AFRIMAT®
LIMITED

CONSISTENTLY DELIVERING

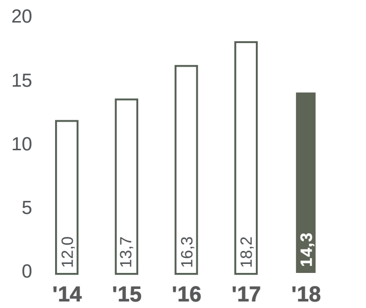
Integrated annual report
2018

CONTENTS

PERFORMANCE FOR THE YEAR

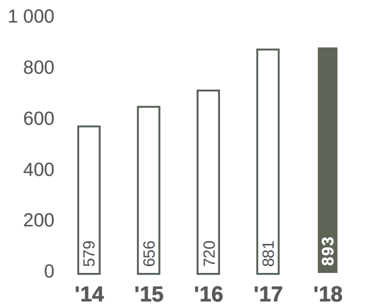
Contribution from operations' margin (%)

14,3%

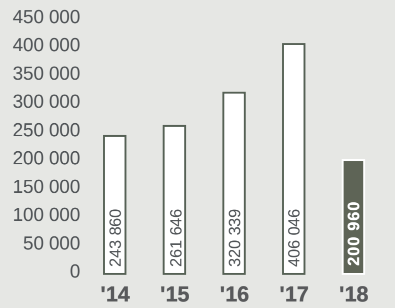


NAV per share (cents)

893 cents

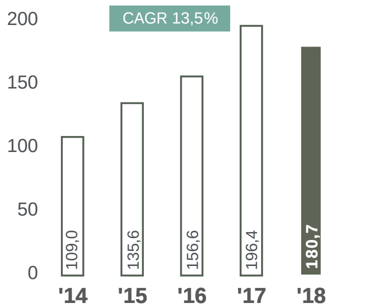


Net cash from operating activities (R'000)*



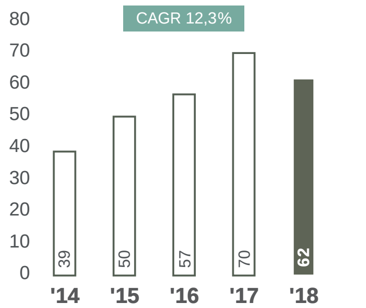
HEPS (cents)

180,7 cents

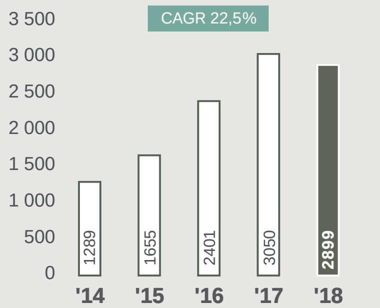


Total dividend per share (cents)

62,0 cents



Share price at year-end (cents)



Return on shareholders' funds	Net debt:equity ratio	Return on net operating assets
20,0%	35,5%	19,9%

* *Refer to CFO's report on pages 16 and 17.*

Strong balance sheet

CEO, Andries van Heerden, won the **Ernst & Young Southern Africa World Entrepreneur Award** for 2017 in the Master category.

For the fourth year in a row, Afrimat was voted amongst the Top 10 in the Sunday Times Top 100 Companies.

INTEGRATED REPORTING

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

Corporate information

The group's executive directors are Andries J van Heerden (CEO), Pieter GS de Wit (CFO) and Gert J Coffee. They can be contacted at the registered office of the company. The company secretary is Mariëtte Swart. See contact details on the inside back cover of this integrated annual report.

The integrated annual report 2018 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 2018 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing stakeholders with accurate, balanced and transparent reporting. The report aims to share our performance across FY2018, including demonstrating how our strategy of entering the industrial minerals business, continues to add value. The group successfully entered bulk commodities by entering the iron ore industry with the acquisition of a small iron ore mine. Overall the report is intended to give our stakeholders a better understanding of the issues, risks and opportunities that we face in terms of business sustainability, value creation and growth.

Reporting parameters

This integrated annual report 2018 presents the annual financial results and the economic, environmental, social and governance performance of the group for the year ended 28 February 2018.

For more information, see the annual financial statements on pages 70 to 148.

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 and JSE Listings Requirements. 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.

The following frameworks are applicable to Afrimat:

JSE Listings Requirements

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

King IV

King IV is a compliance requirement for all JSE listed companies and is effective in South Africa from 1 April 2017 and applies to all entities regardless of the manner of incorporation (www.iodsa.co.za).

Companies Act

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

Framework for Integrated Reporting

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

Mining Charter*

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

Materiality

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

Risk management

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

Refer to page 56 for the risk management report.

Forward-looking disclaimer

This integrated annual report contains forward-looking statements that, unless otherwise indicated, reflect the company's expectations as at 28 February 2018. 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 35.

Approval of the report

The Afrimat board approved this integrated report and authorised its release on 22 June 2018.

Matie von Wielligh
Chairman

Andries van Heerden
CEO

22 June 2018

* *On 15 June 2017, the Minister of Mineral Resources gazetted the Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry, 2017 ('2017 Mining Charter'). An urgent application was brought to court by the Chamber of Mines to interdict the implementation thereof. Afrimat will closely monitor these developments.*

ABOUT AFRIMAT

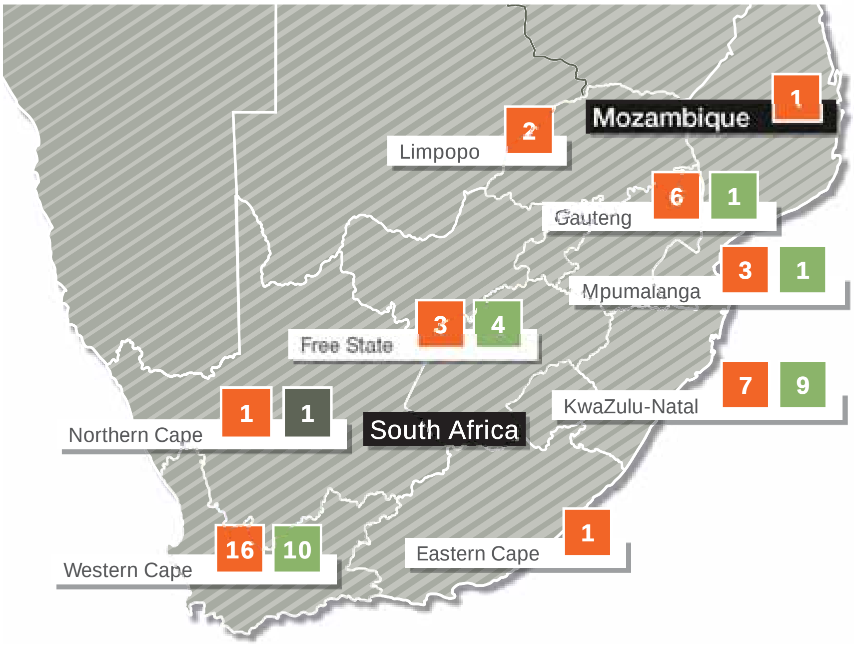
01

BUSINESS OVERVIEW

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

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

FOOTPRINT



BUSINESS OPERATIONS

40

Aggregates and Industrial Minerals

24	Commercial quarries
6	Sand and gravel mines
3	Dolomite mines
4	Clinker sources
2	Limestone mines
1	Silica mine
	Mobile crushing and screening
	Drilling and blasting

25

Concrete Based Products

7	Concrete brick and block factories
18	Readymix batching sites

1

Commodities

1	Iron ore and manganese mine

BUSINESS OVERVIEW (continued)

AGGREGATES AND INDUSTRIAL MINERALS

Revenue contribution

65%

- Industrial minerals
- Aggregates
- Contract crushing, drilling and blasting

Core activities
Open pit mining and processing of industrial minerals and aggregates products

CONCRETE BASED PRODUCTS

Revenue contribution

25%

- Concrete products
- Readymix

Core activities
Concrete brick and block manufacturing and readymix concrete batching

COMMODITIES

Revenue contribution

10%

- Iron ore

Core activities
Iron ore and manganese mining

	Products	Services	Markets/Applications	Quality assurance	Vertical integration
Aggregates and industrial minerals	▪ Metallurgical dolomite ▪ Metallurgical quartzite ▪ Metallurgical limestone ▪ High calcium neutralisation limestone ▪ Agricultural lime ▪ Hydrated lime ▪ Unslaked lime and calcium oxide ▪ Clinker ash ▪ Silica sand ▪ Ultra-fine limestone and dolomite ▪ Aggregates: crushed stone and sand ▪ Dolomite fillers ▪ Stone dust	▪ **Mobile crushing** ▪ **Mobile screening** ▪ **Drilling** ▪ **Blasting** ▪ **Reclaiming**	▪ Metallurgical manufacturers ▪ Mines ▪ Foundries ▪ Glass manufacturers ▪ Tile adhesive manufacturers ▪ Agriculture ▪ Building and construction ▪ Road and bridge building ▪ Railroads ▪ Concrete product manufacturers ▪ Readymix producers ▪ Power stations ▪ Renewable energy projects ▪ Power distribution network ▪ Water and sewage treatment ▪ Acid mine drainage treatment ▪ Paints and plastics ▪ Chemical	**Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.**	**Supply the majority of aggregates used by Afrimat's own Concrete Based Products divisions.**
Concrete based products	▪ Building blocks and bricks ▪ Pavers ▪ Lintels ▪ Readymix concrete	▪ **Readymix concrete batched on demand and transported to customers by concrete mixer trucks** ▪ **Readymix mortars**	▪ Building and construction ▪ Low-cost housing ▪ Residential and commercial property ▪ Civil engineering and infrastructure projects ▪ Renewable energy projects ▪ Power distribution network	**Blocks and bricks carry the SABS mark of approval.**	**Close to 90% of aggregates sourced from the group's own operations.**
Commodities	▪ High quality Hematite origin iron ore up to 65% Fe ▪ Siliceous manganese ore ▪ Medium grade construction materials	▪ **Iron ore beneficiation** ▪ **Open cast mining services**	▪ International export ▪ Loading of trains to Oryx line	**All ore products manufactured 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.**	**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

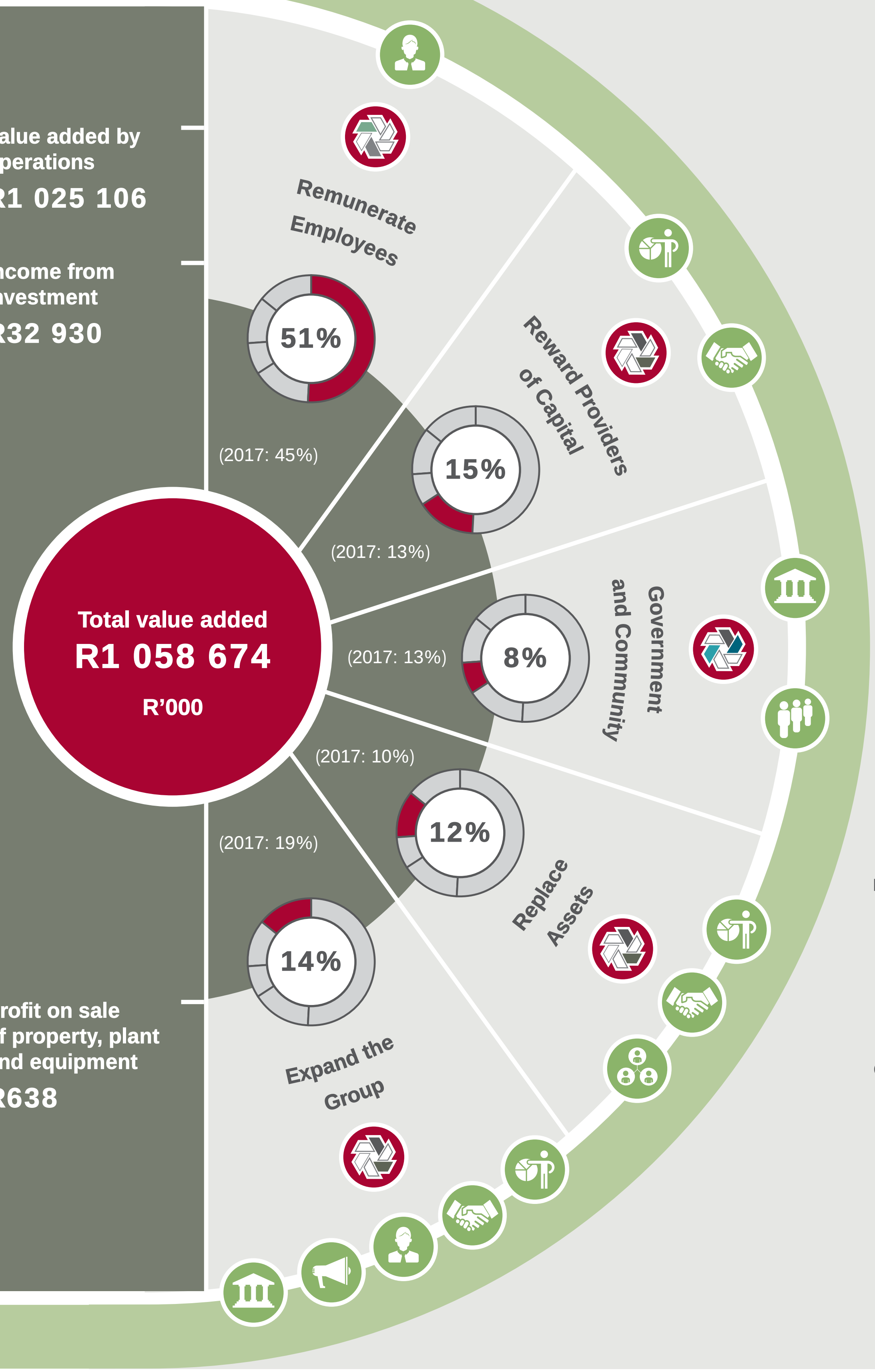
CAPITAL	INPUT	
FINANCIAL CAPITAL The money obtained from providers of capital and the retained earnings generated by operations to support all business activities and invest in the group's strategy. Furthermore, creating and managing stakeholder value (including social development, dividends for shareholders and salaries for employees).	▪ The group's pool of funds consists of cash generated from operations, funding from lenders, interest income and funds reinvested.	16 *CFO's report* 70 *Annual financial statements*
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.	▪ Managing, preserving and minimising the destruction of natural capital. ▪ Resource acquisition adds economic value of the mineral resource and adds to the potential development, slightly offset by prospecting and drilling processes that disturb a relatively unused environment. ▪ Mine rehabilitation performed throughout, restores the environment to its original condition.	23 *Environmental responsibility*
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.	▪ The sites, distribution network and general infrastructure (including technology) throughout Africa which enable us to produce, deliver and sell our products and services. ▪ Mining and run-of-mine operations have a positive impact on manufactured capital, but negative for financial capital, marginally offset by rising product value. ▪ Metallurgical and beneficiation leads to multiple product development, sales and associated benefits.	59 *Legal and mining right compliance* 68 *ITBS report* 70 *Annual financial statements* 23 *Environmental responsibility*
HUMAN CAPITAL How we select, develop and manage our people.	▪ Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork.	60 *Our employees* 20 *Health and safety* 52 *Governance structure* 63 *Remuneration*
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).	▪ Engage with the communities surrounding our mining operations and production plants. ▪ Creating an effective shareholder engagement strategy.	8 *Stakeholders* 30 *Social, ethics and sustainability* 25 *Transformation*
INTELLECTUAL CAPITAL Our strong brand, procedures and processes and the knowledge of our people constitutes our intellectual capital. The balance of new opportunities and core strengths ensures growth.	▪ Enabling growth through sound business principles and new opportunities. ▪ The intangibles that constitute our product and service offering and provide our competitive advantage.	3 *Business overview* 70 *Annual financial statements*

