial reporting. In summary, external revenue increased by 11,4% from R3,0 billion to R3,3 billion and operating profit increased by an impressive 27,5% from R471,2 million to R601,0 million, mainly due to an improvement across all three business segments, including an excellent performance by the Bulk Commodities segment.

Group revenue up 11,4% to **R3,3 billion**

Operating profit up 27,5% to **R601,0 million**

Headline earnings per share ('HEPS') up **48,5%** to 347,7 cents

Return on net operating assets **30,9%**

Operating profit margin **18,2%**

Net debt:equity ratio improved from 23,8% to **8,2%**

The most significant achievement of this set of results is the fact that our diversification strategy is working, demonstrating improvements across all three segments. Even though Demaneng is the largest contributor we are pleased that the contribution is not restricted to price, but also reflects improved volumes.

	2020	2019
Demaneng total sales volumes (tons)	919 112	688 002

Across the year, strong cash generation was deployed to reduce debt, resulting in a strong balance sheet and setting Afrimat up to be in a good position to weather the Covid-19 storm.

A strong focus on financial technology – predict, real time and forecast information

For a couple of years now, Afrimat has focused on two broad areas pertaining to technology assisting the finance team, culminating in the ability to forecast our financial position ahead of time.

The first area of focus was to alleviate as much manual and repetitive work as possible, freeing up financial managers to switch from capturing financial data into analysing information and to pick up trends and make implementable recommendations. The second area of focus was to bring the month-end cut off earlier.

Currently we are not quite at real time, but we are very near. The ultimate benefit of these two focus areas is that Afrimat has developed an ability to call on predictive analytics and the result of this is that decisions can be made quickly. The use of the technology has provided operational management with a sense of where things can be tweaked to get a better result. This focus enables Afrimat to be nimble and agile and react quickly whether it be internal, towards suppliers or with volumes. This detailed understanding of our numbers and predictive outcome of changes to the levers in our control, has helped Afrimat tremendously to implement changes quickly which have resulted in positive financial outcomes.

The environment we operate in is changing more rapidly now than ever before and so a switch to predictive analytics enables Afrimat to keep pace with these changes.

Results such as these would not be possible without our dedicated, determined and innovative operational management teams and our employees. They are in the field daily and understand their markets extremely well. As a support to these operational teams, the financial team has also rolled up their sleeves and spent time evaluating and gaining a deep understanding of how technology can assist, not only to ensure accuracy of the results, but also to ensure that the consolidated results are available in the shortest time possible. The most important aspect of having timeous financial information at hand is that Afrimat is then able to react rapidly to circumstances and rectify them.

As always, included on page 58 is an Technology and Systems Report, which I urge you to read to understand how technology is a critical part of our efficiency.

Numbers to consider when assessing Afrimat

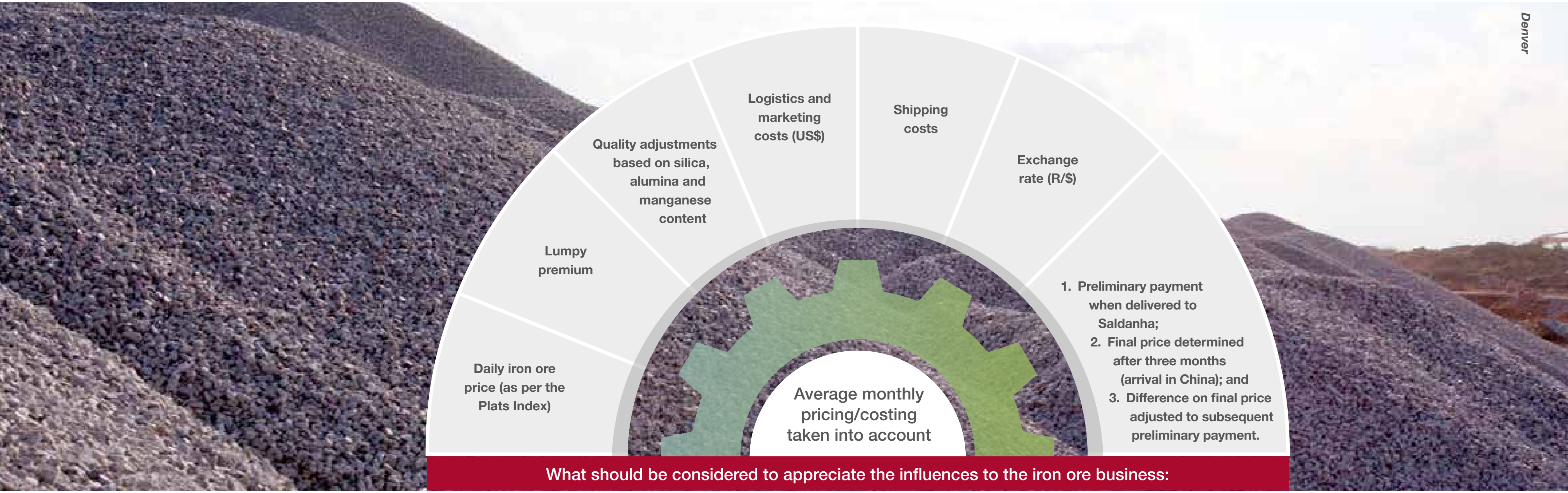
Return on capital	Return on net assets	Debt:equity	Cash conversion
27,9%	30,9%	8,2%	1,45

Operating profit margins

11,2% Construction Materials	31,0% Bulk Commodities
17,3% Industrial Minerals	18,2% Overall

Segmental contributions (operating profit)

- Construction Materials 31%
- Industrial Minerals 17%
- Bulk Commodities 52%



Denver

CFO's report (continued)

Unpacking the earnings

Despite the dire economic circumstances that have prevailed for a number of years and with the world now having to cope with Covid-19, it is a pleasure to be writing this report. I remain mindful of all companies in South Africa and across the world that are not in the same position as Afrimat and pray that they are able to navigate their environment for survival.

Revenue increased by 11,4% to R3,3 billion (2019: R3,0 billion), with an operating profit of R601,0 million. This is an increase of 27,5% in operating profit, which is primarily a result of a stringent focus on efficiency, cost savings and the business's ability to pay attention to new product development application.

The Group adopted IFRS 16 from 1 March 2019 using the modified retrospective approach and therefore comparative figures have not been restated, as permitted under the specific transition provisions in the standard. 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*. Refer to note 21 of the annual financial statements which contains a detailed explanation.

The Afrimat balance sheet remains strong, largely supported by careful management but also proof that our products reflect resilience.

The effective tax rate of the Group decreased from 27,9% to 18,9% in the current year mainly due to the utilisation of previously unrecognised assessed tax losses of R288,3 million in Afrimat Demaneng Proprietary Limited.

Headline earnings per share grew by 48,5% from 234,1 cents per share to 347,7 cents per share.

Net cash from operating activities increased by 64,9% to R676,8 million, which resulted in an improvement of the net debt:equity ratio from 23,8% in the prior year to 8,2% in the current year.

In the annual goodwill impairment test, it was identified that the carrying value of the SA Block Proprietary Limited (2019: Afrimat Concrete Products Proprietary Limited) cash-generating unit, exceeded its recoverable amount. 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. As a result of this, a goodwill impairment of R10,2 million (2019: R20,5 million) was recorded.

Cash, capital management and capital expenditure

In the year under review, we have managed cash and capital sensibly and used it primarily to pay down debt. Paying down debt has ensured a strong balance sheet making it strong enough to support the raising of debt should this be required for acquisitions. Afrimat has sufficient working capital and facilities in place for the foreseeable future.

Going forward, as with everything that Afrimat does, cash and capital management will continue to be stringently monitored. We will likely continue with the share buyback programme, but it will be kept to a minimum, only buying back for the share incentive scheme. We envisage that there could be a postponement on certain capital items until we have a better understanding of the implication of Covid-19.

Planned capital expenditure for the 2020 financial year was estimated to be R249,5 million but R273,4 million was spent. The overspend was a strategic decision to save operational costs by replacing rented fleet with owned fleet amounting to R12,2 million and R14,4 million at the Demaneng mine and load out facility, respectively. Included in the capital spent was the addition of a fixed crushing plant at Demaneng to the value of R33,8 million.

Expense monitoring

Expenses continue to be managed and in the current year increased by only 6%, close to half of the increase in revenue. Going forward we have identified that there are areas we could further assess, but these have to be carefully balanced against the consequence of cutting the cost to limit unintended detrimental impacts on the Group.

Long-term sustainability of the Company, together with the well-being of our staff will remain our priority, believing that stakeholders and shareholders will in the long run benefit from this strategy.

Update on tax query

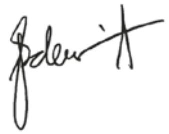
An update relating to a demand letter of R74,3 million from SARS received in 2019 can be found in note 16 of the annual financial statements. I am pleased to report that engagement with SARS has resulted in their acknowledgement that the claim will be written off.

Afrimat remains a viable going concern

Management performed an assessment of the Group's ability to remain a going concern and is satisfied that Afrimat will continue to be operational in the coming financial year.

Conclusion

To be responsible for the financial health of Afrimat does not solely rest on my shoulders – it is a group-wide commitment to deliver as much value as possible for shareholders and other stakeholders whilst still ensuring that our human capital is well provided for with market-related salaries and benefits. The results we have reported for 2020 make my role all that much easier. What lies ahead for South Africa and the rest of the world in light of the Covid-19 pandemic will make the year a lot more difficult than any we have faced in the past. However, in my opinion, operational management is able to look through these challenges and come up with viable alternatives, in addition to opening up new markets, no matter how tight markets seem to be. As we brace for poor economic growth and uncertainty pertaining to Covid-19, I can assure you that Afrimat will continue to be as prudent, if not more, with cash preservation. We suspect that potential acquisition opportunities will present themselves and here, once again, we will evaluate each of these and ensure that returns are in excess of what we pay.



Pieter de Wit
19 June 2020

02

Our strategy

Bass Lake project

Open cast mining operations essentially consist of stripping of the overburden to get access to the ore body or mineral required, followed by other mining activities such as drilling, blasting, loading and hauling and processing of the mineral. Selling and despatching of the final processed product is the final step.

These activities can have a negative impact to the biodiversity of the area. If operated well, the negative impact can be minimised. The positive impact is job creation and increase in economic activity, community skills development and local infrastructure development.

Good mine planning that includes complying with legislation automatically assists us to be more sustainable. For example, better management and recycling of water and reducing energy consumption helps us to reduce the cost of doing business.

Monitoring and reducing of water consumption and carbon footprint continue to be focus areas, as well as good relations with the communities we operate in and mine closure planning.

The Bass Lake project is a typical example of an exhausted quarry rehabilitated and converted into a recreational facility for diving and leisure activities.

Group's top priorities for 2021

- Further expand the Bulk Commodities asset base
- Focus on optimisation of existing Construction Materials and Industrial Mineral businesses
- Increased focus on ESG
- Navigating the business through the economic turmoil caused by Covid-19

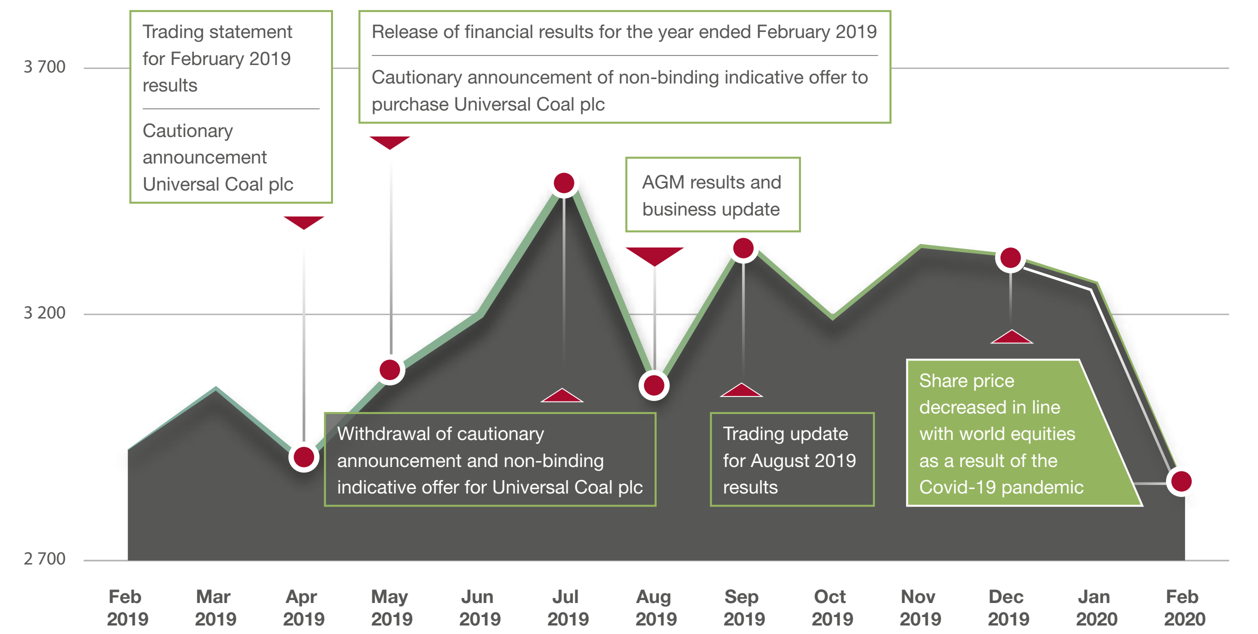
Share performance

at year-end

	FY2020	FY2019	FY2018	FY2017	FY2016
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**8 241**	7 573	6 654	7 188	1 919
Net number of ordinary shares in issue ('000)	**135 021**	135 689	136 608	136 074	141 343
Weighted number of ordinary shares in issue ('000)	**135 380**	136 387	136 271	141 713	142 240
Headline earnings per share (cents)	**347,7**	234,1	180,7	196,4	156,6
Price:earnings ratio	**8,2**	12,5	16,0	15,5	15,3
Market price per share at year-end (cents)*	**2 850**	2 925	2 899	3 050	2 401
Market capitalisation based on issued shares (R'000)	**4 082 979**	4 190 426	4 153 177	4 369 504	3 439 731
Market capitalisation based on issued shares less treasury shares ('000)	**3 848 110**	3 968 915	3 960 278	4 150 280	3 393 661

* *Market price per share at date of listing (7 November 2006 – issue price 500 cents).*

Share price (cents)



Group strategy, material issues and key risks

Our strategy requires sustainable value creation in the immediate and longer term. The Board reviews the relevancy of our strategic objectives annually. An integrated approach to strategy, risk management and performance has been adopted.

Our strategic objectives address material issues that have been identified as risks that could significantly affect the Group's ability to create value in the immediate and longer term.

The following strategies and their value creation in terms of the six capitals are represented below:

Capital created

Refer to capital inputs for value creation reflected on page 6

- Financial capital
- Human capital
- Natural capital
- Social and relationship capital
- Manufactured capital
- Intellectual capital

Stakeholders

Refer to stakeholders list on page 8

- Shareholders
- Lenders/providers of capital
- Employees
- Customers
- Trade unions
- Major contractors, suppliers and business partners
- Government, local authorities and regulatory bodies
- Local communities

GROWTH THROUGH DIVERSIFICATION

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Hedge against economic volatility	Financial, Manufactured, Intellectual	Customers, Major contractors	An efficient hedge against volatile local business conditions was created. The Bulk Commodities segment's operating profit increased by 59,8% from R201,3 million to R321,7 million during the year under review.	Reduce reliance on local economic business environment.
Continuous research of business environment	Financial, Manufactured, Intellectual	Shareholders, Customers, Major contractors	Research into possible new markets is ongoing.	Reduce reliance on one key market via organic expansion.
Focus on value enhancing acquisitions* and successful execution thereof	Financial, Manufactured, Intellectual	Shareholders, Customers, Major contractors	The construction of new crushing plant at Demaneng commenced during the current year.	Support organic growth with acquisitive growth.

* *Acquisition purchase consideration should preferably be below 15,0% of Afrimat's market capitalisation, be in Afrimat's space of expertise and create value for shareholders.*

Material issues and key risks	Risk mitigation and opportunities
Fluctuations in the iron ore price	Maintaining a low cost of production and the ability to 'mothball' operations when the price drops to a specified level.
Loss of revenue from economic turmoil caused by Covid-19 and resultant lockdown of various industries in South Africa	Maintaining of a strong balance sheet and cash reserves as well as supplying into essential industries.
Diversification into various products requires further expertise and a full understanding of the relevant market	Structure the group into different clusters, managed by leaders with the required specialist knowledge and expertise.
Human capital resource availability	Onboarding talent, training and upskilling employees. Focus on creating a healthy culture.

Focus areas for next year

- Further expand the Bulk Commodities asset base
- Navigating the business through the economic turmoil caused by Covid-19
- Diversification into other products within Afrimat's area of expertise

Group strategy, material issues and key risks (continued)

MAINTAIN COMPETITIVE ADVANTAGE

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Company culture			Our skills development programme is a cornerstone of our talent attraction and retention strategy.	The talent management programme manages the retention of the Group's top skills. Refer page 46.
Extensive geographic footprint			The construction of new crushing plant at Demaneng commenced during the current year.	The Bulk Commodities sector's operating profit contributes 53,5% of total operating profit.
Structural cost advantage			Improvement of operating profit margins of all operational segments.	The Group was able to maintain an improvement in overall operating profit margin from 15,9% to 18,2%, mainly due to the improved margin of the Bulk Commodities segment.
Unique metallurgies			The Group successfully entered the iron ore industry in the FY2018 with the acquisition of Demaneng. Research into possible new markets is ongoing.	The Demaneng operation contributed materially to the Group's profits for FY2020.
Flexible business model			Focus on efficiency improvement and cost reduction initiatives in all business units.	In the prior year, the KwaZulu-Natal businesses successfully concluded a restructuring process in order to right-size the business for reduced volumes due to a slowdown in the market.

Material issues and key risks	Risk mitigation and opportunities
Information and technology data and network loss	▪ Ensure proper access controls are in place, protection software is installed and backups are made regularly; ▪ Regular penetration tests are performed by external service providers of virus, web security and mail analysing software to ensure the security within Afrimat; and ▪ An appropriate Disaster Recovery Plan is in place.
South African economic slowdown	Diversification into products sold in a different currency than the local currency and diversification into international markets.
Limited life of Demaneng	The new business development team is investigating the acquisition of additional iron ore resources.
Local community unrest	Good relationships are built with local communities. Various skills development and educational programmes are implemented to uplift communities.
Managing geographically dispersed business units	Structure the group into different clusters, managed by leaders with the required specialist knowledge and expertise. Ensure strong communication by means of weekly business performance review ('BPR') sessions.

Focus areas for next year

Further expand the Bulk Commodities asset base

Focus on improving sales volumes and pricing and strong margin management

ORGANIC GROWTH THROUGH INNOVATION

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Strong operational efficiency			Improved operational efficiencies delivered through the implementation and management of an effective key performance indicator ('KPI') system.	The management of and effective KPI system has resulted in better operational efficiency.
Efficient processing plant design and process flow			The planned crushing and dense medium separation ('DMS') production target has been set at 72,5 thousand tons per month.	The Demaneng operation contributed materially to the Group's profits for FY2020. Construction of new crushing plant at Demaneng during the current year.
Excellent maintenance and care			Afrimat prides itself in the excellent maintenance and care of its plant and machinery.	Large machinery operator training, adding and testing lubricants frequently, checking for wear and tear, keeping machinery clean and maintaining a clean environment. The Group has a dedicated engineering department that keeps a maintenance and repair schedule and good record of all large machinery.
Product innovation and entering new markets			Afrimat's culture is driven by excellence, innovation and a perpetual drive to find new applications or industries into which our products can be sold.	Enter new markets, adding further to our diversification strategy and generally achieving higher operating margins. This is evident in the increase in operating margin of the Industrial Minerals segment by 21,0%.

Material issues and key risks	Risk mitigation and opportunities
Sustainable supply of electricity to operations	Usage of diesel generators on site. Emergency response plans.
Understanding new markets and the application of new products	Onboarding of required talent and constant market analysis.

Focus areas for next year

Further focus on cost savings and costs incurred within the Group

Further focus on improving operational efficiency

Focus on further improvements in maintaining current plant and equipment

Group strategy, material issues and key risks (continued)

PEOPLE LED COMPANY

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Values-based entrepreneurial culture			Regular reinforcement of the value system within the Group.	A culture survey has been completed across the business to address opportunities for improvement and preserve positive areas.
Leveraging Afrimat's 'combined intellect' through synergistic teamwork			We have a strong value system which is deeply entrenched in the Group and a pervasive culture of teamwork to create a climate of growth, including skills programmes, empowerment training and active involvement by leadership in mentoring and advancing employees.	Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork.
Appointing the right people in the right position			Proper succession planning by means of tracking critical positions via a talent matrix will ensure the correct internal candidate is available when the need arises.	Various internal restructurings within business units were possible without necessitating the appointment of external candidates.
Tangible leadership			Leadership development through Afrilead (refer to 'Human resource development initiatives' page 46) to improve on internal leadership development.	The introduction of external human capital to complement our homegrown talent is vital to our competitiveness.

Material issues and key risks	Risk mitigation and opportunities
Industrial action and labour unrest	Regular meetings are held with unions. Employees are remunerated for their contribution by means of production bonus schemes. Focus is placed on creating a healthy culture. All wage negotiations for the FY2020 has been settled.
Retention of key employees	Prioritise training and upskilling our employees. Creating a culture of tangible strength based leadership, shared values and great teamwork within an atmosphere of joy and positivity.

Focus areas for next year

Achievement of EE targets

Drive a formal KPA process and instil a Group-wide focus on the vision, mission and values of the Group

Maximising benefits of an integrated HR Management System


Vryheid quarry


Vryheid quarry

MAINTAINING A LEADING POSITION IN OUR SUSTAINABILITY PERFORMANCE

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Safe operations			Refer page 41 for detail on safety initiatives.	LTIFR of 0.86 was achieved and no fatalities for eight consecutive years.
Environmental stewardship, social impact and governance as part of our sustainable development practices			Dedicated focus is placed on the improvement of Afrimat's ESG performance.	An improved performance on all aspects of ESG was achieved.

Material issues and key risks	Risk mitigation and opportunities
Compliance to the new Mining Charter	Steps are taken to understand the amendments to the Mining Charter and where reasonable to implement strategies to improve or adhere.
Operating safely	Dedicated focus on safety, making it an anchor of our culture. The incorporation of a safety and environmental management system throughout all business units. Increase safety standards at our operations and ensure interventions are minimised.
Non-compliance with the Mining Charter, social and labour plans as well as environmental plans can lead to loss of mining licences.	A dedicated sustainability department was established for effective management and planning with respect to sustainability and is supported by external consultants.

Focus areas for next year

Achievement of safety targets (refer page 41)

Improvement in ESG performance (refer page 38)

OUTSTANDING CUSTOMER SERVICE

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2020	Outcomes FY2020
Strategically positioned to deliver excellent service			The Group continues to expand the business and to strategically position the operating units to ensure flexible services which are supplemented by mobile mining and crushing facilities.	
Engaged customer relationships			Keeping lines of communication with customers open and providing customer support.	The business plan/model is continuously adapted. Reduce reliance on one key market via organic expansion.
Customer advocacy through service, reliability and quality of supply			Acquisition of quality geological resources and compliance to high quality standards (including COLTO and SABS standards). The Company keeps up to date with its services and products and ensure it meets its customers' needs and expectations.	The marketing team spends time to know their customer, standardising its processes, focusing on employee training and ensuring a unified customer experience across all channels.

Material issues and key risks	Risk mitigation and opportunities
Dependence on key customers	Diversification into different products and markets. A dedicated business development team continues to successfully pursue opportunities. Alternative markets are investigated.

Focus areas for next year

Further technology enhancements improving customer experience

Continued focus on market research

Ongoing improvement of lost market share by strong product execution

03

Performance

Unemployed youth driver's license training programme

One hundred and two (102) unemployed youth individuals were offered the opportunity to obtain their code 10 driver's license through a skills development project. The project provided code 10 driver's license training to unemployed youth in partnership with three local municipalities in the Western Cape as part of their IDP to upskill unemployed youth. The areas targeted were Rawsonville, Paarl, Wellington, Saron, Gouda, Hermon, Broodkraal, Darling, Moorreesburg and Malmesbury. To ensure local SMMEs took part in the initiative, local driving schools were appointed to teach and support the candidates throughout the process. Forty-seven (47) of the candidates successfully obtained their driver's license. As noted by one of the recipients at the awards ceremony, the project has given the candidates a stepping stone, a chance to apply for employment and become economically active.

Five-year review

	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
Financial results and status					
Revenue	**3 304 376**	2 966 399	2 380 994	2 228 157	1 969 786
Construction Materials	**1 714 180**	1 739 496	1 645 252	1 756 799	1 650 573
Industrial Minerals	**552 683**	544 705	559 757	471 358	319 213
Bulk Commodities	**1 037 513**	682 198	175 985	–	–
Revenue split					
Construction Materials	**51,9%**	58,6%	69,1%	78,8%	83,8%
Industrial Minerals	**16,7%**	18,4%	23,5%	21,2%	16,2%
Bulk Commodities	**31,4%**	23,0%	7,4%	–	–
Operating profit	**600 952**	471 152	350 399	406 595	320 388
Construction Materials	**192 438**	190 182	274 580	343 665	283 204
Industrial Minerals	**95 568**	78 012	88 393	67 511	38 212
Bulk Commodities	**321 665**	201 329	(33 443)	–	–
Services	**(8 719)**	1 629	20 869	(4 581)	(1 028)
Profit after tax	**465 176**	304 215	245 378	279 394	224 192
Headline earnings	**470 657**	319 284	246 216	278 296	222 755
Net operating assets	**1 943 532**	1 856 983	1 758 415	1 309 760	986 455
Total assets	**2 795 262**	2 687 012	2 534 715	2 323 781	1 647 706
Total equity	**1 688 907**	1 409 517	1 229 320	1 206 919	1 025 086
Total liabilities	**1 106 355**	1 277 495	1 305 395	1 116 862	622 620
Net cash from operating activities	**676 810**	410 484	200 960	406 046	320 339
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**(8 241)**	(7 573)	(6 654)	(7 188)	(1 919)
Net number of ordinary shares in issue ('000)	**135 021**	135 689	136 608	136 074	141 344
Weighted number of ordinary shares in issue ('000)	**135 380**	136 387	136 271	141 713	142 240
Profitability ratios					
Operating profit margin					
Construction Materials	**11,2%**	10,9%	16,7%	19,6%	17,2%
Industrial Minerals	**17,3%**	14,3%	15,8%	14,3%	12,0%
Bulk Commodities	**31,0%**	29,5%	(19,0%)	–	–
Total	**18,2%**	15,9%	14,7%	18,2%	16,3%
Earnings per ordinary share (cents)	**341,6**	221,0	180,3	196,0	156,2
Headline earnings per share (cents)	**347,7**	234,1	180,7	196,4	156,6
Dividends declared (cents)					
Interim	**36,0**	19,0	20,0	20,0	16,0
Final	**–**	62,0	42,0	50,0	41,0
Total	**36,0**	81,0	62,0	70,0	57,0

	2020 R'000	2019 R'000	2018 R'000	2017 R'000	2016 R'000
PBIT return on net operating assets/liabilities	**30,9%**	25,4%	19,9%	31,0%	32,5%
Return on shareholders funds	**27,9%**	22,7%	20,0%	23,1%	21,7%
Utilisation of assets ratios					
Revenue: fixed assets ratio	**2,1**	1,8	1,4	2,1	2,6
Revenue: net operating assets ratio	**1,7**	1,6	1,4	1,7	2,0
Net asset value per share (cents)	**1 246**	1 030	893	881	720
Tangible net asset value per share (cents)	**1 090**	867	714	731	615
Capital expenditures					
Construction Materials	**170 123**	110 643	114 080	106 234	105 880
Industrial Minerals	**21 963**	63 593	40 707	17 037	23 411
Bulk Commodities	**58 391**	25 975	41 633	–	–
Services	**22 961**	7 332	5 800	11 250	1 973
	273 438	207 543	202 220	134 521	131 264
Liquidity and solvency ratios					
Current assets: current liabilities	**1,5**	1,3	1,1	1,0	1,4
Debt/overdraft less cash: equity	**8,2%**	23,8%	35,5%	19,8%	3,5%
Total liabilities: shareholders' funds	**65,5%**	90,6%	106,2%	92,5%	60,7%
Dividend cover (based on headline earnings)	**9,54**	2,75	2,77	2,78	2,73
Interest cover	**21,5**	9,1	12,7	35,3	27,1
Productivity, efficiencies and consumption					
Number of employees at year-end	**2 289**	2 258	2 451	2 298	2 257
Revenue per weighted number of employees	**1 444**	1 314	971	970	873
Depreciation	**175 672**	144 712	122 566	98 628	79 585
Amortisation of intangible assets	**1 495**	1 629	1 727	2 003	2 296
	177 167	146 341	124 293	100 631	81 881
Sustainability measurements					
Electricity usage (R'000)	**77 433**	77 804	73 386	71 755	60 936
Fuel usage (R'000)	**208 206**	181 155	136 339	107 297	112 679
– Average fuel price (Western Cape) (Rand/litre)	**14,00**	13,51	12,79	11,80	11,76
Cement usage (R'000)	**137 878**	188 867	165 003	174 955	133 700
Lost time injuries frequency rate	**0,86**	0,56	0,47	1,04	0,77

Operational reviews

Construction Materials

Highlights FY2020

- Traditional businesses based in the Western Cape continued to deliver solid results
- Traditional businesses based in KwaZulu-Natal improved as a result of cost reduction initiatives, despite a slowdown in activities
- Mozambique business continued to supply construction materials to projects in the north of Mozambique
- Operational efficiency improvement initiatives delivering results

Key distinguishing features

- Operations are geographically well positioned
- Diverse customer base
- Wide product range complemented by ability to customise solutions
- Well-maintained plant and equipment
- Efficient processing plant design and process flows
- High quality standards (including compliance with COLTO and SABS standards)
- Brick and block products carry the SABS seal of approval
- Readymix products meet SARMA standards
- Flexible customised solutions for individual customer needs

Review of 2020

Financial performance

	Audited February 2020	Audited February 2019	% change
Revenue (R'000)	**1 714 180**	1 739 496	(1,5)
Operating profit (R'000)	**192 438**	190 182	1,2
Operating profit margin (%)	**11,2**	10,9	
Capital expenditure (R'000)	**170 123**	110 643	
Headcount	**1 745**	1 717	

The **Construction Materials** segment delivered a marginal recovery with operating profit increasing by 1,2% to R192,4 million. The operating profit margin improved slightly from 10,9% to 11,2% for the year. The KwaZulu-Natal business reported improved results after a successful restructuring process in the prior year.

The Gauteng business is still feeling the effect of the slowdown of the economy.

The Western Cape aggregates business continued to deliver solid results.

The Mozambique business continued to supply construction materials to projects in the north of the country, in the ramp-up to the major LNG project.

The Emfuleni Clinker Ash Dump, situated in Vereeniging and close to Afrimat's customers, ensured an additional three to four-year lifespan for both Clinker Supplies Proprietary Limited ('Clinker') and SA Block Proprietary Limited. Clinker continues to investigate further options in order to secure additional resources for the Group.

Industrial Minerals

Highlights FY2020

- Successful cost reduction initiatives introduced
- Solid results delivered by all businesses across all regions
- Successful market penetration for new products
- New marketing initiatives under way

Key distinguishing features

- Quality geological resources
- Wide product range
- Diverse customer base
- Well-maintained plant and equipment

Review of 2020

Financial performance

	Audited February 2020	Audited February 2019	% change
Revenue (R'000)	**552 683**	544 705	1,5
Operating profit (R'000)	**95 568**	78 012	22,5
Operating profit margin (%)	**17,3**	14,3	
Capital expenditure (R'000)	**21 963**	63 593	
Headcount	**330**	346	

The **Industrial Minerals** businesses across all regions delivered solid results. The strong growth is attributable to these businesses successfully entering new markets, increasing volumes, reducing costs and implementing efficiency improvements.

Bulk Commodities

Highlights FY2020

- Impressive increase in volumes
- Experienced favourable pricing across the current year
- The new business development team is investigating the acquisition of additional iron ore resources to supplement the lifespan of Demaneng

Key distinguishing features

- All ore products manufactured in terms of the Platts Iron Ore 62% grade for export
- High quality Hematite origin iron ore up to 65% Fe
- An in-house test laboratory is used for continuous process control
- Quality and specification statements are generated by an outsourced accredited laboratory

Review of 2020

Financial performance

	Audited February 2020	Audited February 2019	% change
Revenue (R'000)	**1 037 513**	682 198	52,1
Operating profit (R'000)	**321 665**	201 329	59,8
Operating profit margin (%)	**31,0**	29,5	
Capital expenditure (R'000)	**58 391**	25 975	
Headcount	**126**	116	

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, delivered an exceptional contribution to the Group results. The business delivered an exceptional contribution as a result of an impressive increase in volumes and favourable pricing across the year.

Services

Highlights FY2020

- Group sustainability function ensured a high compliance standard
- The evergrowing new business development team ensures investigation of lucrative business opportunities for sustainable growth and value creation
- Improvement of internal audit efficiency and migration through the implementation of an approved analytical tool to assist with internal audit function. Further focus placed on the implementation of a combined assurance model
- Group shared services function geared to support growth
- Two dividend pay-outs were effected during the year, after the establishment of an employee benefit scheme through the Afrimat BEE Trust
- Significant investment in technology and infrastructure
- Strong focus on financial technology resulted in real time reporting, improving the financial team's forecasting ability
- Continuation of a combined method approach in terms of the Group's culture assessment
- Further development and improvement of the Afrimat Management Development Programme ('AMDP')

Review of 2020

Financial performance

	Audited February 2020	Audited February 2019	% change
Operating profit (R'000)	**(8 719)**	1 629	(635,2)
Capital expenditure (R'000)	**22 961**	7 332	
Headcount	**88**	79	

04

Governing structures

Mini-Chess education programme

The programme has been running for over seven years. It was initiated by the three (3) quarries in the Free State together with a NGO, in partnership with the Department of Education. The programme uses mini-chess to teach Grade R, 1, 2 and 3 learners maths and is part of the learner's class activities. The programme initially started in a few schools in one area and through the years, has been rolled out to six schools across the Free State. It does not only teach and encourage maths, it also gives the learners tools to solve problems while interacting with their peers.

Corporate governance

The Afrimat Board takes responsibility for the holistic application of the principles contained in King IV™, without diluting the Group's focus on sustainable performance. The Group has evaluated governance processes and reporting in the context of King IV™ to foster integrated thinking to create value over time. The Board appreciates all governance codes assisting companies with further value creation to stakeholders without adding cumbersome compliance requirements. The Board steers and sets the direction of the Group, through effective and ethical leadership ensuring the Group's core purpose, risks, performance and sustainability developments are realised through its strategy.

Our Board

Directors appointed by the Board between AGMs, to fill a casual vacancy, hold office only until the next AGM and are eligible for election. They are not included in the number of directors who retire by rotation. Collin Ramukhubathi was appointed to the Board on 1 November 2019.

A brief curriculum vitae in respect of the newly appointed Board member and Board members appointed by annual rotation, appear in the notice of AGM on pages 127 and 128 of this integrated annual report.

The roles of the Chairman and CEO are separate and clearly defined and no director has unrestricted decision-making powers. The Board and executive management work closely in determining the strategic objectives of the Group. The Board delegates authority to the CEO and executive management for the implementation of the strategy and the day-to-day operations of the Group.

To ensure a balance of power and authority remains on the Board and no one individual has unfettered decision-making power, the Board annually elects an independent non-executive director to act as lead independent director ('LID'). In the year under review, the LID was Francois W Louw. The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman.

Training and development

- The directors are primarily responsible for acquiring the skills necessary for effective discharge of their duties.
- A comprehensive induction programme is in place for new directors.
- A formal internal annual process is followed whereby the performance of the Board, Chairman and all Board committees are reviewed by the directors. The FY2020 evaluation indicated an adequate discharge of responsibilities and no exceptions were identified. This is supported by a development and succession plan. The effectiveness of the Chairman is assessed by all directors, including the LID.
- To improve the effectiveness of the directors and to understand the Company's business, the Afrimat directors scheduled key Company site visits during the year. These visits are vital in order to provide context to any Board deliberations.
- The Board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. The Company strive to improve its talent pool and reports back to the directors on a quarterly basis by tabling the current talent pool and development needs.

Board skill and composition*

(refer to page 32 for composition)

Business strategy	95,4%
Technical knowledge	90,0%
Financial	80,7%
ESG (Sustainability, safety, health, environment, governance, compliance and social responsibility)	78,0%
Entrepreneurship	90,8%
Marketing and commercial	84,8%
Stakeholder communication	87,5%
Leadership	97,8%
Business processes	93,0%

* *The Board skill analysis was assessed by the Chairman of the Board, assisted by the LID and CEO.*

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

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

Information and communication

- There is full disclosure from Board committees to the Board. The Committee chairmen provide the Board with a verbal report on recent Committee activities at each Board meeting, and the minutes of Committee meetings are available to the directors in support thereof. Board members receive packs for each committee meeting held.
- Relevant and timely information is supplied to the Board, in the form of comprehensive quarterly reports from management.
- Access to the advice and services of the Company Secretary and to Company records, information, documents and property is unrestricted.

Non-executive directors also have unfettered access to the external auditors and to management at all times. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the Group.

Board charter

- The Board is guided by a charter which is reviewed annually. The charter includes a delegation of authority, which states the matters to be dealt with by the Board Committees. A number of governance policies support and frame the delegation of authority, which are reviewed on an annual basis. The Board approves all amendments. (Afrimat's Board Charter and key governance policies are available at www.afrimat.co.za.)
- Each new Board member acknowledges the Code of Conduct when joining the Group. On an annual basis, all senior associates of the Group are required to submit a declaration confirming their continued compliance with the code. Any areas of non-compliance or any perceived conflicts of interest are addressed through the appropriate levels of divisional management, with ultimate reporting to the Board.
- The Board delegates certain of its functions to well-structured Committees without abdicating its own responsibilities. The Committees as established by the Board will have formal charters, approved annually by the Board.
- The Board appoints the CEO to manage the Group on its behalf. The CEO serves as the principal link between management and the Board.
- The CEO is mandated to ensure that the day-to-day business affairs of the Group are appropriately managed by executive management and that the necessary systems and controls are in place for effective risk management.