VALUE CREATION (R'000)

Value added by operations
R1 025 106

Income from investment
R32 930

Profit on sale of property, plant and equipment
R638



STAKEHOLDERS

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

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:

What matters to them	Tools of engagement	Responsibility	Our response
Shareholders			
▪ Profitability ▪ ROI (share price and dividends) ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Cost reductions ▪ Labour relations ▪ Sustainability	▪ 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 ▪ Educating shareholders regarding business processes by means of arranging site visits ▪ Feedback on company performance, future prospects and strategy ▪ Feedback on economic, social and environmental risks
Lenders/providers of capital			
▪ Capital management ▪ Sustainability ▪ Profitability ▪ Liquidity and solvency ▪ Cash generation ▪ Corporate governance and compliance ▪ Risk management ▪ Growth prospects ▪ Reputational issues ▪ Punctuality and ability to meet capital and interest payments	▪ Contractually required information flow ▪ Annual and interim results announcements ▪ Regular meetings	▪ 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

What matters to them	Tools of engagement	Responsibility	Our response
Employees			
■ Job security ■ Sustainability ■ Personal growth and development ■ Skills development ■ Remuneration and incentives ■ Safety ■ Health and wellness ■ Transformation ■ Job satisfaction	■ Annual culture climate survey ■ Training sessions ■ News updates ■ Employment equity forums ■ Regular reinforcement of Code of Conduct and policies/ procedures ■ Understanding 'The Afrimat Way' ■ Annual performance reviews ■ Union meetings as required	■ General manager: human resources assisted by all management	■ Investment in training and talent management ■ Dedicated skills development division ■ Skills Development and Employment Equity Consultative Committees established for each subsidiary ■ Ongoing health and safety programme ■ Weekly 'toolbox talks'
Customers			
■ Quality ■ Service ■ Value for money ■ Product availability ■ Credit facility levels	■ Annual customer surveys conducted to determine service improvement opportunities ■ Contractual engagement ■ Personal interaction with main customers ■ Product brochures ■ 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
Trade unions			
■ Wage negotiations ■ Bargaining council agreements ■ Conditions of employment ■ Engagement on safety issues ■ Engagement on health and wellness issues	■ Regular meetings at the relevant levels	■ General manager: human resources assisted by all management	■ Ongoing focus on labour and employee relations ■ Consistency in industrial relations ■ Recognition agreements at industry level
Major contractors, suppliers and business partners			
■ Consistent offtake ■ Group payment record ■ Local economic development	■ Contract and service agreements ■ Whistle-blower'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

STAKEHOLDERS (continued)

What matters to them	Tools of engagement	Responsibility	Our response
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 and MDs of subsidiaries assisted by corporate affairs and resources departments	▪ Developing DMR required social and labour plans in conjunction with local municipalities ▪ Raising awareness of local economic, social and infrastructure conditions and gaining approval for government funded projects ▪ Focus on procurement from suppliers with BEE shareholding ▪ 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	▪ MDs of subsidiaries and branch operational managers assisted by general manager: corporate affairs and resources department	▪ Supplementing labour force from surrounding communities ▪ Practicing a limited automation policy ▪ Prioritising environmental management of operations

CHAIRMAN'S REPORT


Matie von Wielligh

> The group delivered satisfactory results supported by its diversification strategy, despite demanding trading conditions. It is in times such as this that the entrepreneurial flair that underpins Afrimat and which is entrenched in its DNA rises to the fore, to ensure all obstacles are carefully navigated for the delivery of superior shareholder returns.

Overview of the year

South Africa 2017 was characterised by low to no economic growth, and political and social tensions that ultimately led to a change in political leadership. This was amplified by the political uncertainty towards the end of 2017, slow sales volume growth in the last quarter of the calendar year, exacerbated in November and December by the decline in the sale of construction materials products. Overall business confidence was hampered with a 'wait and see' approach to political developments and into the start of 2018 this attitude prevails as the country awaits to hear on the outcome of the land expropriation debate and the mining charter, to highlight just two topics.

As a direct result of improved iron ore prices, the group accelerated the ramp-up of the Demaneng Mine (previously called Diro). Associated expenses increased substantially as a result of increased production. The strengthening rand, however, countered the improved pricing of iron ore.

On the positive side, the new political leadership has been well accepted both locally and internationally, and the recovery in commodity prices has also brought welcome relief. A potentially better growth rate for South Africa, driven by an increased world growth rate, is also good news.

The trajectory of diversification

In all my previous reports to shareholders, I have driven home the message that diversification is the key to growth for Afrimat. It is this strategy that has set us apart and enabled us to continue to expand despite a taxing economic climate. The most recent addition to the diversification story is Demaneng. Our decision to gain a foothold into iron ore was made based on the fact that Afrimat's core competencies overlapped very well with those involved in running an iron ore mine, that we have vast experience within the group of this commodity and that there was a recovery in the iron ore price. All of these factors came together well to our benefit.

In addition, iron ore sold in US dollars positions Afrimat, not only as a growth stock, but also as a rand hedge with the ability to earn foreign currency.

The remainder of the Afrimat segments continued to contribute well to the overall performance of the group in accordance with strategy, but were impacted by the domestic external environment and uncertainty.

Fundamental strategic focus

Afrimat's strategic focus is to create shareholder value and sustainable earnings. We will continue our business development process in creating new businesses but will grow organically in the current operations. Operational efficiency is to be enhanced by digitalisation, where digital processes make sense and data can be analysed to further enhance efficiencies.

Responsibility towards transformation, staff relations, the environment and ethics

We consider ourselves a highly responsible company, doing much more than the minimum requirement. We do not simply adhere to BEE Codes. For Afrimat it's about far more than just that. The passion for grassroots transformation is enshrined group-wide, without exception.

At Afrimat we believe, like with so many things in life, that hard work is rewarded, but in the unique South African case, one sometimes requires an environment where a company is willing to go the extra mile to back an individual it believes has what it takes to succeed. We cannot emphasise enough the importance we place on individuals that we know have historically been excluded from opportunities. We value entrepreneurship and develop our leadership talent to live out values and culture.

This translates into effective staff relations – a large amount of time is dedicated to visiting operations and spending quality time

CHAIRMAN'S REPORT (continued)

discussing what can be improved and, most importantly, listening to feedback and acting on it as quickly as possible.

As much as we care for our people, we also take meticulous care of the environment in which we operate, ensuring that where required rehabilitation is undertaken to the fullest, with no shortcuts at all.

Ethics is a fundamental pillar of Afrimat, with absolutely no deviation being tolerated. The group's success is dependent on this. The ethical conduct of every person working for Afrimat is an expectation with no exception.

Afrimat's outlook for the future

While writing this report, I was conscious that as a country we are grappling with the land expropriation debate, which it seems we will only have more clarity on towards the end of 2018. This, coupled with a strengthening dollar and low government spend on infrastructure, is putting pressure on economic growth. Although there are glimmers of positive sentiment, with forecasts that the South African economic growth rate might well top 2%, it does seem that strong tail winds from global economic growth rate are required.

With diversification and a clear focus on capital management forming the basis of Afrimat's approach to growing the business, the group is well positioned to capitalise on its strategic initiatives from an excellent asset base. We are confident that the businesses that make up the group will continue to contribute to shareholder value. The newest addition, Demaneng Mine, will be the entity on which much capital and time is spent. It remains the largest investment to date that Afrimat has made, and its success will place the group on a solid footing for the future.

As is the case in the past, Afrimat management will continue to research new markets, new commodities, product combinations and applications. The ability to enter into these new markets is one of the group's many strategic abilities.

Appreciation and thanks

To all our employees, we extend our deepest gratitude for your commitment to Afrimat. It is this commitment that truly sets us apart as a company.

To my fellow board members, I extend my appreciation and thanks for the diligence extended to the effective running of Afrimat on sound business, corporate governance and financial principles.

To our shareholders, stakeholders, business partners, customers and suppliers, we thank you for your continued and invaluable support of the businesses that make up the Afrimat Group.

Matie von Wielligh

22 June 2018

CEO’S REPORT

Andries van Heerden

The underlying philosophy of Afrimat of ‘consistently delivering’ is testament once again to a team able to execute against a strong asset base, with entrenched product and market knowledge and a mindset ever-conscious of capital management and a strong drive to ensure excellent cash conversion.

Q&A with the CEO

What are the three events which defined the year under review?

First, the year under review produced a reasonable result considering the economic realities of our industry. The best results emanated from the Industrial Minerals business because of innovative product placement and marketing, which made a huge difference to our performance. Second, the renamed Demaneng iron ore mine (previously known as Diro) was brought out of business rescue into full production during the period under review – I will expand on this below. Third, it must be noted that the operating environment during the period was marred by political uncertainty and events, which caused a slow-down in construction material demand, the impact of which was felt more strongly in KwaZulu-Natal and southern Gauteng where the Glen Douglas and Clinker operations experienced reduced volumes.

Is the Demaneng mine developing in line with the intended strategy for iron ore?

As a direct result of much improved iron ore prices, we decided to accelerate the ramp-up of Demaneng mine. Already-approved capex spend was fast-tracked in line with this decision, with the result that, by the end of February 2018, the mine reached its design production capacity of one million tons per annum. All processing equipment was commissioned and a new load out facility was established to enable Afrimat to load trains on the Sishen-Saldanha railway line.

Unfortunately, this impressive ramp up was impacted by derailments at Transnet, which slowed things down considerably. Management could not have foreseen Transnet’s derailments – had we known, capex would have been made available according to the original timeline put in place.

What is your outlook on the future of the construction materials market and the broader economy?

Leading indicators, including data from the Bureau for Economic Research and our own Afrimat Construction Index, are trending towards positive outcomes for the economy. However, in my opinion, this growth will only become more visible over the next 12 to 18 months. In the short to medium term there is still a lot of negative momentum that must work its way through and out of the economy first, and the poor economic decisions made by the previous leadership of the country must also be reversed before glimmers of real economic growth are to be seen.

What we are currently experiencing is that whilst the foundation for potential growth are being laid, it could take up to 12 to 18 months before materials supply to new projects reach full potential. There is a lead time from a decision to invest to when Afrimat sells construction material. It is this lag, as well as previous decisions not to spend on public infrastructure, that is adding to the pressure on the construction sector in general.

As mentioned, KwaZulu-Natal and Gauteng, particularly the south of the province, experienced little to no private or public investment during the year under review. What is extremely encouraging is that decisions have subsequently been made to revive projects and we are experiencing an up-tick in demand for construction materials as a result.

Which segment delivered the best growth across the year?

The most significant growth came from the Industrial Minerals cluster. This is due to the unique nature of the products Afrimat supplies to the market, which are often less impacted by economic cycles simply because of their uniqueness. Second, the marketing

CEO'S REPORT (continued)

ACHIEVEMENTS

- Approval of Section 11 for Bethlehem's and Afrimat Demaneng's mining licences
- Continuous improvement on environmental industry ASPASA audits
- Improvement in procurement spend towards black-owned suppliers, services and consumables
- Continuous improvement in health and safety standards, presidential audits and Industry ISHE ASPASA audits
- Continuous improvement in Mining Charter scores
- Successful cost improvement initiatives
- Continued reduction of Section 54* and 55** notices
- LTIFR reduced to 0,47 from 1,04 at the end of the previous year
- Improvements on the implementation of the Social and Labour Plan
- Over six consecutive calendar years without a fatality

CHALLENGES

- Increased input costs, such as diesel, explosives, salaries and equipment
- Increasing competition in the Concrete Based Products segment, given low barriers to entry
- Current South African and global economic environment
- Dependency on foreign exchange fluctuations and commodity price volatility
- Continuous changes in legislation governing the industry, ie environmental laws, B-BBEE and DMR requirements
- Ramp-up of Demaneng and the resulting expense increase in line with the accelerated ramp up
- Establishing a reporting framework and measurement of emissions to comply with impending carbon tax laws
- Availability of sufficient logistics and distribution channels for iron ore
- Stagnant economic growth and rising cost of finance
- Slow sales in the last quarter of the calendar year with the exacerbated slow-down of construction material products in November and December

* *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.*

and business development teams in this cluster were extremely resourceful in ensuring that new markets were found. Last, but by no means least, are the efficiency levels in this part of the Afrimat business, which are outstanding.

How do you view the operation in Mozambique?

Afrimat approached doing business in Mozambique with caution as this was one of the first forays into working outside of South Africa. The aim was to strategically position Afrimat close to the liquid natural gas ('LNG') projects Mozambique had announced a few years back. Whilst the projects took longer to materialise than originally expected, this positioning meant that Afrimat would be ready when the projects did come on line. This is now proving to be the case and we have received the order to supply material for the construction of the resettlement village at Palma. Afrimat has reestablished operations and was at full production during the month of May 2018. The final investment decision for the main LNG project has not yet been made, but it is expected to be made during 2018 and Afrimat is well positioned to tender on requirements.

How do you instill a philosophy of meaningful growth across the group year after year?

The Afrimat business was, and continues to be, built by people with a strong entrepreneurial culture and a relentless drive for excellence. With this as a base, naturally, growth results. What continues to please me about our people is their innovative approach to problem-solving – this approach is adopted across the entire group, and is applied consistently, no matter how big or small the problem that is being faced may be.

How do you approach staff relations?

The fundamental and perhaps most important value across the Afrimat Group is that of 'respect'. We drive this value hard across the organisation, ensuring that everyone in the group holds this in regard in everything that they do. We do not compromise on financial results, but we are mindful of understanding our people.

It is often difficult to articulate how a rich culture of respect develops in a business. At Afrimat we have a conscious strategic approach to staff relations, believing that this ensures we are always thinking about and respecting people across the group. Afrimat works hard at ensuring a balance of being 'soft on people and hard on standards'.

Our relatively low staff turnover across the business is testament to ongoing engagement with staff. What we hold dear in the group is that in Afrimat people matter!

What do you foresee for the South African economy over the coming year?

It is my expectation that during the coming year we will still work hard for each cent we get. We foresee that the year will once again be challenging. We expect the domestic economic growth rate to start accelerating, which will eventually drive the demand for materials. Political decisions post the leadership change will remain crucial in determining the rate and extent of economic recovery and it will take time to work through the economy. South Africa should benefit from a strong world growth rate. In a nutshell, we expect a tough market in the short term which should improve as the political reforms gain traction.

Afrimat commits to working hard for the best result possible, despite taxing economic conditions, and bearing in mind the adage that there is opportunity in turmoil. We will continue to investigate these opportunities, ready to act when the time is right.

Appreciation

Results such as those presented this year, in difficult trading conditions, are only possible due to the efforts of dedicated and thoughtful people across Afrimat. I wish to extend my gratitude to everyone at Afrimat for their steadfast work ethic and commitment to the group.

My fellow board members, who make time to guide and review strategy, policies and review potential acquisitions, I value the input and guidance.

Afrimat is known for its ability to develop new markets and applications. This would simply not be possible without a management team as astute and innovative as the team I am privileged to work with. Thank you to you and your teams for always exceeding expectations and finding opportunities where there sometimes appear to be none.

To our shareholders and stakeholders, your continued support of Afrimat is appreciated and we strive to ensure that we meet your expectations.

Andries van Heerden

22 June 2018

CFO'S REPORT

Strong financial controls are a cornerstone to Afrimat's existence. Across the holding company and its businesses, financial controls are strictly embedded and managed accordingly. This includes being documented, interrogated, revised, and strengthened where necessary. A respect for the allocation of capital is meticulously implemented and expected returns conveyed to each business across the group.

Introduction

In the 2017 annual report, I indicated that this report would be a salient feature of Afrimat's reporting going forward. Given this, I am pleased to once again present my commentary in respect of the numbers presented.

As done previously, this report provides background information to some of the most pertinent movements in the financial statements, as well as reference points to where additional information can be found.

Overview of the financial performance of the business

The Chairman's and CEO's Report provide background information as to the reasons for the group's businesses, excluding the Demaneng iron ore mine, producing slightly lower results than the norm. Despite this, we remain satisfied with the results, especially within the Industrial Minerals cluster, where a keen and resourceful focus on new market development was successfully executed.

The single biggest effect on the results for the year under review is the inclusion of Demaneng, Afrimat's largest acquisition to date. This is the first set of results in which Demaneng is included, which is currently a loss-making operation as the result of a conscious decision to ramp up production because of the more attractive international iron ore price. Borrowings therefore had to be increased by R300 million, resulting in additional interest on borrowings. The acquisition of the mine has been successfully integrated within the group.

The effective tax rate decreased to 24,2% (2017: 30,5%), mainly due to the income tax deductibility of expenditure incurred in settlement of the shares exercised in terms of the Share Appreciation Rights Scheme, by means of the formalisation of appropriate cost recharge agreements in the Afrimat Group.

On the balance sheet, the debt to equity ratio increased as a result of higher debt levels associated with Demaneng. This resulted in the debt to equity ratio increasing from 19,8% to 35,5%. However, the ratio decreased from August 2017 and is expected to continue this trajectory going forward.

The mining asset relating to Demaneng is now included on the balance sheet as reflected through the 34,0% increase in property, plant and equipment.

Cash conversion

Afrimat is known for its strong cash conversion ratio, which unfortunately weakened during the year under review. The largest effect of this decline was on working capital, which was impacted by three factors: first, the PAYE owned by the Afrimat BEE Trust participants in the amount of R80 million (included in creditors) was paid in the current year; second, as a start-up business, Demaneng produced a large amount of stock during the last quarter of the financial year with an unexpected delay in the rail logistics as a result of derailments at Transnet; third, by the acquisition of the Emfuleni Ash Dump close to Vereeniging.

Significant events and transactions during the year

The Demaneng acquisition is to date the largest acquisition made by the group. Given this, new borrowings were increased to ensure optimal use of capital resources for this acquisition, as well as that of the Emfuleni Ash Dump. During the year Afrimat reorganised its funding structure from a single to a dual banking arrangement and, in the process, arranged a medium-term loan for the funding

requirements of Demaneng. This included a finance structure with Rand Merchant Bank, First National Bank and Standard Bank and introduced a security special purpose vehicle where all banks are ranked pari passu in the security. This results in better pricing for the group.

Internal controls and risk management

Risk management processes are entrenched across the entire group and risks are carefully managed. For detail on the risk management process, combined assurance model and internal control framework see pages 56 to 59 of this integrated annual report. Management has considered the risks involved in the business, the size of the business and the nature of transactions and is satisfied that the internal controls in place are adequate to address the key risks in the business.

During the year under review there were no material breakdowns in internal control, but several cases of non-material theft of products, assets and stock occurred in areas of the business. These cases were properly investigated and corrective measures implemented. The group experienced an increase in attempted cyber threats, hacking and cyber fraud during the year, which were all successfully averted.

The group maintains a transparent tax policy to ensure diligent and timeous reporting and payment of taxes to the respective authorities.

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 in operational existence for the following financial year.

Investment in equipment and technology

As previously mentioned, the group decided to accelerate the ramp-up of Demaneng as a direct result of much improved commodity prices. Expenses increased substantially in line with the accelerated ramp-up. The mine reached its design production capacity of one million tons per annum at the end of February 2018, with all processing equipment having been commissioned together with the commissioning of a new rail load out facility.

An Information Technology Report is included and can be read on page 68.

Conclusion

I trust that this report has provided guidance on how Afrimat controls, monitors and interrogates its financial results. The company has and will continue to prudently allocate capital and ensure cash conversion remains strong. Much of our diversification was possible due to being able to capitalise on opportunities presented. A watchful eye on cash also ensured that Afrimat remains a good investment for shareholders.

Pieter de Wit

22 June 2018

02 LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

'THE AFRIMAT WAY'

VISION

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

MISSION

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

VALUES

Trust, Integrity, Respect, Accountability, Customer Satisfaction, Teamwork and Safety.

People	Operations	Marketing	Financial	Compliance
Tangible leadership	Well-maintained plant and equipment and well-equipped workshop infrastructure	Engaged customer relationships	Effective planning and budgeting	In-depth knowledge of legislation and requirements
Shared values	Efficient processing plant design and process flows	Good market intelligence and expertise	Efficient execution of financial management and administration	Maintain a feasible compliance strategy
Competent employees	Vertical integration	Reliable quality products and services	Effective systems and controls	Ensure company-wide adherence
Great teamwork	Commitment to protecting the environment and sustainable development	Diverse product and services offering	Focus on cash generation	
Continuous development of people	Optimised mine planning and mining operations	Superior reaction time to meet customer needs	Robust balance sheet	
		Identifying marketing trends and opportunities	Industry leading margins throughout economic cycles	
			Consistent dividend payer	

ETHICAL LEADERSHIP

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 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 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 ethics 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 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.

Planned areas of focus include the annual declaration of interests by all senior employees and the incorporation of ethical standards for the selection and contracting of suppliers and customers.

HEALTH AND SAFETY

Our employees work in an environment which poses potential health and safety risks. We proactively manage this risk to prevent health and safety incidents. We are committed to providing a safe and healthy working environment which is in strict compliance with the South African Occupational Health and Safety Act, Mine Health and Safety Act and other relevant regulations and recognised standards and guidelines.

The LTIFR reduced to
0,47
(2017: 1,04)

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

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

The group SHEQ manager, 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 & 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.

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

- Injury On Duty Report – lost-time injuries, used to report on the LTIFR;
- Near misses and property damage report; and
- First aid and medical cases report. The first aid and medical cases reported reduced from 47 to 42 cases in the current year.

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 associations ASPASA, which annually audits the quarries, and SARMA, which annually audits the readymix plants. The DMR also performs random inspections and scheduled audits at the group's quarries. The Department of Labour performs random inspections at the group's concrete product plants and workshops. Areas for improvement identified during these audits/inspections are addressed by management where practical.

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

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

Key focus area	FY2019 goal	Long-term goal	Effectiveness against FY2018 goals: FY2018 goal	Evaluation
Leading indicators	90% compliance	Entrench uniform SHEQ culture within the group	Standardisation of the SHEQ system with employee input	Training of four policies, 31 procedures, seven guidelines and 13 codes of practices
Near miss reporting	60% improvement	Increase accuracy of near miss reporting and reduction of LTIFR	Redefine the definitions of the various incidents Retrain all employees on incident reporting	20% improvement (2017: 124 cases reported)
Identifying critical tasks	80% identified	Reduction of LTIFR	Identify critical tasks relevant to each operation	100% of incident analysis and risk assessment processes completed in order to identify critical tasks
Planned task observations	80% conducted	Reduction of LTIFR	Measure planned task observations performed on critical tasks	70% observations completed
Training	95% compliance testing	Reduction of LTIFR	Measure and monitor training planned and executed	80% completion of training matrix as prescribed

Health & Safety training

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

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

HEALTH AND SAFETY (continued)

Our employees' well-being

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

The following medicals are conducted:

- Annual medical: all staff exposed to occupational health risks at operational sites: quarries, sand mines, workshops, concrete product plants, readymix plants and administration staff who frequently visit the sites;
- Entry medicals: all staff before entering Afrimat's service in order to establish whether the individual is fit to perform the specific work and to establish a medical baseline;
- Exit medicals: all employees leaving Afrimat's service in order to establish an exit reference and baseline comparative;
- 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 will be 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 pandemic is set out in a formal policy (Afrimat's HIV/AIDS, STIs & TB Policy is available at www.afrimat.co.za). The policy strives to prevent discrimination against employees living with HIV/AIDS and encourages early detection and treatment. Awareness around HIV/AIDS issues is highlighted through the following channels:

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

Public Health & 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. Of concern are the repeated breaches of security perimeters, both by members of our communities and by criminals' intent on illegal activities.

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

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 quarries' environmental performance is audited annually by the environmental team and by ASPASA every second year. Furthermore, annual environmental performance audits are conducted at the readymix plants by SARMA. The DMR also performs random inspections at the group's quarries. 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 added 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, continued focus was placed 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 are reviewed annually by management and independent consultants/specialists.

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

Environmental training

Training was identified as the first step in improving the mitigation of the risks identified 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. Programmes conducted for all employees during the year included training on the conservation of water and the quantification of carbon emissions.

Environmental initiatives

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

- Benchmarking of operational output and the use of electricity, fuel and explosives;
- Determination of the basic requirements to deliver optimum production leading to the establishment of a standard energy consumption rate per machine;
- Ongoing monitoring of power factor corrector capacitors to ensure a decreasing trend in electricity usage;
- Sequential start-up of electrical motors at each start-up procedure;
- Shifting production times to fall in non-peak consumption periods for electricity;
- 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.

Environmental progress reports are submitted annually to the **DMR in terms of mining right requirements.**

Afrimat incurred no fines for infringement of environmental legislation during the year.

ENVIRONMENTAL RESPONSIBILITY (continued)

The group has committed to undertaking formal carbon footprint assessments with the assistance of an internal specialist. The environmental assessments can be summarised as follows:

Key focus area	FY2019 goal	Long-term goal	Effectiveness against FY2018 goals: FY2018 goal	Effectiveness against FY2018 goals: Evaluation
Electricity consumed	Determine reduction % from baselines	Measure electricity consumed per product ton produced, compare usage at different operations and reduce usage in line with best practices	Benchmark the use of electricity by all operations	Electricity usage for FY2018 has been measured for 33 of all 66 operations. A benchmark comparison of electricity usage by all 66 operations between FY2018 and FY2019 will be provided in the next integrated annual report.
Water usage	Determine reduction % from baselines	Measure water usage per product ton produced, compare usage at different operations and reduce usage in line with best practices	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	The installation of water meters at operations utilising extraction points has not been completed. A benchmark comparison of water usage by all operations (including municipal water supply as well as extraction points) between FY2018 and FY2019 will be provided in the next integrated annual report.
Carbon emissions	Determine reduction % from baselines	Register all sites with NAEIS in order to measure all carbon emissions. Compare emissions between different sites and identify initiatives to reduce emissions	Register 50% of all our sites with the South African National Atmospheric Emissions Inventory System ('NAEIS') to enable the site to measure emissions accurately	33 of all 66 operations have been registered with NAEIS by FY2018. A benchmark comparison of all operations between FY2018 and FY2019 will be provided in the next integrated annual report.
Waste management	Determine reduction % from baselines	Compare waste generated between various operations, reduce, reuse and recycle the waste generated	Measure all waste generated	A waste stream identification list has been compiled for all 66 operations. A benchmark comparison of waste generated of all operations between FY2018 and FY2019 will be provided in the next integrated annual report.
Bio-diversity	Determine reduction % from baselines	Set annual target percentage on rehabilitation of operations (in hectares)	Quantify all hectares rehabilitated on the environmental performance assessment	In FY2017, 70% of all operations have been quantified in terms of hectares rehabilitated. A benchmark comparison of hectares rehabilitated for all material operations between FY2018 and FY2019 will be provided in the next integrated annual report.