Independence

- Afrimat believes that there are a sufficient number of independent non-executive directors serving on the Board to create a suitable balance of power and prevent the dominance of the Board by one individual or by a small number of individuals.
- The classification of independent non-executive directors is determined by the Board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King IV™. During FY2020, a rigorous review of independence and performance was performed on Marthinus W von Wielligh, Hendrik JE van Wyk and Phuti RE Tsukudu. An annual independence review will be conducted on all directors serving in an independent capacity for longer than nine years.
- Director's independence is measured giving consideration to: director involvement with other companies; external directorships held; relationship with material suppliers and competitors; material contracts with the Group; employment of the director by the Group in an executive capacity during the preceding three years; whether the director has a direct or indirect interest in the Company which is material to their personal wealth.
- All directors regularly declare their directorships and commercial interests to the Board.

Directorate

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

Seated left to right: *Helmut Pool, Collin Ramukhubathi, Andries van Heerden, Marthinus von Wielligh, Loyiso Dotwana, Jacobus van der Merwe*
Standing left to right: *Phuti Tsukudu, Francois Louw, Gert Coffee, Pieter de Wit, Johan van der Merwe, Hendrik van Wyk*

Attendance of Board and Board Committee meetings are as follows:

Executive directors

Director	Qualifications	Length of service	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Andries J van Heerden (54) CEO	BEng (Mech), MBA, Government Certificate of Competence, Advanced management programme (Insead Business School)	Length of service: 13 years	4/4	4/4•	3/3•	2/2	
Pieter GS de Wit (46) (CFO)	BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax, MBA (Cum Laude), Strategic financial leadership programme (Stanford University)	Length of service: 4 years	4/4	4/4•	3/3•	2/2	
Collin Ramukhubathi (46)✚	BTech (Mechanical Engineering) and an MBA	Length of service: 1 year	1/1			1/1	

Non-executive directors

Director	Qualifications	Length of service	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Gert J Coffee (69)	BSc BEng (Mech) (Industrial)	Length of service: 10 years	4/4			2/2	
Loyiso Dotwana (56)◈	BSc Civil Eng	Length of service: 13 years	4/4	4/4	3/3	2/2	4/4

	Meeting attendance 2020 (%)	Meeting attendance 2019 (%)
Board meetings	100	100
Audit & Risk Committee	100	100
Remuneration & Nominations Committee	100	100
Social, Ethics & Sustainability Committee	100	100
Non-executive meetings	100	100

- • LID
- ▬ Committee Chairman
- ■ Investment Review Committee Chairman
- ◇ Remuneration Committee Chairman
- ◆ Nominations Committee Chairman
- ◈ Social & Ethics Committee Chairman
- ○ Audit & Risk Committee Chairman
- ✚ Appointed 1 November 2019

Demographics

Gender

Male 92%

Female 8%

Race

25% Historically disadvantaged

75% Non-historically disadvantaged

Mix

25% Executive directors

17% Non-executive directors

58% Independent non-executive directors

Tenure

42% One to four years

8% Five to eight years

50% Nine years or more

Independent non-executive directors

Director	Qualifications	Length of service	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings
Francois M Louw (59)■•	BEng (Mech), MBA	Length of service: 3 years	4/4		3/3		
Phuti RE Tsukudu (66)◇	MEd, Postgraduate Diploma in Adult Education BA (SW)	Length of service: 11 years	4/4		3/3	2/2	4/4
Jacobus F van der Merwe (66)○	BCompt (Hons), CA(SA), Associate member of the Chartered Institute of Building	Length of service: 5 years	4/4	4/4			4/4
Hendrik JE van Wyk (76)	BCompt (Hons), CA(SA)	Length of service: 13 years	4/4	4/4			4/4
Marthinus W von Wielligh (68)◆ Chairman	BSc (Mech Eng), MBA, Stanford Executive Programme	Length of service: 13 years	4/4	4/4	3/3	2/2	4/4
Johan HP van der Merwe (55)	CA(SA), Master in Income Tax, MPhil Finance, Advanced Management Programme (Harvard Business School), Challenge of Leadership (Insead Business School)	Length of service: 3 years	4/4				4/4
Helmut N Pool (58)	BCom (Law)	Length of service: 3 years	4/4	4/4			4/4

Board and Management Committee structure

Statement of compliance

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

Board

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

Executive directors		Non-executive directors	Independent non-executive directors		
Andries J van Heerden (CEO) Pieter GS de Wit (CFO)	Collin Ramukhubathi (appointed 1 November 2019)	Loyiso Dotwana Gert J Coffee	Marthinus W von Wielligh (Chairman) Francois M Louw (LID)	Phuti RE Tsukudu Jacobus F van der Merwe Hendrik JE van Wyk	Johan HP van der Merwe Helmut N Pool

The Board meets four times per year.

Committees

	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Investment Review Committee	Strategic Committee	Management Committee
Role	Fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the Group.	Assists the Board with the development of the Afrimat remuneration policy. Regularly reviews the structure, size and composition (including diversity) of the Board and makes recommendations to the Board with regard to any adjustments that are deemed appropriate.	Monitors and reviews the Group's safety, health and environmental activities, labour practices and the Company's approach to transformation.	Monitors and reviews high impact investments defined in terms of potential value addition or value destruction for the Company.	Assists the CEO in devising a strategic plan with outcome-orientated goals and objectives.	Assists the CEO to implement strategies and operational matters.
Members	Hendrik JE van Wyk Loyiso Dotwana Helmut N Pool Jacobus F van der Merwe (Chairman) Marthinus W von Wielligh	Marthinus W von Wielligh (Chairman – Nominations Committee) Phuti RE Tsukudu (Chairman – Remuneration Committee) Loyiso Dotwana Francois M Louw	Loyiso Dotwana (Chairman) Gert J Coffee Phuti RE Tsukudu Andries J van Heerden Marthinus W von Wielligh Collin Ramukhubathi (Appointed 1 November 2019)	Francois M Louw (Chairman) Pieter GS de Wit Johan HP van der Merwe Helmut N Pool	Andries J van Heerden (Chairman) Pieter GS de Wit Grant Dreyer Marthinus G Odendaal Carl P Malan Davin V Giles Collin Ramukhubathi Anton Barnard Pierre du Toit Andrew Wray Johan du Plessis	Executive directors Cluster heads Various departmental, regional and operational heads
Number of independent director members	4	3	2	3	n/a	n/a
Number of meetings per year	4	3	2	Ad hoc	4	4
Self-evaluation completed	Yes	Yes	Yes	n/a	n/a	n/a
For further information see	page 62	page 52	page 37			

Overall, the Board is satisfied with the performance of the Chairman, the Committees and the chairmen of the Committees. Non-executive directors' meetings are held on an ad hoc basis as the need arises.

In accordance with King IV™ the Chairman of the Board should not be a member of the Audit Committee and all members of the Audit Committee should be independent, non-executive directors. The Board notes that Marthinus W von Wielligh (Chairman of the Board) and Loyiso Dotwana (non-executive director) are both members of the Audit & Risk Committee, although not prescribed by King IV™.

A JSE governance guidance letter allows the Board Chairman to be a member of the Audit & Risk Committee. In line with this and to address the shortage of independent non-executive directors, the Chairman of the Board is a member of the Audit & Risk Committee. The non-executive directors have demonstrated the ability to act independently, considered the composition of the committee and decided to approve the membership as noted. Based on the above, the Board has considered and decided to approve the membership as noted.

Company Secretary

The Board of directors is assisted by a competent, suitably qualified and experienced Company Secretary. During the year Mariëtte Swart resigned as Company Secretary of Afrimat, effective 19 February 2020, due to her increased involvement in new business development within the Afrimat Group. Catharine Burger, a chartered accountant, was appointed by the Board in her stead with effect from 20 February 2020. The Board, through the Remuneration & Nominations Committee considered the competence, qualifications and experience of the Company Secretary and concluded that she is competent to carry out her duties.

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

Risk management

The Board, assisted by the Audit & Risk Committee, is ultimately responsible for the risk management process.

During the year under review, the Board fulfilled its risk mandate by meeting quarterly to discuss the following key risk governance and risk management matters:

Risk management effectiveness

Management is accountable to the Board for designing, implementing, monitoring and improving the systems and processes of risk management and integrating these into the day-to-day activities of the Group. The Board is satisfied that the systems and processes in place to govern and manage risk are adequate and that management has generally executed its risk management responsibilities satisfactorily.

Afrimat views the management of risk central to its operational strategy of delivering sustained growth to stakeholders. While the CEO and CFO are the key drivers of risk management, the different management teams in the Group, Strategic Committee, Management Committee, Audit & Risk Committee and Board, as well as all employees, further assist with identifying, evaluating and managing key risk areas. Management has effectively implemented an adequate and effective risk management framework, which identifies, evaluates and responds to key opportunities and risks that may affect strategic objectives. The risk management policy is widely distributed throughout the Group and is integrated into the daily activities of the Group.

Risk appetite

Risk appetite and tolerance are the fundamental concepts that provide the context for strategy identification, entrepreneurial flair and the pursuit of Group objectives. It clarifies what risks the Group can, or is willing to, take and the risks that the Group will avoid.

The Board has formally defined its appetite for risk and annually reviews this. It confirms an appropriate risk management policy, including the Company's risk appetite, to guide strategy and the engagement of risk. The Board confirms there were no material deviations from the Group's risk appetite in the period.

Key business risks and opportunities

Key business opportunities and risks were discussed comprehensively by the Board during its quarterly strategy meetings. The Board, having considered the Group's key risks, is satisfied that the identified strategy and business plans do not give rise to risks not thoroughly assessed and confirms there were no undue, unexpected or unusual risks taken by the Group and no material losses were incurred during the year.

Demaneng

Ladysmith

Risk management (continued)

Risk management process

Risk identification is a continuous process applied frequently to update and accommodate changes in a volatile environment.

The risks contained on the risk register are prioritised, ranked and responses documented.

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

Uncontrollable risks are insured where applicable and affordable.

Risk incidents must be reported as follows:
All instances of theft, fraud, injuries and damage to the Group's assets are recorded in a register and reported to the corporate office each month. Each instance of fraud is investigated to determine if internal and management controls functioned properly, i.e. fraud was timeously detected. Each injury is investigated and corrective actions implemented.

All cases of theft and fraud committed by employees and external persons are reported to the South African Police Service.

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

- ✓ Management supervision and reviews;
- ✓ HIRA in respect of safety and health;
- ✓ Internal audits;
- ✓ Self-audits;
- ✓ Loss control officer (operational auditor) inspections;
- ✓ Government departments inspectors;
- ✓ Industry body audits;
- ✓ Audits by external consultants and specialists;
- ✓ Compulsory reporting and returns to government departments; and
- ✓ Whistleblowing hotline.

Identifying principal risks

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

- Mancom and board risk assessment, quarterly

- Baseline risk assessment, quarterly
- Mini HIRA

- Commodity risk assessment, periodically
- Project risk assessment, periodically

Which are, to an extent, beyond the Group's control although the effects or this type of risk can be minimised.

Which are managed proactively by implementing policies, guidelines and internal process controls.

Which impact the Group's ability to implement its strategy.

Assurance

Combined assurance model

A combined assurance model is applied to provide a coordinated approach to assurance activities. The assurance activities are conducted by Board Committees, external auditors, internal auditors, via self-audits by specialist staff, external consultants, industry bodies, DMRE and government agencies. The assurance model clarifies the roles of management, internal assurance providers and independent assurance providers. In addition, it increases collaboration and facilitates a shared and more holistic view of the Group's risk profile. The internal audit function plays a vital role as an independent third line of defence. Afrimat applies four lines of defence:

- internal control framework;
- oversight of controls by management;
- internal control functions – internal audit, quality management functions, specific management functions, i.e. sustainability; and
- external assurance providers – external consultants, industry bodies, DMRE and government agencies.

The independent external auditor, PricewaterhouseCoopers Inc., as recommended by the Audit & Risk Committee and appointed by the shareholders, is responsible for reporting on whether the annual financial statements are fairly presented in compliance with IFRS and the Companies Act. The preparation of the annual financial statements remains the responsibility of the directors. The CEO and CFO, supported by Mancom and the Audit & Risk Committee, are responsible for identifying, evaluating and managing key risk areas and performance indicators for Afrimat (crossing the financial and non-financial divide). Risk appetite and levels of tolerance are set out in the Group's risk management policy, which is reviewed annually (available at www.afrimat.co.za).

An ad hoc additional risk analysis is also conducted for major strategic decisions. During the prior year, an investment review committee was formed, which will give comfort to the Board that all significant risks in high impact investments have been addressed. High impact investments have been defined in terms of potential value addition or value destruction for Afrimat.

To ensure ongoing relevance, a formal risk assessment is conducted quarterly and the necessary updates are made to the risk register. In addition, throughout the year changes in risk relative to the formal register are reported to the Audit & Risk Committee (and the Board), together with an impact assessment and how the identified risk will be managed. In assessing risk, Afrimat reviews performance in terms of profit growth, return on new investments and debt levels against targets set during the annual budget process. In addition, the Group monitors profitability, utilisation of assets, liquidity/solvency, and productivity levels on a monthly basis.

The Group's reputational risk is managed through strategic relationships and liaison with stakeholders. The CEO is the central point of contact assisted by investor and communications service providers and executives (for further detail on this and other risks, see Group strategy, material issues and key risks on page 19).

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

External audit

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

Internal audit

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

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

Carole Seddon, Chief Audit Executive, reports directly to the Chairman of the Audit & Risk Committee and has unhindered access to the Board and Group Chairman as well as all senior management. Further, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

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

Internal control framework

The Board is responsible for the Group's systems of internal control and risk management (as above). The Audit & Risk Committee, CFO and internal audit assist in this regard. Together they evaluate the adequacy and effectiveness of internal control systems and processes, and monitor whether internal control recommendations made by the CFO, external auditors and internal auditors have been implemented. The internal control framework together with the required assurance is formally documented and reviewed by the Audit & Risk Committee annually.

The system of internal control is primarily designed to safeguard and maintain accountability of the Group's assets. Further, these systems should identify and curtail significant fraud, potential liability, loss and material misstatement while complying with applicable statutory laws and regulations.

The system of internal control is designed to manage rather than eliminate risk. Absolute assurance cannot be provided. For instance, they provide only reasonable assurance as to the integrity and reliability of the annual financial statements.

Inherent limitations to the system's effectiveness exist due to the possibility of human error and the circumvention or overriding of controls. The internal audit function, based on the field work undertaken during the year, has provided reasonable assurance on the adequacy of the internal controls tested and the associated risk management process.

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

05

Governing overview

Annual back to school uniforms and school shoes drive

The annual back to school uniform and school shoes drive has been running for several years across different regions. Each year, a subsidiary or operation donates school uniforms and school shoes to less fortunate learners. By working with the department of education, local municipalities and local schools, less fortunate learners are identified and assisted. It is always heartening seeing learners who came to school with torn or no shoes fitting on their brand new shoes. Their bright smiles tell the story.

Social, Ethics & Sustainability Committee Report

The Committee is a statutory committee appointed in terms of the Companies Act. The Committee's responsibilities encompass monitoring and regulating the impacts of the Group on its material stakeholders and environments, ensuring that our policies and practices add quality to life, by ensuring minimum harm to the environment, enhancement of community and safety and health of employees. Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business, and reporting thereon to the Committee, the Board retains ultimate responsibility for Group sustainability.

A key focus of the Board is setting the direction of ethical behaviour by prevailing codes of best practice and other ethical policies in order to create an ethical organisational culture. The Committee is accountable for:

- ensuring that safe operations and fair labour practices are applied across the Group;
- improvement strategies relating to social and economic development are in place; and
- responsible utilisation of natural resources, as well as minimising the long-term impact on the environment.

The Committee comprises executive and non-executive directors. Details of the Committee composition and meeting attendance are on page 32.

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

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

The Committee draws these matters to the attention of the Board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the Committee are reported on pages 44 and 48.

Key indicators monitored by the Committee include:

Indicator	Standard or future goal
Transformation and B-BBEE ratings including: ▪ Equity ownership ▪ Management control ▪ Skills development ▪ Preferential procurement ▪ Enterprise development and supplier development ▪ Socio-economic development	Maintain a Level 4 B-BBEE Group rating annually
Labour relations	Maintain employee satisfaction (turnover rate, industrial action, etc.) Effectively manage expectations and union relations to minimise labour unrest
Health and safety	Zero LTIFR
Environment including: ▪ Carbon footprint ▪ Water and forestry compliance and returns	To mine within approved environmental management plans for all of the Group's mining activities and zero harm to the environment for all other activities Compliance with mining rights' EMPs
DMRE compliance including: ▪ Mine Works Programme ▪ Social and labour plan ▪ EMP ▪ Mining Charter returns	All existing mining rights maintained All future mining right applications predicated on Group's reliable track record of compliance
Mining rights status including: ▪ New applications ▪ NEMA/LUPO regulations ▪ Water use licence	Business expansion not restricted by insufficient mining rights
Compliance with laws and regulations	Full compliance with all laws and regulations
Compliance with the 2018 Mining Charter ownership criteria	The creation of an umbrella trust to address shareholding to host mine communities by using the equity equivalent mechanism Increase in shareholding by qualifying employees

Social, Ethics & Sustainability Committee Report (continued)

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

Effectiveness against 2020 KPIs and Committee evaluation

2020 KPI	Evaluation score*
Stakeholder initiatives: Interaction with government and the format of such engagements	4,7
Evaluating the impact of Afrimat's activities specifically on public safety	4,6
Sharing best practice: individual directors actively sharing deemed appropriate and applicable best practice from other Committees with the Committee/Company	3,5

* *Scored out of five. Scores above 3,5 rated as green, 3 to 3,5 as amber and below 3 as red.*

KPIs for FY2021

- Visible felt leadership initiatives by senior management: formal and informal visits to business units;
- Oversight of safety culture: Human Resources culture survey outcomes analysed to determine specific safety-related culture changes required at operations, driving proactive safety interventions through the leading indicator topics such as SHE representative engagements, training, near miss reporting, audit results, trackless mobile machinery ('TMM') risk evaluations, SHE Committee meetings and traffic management; and
- Sharing best practice: individual directors actively sharing appropriate and applicable best practice from other Committees with the Committee/Company.

Ethical leadership and compliance

The Board strives to ensure that the Group conducts its business with integrity and leads by example. This commitment is formalised in a Code of Conduct (available at www.afrimat.co.za) which applies to the Board and all employees of the Group. The Code of Conduct is designed to provide guidance as to ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, and the appropriate corrective measures to enforce these policies. The performance of the Board in terms of being held accountable for ethical and effective leadership is reviewed annually by the directors.

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

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

Ethical conduct is an area with which the Social, Ethics & Sustainability Committee is tasked by the Board to oversee. As part of its responsibility, the Committee ensures that the Company's ethical performance is assessed, monitored, reported and disclosed. It reviews cases of conflicts of interest, misconduct or fraud, or any other unethical activity engaged in by employees or the Company. Further, the Committee reviews the Code of Conduct annually and recommends it to the Board for approval.

All senior employees are required to sign an annual declaration confirming compliance to laws and regulations. The Group has an independent whistle-blower line and all reported matters are investigated by appropriate employees and the results reported to the Audit & Risk Committee. Unethical behaviour is not tolerated within the Group and all criminal behaviour is reported to the police. Management reports to the Committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities. Mechanisms to encourage ethical behaviour such as the Code of Conduct, corporate citizenship policy and whistle-blower's hotline, were confirmed as adequate by the Social, Ethics & Sustainability Committee in the year.

As part of the improvement process, annual interest declarations were requested from all senior employees. A revised procurement policy incorporating ethical standards for the selection of suppliers was rolled out during the current year. Ethical standards for the selection of customers will also be considered.

Legal compliance

The CEO, CFO, Company Secretary and senior management drive compliance. The Group has a legal and regulatory compliance checklist in place, which includes the Mining Charter. A risk-based compliance framework has been adopted to provide additional focus on compliance with priority legislation. Management considers and includes all material legislative requirements within the checklist and delegates this to the appropriate compliance owners across top and senior management levels. Furthermore, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

Mancom and senior management make an annual declaration that all laws have been complied with, based on there being no reported instances of non-compliance. All deficiencies noted by Mancom and senior management are tabled to the Board on an annual basis. The effectiveness of the compliance framework is continuously monitored at Board level. The Board confirms that no material non-compliance has been brought to their attention. Furthermore, Afrimat fully complies with employment laws and practices and is committed to the protection of human rights.

Mining right compliance

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

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

- Mine Works Programme;
- Social and Labour Plan;
- Environmental Authorisation; and
- Mining Charter.

The DMRE conducts compliance audits at the Group's mining operations and management addresses all issues identified.

The Group continues achieving its target on human resource development training of 6% of employee costs incurred. This included a mentoring programme for interns in the field of mining engineering, mechanical engineering and environmental specialists.

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

- Water use licence;
- Air emissions licence; and
- Land use or consent use permission.

Environmental responsibility

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

We comply with all environmental legislation and to support this, our mines' environmental performance is audited annually by the environmental team and by ASPASA every second year. Furthermore, annual internal environmental performance audits are conducted at the readymix plants. The DMRE also performs random inspections at the Group's mines. Areas for improvement identified during these audits/inspections are addressed by management. Third-party audits and external consultants support our environmental conservation and protection efforts and provided additional opportunity for refinement of its EMPs.

We manage our environmental footprint with mandatory EMPs at all the mines, in the absence of which no mining activities will commence. These focus on:

- Responsible mining;
- Reducing emissions;
- Reducing spillages;
- Recycling;
- Monitored resource usage; and
- Rehabilitation.

During the year, focus was renewed on responsible mine planning. Developing an appropriate and adequate mining plan is a fundamental part of the planning operation. A sound mining plan is essential to achieve optimal and sustainable resource development and utilisation. Sustainable mining requires an approach that balances the curbing of environmental degradation with the optimising of materials extraction and the minimisation of cost.

The EMPs focus on responsible mining, reducing emissions through upgrades to diesel-driven equipment, decreasing noise pollution, recycling products where viable, and maintaining all plants at optimum working levels and efficiency.

The EMPs and Environmental HIRAs were reviewed during the year by management and independent consultants/specialists and minor changes were required, all of which were implemented.

The Environmental Specialist, Tali Tshikhovhokhovho, is responsible for ensuring compliance with the site EMPs, assisted by the regional managers. The regional managers assume responsibility for all sites in their respective regions and have full control of regional environmental resources.

Environmental training

Training was identified as the first step in improving the mitigation of the risks identified in an ever-changing environment. In order to remain up to date with laws and regulations, specialist training was provided. Annual training is provided on specific environmental matters identified in consultation with ASPASA. These matters include day-to-day environmental management processes to reduce the risk of environmental degradation. In addition, programmes conducted for all employees, included training on the conservation of water and the quantification of carbon emissions.

Carbon footprint

Afrimat has embarked on a project to identify different renewable energy, energy efficiency and forestry carbon emission offset projects to implement in the near future. These include the implementation of solar photovoltaic plants as well as other carbon dioxide capturing projects.

The following measures were implemented to conserve precious resources and decrease Afrimat's carbon footprint:

- Benchmarking of operational output and the use of electricity, fuel and explosives;
- Determination of the basic requirements to deliver optimum production leading to the establishment of a standard energy consumption rate per machine;
- Ongoing monitoring of power factor corrector capacitors to ensure a decreasing trend in electricity usage;
- Sequential start-up of electrical motors at each start-up procedure;
- Shifting production times to fall in non-peak electricity consumption periods;
- Monitor water usage by all sites in an effort to implement initiatives to reduce water consumptions; and
- Used oil and scrap steel to be sold to accredited companies for recycling purposes.

All environmental audit reports were submitted to the DMRE in terms of mining right requirements and no major non-conformities were identified by the independent reviewer.

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Environmental responsibility (continued)

Key focus areas are summarised below:

Long-term goals					
Key focus area	**Electricity consumed**	**Water usage**	**Carbon emissions**	**Waste management**	**Bio-diversity**
FY2021 goal	Determine reduction % from baselines				
Long-term goal	Measure electricity consumed per product tonne produced, compare usage at different operations and reduce usage in line with best practices	Measure water usage per product tonne produced, compare usage at different operations and reduce usage in line with best practices	Register all relevant sites with South African Greenhouse Emissions Reporting Services ('SAGERS') in order to measure all carbon emissions. Compare emissions between different sites and identify initiatives to reduce emissions	Compare waste generated between various operations, reduce, reuse and recycle the waste generated	Set annual target percentage on rehabilitation of operations (in hectares)

Effectiveness against FY2020					
Key focus area	**Electricity consumed***	**Water usage****	**Carbon emissions**	**Waste management**	**Bio-diversity*****
FY2020 goal	Benchmark the use of electricity by all operations	Water supplied by the municipality is currently measured. Meters to be installed at all sites utilising extraction points to draw water from natural resources. Recycling and conservation of water	Registration of all relevant sites with SAGERS to enable the sites to report emissions accurately	Measure all waste generated	Quantify all hectares rehabilitated on the environmental performance assessment
Evaluation	Electricity usage for FY2020 has been measured for all operations	The installation of water meters at operations utilising extraction points has not been completed. Water usage by operations (including municipal water supply as well as extraction points) is available for FY2020, based on a 90% measurement of all operations	All operations have been registered with SAGERS	A waste stream identification list has been compiled for all operations.	In FY2020, 100% of all operations were quantified in terms of hectares rehabilitated
Benchmark comparison	23,1% decrease from 43,2 tCO_2/kWh in FY2019 to 33,2 tCO_2/kWh in FY2020	61,3% decrease from 633,8 thousand m³ water used in FY2020 compared to 1,6 million m³ in FY2019	10,7% increase from 162,9 thousand tCO_2e in F2019 to 180,3 thousand tCO_2e in FY2020	0,5% increase in waste from 186,0 tCO_2e in FY2019 to 187,0 tCO_2e in FY2020	25,0% increase from 12,8 ha in FY2019 to 16,0 ha in FY2020

* *New electricity consumption meters have been installed by Afrimat to accurately measure the consumption. This together with the usage of diesel generators on site during unavailability of electricity supply has led to the decrease in electricity consumed.*

** *The FY2019 water usage reading included the storage of ground and rain water, which has subsequently been diverted to the nearby rivers not included in the meter readings in FY2020.*

*** *Rehabilitation of old quarries was prioritised and recorded in FY2020.*

The Group undertook an initiative to reduce greenhouse gas ('GHG') emissions and to adhere to limiting the increase in global temperature to below pre-industrial level or the so-called 2°C climate environment. GHG emissions are measured and monitored at all operations and the Group is compliant to the latest regulations on GHG reporting, carbon tax, carbon budget and carbon offset. GHG emissions has been measured since 1 January 2018 and the Group is focusing on developing mitigating measures to reduce emissions across all business units.

The GHG Protocol ('Protocol') is a widely used methodology, suitable for companies. The Protocol defines emissions as either 'direct' or 'indirect', where direct emissions are from sources that are owned or controlled by the Group. Three scopes are defined:

- Scope 1: Direct emissions and emissions from sources owned and controlled by the Group *(includes direct emissions from the combustion of liquid fuels in Group-owned vehicle fleet and the combustion of diesel generators);*
- Scope 2: Indirect emissions associated with the generation of electricity, heating/cooling and steam purchased for own consumption *(includes indirect emissions associated with purchased electricity from Eskom); and*
- Scope 3: Indirect emissions other than those covered in Scope 2 *(comprise a range of indirect emissions including business travel, air travel, employee commuting, purchased goods and services such as food, paper products, water supply and solid waste).*

The Group has conducted a formal carbon footprint assessment with the assistance of internal and external specialists. The assessments can be summarised as follows:

Total greenhouse emissions per scope:

Scope	**FY2020 tCO_2e**	FY2019 tCO_2e	Increase/ (decrease)
Total scope 1	**115 847,7**	85 412,3	35,6%
Total scope 2	**33 179,2**	43 146,3	(23,1%)
Total scope 3	**31 224,0**	34 309,2	(9,0%)
Total carbon footprint	**180 250,9**	162 867,8	10,7%

Intensity emissions:

Scope	**Intensity FY2020**	Intensity FY2019	Increase/ (decrease)
Scope 1 and 2 (tCO_2e/employee)	**77,0**	73,1	5,4%
Scope 1 and 2 (tCO_2e/tonnes)	**0,010**	0,016	(37,5%)

	FY2020	FY2019	Increase/ (decrease)
Water consumption (m^3)	**633 822,0**	1 636 295,0	(61,3%)
Electricity consumption (tCO_2e/kWh)	**33 179,2**	43 146,3	(23,1%)
Fuel consumption (diesel and petrol) (million litres)	**14,3**	8,6	66,3%
CO_2 emissions (tCO_2e)	**180,3**	162,90	10,7%
Rehabilitation (ha)	**16,0**	12,8	25,0%
Business travel (tCO_2e)	**29,4**	32,4	(9,3%)

The Group reported a reduction of 37,5% in the short-term intensity emissions from prior year, which is an improvement from the set annual reduction target of 10%. Afrimat continues to put measures in place to reduce greenhouse gas emissions across the Group.

The Group reported a 23,1% reduction in electricity usage as compared to the prior year. However, the decrease is due to the Group installing accurate electricity consumption meters in 65% of the sites as opposed to using Eskom estimated readings. The decrease is also due to reduction in usage due to less favourable economic conditions leading to unstable electricity supply in FY2020.

Afrimat is committed to reducing, reusing and recycling all types of wastes generated across the Group, and therefore a 9,0% decrease in Scope 3 emissions was recorded.

A report detailing the 2019 (January to December 2018) carbon footprint of the Group was reviewed by Deloitte Touche Tohmatsu Limited. The review was performed in terms of the Protocol – Corporate Accounting and Reporting Standard. This report will be audited every second year.

Safe and reliable operations

Afrimat is committed to providing a safe and healthy working environment for all employees which is in strict compliance with the South African Occupational Health and Safety Act, Mine Health and Safety Act and other relevant regulations and recognised standards and guidelines. Within the mining industry there are potential health and safety risks, to minimise the risk we at Afrimat proactively assess and manage the risk to prevent health and safety incidents.

The LTIFR increased from 0,56 to 0,86 at the end of the current financial year.

Responsibility for health and safety devolves down from the Executive Head: HR & Sustainability and Group SHEQ manager to all levels of employees and radiates up again with the CEO taking ultimate responsibility.

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

The Group SHEQ manager, Letisha van den Berg, is responsible for devising new policies. These are communicated through Company notice boards, management meetings and each operation's monthly safety meeting. Responsibility for compliance rests at every level throughout the Group down to each individual employee. The Health & Safety Policy was reviewed and approved by management during the year. (A copy of our Health & Safety Policy is available at www.afrimat.co.za).

Health and safety risk process

Health and safety risks are identified through annual HIRAs at each site. HIRAs establish a rating of hazards according to the likelihood of occurrence. The HIRA process will be standardised to be able to present a risk profile for the entire Group.

Identified risks are mitigated through the following processes:

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

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

Safe and reliable operations (continued)

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

- Injury on Duty Report – lost-time injuries, used to report on the LTIFR;
- Statistics on hazard and risk categories – trending focus areas;
- Near misses and property damage report; and
- First aid and medical treatment cases report. The first aid and medical treatment cases reported increased from 82 to 104 cases in the current year. This can be attributed to improved incident reporting in all categories of incidents.

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

Afrimat is a member of independent association ASPASA, which annually audits the mines, and internal audits are conducted at the readymix plants. The DMRE also performs random inspections and scheduled audits at all mines within the Group. The Department of Labour performs random inspections within the Group's concrete product plants and workshops. Areas for improvement identified during these audits/inspections are addressed by management where practical.

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

The focus in the upcoming year will be on leading indicators (pro-active steps in preventing injury) rather than lagging LTIFR indicators

Key focus Area	Leading indicators*	Near miss reporting**	Identifying critical tasks***	Planned task observations	Procedure and guideline training
FY2021 goal	90% compliance	60% improvement	80% formal interaction – SHE representatives	80% conducted	95% compliance testing
Long-term goal	Entrench uniform SHEQ culture within the Group	Increase accuracy of near miss reporting and reduction of LTIFR and Medical Treatment Injuries ('MTI')	Reduction of LTIFR		

Effectiveness against FY2020 goals

Key focus Area	Leading indicators*	Near miss reporting**	Identifying critical tasks***	Planned task observations***	Training****
FY2020 goal	Standardisation of the SHEQ System with employee input	Redefine the definitions of the various incidents. Re-train all employees on incident reporting.	Identify critical tasks relevant to each operation	Measure planned task observations performed on critical tasks	Measure and monitor training planned and executed
Evaluation	69% achieved on the overall leading indicator measuring tool	Proactive near misses reporting maintained	99% planned critical tasks identified	92% task observations on critical tasks completed	91% completion of training matrix

* *The leading indicator tool is utilised to measure and monitor proactive safety actions taken to prevent employees and contractors from being injured and to maintain safe and healthy working environments.*

** *Near miss reporting gives an operation the opportunity to react to situations that could have resulted in an injury before it happens. Injuries will therefore reduce because unsafe situations or behaviours are corrected before it results in injury.*

*** *Critical tasks are those work activities with high risk due to the nature of the task, the employees must be informed of these tasks and the control measures to follow while performing the task. Planned task observations are then conducted on employees while performing the task to ensure they perform the safety measures to prevent injury.*

**** *Training ensures that everyone is informed of the various rules and the control measures, if a person is aware of the rule he/she can follow it and protect themselves. During FY2020 we focused on procedure training at operational level, therefore the percentage is slightly lower than the year before when we focused on statutory training that was completed during the current year.*

Health and safety training

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

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

Our employees' well-being

An occupational healthcare system for our employees is geared towards total wellness and incorporates annual medical testing for all employees.

Afrimat embarked on a risk-based process preparing for the Covid-19 pandemic and developed a Covid-19 standard operating procedure document to ensure all aspects from World Health Organisation, Department of Health, Minerals Council South Africa and South African Institute of Occupational Safety and Health are incorporated as the virus information evolves. All operations prepared and implemented sanitising stations and trained all employees on the symptoms and spreading of the virus. Information pamphlets were distributed to employees to ensure that their communities are also educated on the virus and how to protect themselves. During lockdown, operations started to plan the return to work with dedicated areas and adherence to social distancing requirements within each area. Arrangement of transport at 50% capacity and stringent hygiene measures in the vehicles were implemented for essential workers. Afrimat purchased masks for each employee upon returning to the workplace. Communication is done continuously during the lockdown period to all employees via an sms line as well as email for those with access to a computer. All vulnerable employees will be offered the flu vaccine to boost their immune systems.

The following medicals are conducted:

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

Processes were developed to measure and monitor health statistics to determine the health status of the Group on a monthly basis. Occupational hygiene measurements are now linked to the health process to identify potential over-exposures and prevent illnesses. A dedicated Safety Committee is committed to researching new technological advances in order to enhance and maintain a superior safety standard throughout the Group's operations.

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

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

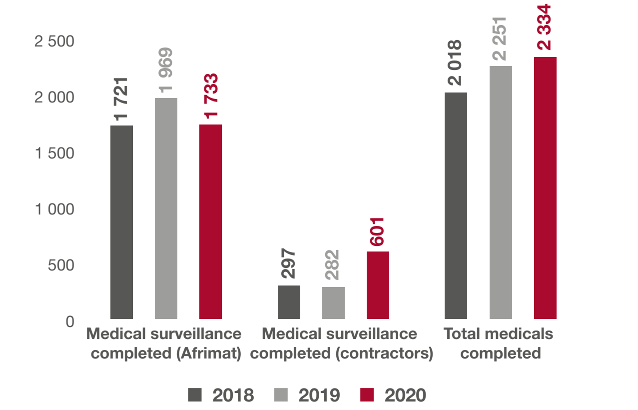
Performance

Afrimat manages health through the applicable legislation in the Mine Health and Safety Act, Occupational Health and Safety Act and Code of Practices. The progress of medical surveillance is measured and monitored monthly to ensure the health of our employees and contractors. The contractor medicals increased from the previous years due to additional focus on ensuring all contractors follow the protocols. During FY2020 the occupational diseases decreased with noise induced hearing loss ('NIHL') reflecting the best reduction.

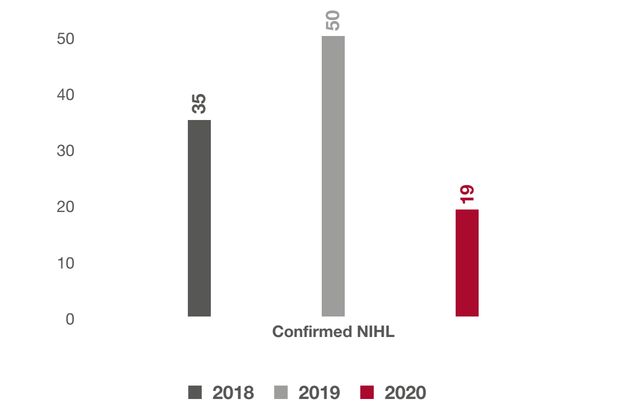
We focus on dust management at operations to reduce the possibility of lung diseases through over-exposure. An extensive dust management plan has been completed and implementation started at two operations to test the success thereof.

We continue to focus on the overall well-being of the employees and contractors through management of chronic illnesses.

Medical surveillance 2018/2019/2020



NIHL 2019/2020



Public health and safety

We maintained responsibility for public safety during the past financial year and reinforced robust controls over access to our mines and the surrounding properties.

Community forums were added to existing programmes, where further awareness of safety conditions and hazardous environments were discussed including processes (i.e. breathalyser tests, perimeter dust monitoring and the allocation of dedicated areas on entering premises).

Human capital management

Our vision

To be globally respected for excellence in unlocking and enhancing the earth's mineral potential to build a better world.