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 **5,18%**
- Mega Oils Proprietary Limited **2,59%**
- Joe Kalo Investment Proprietary Limited **0,21**%
- Old Mutual Life Assurance Company (South Africa) Limited **1,97%**
- ARC **20,30%**

Black ownership in the group totals 30,25% 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:

Subsidiary name	**2018 B-BBEE rating level**	2017 B-BBEE rating level
Ikapa Quarries Proprietary Limited	**QSE***	QSE*
Afrimat Readymix (Cape) Proprietary Limited	**5**	5
Afrimat Readymix Inland Proprietary Limited	**5**	n/a
Afrimat Aggregates (KZN) Proprietary Limited	**4**	4
Afrimat Aggregates (Operations) Proprietary Limited	**4**	4
Afrimat Aggregates (Eastern Cape) Proprietary Limited	**7**	6
Afrimat Contracting International Proprietary Limited	**4**	5
Afrimat Concrete Products Proprietary Limited	**8**	6
Glen Douglas Dolomite Proprietary Limited	**3**	3

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

Management control

Our board includes two black directors, one of whom is female. All subsidiaries have at least 50,0% black directors on their respective boards of directors. To enhance and accelerate development of management skill, suitable candidates are identified to undergo management training 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 82,7% (2017: 81,5%) of the group's 2 451 employees are black.

A formal Employment Equity Policy is in place for all employees and potential candidates, which promotes equal opportunities by encouraging good practice in the recruitment and selection process complying with the Employment Equity Act. (Afrimat's employment equity policy is available on www.afrimat.co.za.) 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 63.)

TRANSFORMATION (continued)

Employment Equity Reports

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

Each business has registered a report on their BEE employment status at the Department of Labour by 15 January 2018.

Summary of reports:

	Male				Female				Foreign nationals		
	A	C	I	W	A	C	I	W	Male	Female	Total
Afrimat Limited	–	–	–	1	–	–	–	1	–	–	**2**
Afrimat Management Services Proprietary Limited	2	3	–	17	–	5	–	9	–	–	**36**
Afrimat Shared Services Proprietary Limited	2	–	–	25	2	1	–	8	–	–	**38**
Afrimat Aggregates (Operations) Proprietary Limited	122	125	1	42	5	27	–	14	–	–	**336**
Afrimat Aggregates (Eastern Cape) Proprietary Limited	29	8	–	10	3	2	–	4	–	–	**56**
Afrimat Readymix (Cape) Proprietary Limited	29	22	1	9	2	7	–	5	2	–	**77**
Afrimat Silica Proprietary Limited	17	–	–	5	3	–	–	1	–	–	**26**
Afrimat Contracting International Proprietary Limited	129	19	–	42	10	2	–	7	–	1	**210**
Afrimat Aggregates (KZN) Proprietary Limited	92	1	3	40	19	2	1	19	–	–	**177**
Afrimat Concrete Products Proprietary Limited	351	–	1	26	40	2	–	14	–	–	**434**
Cape Lime Proprietary Limited	9	73	–	18	2	4	–	5	–	–	**111**
Boublok Proprietary Limited	30	10	–	1	2	1	–	2	–	–	**46**
Clinker Supplies Proprietary Limited	62	1	–	3	1	–	1	4	–	–	**72**
Afrimat Demaneng Proprietary Limited	44	11	–	9	6	1	–	–	1	–	**72**
Glen Douglas Dolomite Proprietary Limited	104	–	–	22	18	–	–	12	–	–	**156**
Infrasors Holdings Proprietary Limited	–	–	–	7	–	–	–	4	–	–	**11**
Lyttelton Dolomite Proprietary Limited	98	1	1	12	18	–	–	5	1	–	**136**
SA Block Proprietary Limited	116	1	–	13	135	–	–	7	–	–	**272**
Total	1 236	275	7	302	266	54	2	121	4	1	**2 268**

A African. C Coloured. I Indian. W White.
The Employment Equity reports have a different cut-off period than the year under review.

Skills development and training

The group prioritises training and upskilling of 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. We currently have 42 people on learnership programmes and 35 employees were awarded bursaries to study further. Employees are encouraged to take every opportunity afforded to them by the group to upskill themselves.

Preferential procurement

We recognise the need to participate meaningfully in the broad-based socio-economic transformation of South Africa. A formal preferential procurement policy is in place which reflects the group's commitment to broadening its supplier base with empowered enterprises. The preference is for suppliers with minimum Level 4 B-BBEE contribution and black shareholding greater than 25,0%.

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 FY2018 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 company. The group assisted qualifying small enterprises to provide a relevant affidavit for the purposes of confirming B-BBEE exemption.

Enterprise development

Our group provides extensive management advice, administration services and working capital funding to small to medium BEE 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 FY2018 of R10,4 million (2017: R11,4 million). The group is in the process of finalising a formal enterprise development strategy with The Standard Bank of South Africa Limited ('SBSA') whereby an enterprise, identified by the group, will be able to apply for funding from SBSA without all the burdensome applications and documentation. The enterprise will be required to enter into an agreement with the group and SBSA on terms acceptable by all parties.

Types of businesses that qualify:

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

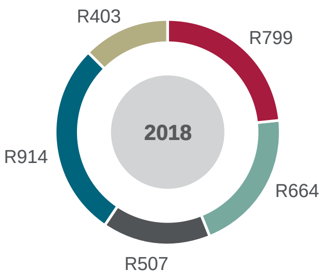
These enterprises are further assisted by settling monthly purchases earlier than the normal payment terms applicable to suppliers and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. A continued focus is placed on converting these enterprises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

TRANSFORMATION (continued)

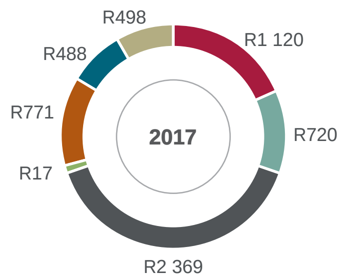
Socio-economic development

Our CSI focus is on the empowerment of the communities surrounding our mining operations and production plants. We negotiate with specific beneficiaries and their leaders to address the needs in the specific community through the local economic fora. The group targets 1,0% of PAT for contribution to these beneficiaries. Beneficiaries include schools, community upliftment organisations and health and HIV/AIDS programmes. The programmes include infrastructure creation and enhancement. At schools, educational support is undertaken with expenditures on handbooks, libraries, computers and recreational facilities. CSI expenditures during FY2018 amounted to R3,2 million (2017: R6,0 million). Refer to value creation on page 6. All planned FY2018 local economic development projects were completed during the year.

CSI spend: Categorisation (R'000)



- Art, sports and culture **23,54%**
- Basic needs **20,41%**
- Education projects **15,58%**
- Uplifting community **28,08%**
- Skills development **12,39%**



- Art, sports and culture **18,72%**
- Basic needs **12,03%**
- Education projects **39,60%**
- Health **0,28%**
- Infrastructure **12,89%**
- Uplifting community **8,16%**
- Skills development **8,32%**

In the next financial year, several of the group's social and development plans will be completed. Social and labour plans are renewed every five years, which means that new projects will be identified for implementation in the next five years. With over 38 mining rights across the country, Afrimat has contributed immensely in the communities in which it operates.

Breërivier High School bicycle team sponsorship

Spring charity raft race to raise funds for the Wide Horizon Care Hospice

A detailed breakdown of projects completed in the five years:

Area	Type of project	Project description	Beneficiaries
Worcester	School support programme	**Subsidising maths teacher's salary and providing maths awards to students at Vusisiswe High School**	Grade 10, 11 and 12 maths students and teachers at Vusisiswe High School
Worcester	Community training/ unemployment	**Code 14 driver's licence community project**	Historically Disadvantaged Individual ('HDI') youth of Worcester
Daleside	Community skills programme	**Community articulated dump truck skills programme**	HDI youth of Daleside
Daleside	Kanguru home for the disabled	**Capital contribution towards building a home for the abandoned and disabled children**	Abandoned and disabled children from Vaal area
Vredenburg	Small business empowerment	**BEE hives centre**	Micro entrepreneurs from Vredenburg
Delmas	Mast lights/ community safety	**Installation of mast lights in strategic places to improve visibility at night and curb the increasing crime rate in the area**	Extension 2 and 5 in Botleng township
Greenbushes	Home for abused and abandoned children	**Capital contribution towards building additional bedrooms, bathroom, laundry room (including two washing machines) and storage unit**	Abandoned and abused children from Port Elizabeth area
Marble Hall	School infrastructure project	**Goshetseng primary school admin block and a soccer field**	Learners at Goshetseng primary
Attridgeville	School infrastructure project	**Thohoyandou Primary School**	Learners at Thohoyandou Primary School

Donation of books to NM Tune High School in Tshwane

Top maths student awards

SOCIAL, ETHICS AND SUSTAINABILITY

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

The committee is chaired by non-executive director Loyiso Dotwana and further comprises CEO Andries J van Heerden, executive director Gert J Coffee, independent non-executive director Phuti RE Tsukudu and independent non-executive board Chairman Marthinus W von Wielligh. Details of meeting attendance are on page 51.

Key indicators monitored by the committee include:

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

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

- Social and economic development including the group's standing in terms of the:
  - 10 principles set out in the United Nations Global Compact Principles;
  - Organisation for Economic Co-operation and Development recommendations regarding corruption;
  - Employment Equity Act; and
  - B-BBEE Act.
- Good corporate citizenship, including the group's:
  - promotion of equality, 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.
- Consumer relationships, including the group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the group's:
  - standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
  - employment relationships, and our contribution towards the educational development of our employees.

The committee draws these matters to the attention of the board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the committee are reported on pages 25 and 60.

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 2018 KPIs and committee evaluation

2018 KPI	Evaluation score*
Stakeholder initiatives: Interaction with government and the format of such engagements	4,3
Evaluating the impact of Afrimat's activities specifically on public safety	4,0
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 three as red.*

KPIs for FY2019

- **Visible leadership initiatives:** formal and informal visits to business units.
- **Oversight of safety culture:** Commission detailed audit on HIRAs throughout the group and consider adequacy of remedial plans to address identified areas for improvement to enhance the efficacy of HIRAs at all business units.
- **Sharing best practice:** individual directors actively sharing appropriate and applicable best practice from other committees with the committee/company.

03

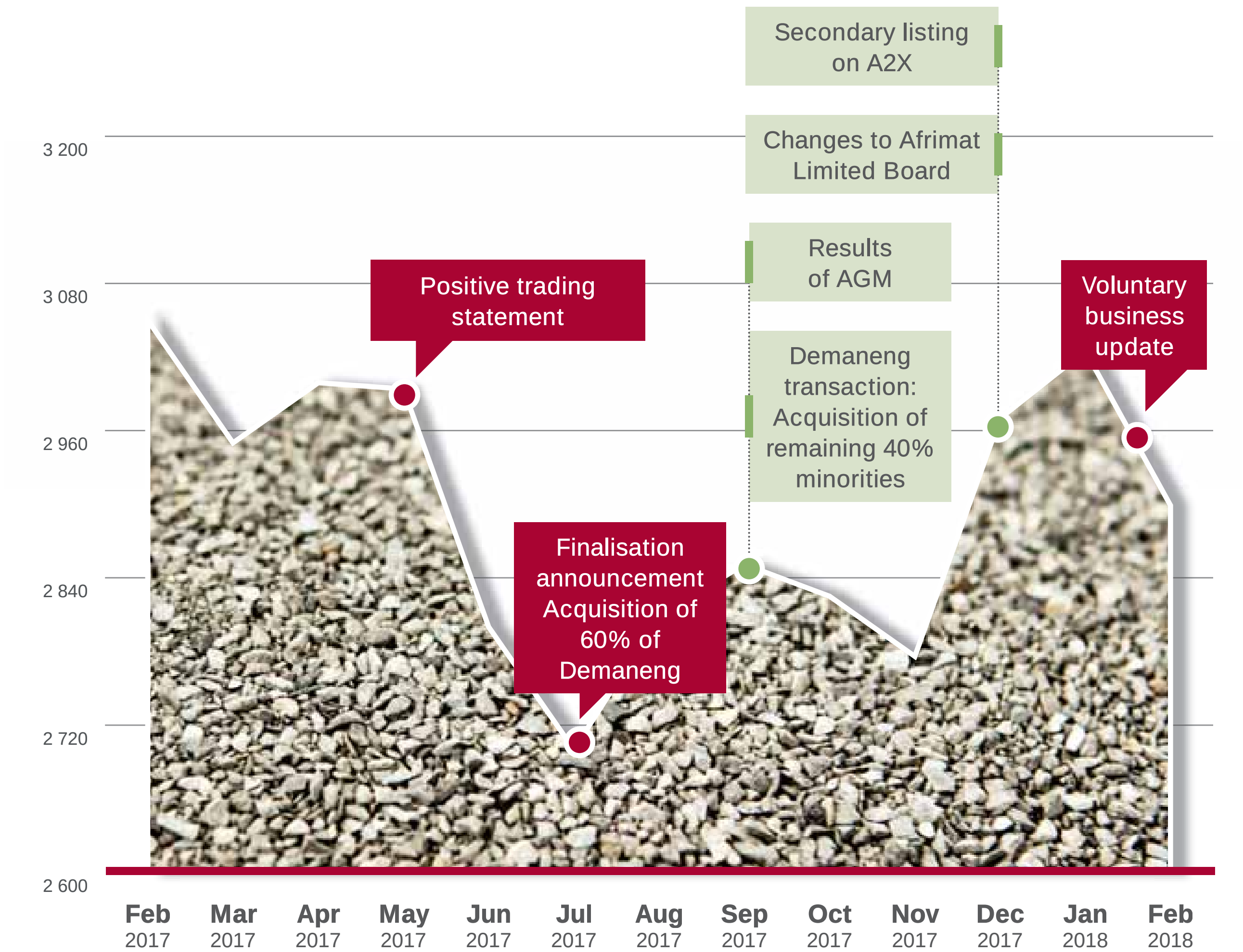
STRATEGY, PERFORMANCE AND REPORTING

SHARE STATISTICS

at year-end

	FY2018	FY2017	FY2016	FY2015	FY2014
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**6 654**	7 188	1 919	506	1 049
Net number of ordinary shares in issue ('000)	**136 608**	136 075	141 344	142 757	142 214
Weighted number of ordinary shares in issue ('000)	**136 271**	141 713	142 240	142 524	142 620
Headline earnings per share (cents)	**180,7**	196,4	156,6	135,6	109,0
Price:earnings ratio	**16,0**	15,5	15,3	12,2	11,8
Market price per share at date of listing (7 November 2006 – issue price 500 cents)					
Market price per share at year-end (cents)	**2899**	3050	2401	1655	1289
Market capitalisation based on issued shares (R'000)	**4 153 177**	4 369 504	3 439 731	2 370 993	1 846 652
Market capitalisation based on issued shares less treasury shares (R'000)	**3 960 278**	4 150 280	3 393 661	2 362 621	1 833 135

Share price (cents)



GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS

The group's strategy requires sustainable value creation in the immediate and longer term. The board reviews the strategic objectives annually. An integrated approach to strategy, risk management and performance has been adopted.

Material issues have been identified as risks that affect the group's ability to create value in the immediate and longer term and which impact the group's ability to implement its strategy.

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

Refer to capital inputs for value creation reflected on page 6.

Refer to stakeholders list on page 8.

Stakeholders

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

Capital created

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

GROWTH THROUGH DIVERSIFICATION

Objectives	Capital created	Stakeholders	Performance against objective: Outputs FY2018	Performance against objective: Outcomes FY2018
Hedge against economic volatility		Customers; Major contractors, suppliers and business partners	Acquisition of Demaneng during the current year, which will result in an efficient hedge against volatile local business conditions.	Reduce reliance on local economic business environment.
Continuous research of business environment		Shareholders; Customers; Major contractors, suppliers and business partners	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		Shareholders; Customers; Major contractors, suppliers and business partners	Acquisition of Demaneng 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
Ensuring sustainable marketing and logistics channels for Demaneng	Various alternatives are implemented to ensure the best sustainable marketing and logistics channels for the products supplied by Demaneng, including establishing our own rail load out facility.
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.
Reputational risk associated with Demaneng	Regular communication with employees, suppliers, unions is essential.

Focus areas for next year

- Expand current base of resources
- Strengthen the marketing and logistics channel for iron ore
- Diversify into other products within Afrimat's area of expertise

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

MAINTAIN COMPETITIVE ADVANTAGE

Objectives	Capital created	Stakeholders	Performance against objective: Outputs FY2018	Performance against objective: Outcomes FY2018
Extensive geographic footprint			Expanding footprint within the Northern Cape with the acquisition of Demaneng. Continuous exiting of unproductive spaces.	This expansion incurred material start-up costs. As a direct result of much improved commodity prices, it was decided to accelerate the ramp-up of Demaneng. Expenses increased substantially in-line with the accelerated ramp-up.
Structural cost advantage			The operating profit margins of all business units declined (refer note 41).	The group was unable to maintain an improvement in the operating profit margin due to lower volumes across the business.
Unique metallurgies			The group successfully entered the iron ore industry with the acquisition of Demaneng.	The acquisition resulted in material start-up costs incurred and increased expenses due to acceleration of the ramp-up phase.
Flexible business model			The group successfully ‘mothballed’ the Mozambican operations and was able to recommence operations after receiving the order for the resettlement village in Palma.	Mothballing the operations resulted in a decrease in costs relating to the operation. The company recommenced operations.
Solid presence in growth markets			Revenue was R2,5 billion, up by 10,3%. Revenue excluding commodities declined by 1,0%.	Revenue growth was slow, with the slow-down exacerbated in November and December in construction material products. The slow-down was felt more strongly in KwaZulu-Natal and southern Gauteng where the operations experienced reduced volumes.

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 different currencies and distribution into international markets
Limited life of the Vaal Clinker dump	The company is implementing various alternatives to replace the contribution from this dump, including the recently acquired Emfuleni Dump
Limited life of Demaneng	The new business development team is investigating the acquisition of additional iron ore resources

Focus areas for next year

- **Expand current base of resources**
- **Focus on improving sales volumes and pricing and strong margin management**
- **Investigate further alternatives to replace the contribution from the Vaal Clinker dump**

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

ORGANIC GROWTH THROUGH INNOVATION

Objectives	Capital created	Stakeholders	Performance against objective: Outputs FY2018	Performance against objective: Outcomes FY2018
Cost efficiency drive			Refer to 'structural cost advantage' reflected in 'Maintain competitive advantage'.	
Strong operational efficiency			Improved operational efficiencies were delivered through the implementation and management of an effective KPI system.	The management of an effective KPI system has resulted in better operational efficiency.
Efficient processing plant design and process flow			Demaneng commenced production in August 2017, with the first dense medium separation ('DMS') plant being commissioned. Both DMS plants were up and running in January 2018 and the mine reached full design capacity of 80 000 in February 2018.	DMS capacity was able to achieve ±80 000 ton per month and optimisation exercises are driven to achieve the target production of 83 000 ton per month.
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 whom keeps a maintenance and repair schedule and good record of all large machinery.

Material issues and key risks	Risk mitigation and opportunities
Water shortages/drought	Investigation into various alternatives to ensure sufficient water supply to Cape Town and affected high-risk operations. The extensive geographic footprint of the group will mitigate the risk.
Compliance to the amended Mining Charter	Steps are taken to understand the amendments proposed to the Mining Charter and where reasonable to implement strategies to improve or adhere. The implementation of the 2017 Mining Charter has been suspended pending judgment in the urgent interdict application brought by the Chamber of Mines.

Focus areas for next year

- **Further focus on cost savings and costs incurred within the group**
- **Maintain full production capacity when logistical challenges are addressed**
- **Focus on further improvements in maintaining current plant and equipment**

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

PEOPLE LED COMPANY

Objectives	Capital created	Stakeholders	Performance against objective: Outputs FY2018	Performance against objective: Outcomes FY2018
Values-based entrepreneurial culture			Regular reinforcement of the value system within the group.	Culture survey action plans have been implemented 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 Skills Initiatives page 61) to improve on internal leadership development. Appointment of Francois M Louw as independent non-executive director with experience in other metallurgies.	The introduction of external human capital to complement our home grown talent is vital to our competitiveness.

Material issues and key risks	Risk mitigation and opportunities
Industrial action and labour unrest	A highly experienced human resource management team drives a well-defined industrial relations strategy.
Operating safely	Proper measuring of incidents and relaunching of the company's code of conduct. The incorporation of a safety and environmental management system throughout all business units. Increase safety standards at our operations and ensure interventions are minimised. Driving a safety culture.

Focus areas for next year

- **Achievement of EE targets**
- **Drive a formal KPA process and instill a group-wide focus on the vision, mission and values of the group**
- **Maximise benefits of an integrated HR Management System**

GROUP STRATEGY, MATERIAL ISSUES AND KEY RISKS (continued)

OUTSTANDING CUSTOMER SERVICE

Performance against objective

Objectives	Capital created	Stakeholders	Outputs FY2018	Outcomes FY2018
Strategically positioned to deliver excellent service			Expanding footprint within the Northern Cape with the acquisition of Demaneng.	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 market. A dedicated business development team continues to successfully pursue opportunities

Focus areas for next year

- **Improve volumes by strong product execution**
- **Roll out of technology that improves the customer's experience**
- **Continued focus on market research**

OPERATIONAL REVIEWS

AGGREGATES AND INDUSTRIAL MINERALS

Highlights FY2018

- Satisfactory performance from the industrial minerals division;
- Excellent performance from the traditional businesses based in the Western Cape;
- Operational efficiency improvement initiatives delivering results;
- Rationalisation of sales to less profitable markets;
- Strong performance of Lyttelton experiencing pressure on production to keep up with demand;
- Expansion of the Clinker resource base with the acquisition of the Emfuleni Clinker Ash Dump to ensure an additional three to four years to the lifespan of the Clinker Group; and
- Integration of Cape Lime progressing well with new marketing initiatives under way.

Key distinguishing features

- Quality geological resources;
- 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; and
- High quality standards (including compliance with COLTO and SABS standards).

Review of 2018

Financial performance

	Audited February 2018	Audited February 2017	% change
Revenue (R'000)	**1 582 671**	1 553 285	1,9
Contributions from operations (R'000)	**343 651**	374 986	(8,4)
Contributions from operations' margin (%)	**21,7**	24,1	
Capital expenditure (R'000)	**140 177**	106 234	
Headcount	**1 431**	1 406	

The **Aggregates and Industrial Minerals** segment delivered solid results in particular the mineral producing operations across all regions as well as the Western Cape aggregates business. The impact of the slow-down in the last months of 2017 was felt more strongly in KwaZulu-Natal and southern Gauteng where the operations of Glen Douglas and Clinker experienced reduced volumes in the last quarter of the 2017 calendar year. The start of 2018 saw demand increase, but not sufficiently to compensate for the poor demand of the last quarter.

The acquisition of the Emfuleni Clinker Ash Dump, situated in Vereeniging and in close proximity to Afrimat's clients, will ensure an additional three to four years to the lifespan for the Clinker Group. The Clinker Group management team continues to investigate further options in order to secure additional clinker resources for the group.

The Mozambican operations experienced renewed activity in January 2018 when an order to supply construction materials to the resettlement village in Palma was received. Afrimat has reestablished operations and was at full production during the month of May 2018. The Final Investment Decision for the main LNG project has not yet been made, but it is expected to be made during 2018 and Afrimat is well positioned to tender on requirements.

CONCRETE BASED PRODUCTS (INCLUDING READYMIX)

Highlights FY2018

- Ongoing turnaround strategy in place at the KwaZulu-Natal operations.

Key distinguishing features

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

Review of 2018

Financial performance

	Audited February 2018	Audited February 2017	% change
Revenue (R'000)	**622 338**	674 872	(7,8)
Contributions from operations (R'000)	**20 721**	39 238	(47,2)
Contributions from operations' margin (%)	**3,3**	5,8	
Capital expenditure (R'000)	**14 610**	17 037	
Headcount	**849**	822	

The **Concrete Based Products** segment was impacted by difficult market conditions. The company's strategy remains focused on assets with a competitive advantage.

OPERATIONAL REVIEWS (continued)

COMMODITIES

Highlights FY2018

- DIRO name change to Demaneng to symbolise a fresh start;
- Commissioning of a new load out facility to enable Afrimat to load trains on the Sishen-Saldanha railway line;
- Final product sale agreement concluded on 16 August 2017;
- Dense medium separation ('DMS') plants capacity was proven to be able to achieve ±80 000 ton per month and optimisation exercises are driven to achieve the 1 million ton target per annum;
- A new crushing unit was installed and commissioned; and
- 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% ferrum ('Fe');
- An in-house test laboratory is used for continuous process control; and
- Quality and specification statements are generated by an outsourced accredited laboratory.

Review of 2018

Financial performance

	Audited February 2018	Audited February 2017	% change
Revenue (R'000)	**251 773**	n/a	n/a
Contributions from operations (R'000)	**(33 443)**	n/a	n/a
Contributions from operations' margin (%)	**(13,3)**	n/a	
Capital expenditure (R'000)	**41 633**	n/a	
Headcount	**96**	n/a	

Afrimat created a **Commodities** segment by entering the iron ore industry. It concluded an agreement to purchase 60% of Demaneng, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. The acquisition became unconditional following section 11 approval by the DMR, effective 30 June 2017. Furthermore, Afrimat concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake, effectively from 31 July 2017.

As a direct result of much improved commodity prices, it was decided to accelerate the ramp-up of Demaneng. Expenses increased substantially in-line with the accelerated ramp-up. The mine reached its design production capacity of one million tons per annum at the end of February 2018. All processing equipment has been commissioned. A new load out facility has also been commissioned that enables Afrimat to load trains on the Sishen-Saldanha railway line.

OTHER

Highlights FY2018

- Full roll out of enterprise resource planning financial software to all business units within the group;
- Group sustainability function ensured a high compliance standard;
- Group shared services function geared to support growth;
- Establishment of a well-equipped workshop infrastructure;
- Establishment of an employee benefit scheme through the Afrimat BEE Trust. Two dividend pay-outs were effected during the year;
- Significant investment in technology and infrastructure; and
- Automisation of monthly and annual reporting by means of utilising intelligent business tools.