Values

- Trust
- Accountability
- Integrity
- Teamwork
- Respect
- Safety
- Customer satisfaction

The 'Afrimat way'

Afrimat launched a culture journey in 2018. This journey has gone from strength to strength in aligning the culture throughout the Group. Our culture refers to the way we do things in Afrimat, what we value and how these values determine our behaviours, a.k.a. The Afrimat Way. A campaign was launched to roll out The Afrimat Way desired behaviours throughout the Group via small group interaction.

Caring environment

- Family
- Caring for people
- Growing people
- Treating everyone as equals
- Atmosphere of joy and positivity
- Commitment
- Embrace diversity
- See people as people not as objects
- Zero harm to employees, the community and the environment
- Community development

Results driven

- Profitability
- Non-bureaucratic, not a corporate Company
- Big vision and stretching goals
- Healthy finances
- Effective and reliable systems

Skills and competence

- Right people in the right place
- Ownership and responsibility
- Learning culture
- In-depth knowledge and compliance of legislation and requirements

Entrepreneurial drive

- Innovation and creativity
- See opportunities and pursuing them
- Agility and flexibility
- Calculated risk taking

Humility and belief

- Acknowledge mistakes
- Servant leadership
- Confidence with modesty

Important relationships

- Delighted and satisfied customers
- Customer centric
- Cooperative and collaborative
- Respect for stakeholders
- Integrity
- Transparency
- Ethical
- Brutal honesty

Teamwork

- Inspire a shared vision
- Interdependence
- Imperfect unity
- Trust and accountability
- Sharing
- Respect
- Motivated personnel
- Communication and feedback

Empowering

- Support across boundaries
- Finding talent in unusual places
- Modelling the way
- Celebrate small successes
- Recognition

Winning attitude

- Tenacity
- Fighting spirit
- Stretching each other
- Outside comfort zone, not in panic zone
- Perseverance and determination
- Healthy competition
- Passionate

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

This is evident in our consistently low employee turnover resulting in a deepening skills pool. People development is dynamic and requires ongoing attention from the stage of recruitment through to advancement.

Highlights

JOB CREATION

Afrimat contributes to job creation by employing 2 289 (2019: 2 258) employees across South Africa.

REMUNERATION

Salaries are fair, competitive and transparent. Salary increases are aligned with market conditions. A total of R664,4 million (2019: R604,7 million) was spent on remunerating our employees.

CORPORATE SOCIAL RESPONSIBILITY

Investment of R4,9 million (2019: R3,2 million) on CSI expenditure. Where possible, labour is sourced from local communities. Extensive Social & Labour Plans ('SLPs') are established wherever the Group has a mining operation.

GENDER EQUALITY

Afrimat is committed to achieve its objectives in placement of women in mining, gender representation and equality across the Group.

BEE AND EMPLOYMENT EQUITY

Afrimat is committed to develop and place South Africans from the human development index to establish a demographical balance of competent employees in employment.

EMPLOYEE RELATIONSHIPS

Afrimat has an engaging culture with a strong set of values to which employees hold each other accountable. Afrimat maintains sound relationships with representative trade unions as stakeholders in the different business units.

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

The Executive Head: HR & Sustainability, Collin Ramukhubathi, assisted by management is responsible for our employee relations and overseeing initiatives in this regard.

We have also identified our culture as an intangible asset that gives us a competitive advantage. We have embarked on a culture journey ensuring a unified culture, based on sound values and work ethic, across Afrimat.

We have identified industrial action as a high risk (see material issues on page 22). No industrial actions were experienced during the year under review. We strictly comply with all applicable legislation and bargaining arrangements and, in addition, have a strategic engagement process with unions and employees (see our stakeholders on page 8).

The Skills Development and Employment Equity Consultative Committees of each subsidiary communicate with the unions representing Afrimat's employees. These include:

- National Union of Mineworkers ('NUM');
- Association of Mineworkers and Construction Union ('AMCU');
- National Union of Metal Workers of South Africa ('NUMSA');
- Solidarity Trade Union;
- Transport & Omnibus Workers Union of South Africa ('TOWU');
- Yurano Kupano Workers Union of South Africa ('YKWUSA'); and
- Building Wood and Allied Workers Union of South Africa ('BWAWUSA').

Skills development and training

We prioritise training and upskilling our employees, to ensure continuous leadership in key positions. We have moved away from the 'tick-box' exercise to creating a culture of learning. This is performed through offering employees study assistance or bursaries, learnerships, Afrimat training programmes as well as core business training to ensure employees do their jobs safely and optimally. Employees are encouraged to take every opportunity afforded to them by the Group to upskill themselves.

The Group planned and facilitated the execution of a wide array of training and development solutions during the year. This was done through a process of needs identification across the Group, followed by the identification and the implementation of development solutions and the monitoring of progress. We focus on lower skills levels, as we see these as integral to entrenching our positive culture of teamwork and empowerment.

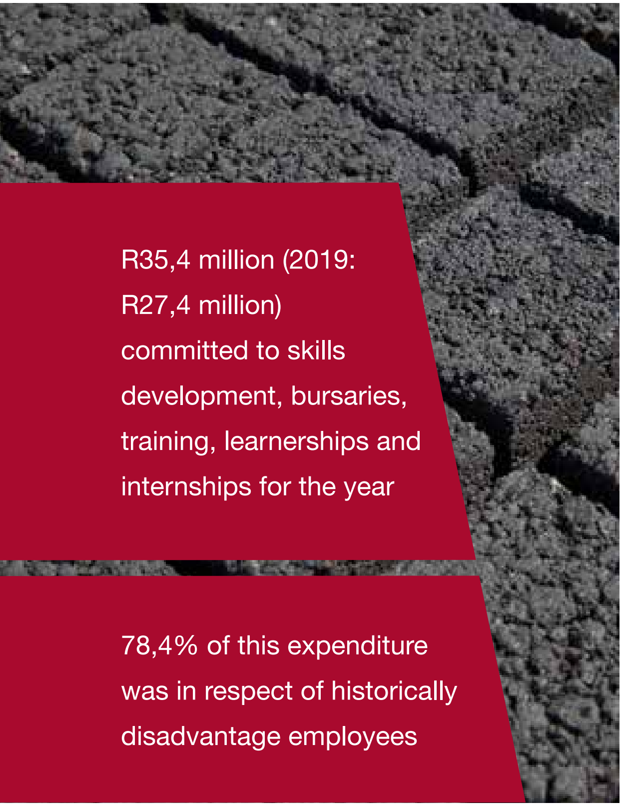
Training and skills development is divided in four main categories:

- Learnerships and internships: Financial support followed by a fixed term internship for students in professions such as engineers, technicians, accountants, HR officers, and trades such as boilermakers, diesel mechanics, fitters, electricians.
- Core business skills: Plant equipment, maintenance programmes, blasting practices (e.g. blasting practices, examine and make safe, blasting assistance), material testing, computer literacy, adult educational training, and sales training;
- Statutory training: Health and safety (SHE), firefighting, first aid, driver licences, operator licences, and mine regulations;
- Strategic training: Leadership and management development programmes, supervisory development programmes, bursaries and study assistance to employees at tertiary institutions, i.e. diplomas, degrees and post-degree qualifications.

Each business unit in the Group is compliant with respect to skills reporting, and is obtaining optimum benefit from the different forms of skill grants.

Human capital management (continued)

FY2020 review



R35,4 million (2019: R27,4 million) committed to skills development, bursaries, training, learnerships and internships for the year

78,4% of this expenditure was in respect of historically disadvantage employees

Our skills development programme is a cornerstone of our talent attraction and retention strategy. We believe that a trained, informed, skilled and engaged workforce will be best equipped to make a positive impact on our business, leading to their job satisfaction and therefore optimum productivity and profitability. Satisfied and challenged employees are better retained, therefore deepens the talent pool. In the wider perspective, good skills development boosts the skills pool in our sector generally by equipping employees with new technical, administrative and management skills.

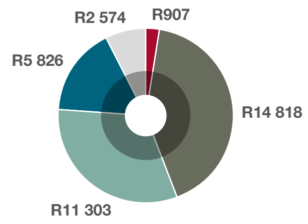
Human resource development initiatives

Initiative	Detail	Target participants
Talent Management Programme	The programme is aimed at managing the retention of the Group's top skills through their structured development, exposure, recognition, reward and motivation. We ensure that these employees receive high level development and exposure in order to remain abreast of new technology and that they are equipped with appropriate leadership skills and exposure for future specialist and leadership roles.	The Group's top employees are identified by the executive directors and business heads through an evaluation process.
Afrimat Management Development Programme	A three-year, eight-module, in-house programme, custom-designed as part of our strategy to create a sustainable leadership team for the future. The programme focuses on technical and leadership development in our industry. During the year, 59 leaders completed Module 4 (Sales & Marketing) and 43 completed Module 5 (Sustainability & HR) of the programme. Module 6 (Finance for Non-Financial Managers) and Module 7 (Project Management) will be presented in FY2021.	Middle management, such as department heads, production managers and supervisors.
Afrimat Graduate Development Programme	A programme where Afrimat hosts externally qualified graduates in order for them to gain exposure to the world of work for a period of between six months and two years. This enables them to put the theory that they have learned into practice in a controlled environment. The graduates follow a structured programme that exposes them to different disciplines and business units of the Group (focusing on their respective fields of expertise). During the year, 37 graduates participated in the Afrimat Graduate Development Programme. In the event that a suitable vacancy is available in the Group, these interns are considered for placement.	Engineering graduates and technicians (in mining, and mechanical engineering), as well as graduates in geology, environmental management, finance and behavioural sciences.
Afrimat Learnerships Programme	This programme focuses on the recruitment of learners to be trained and developed as qualified artisans. These learnerships (previously known as 'apprenticeships') take two to three years to completion. During the year 60 artisan learnerships were in place, and 15 learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. Where vacancies become available in the Group, these artisans are good candidates for placement.	Employees and external persons with the required aptitude in the various technical fields.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 65 employees were assisted of which 38 were from the designated groups.	Employees whose contribution will increase by improving their qualifications.
Afrimat Leadership Development Programme ('AFRILEAD')	Afrimat developed and implemented this programme for employees in middle management. During the year, 41 employees completed the three-module programme: ▪ Module 1 = Leading Self ▪ Module 2 = Leading Others ▪ Module 3 = Leading Business Community	Middle management level employees and junior professionals nominated by their business unit leaders as potential leaders of the future.
Statutory Training	Compulsory and legislative training as prescribed by the industry and includes training such as firefighting, first aid, health and safety and operator licences. During the year, 449 employees received statutory training.	Employees in roles where statutory training is prescribed for the execution of their roles.
Core Business Skills	Training interventions required all employees to function effectively in their current positions. The Group had 905 training interventions related to core skills.	All employees.

Initiative	Detail	Target participants
Adult Education Training	Numeric and communications skills improvement programmes for selected employees. During the year 174 employees participated in these programmes.	Assessed and selected employees with education levels lower than Grade 9.
International Exposure	Certain executives enrolled in internationally recognised courses to improve and enhance business skills.	Senior executives.
Organisation Development (‘OD’) (Including individual Development: Strengths finder)	This is a personality assessment used for personal development and teamwork. This tool assists individuals and their teams to understand individual strengths, thereby enabling teams to balance execution, strategic thinking, influencing and relationship building in terms of the team’s collective strengths profile. The tool has been internalised in terms of the Afrimat culture and branding. All target employees are assessed and coached in terms of their strengths profiles. The tool is also an aid in placement of employees, where individual strengths can be complimentary to those of team members.	All employees C-Upper and F-Band across the Afrimat Group
The Afrimat Way	All leaders in Afrimat attended leader accountability and commitment workshops. After attending these workshops, these leaders were further personally involved in taking The Afrimat Way to their teams through workshops facilitated by the OD department. Refer to page 42.	All employees
Culture Assessment Feedback and Planning	A critical element as part of the culture journey was assessing our current culture in order to identify development areas. During this period, leaders attended feedback sessions on the outcomes in terms of the limiting and enabling beliefs in their business units. These sessions were also strategic planning sessions in terms of what the specific leadership development and culture needs are per business unit.	All management teams across the Group
Leadership Development Programs	During the culture journey, different needs were identified and interventions proposed for the future to address specific leadership needs. These include: ▪ The Leadership Circle: Assessment and coaching assisting leaders to understand the impact of their leadership styles on others. ▪ Growth mindset vs fixed mindset: Workshops teaching leaders how to adapt a growth mindset (innovative, problem solving, optimistic, potential seeking) as opposed to a fixed mindset (traditional thinking, bureaucratic, problem focused.) ▪ Leadership emotional intelligence (‘EQ’) ▪ The Leadership Challenge – Kouzes and Posner Other than the business unit specific interventions Afrimat is also focused on strategically enhancing and/or aligning practices in the following development areas across the Group: ▪ Mentorship Programmes ▪ Recognition Programmes ▪ Communication ▪ Diversity and Inclusion Programmes	All management teams across the Group

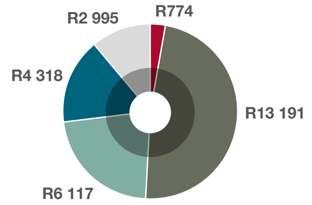
Training and development initiatives (R’000)

2020



- **Bursary/study loans** 2,6%
- **Training costs** 41,8%
- **Skills development department cost** 31,9%
- **Learnerships** 16,4%
- **Internship remuneration** 7,3%

2019



- **Bursary/study loans** 2,8%
- **Training costs** 48,2%
- **Skills development department cost** 22,3%
- **Learnerships** 15,8%
- **Internship remuneration** 10,9%

Transformation

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

Ownership

Our main BEE partners, which are all black-owned organisations, are:

- Afrimat BEE Trust: 6,0%
- Mega Oils Proprietary Limited: 3,0%
- Joe Kalo Investment Proprietary Limited: 0,1%
- ARC: 26,0%
- Johannes M Kalo: 0,2%

Black ownership in the Group totals 35,3% in line with Mining Charter requirements. In calculating the ownership percentage, the methodology as required in terms of Statement 100 of the Code, was applied. This requires a measured enterprise to apply the exclusion principle to four categories of rights of ownership to the number of issued shares: those held by organs of state and public entities; those held as mandated investments; those held by non-profit companies or public benefit organisations; those that equate to the value of the foreign operations of multinational businesses operating in South Africa.

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

Company/subsidiary name	**2020 B-BBEE rating level**	2019 B-BBEE rating level
Afrimat Limited (Consolidated)	**4**	5
Ikapa Quarries Proprietary Limited	**QSE***	QSE*
Afrimat Readymix (Cape) Proprietary Limited	**7**	5
Afrimat Readymix Inland Proprietary Limited	**7**	7
Afrimat Aggregates (KZN) Proprietary Limited	**4**	4
Afrimat Aggregates (Operations) Proprietary Limited	**3**	4
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**4**	4
Afrimat Contracting International Proprietary Limited	**1**	3
Afrimat Concrete Products Proprietary Limited	**7**	5
Glen Douglas Dolomite Proprietary Limited	**2**	2
Boublok Proprietary Limited	**4**	N/A
Cape Lime Proprietary Limited	**8**	N/A
Afrimat Demaneng Proprietary Limited	**8**	N/A
Infrasors Holdings Proprietary Limited	**3**	8

** Qualifying small enterprise as per the Broad Based Black Economic Empowerment Act.*

Management control

Our Board includes three black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective Boards of directors. We make effort to ensure participation of historically disadvantaged individuals at decision-making positions and core occupational categories through the Afrimat Management Development Programme ('AMDP') and Afrimat Leadership Programme ('Afrilead'). AMDP is a four-year programme aimed at training future foremen and mine managers. Afrilead is aimed at training junior and middle managers. Through these programmes, we aim to ensure leadership continuity in key positions, encourage individual advancement within the organisation and find a match between the current talents to the required future talent.

Employment equity

A total of 83,5% (2019: 82,7%) of the Group's 2 289 employees are historically disadvantaged.

A formal Employment Equity Policy is in place for all employees and potential candidates, which promotes equal opportunities by encouraging good practice in the recruitment and selection process complying with the Employment Equity Act. (Afrimat's Employment Equity Policy is available on www.afrimat.co.za.) The policy is an integral part of our commitment to building an effective and representative workforce and to ensure that historically disadvantaged individuals are appointed at management level to reflect the demographics of the country. This has been achieved through the implementation of individual development plans, skills audits, career progression plans, talent identification, fast tracking, training and mentoring. Particular efforts are directed at identifying historically disadvantaged individuals with potential and providing training and development initiatives to assist their progression.

In recruitment and promotion, the governing principle is 'from within the Group' and priority is given to the advancement of black employees.

Employment equity goals are communicated to employees via the various subsidiaries' Skills Development and Employment Equity Consultative Committees.

We are also proactive in recognising and rewarding initiative, effort and merit. Attractive remuneration and incentive schemes are outlined in the remuneration policy to attract and retain employees over the short, medium and long term. (See remuneration report page 52.)

Employment equity reports

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

Each business registered its report on its BEE employment status at the Department of Labour by 29 January 2020.

Summary of reports:

	Male				Female				Foreign Nationals		
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**
Afrimat Limited	–	–	–	3	–	–	–	1	–	–	**4**
Afrimat Management Services Proprietary Limited	4	2	–	21	–	5	–	15	–	–	**47**
Afrimat Shared Services Proprietary Limited	2	1	–	23	2	1	–	7	–	1	**37**
Afrimat Aggregates (Operations) Proprietary Limited	113	119	1	38	14	32	–	12	–	–	**329**
Afrimat Aggregates (Eastern Cape) Proprietary Limited	26	14	–	9	5	2	–	4	–	–	**60**
Afrimat Readymix (Cape) Proprietary Limited	21	26	1	10	1	3	–	5	1	–	**68**
Afrimat Silica Proprietary Limited	15	–	–	3	2	–	–	–	–	–	**20**
Afrimat Contracting International Proprietary Limited	159	16	–	43	16	4	–	8	–	1	**247**
Afrimat Aggregates (KZN) Proprietary Limited	131	4	1	23	34	3	3	12	–	–	**211**
Afrimat Concrete Products Proprietary Limited	245	–	–	11	23	1	1	8	–	–	**289**
Cape Lime Proprietary Limited	10	71	–	15	1	5	–	7	2	–	**111**
Boublok Proprietary Limited	20	13	–	1	3	3	–	2	1	–	**43**
Clinker Supplies Proprietary Limited	40	–	–	6	2	–	1	3	–	–	**52**
Afrimat Demaneng Proprietary Limited	66	25	–	11	13	6	–	2	–	1	**124**
Glen Douglas Dolomite Proprietary Limited	93	1	–	16	19	–	–	12	–	–	**141**
Infrasors Holdings Proprietary Limited	–	–	–	6	–	–	–	3	–	–	**9**
Lyttelton Dolomite Proprietary Limited	121	1	–	7	28	–	–	5	3	–	**165**
Phahamo Enterprise Proprietary Limited	6	–	–	1	–	–	–	1	–	–	**8**
SA Block Proprietary Limited	120	–	–	16	162	1	–	6	–	–	**305**
Total	1 192	293	3	263	325	66	5	113	7	3	**2 270**
	68,1%	16,7%	0,2%	15,0%	63,9%	13,0%	1,0%	22,2%	70,0%	30,0%	

A African C Coloured I Indian W White

The employment equity reports have a different cut-off period than the year under review.

Preferential procurement

The Department of Trade and Industry ('DTI') defines preferential procurement as 'the procurement of goods and services from empowering suppliers as a percentage of total procurement'.

Our sustainable development programmes and initiatives provide active support to targeted qualifying suppliers, who are actively participating or may potentially participate within our supply chain. These suppliers play an important role in the growth of the local communities we operate in and to bring previous disadvantaged individuals into the mainstream economy.

Our Preferential Procurement Philosophy supports transformation in South Africa by:

- Promoting compliance, and providing training where necessary, with legislation relating to broad based economic empowerment ('B-BBEE');
- Supporting and promoting preferential procurement initiatives for purposes of improving procurement from qualifying suppliers;
- Improving existing suppliers' B-BBEE level rating annually;
- Promoting supplier rotation, allowing for new entrants to participate in our supply chain;
- Educating our suppliers on changes in the Mining Charter, as well as B-BBEE Codes of Good Practice; and
- Providing greater access to markets, by hosting procurement indabas.

Our procurement practices are aligned to the codes of practice, as well as the Mining Charter to be able to continue contributing to the transformation of the supply chains we are active in. Our spend profile reflects our positive commitment to spend with transformed suppliers within South Africa.

Through the tools introduced to track B-BBEE ratings, the Group intensified its focus on BEE procurement during the year. The procurement spend from companies with a 25%+ black shareholding was increased in FY2020 compared to prior years.

Procurement days were held to increase the awareness of B-BBEE amongst existing suppliers and to create an opportunity for new BEE suppliers to meet with the Group's procurement management. Existing suppliers are continuously encouraged to implement transformation processes within their companies and those that demonstrate compliance to BEE empowerment, are given preferred supplier status. A continued focus on supplier development resulted in the identification of BEE suppliers who may otherwise not have been identified by the Group, contributing towards an improvement in BEE procurement of the Group. The Group assisted qualifying small enterprises to provide a relevant affidavit for the purposes of confirming B-BBEE exemption.

Transformation (continued)

Enterprise and supplier development

As part of our commitment to achieving sustainable growth and having an impact on the wider communities that we operate in, we continue to promote enterprise and supplier development. We are invested in and committed to the process of assisting small businesses to thrive as they are one of the key vehicles through which poverty alleviation and inequality can be tackled effectively in South Africa.

All of our enterprise and supplier development initiatives are aimed at ensuring that businesses become capable of supplying their products and services to diverse supply chains. The aim is to help these suppliers become more agile and competitive to foster a strong likelihood of meaningful market share gain and sustainable job creation. This approach will form part of the Afrimat culture and long-term strategy, to create commercially valuable relationships with all stakeholders within our supply chain.

During the year, we contributed towards enterprise and supplier development programmes by providing extensive management advice, administration services and working capital funding to qualifying enterprises. In addition, several services and goods have been ring-fenced in order for the Group to only procure from these enterprises. Working capital funding had outstanding balances during FY2020 of R12,8 million (2019: R15,8 million).

These enterprises are further assisted by settling monthly purchases earlier than the normal payment terms applicable to suppliers and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. A continued focus is placed on converting these enterprises into fully fledged suppliers (if applicable).

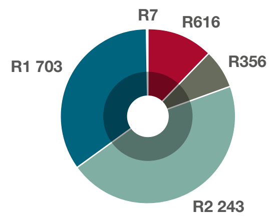
Communities and upliftment

Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. We consult with different stakeholders to ensure the needs of the communities are met through the projects. The Group targets 1,0% of net profit after taxation for contribution to the projects. Projects include building classrooms and a school library, maths programme in schools, training unemployed youth, upgrading of a community hall, adult basic education training programmes for illiterate community members and a back to school uniform drive. CSI expenditures during FY2020 amounted to R4,9 million (2019: R3,2 million). Refer to value added statement on pages 6 and 7.

All planned FY2020 local economic development projects were completed during the year.

CSI spend: Categorisation (R'000)

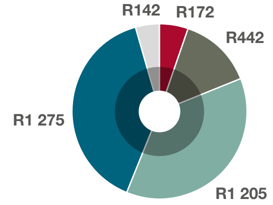
FY2020



- **Art, sports and culture** 12,5%
- **Basic needs** 7,2%
- **Education projects** 45,5%
- **Uplifting community** 34,6%
- **Skills development** 0,2%

CSI spend: Categorisation (R'000)

FY2019



- **Art, sports and culture** 5,3%
- **Basic needs** 13,7%
- **Education projects** 37,2%
- **Uplifting community** 39,4%
- **Skills development** 4,4%

With 38 mining rights across the country, we continue contributing immensely to the communities in which we operate. The projects and programmes are identified in consultation with communities, local and district municipalities, tribal authorities, NGOs and relevant government department. This is done to ensure projects are aligned to the needs of the communities. The impact in the communities is not only through projects but also through learnerships, bursaries, internships and jobs created through local small, medium and micro-enterprises supported and mentored.

Thomas Nhlapo Primary School

A detailed breakdown of projects completed in the financial year:

Area	Type of project	Project description	Beneficiaries
Mamelodi	Construction of library	Construction of a library at Refentse Primary School. The school previously used a small classroom.	**463 learners**
Daleside	Construction of six brick and mortar classrooms	Construction of six new classrooms to replace the dilapidated container classrooms at Thomas Nhlapo Primary School.	**700 learners**
Dunoon and Fisantekraal	Unemployed youth training programme	An ongoing programme where unemployed youth from Dunoon and Fisantekraal is trained by Learn to Earn, a division of Fisantekraal Centre of Development. The aim is to provide the youth with skills relevant to the labour market and empower them to be employable.	**78 unemployed youth in Dunoon and Fisantekraal**
Rawsonville	Unemployed youth driver's licence training programme	The programme provides code 10 driver's licence training to unemployed youth in Rawsonville. The project was done in partnership with Breede Valley Local Municipality as part of their integrated development plan to upskill unemployed youth.	**32 unemployed youth in Rawsonville**
Malmesbury	Unemployed youth driver's licence training programme	The programme provides code 10 driver's licence training to unemployed youth in Malmesbury. The project was done in partnership with Swartland Local Municipality.	**27 unemployed youth in Malmesbury**
Paarl	Unemployed youth driver's licence training programme	The programme provides code 10 driver's licence training to unemployed youth in Paarl. The project was done in partnership with Drakenstein Local Municipality.	**43 unemployed youth in Paarl**
Robertson	Community hall upgrade	Upgraded the existing hall structure including roof, paving and paintwork.	**Robertson community**
Bushbuckridge	Back to School uniform drive	Purchase of school uniforms for less fortunate learners.	**102 learners**
Worcester	Education programme	This project has been running for over 10 years. Due to the great success of the project, the Company continues subsidising a maths teacher's salary and hosting maths awards for top students at Vusisiswe High School.	**Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School**
QwaQwa, Harrismith and Bethlehem	Mini-chess education programme	The programme has been running for over seven years in partnership with the Department of Education to teach mathematics through chess.	**Primary school learners in the three areas.**

In an effort to extend our reach in creating access to markets for small, medium and micro-enterprises ('SMME') and youth job creation, Phakamani Academy Proprietary Limited was established as a wholly owned subsidiary to support the training and development of our current SMME suppliers and potential suppliers. This is done through growing their existing businesses, creating joint ventures and skills transfer. The academy developed an entrepreneurship and new venture creation programme to roll out to the identified SMMEs and unemployed youth.

Remuneration Report

Letter from the Chairmen of the Remuneration & Nominations Committee

Dear shareholders

On behalf of the Committees', we present the 2020 remuneration report. This report highlights Afrimat's remuneration philosophy and policy and illustrates how the policy has been implemented, disclosing payments made to non-executive and executive directors during the year.

In line with the King IV™ Code on Corporate Governance and our commitment to fair and responsible remuneration, our policies are reviewed annually to ensure that Group remuneration and recruitment is aligned with the overall business strategy, with the aim of enabling Afrimat to attract and retain personnel who will create long-term value for all stakeholders.

The Company is committed to shareholder engagement on its remuneration policy and its consistent implementation on an annual basis.

Ultimately we will continue to improve policies and practices to be aligned with remuneration developments in local and global best practices but also more importantly aligned with Afrimat's strategy and values.

The Company will put the remuneration policy and implementation report (refer to pages 52 and 56 of this report) both as non-binding advisory votes. In the event that 25% or more of the shareholders vote against either or both the remuneration policy and implementation report, Afrimat will engage with shareholders in accordance with the format and requirements of the JSE Listings Requirements.

Focus areas for FY2021

- Employee literacy, skills and experience remains critical for us and we will continue to enhance our communication and focus on fair pay principles across the Group; and
- Continued shareholder engagement to ensure a balanced and healthy relationship.

Committee considerations and decisions

Introduction

The Remuneration & Nominations Committee is an independent and objective body, which monitors and strengthens the credibility of the Group's executive remuneration system. It ensures that executive remuneration is linked, in part, to individual performance, the Group's performance and market conditions and benchmarks. The Committee considers and makes recommendations to the Board on remuneration packages and policies in this regard. It is therefore authorised by the Board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the Group. The requirement for external advisors is assessed annually in the context of issues at hand and the recommendations by these advisors are only used as a guide, and do not serve as a substitute to the Board's thorough consideration of the relevant matters. In order to be aligned with current remuneration trends, and in consultation with independent consultations, Afrimat extended its retention strategy with the introduction of a Forfeitable Share Plan in FY2019.

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

Prescribed officers are defined as those who exercise general executive control over and manage the whole or significant portion of the business and activities of the Group, or who regularly participate to a material degree in such exercise of general executive control and management. The executive directors are deemed the prescribed officers of the Company. Their remuneration is disclosed in the integrated annual report on page 57.

Voting at the AGM held on 31 July 2019

The Committee is further responsible for devising a general remuneration policy for the Group, which is tabled annually at the AGM for a non-binding advisory vote by shareholders. Shareholders thereby express their view on the Company's remuneration policy and its implementation. As a vote of confidence, the shareholders at the 2019 AGM passed the non-binding advisory note.

The remuneration policy, its implementation and directors' fees for FY2020 were approved by shareholders at the AGM held on 31 July 2019 as follows:

Advisory vote	2019	2018
Remuneration policy	**92,4%**	87,7%
Implementation Report	**94,6%**	97,7%
Special Resolution 2		
Future non-executive directors' remuneration	**99,6%**	96,7%

The CEO and CFO attend Remuneration & Nominations Committee meetings by invitation to assist with deliberations, except with discussions on their own remuneration.

Independent external advisors

The Committee contracted the services of Deloitte Touché Tohmatsu Limited during the latter part of 2019 for independent external advice. The Committee continues to use PE Corporate Services SA Proprietary Limited ('PE Corporate Services') for remuneration benchmarking purposes. Furthermore, the Committee is satisfied with their independence and objectivity.

Remuneration policy and framework

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

The Group's approach is to reward holistic and balanced as follows:

Remuneration framework

Remuneration

Guaranteed pay ('GP')

Benchmarked against applicable companies to ensure that GP is competitive and attracts and retains the required level of experience and expertise required for the Group

Variable pay

Short- and long-term incentives with the opportunity to earn additional financial rewards over performance periods of between one and three years

Base salary ('BS')	Benefits	Short-term incentives ('STI')	Long-term incentives ('LTI')
Market-related salary tailored to roles and performance.	Market-related benefits including pension, provident funds, healthcare, vehicle allowances.	Annual performance bonus paid on the achievement of one-year financial targets. Employees in the Group participate in an STI scheme appropriate to the level and role that they perform in the Group.	Share schemes designed to incentivise Group CEO, executive directors, execs and senior- to middle-management levels across the Group, on delivery of long-term strategic goals aligned with shareholder expectations: ▪ Share appreciation right scheme ('SAR'). ▪ Forfeitable share plan ('FSP').

Discretion

The remuneration framework provides a guideline for the Group's remuneration arrangements. Although the basis for STI and LTI awards are formulaic in nature, participation in variable pay remuneration is discretionary. The Remuneration Committee determines the size of the STI pools and has the discretion to exercise reasonability and discretion to make ex gratia payments where extraordinary value has been created by executives. Discretion is not exercised in the calculation of the performance conditions for the short- and long-term incentive schemes. If a material deviation from the Remuneration Policy occurs, this will be appropriately disclosed in the Remuneration Report.

The Group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme and forfeitable share plan. The remuneration packages are structured on a 'cost to company' basis and include contributions to healthcare and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living and market-related changes. Performance incentives are calculated in terms of defined profit targets and key performance indicators ('KPIs'), including risk management efficacy. Details of the share appreciation rights scheme and forfeitable share plan for executive directors and senior management are disclosed on pages 54 and 55 of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

The following section sets out the manner in which the Group's remuneration policy addresses fair and responsible remuneration for executive management in the context of overall employee remuneration.

Some of the principles driving fair and responsible remuneration are:

- consideration given to minimum wage legislative requirements;
- equal pay for work of equal value specifically addressing any income disparities based on gender, race, age and cultural preference;
- participation of senior permanent employees in some form of short-term incentive scheme and/or forfeitable share scheme, the distribution of which is based on the achievement of performance metrics;
- participation of permanent employees in operational business units in some form of a Committee-approved production incentive bonus scheme that is self-funded and affordable. The distribution to individual employees of this bonus pool is based on the achievement of performance metrics; and
- participation in equal measure on product discounts of all permanent employees.

The Group measures the business unit's respective positioning relative to minimum wage legislation. All annual salary increases are informed by affordability, Company performance, internal parity, individual performance and responsibility of the role.

Employee share benefit scheme

Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6,7 million shares representing 4,66% of the issued share capital of the Company. The Company established a revised scheme in FY2017 to facilitate the participation of qualifying employees who may otherwise not have been able to become beneficiaries under the previous scheme. The Company is in the process of increasing the shareholding by qualifying employees to 5,0%.

Remuneration Report (continued)

Qualifying employees will be an individual who must:

- be a permanent employee of the Group, and be employed for at least three uninterrupted years;
- not serving his/her notice period; and
- not participating in any other short-term incentive scheme of the Group.

The participation by the qualifying employee in a self-funded productivity incentive bonus scheme shall not disqualify his/her participation in the revised scheme.

The beneficiaries have been allocated units in relation to the shares held. A beneficiary shall not be entitled to dispose and/or encumber or in any way deal with his/her trust unit, but will have a vested right to receive distributions, i.e. dividends commensurate with his/her participation rights. Dividends to the amount of R3,7 million (2019: R2,6 million) were distributed to the qualifying participants during the current financial year.

At least 85% of the beneficiaries under the revised scheme shall be people defined as 'black' in terms of the Broad Based Black Economic Empowerment Act. The Company's qualifying employees constitute a representation of more than 85,0% black persons, i.e. 90,6%.

Employees

Collective wage increases for employees in bargaining units, i.e. where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. Trade union membership in bargaining units comprises 65,9% (2019: 57,8%) of the total workforce.

Remuneration mix

Refer page 53 for remuneration framework of executives.

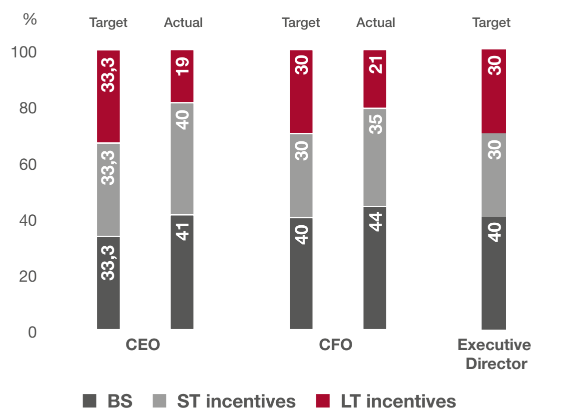
The Company ensures that remuneration for the salaries of executives constitutes a mix of fixed and variable elements (both elements as well as short-term and long-term variable compensation). In terms of the Group's remuneration policy, philosophy and strategy for executives (as opposed to general employees), it weighs the variable remuneration for executives heavier than guaranteed remuneration. Variable remuneration is subject to performance conditions, which need to be met and thus there is a large element of total pay at risk for the executives, aligning performance with reward. The base salaries of executives are benchmarked against PE Corporate Services' annual industry remuneration paper, who are employed particularly for this purpose to ensure independence and integrity of information. The industry remuneration paper reflects the median levels based on the role and individual skills and experience of key individuals.

According to PE Corporate Services' remuneration survey, the executives are paid at the lower end of the market for their respective roles in fixed pay. However, the Company places a higher relative target on variable pay which is seen as a more aggressive pay mix. The Committee is satisfied that the total reward outcome should be the key driver in executive pay should they achieve their targets. This further entrenches the concept of performance and reward.

Share appreciation rights and forfeitable shares are issued to executives to align the interest of executives with those of the shareholders. The award of share options and forfeitable shares to key management is recommended by the Remuneration & Nominations Committee and approved by the Board. Refer to note 18 on page 113 of the annual financial statements for further information. Share appreciation rights are not issued to non-executive directors as to not adversely affect the independence and objectivity of such directors.

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

On target policy vs actual pay mix



* *The Executive Director was appointed on 1 November 2019 therefore actual pay mix was not reflected.*

Benchmarking

The Group uses industry and country specific benchmarking in ensuring that we apply the right mix and remunerate our executives competitively. The Committee uses remuneration surveys and peer group data from the JSE construction/mining sector. Afrimat targets the 25th percentile of the market for executives due to higher relative variable pay with regards to STIBS and LT incentives.

Employment contracts

Refer to note 19 on page 118 of the annual financial statements for further information.

Share appreciation right plan ('SAR')

Upon recommendation of the CEO and the Remuneration & Nominations Committee, the Board may approve and grant equity-based remuneration in the form of SARs.

SARs are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the Group and the need to retain the skills of the employee. The instruments provide a right to future delivery of Afrimat shares (the value equating to the growth in share price from grant date to exercise date of the instruments, e.g. if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares [5 shares at R20 on exercise date]. Overall levels of SARs granted are reviewed annually in accordance with market best practice. Every qualifying position will be capped in terms of the maximum total SARs. When SARs vest the performance criteria stipulated in the SAR plan rules (and agreed with participants in terms of grant letters) determine whether individuals qualify to receive shares and the quantum of shares. The vesting period of the SARs is typically three years, but SARs may vest up to five years after grant date (with a further exercise period). For early termination of employment (based on resignation, dismissal) all unvested SARs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested SARs will vest pro rata based on time employed and the extent to which performance conditions were met.

The aggregate number of shares at any one time, which may be settled in respect of this SAR to all participants, shall not exceed 10 million shares, which equates to approximately 7,0% of the number of issued shares at the date of adoption of the SAR. Although a limitation of 7,0% was provided in the SAR rules, the actual aggregate number of shares that may settle at any one time has always been below 2,0%. The Company is considering to reduce this limitation to a general accepted 5,0% limitation. The maximum number of shares settled to any single participant in terms of this SAR, will not exceed one million shares, which equates to approximately 0,7% of the number of issued shares at the date of adoption of the SAR, which is considered in line with best market practice. The limits will be aggregated with the forfeitable share plan ('FSP') as discussed on page 55.