Review of 2018

Financial performance

	Audited February 2018	Audited February 2017	% change
Contributions from operations (R'000)*	**20 869**	(8 623)	342,0
Capital expenditure (R'000)**	**5 800**	11 250	
Headcount	**75**	70	

* *Includes a loss incurred by Afrimat Bulk Commodities Proprietary Limited. This entity was reclassified to the 'Commodities' segment in FY2018 when iron ore production commenced.*

** *FY2017 includes investment towards IT technology.*

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

FIVE-YEAR REVIEW

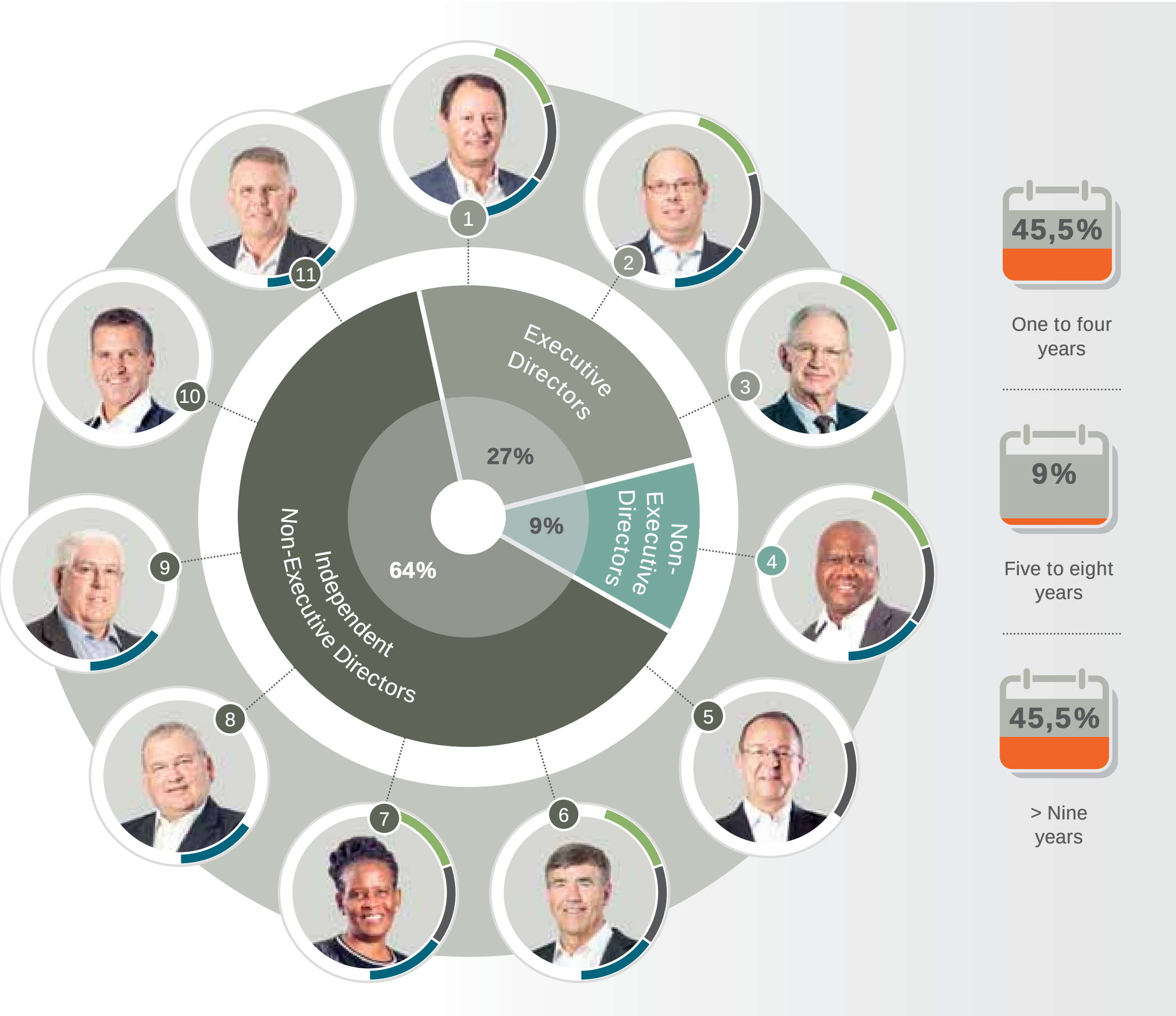
	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Financial results and status					
Revenue	**2 456 782**	2 228 157	1 969 786	1 998 600	1 901 187
Aggregates and Industrial Minerals	**1 582 671**	1 553 285	1 409 937	1 422 305	1 346 029
Commodities	**251 773**	–	–	–	–
Concrete Based Products	**622 338**	674 872	559 849	576 295	555 158
Revenue split					
Aggregates and Industrial Minerals	**64,42%**	69,71%	71,58%	71,17%	70,80%
Commodities	**10,25%**	–	–	–	–
Concrete Based Products	**25,33%**	30,29%	28,42%	28,83%	29,20%
Contribution from operations	**351 798**	405 601	321 688	273 749	228 272
Aggregates and Industrial Minerals	**343 651**	374 986	281 838	220 255	195 235
Commodities	**(33 443)**	–	–	–	–
Concrete Based Products	**20 721**	39 238	40 878	55 051	30 409
Unsegmental	**20 869**	(8 623)	(1 028)	(1 557)	2 628
Operating profit	**350 399**	406 595	320 388	280 047	229 698
Aggregates and Industrial Minerals	**342 252**	371 937	280 538	226 553	196 661
Commodities	**(33 443)**	–	–	–	–
Concrete Based Products	**20 721**	39 238	40 878	55 051	30 409
Unsegmental	**20 869**	(4 580)	(1 028)	(1 557)	2 628
Profit after tax	**245 378**	279 394	224 192	200 342	162 965
Headline earnings	**246 216**	278 296	222 755	193 282	155 416
Net operating assets	**1 758 415**	1 309 760	986 455	965 891	920 053
Total assets	**2 590 629**	2 323 781	1 647 706	1 567 671	1 479 417
Total equity	**1 229 320**	1 206 919	1 025 086	949 437	837 963
Total liabilities	**1 361 309**	1 116 862	622 620	618 234	641 454
Net cash from operating activities	**200 960**	406 046	320 339	261 646	243 860
Number of ordinary shares in issue ('000)	**143 262**	143 262	143 262	143 262	143 262
Less: Number of treasury shares ('000)	**6 654**	7 188	1 919	506	1 049
Net number of ordinary shares in issue ('000)	**136 608**	136 074	141 344	142 757	142 214
Weighted number of ordinary shares in issue ('000)	**136 271**	141 713	142 240	142 524	142 620
Profitability ratios					
Contribution from operations' margin					
Aggregates and Industrial Minerals	**21,71%**	24,14%	19,99%	15,49%	14,50%
Commodities	**(13,28%)**	–	–	–	–
Concrete Based Products	**3,33%**	5,81%	7,30%	9,55%	5,48%
Total	**14,32%**	18,20%	16,33%	13,70%	12,01%
Operating profit margin					
Aggregates and Industrial Minerals	**21,62%**	23,95%	19,90%	15,93%	14,61%
Commodities	**(13,28%)**	–	–	–	–
Concrete Based Products	**3,33%**	5,81%	7,30%	9,55%	5,48%
Total	**14,26%**	18,25%	16,27%	14,01%	12,08%
Earnings per ordinary share (cents)	**180,3**	196,0	156,2	139,0	108,3
Headline earnings per share (cents)	**180,7**	196,4	156,6	135,6	109,0
Dividends declared (cents)					
Interim	**20,0**	20,0	16,0	13,0	11,0
Final	**42,0**	50,0	41,0	37,0	28,0
Total	**62,0**	70,0	57,0	50,0	39,0

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
PBIT return on net operating assets/liabilities	**19,93%**	31,04%	32,48%	28,99%	24,97%
Return on shareholders' funds	**20,03%**	23,06%	21,73%	20,36%	18,55%
Utilisation of assets ratios					
Revenue:fixed assets ratio	**1,73**	2,11	2,58	2,75	2,86
Revenue:net operating assets ratio	**1,40**	1,70	2,00	2,07	2,07
Net asset value per share (cents)	**893**	881	720	656	579
Tangible net asset value per share (cents)	**673**	731	615	549	470
Capital expenditures					
Aggregates and Industrial Minerals	**140 177**	106 234	105 880	136 144	99 039
Commodities	**41 633**	–	–	–	–
Concrete Based Products	**14 610**	17 037	23 411	19 138	20 376
Unallocated	**5 800**	11 250	1 973	7 185	1 911
	202 220	134 521	131 264	162 468	121 326
Liquidity and solvency ratios					
Current assets:current liabilities	**1,00**	0,99	1,42	1,29	1,30
Debt/overdraft less cash:equity	**35,53%**	19,81%	3,47%	10,23%	15,53%
Total liabilities:shareholders' funds	**110,74%**	92,54%	60,74%	65,12%	76,55%
Dividend cover (based on headline earnings)	**2,77**	2,78	2,73	2,80	2,78
Interest cover	**12,69**	35,34	27,13	21,31	14,58
Productivity, efficiencies and consumption					
Number employees at year-end	**2 451**	2 298	2 257	2 220	2 381
Revenue per weighted number of employees	**1 002**	970	873	900	798
Depreciation	**122 566**	98 628	79 585	74 048	93 920
Amortisation of intangible assets	**1 727**	2 003	2 296	2 562	2 981
	124 293	100 631	81 881	76 609	96 902
Electricity usage	**73 386**	71 755	60 936	53 373	50 663
Fuel usage	**136 339**	107 297	112 679	143 405	151 221
– Average fuel price (Western Cape) (rand/litre)	**12,79**	11,80	11,76	12,45	12,29
Cement usage	**165 003**	174 955	133 700	153 243	190 359
Lost time injuries frequency rate	**0,47**	1,04	0,77	1,03	1,44

04 GOVERNING STRUCTURES AND DELEGATIONS

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. Attendance of board and board committee meetings are as follows:



Director	Board meetings	Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee	Non-executive meetings	Length of service (years)
1. Andries J van Heerden (52) **(CEO)** BEng (Mech), MBA, Government Certificate of Competence, Advanced management programme	4/4	4/4+	3/3+	2/2		**11**
2. Pieter GS de Wit (44) **(CFO)** BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax, MBA (Cum Laude)	4/4	4/4+	3/3+	2/2+		**2**
3. Gert J Coffee (67) BSc BEng (Mech) (Industrial)	4/4			2/2		**8**
4. Loyiso Dotwana (54)*○ BSc Civil Eng	4/4	4/4	3/3	2/2	4/4	**11**
5. Francois M Louw (57)◊◆ Appointed 14 November 2017 BEng (Mech), MBA	1/1		1/1			**1**
6. Marthinus W von Wielligh (66)◊● **(Chairman)** BSc (Mech Eng), MBA, Stanford Executive Programme	4/4	4/4	3/3	2/2	4/4	**11**
7. Phuti RE Tsukudu (64)◊■ MEd, Postgraduate Diploma in Adult Education BA (SW)	3/4	1/1	2/3	1/2	3/4	**9**
8. Jacobus F van der Merwe (64)◊ BCompt (Hons), CA(SA), Associate member of the Chartered Institute of Building	4/4	4/4			4/4	**3**
9. Hendrik JE van Wyk (74)◊# BCompt (Hons), CA(SA)	4/4	4/4			4/4	**11**
10. Johannes HP van der Merwe (53)◊ Appointed 1 March 2017 CA(SA), Master in Income Tax, MPhil Finance, Advanced Management Programme, Challenge of Leadership	4/4				4/4	**1**
11. Helmut N Pool (56)◊ Appointed 1 March 2017 BCom (Law)	4/4	3/3			4/4	**1**
Meeting attendance 2018 (%)	**98**	**100**	**90**	**90**	**96**	
Meeting attendance 2017 (%)	**100**	**100**	**100**	**100**	**100**	

** Non-executive*
◊ Independent non-executive
 # Audit & Risk Committee Chairman
● Nominations Committee Chairman
■ Remuneration Committee Chairman
○ Social, Ethics & Sustainability Committee Chairman
◆ Investment Review Committee Chairman
+ Invitee

GOVERNANCE STRUCTURE

Statement of compliance

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

Overall, the board is satisfied with the performance of the chairman, the committees and the chairmen of the committees.

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 Matie 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.

BOARD

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

Executive directors

- Andries J van Heerden (CEO)
- Pieter GS de Wit (CFO)
- Gert J Coffee

Non-executive directors

- Loyiso Dotwana

Independent non-executive directors

- Marthinus W von Wielligh (Chairman)
- Phuti RE Tsukudu
- Francois M Louw
- Jacobus F van der Merwe
- Hendrik JE van Wyk
- Johannes HP van der Merwe
- Helmut N Pool

The board meets four times per year.

Board Committees

	Audit & Risk Committee	**Remuneration & Nominations 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 make recommendations to the board with regard to any adjustments that are deemed appropriate.
Members	Hendrik JE van Wyk (Chairman) Loyiso Dotwana Helmut N Pool Jacobus F van der Merwe Marthinus W von Wielligh	Marthinus W von Wielligh (Chairman – Nominations committee) Phuti RE Tsukudu (Chairman – Remuneration committee) Loyiso Dotwana Francois M Louw
Number of independent director members	4	3
Number of meetings per year	4	3
Self-evaluation completed	Yes	Yes
	For further information see page 51.	**For further information see page 51.**

	Board Committees		Executive Committees	
	Social, Ethics & Sustainability Committee	**Investment Review Committee**	**Strategic Committee**	**Management Committee**
Role	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 with operational matters.
Members	Loyiso Dotwana (Chairman) Gert J Coffee Phuti RE Tsukudu Andries J van Heerden Marthinus W von Wielligh	Francois M Louw (Chairman) Pieter GS de Wit Johannes HP van der Merwe Helmut N Pool	Andries J van Heerden (Chairman) Pieter GS de Wit Gert J Coffee Grant Dreyer Louis R Loubser Marthinus G Odendaal Carl P Malan Davin V Giles Collin Ramukhubathi Anton Barnard	Executive directors Regional directors Various departmental, regional and operational heads
Number of independent director members	2	3	n/a	n/a
Number of meetings per year	2	n/a*	n/a	n/a
Self-evaluation completed	Yes	n/a*	n/a	n/a
	For further information see page 51.	**For further information see page 51.**		

** New committee, these will be completed in the next financial year.*

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.

Our board

Directors appointed by the board between AGM, 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. Francois M Louw was appointed as an independent non-executive board member with effect from 14 November 2017.

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 154 and 155 of the 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.

The board has appointed Francois M Louw, as the lead independent director in terms of King IV, principle 7.26, despite there being an independent non-executive chairman, thereby ensuring a balance of power and authority remains on the board and no one individual has unfettered decision-making power.

1 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 FY2018 evaluation indicated an adequate discharge of responsibilities and no exceptions were identified. This is supported by a development and succession plan.
- To improve the effectiveness of the directors and to understand the company's business, the Afrimat directors scheduled key company site visits during the year. These included visits to the KwaZulu-Natal, Glen Douglas and the Demaneng operations. These visits are vital in order to provide context to any board deliberations.

2 Board skill and composition

Diversity		Gender	
82%	18%	91%	9%
White	Black	Male	Female

- Afrimat has a unitary board of 11 members, with a balance of skills and experience. The board consists of a majority of non-executive directors (8 out of 11), of whom the majority are independent (7 out of 8).
- There is a strong representation of engineering experience, blended with diversity of experience in other disciplines to strengthen the board's collective business acumen.
- The Remuneration & Nominations Committee ensures that there is proper succession planning for the board. Director appointments are made by the board in a formal and transparent manner and are ratified at the following AGM.
- 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.
- The board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. Successions are planned well in advance, so that newly appointed individuals have an opportunity to learn about their new role before the actual succession occurs. The company strives to improve its talent pool and reports back to the directors on a quarterly basis by tabling the current talent pool and their development needs.

3 Information and communication

- There is full disclosure from board committees to the board. Committee chairmen provide the board with a verbal report on recent committee activities at each board meeting, and the minutes of committee meetings are available to the directors in support thereof. Board members receive packs for each committee meeting held.
- 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 time. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the group.

4 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. For the year under review there were no material conflicts of interest.
- 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.

5 Independence

- Afrimat believes that there are a sufficient number of independent non-executive directors on the board of directors to create a suitable balance of power and prevent the dominance of the board by one individual or by a small number of individuals.
- The classification of independent non-executive directors is determined by the board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King IV. During FY2016, a rigorous review of independence and performance was performed on Marthinus W von Wielligh and Hendrik JE van Wyk. An annual independence review will be conducted on all directors serving in an independent capacity for longer than nine years. A rigorous review of independence will be performed on Phuti RE Tsukudu in FY2019, and annually thereafter.

Company secretary

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

05 GOVERNANCE FUNCTIONAL AREAS

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, Executive 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, except the approval of the increased debt: equity ratio, which was above 25%, as a result of the Demaneng acquisition and the acquisition of the Emfuleni Clinker Ash Dump.

Key business risks and opportunities

Key business opportunities and risks are discussed comprehensively by the board during their 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.

Risk management process

Risk register

- 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

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

Risk incidents reporting

Risk incidents must be reported as follows:

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

Adherence to key controls

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
- Whistle-blowing hotline.

Identifying principle 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

MACROECONOMIC

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

- Baseline risk assessment, quarterly
- Mini HIRA

OPERATIONAL

Which are managed proactively by implementing policies and process controls.

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

STRATEGIC

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, DMR 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, ie sustainability; and
- external assurance providers – external consultants, industry bodies, DMR 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 FY2018, 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. (For further detail on this and other risks, see group strategy, material issues and key risks on page 34.)

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

External audit

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

Internal audit

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

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

During the current year Andre Smith, a chartered accountant, was the CAE and in this role reports directly to the chairman of the Audit & Risk Committee and has unhindered access to the board and group Chairman. Subsequent to year-end, Carole Seddon will assume the responsibilities of the CAE and will oversee the internal audit function with effect from 1 May 2018.

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.

LEGAL AND MINING RIGHT COMPLIANCE

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

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

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

The DMR performs random inspections and scheduled audits at the group's mining operations and management addresses all issues identified. No fines for infringement were incurred.

According to social and labour plan compliance, the group achieved 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 engineers, geologists, mechanical engineers and environmental specialists.

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

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

OUR EMPLOYEES

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

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

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

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

We have identified industrial action as a high risk (see material issues on page 40). 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;
- Solidarity Trade Union;
- National Union of Metal Workers of South Africa;
- Building Wood and Allied Workers Union of South Africa;
- National Domestic Security Agriculture and Allied Workers Union;
- Association of Mineworkers and Construction Union; and
- United Association of South Africa.

Skills development

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

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

Training and skills development is divided in four main categories, namely:

- **Core business skills:** Plant equipment, maintenance programmes, examine and make safe, blasting assistance, blasting practices, material testing, computer literacy, all the learnership programmes (boilermakers, diesel mechanics, fitters, electricians), adult educational training, health and safety training and sales training;
- **Statutory training:** Firefighting, first aid, driver licences, operator licences, SHE courses, and mine regulations;
- **Strategic training:** Leadership and management development programmes, study assistance to selected employees at tertiary institutions, ie diplomas, degrees and post degree qualifications; and
- **Human Resource Information System ('HRIS') training:** All training and development interventions are recorded on the internal HRIS. HRIS provides management with valuable information in terms of employee development programmes and progress. The system ensures effective reporting to the various Skills Education Training Authorities and assists with information required for workplace skills plans and annual training reports.

FY2018 review

R32,3 million
(2017: R27,6 million)
committed to skills development, bursaries, training, learnerships and internships for the year

76,7% of this expenditure was in respect of black employees

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

Afrimat's HRD department is responsible for identifying needs across the group and implementing and monitoring training initiatives.

We focused on lower skills levels, as we see these as integral to entrenching our positive culture of teamwork and empowerment.

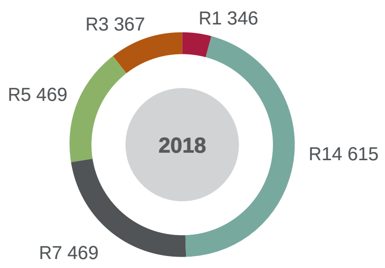
Skills initiatives

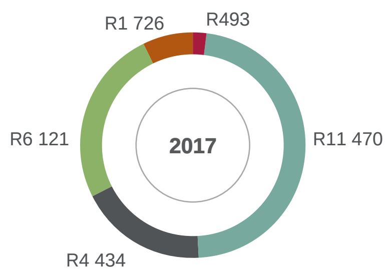
Initiative	Detail	Target participants
Talent Management Programme	Targeted at the group's top employees. The programme is aimed at managing their performance and retention through recognition, reward and motivation, and in doing so developing young talent for good succession planning. We ensure that these employees remain abreast of new technology and are equipped with appropriate leadership skills for future promotion.	The group's top 60 employees are identified through a prescribed evaluation process.
Afrimat Management Development Programme	A three-year in-house programme, custom-designed for Afrimat's employees as part of its strategy to create a sustainable team for the future. This eight-module programme focuses on technical and leadership development. During the year, 71 and 48 employees completed Module 2 ('M2') and 3 ('M3') of the eight-module programme, respectively. M2 being Mine Management and M3 being Plant equipment and maintenance management.	Production managers, quarry supervisors, concrete products production managers and supervisors of readymix and concrete products plants.
Afrimat Graduate Development Programme	A two-year programme where Afrimat, in partnership with the Mining Qualification Authority ('MQA'), the Mining sector SETA, hosts external qualified engineering technicians and graduates as interns. The interns follow a structured programme that exposes the interns to all the disciplines and business units of the group and with specific focus on their respective fields of expertise. During the year, 14 internships were in place. In the event that a suitable vacancy is available in the group, these interns are considered for placement.	Engineering technicians and graduates in the field of mining, mechanical engineering, geology, civil and environmental management.
Afrimat Internships	Afrimat also provides workplace experience for non-MQA candidates who have completed their studies. During the year, 10 internships were undertaken.	External persons who have completed their studies in the field of finance, human resources, safety and health and compliance.
Afrimat Learnerships	The Afrimat Learnership Programme focuses on the recruitment of learners to be trained and developed as qualified artisans and for other technical occupations in the group. During the year 42 artisan learnerships and three other learnerships were in place. During the year, 16 learners successfully passed their trade tests and qualified as accredited artisans in their respective fields. These qualified learnership employees are considered for placement, in the event that a suitable vacancy is available in the group.	Employees and external persons with the required aptitude.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 35 employees were assisted of which 18 were black employees.	Employees who will benefit by improving their qualifications.

OUR EMPLOYEES (continued)

Initiative	Detail	Target participants
Leadership development for Afrimat employees	Afrimat implemented an internal leadership development programme – Afrilead – for junior and middle level employees. During the year, 59, 58 and 53 employees completed Module 1 ('M1'), 2 and 3 of the three-module programme, respectively. M1 being Leading Self; M2 being Leading Others and M3 being Leading Business and Community.	Employees nominated by their business unit leaders as potential senior leaders of the future.
	Afrimat continued developing their senior management in terms of Strength Finder coaching, Self-deception and Leadership challenge modules. During the year, 580 coaching interventions of these leadership modules were completed.	Senior managers in group (Management Committee and one level down).
Adult Education Training	Numeric and communications skills improvement programmes for selected employees. During the year 219 employees participated in these programmes.	Assessed and selected employees with education levels lower than Grade 9.
Statutory Training	Compulsory and legislative training as prescribed by the industry and includes training such as firefighting, first aid, health and safety and operator licences. During the year, 637 employees received statutory training.	Responsible employee representatives and/or employees per operation.
Core Business Skills	Training interventions required all employees to function effectively in their current positions. The group had 739 training interventions related to core skills.	All employees.

Training and development initiatives (R'000)





2018

- Bursaries/study loans **4,17%**
- Training costs **45,30%**
- Skills development department costs **23,15%**
- Learnerships **16,95%**
- Internship remuneration **10,43%**

2017

- Bursaries/study loans **2,03%**
- Training costs **47,31%**
- Skills development department costs **18,29%**
- Learnerships **25,25%**
- Internship remuneration **7,12%**

REMUNERATION

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

The committee is an independent and objective body, which monitors and strengthens the credibility of the group's executive remuneration system. It ensures that executive remuneration is linked, in part, to individual performance, the group's performance and market conditions and benchmarks. The committee considers and makes recommendations to the board on remuneration packages and policies in this regard. It is therefore authorised by the board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the group. The requirement for external advisors is assessed annually in 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. During the prior year, Afrimat obtained the services of PricewaterhouseCoopers Inc. concerning its long-term share appreciation rights scheme to ensure the alignment with best practice. The alignment will ensure the attraction and retention of the right calibre employees required to deliver towards the group's strategy.

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 manages 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 remunerations are disclosed in the integrated annual report on page 132.

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 2017 AGM passed the non-binding advisory note. During the current year, various amendments to the company's remuneration policy were suggested and adopted by the committee. These included amendments because of the adoption of King IV as well as a value-added tax guide issued in terms of non-executive director services provided.

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

Share appreciation right plan ('SAR')

A new SAR plan has been drafted and approved by the committee. Upon recommendation of the CEO, the committee 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, eg if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares (five 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% of the number of issued shares at the date of adoption of the SAR. 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. This is considered in line with best market practice. The limits will be aggregated with the forfeitable share plan as discussed below.

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.

REMUNERATION (continued)

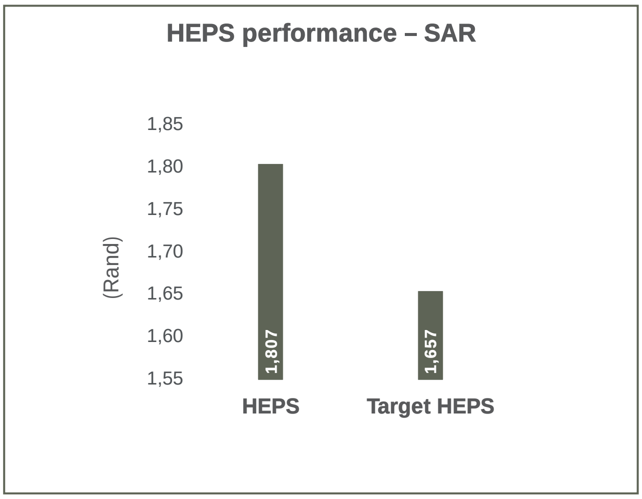
The achievement of the performance conditions for the SAR awards vesting during the year is as follows:

Performance measure	Targets
Target year 3	HEPS growth of CPI for each of the three years + 6% from base year
Target year 4	HEPS growth of CPI for each of the four years + 8% from base year
Target year 5	HEPS growth of CPI for each of the five years + 10% from base year

Vesting of Grant 10 SAR allocation

The performance conditions for the Grant 10 SAR allocation vesting on 19 May 2018 were tested to determine if vesting had been achieved.

The performance condition for SARs is HEPS growth of 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 2015 SAR, against HEPS. HEPS achieved was 180,7 cps, 9,05% above the target HEPS of 165,7 cps. Based on the outcome, the May 2015 allocations have vested and will be exercisable as from May 2018. Should the allocation not have vested the performance conditions would have been retested in May 2019 and May 2020 based on the provided performance measures.



Forfeitable share plan ('FSP')

During the current year, a FSP was introduced as a long-term incentive for selected employees. Forfeitable shares are granted under the forfeitable share plan ('FSP'), to executives and key employees to encourage delivery of the group's business strategy and to serve as a retention mechanism.

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 (ie dividends and voting rights) from grant. The committee will determine whether the forfeitable shares are subject to performance conditions (performance shares) or not (restricted shares). 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. For performance shares, upon vesting the achievement of the performance criteria stipulated in the FSP plan rules (and agreed with participants in terms of grant letters) will determine whether individuals will forfeit any shares and the quantum of shares they will retain. The vesting period of the FSP is typically three to five 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 and the extent to which performance conditions were met.

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

Remuneration policy

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

The group's executives are remunerated in terms of a remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme and a forfeitable share plan. The remuneration packages are structured on a 'cost to company' basis and include contributions to health care 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 KPIs, including risk management efficacy. Details of the share appreciation rights scheme for executive directors and senior management are disclosed on page 111 of this report. No awards in terms of the forfeitable share plan have been made to date. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

Detailed disclosure of the CEO performance scorecard is as follows:

Key performance areas	Weight	Performance: Target	Performance: Actual	Performance rating
Financial returns	16,67	HEPS, operating profit margin, RONA, working capital management and ROE	Actual performance was hampered by the inclusion of the start-up of the commodities segment and general market conditions	Partial performance
Safety, health and environment	16,67	0,8 LTIFR, No reported environmental compliance incidence and clean audit result with health legislation compliance	0,47 LTIFR, no reported incidence and clean audit result	Full performance
People management	16,67	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	Full performance
B-BBEE	16,67	Compliance to revised B-BBEE criteria	Comply with all targets in mining charter and employment equity plans. Improvement on all targets	Full performance
Business strategy	16,67	Approved strategy which focus on five-year growth objective	Cost reduction optimisation, sustainable HEPS growth	Full performance
Ensuring Afrimat has a positive image with investors	16,67	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	Full performance
				Full performance

REMUNERATION (continued)

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 and race;
- participation of all permanent employees in some form of short-term incentive scheme; 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. All permanent employees participate in some form of incentive scheme. The incentive design is based on a committee-approved percentage of profit/earnings comprising the overall company bonus pool. This ensures that the bonus is self-funded and affordable. The distribution to individual employees of this bonus pool is based on the meeting of performance metrics.

Employee share benefit scheme

Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6,6 million shares representing 4,64% 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.

Qualifying employees will be an individual who must:

- be a permanent employee of the group for at least three uninterrupted years;
- not be serving his/her notice period; and
- not be participating in any other incentive scheme of the group, including the Afrimat Group's annual short-term incentive or such other similar incentive scheme operated by the group. The participation by the qualifying employee in a monthly production 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, ie dividends commensurate with his/her participation rights.

At least 85% of the beneficiaries under the revised scheme shall be black people. The company's qualifying employees constitute a spread of more than 85% black people.