All awards in terms of the SAR scheme were subject to financial performance conditions and it is the company's intention to continue with the award policy of making SAR awards subject to financial performance conditions rather than retention conditions.

The nature of performance conditions to be imposed in terms of the SAR plan rules provides the Committee with the flexibility to determine the most appropriate conditions to impose on an annual basis and taking cognisance of the economic and business conditions at the time of the SAR award. The financial performance conditions for the vesting of SARs is agreed in the SAR award letter to participants annually.

The achievement of the performance conditions for the SAR vesting during the year is as follows:

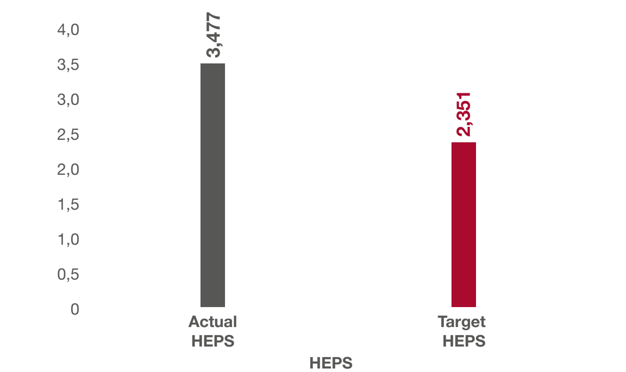
Performance measure	Targets
Target year three	HEPS growth of cumulative CPI for the three-year performance period + 6% from base year
Target year four	HEPS growth of cumulative CPI for the four-year performance period + 8% from base year
Target year five	HEPS growth of cumulative CPI for the five-year performance period + 10% from base year

Vesting of grant 12 SAR allocation

The performance conditions for the Grant 12 SAR allocation vesting on 21 May 2020 were tested to determine if vesting had been achieved.

The performance condition for SARs is HEPS growth of cumulative CPI plus 6% over the three-year performance period. The graph shows the target HEPS, which is required for the full vesting of the May 2017 SAR, against actual HEPS. Actual HEPS achieved was 347,7 cps, 47,8% above the target HEPS of 235,1 cps. Based on the outcome, the May 2017 allocations have vested and were exercisable as from 22 May 2020, subsequent to approval by the Remuneration & Nominations Committee.

HEPS performance – SARs



Forfeitable share plan ('FSP')

A FSP is in place as a long-term incentive for selected employees to encourage delivery of the Group's business strategy and to serve as a retention mechanism.

Forfeitable shares are awarded annually to executive directors, senior executives and senior managers based on achieving individual performance objectives for the year under review. The performance objectives relate to specific KPIs identified per individual and their respective overall performance thereon. The FSP currently has seven participants. A forfeitable share award vests after a period of three years. Forfeitable share awards will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the scheme rules). Participants become beneficial owners of the forfeitable shares on the date of the award. Beneficial ownership affords the employee full shareholder voting rights and full rights to any dividends declared.

The shares are held by a Central Depository Participant ('CSDP') on behalf of the employee during the time of the vesting period and the employee will not be able to dispose of the shares before the vesting date.

The FSP provides for the delivery of full shares (performance and/or restricted shares) on grant. The shares are subject to forfeiture and disposal restrictions and are held on behalf of a participant until it vests. A participant will have all other shareholder rights (i.e. dividends and voting rights) from grant. Overall levels of FSPs granted are reviewed annually in accordance with market best practice. The number of FSPs granted to participants is based on the participant's TCOE, grade, performance, retention requirements and market benchmarks. Every qualifying position will be capped in terms of the maximum total FSPs. The vesting period of the FSP is three years. For early termination of employment (based on resignation, dismissal) all unvested FSPs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested FSPs will vest pro rata based on time employed.

Refer to limits set in aggregate with the SAR plan as presented above.

Short-term variable incentives

The short-term incentive bonus scheme ('STIBS') is discretionary and is linked to the achievement of targets led by the short-term performance target of headline PBIT. Bonuses are paid proportional to TCOE relative to achievement of financial and operational targets.

Bonuses are created after the achievement of predefined targets aligned to the Group's strategic plan. Bonuses are increased in value as threshold, target or stretch targets are attained. Bonuses are capped at the following percentages of TCOE:

Grades (Typical Paterson Brand)	Category	Bonus cap	Performance rating
F U	Group CEO	On-target 77% Stretch 23%	100% 95%
F L	Group Executive directors	On-target 47% Stretch 33%	100% 100%

All bonuses paid are subject to approval by the Board on recommendation of the Remuneration & Nominations Committee.

STIBS is based on performance of FY2020.

Pledged securities

In compliance with 3.64(h) the following is being disclosed to shareholders. A number of 4,1 million Afrimat ordinary shares held by directors were pledged as a guarantee for a medium-term loan of R3,5 million. The loan will be settled during the FY2021 year.

Remuneration Report (continued)

Implementation and remuneration disclosure of the CEO, CFO and executive director

The implementation report details the outcomes of implementing the remuneration policy and detailed on page 57.

2020 STIBS performance

A component to the CFO and executive director's performance scorecard specifically relate to their respective responsibility i.e. financial metrics, people management and safety, health and environment. But moreover their scorecards are aligned to that of the CEO and therefore presented as one scorecard for the purposes of disclosure in terms of achieving their relevant targets.

Detailed disclosure of the CEO, CFO and executive director's on target performance scorecard is as follows:

	Performance	
Key performance areas	**Target**	**Actual**
Financial returns	HEPS, operating profit margin, RONA, working capital management and ROE	Increase in all relevant metrics mainly due to the contribution of the Industrial Minerals and Bulk Commodities Segments
Safety, health and environment	0,86 LTIFR, no reported environmental compliance incidence and clean audit result with health legislation compliance	0,86 LTIFR, no reported incidence and clean audit result
People management	Performance management, develop organisational culture, succession planning and drive leadership development programme	Management of Company-wide performance management system, integration of acquisitions and driving culture programme Group-wide, assessment of leadership talent and enhancing of individual development plans
B-BBEE	Compliance to revised B-BBEE criteria	Comply with all targets in Mining Charter and employment equity plans. Improvement on all targets
Business strategy	Approved strategy which focuses on five-year growth objective	Cost reduction optimisation, sustainable HEPS growth
Ensuring Afrimat has a positive image with investors	Positive relations with investors, good profile in the media and compliance to values and legislation	Bi-annual visits to top 10 investors, clean audit reports, functional internal audit and annual financial statements

Stretched targets in relation to the CEO's performance included:

	Performance	
Key performance areas	**Target**	**Actual**
Optimise Demaneng's performance	Measured on PBIT	Demaneng delivered an exceptional contribution to the Group results
Develop strategy to replace the contribution from assets reaching the end of their useful lives	Quantified strategic plan, identifying and quantifying earnings impact when assets reach their end and a workable plan to address it	A structured model and plan, to secure additional resources and earnings for the Group, were developed Measures required to drive a desired outcome were actioned
Optimise cash flow and improve Group's balance sheet	Improve debt:equity ratio of the business	Net cash from operating activities increased to R676,8 million, which resulted in a decrease of the net debt:equity ratio from 23,8% to 8,2%
Optimise business results	Defined and information-based improvement initiatives for Marble Hall, Cape Lime and Demaneng	All initiatives were successfully implemented
Develop a Afrimat growth plan	Quantified plan to grow HEPS sustainably by 10% per annum for next 3 years	Investigation of new markets within the Industrial Minerals Segment as well as further options to secure additional resources for the Group

Single-figure remuneration

Single-figure remuneration is disclosed for executive directors' remuneration for the year. The intention of single-figure remuneration is to disclose the remuneration earned or accrued by directors based on the performance of the current year, including any income attributable to unvested long-term share schemes.

Tables of single total figure of remuneration (R'000)

The following tables have been prepared in accordance with the provisions of King IV™ and practice notes.

Andries J van Heerden (CEO)

	2020	2019	% increase
BS	**5 021**	4 565	10,0%
STIBS	**4 965**	4 400	12,8%
LTI	**2 393**	2 188	9,4%
SAR	**2 311**	2 188	5,6%
Dividends	**82**	–	–
Total (pre-tax)	**12 379**	11 153	11,0%

Pieter GS de Wit (CFO)

	2020	2019	% increase
BS	**3 059**	2 782	10,0%
STIBS	**2 450**	2 200	11,4%
LTI	**1 464**	993	47,4%
SAR	**1 393**	993	40,3%
Dividends	**71**	–	–
Total (pre-tax)	**6 973**	5 975	16,7%

Collin Ramukhubathi (executive director)

(Collin was appointed from 1 November 2019 as executive director.)

	2020
BS	**828**
STIBS	**1 610**
LTI	**71**
SAR	**–**
Dividends	**71**
Total (pre-tax)	**2 513**

Non-executive directors' remuneration

The Remunerations Committee is of opinion that the existing annual fee to Board members is below market benchmarks is applicable to the size of Afrimat.

The proposed annual fee to Board members has been increased with 10,0% to be more in line with market rates applicable to the size of Afrimat.

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

Type of fee	Proposed annual fee 2020/21 R	Existing annual fee 2019/20 R
Board		
Chairman	**785 950**	714 500
Board member	**275 770**	250 700
Audit & Risk Committee		
Chairman	**165 495**	150 450
Member	**91 025**	82 750
Remuneration & Nominations Committee		
Chairman – Remuneration	**64 735**	58 850
Chairman – Nominations	**64 735**	58 850
Member	**50 765**	46 150
Social, Ethics & Sustainability Committee		
Chairman	**78 595**	71 450
Member	**50 765**	46 150
Investment Review Committee		
Chairman	**78 595**	71 450

On advice from the Remuneration & Nominations Committee, the Board recommends the increase for all non-executive director fees for approval by shareholders at the next AGM. Only once the shareholder resolution is passed, will the proposed fees be paid.

Ex gratia bonus: Non-executive director

A once-off ex gratia bonus of R5,0 million was proposed to be granted to Mr Marthinus von Wielligh.

Mr Marthinus von Wielligh played a significant role in developing the Group and initiating certain key aspects of Afrimat's success formula, such as:

- The formation of a dedicated business development team, tasked with finding growth opportunities;
- Developing a media strategy that created a positive profile of the group;
- Identifying Industrial Minerals as a feasible diversification strategy, building on our strengths at the time; and
- Developing a strategy to enter the iron ore industry successfully as a junior miner.

In addition, he played an important role in identifying the opportunities and developing the strategy. The payment of this ex gratia bonus will be proposed to the shareholders at the AGM.

Service contracts: Non-executive directors

A daily rate of R20 000 for non-executive directors is currently paid for extraordinary duties. This daily rate will be requested for approval by shareholders at the next AGM.

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

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

Technology and Systems

Overview

Whilst compiling this report, South Africa is in lockdown due to something not visible to the human eye, but with devastating effects to the world, a parallel we can draw to digital readiness. During the year, the main topic of discussion was the 4th Industrial Revolution, digital readiness and if companies are ready to deal with the complexities of it. The readiness for this will only show its effects when a real disaster strikes and for Afrimat, this was not any different. With our Technology and Systems strategy Afrimat positioned itself in such a way that it was able to take advantage of any useable digital technologies that present itself, despite the difficulties and challenges the country experienced on the industrial, economic and political front.

We enhanced our standard reporting methodology with the assistance of our financial and operational departments, adding performance measurement and market intelligence to the mix. This was possible due to the stability of our financial and operational systems, the wide area network ('WAN') to business level architecture for all sites, the ability to capture data as close to source as possible and to keep the core of the business running during the lockdown by supplying secure network connectivity at every home possible.

We continue to strengthen the Group's technology and systems governance structures through executive and non-executive oversight of all matters. Independent experts are co-opted to support the future growth and to assist with the selection of the best possible technology and solution for the task. As an integral part of our business, Group Technology and Systems adheres to the relevant governance frameworks, standards and policies as set by SANS, IEEE, ISO, COBIT, King IV™ and more.

Our strategy

It became evident to us that technology (digital readiness) will play an increasingly important role for the future, therefore we enhanced the structure in the Group by combining ITBS and Engineering to form a 'Technology and System' Cluster to take advantage of the synergies amongst them. The main purpose of Group ITBS is to provide infrastructure and systems where the key characteristics are agility, elasticity and reliability to effectively enable Afrimat to pre-empt trends in order to sustain and grow profitability for all stakeholders. Engineering, on the other hand, drives projects, maintenance and equipment availability for operational excellence. The synergy lies in the combined effort and focus to use technology and systems to alert tolerance deviations, trend analysis to pre-empt possible failure, condition monitoring and rely on historical data to decide on equipment replacement strategies.

To achieve this, one needs to make sure that all new technology selections are driven by principle, sustainable technologies and supported by good thought-through policies and guidelines as enforced by law and supported by international IT and engineering governance guidelines. Tested to the questions of:

- is it aligned with the Company strategy and goals?
- is it meaningful – fit for purpose?
- is it a shared vision – do we all agree?
- do we locate the root cause of failures?

To make sure that our support structures and information networks are not at risk but reliable and sustainable, we will evaluate all our service providers to a set of criteria that include: service level agreements ('SLA'), company profile, product composition and technology.

Our disaster recovery ('DR') strategy is twofold: Firstly, to ensure that all company data is backed up which is checked and tested for reliability on a daily basis. Secondly, to ensure that all systems are replicated to an offsite location from where it can be accessed by the users if the main server is in distress, without losing data and long periods of processing time.

Short- and medium-term goals include:

- To stay on the latest workable technology for our network infrastructure;
- Ensure that our network access security (cyber security) and intellectual property ('IP') protection are in place and up to date;
- Standardised use of the Sage ERP software to all Afrimat subsidiaries;
- Use of our systems in all business units to ensure data integrity;
- Provide financial reporting directly out of Sage ERP without manual intervention or Excel exports; and
- Make financial and operational reports available daily, incorporating near real time information.

The ultimate goal is to provide an integrated system that supports the entire business data flow chain, where all data is contained in one place, on one database supported by world-class business intelligence ('BI'), data mining and robotics software with the ability to incorporate artificial intelligence ('AI') and machine learning ('ML').

The structure of the Technology and Systems Cluster is composed in such a way that the strategy can be achieved by making use of employed staff and managed specialised consultants to ensure current and future sustainability of infrastructure, systems and services provided to the different business units.

Risk mitigation and governance

Risks are considered those that adversely affect business continuity. We continuously review and invest in our physical and digital security systems and risk management processes. Weekly reviews of risks and mitigation strategies are performed and quarterly reporting is provided to management in the risk register, measured against the ITBS governance framework.

Our weekly business performance review ('BPR') meeting oversees the detail actions and progress, align the efforts with the strategy as well as the goal of the business and monitors any deviations from the agreed plans.

Compliance to our own charters is overseen and monitored by the IT Steering Committee, Audit & Risk Committee and the Board on a quarterly basis.

The future

In most cases, the application of technology and systems is driven by short-term tactical problems or 'flavour of the day' technology and/or products. If one allows this sort of technology and/or products into the organisation, it becomes a legacy, which is difficult, or in most cases, very expensive to change or get rid of. Our strategy on technology proves to be effective during the period of lockdown and we foresee minor adjustments to optimize performance.

Our cyber security strategy proved to be a huge success, with the user awareness program on cyber security, drastically reducing the 'harmful click' or 'Just click YES' attitude. This led to the discovery of potential future enhancements to our network and cyber security strategy. We will focus on introducing a method of Single-Sign-On ('SSO') for the users to our network and systems and data encryption for any data leaving the Afrimat network.

Our internal clients increasingly expect information in a near to real time manner and to be connected to operating systems 24/7. To be able to achieve the strategy of operational excellence means fully integrating our financial systems with the operational systems (maintenance and plant performance, where the integration with engineering will play a major role) when we execute our 'connected' initiative. With this initiative, we will provide the relevant information, as near to real time as possible, to our operations, managers and clients.

The current lockdown reality is changing the way in which business is conducted and will be conducted in the future. Although we are in the most connected times through technology, it can also create a situation whereby people are disconnected in the business. With the 'connected' initiative, we try to eliminate the 'disconnect' by not only focusing on technology, but also on the person by providing innovative ways to also stay 'socially' connected.

With the ever-increasing size of data that is available and the need for it to be analysed, robotics, AI and ML have become very important. This creates an opportunity to enhance some processes, eliminate tedious manual processing and give us the ability to provide timeous, accurate information to our stakeholders.

Summary

Group Technology and Systems is fully aware and informed of the challenges and opportunities that the business is facing. We are well-placed to support businesses as with these challenges by means of finally combining our 'human- and digital forces' (Intelligent Assistance) to supply an infrastructure that is stable and agile, fit for purpose systems that support the business processes and BI that is built on world standards and a DR strategy that support business continuity.

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Annual financial statements

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

Publication date: 19 June 2020

Community hall upgrade

The Rooiberg community hall was identified as a local economic development project by the Langvlei quarry. Both the community and municipality voiced their concern of not having a functioning local community hall to use for community engagements. If they needed to meet as a community, they would meet at a private facility offered by a local family. After consultation with all relevant stakeholders, the quarry agreed to upgrade the old facility. It upgraded the existing hall structure (both internal and external), rewired the building, put on a new roof, paved and fenced the property. To ensure the community can host functions in the newly upgraded hall, kitchen equipment was also refurbished. Both the community and municipality have pledged to maintain the community hall.

Directors' responsibility statement

The annual financial statements set out on pages 68 to 123 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with IFRS. They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

The Audit & Risk Committee confirmed that effective systems of internal control and risk management are being maintained. Such systems can provide reasonable, but not absolute, assurance against material misstatement or loss. There were no breakdowns of the internal financial control systems during the year under review, which had a material impact on the annual financial statements. The Group's internal auditors independently evaluate the internal controls and coordinate their audit coverage with the independent external auditors.

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

The annual financial statements were prepared on the going concern basis since the directors have every reason to believe that the Company and the Group have adequate resources in place to continue operations for the foreseeable future. The external auditors are responsible for independently auditing and reporting on these annual financial statements in conformity with International Standards on Auditing. The annual financial statements were approved by the Board of directors and were signed on its behalf by:

Andries J van Heerden
CEO

Pieter GS de Wit
CFO

Cape Town
20 May 2020

Declaration by the company secretary

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008. I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, in respect of the financial year ended 29 February 2020 and that all such returns and notices are true, correct and up to date.

Catharine Burger
Company Secretary

Cape Town
20 May 2020

Audit & Risk Committee report

The Audit & Risk Committee is pleased to present its report for the financial year ended 29 February 2020 to the shareholders of Afrimat Limited.

Composition

The Committee is chaired by independent non-executive director Jacobus F van der Merwe and further comprises independent non-executive Board Chairman Marthinus W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Helmut N Pool and Hendrik JE van Wyk. The Board of directors are satisfied that these directors act independently for the purposes of the Committee. A brief summary of qualifications of the Committee members appears on page 31 of the integrated annual report.

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

The effectiveness of the Committee is assessed as part of the annual Board and Committee self-evaluation process.

Attendance

The Committee met four times during the year and attendance is set out in the table on page 31. The Committee assists the Board in fulfilling its review and control responsibilities.

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

The CEO, CFO, CAE, General Manager: Technology Systems and representatives of the external auditors attend Committee meetings by invitation.

Role and responsibilities

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

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

Charter

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

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

Review of interim and integrated annual reports

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

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

In accordance with revised International Standards on Auditing, independent auditor's reports are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 29 February 2020, the Committee considered a preliminary view by the external auditors of key audit matters that might arise during the course of the audit, which in their judgement, were of significance to the audit of the annual financial statements. The Committee concluded that it had adequately considered the key audit matters as reported in the independent auditor's report.

Audit procedures and internal controls

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

- reviewed the internal control framework and procedures including accounting policies, legislative compliance, regulatory matters and governance;
- considered and dealt with any concerns or complaints;
- approved the internal audit plan;
- considered and reviewed the internal audit charter for approval by the Board;
- considered and reviewed the information technology and business systems governance framework for approval by the Board;
- confirmed and reviewed the internal audit process and assessed the quality of the internal audit function;
- reviewed the internal and external audit reports;
- reviewed the effectiveness of the system of internal control including IT internal controls and risk management, based on a written annual report received from the CAE;
- considered updates on key internal and external audit findings in relation to the IT control environment; and
- reviewed legal matters that could have a significant impact on the annual financial statements.

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

The CAE reports to the Audit & Risk Committee and meets with the chairman of the Committee independently of management.

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

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

Risk management

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

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

- continuous review of key risks with findings reported to the Board;
- confirmation that the risk policy is widely distributed throughout the Group (and management provided assurance that risk management is integrated into the daily activities of the Group); and
- ensured that the combined assurance model was appropriate to address all the significant risks facing the Group.

External auditor

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

- the appointment of an external auditor for approval by shareholders at the AGM;
- the external audit plan; and
- the remuneration of the external auditor for approval to the Board (note 4.5 on page 79).

The principles for recommending the use of an external auditor for non-audit purposes to the Board were reconfirmed. The non-audit services provided by the external auditor during the year related to guidance on IFRS-related interpretations, as well as agreed upon procedures regarding the transfer of properties.

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

In accordance with the JSE Listings Requirements the Committee requested the required information in its assessment of the external auditor. It has further assessed the performance of the external auditor and confirms that it is satisfied with it.

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

The Committee has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2021 financial year. The Committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors. Shareholders will therefore be requested to re-elect PricewaterhouseCoopers Inc. as the independent external auditor for the 2021 financial year at the AGM on 29 July 2020.

Significant financial and reporting matters

As part of its role in assessing the integrity of the Group's external reporting, the Committee has continued to pay particular attention to the key areas of management's judgement underpinning the annual financial statements. The Committee considered a number of significant issues in the year, taking into account in all instances the views of the Company's external auditor. All accounting policies can be found in the related notes to the annual financial statements. Where further information is provided in the notes to the financial statements, note references are included. The issues and how they were addressed by the Committee are detailed below:

Impairment of intangible assets (refer note 6.2)

The Committee reviewed management's process for testing goodwill and intangible assets for potential impairment and ensuring appropriate sensitivity analysis disclosures. This included challenging the key assumptions: principally cash flow projections, growth rates and discount rates. The Group has significant mining assets and goodwill. In the process of performing the annual goodwill impairment test, it was identified that the carrying value of the SA Block Proprietary Limited cash-generating unit, exceeded its recoverable amount. 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 resulted in the Company not meeting its budget and placing significant pressure on margins. As a result of the aforementioned a goodwill impairment of R10,2 million was recorded in the current year.

Environmental rehabilitation provision (refer note 6.5)

The Committee has considered the assessments made in relation to the estimation of the costs and associated provisions for the rehabilitation obligation. This includes detailed reports from management outlining the accounting treatment of the costs and the basis for the key assumptions used in the estimation of the cost. The Committee concurred with the 'individual disturbance, unit-based' calculations used in determining the rehabilitation provision for IFRS reporting purposes and acknowledges that this differs with the DMRE-based calculations in determining the provisions for submission to the DMRE.

The Committee has challenged management and is satisfied that these provisions are appropriate. The Committee is satisfied that appropriate costs were used to recognise associated provisions.

Revenue recognition (refer note 3)

In terms of IFRS 15 revenue is recognised based on the satisfaction of specifically identified performance obligations, when control of goods or services transfers to a customer.

In addition, the internal audit function has reported to the Committee on the controls and processes in this area. The Committee also routinely monitors the views of the external auditors on revenue recognition issues.

The Committee considered the key judgements made by management in accounting for revenue, especially in relation to the estimates used in determining the value of provisionally priced sales of bulk commodities, and concur with the conclusion and reporting thereof.

Inventory valuation (refer note 6.4)

The Committee considered the key judgements made by management regarding measurement of stockpile quantities and provisioning for inventory obsolescence and is satisfied that a sufficiently robust process was followed to confirm quantities and quantities of slow-moving inventory and a provision was made against inventory for obsolescence. Where cost at year-end exceeds the net realisable value of inventory, the difference was written off.

The Committee challenged management on the consistency of the approach and ultimately was satisfied that the approach taken continued to be appropriate.

Contingent liabilities (refer note 16)

The Committee considered the key judgements made by management regarding the identification and classification of contingent liabilities. This includes evaluating external expert opinions and concur with management's classification and reporting thereof.

Tax and deferred tax (refer notes 5 and 6.3)

The Committee agreed with management's judgement that the deferred tax assets were appropriately supported by forecasted taxable profits, taking into account the Group's long-term financial and strategic plans.

The Committee confirms that the entity is in compliance with material legislative requirements and has accurately disclosed the impact of all taxes applicable to the entity.

Audit & Risk Committee report (continued)

Leases (refer notes 4.5, 6.1, 7.3.4 and 21)
The Committee evaluated management's impact assessment of the adoption of IFRS 16: *Leases*. This included the reviewal of disclosures regarding the adoption of the new standard and concur with management's calculation, classification and reporting thereof.

Finance function
As per the JSE Listings Requirements, the Committee considered and is satisfied with the appropriateness of the expertise and experience of Pieter GS de Wit as CFO. It further considered the expertise, experience and resources of the finance function as required by the King IV™ Report and is satisfied with the expertise and experience of the Group's financial staff.

Sustainability
The Committee reviewed the disclosure of sustainability issues in the integrated annual report and is satisfied that it does not conflict with the financial information.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Company. The Committee is in agreement with management that the Company will remain a going concern going forward and conveyed this to the Board.

Election of Committee members
The following members have made themselves available for election to the Committee. They are proposed to the shareholders for consideration and approval at the next AGM:
- Mr Loyiso Dotwana
- Mr Helmut N Pool
- Mr Jacobus F van der Merwe
- Mr Hendrik JE van Wyk
- Mr Marthinus W von Wielligh

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

Jacobus F van der Merwe
Audit & Risk Committee Chairman

20 May 2020

Independent auditor's report

To the shareholders of Afrimat Limited

Report on the audit of the consolidated and separate financial statements

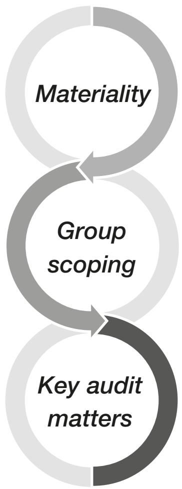
Our opinion
In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited ('the Company') and its subsidiaries (together 'the Group') as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited
Afrimat Limited's consolidated and separate financial statements set out on pages 70 to 122 comprise:
- the consolidated and separate statements of financial position as at 29 February 2020;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ('ISAs'). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence
We are independent of the Group in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the 'IRBA Codes') and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, respectively.



Our audit approach
Overview
Overall Group materiality
- Overall Group materiality: R28,6 million, which represents 5% of consolidated profit before tax.

Group audit scope
- Full scope audits were performed for all significant components;
- Full scope audits or independent reviews were performed for components that are financially significant in aggregate with other components; and
- Analytical procedures were performed over the remaining insignificant components.

Key audit matters

Consolidated financial statements
- Environmental rehabilitation provisions
- Goodwill impairment assessments; and

Separate financial statements
- Impairment assessment of investments in subsidiaries.

Independent auditor's report (continued)

To the shareholders of Afrimat Limited

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R28,6 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because it is, in our view, the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our scoping included 46 components, which were either a financially significant component, a component of which an identified financial statement line item or items were considered significant or an area of higher risk, or components which were financially significant in aggregate with other components. Full scope audits were performed on components which are financially significant or of which an identified financial line item or items were considered significant or an area of higher risk. In addition, full scope audits or independent reviews were performed for components that are not individually significant, but significant in aggregate with other components. The remainder of the components were considered non-significant, individually and in aggregate. We performed high-level analytical procedures on these remaining non-significant components.

The Group Engagement Team audited the consolidation, financial statement disclosures and a number of complex items. These included goodwill impairment testing, share based payments and critical accounting positions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provisions	
This key audit matter relates to the audit of consolidated financial statements Given the nature of its operations, the Group incurs obligations to close, restore and rehabilitate its sites. These activities are governed by a combination of legislative requirements and Group policy. As at 29 February 2020, the consolidated statement of financial position includes environmental rehabilitation provisions of R120,3 million as per note 6.5 to the consolidated financial statements. The Group applies the guidelines issued by the DMRE to determine the rehabilitation provision for submission to the DMRE. For IFRS reporting purposes, it utilises its own internal and external environmental experts to determine the value of the environmental rehabilitation provision. We considered the environmental rehabilitation provisions to be a matter of most significance to the current year audit due to the degree of estimation and significant judgement applied by management in the determination of: ▪ When the rehabilitation of each site will take place, including the life of mine; and ▪ The closure costs and the expected increase in the costs associated with the rehabilitation activities.	We utilised our sustainability and climate change expertise to perform the following procedures: ▪ We obtained management's provision calculations and compared the calculation methodology that was applied by the Group's external environmental experts to the Group's policy and found these to be in line with the Group's policy; ▪ We obtained explanations from management for differences between their policy and the DMRE guidelines. We assessed evidence, taking into consideration the Group's specific sites and we accepted management's explanations; ▪ We tested a sample of inputs used by the Group's experts, such as the costs per hectare, by comparing to industry benchmarks. No material differences were noted; ▪ We assessed the increase rate applied by management with reference to industry benchmarks and noted no material differences; ▪ We performed an independent life of mines assessment, through physical site inspection, and compared this to management's life of mines assessment and did not identify any material differences; ▪ We assessed the competency, experience and objectivity of the Group's internal and external experts by obtaining evidence relating to their qualifications and professional memberships. In doing so, we held discussions with the Group's internal and external experts, inspected their CV's and where applicable, considered whether they were in good standing with relevant professional bodies; and ▪ We tested the mathematical accuracy of management's calculations and noted no material differences.

Independent auditor's report (continued)

To the shareholders of Afrimat Limited

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessments	
This key audit matter relates to the audit of consolidated financial statements The Group has goodwill of R200,5 million allocated to cash-generating units ('CGUs') as disclosed in note 6.2 to the consolidated financial statements. The Group is required to perform annual impairment tests on goodwill in terms of IFRS. The recoverable amount of the CGUs to which goodwill has been allocated was based on value-in-use calculations, using discounted cash flows. Management concluded that an impairment loss of R10,1 million was required to fully impair the goodwill allocated to SA Block Proprietary Limited, but that no impairment loss was required to impair the goodwill allocated to any of the other CGUs. Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs for which no impairment was required. Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in additional impairment losses. We considered goodwill impairment assessments to be a matter of most significance to the current year audit because the impairment assessment performed by the Group required the exercise of significant management judgement, including making assumptions regarding growth rates and discount rates applied to each CGU.	We obtained management's impairment calculations per CGU and tested the reasonableness of the discounted cash flow calculations and the key assumptions therein, specifically the growth rates and discount rates: ▪ We agreed amounts per the base year of the calculation to current year financial statements; ▪ We utilised our valuation expertise to test the principles of management's calculation. We challenged key inputs in the calculations which included the long-term growth rate, medium-term revenue growth rate and future cash flow assumptions by comparing them to approved business plans and independent market data. We noted no material differences and found the key inputs applied by management; ▪ We further utilised our valuations expertise to test the reasonableness of the discount rates applied by management to each CGU. This was performed by recalculating the entities' cost of capital with reference to industry benchmarks and economic forecasts. We found the discount rates used by management to be within an acceptable range; and ▪ We performed independent sensitivity calculations on the impairment assessments where no impairment was recognised, to determine the degree by which the key assumptions needed to change in order to trigger an impairment. Management's conclusions were consistent with the results of our sensitivity analyses.

Separate financial statements

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investments in subsidiaries	
This key audit matter relates to the audit of separate financial statements The Company holds investments in subsidiaries with a historical cost of R934,2 million as disclosed in note 12 to the separate financial statements. Investments are tested by management for impairment if impairment indicators exist using a value-in-use calculation. Impairment indicators were noted for the following investments: ▪ Afrimat Aggregates (Eastern Cape) Proprietary Limited; ▪ Afrimat Concrete Products Proprietary Limited; ▪ Afrimat Engineering Services Proprietary Limited; ▪ Phahamo Enterprises Proprietary Limited (previously known as Afrimat Minerals Proprietary Limited); ▪ Afrimat Mozambique Limitada; ▪ Cape Lime Proprietary Limited; ▪ Capmat Proprietary Limited; ▪ Meepo Ya Mmu Resources Proprietary Limited; and ▪ SA Block Proprietary Limited. Management concluded that an impairment loss of R13,7 million was required to impair the investment in subsidiary SA Block Proprietary Limited, but that no impairment was required to impair any other investment in subsidiaries. The impairment assessment of investments in subsidiaries was considered to be a matter of most significance to the current year audit due to the estimation involved in determining the growth and discount rates used by management in calculating the recoverable amount of each investment.	Through discussions with management, we obtained an understanding of the process followed by them in their impairment assessment. We obtained management's impairment assessment of the investments in subsidiaries and performed the following procedures: ▪ We compared the Company's carrying value of investments in subsidiaries to the value-in-use calculations used for goodwill impairment assessment by management, which were subject to audit procedures as part of our Group audit; ▪ We made use of our valuation expertise to test the reasonableness of the key assumptions underpinning management's value-in-use calculations of the Company's investments, including the selection of growth rates and discount rates, by comparing them to approved business plans and independent market data; and ▪ We evaluated management's sensitivity analysis to ascertain the impact of reasonably possible changes to key assumptions on the level of impairment required through reperformance and noted that any impairment loss would be immaterial.

Independent auditor's report (continued)

To the shareholders of Afrimat Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Afrimat Limited Consolidated and Separate annual financial statements for the year ended 29 February 2020', which includes the Directors' Report, the Audit & Risk Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled 'Afrimat Limited 2020 Integrated Annual Report', which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.
Director: FHS Weilbach
Registered Auditor

Stellenbosch
20 May 2020

Directors' report

for the year ended 29 February 2020

The directors of Afrimat present their report for the Group for the year ended 29 February 2020.

Nature of business

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

Financial results

The annual financial statements and accompanying notes presented on pages 70 to 122 set out fully the Group's financial position, results of operations and cash flows for the year, and in the directors' opinion require no further comment.

Headline earnings per share increased by 48,5% from 234,1 cents to 347,7 cents per share.

Operational review

Impact on the operations are reviewed in detail in the CEO's report and operational reviews (pages 12 and 26), which form part of this integrated annual report.

Corporate governance

The directors endorse the principles contained in King IV™. Full details on how these principles are applied, are set out in the supplementary information on the website www.afrimat.co.za, as well as limited information in this integrated annual report.

Accounting policies

Detailed accounting policies are set out in relating notes to the annual financial statements.

Dividend

Given the uncertainty of the actual impact of the Covid-19 pandemic on the world, the South African economy and in turn Afrimat, the Board decided to postpone the decision regarding the declaration of a final dividend until further notice. This supports Afrimat's general conservative nature and ensures the further preservation of cash should it be required in the coming quarter due to the uncertain nature of the current economic climate and commitments previously entered into.

In the prior year, a final dividend of 62,0 cents per share, 49,6 cents per share for shareholders who are subject to dividend tax was declared for the year.

The total dividend (interim and final) for the year amounts to 36,0 cents per share (2019: 81,0 cents per share).

Taxation

The latest tax assessment of the Company relates to the year ended 28 February 2019. All tax submissions up to and including February 2019 have been submitted. Tax returns for 29 February 2020 will be submitted during the next financial year.

Stated capital

The total authorised ordinary stated capital at year-end consisted of 1 000 000 000 (2019: 1 000 000 000) no par value ordinary shares of which 143 262 412 (2019: 143 262 412) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

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

Mr Gert J Coffee (non-executive director)
Mr Pieter GS de Wit (CFO)
Mr Loyiso Dotwana (non-executive director)
Mr Francois M Louw (lead independent director)
Mr Helmut N Pool (independent non-executive director)
Mr Collin Ramukhubathi (executive director)
Mrs Phuti RE Tsukudu (independent non-executive director)
Mr Jacobus (Derick) F van der Merwe (independent non-executive director)
Mr Johannes (Johan) HP van der Merwe (independent non-executive director)
Mr Andries J van Heerden (CEO)
Mr Hendrik (Hennie) JE van Wyk (independent non-executive director)
Mr Marthinus (Matie) W von Wielligh (independent non-executive Chairman)

Mr Hendrik JE van Wyk, Mr Loyiso Dotwana and Mr Jacobus F van der Merwe will retire by rotation at the upcoming AGM and, being eligible, will stand for re-election.

Mr Collin Ramukhubathi was appointed as an executive director on 1 November 2019. His appointment will be recommended for ratification at the upcoming general meeting.

Directors' and officers' interests in contracts

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 14 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 19 to the annual financial statements.

Shareholder analysis

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3,0% of the ordinary shares of the Company at 29 February 2020, is set out on pages 122 and 123.

Directors' shareholding at 29 February 2020

	Number of securities held				
	Direct beneficial	Indirect beneficial	Through associates	Total	% held
Director					
2020					
Gert J Coffee	680 084	–	–	680 084	0,47
Loyiso Dotwana	–	3 064 529	–	3 064 529	2,14
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 053 977	853 564	1 202 128	6 109 669	4,26
Hendrik JE van Wyk	–	112 000	–	112 000	0,08
Jacobus F van der Merwe	22 500	–	–	22 500	0,01
Pieter GS de Wit	194 706	–	–	194 706	0,13
Marthinus W van Wielligh	400 000	60 000	–	460 000	0,33
Johannes HP van der Merwe	–	–	–	–	–
Helmut N Pool	–	397 662	–	397 662	0,28
Francois M Louw	285 714	–	–	285 714	0,20
Collin Ramukhubathi	–	–	–	–	–
	5 636 981	**4 487 755**	**1 202 128**	**11 326 864**	**7,90**
2019					
Gert J Coffee	680 084	–	–	680 084	0,47
Loyiso Dotwana	–	3 064 529	–	3 064 529	2,14
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 017 700	853 564	1 199 628	6 070 892	4,24
Hendrik JE van Wyk	–	112 000	–	112 000	0,08
Jacobus F van der Merwe	20 000	–	–	20 000	0,01
Pieter GS de Wit	155 888	–	–	155 888	0,11
Marthinus W van Wielligh	400 000	60 000	–	460 000	0,33
Johannes HP van der Merwe	–	–	–	–	–
Helmut N Pool	–	397 662	–	397 662	0,28
Francois M Louw	535 714	–	–	535 714	0,36
	5 809 386	4 487 755	1 199 628	11 496 769	8,02

Directors' report (continued)

for the year ended 29 February 2020

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

Internal control

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

Going concern

The directors have reviewed the Group's cash flow forecast for the year to 28 February 2021 and, in light of this review and the current financial position, are satisfied that the Company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Litigation statement

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

Refer note 16 for information regarding the referral of one of the Company's subsidiaries to the Competition Tribunal for allegedly charging excessive prices. Furthermore, Afrimat Demaneng Proprietary Limited received a notice in the prior year from the South African Revenue Service ('SARS'), in terms of which SARS demands payment of debt owed prior to the commencement of business rescue proceedings.

Company Secretary

Catharine Burger is the Company Secretary. Her business and postal addresses, which are also the registered addresses of the Company, are set out on the inside back cover of this integrated annual report.

Auditor

PricewaterhouseCoopers Inc. will continue in office as the external auditor in accordance with section 90 of the Companies Act.

Special resolutions

The following special resolutions were passed by shareholders of the Company during the year (at the AGM of shareholders held on 31 July 2019), and where necessary have been registered by the Companies and Intellectual Property Commission:

- special resolution providing general authority to repurchase shares;
- special resolution providing approval for fees payable to non-executive directors for the year ended 29 February 2020;
- special resolution providing authority for the provision of financial assistance to Group inter-related entities (in terms of section 45 of the Companies Act); and
- special resolution providing authority for the financial assistance for subscription of securities (in terms of section 44 of the Companies Act).

Borrowings

In terms of the memorandum of incorporation the directors may exercise all the powers of the Company to borrow money, as they consider appropriate.

Events after the reporting date

Refer note 17 for disclosure of events after the reporting date.

Impact of Covid-19

On 18 March 2020, 26 March 2020, 1 April 2020 and 12 May 2020, Afrimat updated the market regarding operational closures during lockdown for South Africa in response to the Covid-19 pandemic. The impact of the national Covid-19 lockdown on the Group was dampened by the partial reopening of Demaneng iron ore and certain Industrial Minerals operations early in the lockdown period. This re-opening was done whilst the utmost care was taken to ensure our staff's safety and well-being. By 20 April 2020, as gazette by Government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat is ramping up operations according to market demand and within regulations from Government.

Critical staff, able to work from home, did so and Afrimat has and will continue to operate in this manner for the foreseeable future. These are unprecedented times and the situation is monitored daily. The economic future of South Africa is in a precarious balance with Government and the private sector needing to work together more so than ever before.

The directors are not aware of any other circumstance arising between the reporting date and the date of the integrated annual report.

Compliance with laws and regulations

The Afrimat directors have confirmed that, to the best knowledge, Afrimat (i) complied with the provisions of the Companies Act of South Africa, and (ii) operated in accordance with its MOI.

Contents to the Financial Statements

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 29 February 2020

	Note	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Revenue	3	**3 304 376**	2 966 399	**158 365**	191 654
Cost of sales	4.5	**(2 239 352)**	(2 043 234)	**–**	–
Gross profit		**1 065 024**	923 165	**158 365**	191 654
Operating expenses	4.5	**(478 400)**	(451 497)	**(42 019)**	(27 490)
Other income	4.1	**13 035**	12 189	**835**	1 385
Other net gains and losses	4.2	**8 657**	4 225	**–**	–
Profit on disposal of property, plant and equipment	4.3	**2 788**	3 538	**–**	–
Impairments	4.4 and 6.2	**(10 152)**	(20 468)	**(13 665)**	–
Operating profit		**600 952**	471 152	**103 516**	165 549
Finance income	4.6	**18 179**	14 771	**9 104**	7 411
Finance costs	4.7	**(46 161)**	(66 706)	**(39 549)**	(50 632)
Share of profit of equity-accounted investments	13	**300**	2 326	**–**	–
Profit before tax		**573 270**	421 543	**73 071**	122 328
Income tax expense	5	**(108 094)**	(117 328)	**(865)**	(12 303)
Profit for the year		**465 176**	304 215	**72 206**	110 025

	Note	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		**(3 586)**	(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		**88**	35	**–**	–
Income tax effect relating to these items		**(17)**	(8)	**–**	–
Other comprehensive income for the year, net of tax		**(3 515)**	(1 403)	**–**	–
Total comprehensive income for the year		**461 661**	302 812	**72 206**	110 025
Profit attributable to:					
Owners of the parent		**462 512**	301 363	**72 206**	110 025
Non-controlling interests	8.4	**2 664**	2 852	**–**	–
		465 176	304 215	**72 206**	110 025
Total comprehensive income attributable to:					
Owners of the parent		**458 997**	299 960	**72 206**	110 025
Non-controlling interests	8.4	**2 664**	2 852	**–**	–
		461 661	302 812	**72 206**	110 025
Earnings per ordinary share (cents)	8.5	**341,6**	221,0	**–**	–
Diluted earnings per ordinary share (cents)	8.5	**337,7**	219,5	**–**	–

Statements of Financial Position

at 29 February 2020

	Note	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	**1 571 519**	1 469 837	**–**	–
Investment property		**3 040**	3 040	**–**	–
Intangible assets	6.2	**210 226**	221 873	**–**	–
Loans to subsidiaries	12	**–**	–	**496 199**	746 446
Investments in subsidiaries	12	**–**	–	**934 197**	936 987
Investment in associates and joint venture	13	**16 420**	164	**–**	8
Other financial assets	7.1 to 7.3.1	**53 015**	56 698	**8 685**	8 852
Deferred tax	6.3	**31 870**	33 680	**2 972**	2 937
Total non-current assets		**1 886 090**	1 785 292	**1 442 053**	1 695 230
Current assets					
Inventories	6.4	**260 526**	261 249	**–**	–
Current tax receivable		**4 757**	13 250	**385**	–
Trade and other receivables	7.3.2	**476 356**	435 458	**29 862**	7 183
Cash and cash equivalents	7.3.3	**167 533**	191 763	**11 090**	352
Total current assets		**909 172**	901 720	**41 337**	7 535
Total assets		**2 795 262**	2 687 012	**1 483 390**	1 702 765
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	**245 988**	258 292	**173 789**	187 179
Treasury shares	8.2	**(108 365)**	(85 822)	**–**	–
Net issued stated capital		**137 623**	172 470	**173 789**	187 179
Other reserves	8.3	**(90 382)**	(94 391)	**8 532**	3 830
Retained earnings		**1 634 537**	1 320 087	**915 764**	982 980
Attributable to equity holders of the parent		**1 681 778**	1 398 166	**1 098 085**	1 173 989
Non-controlling interests	8.4	**7 129**	11 351	**–**	–
Total equity		**1 688 907**	1 409 517	**1 098 085**	1 173 989

	Note	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	**138 761**	235 542	**–**	116 071
Provisions	6.5	**152 748**	141 080	**–**	–
Deferred tax	6.3	**215 943**	214 576	**–**	–
Total non-current liabilities		**507 452**	591 198	**–**	116 071
Current liabilities					
Loans from subsidiaries	12	**–**	–	**335 294**	179 016
Other financial liabilities	7.3.5	**9 631**	9 480	**–**	–
Borrowings	7.3.4	**157 071**	148 004	**–**	46 429
Current tax payable		**11 109**	4 143	**–**	–
Trade and other payables	7.3.6	**421 072**	390 517	**50 011**	53 244
Bank overdraft	7.3.3	**20**	134 153	**–**	134 016
Total current liabilities		**598 903**	686 297	**385 305**	412 705
Total liabilities		**1 106 355**	1 277 495	**385 305**	528 776
Total equity and liabilities		**2 795 262**	2 687 012	**1 483 390**	1 702 765

Statements of Changes in Equity

for the year ended 29 February 2020

	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
Group						
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	–	–	(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 (refer note 8.3)	–	–	7 247	–	–	7 247
Deferred tax on share-based payments (refer note 8.3)	–	–	2 039	–	–	2 039
Purchase of treasury shares (refer note 8.2)	–	(30 981)	–	–	–	(30 981)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(8 693)	4 819	(2 374)	2 374	–	(3 874)
Dividends paid (refer note 8.7)	–	–	–	(84 745)	(1 475)	(86 220)
Total contributions and distributions	(8 693)	(26 162)	6 912	(82 371)	(1 475)	(111 789)
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Infrasors (refer note 8.4)	–	–	–	(8)	(6)	(14)
Total changes in ownership interests	–	–	–	(8)	(6)	(14)
Total transactions with owners of the parent	(8 693)	(26 162)	6 912	(82 379)	(1 481)	(111 803)
Balance at 28 February 2019 as originally presented	258 292	(85 822)	(94 391)	1 320 087	11 351	1 409 517
Impact of IFRS 16 adoption on retained earnings (refer note 21)	–	–	–	(12 958)	–	(12 958)
Restated balance at 1 March 2019	258 292	(85 822)	(94 391)	1 307 129	11 351	1 396 559
Note	8.1	8.2	8.3		8.4	

	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**
Restated 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 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)**
Income tax effect	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**(3 515)**	**462 512**	**2 664**	**461 661**
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments (refer note 8.3)	**–**	**–**	**15 074**	**–**	**–**	**15 074**
Deferred tax on share-based payments (refer note 8.3)	**–**	**–**	**(917)**	**–**	**–**	**(917)**
Purchase of treasury shares (refer note 8.2)	**–**	**(28 815)**	**–**	**–**	**–**	**(28 815)**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	**(12 304)**	**6 272**	**(6 633)**	**6 633**	**–**	**(6 032)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(136 051)**	**(1 718)**	**(137 769)**
Total contributions and distributions	**(12 304)**	**(22 543)**	**7 524**	**(129 418)**	**(1 718)**	**(158 459)**
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Afrimat Logistics Limitada (refer note 8.4)	**–**	**–**	**–**	**–**	**12**	**12**
– Infrasors (refer note 8.4)	**–**	**–**	**–**	**(5 686)**	**(5 180)**	**(10 866)**
Total changes in ownership interests	**–**	**–**	**–**	**(5 686)**	**(5 168)**	**(10 854)**
Total transactions with owners of the parent	**(12 304)**	**(22 543)**	**7 524**	**(135 104)**	**(6 886)**	**(169 313)**
Balance at 29 February 2020	**245 988**	**(108 365)**	**(90 382)**	**1 634 537**	**7 129**	**1 688 907**
Note	8.1	8.2	8.3		8.4	

	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
Company						
Balance at 1 March 2018	196 105	–	2 205	959 762	–	1 158 072
Total comprehensive income						
Profit for the year	–	–	–	110 025	–	110 025
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	110 025	–	110 025
Transactions with Company						
Contributions and distributions						
Share-based payments (refer note 8.3)	–	–	2 046	–	–	2 046
Deferred taxation on share-based payments (refer note 8.3)	–	–	162	–	–	162
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	(8 926)	–	(583)	583	–	(8 926)
Dividends paid (refer note 8.7)	–	–	–	(87 390)	–	(87 390)
Total contributions and distributions	(8 926)	–	1 625	(86 807)	–	(94 108)
Total changes	(8 926)	–	1 625	23 218	–	15 917
Balance at 28 February 2019	187 179	–	3 830	982 980	–	1 173 989
Total comprehensive income						
Profit for the year	**–**	**–**	**–**	**72 206**	**–**	**72 206**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**72 206**	**–**	**72 206**
Transactions with Company						**–**
Contributions and distributions						**–**
Share-based payments (refer note 8.3)	**–**	**–**	**5 472**	**–**	**–**	**5 472**
Deferred taxation on share-based payments (refer note 8.3)	**–**	**–**	**205**	**–**	**–**	**205**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 8.1 and 8.3)	**(13 390)**	**–**	**(975)**	**975**	**–**	**(13 390)**
Dividends paid (refer note 8.7)	**–**	**–**	**–**	**(140 397)**	**–**	**(140 397)**
Total contributions and distributions	**(13 390)**	**–**	**4 702**	**(139 422)**	**–**	**(148 110)**
Total changes	**(13 390)**	**–**	**4 702**	**(67 216)**	**–**	**(75 904)**
Balance at 29 February 2020	**173 789**	**–**	**8 532**	**915 764**	**–**	**1 098 085**
Note	8.1		8.3			

Statements of Cash Flows

for the year ended 29 February 2020

	Note	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Cash flows from operating activities					
Cash generated from/(used in) operations	9.1	**781 573**	551 722	**(5 754)**	110 242
Finance income received	9.2	**17 829**	14 320	**9 104**	7 411
Dividends received		**64**	58	**89 105**	77 571
Finance costs paid	9.3	**(37 305)**	(58 565)	**(39 549)**	(50 632)
Tax paid	9.4	**(85 351)**	(97 051)	**(1 080)**	–
Net cash inflow from operating activities		**676 810**	410 484	**51 826**	144 592
Cash flows from investing activities					
Acquisition of property, plant and equipment	6.1 and 9.1	**(154 245)**	(93 889)	**–**	–
Proceeds on disposal of property, plant and equipment	9.5	**34 320**	14 369	**–**	–
Acquisition of businesses and investments		**–**	–	**(10 866)**	(14)
Proceeds of loans from subsidiaries	12	**–**	–	**694 292**	223 007
Advances to subsidiaries	12	**–**	–	**(495 053)**	(302 522)
Purchase of financial assets		**(369)**	(444)	**–**	(15)
Acquisition of share in associate	13	**(16 020)**	–	**–**	–
Repayment from other financial assets		**6 390**	–	**167**	–
Net cash (outflow)/inflow from investing activities		**(129 924)**	(79 964)	**188 540**	(79 544)
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	**(28 815)**	(30 981)	**–**	–
Proceeds from borrowings	7.3.4	**54 908**	144 635	**–**	60 000
Repayment of borrowings	7.3.4	**(305 050)**	(309 847)	**(162 500)**	(180 454)
Capital elements of lease payments	9.7	**(8 191)**	–	**–**	–
Repayments from other financial liabilities		**(1 212)**	(3 488)	**–**	–
Acquisition of additional non-controlling interest	8.4	**(10 854)**	(9 014)	**–**	–
Proceeds of loans from subsidiaries	12	**–**	–	**549 283**	106 656
Advances to subsidiaries	12	**–**	–	**(341 998)**	(44 497)
Dividends paid	8.7	**(137 769)**	(86 220)	**(140 397)**	(87 390)
Net cash outflow from financing activities		**(436 983)**	(294 915)	**(95 612)**	(145 685)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**109 903**	35 605	**144 754**	(80 637)
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	**57 610**	22 005	**(133 664)**	(53 027)
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	**167 513**	57 610	**11 090**	(133 664)

Notes to the Annual Financial Statements

for the year ended 29 February 2020

Accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate and are indicated with a grey background.

Significant accounting judgements and estimates

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these annual financial statements, are included in the specific notes to which they relate and are indicated with a maroon border.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are included in the specific notes to which they relate. These policies have been consistently applied with the previous year, except for the implementation of new accounting standards, refer note 21.

1.1 Statement of compliance

The annual financial statements are prepared on a going concern basis in compliance with the Companies Act of South Africa, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS') and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

1.2 Basis of preparation

The annual financial statements have been prepared under the historical cost convention, modified by the revaluation of certain financial assets and investment property, and the application of the equity method of accounting for investments in associated companies and joint ventures.

The Group has applied the following standards for the first time in the current year:

- IFRS 16: *Leases*
- IFRIC 23: *Uncertainty Over Income Tax Treatments*

Refer note 21 for further disclosure on the implementation of these standards.

Refer note 22 for details of new and amended standards issued but not yet effective in the current year.

The annual financial statements are expressed in South African Rand (ZAR or R), rounded to the nearest thousand, unless otherwise stated.

1. Significant accounting policies (continued)

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions and balances are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, respectively. Foreign exchange gains and losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income within 'other net gains and losses' (refer note 4.2).

(c) Group companies

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

(i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

(ii) income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

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

1.4 Impairment of non-financial assets

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

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

1. Significant accounting policies (continued)

1.5 Investment property

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

For subsequent measurement investment properties are measured at fair value.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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

Rental income from investment properties totalled RNil (2019: RNil). Direct operating expenses totalling R0,1 million (2019: R0,1 million) were incurred.

1.6 Significant accounting judgements and estimates

The preparation of the Group's annual financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying value of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are highlighted below with more detail provided in the specific notes to which they relate:

(a) Estimates

- Trade and other receivables – refer note 7.3.2
- Deferred tax assets – refer note 6.3
- Dismantling and rehabilitation provisions – refer note 6.5
- Impairment of goodwill and mining assets – refer note 6.2
- Share-based payment expense calculation – refer note 18.1
- Provision for stock obsolescence – refer note 6.4
- Measurement of stockpile quantities – refer note 6.4
- Provisional pricing arrangements – refer note 3

1. Significant accounting policies (continued)

1.6 Significant accounting judgements and estimates (continued)

(b) Judgements

- Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited ('AEI') – refer note 12
- Consolidation of Afrimat Share Incentive Trust, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust – refer note 12
- Extension and termination options in determining the lease term – refer note 6.1
- Incremental borrowing rate in discounting leases – refer note 21
- Impairment of goodwill and mining assets – refer note 6.2
- Contingent liabilities – refer note 16

How numbers are calculated

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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments are determined on the basis of product outputs with similar attributes; by considering the nature of products and services; production processes and the type of class of customer for the products and services.

There are three main segments based on the market use of products.

Construction Materials comprises aggregates, concrete-based products and contracting operations. Aggregates consist mainly out of the sales of sand, gravel and crushed stone and Concrete-Based Products includes concrete made from rock, sand, water and cement. Although Concrete-Based Products go through a longer manufacturing process than Aggregates, the classification between the operations are influenced by the market's use of products. Demand for these products is also similar and increases/decreases during the same period as customers use both aggregates and concrete-based products during construction.

Industrial Minerals consist mainly of the sale of limestone, dolomite and industrial sand. The Industrial Minerals business has become an integral contributor to the Group and serves a different market to Construction Materials, although the manufacturing process and customers for both aggregates and Industrial Minerals are similar.

Bulk Commodities include iron ore. Iron ore has minimal manufacturing time and is readily available.

The chief operating decision-maker monitors the operating results of the business segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. They primarily assess the performance of the operating segments based upon a measure of operating profit.

Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

Services consists of a Group shared services including IT services, consulting services etc.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

2. Segment information (continued)

	Construction Materials R'000	Industrial Minerals R'000	Bulk Commodities R'000	Services R'000	Total R'000
For the year ended 29 February 2020					
Segmental revenue	1 852 564	568 268	1 037 513	23 714	3 482 059
Inter-segmental revenue	(138 384)	(15 585)	–	(23 714)	(177 683)
Revenue	1 714 180	552 683	1 037 513	–	3 304 376
Depreciation and amortisation	94 265	31 382	43 308	8 212	177 167
Impairment of goodwill	10 152	–	–	–	10 152
Operating profit/(loss)	192 438	95 568	321 665	(8 719)	600 952
Operating profit margin on external revenue	11,2%	17,3%	31,0%	–	18,2%
Assets*	1 140 593	591 289	498 630	564 750	2 795 262
Equity	740 336	484 437	401 448	62 686	1 688 907
Liabilities**	400 257	106 852	97 182	502 064	1 106 355
Capital expenditure	170 123	21 963	58 391	22 961	273 438
For the year ended 28 February 2019					
Segmental revenue	1 865 812	563 167	682 198	–	3 111 177
Inter-segmental revenue	(126 316)	(18 462)	–	–	(144 778)
Revenue	1 739 496	544 705	682 198	–	2 966 399
Depreciation and amortisation	81 478	28 233	32 656	3 974	146 341
Impairment of goodwill	20 468	–	–	–	20 468
Operating profit	190 182	78 012	201 329	1 629	471 152
Operating profit margin on external revenue	10,9%	14,3%	29,5%	–	15,9%
Assets*	1 080 543	610 521	467 230	528 718	2 687 012
Equity	721 939	478 661	410 860	(201 943)	1 409 517
Liabilities**	358 604	131 860	56 370	730 661	1 277 495
Capital expenditure	110 643	63 593	25 975	7 332	207 543

2. Segment information (continued)

	2020 R'000	2019 R'000
* The following assets have not been allocated to segments:		
Goodwill	200 502	210 654
Other financial assets	53 015	56 698
Deferred tax	31 870	33 680
Current tax receivable	4 757	13 250
Cash and cash equivalents	167 533	191 763
Other assets***	107 073	22 673
	564 750	528 718
** The following liabilities have not been allocated to segments:		
Provisions	152 748	141 080
Deferred tax	215 943	214 576
Current tax payable	11 109	4 143
Bank overdraft	20	134 153
Other liabilities****	122 244	236 709
	502 064	730 661

*** *Other assets increased during the year mainly as a result of the acquisition of share capital in Unicorn Capital Partners Limited ('UCP') as well as loan made by the Group to UCP, amounting to R17,7 million (refer note 7.3.2 and note 13).*

**** *The Group's medium-term loan was repaid during the year (refer note 7.3.4).*

Segment revenue reflects both sales to external parties and inter-Group transactions across segments. The segment result is presented as segment profit before net finance costs and taxation.

Segment operating assets and liabilities are only those items that are specifically identified within a particular segment.

The Group views the entire southern African region as a single geographical area.

3. Revenue

Group financial statements

The Group recognises revenue from the following major sources:

- Sale of Construction Materials: Comprises sand, gravel, crushed stone and concrete made from rock, sand, water and cement;
- Sale of Industrial Minerals: Comprises limestone, dolomite and industrial sand;
- Sale of Bulk Commodities: Comprises iron ore; and
- Rendering of Services: Includes mobile crushing, screening, drilling and blasting.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

3. Revenue (continued)

Revenue from the sale of Construction Materials, Bulk Commodities and Industrial Minerals are recognised when control of the products has transferred to the buyer. Control transfers when products are delivered to the buyer and there is no unfulfilled obligation that could affect the buyer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the buyer, and either the buyer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Revenue is measured at the invoiced amount net of value added tax, trade discounts, returns, volume rebates and amounts collected on behalf of third parties. Shipping and handling is included in sale of goods as one component of revenue due to risks and rewards over goods only passing to the customer on delivery to site.

In terms of the agreement with Kumba International Trading S.A.R.L, commodity prices used in the calculation of the bulk commodity debtor are based on the average daily prices during the month prior to the relevant month of delivery. The amount of revenue recognised at the designated point of delivery (FOB) is based on the best estimate of the amount expected to be received. Provisional pricing arrangements introduce an element of market variability into the sales contract. These changes are out of the scope of IFRS 15: *Revenue*. As a result, the changes in the commodity prices are reflected as 'other revenue' within the revenue note to the annual financial statements and not revenue from contracts with customers.

Aggregates and industrial minerals are occasionally sold with retrospective volume discounts. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is recognised when it is highly probable that it will not be reversed, taking into account trade discounts and volume discounts.

Revenue arising from the rendering of services i.e. drilling, blasting and erection costs are performed over time and, therefore, are recognised as the performance obligations identified are satisfied by transferring control of the service to a customer. Revenue is measured at the fair value of the consideration received or receivable, which is represented by the invoiced amount net of value added tax, trade discounts and amounts collected on behalf of third parties.

Company financial statements

Finance income comprises interest revenue and dividend revenue. Interest revenue is recognised in profit or loss using the effective interest method. Dividend revenue is recognised when received or receivable.

Revenue arising from the rendering of services, i.e. management fee income earned, performed over time and, therefore, is recognised as the performance obligations identified are satisfied.

3. Revenue (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Revenue from contracts with customers:				
Sale of construction materials	**1 711 131**	1 724 017	**–**	–
Sale of industrial minerals	**552 731**	544 705	**–**	–
Sale of bulk commodities	**1 077 492**	618 002	**–**	–
Rendering of services	**3 001**	15 479	**9 641**	24 620
Revenue from contracts with customers	**3 344 355**	2 902 203	**9 641**	24 620
Timing of revenue recognition				
At a point of time	**3 341 354**	2 886 724	**–**	–
Over time	**3 001**	15 479	**9 641**	24 620
	3 344 355	2 902 203	**9 641**	24 620
Revenue other than from contracts with customers:				
Group companies interest revenue	**–**	–	**59 619**	89 463
Group companies dividend revenue	**–**	–	**89 105**	77 571
Revenue other than from contracts with customers	**–**	–	**148 724**	167 034
Other revenue*	**(39 979)**	64 196	**–**	–
Total	**3 304 376**	2 966 399	**158 365**	191 654

** Provisional pricing arrangements, within the Bulk Commodities segment, introduce an element of market variability into the sales contract. These changes are out of the scope of IFRS 15 and as a result, changes in the commodity prices are reflected as 'other revenue'.*

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

4. Other income and expense items

4.1 Other income

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Recoveries	**2 936**	2 631	**–**	–
Rental income	**2 707**	2 963	**–**	–
Royalties received	**2 828**	1 653	**–**	–
Scrap sales	**1 931**	1 116	**–**	–
Rebates received	**–**	1 014	**–**	1 014
Other	**2 633**	2 812	**835**	371
Total	**13 035**	12 189	**835**	1 385

4.2 Other net gains and losses

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Gains – financial assets at fair value through profit or loss	**2 184**	794	**–**	–
Net foreign exchange gains	**6 473**	1 430	**–**	–
Other	**–**	2 001	**–**	–
Total	**8 657**	4 225	**–**	–

4.3 Profit on disposal of property, plant and equipment

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Profit on disposal of property, plant and equipment	**2 788**	3 538	**–**	–
Total	**2 788**	3 538	**–**	–

4.4 Impairments

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Impairment of goodwill (refer note 6.2)	**(10 152)**	(20 468)	**–**	–
Impairment of investment in subsidiary (refer note 12)	**–**	–	**(13 657)**	–
Impairment of investment in joint venture (refer note 13)	**–**	–	**(8)**	–
Total	**(10 152)**	(20 468)	**(13 665)**	–

4. Other income and expense items (continued)

4.5 Expenses by nature

Leases (refer to note 21 for further details on adoption of IFRS 16: Leases)

Payments associated with short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprises IT equipment and small items of office furniture. Variable payments are determinable on a percentage of revenue recognised in profit or loss. It is the Group's policy to lease yellow equipment for certain projects as the need arises.

Some property leases contain variable payment terms that are linked to sales generated from the extract of certain minerals and aggregates from the quarries. The variable lease payments are determined on the basis of either a fixed rand/per ton of stone extracted and sold from the quarry or as a fixed percentage of revenue generated from the sale of such product. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur. A 100% increase in sales across all quarries in the Group with such variable lease contracts would increase total lease payments by approximately R33,5 thousand.

Recognition in accordance with IAS 17

In the prior year, a lease was classified as a finance lease if all the risks and rewards incidental to ownership were transferred substantially. All other leases were considered to be operating leases.

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

Short-term employee benefits

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

Defined contribution plans

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

Bonus plans

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

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Lease charges (short-term, low-value and variable lease payments not included in lease liabilities)	**176 394**	138 305	**–**	–
Premises				
– Contractual amounts	**–**	15 401	**–**	–
– Short-term	**8 740**	–	**–**	–
– Variable lease payments	**335**	–	**–**	–
Equipment				
– Contractual amounts	**–**	120 792	**–**	–
– Short-term	**164 847**	–	**–**	–
Lease rentals on operating lease – other				
– Contractual amounts	**–**	2 112	**–**	–
– Short-term	**1 082**	–	**–**	–
– Variable lease payments	**1 390**	–	**–**	–
Amortisation of intangible assets	**1 495**	1 629	**–**	–
Depreciation of property, plant and equipment	**175 672**	144 712	**–**	–
Increase in provision for impairment of receivables	**6 275**	5 226	**–**	–
Expected credit losses from related parties (refer note 7.3.2)	**17 254**	8 939	**–**	99
(Decrease)/increase in inventory provision for impairment	**(110)**	1 312	**–**	–
Inventory write-off to net realisable value	**6 531**	6 660	**–**	–

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Repairs and maintenance	**312 503**	325 543	**–**	–
Royalties*	**50 944**	29 636	**–**	–
Drilling and blasting	**42 869**	78 014	**–**	–
Cement	**137 878**	188 867	**–**	–
Fuel and diesel	**208 206**	181 155	**–**	–
External transport	**305 586**	297 308	**–**	–
Railage	**185 651**	115 457	**–**	–
Electricity	**77 433**	77 804	**–**	–
Audit fees	**5 888**	5 073	**2 892**	1 277
Audit	**5 792**	4 896	**2 892**	1 202
Other	**96**	177	**–**	75
Employee costs	**664 382**	604 682	**25 608**	17 432
Defined contribution plan contributions	**43 174**	37 563	**830**	439
Share-based payment expense	**15 074**	7 247	**5 472**	2 046
Short-term employee expenses	**606 134**	559 872	**19 306**	14 947
Other costs*	**342 901**	284 409	**13 519**	8 682
Total	**2 717 752**	2 494 731	**42 019**	27 490
Presented as:				
– Cost of sales	**2 239 352**	2 043 234	**–**	–
– Operating expenses	**478 400**	451 497	**42 019**	27 490
Total	**2 717 752**	2 494 731	**42 019**	27 490

* *In the prior year 'royalties' were included in 'other costs'.*

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

4. Other income and expense items (continued)

4.6 Finance income

Finance income is recognised in profit or loss using the effective interest method.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Bank	**15 333**	14 238	**8 902**	7 400
Deemed interest	**–**	451	**–**	–
Other interest	**2 846**	82	**202**	11
Total	**18 179**	14 771	**9 104**	7 411

4.7 Finance costs

Finance costs are calculated using the effective interest method and included in profit or loss.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Instalment purchase agreements	**17 065**	11 956	**126**	–
Lease liabilities	**2 686**	–	**–**	–
Bank	**15 570**	43 632	**12 355**	37 067
SARS	**16**	3	**–**	–
Group companies	**–**	–	**27 067**	13 565
Environmental rehabilitation and dismantling	**8 856**	8 141	**–**	–
Other interest paid	**1 968**	2 974	**1**	–
Total	**46 161**	66 706	**39 549**	50 632

5. Income tax expense

The income tax expense for the period comprises current and deferred income tax. Income tax is recognised in the Statement of Profit or Loss and Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it will also be recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Group operates and generates taxable income.

5. Income tax expense (continued)

Major components of the tax expense

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Current				
Local income tax				
Current year	**100 479**	85 638	**695**	–
Prior year	**331**	2	**–**	–
	100 810	85 640	**695**	–
Deferred				
Deferred income tax				
Current year	**7 382**	31 688	**170**	12 303
Prior year	**(98)**	–	**–**	–
	7 284	31 688	**170**	12 303
Total	**108 094**	117 328	**865**	12 303
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**(9,1)**	1,5	**(26,8)**	(17,9)
Non-deductible expenses (%)*	**0,8**	2,4	**7,5**	0,1
Share Appreciation Right Scheme expense realised (%)	**0,2**	(0,3)	**(0,2)**	(0,2)
Deferred tax not recognised in prior year utilised (%)**	**(12,6)**	(3,8)	**–**	–
Deferred tax recognised in prior year – derecognised in current year (%)***	**–**	2,2	**–**	–
Exempt income (%)****	**–**	(0,3)	**(34,1)**	(17,8)
Increase in unrecognised tax losses recognised in current year (%)	**2,5**	1,3	**–**	–
Recognised in current year for prior years (%)	**–**	(1,6)	**–**	–
Effective rate (%)	**18,9**	27,9	**1,2**	10,1

* *Includes legal fees, fines and penalties which are not in the production of income and thus non-deductible.*

** *Includes the utilisation of assessed tax losses in Afrimat Demaneng Proprietary Limited, not recognised in prior years.*

*** *Deferred tax assets in Delf Sand Proprietary Limited and Afrimat Silica Proprietary Limited have been reversed in prior year due to the improbability of the realisation of related tax benefits.*

**** *Exempt income in the Company relates to dividends received from subsidiaries.*

5. Income tax expense (continued)

Major components of the tax expense (continued)

The decrease in the tax rate was mainly due to the utilisation of previously unrecognised assessed tax losses of R288,3 million in Afrimat Demaneng Proprietary Limited.

For details on deferred tax, refer note 6.3.

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

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

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

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The result thereof is that all leased assets have been recognised on the balance sheet as right-of-use ('RoU') assets which had previously been classified in profit or loss under the principles of IAS 17: *Leases*. Refer note 21 for further disclosures on the implementation of the new lease standard.

The Group has chosen to measure the RoU asset on a retrospective basis as if the new rules had always been applied. This means that the RoU asset is recognised under this transition approach at its carrying value on the date of transition.

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.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on the straight-line basis over their estimated useful lives or, in the case of RoU assets the lease term if shorter, as follows:

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	10 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 15 years
Office and computer equipment	3 to 5 years
Dismantling costs	2 to 30 years
Mining assets	7 to 30 years

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

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

Mining assets represent the future benefits in respect of acquiring mineral reserves and resources. These are acquired through business combinations and are initially valued at the fair value of the resources obtained. These assets are tested annually for impairment. When the Group is able to mine, the undeveloped mining resources are depreciated as above.

The useful life of the mining assets equals the estimated useful life of the mine. Depreciation of the capitalised costs of mining assets start at the time when the mining activities commence on the acquired mining assets.

Extension and termination options in determining the lease term

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 and termination options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

The following factors are indicative that extension is most probable:

- Where mining rights and permits are awarded and the business is profitable, the Group is typically reasonably certain to extend the lease term; and
- Otherwise, the Group considers other factors including historical lease durations and business disruption required to replace the leased assets.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Cost 2020 R'000	Accumulated depreciation 2020 R'000	Carrying value 2020 R'000	Cost 2019 R'000	Accumulated depreciation 2019 R'000	Carrying value 2019 R'000
Group						
Land and buildings	**135 292**	**(36 389)**	**98 903**	132 026	(32 133)	99 893
Leasehold property	**26 364**	**(9 745)**	**16 619**	24 161	(6 958)	17 203
Plant and machinery	**1 150 369**	**(498 153)**	**652 216**	1 048 049	(441 358)	606 691
Motor vehicles	**817 751**	**(410 132)**	**407 619**	731 483	(383 566)	347 917
Office and computer equipment	**39 978**	**(29 870)**	**10 108**	32 716	(23 182)	9 534
Dismantling costs	**32 409**	**(17 395)**	**15 014**	30 384	(15 570)	14 814
Mining assets	**446 000**	**(111 093)**	**334 907**	446 000	(72 215)	373 785
RoU assets	**42 897**	**(6 764)**	**36 133**	–	–	–
Total	**2 691 060**	**(1 119 541)**	**1 571 519**	2 444 819	(974 982)	1 469 837

Analysis of movements in carrying value:

	Opening carrying value as originally presented R'000	Change in accounting policy (refer note 21) R'000	Restated opening carrying value R'000	Additions R'000	Reclassi-fication R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Group								
2020								
Land and buildings	**99 893**	**–**	**99 893**	**4 630**	**–**	**(1 988)**	**(3 632)**	**98 903**
Leasehold property	**17 203**	**–**	**17 203**	**2 364**	**–**	**–**	**(2 948)**	**16 619**
Plant and machinery	**606 691**	**–**	**606 691**	**125 305**	**(4 458)**	**(14 686)**	**(60 636)**	**652 216**
Motor vehicles	**347 917**	**–**	**347 917**	**123 921**	**4 458**	**(14 846)**	**(53 831)**	**407 619**
Office and computer equipment	**9 534**	**–**	**9 534**	**7 748**	**–**	**(12)**	**(7 162)**	**10 108**
Dismantling costs	**14 814**	**–**	**14 814**	**2 021**	**–**	**–**	**(1 821)**	**15 014**
Mining assets	**373 785**	**–**	**373 785**	**–**	**–**	**–**	**(38 878)**	**334 907**
RoU Assets	**–**	**35 448**	**35 448**	**7 449**	**–**	**–**	**(6 764)**	**36 133**
Total	**1 469 837**	**35 448**	**1 505 285**	**273 438**	**–**	**(31 532)**	**(175 672)**	**1 571 519**
Group								
2019								
Land and buildings	93 878	–	93 878	8 790	–	(269)	(2 506)	99 893
Leasehold property	8 653	–	8 653	9 679	116	–	(1 245)	17 203
Plant and machinery	581 254	–	581 254	89 129	(3 295)	(3 606)	(56 791)	606 691
Motor vehicles	306 650	–	306 650	93 532	2 755	(6 855)	(48 165)	347 917
Office and computer equipment	10 383	–	10 383	4 551	424	(101)	(5 723)	9 534
Dismantling costs	15 677	–	15 677	1 862	–	(8)	(2 717)	14 814
Mining assets	401 350	–	401 350	–	–	–	(27 565)	373 785
Total	1 417 845	–	1 417 845	207 543	–	(10 839)	(144 712)	1 469 837

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (refer note 7.3.4).

	Group	
	2020 R'000	2019 R'000
Carrying value of assets pledged as security:		
Plant and machinery	**199 511**	148 261
Motor vehicles	**127 736**	128 798
Office and computer equipment	**25**	–
Total	**327 272**	277 059

Included in additions are plant and equipment with a cost of R109,7 million (2019: R111,8 million), which were financed and recognised as instalment purchase agreements in borrowings (refer note 7.3.4).

Included in disposals are plant and equipment with a cost of R4,1 million (2019: R4,6 million) and accumulated depreciation of R3,3 million (2019: R3,5 million), which had no further economical value and have been removed from the register.

Depreciation expense of R156,3 million (2019: R133,1 million) were charged in 'cost of sales' and R19,4 million (2019: R11,6 million) in 'operating expenses'.

Leases:

	Group	
	2020 R'000	1 March 2019 R'000*
Carrying value of RoU assets:		
Land and buildings	**27 684**	32 807
Equipment	**4 041**	2 335
Motor vehicles	**4 408**	306
Total	**36 133**	35 448

** For adjustments on adoption of IFRS 16 on 1 March 2019 and related accounting policies, refer note 21.*

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	2020 R'000
Depreciation charge of RoU assets:	
Land and buildings	5 123
Equipment	404
Motor vehicles	1 237
Total	**6 764**
Additions of RoU assets:	
Land and buildings	–
Equipment	2 110
Motor vehicles	5 339
Total	**7 449**

For additional disclosures on the lease expense, interest expense and lease liability refer notes 4.5, 4.7 and 7.3.4, respectively.

6.2 Intangible assets

Goodwill is carried at cost less any accumulated impairment.

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

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

Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the end of the reporting period.

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

Other intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

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

Mining rights	20 to 30 years

Purchasing rights relate to ash dumps to which the Group has exclusive rights to utilise and process until the dumps are exhausted.

The amortisation on the purchasing right is recognised over a period of between two and three years (2019: two and four years). The amortisation charge is recognised as an expense in profit or loss. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These charges are accounted for as a change in estimate.

Impairment of goodwill

Goodwill was allocated to cash-generating units. The carrying value of goodwill is assessed for impairment using a discounted cash flow methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure.

	Cost 2020 R'000	Accumulated amortisation/ impairment 2020 R'000	Carrying value 2020 R'000	Cost 2019 R'000	Accumulated amortisation/ impairment 2019 R'000	Carrying value 2019 R'000
Group						
Goodwill	239 077	(38 575)	200 502	239 077	(28 423)	210 654
Mining rights	22 831	(13 384)	9 447	22 831	(12 549)	10 282
Purchasing right	9 983	(9 706)	277	9 983	(9 046)	937
Total	**271 891**	**(61 665)**	**210 226**	271 891	(50 018)	221 873

Analysis of movements in carrying value:

	Opening carrying value R'000	Amortisation R'000	Impairment R'000	Closing carrying value R'000
Group				
2020				
Goodwill	210 654	–	(10 152)	200 502
Mining rights	10 282	(835)	–	9 447
Purchasing right	937	(660)	–	277
Total	**221 873**	**(1 495)**	**(10 152)**	**210 226**

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	Opening carrying value R'000	Amortisation R'000	Impairment R'000	Closing carrying value R'000
Group				
2019				
Goodwill	231 122	–	(20 468)	210 654
Mining rights	11 594	(1 312)	–	10 282
Purchasing right	1 254	(317)	–	937
Total	243 970	(1 629)	(20 468)	221 873

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods vary between eight and 18 years (2019: nine and 19 years). Amortisation expense of R1,5 million (2019: R1,6 million) has been charged in 'operating expenses'.

Goodwill acquired through business combinations has been allocated to cash-generating units as follows:

	Group	
	2020 R'000	2019 R'000
Afrimat Aggregates (KZN) Proprietary Limited	**16 878**	16 878
Rodag Holdings Proprietary Limited	**1 058**	1 058
Afrimat Aggregates (Operations) Proprietary Limited	**10 955**	10 955
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**39 267**	39 267
SA Block Proprietary Limited	**–**	10 152
Clinker Supplies Proprietary Limited	**26 105**	26 105
Sunshine Crushers Proprietary Limited	**5 723**	5 723
Glen Douglas Dolomite Proprietary Limited	**801**	801
Infrasors Holdings Proprietary Limited	**1 787**	1 787
Cape Lime Proprietary Limited	**57 456**	57 456
Afrimat Demaneng Proprietary Limited	**40 472**	40 472
Total	**200 502**	210 654

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

The recoverable amount has been determined using value-in-use calculations using a discounted cash flow methodology. These cash flows were based on forecasts which included assumptions on operating profit, working capital movements and capital expenditure. The assumptions are based on past experience. The key assumptions used were a medium-term growth rate of 5,3% (2019: 5,3%) over the estimated useful life of the mine and a discount rate applied to the cash flow projections of 17,8% (2019: 17.6%).

Assumptions used in discounted cash flow methodology

Financial budgets approved by management are used to calculate the cash flow projections for a five-year period.

Assumption	Approach used to determine values
Sales volume	An annual average growth rate extended over the five-year forecast period is used; this is based on past performance and management's expectations of market development.
Budgeted gross margin	Based on past performance and management's expectations for the future.
Other operating costs	These costs are forecasted by management adjusted for inflationary increases, non-cash flow items and once-off isolated expenses. These costs will generally reflect the fixed costs which are not expected to vary significantly with sales volumes or prices.
Annual capital expenditure	Expected capital expenditure approved by the board of directors for planned refurbishment. This is determined based on historical experience and expectations set by management.
Medium-term growth	This is the weighted average growth rate used to extrapolate the cash flows over the budgeted period.
Pre-tax discount rate	This is a discount rate determined by the Group that best reflects the specific risks relating to the CGUs against the weighted average target capital structure of the Group.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

During the process of performing the annual goodwill impairment test, it was identified that the carrying value of the SA Block Proprietary Limited (2019: Afrimat Concrete Products Proprietary Limited) CGU exceeded its recoverable amount. 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 resulted in the company not achieving its budget and significant pressure on margins. As a result of the aforementioned a goodwill impairment of R10,2 million (2019: R20,5 million) was recorded. SA Block Proprietary Limited is included in the Construction Materials segment.

It is management's belief that any reasonable possible change in the key assumptions on which the recoverable amount of the non-impaired CGU is based, would not cause the carrying amount to exceed the recoverable amounts. No further impairments were identified.

6.3 Deferred tax

Deferred income tax is recognised, using the liability method, for calculated income tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Management applies judgement to determine whether sufficient future taxable profit will be available after considering, amongst others, factors such as profit histories, forecasted cash flows and budgets.

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Deferred tax assets

Deferred tax assets are only recognised on tax losses which are expected to be offset against future taxable income in the foreseeable future.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Accelerated capital allowances for tax purposes	**(230 898)**	(199 173)	–	–
Accruals	**41 498**	33 659	2 573	1 818
Provisions	**42 770**	38 877	–	–
Tax losses available for set-off against future taxable income	**24 984**	31 331	–	720
Share-based payments	**1 490**	2 865	399	399
Fair value adjustments	**(393)**	(367)	–	–
Mining assets	**(75 063)**	(91 631)	–	–
Other	**2 039**	3 543	–	–
Lease liabilities	**9 500**	–	–	–
Total	**(184 073)**	(180 896)	2 972	2 937

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group								
	February 2019						February 2020		
	Assets	Liabilities	Total	Adoption of IFRS 16	Recognised in profit or loss	Recognised directly in equity	**Assets**	**Liabilities**	**Total**
Accelerated capital allowances for tax purposes	(2 325)	(196 848)	(199 173)	(9 840)	(21 885)	–	**(10 583)**	**(220 315)**	**(230 898)**
Accruals	9 863	23 796	33 659	–	7 839	–	**10 815**	**30 683**	**41 498**
Provisions	3 020	35 857	38 877	–	3 893	–	**3 292**	**39 478**	**42 770**
Tax losses available for set-off against future taxable income	20 021	11 310	31 331	–	(6 347)	–	**17 075**	**7 909**	**24 984**
Share-based payments	2 512	353	2 865	–	(458)	(917)	**847**	**643**	**1 490**
Fair value adjustments	366	(733)	(367)	–	(9)	(17)	**764**	**(1 157)**	**(393)**
Mining assets	–	(91 631)	(91 631)	–	16 568	–	**6 938**	**(82 001)**	**(75 063)**
Other	223	3 320	3 543	–	(1 504)	–	**(69)**	**2 108**	**2 039**
Lease liabilities	–	–	–	14 881	(5 381)	–	**2 791**	**6 709**	**9 500**
Total	33 680	(214 576)	(180 896)	5 041	(7 284)	(934)	**31 870**	**(215 943)**	**(184 073)**

	Company							
	February 2019					February 2020		
	Assets	Liabilities	Total	Recognised in profit or loss	Recognised directly in equity	**Assets**	**Liabilities**	**Total**
Accruals	1 818	–	1 818	755	–	**2 573**	**–**	**2 573**
Tax losses available for set-off against future taxable income	720	–	720	(720)	–	**–**	**–**	**–**
Share-based payments	399	–	399	(205)	205	**399**	**–**	**399**
Total	2 937	–	2 937	(170)	205	**2 972**	**–**	**2 972**

The Group has estimated income tax losses and capital tax losses available of R165,3 million (2019: R531,1 million) and R52,6 million (2019: R52,6 million), respectively. Included in the assessed tax losses were R76,1 million (2019: R73,9 million) and R52,6 million (2019: R52,6 million) relating to income and capital tax losses, respectively, which are available for set-off against future taxable income, but due to the improbability of the realisation of related tax benefits, these assets were not raised. Included in the prior year tax losses available, was an amount of R288,3 million of pre-acquisition income tax losses not acknowledged, and therefore not raised, this assessed loss was utilised during the current year (refer note 5). The deferred tax asset includes in asset of R25,0 million relating to assessed tax losses carried forward. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plan and budgets.

6.4 Inventories

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

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

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

6. Non-financial assets and liabilities (continued)

6.4 Inventories (continued)

Provision for stock obsolescence

The Group recognises a provision for stock obsolescence based on the determination of excess stock on hand as well as damaged and unusable items.

A provision for stock obsolescence is calculated as follows:

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

Measurement of stockpile quantities

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. This is determined using assumptions such as densities and sizes which are based on studies, historical data and industry norms. Stockpile tonnages are verified by periodic surveys of which year-end surveys are performed by external service providers.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
The amounts attributable to the different categories are as follows:				
Raw materials, components	**43 600**	60 038	**–**	–
Finished goods	**168 909**	171 245	**–**	–
Production supplies	**59 344**	41 403	**–**	–
Total	**271 853**	272 686	**–**	–
Allowance for inventory obsolescence:	**(11 327)**	(11 437)	**–**	–
Finished goods	**(7 835)**	(8 941)	**–**	–
Production supplies	**(3 492)**	(2 496)	**–**	–
Total	**260 526**	261 249	**–**	–

Inventory write-off to net realisable value amounted to R6,5 million (2019: R6,7 million) and was included in 'cost of sales' in the Statement of Profit or Loss and Other Comprehensive Income.

6. Non-financial assets and liabilities (continued)

6.5 Provisions

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

Group policy is that environmental rehabilitation and dismantling estimates will be reviewed annually and be reassessed by independent consultants every three years.

Group companies are required to restore quarry and manufacturing sites at the end of their productive lives to a condition acceptable to the relevant authorities.

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

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

Where a closure and environmental obligation arises from mine development activities, the costs are capitalised as part of the cost of the item of property, plant and equipment.

Quantifying the future costs of these obligations is complex and requires various estimates to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites. Consequently, the guidelines issued for quantifying the future rehabilitation cost of a site, as issued by the DMRE, have been used to estimate future rehabilitation costs.

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2018	101 758	28 530	130 288
Discount unwinding	8 141	–	8 141
Reversed during year	(934)	(8)	(942)
Additions	1 731	1 862	3 593
Total changes	8 938	1 854	10 792
Balance at 1 March 2019	110 696	30 384	141 080
Discount unwinding	**8 856**	**–**	**8 856**
Reversed during year	**(1 029)**	**–**	**(1 029)**
Additions	**1 820**	**2 021**	**3 841**
Total changes	**9 647**	**2 021**	**11 668**
Balance at 29 February 2020	**120 343**	**32 405**	**152 748**

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

The Group appointed Site Plan Consulting Proprietary Limited ('SPC') as their independent expert for determining closure cost. SPC has applied an 'individual disturbance, unit-based' calculation, based on measurement of actual ('ground-truthed') disturbances, as an alternative quantum calculation to the DMRE Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for IFRS reporting purposes. The DMRE guideline is used when calculating the liability for submission to the DMRE.

Key assumptions used by SPC	
Rehabilitation of access roads	R6,38/m^2
Buttress blasting	R926/linear meter
Rehabilitation of overburden and spoils	R119 250/hectare ('ha')
General surface rehabilitation	R63 746/ha
Two to three years of maintenance and aftercare	R14 085/ha
Discount rate	8,0%

On 20 November 2015, the Financial Provisioning Regulations ('FPR'), (GNR1147) were promulgated by the Minister of Environmental Affairs for South Africa as replacement of financial provisioning and rehabilitation legislation contained in the MPRDA and the National Environmental Management Act, 1998 ('NEMA'). After promulgation of the FPR, the Department of Environmental Affairs ('DEA') met with various stakeholders who sought clarification on a number of issues. This resulted in revised draft regulations pertaining to the financial provision for prospecting, exploration, mining or production operations which were issued on 10 November 2017 (GNR1228). The FPR (GNR1147) are currently valid and in force and the final implementation date was 19 February 2019.

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 8,0% (2019: 8,0%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums in FY2018.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMRE to the amount of R219,6 million (2019: R195,2 million) (refer note 16). Funds to the amount of R48,6 million (2019: R46,7 million) have been invested in environmental insurance policies and R2,8 million (2019: R2,7 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer notes 7.1 and 7.2).

7. Financial assets and liabilities

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1)	**2 851**	2 734	**–**	–
Financial assets at fair value through profit or loss (refer note 7.2)	**49 475**	50 025	**–**	–
Financial assets at amortised cost (refer note 7.3.1)	**689**	3 939	**8 685**	8 852
Total	**53 015**	56 698	**8 685**	8 852

The Group classifies its financial assets in categories dependent on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

7.1 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income ('FVOCI') comprise equity securities not held for trading and which the Group irrevocable elected on initial recognition, to designate as at fair value through other comprehensive income.

Investments in equity instruments measured at FVOCI are recognised when the Company becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are added to the initial carrying amount for those investments. Investments in equity instruments are subsequently measured at FVOCI.

The gains or losses which accumulated in equity in the 'fair value reserve' for equity investments at FVOCI are not reclassified to profit or loss on derecognition. Instead, the cumulative amount is transferred directly to retained earnings.

7. Financial assets and liabilities (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**81**	71	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**2 770**	2 663	**–**	–
Total financial assets at fair value through other comprehensive income	**2 851**	2 734	**–**	–

Environmental funds were established to fund the cost of rehabilitation on closure of certain of the Group's mines.

Refer note 20 for details of fair value estimation.

7.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ('FVPL') comprise:

- Equity investments held for trading; and
- Equity investments for which the entity has not elected to recognise fair value gains and losses through other comprehensive income.

Investments in equity instruments measured at FVPL are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are recognised through profit or loss. Investments in equity instruments are subsequently measured at FVPL.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented net within 'other net gains and losses'.

7. Financial assets and liabilities (continued)

7.2 Financial assets at fair value through profit or loss (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Non-current assets				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**240**	257	**–**	–
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	**643**	629	**–**	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	**30 790**	28 765	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**17 802**	17 921	**–**	–
Stanlib Asset Management Limited Income Retention Fund	**–**	2 453	**–**	–
Total financial assets at fair value through profit or loss	**49 475**	50 025	**–**	–

The Infrasors Group invested an amount in a Centriq Mining Rehabilitation Guarantee Insurance Policy to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites (refer note 6.5).

The Liberty Life New Growth Rehabilitation investments were established to fund the cost of rehabilitation on closure of the Group's iron ore mine.

The Cadiz Enterprise Development Investment is an upfront investment which counts towards the Group's enterprise development score. This investment was acquired as part of the Cape Lime acquisition.

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R2,2 million (2019: R0,8 million) was allocated to 'other net gains and losses' in profit or loss, refer note 4.2.

Refer note 20 for details of fair value estimation and note 10 for disclosures on financial risk management.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost

Financial assets at amortised cost comprise assets held for collection of contractual cash flow comprising solely payments of principal and interest.

Loans receivable are recognised when the Company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus direct transaction costs, if any.

Interest on these financial assets is calculated using the effective interest method and recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of 'finance income'.

The Group recognises a loss allowance for expected credit losses ('ECL') on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect the changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, the loss allowance for that loan is measured at 12 month expected credit losses ('12 month ECL').

7.3.1 Other financial assets at amortised cost

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Non-current assets				
Investment in Afrimat Mozambique Limitada	**–**	–	**8 685**	8 685
BEE investor	**689**	3 939	**–**	167
Total other financial assets at amortised cost	**689**	3 939	**8 685**	8 852

BEE investor

Included in the BEE investor loan was an amount that arose during FY2014, when 190 000 treasury shares were issued to a BEE investor for a value of R12,74 per share. Loan funding to the value of R2,4 million for the purchase of the shares was provided by one of the Group's subsidiaries, Afrimat Aggregates (Operations) Proprietary Limited. The loan was repaid during the year and was subject to interest at The Standard Bank of South Africa Limited ('SBSA') prime overdraft rate less three percentage points.

While financial assets at amortised cost are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. They are subsequently measured at amortised costs using the effective interest method, because their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

The Group applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group makes use of a provision matrix as a practical expedient to the determination of ECL on trade receivables. Trade receivables have been grouped with relation to the credit quality of the customers. The expected loss rate is based on the historical payment of sales, as well as credit losses experienced during a 12-month period before reporting date. The historical loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors that may affect the ability of customers to settle the debt outstanding. The Group has identified the gross domestic product ('GDP') of South Africa to be the most relevant factor and accordingly adjusted the historical loss rate based on expected changes in the GDP. When there is no expectation to recover additional cash, the receivable is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other income' in the Statement of Profit or Loss and Other Comprehensive Income.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in 'other operating expenses' in profit or loss as a movement in credit loss allowance.

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Provisionally priced receivables included within the trade receivables of Afrimat Demaneng Proprietary Limited are subject to fluctuations and are measured at fair value through profit or loss from the date of recognition up until date of settlement, as it fails the IFRS 9 amortised cost requirement of cash flows representing solely payment of principal and interest.

When assessing the loss allowance for intergroup loans, other financial assets and net investment in lease, the Group applies the General Model by firstly assessing which stage of the three-stage model the financial asset falls into and secondly calculating this loss taking into account the exposure, probability and expected loss accordingly. The stages applied are:
(1) A performing asset – a 12 month expected credit loss is calculated;
(2) Increased credit risk – lifetime expected credit loss is calculated; or
(3) Credit impaired – lifetime expected credit loss is calculated.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

The Group considers the probability of default upon initial recognition of the financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available and supportive forward-looking information. In making this assessment the Group takes into account whether there is an actual or expected deterioration in the counterparty's external (if available) or internal credit rating or if there is existing or forecast deterioration in the counterparty's ability to meet its debt obligations. This includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change in the counterparty's ability to meet its current or future obligations. All impairment losses are recognised in profit or loss.

Trade and other receivables

Impairment of trade and other receivables requires the consideration of historical default rates and forward-looking information. The Group applies the practical expedient in using the provision matrix and a forward-looking factor.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Trade receivables at amortised cost	**298 163**	345 476	**7 409**	6 484
Less: Allowances for credit losses	**(15 855)**	(9 580)	**–**	–
Trade and other receivables at fair value through profit or loss	**125 312**	52 522	**–**	–
Trade receivables – net	**407 620**	388 418	**7 409**	6 484
Loans to related parties	**27 451**	19 661	**17 695**	–
Other receivables	**19 984**	21 397	**1 060**	463
Trade and other receivables – financial assets (refer note 10)	**455 055**	429 476	**26 164**	6 947
Prepayments and value added taxation	**21 301**	5 982	**3 698**	236
Total trade and other receivables	**476 356**	435 458	**29 862**	7 183

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

The loans to related parties include loans made by the Group to the Group's associates and joint venture, Ikapa Quarries Proprietary Limited, Unicorn Capital Partners Limited ('UCP') and Pemba Aggregates Limitada, respectively. The Ikapa Quarries Proprietary Limited receivables have no fixed repayment terms and bear interest at prime (2019: prime). The Pemba Aggregates Limitada receivables bear interest at Libor +1,5% (2019: Libor +1,5%) and have no fixed repayment terms. The UCP receivables of R17,7 million provided during the current year, bears interest at 24,0% per annum and is repayable before or on 30 September 2020.

During the year the Pemba Aggregates Limitada loan was considered to be in Stage 2 (in terms of credit risk classification) and a loss equivalent to a lifetime ECL is required to be held under IFRS 9. This is due to a significant increase in credit risk as a result of a decline in sales in the current financial year. In calculating the expected credit loss rates, the Group considered a 100% (2019: 62,82%) probability of default in terms of the Global Corporate Average Cumulative Default Rates with a CCC/C investment grade as appropriate in the prior year. A loss given default rate of 100% (2019: 100%) was deemed appropriate in calculating the respective ECL. An ECL of R17,3 million was recognised in profit or loss.

The other receivables did not contain impaired assets.

Trade receivables to the amount of R358,8 million (2019: R310,6 million) served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers are continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Exposure to credit risk (continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	Group			
	Estimated gross carrying amount at default 2020 R'000	**Loss allowance (lifetime expected credit loss) 2020 R'000**	Estimated gross carrying amount at default 2019 R'000	Loss allowance (lifetime expected credit loss) 2019 R'000
Expected credit loss rate:				
Not past due: 1,3% (2019: 0,9%)	**201 201**	**(2 611)**	259 347	(2 432)
Less than 30 days past due: 0,5% (2019: 0,9%)	**23 240**	**(106)**	28 842	(265)
31 to 60 days past due: 5,7% (2019: 0,4%)	**50 308**	**(2 843)**	36 021	(132)
61 to 90 days past due: 15,9% (2019: 0,9%)	**10 882**	**(1 728)**	10 716	(101)
91 to 120 days past due: 41,7% (2019: 23,5%)	**6 801**	**(2 836)**	4 761	(1 117)
More than 120 days past due: 100% (2019: 95,6%)	**5 731**	**(5 731)**	5 789	(5 533)
Total	**298 163**	**(15 855)**	345 476	(9 580)

The following table shows the movement in the loss allowance (lifetime ECL) for trade and other receivables:

	Group	
	2020 R'000	2019 R'000
Opening balance	**9 580**	4 354
Amounts recovered	**(1 403)**	(384)
Provision raised on new trade receivables	**10 722**	6 640
Provisions reversed on settled trade receivables	**(3 044)**	(1 030)
Closing balance	**15 855**	9 580

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Exposure to credit risk (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Rand	**320 273**	374 051	**29 862**	7 183
Meticais	**24 939**	8 885	**–**	–
US dollar	**131 144**	52 522	**–**	–
	476 356	435 458	**29 862**	7 183

7.3.3 Cash and cash equivalents

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

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

Bank overdrafts are classified as financial liabilities at amortised cost.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Cash and cash equivalents consist of:				
Cash on hand	**148**	386	**–**	–
Bank balances	**162 721**	179 019	**11 090**	352
Short-term bank deposits	**4 664**	12 358	**–**	–
Bank overdraft	**(20)**	(134 153)	**–**	(134 016)
Total	**167 513**	57 610	**11 090**	(133 664)
Current assets	**167 533**	191 763	**11 090**	352
Current liabilities	**(20)**	(134 153)	**–**	(134 016)
	167 513	57 610	**11 090**	(133 664)

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents (continued)

An unlimited omnibus securityship between Group companies was provided to SBSA for the Group overdraft facility.

The cash and cash equivalents disclosed above and in the Statement of Cash Flows include R9,0 million and R7,4 million (2019: R8,0 million and RNil) which are held by Afrimat Mozambique Limitada and Afrimat Logistics Limitada, respectively. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

Refer note 10 for details on the credit quality of cash and cash equivalents.

7.3.4 Borrowings

Borrowings are classified as financial liabilities subsequently measured at amortised cost. The liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

In the prior year leases pertaining to property, plant and equipment were classified as either finance leases or operating leases. From 1 March 2019, leases are recognised as a RoU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of one year to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable;
- exclude variable lease payments;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Non-current liabilities				
Medium-term loans	**–**	116 071	**–**	116 071
Instalment purchase agreements	**92 425**	119 471	**–**	–
Lease liabilities	**46 336**	–	**–**	–
	138 761	235 542	**–**	116 071
Current liabilities				
Medium-term loans	**44 401**	46 429	**–**	46 429
Instalment purchase agreements	**106 301**	101 575	**–**	–
Lease liabilities	**6 369**	–	**–**	–
	157 071	148 004	**–**	46 429
Total borrowings	**295 832**	383 546	**–**	162 500
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	**162 500**	287 174	**162 500**	282 954
Borrowings raised	**44 401**	60 000	**–**	60 000
Repayments	**(162 500)**	(184 674)	**(162 500)**	(180 454)
Closing balance	**44 401**	162 500	**–**	162 500

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Instalment purchase agreements				
Capital reconciliation of instalment purchase agreements was as follows:				
Opening balance	**221 046**	149 784	**–**	–
Borrowings raised	**120 230**	196 435	**–**	–
Repayments	**(142 550)**	(125 173)	**–**	–
Closing balance	**198 726**	221 046	**–**	–
Lease liabilities				
Capital reconciliation of lease liabilities was as follows:				
Restated opening balance	**53 447**	–	**–**	–
Additions	**7 449**	–	**–**	–
Finance cost	**2 686**	–	**–**	–
Lease payments	**(10 877)**	–	**–**	–
Closing balance	**52 705**	–	**–**	–
Total borrowings	**295 832**	383 546	**–**	162 500
Minimum payments due on instalment purchase agreements and lease liabilities are as follows:				
Within one year	**128 114**	115 600	**–**	–
In second to fifth year inclusive	**143 710**	129 854	**–**	–
More than five years	**22 539**	–	**–**	–
	294 363	245 454	**–**	–
Future finance charges	**(42 932)**	(24 408)	**–**	–
Present value of minimum payments	**251 431**	221 046	**–**	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Analysis of present value of minimum payments due:				
Within one year	**112 670**	101 575	**–**	–
In second to fifth year inclusive	**120 586**	119 471	**–**	–
More than five years	**18 175**	–	**–**	–
	251 431	221 046	**–**	–
Analysis as per statement of cash flows:				
Total opening balance borrowings	**383 546**	436 958	**162 500**	282 954
Change in accounting policy (refer note 21)	**53 447**	–	**–**	–
Total restated opening balance – borrowings	**436 993**	436 958	**162 500**	282 954
Borrowings raised	**54 908**	144 635	**–**	60 000
Borrowings raised – non-cash (refer note 6.1)	**117 172**	111 800	**–**	–
Instalment sale agreements	**109 723**	111 800	**–**	–
Lease liabilities	**7 449**	–	**–**	–
Repayments	**(313 241)**	(309 847)	**–**	–
Instalment sale agreements and medium-term loans	**(305 050)**	(309 847)	**–**	–
Lease liabilities	**(8 191)**	–	**–**	–
Total closing balance – borrowings	**295 832**	383 546	**–**	162 500

The following covenants are applicable to the general banking facilities

The Group shall ensure that the following financial covenants will be met:

- Net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') ratio shall not exceed 2,3;
- EBITDA to finance charges ratio shall at all times exceed 3,5;
- Debt service cover ratio shall at all times exceed 1,2;
- Guarantor EBITDA ratio shall at all times exceed 90%; and
- Guarantor total assets ratio shall at all times exceed 90%.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

In FY2018, the Group acquired an additional R300,0 million five-year term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments of R13,7 million 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 Group, 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 the 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 those purposes.

In February 2020, the Group acquired a $4,0 million revolving credit facility, of which $2,7 million (R44,4 million) 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.

The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. (The lessee's weighted average incremental borrowing rate applied to the lease liability on 1 March 2019 was 9,7%.)

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. None of the covenants were breached during the year ended 29 February 2020 as well as in the preceding year.

It is Group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements and lease liabilities are repayable in monthly instalments of R10,4 million (2019: R10,3 million) including interest and capital. Interest rates are linked to prime overdraft rate and varied between 6,8% and 9,8% (2019: 7,5% and 9,0%) during the year. The instalment purchase agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

Trade receivables and share capital of major subsidiaries were provided as security for the general banking facility (refer notes 7.3.2 and 12).

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 *Borrowings* (continued)

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

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
At floating rates	**295 832**	383 546	**–**	162 500
The Group has the following undrawn borrowing facilities with First National Bank of South Africa ('FNB'), SBSA and ABSA Bank Limited: Floating rate: – Expiring within one year	**776 396**	436 726	**266 816**	58 740

The fair value of borrowings equals their carrying amount. The carrying amounts of the Group's borrowings are all denominated in South African Rand, except for the medium-term loan amounted to $2,7 million.

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

7.3.5 *Other financial liabilities*

Other financial liabilities are initially recognised at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Net capital proceeds owing to Afrimat BEE Trust participants	**9 631**	9 480	**–**	–
Closing balance	**9 631**	9 480	**–**	–

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.5 *Other financial liabilities* (continued)

Upon the implementation of the ARC transaction (in FY2017), the beneficiaries of the Afrimat BEE 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 who could not be traced, mostly deceased individuals. Afrimat is in the process of tracking these individuals to ensure payment occurs timeously.

7.3.6 *Trade and other payables*

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

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Trade payables	**194 179**	181 237	**37 732**	14 882
Accrued expenses	**90 347**	90 046	**2 637**	6 930
Other payables*	**26 016**	31 307	**–**	31 432
Trade and other payables – financial liabilities (refer note 10)	**310 542**	302 590	**40 369**	53 244
Taxes and other statutory liabilities	**31 959**	25 728	**339**	–
Employee-related accruals	**78 571**	62 199	**9 303**	–
Total trade and other payables	**421 072**	390 517	**50 011**	53 244

* *Included in the Company's 'other payables' for the prior year was a payable owed to Investec Limited that was settled in October 2019.*

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

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.6 *Trade and other payables*

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Rand	**392 338**	380 940	**50 011**	53 244
Meticais	**28 639**	9 577	**–**	–
US dollar	**95**	–	**–**	–
	421 072	390 517	**50 011**	53 244

8. Equity – including earnings per share

8.1 Stated capital

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

Ordinary shares are classified as equity.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Authorised 1 000 000 000 (2019: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued 143 262 412 (2019: 143 262 412) ordinary shares with no par value	**258 292**	266 985	**187 179**	196 105
Net effect of settlement of employee share options	**(12 304)**	(8 693)	**(13 390)**	(8 926)
Stated capital	**245 988**	258 292	**173 789**	187 179

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

All shares issued by the Company were fully paid.

8. Equity – including earnings per share (continued)

8.2 Treasury shares

Shares in Afrimat Limited held by wholly owned subsidiaries are classified as treasury shares. Where any Group company purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders under 'treasury shares' until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders under 'treasury shares'. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the Group profit or loss on the purchase, sale, issue or cancellation of treasury shares.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Nil (2019: 26 149) shares held by Afrimat Aggregates (Operations) Proprietary Limited ('AAO'), a subsidiary	**–**	(655)	**–**	–
1 566 511 (2019: 892 500) shares held by Afrimat Management Services Proprietary Limited ('AMS'), a subsidiary	**(48 056)**	(25 513)	**–**	–
6 673 454 (2019: 6 653 854) shares held by AEI, a subsidiary of Afrimat BEE Trust	**(60 309)**	(59 654)	**–**	–
	(108 365)	(85 822)	**–**	–

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

	Group		Company	
	2020 '000	2019 '000	**2020 '000**	2019 '000
Analysis of movement in number of treasury shares:				
Opening balance	**7 573**	6 654	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(213)**	(183)	**–**	–
Purchased during the year	**881**	1 102	**–**	–
AAO	**–**	209	**–**	–
AEI	**20**	–		
AMS	**861**	893	**–**	–
Closing balance	**8 241**	7 573	**–**	–

The Group acquired Nil, 861 202 and 19 600 (2019: 209 000, 892 500 and Nil) of its own shares through purchases on the JSE Limited via AAO, AMS and AEI, respectively. The total amount paid to acquire the shares was R28,8 million (2019: R31,0 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R32,70 (2019: R28,13). During the year, 213 340 (2019: 183 036) shares were utilised in terms of the Share Appreciation Rights Scheme, for an amount of R6,3 million (2019: R4,8 million). The related weighted average share price at the time of exercise was R34,39 (2019: R27,97).

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 673 454 (2019: 6 653 854) shares representing 4,66% (2019: 4,64%) of the issued share capital of the Company.

AMS holds 899 250 (2019: 397 700) shares as nominee for the absolute benefit of the participants of the Group's Forfeitable Share Plan ('FSP'). The remaining 667 261 (2019: 494 800) shares held in AMS are held for the purposes of the Group's Share Appreciation Rights Scheme ('SARs').

8.3 Other reserves

Other reserves mainly comprise accumulated amounts related to equity-settled share-based payment schemes, and also accumulated amounts related to re-measurements of financial assets at FVOCI and currency translation differences. The Group transfers amounts from the fair value reserve to retained earnings when the relevant equity securities are derecognised.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Group					
Balance at 1 March 2018	763	11 732	(6 607)	(105 788)	(99 900)
Share-based payment expense for the year	–	7 247	–	–	7 247
Settlement of employee share options	–	(2 374)	–	–	(2 374)
Deferred taxation on share-based payments	–	2 039	–	–	2 039
Fair value adjustment	27	–	–	–	27
Currency translation differences	–	–	(1 430)	–	(1 430)
Total changes	27	6 912	(1 430)	–	5 509
Balance at 28 February 2019	**790**	**18 644**	**(8 037)**	**(105 788)**	**(94 391)**
Share-based payment expense for the year	**–**	**15 074**	**–**	**–**	**15 074**
Settlement of employee share options	**–**	**(6 633)**	**–**	**–**	**(6 633)**
Deferred taxation on share-based payments	**–**	**(917)**	**–**	**–**	**(917)**
Fair value adjustment	**71**	**–**	**–**	**–**	**71**
Currency translation differences	**–**	**–**	**(3 586)**	**–**	**(3 586)**
Total changes	**71**	**7 524**	**(3 586)**	**–**	**4 009**
Balance at 29 February 2020	**861**	**26 168**	**(11 623)**	**(105 788)**	**(90 382)**
Company					
Balance at 1 March 2018	–	2 205	–	–	2 205
Share-based payment expense for the year	–	2 046	–	–	2 046
Deferred taxation on share-based payments	–	162	–	–	162
Settlement of employee share options	–	(583)	–	–	(583)
Total changes	–	1 625	–	–	1 625
Balance at 28 February 2019	**–**	**3 830**	**–**	**–**	**3 830**
Share-based payment expense for the year	**–**	**5 472**	**–**	**–**	**5 472**
Deferred taxation on share-based payments	**–**	**205**	**–**	**–**	**205**
Settlement of employee share options	**–**	**(975)**	**–**	**–**	**(975)**
Total changes	**–**	**4 702**	**–**	**–**	**4 702**
Balance at 29 February 2020	**–**	**8 532**	**–**	**–**	**8 532**

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

Nature and purpose of reserves

(a) *Fair value reserve*

This reserve records the changes in fair value of equity instruments at FVOCI.

(b) *Share-based payment reserve*

This reserve records the fair value of the vested and unvested portion of share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer note 18 for further details on the relevant schemes.

(c) *Translation reserve*

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

(d) *Reverse acquisition reserve*

The Group financial statements are issued in the name of Afrimat Limited but are, in fact, prepared as a continuation of the Group financial statements of Prima Klipbrekers Proprietary Limited as a result of a reverse acquisition in 2007. This has resulted in a reverse acquisition in the Group of R105,8 million in terms of IFRS 3: *Business Combinations*.

8.4 Non-controlling interest

	Infrasors Holdings Proprietary Limited	Other individually immaterial subsidiaries		Total non-controlling interest	
	2019 R'000	**2020 R'000**	2019 R'000	**2020 R'000**	2019 R'000
Total non-controlling interest	5 179	**7 129**	6 172	**7 129**	11 351
Effective non-controlling interest percentage	2,6%	**–**	–	**–**	–

8. Equity - including earnings per share (continued)

8.4 Non-controlling interest (continued)

	Infrasors Holdings Proprietary Limited	Other individually immaterial subsidiaries	
	2019 R'000	**2020 R'000**	2019 R'000
Summarised financial information:			
Non-current assets	321 670	**7 641**	9 472
Current assets	105 901	**100 421**	(3 791)
Non-current liabilities	(107 932)	**(2 430)**	(1 640)
Current liabilities	(83 984)	**(157 538)**	(29 953)
Net assets/(liabilities)	235 655	**(51 906)**	(25 912)
Revenue	365 425	**179 065**	146 970
Profit/(loss) after taxation included in results	27 678	**(16 392)**	(11 568)
Reported by subsidiaries	23 361	**(16 392)**	(11 568)
Reversal of depreciation and impairments by Afrimat on consolidated pre-acquisition adjustments	4 317	**–**	–
Other comprehensive income	–	**–**	–
Total comprehensive income/(loss)	27 678	**(16 392)**	(11 568)
Profit/(loss) after taxation, allocated to non-controlling interest	685	**2 664**	2 168
Other comprehensive income, allocated to non-controlling interest	–	**–**	–

Infrasors is the owner and operator of three mines – Lyttelton Centurion mine, Marble Hall mine and Afrimat Silica mine. Infrasors' main business is open pit mining and processing of industrial minerals including limestone, dolomite and silica. A scheme of arrangement in terms of section 114(1) of the Companies Act was implemented during the year where Afrimat acquired the remaining shares from the minority shareholders for a consideration of R10,9 million.

8. Equity - including earnings per share (continued)

8.4 Non-controlling interest (continued)

	Group	
	2020 R'000	2019 R'000
Analysis of transaction:		
Carrying amount of non-controlling interest acquired	**5 180**	–
Consideration paid to non-controlling interest	**(10 866)**	–
Excess of consideration paid recognised in retained earnings	**(5 686)**	–

	Group	
	2020 R'000	2019 R'000
Analysis as per statement of cash flows:		
Acquisition of shares in Infrasors	**(10 866)**	(14)
Acquisition of shares in Demaneng	**–**	(9 000)
Minority's share in Afrimat Logistics Limitada	**12**	–
	(10 854)	(9 014)

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

8. Equity – including earnings per share (continued)

8.5 Earnings per share

(a) Basic and headline earnings per share

Basic earnings and headline earnings per share is calculated by dividing the net profit attributable to owners of the Group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares. Headline earnings are calculated in accordance with Circular 1/2019 issued by the SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings and headline earnings per share

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

	Group	
	2020 '000	2019 '000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(8 241)**	(7 573)
Net shares in issue	**135 021**	135 689
Weighted average number of net shares in issue	**135 380**	136 387
Adjusted for effect of future share-based compensation payments	**1 586**	898
Diluted weighted average number of shares	**136 966**	137 285
Profit attributable to ordinary shareholders (rand)	**462 512**	301 363
Earnings per ordinary share (cents)	**341,6**	221,0
Diluted earnings per ordinary share (cents)	**337,7**	219,5

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

(b) Diluted earnings and headline earnings per share (continued)

	Group			
	Gross 2020 R'000	**Net of tax 2020 R'000**	Gross 2019 R'000	Net of tax 2019 R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**462 512**	–	301 363
Profit on disposal of property, plant and equipment attributable to owners of the parent	**(2 788)**	**(2 007)**	(3 538)	(2 547)
Impairment of goodwill	**10 152**	**10 152**	20 468	20 468
Headline earnings		**470 657**		319 284
Headline earnings per share ('HEPS') (cents)		**347,7**		234,1
Diluted HEPS (cents)		**343,6**		232,6

8.6 Net asset value ('NAV') per share

	Group	
	2020 '000	2019 '000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(8 241)**	(7 573)
Net shares in issue	**135 021**	135 689
Shareholders' funds attributable to owners of the parent (rand)	**1 681 778**	1 398 166
Total NAV per share (cents)	**1 246**	1 030
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	**1 681 778**	1 398 166
Intangible assets and goodwill	**(210 226)**	(221 873)
	1 471 552	1 176 293
Total TNAV per share (cents)	**1 090**	867

8. Equity – including earnings per share (continued)

8.7 Dividends paid

Dividends declared to the Group's shareholders are recognised in the Group's financial statements in the period in which dividends are approved by the Group's directors.

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Current year interim dividend paid	**51 574**	27 220	**51 574**	27 220
Previous year final dividend paid	**88 823**	60 170	**88 823**	60 170
Dividends received on treasury shares	**(4 346)**	(2 645)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**1 718**	1 475	**–**	–
	137 769	86 220	**140 397**	87 390
The Company has declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			**36,0**	19,0
Final dividend declared/paid (cents)			**–**	62,0
Distributions paid (cents)			**36,0**	81,0

9. Cash Flow information

9.1 Cash generated from/(used in) operations

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Profit before tax	**573 270**	421 543	**73 071**	122 328
Adjustments for:				
Depreciation and amortisation	**177 167**	146 341	**–**	–
Impairment of goodwill	**10 152**	20 468	**–**	–
Impairment in subsidiary	**–**	–	**13 657**	–
Impairment in joint venture	**–**	–	**8**	–
Share of profit of associate and joint venture	**(300)**	(2 326)	**–**	–
Profit on disposal of property, plant and equipment	**(2 788)**	(3 538)	**–**	–
Impairment of loan to joint venture	**17 254**	2 278	**–**	–

9. Cash Flow information (continued)

9.1 Cash generated from/(used in) operations (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Gains – financial assets at fair value through profit or loss	**(1 900)**	(794)	**–**	–
Foreign exchange differences	**(3 586)**	(1 430)	**–**	–
Dividend revenue	**–**	–	**(89 105)**	(77 571)
Interest revenue	**(18 179)**	(14 771)	**(9 104)**	(7 411)
Finance costs	**46 161**	66 706	**39 549**	50 632
Inventory write-off to net realisable value	**6 531**	–	**–**	–
Net effect of settlement of employee share options	**(6 032)**	(3 874)	**(13 390)**	(8 926)
Movements in provisions	**791**	917	**–**	–
Share-based payment expense	**15 074**	7 247	**5 472**	2 046
Changes in working capital				
Increase in inventories	**(5 808)**	(19 125)	**–**	–
(Increase)/decrease in trade and other receivables	**(58 151)**	(55 899)	**(22 679)**	17 967
Increase/(decrease) in trade and other payables	**31 917**	(12 021)	**(3 233)**	11 177
	781 573	551 722	**(5 754)**	110 242

9.2 Finance income received

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Finance income (refer note 4.6)	**18 179**	14 771	**9 104**	7 411
Adjustments for:				
Deemed interest (non-cash – refer note 4.6)	**–**	(451)	**–**	–
Interest (non-cash)	**(350)**	–	**–**	–
	17 829	14 320	**9 104**	7 411

9.3 Finance costs paid

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Finance costs (refer note 4.7)	**46 161**	66 706	**39 549**	50 632
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 4.7)	**(8 856)**	(8 141)	**–**	–
	37 305	58 565	**39 549**	50 632

Notes to the Annual Financial Statements (continued)

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9. Cash Flow information (continued)

9.4 Tax paid

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Opening balance as per Statement of Financial Position	**9 107**	(2 304)	**–**	–
Current tax for the year recognised in Statement of Profit or Loss and Other Comprehensive Income (refer note 5)	**(100 810)**	(85 640)	**(695)**	–
Closing balance in Statement of Financial Position	**6 352**	(9 107)	**(385)**	–
	(85 351)	(97 051)	**(1 080)**	–

9.5 Proceeds on disposal of property, plant and equipment

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Net book amount (refer note 6.1)	**31 532**	10 839	**–**	–
Environmental rehabilitation and dismantling (refer note 6.1)	**–**	(8)	**–**	–
Profit on sale of property, plant and equipment	**2 788**	3 538	**–**	–
	34 320	14 369	**–**	–

9.6 Non-cash investing and financing activities

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 6.1)	**109 723**	111 800	**–**	–
Acquisitions of dismantling costs (refer note 6.1)	**2 021**	1 862	**–**	–
RoU assets (refer note 6.1)	**7 449**	–	**–**	–
	119 193	113 662	**–**	–

9.7 Capital elements of lease payments

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Repayment of lease liability (refer note 7.3.4)	**10 877**	–	**–**	–
Interest expense on lease liability (refer note 7.3.4)	**(2 686)**	–	**–**	–
	8 191	–	**–**	–

Risk

10. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of directors. Group treasury identifies and evaluates financial risks, when beneficial, with prior approval from the Board. The Board provides guidance on overall risk management, as well as on written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Audit & Risk Committee oversees how management monitors compliance with these risks and control policies.

There has been no change in the Group's objectives, policies and processes for managing its financial risks or the methods to measure them.

Financial instruments by category

	Group 2020 R'000	Group 2019 R'000	Company 2020 R'000	Company 2019 R'000
Assets as per Statement of Financial Position				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1)	**2 851**	2 734	**–**	–
Financial assets at fair value through profit or loss ('FVPL') (refer note 7.2)	**49 475**	50 025	**–**	–
Trade and other receivables at fair value through profit and loss (refer note 7.3.2)	**125 312**	52 522	**–**	–
Financial assets at amortised cost				
Other financial assets (refer note 7.3.1)	**689**	3 939	**8 685**	8 852
Trade and other receivables (refer note 7.3.2)	**329 743**	376 954	**26 164**	6 947
Cash and cash equivalents (refer note 7.3.3)	**167 533**	191 763	**11 090**	352
Loans to subsidiaries (refer note 12)	**–**	–	**496 199**	746 446
Total financial assets	**675 603**	677 937	**542 138**	762 597

10. Financial risk management (continued)

Financial instruments by category (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Liabilities as per Statement of Financial Position				
Financial liabilities at amortised cost				
Medium-term loans (refer note 7.3.4)	**44 401**	162 500	**–**	162 500
Instalment purchase agreements (refer note 7.3.4)	**198 726**	221 046	**–**	–
Lease liabilities (refer note 7.3.4)	**52 705**	–	**–**	–
Other financial liabilities (refer note 7.3.5)	**9 631**	9 480	**–**	–
Loans from subsidiaries (refer note 12)	**–**	–	**335 294**	179 016
Trade and other payables (refer note 7.3.6)	**310 542**	302 590	**40 369**	53 244
Bank overdraft (refer note 7.3.3)	**20**	134 153	**–**	134 016
Total financial liabilities	**616 025**	829 769	**375 663**	528 776

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises equity price risk, interest rate risk, foreign exchange risk and commodity price risk. Financial instruments affected by market risk include other financial assets, trade and other receivables, cash and cash equivalents and borrowings.

Hedging is conducted in very limited circumstances.

(i) Equity price risk

The Group is exposed to equity price risk in respect of the investments held in the environmental rehabilitation trusts. Refer notes 7.1 and 7.2.

Sensitivity analysis

The Group measures sensitivity of the equity price risk as the effect of a change in the JSE shareholder weighted Top 40 Index performance for the year. The Group regards a 500 basis points (2019: 500 basis points) change in the aforementioned index as being reasonably possible at the end of the reporting periods.

10. Financial risk management (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

	Statement of Financial Position	Statement of Comprehensive Income	
	R'000	**Movement in basis points**	**Effect on other comprehensive income after tax R'000**
Group			
2020			
Financial assets at fair value through other comprehensive income (refer note 7.1)	**2 851**	**+500**	**82**
		-500	**(82)**
Total		**+500**	**82**
		-500	**(82)**
Group			
2019			
Financial assets at fair value through other comprehensive income (refer note 7.1)	2 734	+500	79
		-500	(79)
Total		+500	79
		-500	(79)

	Statement of Financial Position	Statement of Comprehensive Income	
	R'000	**Movement in basis points**	**Effect on profit after tax R'000**
Group			
2020			
Financial assets at fair value through profit or loss (refer note 7.2)	**49 475**	**+500**	**1 781**
		-500	**(1 781)**
Total		**+500**	**1 781**
		-500	**(1 781)**
Group			
2019			
Financial assets at fair value through profit or loss (refer note 7.2)	50 025	+500	1 801
		-500	(1 801)
Total		+500	1 801
		-500	(1 801)

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from other loans receivable, cash and cash equivalents, borrowings and other financial liabilities as set out in notes 7.3.1, 7.3.3, 7.3.4 and 7.3.5. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk.

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

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity.

The Group measures sensitivity to interest rates as the effect of a change in the Reserve Bank repo rate on the profit after tax based on the Group's exposure at reporting date. The Group regards a 200 basis points (2019: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the end of the reporting periods.

	Statement of Financial Position	Statement of Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2020			
Other loans receivable	689	+200	10
		-200	(10)
Cash and cash equivalents	167 385	+200	2 410
		-200	(2 410)
Borrowings	(295 832)	+200	(4 260)
		-200	4 260
Bank overdraft	(20)	+200	–
		-200	–
Total		+200	(1 840)
		-200	1 840

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statement of Financial Position	Statement of Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2019			
Other loans receivable	3 939	+200	57
		-200	(57)
Cash and cash equivalents	191 377	+200	2 756
		-200	(2 756)
Borrowings	(383 546)	+200	(5 523)
		-200	5 523
Bank overdraft	(134 153)	+200	(1 932)
		-200	1 932
Total		+200	(4 642)
		-200	4 642
Company			
2020			
Cash and cash equivalents	11 090	+200	160
		-200	(160)
Loans to subsidiaries	496 199	+200	7 145
		-200	(7 145)
Loans from subsidiaries	(335 294)	+200	(4 828)
		-200	4 828
Total		+200	2 477
		-200	(2 477)

10. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statement of Financial Position	Statement of Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
2019			
Company			
Other loans receivable	167	+200	2
		-200	(2)
Cash and cash equivalents	352	+200	5
		-200	(5)
Borrowings	(162 500)	+200	(2 340)
		-200	2 340
Loans to subsidiaries	746 446	+200	10 749
		-200	(10 749)
Loans from subsidiaries	(179 016)	+200	(2 578)
		-200	2 578
Bank overdraft	(134 016)	+200	(1 930)
		-200	1 930
Total		+200	3 908
		-200	(3 908)

(iii) Foreign exchange risk

The Group's earnings are exposed to movements in exchange rates. Demaneng's iron ore export prices are determined in US dollars and the Company negotiates iron ore prices in that currency with customers. Currency movements of the US dollars against the Rand therefore could have a significant effect on the financial position and results of Demaneng. The Group's functional currency for the preparation of financial accounts is South African Rand and therefore exposed to foreign exchange risk in respect of non-rand cash flows for revenues. Hedging may only take place in exceptional circumstances which would require approval by the Iron Ore Executive Committee. It is the Group's policy to be fully exposed to revenue currency risk, i.e. not to hedge foreign currency revenues.

10. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

Sensitivity analysis

A movement in exchange rate of 10,0%, with all other variables held constant, against the US dollar would have increased/(decreased) profit or loss by the amounts shown below.

This analysis considers the impact of changes in foreign exchange rates on profit or loss, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

	Group	
	Movement in basis points	**Effect on profit after tax R'000**
2020		
Profit or loss	**+1 000**	**74 701**
	-1 000	**(74 701)**
Total	**+1 000**	**74 701**
	-1 000	**(74 701)**
2019		
Profit or loss	+1 000	49 118
	-1 000	(49 118)
Total	+1 000	49 118
	-1 000	(49 118)

(iv) Commodity price risk

The Group's earnings are exposed to movements in the prices of iron ore that it produces. As a commodity producer the Group wishes to remain exposed to individual commodity prices for the ultimate benefit of its shareholders. It is the Group's policy not to hedge commodity price risks. Certain of the Group's sales are provisionally priced, meaning that the selling price is determined normally 30 to 90 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. As at 29 February 2020, R125,3 million (2019: R52,5 million) of the trade receivables balance is subject to price movements.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

10. Financial risk management (continued)

(a) Market risk (continued)

(iv) Commodity price risk (continued)

Sensitivity analysis

A movement in commodity prices of 10,0%, with all other variables held constant, on the Group's sales exposed to this risk would have increased/(decreased) profit or loss by the amounts shown below.

	Statement of Financial Position R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2020			
Trade receivables subject to price fluctuations	**125 312**	**+1 000**	**9 022**
		-1 000	**(9 022)**
Total		**+1 000**	**9 022**
		-1 000	**(9 022)**
Group			
2019			
Trade receivables subject to price fluctuations	52 522	+1 000	3 782
		-1 000	(3 782)
Total		+1 000	3 782
		-1 000	(3 782)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risks from its operating activities. Credit risk arises principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in notes 7.3.1 to 7.3.3.

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

10. Financial risk management (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is presented in the table below:

	Gross carrying amount 2020 R'000	Credit loss allowance 2020 R'000	Amortised cost/fair value 2020 R'000	Gross carrying amount 2019 R'000	Credit loss allowance 2019 R'000	Amortised cost/fair value 2019 R'000
Other financial assets at amortised cost	**689**	**–**	**689**	3 939	–	3 939
Trade and other receivables	**470 910**	**(15 855)**	**455 055**	439 056	(9 580)	429 476
Cash and cash equivalents	**167 385**	**–**	**167 385**	191 763	–	191 763
Total	**638 984**	**(15 855)**	**623 129**	634 758	(9 580)	625 178

The Group's concentration of credit risk is limited to South Africa and Mozambique.

(i) Trade receivables

For exposure to credit risk identified by the Company, refer note 7.3.2 for further details disclosed.

(ii) Cash and cash equivalents

The Group limits its counterparty exposure arising from bank accounts/call deposits by only dealing with well-established financial institutions of high credit standing. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

The Group invests surplus cash with approved P-3 national short-term rated (according to Moody's short-term rating) financial institutions.

	Credit rating		Amount	
	2020	2019	**2020**	2019
Financial institution:				
ABSA Bank Limited	**P-3**	P-3	**11 350**	10 778
FNB	**P-3**	P-3	**47 113**	66 083
SBSA	**NP**	P-3	**108 309**	110 087
Other	**n/a**	n/a	**613**	4 429
			167 385	191 377

(iii) Financial guarantees

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

Refer note 16 for details of guarantees provided.

10. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Other financial assets

Refer note 7.3.1 for details.

(c) Liquidity risk

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

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

Surplus cash over and above the balance required for working capital management, is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing current accounts and call deposits to provide sufficient headroom as determined by the abovementioned forecasts. At the reporting date, the Group held call deposits of R4,7 million (2019: R12,3 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

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

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000
Group					
At 29 February 2020					
Medium-term loans	**44 401**	**44 401**	**44 401**	**–**	**–**
Other financial liabilities	**9 631**	**9 631**	**9 631**	**–**	**–**
Lease liabilities	**52 705**	**77 408**	**11 454**	**43 415**	**22 539**
Instalment purchase agreements	**198 726**	**216 955**	**116 660**	**100 295**	**–**
Trade and other payables	**310 542**	**310 542**	**310 542**	**–**	**–**
Bank overdraft	**20**	**20**	**20**	**–**	**–**
	616 025	**658 957**	**492 708**	**143 710**	**22 539**
At 28 February 2019					
Medium-term loans	162 500	191 496	60 217	131 279	–
Other financial liabilities	9 480	9 480	9 480	–	–
Instalment purchase agreements	221 046	245 454	115 600	129 854	–
Trade and other payables	302 590	302 590	302 590	–	–
Bank overdraft	134 153	134 153	134 153	–	–
	829 769	883 173	622 040	261 133	–

10. Financial risk management (continued)

(c) Liquidity risk (continued)

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 1 and 5 years R'000	More than 5 years R'000
Company					
At 29 February 2020					
Loans from subsidiaries	**335 294**	**335 294**	**335 294**	**–**	**–**
Trade and other payables	**40 369**	**40 369**	**40 369**	**–**	**–**
Exposure to omnibus securityship	**–**	**–**	**–**	**–**	**–**
	375 663	**375 663**	**375 663**	**–**	**–**
At 28 February 2019					
Medium-term loans	162 500	191 496	60 217	131 279	–
Loans from subsidiaries	179 016	179 016	179 016	–	–
Trade and other payables	53 244	53 244	53 244	–	–
Exposure to omnibus securityship	134 153	134 153	134 153	–	–
	528 913	557 909	426 630	131 279	–

11. Capital risk management

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

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

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

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

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

11. Capital risk management (continued)

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

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Total borrowings and loans from subsidiaries	**305 463**	393 026	**335 294**	341 516
Overdraft less cash and cash equivalents/(surplus cash)	**(167 513)**	(57 610)	**(11 090)**	133 664
Net debt	**137 950**	335 416	**324 204**	475 180
Total equity	**1 688 907**	1 409 517	**1 098 085**	1 173 989
Total capital	**1 826 857**	1 744 933	**1 422 289**	1 649 169
Net debt:equity ratio (%)	**8,2**	23,8	**29,5**	40,5

The strategy to maintain a net debt:equity ratio in the Company has been influenced by the inclusion of the loans from subsidiaries. Should this have been excluded the Company would have met the Group's targets at (1,0)% (2019: 11,4%). Solvency and liquidity ratios are monitored on a Group basis and therefore capital adequacy requirements have continued to remain satisfied.

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

Group structure

12. Investment in subsidiaries

(a) Basis of consolidation

Group financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Company financial statements

Investments in subsidiaries are initially recognised at cost.

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

12. Investment in subsidiaries (continued)

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

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

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

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Share trusts

The Afrimat Share Incentive Trust and Afrimat BEE Trust are structured entities that are consolidated by the Group.

Consolidation of Afrimat BEE Trust and its subsidiary AEI

Afrimat BEE Trust and its subsidiary AEI were established with the objective of holding and funding shares on behalf of qualifying employees. The Group is exposed to variable returns from the trust in the form of staff performance and incentives associated with BEE and the DTI Codes of Good Practice. Furthermore, the Group is also exposed to changes in the trust's net asset value. Management therefore concluded that the Group controls the trust and its subsidiary.

Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust

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

Consolidation of Infrasors Empowerment Trust

Due to the Group having the right to appoint the trustees, providing all loan funding and the fact that the Group is exposed to variable returns from the trust, management has concluded that the Group controls the trust.

Share capital of major subsidiaries served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4.

12. Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2020	% holding 2019
Afrimat Aggregates (Eastern Cape) Proprietary Limited#	Aggregates	Eastern Cape	**100,0**	100,0
Afrimat Aggregates (Operations) Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Afrimat Aggregates (KZN) Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Afrimat Aggregates (Trading) Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Afrimat BEE Trust	Investment	Western Cape	**–**	–
Afrimat Concrete Products Proprietary Limited#	Concrete-based products	KwaZulu-Natal	**100,0**	100,0
Afrimat Contracting International Proprietary Limited	Contracting	Western Cape	**100,0**	100,0
Afrimat Empowerment Investments Proprietary Limited	Investment	Western Cape	**–**	–
Afrimat Engineering Services Proprietary Limited#	Services	Gauteng	**100,0**	100,0
Afrimat Bulk Commodities Proprietary Limited*#	Bulk commodities	Northern Cape	**100,0**	100,0
Afrimat Management Services Proprietary Limited	Services	Western Cape	**100,0**	100,0
Phahamo Enterprises Proprietary Limited#	Services	Gauteng	**51,0**	100,0
Phakamani Academy Proprietary Limited**#	Services	Western Cape	**100,0**	100,0
Afrimat Mozambique Limitada#	Aggregates	Mozambique	**99,0**	99,0
Afrimat Offshore****	Investment	Mauritius	**100,0**	–
Afrimat Readymix (Cape) Proprietary Limited	Concrete-based products	Western Cape	**100,0**	100,0
Afrimat Readymix (Inland) Proprietary Limited	Concrete-based products	Mpumalanga	**75,0**	75,0
Afrimat Shared Services Proprietary Limited	Services	Western Cape	**100,0**	100,0
Afrimat Share Incentive Trust	Investment	Western Cape	**–**	–
Boublok Proprietary Limited	Concrete-based products	Western Cape	**100,0**	100,0
Cape Lime Proprietary Limited#	Industrial minerals	Western Cape	**100,0**	100,0
Capmat Proprietary Limited#	Aggregates	Western Cape	**87,5**	87,5
Clinker Supplies Proprietary Limited	Aggregates	Gauteng	**100,0**	100,0
Community Quarries Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Glen Douglas Dolomite Proprietary Limited	Aggregates	Gauteng	**100,0**	100,0
Infrasors Holdings Proprietary Limited***	Industrial minerals	Gauteng	**100,0**	97,4
Labonte 3 Proprietary Limited	Property	Eastern Cape	**50,0**	50,0
Maritzburg Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Meepo Ya Mmu Resources Proprietary Limited#	Aggregates	Mpumalanga	**54,0**	54,0
Olympic Sand Proprietary Limited	Aggregates	Western Cape	**100,0**	100,0
Prima Quarries Namibia Proprietary Limited	Aggregates	Namibia	**100,0**	100,0
Rodag Holdings Proprietary Limited	Property	KwaZulu-Natal	**100,0**	100,0
SA Block Proprietary Limited#	Concrete-based products	Gauteng	**100,0**	100,0
Scottburgh Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0
Sunshine Crushers Proprietary Limited	Aggregates	KwaZulu-Natal	**100,0**	100,0

* *Indirectly held subsidiaries include Afrimat Demaneng Proprietary Limited and Diro Iron Ore Proprietary Limited.*

** *Previously known as Afrimat Minerals Proprietary Limited.*

*** *Indirectly held subsidiaries include Delf Sand Proprietary Limited, Pienaarspoort Ontwikkeling Proprietary Limited, Delf Silica Coastal Proprietary Limited, Afrimat Silica Proprietary Limited, Delf Silica Proprietary Limited, Lyttelton Dolomite Proprietary Limited, Infrasors Environmental Rehabilitation Trust, Afrimat Lime Company Proprietary Limited, Infrasors Management Services Proprietary Limited and Infrasors Empowerment Trust.*

**** *Indirectly held subsidiary includes Afrimat Logistics Limitada.*

Management performed further impairment assessments on the Company's investments in subsidiaries where the net asset value of the Company did not exceed its cost of investment. The recoverable amount was determined by means of value-in-use calculations using a discounted cash flow methodology with the same assumptions as disclosed in note 6.2. Management concluded that an impairment loss of R13,7 million was required to the investment in SA Block Proprietary Limited.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

12. Investment in subsidiaries (continued)

	Company			
	Carrying amount shares 2020 R'000	Carrying amount shares 2019 R'000	**Carrying amount indebtedness 2020 R'000**	Carrying amount indebtedness 2019 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	**–**	–	**496 199**	746 446
Investments in subsidiaries	**934 197**	936 987	**–**	–
Current liabilities				
Loans from subsidiaries	**–**	–	**(335 294)**	(179 016)
	934 197	936 987	**160 905**	567 430

The loans have no fixed terms of repayment and the majority bear interest at prime (2019: prime). The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited, Afrimat Offshore, Afrimat Logistics Limitada and Afrimat Mozambique Limitada that are incorporated in Namibia, Mauritius and Mozambique, respectively.

A scheme of arrangement in terms of section 114(1) of the Companies Act was implemented during the year where Afrimat acquired the remaining shares of Infrasors Holdings Proprietary Limited from the minority shareholders for consideration of R10,9 million.

The Group has no contractual or other commitments or intentions to provide financial assistance to, or to buy assets from, the Afrimat Share Incentive Trust, Afrimat BEE Trust and its subsidiary AEI, Infrasors Rehabilitation Trust and Infrasors Empowerment Trust.

13. Investment in associates and joint venture

Group financial statements

The Group's associates and joint venture are accounted for using the equity method, after initially being recognised at cost in the consolidated Statement of Financial Position.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss.

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

13. Investment in associates and joint venture (continued)

Group financial statements (continued)

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

During the year the Group acquired 27,3% of UCP's share capital for an amount of R16,0 million.

Company financial statements

Investments in associates and joint venture are initially recognised at cost.

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

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Ikapa Quarries Proprietary Limited (49,0%)	**400**	164	**–**	–
Pemba Aggregates Limitada (49,0%)	**–**	–	**–**	8
Unicorn Capital Partners Limited (27,3%)	**16 020**	–	**–**	–
Total	**16 420**	164	**–**	8
Ikapa Quarries Proprietary Limited				
The Group's share of the results of its associate, which is unlisted, and the Group's share of its aggregated assets and liabilities, are as follows:				
At 29 February 2020/28 February 2019				
Assets	**5 575**	9 199	**–**	–
Liabilities	**(5 249)**	(8 863)	**–**	–
Revenues	**13 605**	5 324	**–**	–
Profit	**300**	40	**–**	–
Unicorn Capital Partners Limited				
The Group's share of the results of its associate, which is listed, and the Group's share of its aggregated assets and liabilities, are as follows:				
At 31 December 2019				
Assets	**346 922**	–	**–**	–
Liabilities	**(255 483)**	–	**–**	–
Profit	**–**	–	**–**	–

13. Investment in associate and joint venture (continued)

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Pemba Aggregates Limitada				
During the year the Group impaired the investment in joint venture.				
The Group's share of the results of its joint venture, which is unlisted, and the Group's share of its aggregated assets and liabilities, are as follows:				
At 29 February 2020/28 February 2019				
Assets	**3 027**	3 764	**–**	–
Liabilities	**(20 669)**	(18 385)	**–**	–
Revenues	**8**	561	**–**	–
Profit*	**–**	2 286	**–**	–

* *The Company's share of losses of the joint venture had been recognised until the share of losses equals its interest in the joint venture.*

14. Related parties

Subsidiaries, associates and related trusts

During the year under review, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. For a list of the Group's subsidiaries, associates, joint ventures and related trusts, refer notes 12 and 13, respectively.

		Group	
		2020 R'000	2019 R'000
Loan balances owing by	Associates	**27 451**	7 777
Loan balances owing by	Joint venture	**–**	11 884
Interest received from	Associates	**626**	574
Interest received from	Joint venture	**1 457**	1 971

14. Related parties (continued)

Subsidiaries, associates and related trusts (continued)

		Company	
		2020 R'000	2019 R'000
Net loan balances	Subsidiaries	**160 905**	567 430
Loan balances owing (to)	Subsidiaries	**(335 294)**	(179 016)
Loan balances owing by	Subsidiaries	**496 199**	746 446
Loan balances owing by	Associates	**17 695**	–
Share of net profit after tax	Joint venture and associates	**300**	2 326
Sales of goods to – gross values	Subsidiaries	**9 641**	24 620
Dividends received from	Subsidiaries	**89 041**	77 513
Dividends received from	Associates	**64**	58
Interest paid to	Subsidiaries	**(27 067)**	(13 565)
Interest received from	Subsidiaries	**59 619**	89 463

The Company has provided an unlimited omnibus securityship to SBSA in respect of funding provided by the bank to its subsidiaries.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 19. The only key employees identified are the directors of Afrimat Limited.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. These are more fully disclosed in note 18.

Shareholding

Refer to the analysis of shareholders on page 122 for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Associates

Details regarding the Group's associates are set out in note 13. Transactions with the associates are entered into at the prevailing market rates. Refer note 7.3.2 for loan terms and conditions.

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

14. Related parties (continued)

Joint venture

During the year the Group impaired the investment in the joint venture. Details are set out in note 13. Transactions with the joint venture were entered into at the prevailing market rates. Refer note 7.3.2 for loan terms and conditions.

Treasury shares

The Group acquired 880 802 (2019: 1 101 500) of its own shares through purchases on the JSE Limited. Refer note 8.2 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 673 454 (2019: 6 653 854) shares representing 4,66% (2019: 4,64%) of the issued share capital of the Company.

Unrecognised items

15. Commitments

	Group		Company	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Authorised capital expenditure				
Contracted after year-end, but not provided for				
Property, plant and equipment	**7 500**	2 928	**–**	–
Not yet contracted for				
Property, plant and equipment	**189 702**	194 697	**–**	–
Total authorised capital expenditure	**197 202**	197 625	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
No later than one year	**–**	11 604	**–**	–
Later than one year and no later than five years	**–**	21 918	**–**	–
Total operating leases	**–**	33 522	**–**	–

In the prior year, according to IAS 17, the Group leases various land, office buildings, motor vehicles and equipment under non-cancellable operating leases. Certain leases carry standard escalation clauses in line with inflation. The lease terms are between one and 10 years, and the majority of lease agreements are renewable at the end of the lease period at market rates. From 1 March 2019, the Group recognised RoU assets for these leases, except for short-term leases and low-value leases, refer note 4.5 and note 21 for further disclosure.

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

16. Contingencies

Guarantees

Guarantees to the value of R69,6 million (2019: R73,7 million) were supplied by SBSA to various parties, including the DMRE and Eskom.

Guarantees to the value of R13,6 million (2019: R25,1 million) were supplied by FNB to various parties, including the DMRE and Eskom.

Guarantees to the value of R1,6 million (2019: R1,6 million) by Lombard's Insurance Group, R0,9 million (2019: R0,9 million) by ABSA Bank Limited, R131,2 million (2019: R116,6 million) by Centriq Insurance Innovation and R2,7 million (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 majority of these guarantees are in respect of environmental rehabilitation costs and will only be payable in the event of default by the Group.

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the 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 R11,1 million (2019: R8,3 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.

The Company received notice on 27 February 2019 from the South African Revenue Service ('SARS'), in terms of which SARS demands 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 provisions 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 considered remote and no liability has been raised. The Company received further correspondence from SARS confirming that the demand of R74,3 million will be written off.

17. Events after the reporting period

On 11 March 2020, the World Health Organisation declared the novel strain of coronavirus ('Covid-19') a global pandemic and recommended containment and mitigation measures worldwide. On 23 March 2020, President Cyril Ramaphosa declared a national lockdown for 21 days in South Africa, effective from midnight 26 March 2020. The impact of the national Covid-19 lockdown on the Group was dampened by the partial reopening of Demaneng iron ore mine and certain Industrial Minerals operations early in the lockdown period. This re-opening was done whilst the utmost care was taken to ensure our staff's safety and well-being. By 20 April 2020, as gazetted by government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat is ramping up operations according to market demand and within regulations from government.

As at the date hereof, the Group has approximately R167,5 million in cash and R776,4 million, undrawn debt facilities. As a result, management believes that the Group has sufficient liquidity to withstand an interruption to our operations, but that notwithstanding, will continue to work towards minimising the impact of Covid-19 on our operations.

Afrimat has evaluated the potential impact of these conditions assuming a three-month closure period across the Group (period used is based on periods of total lockdown experienced in Europe, China and South Korea) and is of the view that it will be a going concern for the foreseeable future. However, the Company cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the consolidated financial position, consolidated results of operations, and consolidated cash flows for FY2021.

Employee benefits and costs

18. Share-based payments

The Group operates an equity-settled Share Appreciation Rights Scheme and Forfeitable Share Plan, under which the Group receives services from employees as consideration for ordinary shares of Afrimat Limited.

The employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised as an increase in equity in 'other reserves'.

When the reward is vested, the Group utilises treasury shares. The market value of rewards exercised, net of any directly attributable transaction costs, is debited to 'stated capital'. The share-based payment reserve related to rewards previously provided is transferred directly to 'retained earnings' as the rewards expire or are exercised.

18. Share-based payments (continued)

Share-based payment expense calculation

The Group uses the Black Scholes valuation model to determine the fair value of the options/shares granted.

Share options are granted to executive directors and to selected employees in the form of a Share Appreciation Rights Scheme. The exercise price of the granted options is equal to the 30-day average volume weighted average price for the Afrimat Limited shares on the date when the option is exercised. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in headline earnings per share over the period; the options have a contractual option term of four years after vesting. The Group has no legal or constructive obligation to repurchase or settle the options in cash. When the options are exercised the participants will receive shares equal in value to the number of options exercised multiplied by the difference between the exercise price and the grant price.

During the prior year the Group introduced an Afrimat Forfeitable Share Plan ('FSP') approved by the shareholders at the FY2018 AGM. The plan allows certain senior employees to earn a long-term incentive to assist with the retention and award of selected employees. Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date. Awards are conditional on the employee completing three years' service (the vesting period). The shares are recognised at the closing share price on the grant date as an issue of treasury shares. The Group has no legal or constructive obligation to repurchase or settle the shares in cash, therefore these shares are equity-settled share-based payments.

18.1 Share Appreciation Rights Scheme ('SAR')

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

	2020		2019	
	Average grant price in cents per share	**Number of options '000**	Average grant price in cents per share	Number of options '000
Opening balance	**2 488**	**4 445**	2 203	3 965
Granted	**3 021**	**1 603**	2 679	1 520
Exercised	**2 105**	**(995)**	1 568	(746)
Forfeited	**2 784**	**(210)**	1 967	(294)
Closing balance	**2 730**	**4 843**	2 488	4 445

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18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Out of the 4 843 000 outstanding options (2019: 4 445 000), 645 000 options (2019: 645 000) were exercisable. Options exercised, resulted in 60 000, 220 000, 665 000 and 50 000 shares (2019: 73 333, 22 222, 85 000 and 565 000) being issued at a weighted price of R15,65, R17,26, R22,20 and R29,00 each, respectively (2019: R5,72, R8,50, R15,65 and R17,26 each, respectively). The related weighted average share price at the time of exercise was R34,39 (2019: R27,79) per share.

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

		Number of options	
	Grant price Cents	**2020 '000**	2019 '000
2020	850	**80**	80
2021	1 565	**105**	165
2022	1 726	**180**	400
2023	2 220	**280**	945
2024	2 900	**1 185**	1 335
2025	2 679	**1 410**	1 520
2026	3 021	**1 603**	–
		4 843	4 445

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

	Number of shares	
	2020 '000	2019 '000
Opening balance	**22 601**	23 081
Exercised	**995**	746
Forfeited	**210**	294
Utilised	**(1 603)**	(1 520)
Closing balance	**22 203**	22 601

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Number of share options held by directors:

	Opening balance '000	Granted/ trans-ferred in '000	Average grant price in cents per share	Expiry dates	Exercised '000	Closing balance '000
2020						
Andries J van Heerden	**835**	**355**	**3 021**	**2 026**	**(180)**	**1 010**
Pieter GS de Wit	**460**	**153**	**3 021**	**2 026**	**(180)**	**433**
Collin Ramukhubathi*	**–**	**260**	**2 735**	**2 026**	**(50)**	**210**
	1 295	**768**	**–**	**–**	**(410)**	**1 653**
2019						
Andries J van Heerden	690	345	2 679	2 025	(200)	835
Pieter GS de Wit	315	145	2 679	2 025	–	460
	1 005	490	–	–	(200)	1 295

* *Collin Ramukhubathi was appointed as executive director, effective 1 November 2019.*

The fair value of options granted during the year using the Black Scholes valuation model, was R13,0 million (2019: R9,8 million), and will be expensed over a three-year vesting period. The option expense for the year, in respect of current year and previous years' options granted, was R10,6 million (2019: R6,4 million).

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Analysis of movement in remaining options:

Grant date	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	5 Nov 2018 '000	22 May 2019 '000	**Total '000**
Originally granted	2 160	1 220	1 105	1 015	1 455	1 520	1 603	**10 078**
Forfeited	(58)	(25)	(25)	(70)	(120)	–	–	**(298)**
Exercised	(2 022)	(1 090)	(900)	(665)	(150)	(110)	–	**(4 937)**
Net outstanding	80	105	180	280	1 185	1 410	1 603	**4 843**
Grant price (cents)	850	1 565	1 726	2 220	2 900	2 679	3 021	
Fair value of option (cents)	170	390	406	711	852	676	853	

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

Grant date	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	5 Nov 2018 '000	22 May 2019 '000
Grant price (cents)	850	1 565	1 726	2 220	2 900	2 679	3 021
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	29,09%	31,69%	28,76%	40,77%	37,57%	30,90%	37,59%
Expected likelihood	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Expected risk free rates	5,07%	6,73%	7,58%	9,01%	7,64%	7,08%	7,07%
Expected dividend yields	3,29%	2,49%	2,90%	2,57%	2,41%	2,31%	2,68%

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

Notes to the Annual Financial Statements (continued)

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18. Share-based payments (continued)

18.2 Forfeitable Share Plan ('FSP')

Shares issued under the plan are at the discretion of the Board, and no offer may be made unless employment conditions were met. The FSP is considered a long-term retention plan and shares are only awarded to certain key individuals. Shares issued under the plan may not be sold, ceded, transferred, encumbered, pledged or otherwise alienated until the award has vested. In all other respects the shares rank equally with other fully-paid ordinary shares on issue.

	Number of shares	
	2020 '000	2019 '000
Opening balance	**398**	–
Issued to participating employees	**501**	398
Closing balance	**899**	398

During the year, 501 550 (2019: 397 700) shares were issued to participants at an average market value of R31,30 (2019: R27,82).

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date.

The share-based payment expense for the year, in respect of current year and previous years' granted, was R4,5 million (2019: R0,8 million).

Number of forfeitable shares held by directors:

	Opening balance '000	Issued/ trans-ferred in '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2020						
Andries J van Heerden	105	124	2 930	2022	–	229
Pieter GS de Wit	65	68	3 200	2022	–	133
Collin Ramukhubathi*	–	133	2 988	2022	–	133
	170	325	–	–	–	495
2019						
Andries J van Heerden	–	105	2 850	2021	–	105
Pieter GS de Wit	–	65	2 766	2021	–	65
	–	170	–	–	–	170

** Collin Ramukhubathi was appointed as executive director, effective 1 November 2019.*

18. Share-based payments (continued)

18.2 Forfeitable Share Plan ('FSP') (continued)

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

Grant date	30 November 2018	25 February 2019	**30 October 2019**	**19 February 2020**
Grant price (cents)	2 766	2 850	**3 200**	**2 930**
Expected volatility	33,07%	33,07%	**36,61%**	**34,31%**
Expected risk-free rates	7,58%	7,58%	**6,64%**	**6,26%**
Expected dividend yields	2,05%	2,05%	**2,66%**	**2,76%**

19. Directors' emoluments

	Short-term benefits			Post-employment benefits	Other	
	Basic salary R'000	**Travel allowance R'000**	**Medical aid R'000**	**Pension R'000**	**Other allowances R'000**	**Total R'000**
Directors' basic salary and allowances						
2020						
Paid by Company						
Executive						
Andries J van Heerden	4 838	156	27	–	–	5 021
Pieter GS de Wit	2 630	96	61	272	–	3 059
Collin Ramukhubathi*	636	48	17	66	65	832
	8 104	300	105	338	65	8 912

** Collin Ramukhubathi was appointed as executive director, effective 1 November 2019, therefore only four months of his salary are included.*

19. Directors' emoluments (continued)

	Short-term benefits			Post-employment benefits	Other	
	Basic salary R'000	**Travel allowance R'000**	**Medical aid R'000**	**Pension R'000**	**Other allowances R'000**	**Total R'000**
2020						
Non-executive						
Marthinus W von Wielligh	**994**	**–**	**–**	**–**	**–**	**994**
Loyiso Dotwana	**451**	**–**	**–**	**–**	**–**	**451**
Hendrik JE van Wyk	**356**	**–**	**–**	**–**	**20**	**376**
Jacobus F van der Merwe	**356**	**–**	**–**	**–**	**–**	**356**
Phuti RE Tsukudu	**356**	**–**	**–**	**–**	**–**	**356**
Helmut N Pool	**333**	**–**	**–**	**–**	**–**	**333**
Johan HP van der Merwe	**232**	**–**	**–**	**–**	**–**	**232**
Francois M Louw	**368**	**–**	**–**	**–**	**–**	**368**
Gert J Coffee	**297**	**–**	**–**	**–**	**–**	**297**
	3 743	**–**	**–**	**–**	**20**	**3 763**
Total	**11 847**	**300**	**105**	**338**	**85**	**12 675**
2019						
Paid by Company						
Executive						
Andries J van Heerden	4 374	156	35	–	–	4 565
Pieter GS de Wit	2 383	96	40	263	–	2 782
Gert J Coffee*	1 573	250	18	–	–	1 841
	8 330	502	93	263	–	9 188

19. Directors' emoluments (continued)

	Short-term benefits			Post-employment benefits	Other	
	Basic salary R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	Total R'000
2019						
Non-executive						
Marthinus W von Wielligh	820	–	–	–	5[2]	825
Loyiso Dotwana	410	–	–	–	–	410
Hendrik JE van Wyk	365	–	–	–	22[1]	387
Jacobus F van der Merwe	303	–	–	–	–	303
Phuti RE Tsukudu	323	–	–	–	–	323
Helmut N Pool	303	–	–	–	–	303
Johan HP van der Merwe	228	–	–	–	–	228
Francois M Louw	335	–	–	–	65[2]	400
Gert J Coffee*	45	–	–	–	–	45
	3 132	–	–	–	92	3 224
Total	11 462	502	93	263	92	12 412

* *Retired as executive director effective 31 December 2018 and appointed as non-executive director on 1 January 2019.*

Notes

1. *Other fees paid to Hendrik JE van Wyk include trustee fees paid in terms of the Afrimat Share Incentive Trust.*
2. *In the prior year, other fees included daily rates for non-executive directors utilised on extraordinary duties. Cost in obtaining the knowledge and expertise of Marthinus W von Wielligh and Francois M Louw with regards to commodities during the implementation of the Demaneng transaction have been incurred and classified to other allowances.*

Notes to the Annual Financial Statements (continued)

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19. Directors' emoluments (continued)

Executive directors' contracts

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

Collin Ramukhubathi was appointed as executive director, effective 1 November 2019.

Andries J van Heerden, Pieter GS de Wit and Collin Ramukhubathi have indefinite employment contracts.

There are no service contracts between the Company and executive directors.

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a Share Appreciation Rights Scheme (refer note 18).

2020	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
Andries J van Heerden	150 000	13 December 2007	850	–	150 000	–	–	–	–
	300 000	9 May 2008	650	–	300 000	–	–	–	–
	500 000	13 May 2009	200	500 000	–	874	3 370	–	–
	750 000	12 May 2010	325	750 000	–	901	4 320	–	–
	575 000	11 May 2011	340	575 000	–	1 652	7 544	–	–
	460 000	9 May 2012	572	460 000	–	1 873	5 985	–	–
	330 000	8 May 2013	850	330 000	–	2 223	4 531	–	–
	200 000	14 May 2014	1 565	200 000	–	2 956	2 782	–	–
	200 000	20 May 2015	1 726	200 000	–	2 820	2 188	–	–
	180 000	18 May 2016	2 220	180 000	–	3 504	2 311	–	–
	310 000	17 May 2017	2 900	–	–	–	–	310 000	–
	345 000	5 November 2018	2 679	–	–	–	–	345 000	590
	355 000	22 May 2019	3 021	–	–	–	–	355 000	–
				3 195 000	450 000		33 031	1 010 000	590
Pieter GS de Wit	40 000	9 May 2008	850	–	40 000	–	–	–	–
	50 000	9 May 2008	650	–	50 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	60 000	12 May 2010	325	60 000	–	901	346	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 862	1 548	–	–
	80 000	8 May 2013	850	80 000	–	2 899	1 639	–	–
	60 000	14 May 2014	1 565	60 000	–	3 012	868	–	–
	60 000	20 May 2015	1 726	60 000	–	3 381	993	–	–
	120 000	18 May 2016	2 220	120 000	–	3 381	1 393	–	–
	135 000	17 May 2017	2 900	–	–	–	–	135 000	–
	145 000	5 November 2018	2 679	–	–	–	–	145 000	248
	153 000	22 May 2019	3 021	–	–	–	–	153 000	–
				650 000	90 000		8 291	433 000	248

19. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

2020	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
Collin Ramukhubathi	25 000	14 May 2014	1565	25 000	–	2 943	345	–	–
	25 000	20 May 2015	1726	25 000	–	2 851	281	–	–
	50 000	18 May 2016	2 220	50 000	–	3 381	581	–	–
	50 000	17 May 2017	2 900	–	–	–	–	50 000	–
	80 000	5 November 2018	2 679	–	–	–	–	80 000	137
	80 000	22 May 2019	3 021	–	–	–	–	80 000	–
				100 000	–		1 207	210 000	137

* *The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (ie. share price on exercise less strike price).*

** *Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R28,50), less the strike price of these instruments.*

In terms of the Share Appreciation Rights Scheme: Grant 11 (2019: Grant 10), the rights have vested after the three-year vesting period, as the performance criteria has been met.

Forfeitable shares awarded to executive directors in the format of a Forfeitable Share Plan (refer note 18):

2020	Number of shares initially allocated	Date awarded	Market value on grant date R
Andries J van Heerden	124 350	19 February 2020	29,30
Pieter GS de Wit	68 000	30 October 2019	32,00
Collin Ramukhubathi	68 000	31 October 2019	32,00
2019			
Andries J van Heerden	105 200	25 February 2019	28,50
Pieter GS de Wit	65 000	30 November 2018	27,66

Incentive bonuses paid to executive directors

	Group 2020 R'000	Group 2019 R'000
Executive		
Andries J van Heerden	4 965	4 400
Pieter GS de Wit	2 450	2 200
Collin Ramukhubathi	1 610	–
	9 025	6 600

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

Directors' shareholding

Please refer to page 68 for further disclosure regarding the directors' respective shareholding in the Company.

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Other

20. Fair value estimation

Items measured at fair value on the Statement of Financial Position are classified according to a fair value hierarchy. The fair value hierarchy is identified in levels as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	Group			
	Level 1	Level 2	Level 3	Total balance
At 29 February 2020				
Assets				
Investment property*	**–**	**–**	**3 040**	**3 040**
At fair value through other comprehensive income				
Equity securities**	**81**	**–**	**–**	**81**
Environmental funds***	**–**	**2 770**	**–**	**2 770**
At fair value through profit or loss				
Unit trusts***	**–**	**49 475**	**–**	**49 475**
Trade receivables****	**–**	**125 312**	**–**	**125 312**
Total assets	**81**	**177 557**	**3 040**	**180 678**
At 28 February 2019				
Assets				
Investment property*	–	–	3 040	3 040
At fair value through other comprehensive income				
Equity securities**	71	–	–	71
Environmental funds***	–	2 663	–	2 663
At fair value through profit or loss				
Unit trusts***	–	50 025	–	50 025
Trade receivables****	–	52 522	–	52 522
Total assets	71	105 210	3 040	108 321

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

** *This 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.*

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

20. Fair value estimation (continued)

The Group's equity securities are traded in active markets. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Environmental funds and environmental insurance policies consist of equity investments quoted in an active market. Their fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2.

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites included in the Infrasors Group (refer note 6.5). The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

Provisionally priced receivables related to the sale of bulk commodities were measured at FVPL from the date of recognition up until date of settlement, as it fails the amortised cost requirement of cash flows representing solely payment of principal and interest.

(a) Transfers

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 29 February 2020 or the prior year.

21. Changes in accounting policies

The following standards became applicable for the current reporting period and the Group changed its accounting policies. The Group has adopted IFRS 16 from 1 March 2019 using the modified retrospective approach and therefore comparative figures have not been restated, as permitted under the specific transition provisions in the standard.

Standard	Subject
Interpretation 23	*Uncertainty over Income Tax Treatments* The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The amendments in IFRIC 23 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

21. Changes in accounting policies (continued)

Standard	Subject
IFRS 16	*Leases* 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*. Payments associated with short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases of equipment and vehicles are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Variable payments are determinable on revenue recognised in profit or loss. Refer note 4.5 for further disclosure on short-term leases, low-value assets and variable payments. The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. (The lessee's weighted average incremental borrowing rate applied to the lease liability on 1 March 2019 was 9.70%.) The Group leases various land, office buildings, motor vehicles and equipment. 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. Leases with variable payments are linked to sales generated from quarries. Refer note 4.5 for further disclosure on the variable payments. At 1 March 2019, leases are recognised as a RoU asset and liability at 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.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 March 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- excluding initial direct cost for the measurement of the RoU asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- low value assets (individual assets below R75 000) has been accounted for as operating leases.

The Group elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17: *Leases* and Interpretation 4: *Determining whether an Arrangement contains a Lease*.

21. Changes in accounting policies (continued)

(ii) Measuring of lease liabilities

	1 March 2019 R'000
Operating lease commitments – 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: Adjustment as a result of different treatment of extension and termination options	55 073
Lease liabilities recognised as at 1 March 2019	53 447
Non-current liabilities	47 947
Current liabilities	5 500
	53 447

Lease payments

The Group takes into consideration the following factors when measuring the lease liabilities:

- 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; and
- 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.

(iii) Measuring of RoU assets

The Group has chosen to measure the RoU asset on a retrospective basis as if the new rules 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.

(iv) Impairment

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

Notes to the Annual Financial Statements (continued)

for the year ended 29 February 2020

21. Changes in accounting policies (continued)

(v) 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. 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.

	1 March 2019 R'000
Adjustments recognised in the balance sheet on 1 March 2019	
Increase in RoU asset	35 448
Decrease in equity	12 958
Increase in deferred tax asset	5 041
Increase in lease liability	(53 447)

(vi) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

22. New and amended standards

New standards and interpretations not yet effective

There are no standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Analysis of shareholders

for the year ended 29 February 2020

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	2 404	58,59	595 956	0,41
1 001 – 10 000 shares	1 211	29,51	4 324 780	3,02
10 001 – 100 000 shares	342	8,34	11 253 468	7,86
100 001 – 1 000 000 shares	128	3,12	34 884 646	24,35
1 000 000 shares and over	18	0,44	92 203 562	64,36
	4 103	100,00	143 262 412	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	9	0,22	11 326 864	7,90
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,02	1 566 511	1,09
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,02	6 673 454	4,66
	11	0,26	19 566 829	13,65
Public shareholding	4 092	99,74	123 695 583	86,35
	4 103	100,00	143 262 412	100,00

Analysis of shareholders (continued)

for the year ended 29 February 2020

	Number of shares	%	Number of BEE shares*	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 053 977	2,83	–	–
Maryke E van Heerden	1 198 543	0,84	–	–
Amala Familie Trust (CEO)	853 564	0,60	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 000 000	6,28	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	400 000	0,28	–	–
Frans du Toit Trust	17 600 000	12,29	–	–
Other major shareholders				
Citigroup South Africa	4 645 124	3,24	–	–
BEE shareholders*				
ARC	26 300 000	18,35	26 300 000	26,04
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	3 064 529	2,14	3 064 529	3,03
Afrimat Empowerment Investments Proprietary Limited/ Afrimat BEE Trust	6 673 454	4,66	6 017 688	5,96
Joe Kalo Investments Proprietary Limited	105 000	0,07	105 000	0,11
Johannes M Kalo	130 605	0,09	130 605	0,13
	74 025 796	51,67	35 617 822	35,27
Other	69 236 616	48,33	–	–
	143 262 412	100,00	35 617 822	35,27

Total shareholding for BEE purposes:	
Total shareholding	143 262 412
Mandated Investments	42 256 884
Total shareholding for BEE purposes	**101 005 528**

* *Afrimat applied for the exclusion principle, as required in terms of Statement 100 of the Code (refer page 48), therefore BEE shareholding is calculated by using the total shareholding for BEE purposes as a denominator..*

07

Shareholder information

Afrimat policies and procedures

Afrimat has identified a healthy and safe working environment as its primary responsibility. It cares for the well-being of all its staff, recognising their essential contribution to achieving the Company's core business. In doing so, its Health and Safety management system is critical in preventing occupational diseases, personal injury and damage to property and in protecting all employees, visitors and other affected parties from any conceivable work hazard. Afrimat follows a proactive and participative approach to Health and Safety management within its operations and in surrounding communities, identifying and resolving risks before they turn into incidents. Afrimat also encourages all staff to work together as a team in fulfilling this Health and Safety responsibility.

Notice of AGM

Afrimat Limited
(Registration number 2006/022534/06)
Share code: AFT
ISIN: ZAE000086302
('Afrimat' or 'the Company')

Notice is hereby given that the AGM of Afrimat will be held entirely via a remote interactive electronic platform Zoom on Wednesday, 29 July 2020 at 14:00 to conduct the business set out below:

- considering and adopting the annual financial statements of the Company for the year ended 29 February 2020;
- re-electing directors;
- re-electing the Audit & Risk Committee members;
- appointing auditors;
- considering and, if deemed fit, adopting, with or without modification, the special and ordinary resolutions set out below; and
- transacting any other business as may be transacted at an AGM.

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

Accordingly, for purposes of the AGM of the Company, the record date is hereby set at close of business on Friday, 24 July 2020 with the last day to trade in the shares of the Company on the JSE Limited being Tuesday, 21 July 2020.

Special resolutions

Special resolution 1: General authority to repurchase Company shares

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

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

Reason and effect of special resolution number 1

The reason for special resolution number 1 is to grant the Company a general authority in terms of its Memorandum of Incorporation for the acquisition by the Company, or any of its subsidiaries, of shares issued by the Company, or its holding company, which authority shall be valid until the earlier of the next AGM of the Company or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the Company, provided that the general authority shall not extend beyond fifteen (15) months from the date of this AGM. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding company.

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

- directors and management – see page 32 of the integrated annual report;
- directors' interests in ordinary shares – see page 68 of the integrated annual report;
- stated capital of the Company – see page 96 of the integrated annual report; and
- major beneficial shareholders – see page 122 of the integrated annual report.

Litigation statement

The directors, whose names appear under Board of directors on page 31 of the integrated annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous twelve (12) months, a material effect of the financial position of the Company or its subsidiaries.

Directors' responsibility statement

The directors, whose names appear under the Board of directors on page 31 of the Company's integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

Material changes

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the Board of directors of the Company hereby states that:

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

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

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

Notice of AGM (continued)

- the consolidated assets of the Company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next twelve (12) months after the date of this notice of the AGM;
- the issued stated capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next twelve (12) months after the date of notice of this AGM; and
- the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the Company and its subsidiaries for the next twelve (12) months after the date of this notice of AGM.

Special resolution 2: Future non-executive directors' remuneration

'Resolved that the Company be and is hereby authorised, by way of general authority, to make the following fixed annual fee payments to non-executive directors with effect from 1 March 2020:

Chairman of the Board	R785 950
Non-executive director	R276 770
Audit & Risk Committee Chairman	R165 495
Audit & Risk Committee member	R91 025
Remuneration Committee Chairman	R64 735
Nominations Committee Chairman	R64 735
Remuneration & Nominations Committee member	R50 765
Social & Ethics and Sustainability Committee Chairman	R78 595
Social & Ethics and Sustainability Committee member	R50 765
Investment Review Committee Chairman	R78 595

as well as a daily rate of R20 000 for non-executive directors utilised on extraordinary duties.'

Please refer to ordinary resolution 10 which is a non-binding advisory note for the approval of the Company's remuneration policy.

All approved fixed annual fee payments will be updated and paid on 31 August 2020 and backdated as from 1 March 2020.

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

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

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

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

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

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

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

Definition of financial assistance

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

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

Special resolution 5: Non-executive director's award of ex gratia bonus

'Resolved that the Company be and is hereby authorised, by way of general authority, to make a R5,0 million ex gratia payment to the following non-executive director, Mr Marthinus W von Wielligh.

The reason for this special resolution number 5 is to reward the non-executive director for his personal contribution towards the Company's good performance over the past few years. Refer page 57 of the integrated annual report.

Ordinary resolutions

Ordinary resolution 1: Adoption of annual financial statements

'Resolved that the annual financial statements of the Company and its subsidiaries for the year ended 29 February 2020 be and are hereby received and adopted.'

Ordinary resolution 2: Issue of shares or other equity securities for cash

'Resolved that the directors be authorised pursuant, inter alia, to the Company's Memorandum of Incorporation, until this authority lapses at the next AGM of the Company, unless it is then renewed at the next AGM of the Company provided that it shall not extend beyond 15 months, to allot and issue any equity securities (which shall include for the purpose of this ordinary resolution number 2, the grant or issue of options or convertible securities that are convertible into an existing class of equity securities) for cash subject to the Listings Requirements of the JSE Limited ('JSE') on the following bases:

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

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

(c) the number of equity securities issued for cash shall not in aggregate in any one financial year exceed 15% (fifteen percent) of the Company's issued ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue at the date of such application less any ordinary shares issued during the current financial year, provided that any ordinary shares to be issued pursuant to a rights issue (announced, irrevocable and fully underwritten) or acquisition (concluded up to the date of application including announcement of the final terms) may be included as though they were shares in issue at the date of application;

(d) the maximum discount at which equity securities may be issued is 10% (ten percent) of the weighted average traded price on the JSE of those equity securities over the thirty (30) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and

(e) after the Company has issued equity securities for cash which represent, on a cumulative basis within a financial year, 5% (five percent) or more of the number of equity securities in issue prior to that issue, the Company shall publish on SENS an announcement containing full details of the issue (including the number of equity securities issued, the average discount to the weighted average traded price of the equity securities over the thirty (30) business days prior to the date that the price of the issue is determined or agreed to by the directors and the effect of the issue on net asset value and earnings per share), or any other announcements that may be required in such regard in terms of the JSE Listings Requirements which may be applicable from time to time.'

In terms of the JSE Listings Requirements a 75% (seventy-five percent) majority of the votes cast by shareholders present or represented by proxy at the AGM must be cast in favour of ordinary resolution number 2 for it to be approved.

Ordinary resolution 3: Unissued ordinary shares

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

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

Ordinary resolution 4: Re-election of a director

'Resolved that Mr Hendrik (Hennie) JE van Wyk be re-elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Hendrik JE van Wyk is set out below:
BCom (Hons), CA(SA)
Hennie qualified as a chartered accountant in 1975 with Brink Roos & Du Toit, where he became partner three years later. In 1987, he was appointed lead partner in the Cape Town office of Theron du Toit and in 1990 lead partner of Coopers & Lybrand at the time of the merger with Theron du Toit. In 1998, he became managing partner of PricewaterhouseCoopers (Western Cape), a position that he held until his retirement.

Hennie was appointed to Afrimat's Board since its listing in 2006. He was Chairman of the Audit & Risk Committee since 2006 until May 2019.

Ordinary resolution 5: Re-election of director

'Resolved that Mr Loyiso Dotwana be re-elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Loyiso Dotwana is set out below:
BSc Civil Engineering (University of Cape Town)
Loyiso worked as a civil engineer in design and project management for more than 20 years. He specialised in design and contract administration of township services and rural, urban and national roads. He was involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Port Elizabeth. Loyiso founded Illiso Consulting Proprietary Limited, one of South Africa's largest black owned consulting engineering companies, of which he is currently a director and the major shareholder. Loyiso was appointed to the Afrimat Board since its listing in 2006. He serves as Chairman of the Social, Ethics & Sustainability Committee.

Notice of AGM (continued)

Ordinary resolution 6: Re-election of director

'Resolved that Mr Jacobus (Derick) F van der Merwe be elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Jacobus (Derick) F van der Merwe is set out below:
BCompt (Hons), CA(SA)
Derick, a chartered accountant, was the Managing Director and CEO of the highly successful Victoria & Alfred Waterfront Proprietary Limited, in Cape Town when he left to start his own company, DVDM Properties Proprietary Limited (that also operated in the People Spaces group until 2014) both offering international property development management and consulting services. Prior to that, he was an executive director within various companies in the Stocks & Stocks construction group of companies. Derick is also a non-executive director of PNA Stationers Proprietary Limited and served as non-executive on a few other boards and trusts. Derick was appointed to Afrimat's Board in August 2014. Derick was appointed as Chairman of the Audit & Risk Committee in May 2019.

Ordinary resolution 7: Election of director

'Resolved that Mr Collin Ramukhubathi be elected as a director of the Company.'

A brief curriculum vitae in respect of Mr Collin Ramukhubathi is set out below:
BTech (Mechanical Engineering) and MBA
Collin started as a Quarry Manager and worked his way up into various leadership roles including his current role as Executive Head: HR and Sustainability. Prior to this he held leadership roles with Portland Quarry, Afrisam and Basil Read and has 24 years' experience in the industry.

Ordinary resolution 8: Re-election of Audit & Risk Committee members

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

8.1 Mr Loyiso Dotwana (non-executive director);
8.2 Mr Helmut N Pool (independent non-executive director);
8.3 Mr Jacobus F van der Merwe (independent non-executive director);
8.4 Mr Hendrik JE van Wyk (independent non-executive director); and
8.5 Mr Marthinus W von Wielligh (independent non-executive director and Chairman of the Board).'

Ordinary resolution 9: Reappointment of auditor

'Resolved that the directors be and are hereby authorised to appoint the auditor, PricewaterhouseCoopers and Frans Weilbach as the individual registered auditor, for the ensuing financial year and are authorised to fix the remuneration of the auditor.'

Ordinary resolution 10: Remuneration policy

'Resolved that the Company's remuneration policy be approved as a non-binding advisory vote.'

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus 1 (one) vote to be cast on the resolution. (See Remuneration Policy on the Company's website www.afrimat.co.za.)

Ordinary resolution 11: Approval of the implementation report in terms of King IV™

'Resolved that the Company's implementation report (refer pages 56 and 57) in terms of King IV™ be approved as a non-binding advisory vote.

Ordinary resolution 12: Signature of documentation

'Resolved that a director of the Company or the Company Secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of ordinary resolutions numbers 1 to 11 and special resolutions numbers 1 to 5 which are passed by the shareholders.'

Electronic participation arrangements

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the Covid-19 pandemic, the Board has decided that the AGM will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the AGM are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 133 and to email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to Afrimat at secretary@afrimat.co.za as soon as possible, but in any event by no later than 14:00 on Monday, 27 July 2020.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the AGM.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. Refer to page 133 for details on documents required to be attached to the Electronic Participation Application Form. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Zoom meeting invitation required to access the AGM.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the AGM are requested by no later than 13:55 on Wednesday, 29 July 2020 to join the lobby of the meeting by clicking on the "Join Zoom Meeting" link to be provided by Afrimat's Company Secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Afrimat who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such shareholder or their proxy from participating in and/or voting at the AGM.

Voting and proxies

A shareholder of the Company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, vote and speak in his/her stead. On a poll, every shareholder of the Company present in person or represented by proxy shall have one vote for every share held in the Company by such shareholder.

Dematerialised shareholders who have elected own-name registration in the sub-register through a Central Securities Depository Participant ('CSDP') and who are unable to attend but wish to vote at the AGM, should complete and return the attached 'form of proxy' and lodge it with the transfer secretaries of the Company.

Notice of AGM (continued)

Shareholders who have dematerialised their shares through a CSDP or broker rather than through own-name registration and who wish to attend the AGM must instruct their CSDP or broker to issue them with the necessary authority to attend. If such shareholders are unable to attend, but wish to vote at the AGM, they should timeously provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between that shareholder and his/her CSDP or broker.

The electronic platform (Zoom) to be utilised to host the AGM does not provide for electronic voting during the meeting.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

Forms of proxy may also be obtained on request from the Company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address on the IBC, to be received by no later than forty-eight (48) hours prior to the meeting. Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting. Shareholders who indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements. Email confirmation will be sent upon receipt and acceptance of the 'form of proxy' and Electronic Participation Application Form. The absence of confirmation of receipt and acceptance can be deemed as non-acceptance due to an irregularity in the information supplied or forms not being received. The transfer secretaries can be contacted for further details in this regard.

Questions

Shareholders are encouraged to submit via email any questions in advance of the AGM to the Company Secretary at secretary@afrimat.co.za. These questions will be addressed at the AGM and will be responded to via email thereafter.

By order of the Board

Catharine Burger
Company Secretary

19 June 2020

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

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/00364/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
Email: proxy@computershare.co.za
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200

Notes

Form of proxy

Afrimat Limited
(Registration number 2006/022534/06)
('Afrimat Limited' or 'the Company')
Share code: AFT
ISIN: ZAE000086302

For use at the AGM of the Company to be held entirely via a remote interactive electronic platform Zoom, on Wednesday, 29 July 2020 at 14:00 and at any adjournment thereof.

For use by the holders of the Company's certificated ordinary shares ('certified shareholder') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Additional forms of proxy are available from the transfer secretaries of the Company.

Not for the use by holders of the Company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the AGM and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the AGM in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We (Full name in block letters)

of (Address)

being a member/members of Afrimat Limited and holding ordinary shares in the Company hereby appoint

1. of or failing him/her

2. of or failing him/her

3. the Chairman of the AGM,

as my/our proxy to act for me/us and on my/our behalf at the AGM which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary resolutions and/or abstain from voting in respect of the Afrimat Limited ordinary shares registered in my/our name(s), in accordance with the following instructions:

	For*	Against*	Abstain*
Special resolutions			
1. To give directors general authority to repurchase Company shares			
2. To give the Company general authority to pay fixed fee annual payments to non-executive directors			
2.1 Afrimat Chairman			
2.2 Afrimat non-executive director			
2.3 Audit & Risk Committee			
2.3.1 Chairman			
2.3.2 Member			
2.4 Remuneration & Nominations Committee			
2.4.1 Remuneration Committee Chairman			
2.4.2 Nominations Committee Chairman			
2.4.3 Member			
2.5 Social & Ethics and Sustainability Committee			
2.5.1 Chairman			
2.5.2 Member			
2.6 Investment Review Committee Chairman			
3. Provision of financial assistance for subscription of securities			
4. To give the Company general authority to provide financial assistance to related or inter-related companies and others			
5. Non-executive director's award of ex gratia bonus			
Ordinary resolutions			
1. To adopt the 2020 annual financial statements			
2. To issue unissued shares or other equity securities for cash			
3. To place unissued shares under directors' control			
4. To re-elect Mr Hennie JE van Wyk as a director of the Company			
5. To re-elect Mr Loyiso Dotwana as a director of the Company			
6. To re-elect Mr Jacobus F van der Merwe as a director of the Company			
7. To elect Mr Collin Ramukhubathi as a director of the Company			
8. To re-elect the Audit & Risk Committee members of the Company			
8.1 Mr Loyiso Dotwana			
8.2 Mr Helmut N Pool			
8.3 Mr Jacobus F van der Merwe			
8.4 Mr Hendrik JE van Wyk			
8.5 Mr Marthinus W von Wielligh			
9. To authorise the directors to reappoint the auditor, PricewaterhouseCoopers together with Frans Weilbach as the individual registered auditor and to fix their remuneration			
10. To approve the remuneration policy as a non-binding advisory vote			
11. To approve the implementation report in terms of King IV™			
12. To authorise the directors or the Company Secretary to sign documentation			

* Please indicate with an 'X' in the appropriate spaces above how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at (place) on date 2020

Member's signature assisted by (if applicable)

Notes to the form of proxy

1. This 'form of proxy' is to be completed only by those members who are:
   (a) holding shares in a certificated form; or
   (b) recorded in the sub-register in electronic form in their 'own name'.

   Those certificated shareholders and dematerialised shareholders with 'own name' registration, who wish to participate in the AGM (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Afrimat in the manner and within the timeframe described above under the section titled 'Electronic Participation Arrangements'.

2. Members who have dematerialised their shares, other than 'own-name' dematerialised shareholders, and who wish to attend the AGM must contact their Central Securities Depository Participant ('CSDP') or broker who will furnish them with the necessary authority to attend the AGM, or they must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the members and their CSDP or broker. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Afrimat in the manner and within the timeframe described above under the section titled 'Electronic Participation Arrangements'.

3. Each member is entitled to appoint one or more proxies (who need not be a member(s) of the Company) to attend, speak and, on a poll, vote in place of that member at the AGM.

4. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space provided, with or without deleting 'the Chairman of the AGM'. The person whose name stands first on the 'form of proxy' and who is present at the AGM will be entitled to act as proxy to the exclusion of those whose names follow.

5. A member's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that member in the appropriate box(es) provided. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if the Chairman is the authorised proxy, to vote in favour of the ordinary resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. A member or his/her proxy is not obliged to vote in respect of all the ordinary shares held by such member or represented by such proxy, but the total number of votes for or against the ordinary resolutions and in respect of which any abstention is recorded may not exceed the total number of votes to which the member or his/her proxy is entitled.

7. Documentary evidence establishing the authority of a person signing this 'form of proxy' in a representative capacity must be attached to this 'form of proxy', unless previously recorded by the Company's transfer office or waived by the Chairman of the AGM.

8. The Chairman of the AGM may reject or accept any 'form of proxy' which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a member wishes to vote.

9. Any alterations or corrections to this 'form of proxy' must be initialled by the signatory(ies).

10. The completion and lodging of this 'form of proxy' will not preclude the relevant member from attending the AGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such member wish to do so.

11. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company's transfer secretaries.

12. Where there are joint holders of any shares, only that holder whose name appears first in the register in respect of such shares need sign this 'form of proxy'.

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

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

(Private Bag X9000, Saxonwold, 2132)
Email: proxy@computershare.co.za

Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200

However, any 'forms of proxy' not submitted by this time can still be lodged by email to proxy@computershare.co.za before the meeting is due to commence.

Application form for electronic participation at the Annual General Meeting

Afrimat Limited
(Registration number 2006/022534/06)
('Afrimat Limited' or 'the Company')
Share code: AFT
ISIN: ZAE000086302

ANNUAL GENERAL MEETING – 29 JULY 2020 ('AGM')

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of AGM to which this form is attached and forms part.

Instructions

Shareholders or their proxies have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's Transfer Secretaries at proxy@computershare.co.za and to the Company at secretary@afrimat.co.za as soon as possible, but in any event by no later than 14:00 on Monday, 27 July 2020.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, 'a Participant') to enable the Company to forward the Participant a Zoom meeting invitation required to access the AGM. Email confirmation will be sent upon receipt and acceptance of the 'form of proxy' and Electronic Participation Application Form. The absence of confirmation of receipt and acceptance can be deemed as non-acceptance due to an irregularity in the information supplied or forms not being received. The transfer secretaries can be contacted for further details in this regard.

Afrimat will send each Participant a Zoom meeting invitation with a link to 'Join the Zoom Meeting' on 29 July 2020 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the form of proxy (found at page 131) and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants who indicate in this form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Afrimat who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevent any such Participant from participating in and/or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Information required for participation by electronic communication at the AGM

Full name of shareholder

Identity or registration number of shareholder

Full name of authorised representative (if applicable)

Identity number of authorised representative

Email address

* *Note: This email address will be used by the Company to share the Zoom meeting invitation required to access the AGM electronically.*

Cell phone number

Telephone number, including dialling codes

* *Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 131.*

Indicate (by marking with an 'X') whether

☐ votes will be submitted by proxy (in which case, please enclose the duly completed proxy form with this form); or

☐ the Participant wishes to exercise votes during the AGM. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements. Participants who elect the option to vote during the AGM should note that a cut-off time of 10 minutes after calling for all votes during the AGM is applicable and means that your voting sheet should be with the transfer secretaries within the allotted 10 minutes. This option may also lead to a delay in the announcement of voting results of the AGM resolutions.

By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Afrimat's AGM.

Signed at on 2020

Signed

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed 'proxy form' has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

Notes

Definitions

'AEI'	Afrimat Empowerment Investments Proprietary Limited
'Afrimat' or 'company'	Afrimat Limited (Registration number 2006/022534/06), listed on the Main Board of the JSE Limited in the 'Construction & Building Materials' sector
'AGM'	Annual general meeting
'ARC'	African Rainbow Capital Proprietary Limited
'ASPASA'	Aggregate and Sand Producers Association of South Africa
'B-BBEE'	Broad-Based Black Economic Empowerment
'BEE'	Black Economic Empowerment
'board'	The Board of Directors of Afrimat, as set out on page 32
'CAE'	Chief Audit Executive
'Cape Lime'	Cape Lime Proprietary Limited
'CEO'	Chief Executive Officer of Afrimat, Andries J van Heerden
'CFO'	Chief Financial Officer of Afrimat, Pieter G S de Wit
'Clinker Group'	SA Block Proprietary Limited and its 100%-owned subsidiary Clinker Supplies Proprietary Limited
'COBIT'	Control objectives for information and related technologies
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice
'COLTO'	Committee of Land Transport Officials
'Companies Act'	Companies Act No. 71 of 2008, as amended
'CSI'	Corporate Social Investment
'Demaneng'	Afrimat Demaneng Proprietary Limited (previously known as Diro Manganese Proprietary Limited) and Diro Iron Ore Proprietary Limited
'DMRE'	Department of Mineral Resources and Energy
'EMP'	Environmental Management Plan
'ESG'	Environmental, Social and Governance
'Glen Douglas'	Glen Douglas Dolomite Proprietary Limited
'the group'	Afrimat Limited, its subsidiaries, joint venture and associate companies
'GRI'	Global Reporting Initiative, a best practice benchmark in reporting
'HRD'	Human Resource Development
'HRIS'	Human Resource Information Systems
'H&S'	Health and Safety
'HIRA'	Hazard Identification and Risk Assessment
'Infrasors'	Infrasors Holdings Proprietary Limited
'IRBA'	Independent Regulatory Board of Auditors
'IRC South Africa'	The Integrated Reporting Committee of South Africa
'IRMSA'	The Institute of Risk Management South Africa
'ISO'	International Organisation for Standardisation
'IT'	Information Technology
'ITBS'	Information Technology Business Systems
'JSE'	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa
'King IV™ Report'	King Report on Governance for South Africa 2016
'KPA'	Key Performance Area
'LUPO'	Land Use Planning Ordinance
'LTIFR'	Lost Time Injury Frequency Rate
'Mancom'	Management Committee, as set out on page 32
'MD'	Managing Director
'MQA'	Mining Qualification Authority
'NEMA'	National Environmental Management Act, 1998
'NOSA'	National Occupational Safety Association (South Africa)
'previous/prior year' or 'FY2019'	Year ended 28 February 2019
'SABS'	South African Bureau of Standards
'SAR'	Share Appreciation Right
'SARS'	South African Revenue Service
'SARMA'	South African Readymix Association
'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, Health and Environment
'SHEQ'	Safety, Health, Environment and Quality
'year' or 'year under review' or 'FY2020'	Year ended 29 February 2020

Financial definitions

'CAGR'	Compound annual growth rate
'FY'	Financial year ending February
'IFRS'	International Financial Reporting Standards
'HEPS'	Headline earnings per share
'NAV'	Net asset value
'PAT'	Profit after tax
'PBIT'	Profit before interest and tax
'ROE'	Return on equity
'ROI'	Return on investment
'RONA'	Return on net operating assets

Notes

Shareholders' diary

Financial year-end	29 February
Trading update	9 April 2020
Announcement of annual results	21 May 2020
Annual report posted	June 2020
AGM	29 July 2020
Trading update	October 2020
Announcement of interim results and interim dividend	October 2020
Interim dividend payment	December 2020

Contact details

Registered office
Tyger Valley Office Park No 2
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Company Secretary
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Facsimile: +27 11 268 6538

Auditor
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PWC Building – Capital Place
15 – 21 Neutron Avenue, Technopark
Stellenbosch, 7600
(PO Box 57, Stellenbosch, 7599)

Commercial bankers
The Standard Bank of South Africa Limited
Corporate and Investment Banking
20th Floor, Main Tower, Standard Bank Centre
Heerengracht, Cape Town, 8001
(PO Box 40, Cape Town, 8000)
Telephone: +27 11 401 2574
Facsimile: +27 11 401 2550

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