Staff

Collective wage increases for employees in bargaining units, ie where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. The general manager: human resources heads negotiations. Trade union membership in bargaining units comprises 63,0% (2017: 62,2%) of the total workforce.

Pay mix

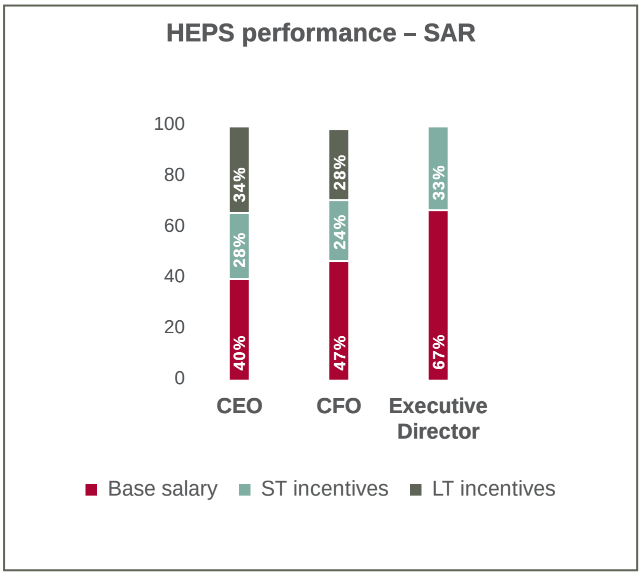
Remuneration packages of executives consist of a combination of:

- Annual compensation
  - Base salary
  - Pension and medical payments
  - Other perks including travel allowances
  - Short-term ('ST') incentive bonus tied to the annual performance of the company
- Long-term ('LT') compensation
  - Share appreciation rights
  - Forfeitable shares

The company ensures that the salaries of executives constitute a mix of fixed and variable elements as well as short-term and long-term compensation. In terms of the group's remuneration policy, it weighs the variable remuneration of executives heavier than guaranteed remuneration. Variable remuneration is subject to performance conditions, which need to be met. Base salary of executives are benchmarked against Deloitte's annual industry remuneration paper and the research of external consultants, Compensation Technologies, who are employed particularly for this purpose to ensure independence and integrity of information. The industry remuneration paper reflects the median levels based on the role and individual skills and experience of key individuals. The FY2018 benching study revealed that the CEO's base salary was below the median as described, resulting in a more than market-related increase percentage being presented to the board for approval.

Share appreciation rights and forfeitable shares are issued to executives to align the interest of executives with those of the shareholders. The award of options and forfeitable shares to key management is recommended by the Remuneration & Nominations Committee and approved by the board. Refer to note 15 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:



Employment contracts

Refer to note 35 of the annual financial statements for further information.

Non-executive directors' remuneration

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

The remuneration of non-executive directors are paid monthly and does not include ST or LT 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 following table:

Type of fee	**Proposed annual fee 2018/19 R**	Existing annual fee 2017/18 R
Board		
Chairman	**649 500**	607 000
Board member	**227 900**	213 000
Audit & Risk Committee		
Chairman	**136 750**	127 800
Member	**75 230**	70 300
Remuneration & Nominations Committee		
Chairman – Remuneration	**53 500**	50 000
Chairman – Nominations	**53 500**	50 000
Member	**41 950**	39 200
Social, Ethics & Sustainability Committee		
Chairman	**64 950**	60 700
Member	**41 950**	39 200
Investment Review Committee		
Chairman	**64 950**	n/a

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.

Service contracts: Non-executive directors

A daily rate of R15 000 for non-executive directors is currently paid for extraordinary duties. A daily rate of R20 000 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.

Shareholder engagement

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

The company will put the remuneration policy and implementation report (refer to page 155 of the notice of AGM) to two separate non-binding 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.

INFORMATION TECHNOLOGY AND BUSINESS SYSTEMS ('ITBS') REPORT

Overview

During the current year, group ITBS positioned itself in such a way that it will be able to utilise all opportunities that might arise from any economic upswing, despite the difficulties and challenges the country experienced on the political front.

We have migrated all our subsidiary financial and operational systems to Sage 300 Enterprise Resource Planning ('ERP'). Furthermore, we upgraded our wide area network ('WAN') to business level architecture for all sites, to be able to capture data as close to source as possible. We also completed the first phase of our business intelligence ('BI') platform by implementing systems that allow us to measure maintenance, production and financial performance at all business levels, by the click of a button.

We continue to strengthen the group's ITBS governance structures through executive and non-executive oversight of all ITBS matters. Independent experts are co-opted to support the future growth and to assist with the selection of the best possible solution for the task.

As an integral part of our business, group ITBS adheres to the relevant governance frameworks, standards and policies as set by ISO, COBIT and King IV.

Our strategy

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.

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

- is it aligned with the company strategy and goals?;
- is it meaningful?;
- do all agree?;
- is it really what we want?; and
- when will it be achieved?

In the execution of new implementations or business plans, we will follow one cause until success is achieved.

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 two folded. Firstly, to ensure that all company data is backed up and back-ups checked and tested for reliability on a daily basis. Secondly, to make sure 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:

- the deployment of the right network infrastructure;
- network access security (cyber attacks) and intellectual property ('IP') protection;
- deployment of Sage ERP to all Afrimat sites;
- use of the operational income statement ('OIS') in all business units to ensure data integrity;
- standardisation of financial reporting directly out of Sage ERP without manual intervention or Excel exports; and
- the daily availability of financial reports 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 BI and data mining software.

The structure of group ITBS 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 this regard.

Our weekly business plan review ('BPR') meeting oversees the detail actions and progress, align the efforts with the strategy and 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. Detail of current and completed projects, the ITBS strategy, a list of ITBS risks, the ITBS governance framework, the financial framework to ensure data integrity and the group ITBS function review are included in this communication.

The future

In most cases, the application of IT 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 hard, or in most cases, very expensive to change or get rid of.

For the past year, we focused on our cyber security strategy, which proved to be a huge success, with all major attacks blocked. This led to the discovery of potential future enhancements to our cyber security strategy.

The next focus item includes the implementation of a financial framework to assist all subsidiaries to execute day, week and month-ends in a standardised manner to ensure financial data integrity and timeous financial reporting.

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) 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 latest industrial revolution is changing the way in which business is conducted. 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.

As a legacy, Microsoft Excel is still deployed for financial reporting. In the process of streamlining the financial reporting capabilities, we embarked on a mission to eliminate all Excel reports by deploying a reporting tool, Adaptive Insights, to create all financial reports timeously and automatically.

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

Summary

Group ITBS is fully aware and informed of the challenges and opportunities that the business is facing. We are well-placed to support business with these challenges by means of an infrastructure that is stable and agile, systems that support the business processes, business intelligence that is built on world standards and a disaster recovery strategy that support business continuity.

06 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, as amended.

Publication date 22 June 2018.

DIRECTORS' RESPONSIBILITY STATEMENT

The annual financial statements set out on pages 81 to 148 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 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
22 June 2018

DECLARATION BY THE COMPANY SECRETARY

In terms of section 88(2)(e) of the Companies Act, No. 71 of 2008, as amended, I certify that to the best of my knowledge and belief the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act of South Africa, in respect of the financial year ended 28 February 2018 and that all such returns and notices are true, correct and up to date.

Mariëtte Swart
Company Secretary

Cape Town
22 June 2018

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee is pleased to present its report for the financial year ended 28 February 2018 to the shareholders of Afrimat Limited.

Composition

The committee is chaired by independent non-executive director Hendrik JE van Wyk and further comprises independent non-executive board Chairman Marthinus W von Wielligh, non-executive director Loyiso Dotwana, independent non-executive directors Helmut N Pool and Jacobus F van der Merwe. The board of directors is satisfied that these directors act independently for the purposes of the committee. A brief summary of qualifications of the committee members appear on page 51 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 51. 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 advised and updated the board on issues ranging from accounting standards to published financial information.

In accordance with revised International Standards on Auditing, independent auditors' reports for financial years ending on or after 15 December 2016 are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2018, the audit 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 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 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 provide services to all companies in the group.

Risk management

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

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

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

External auditor

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

- the appointment of 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 22 on page 120).

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 was guidance on remuneration practices.

AUDIT & RISK COMMITTEE REPORT (continued)

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

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 therewith.

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

The committee has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2019 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 2019 financial year at the AGM on 1 August 2018.

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 judgement underpinning the 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 financial statements. Where further information is provided in the notes to the financial statements, we have included the note reference. The issues and how they were addressed by the committee are detailed below:

Impairment of intangible assets and goodwill (refer notes 3 and 4)

The committee reviewed management's process for testing goodwill and intangible assets for potential impairment and ensuring appropriate sensitivity disclosure. This included challenging the key assumptions: principally cash flow projections, growth rates and discount rates. The group has significant mining assets and goodwill. No impairments has been identified.

Environmental rehabilitation provision (refer note 18)

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 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 21)

The committee has reviewed revenue recognition practice and the underlying assumptions and estimates.

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

Inventory valuation (refer note 10)

The committee considered the key judgements made by management regarding provisioning for inventory obsolescence and is satisfied that a sufficiently robust process was followed to confirm 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.

Accounting for complex transactions (refer note 28)

Management has applied IFRS 3: *Business Combination*, to the acquisition and recognised an intangible asset as part of the purchase price allocation.

The committee considered the key judgements made by management in accounting for this business combination and the fair value of assets and liabilities used for the calculation of the intangible assets and concur with the conclusion and reporting thereof.

Tax and deferred tax (refer note 9)

The committee considered the recognition of deferred tax assets in relation to the rehabilitation provision. 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.

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.

Hendrik JE van Wyk
Audit & Risk Committee Chairman

22 June 2018

INDEPENDENT AUDITOR'S REPORT

for the year ended 28 February 2018

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 28 February 2018, 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 84 to 148 comprise:

- the consolidated and separate statements of financial position as at 28 February 2018;
- 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 the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors* ('IRBA Code') and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Our audit approach

Overview

Overall group materiality

- Overall group materiality: R16,2 million, which represents 5% of consolidated profit before tax

Group audit scope

- Full scope audits were performed for all significant components
- Analytical procedures were performed on components that are financially insignificant

Key audit matters

- Environmental rehabilitation provisions
- Impairment of goodwill assessments

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	R16,2 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We selected 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 selected 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 assessment of entities that are significant to the group was performed during our audit planning phase and was aimed to obtain sufficient coverage of the risks of a material misstatement for significant account balances and disclosures identified.

Eleven significant components were identified and were subject to a full scope audit by the group engagement team.

The remainder of the components were considered to be financially insignificant, individually and in aggregate. We performed analytical procedures on the components that were considered to be financially insignificant.

The group consolidation, financial statement disclosures and a number of complex items were audited by the group engagement team. These include goodwill impairment testing, share-based payments, significant acquisitions 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.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 28 February 2018

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provisions	
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. The group applies the guidelines issued by the South African Department of Mineral Resources ('DMR') to determine the rehabilitation liability for submission to the DMR. For International Financial Reporting Standards reporting purposes it utilises its own internal and external environmental experts to determine the value of the environmental rehabilitation liability. We considered the environmental rehabilitation provisions to be a matter of most significance in our audit due to the considerable judgement exercised by management relating to: ▪ When the rehabilitation of each site will take place; and ▪ The costs associated with the rehabilitation activities. As at 28 February 2018, the group's statement of financial position includes environmental rehabilitation provisions of R101,8 million as per note 18 to the consolidated financial statements.	With the assistance of our PwC sustainability and climate change experts, 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 did not note exceptions. ▪ Obtained explanations from management for differences between their policy and the DMR guidelines and found these to be acceptable and supported, taking into consideration the group's specific sites. ▪ Corroborated a sample of inputs used by the group's experts, such as the costs per hectare, with industry benchmarks. ▪ 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. ▪ Assessed the competency and experience of the group's internal and external experts and did not note aspects that required further consideration. In addition, we checked the mathematical accuracy of the calculations and did not identify exceptions.
Impairment of goodwill assessment	
The group has goodwill of R190,7 million allocated to cash generating units ('CGU') as disclosed in note 4 to the consolidated financial statements. The group is required to perform annual impairment tests on goodwill in terms of International Financial Reporting Standards. The recoverable amount of the cash generating units ('CGU') to which goodwill has been allocated was based on value in use calculations, by using discounted cash flows. We considered this to be a matter of most significance in our audit as 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. Management concluded that no impairment was required.	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 prior year signed financial statements; ▪ We compared the inflation rates applied in the forecasted expenditure to economic benchmarks and found them to be consistent; ▪ We assessed the applied revenue growth rate in context of the actual growth rate of the base year and the group's current revenue contracts in place and found it to be reasonable. ▪ We tested the reasonableness of the discount rates applied to each CGU with the assistance of our valuation experts. This was performed by recalculating the entities' cost of capital with reference to industry benchmarks and economic forecasts. Based on these procedures performed, we found the discount rates to be within a reasonable range. Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions on the available headroom. We evaluated this by performing an independent sensitivity analysis. This was done by changing inputs such as growth rates applied to revenue and expenses as well as discount rates. The results of our procedures indicated sufficient headroom for reasonably possible changes in key assumptions.

Separate financial statements

We have determined that there are no key audit matters in respect of the separate financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Afrimat Limited 2018 integrated annual report* which includes the 'Directors' Report', the 'Audit & Risk Committee's Report' and the 'Declaration by the Company Secretary' as required by the Companies Act of South Africa and the other sections of the *Afrimat Limited 2018 Integrated Annual Report*, which we obtained prior to the date of this Auditor's Report. Other information does not include the consolidated and 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 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, 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, 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.

INDEPENDENT AUDITOR'S REPORT (continued)

for the year ended 28 February 2018

- 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 one year.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.
Director: Frans HS Weilbach
Registered Auditor

Stellenbosch
22 June 2018

DIRECTORS' REPORT

for the year ended 28 February 2018

The directors of Afrimat present their report for the group for the year ended 28 February 2018.

Nature of business

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

Financial results

The annual financial statements and accompanying notes presented on pages 84 to 148 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 decreased by 8,0% from 196,4 cents to 180,7 cents per share.

Operational review

Impact on the operations are reviewed in detail in the CEO's report and operational reviews (pages 13 and 44), 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, as well as limited information in this integrated annual report.

Accounting policies

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

Dividend

A final dividend of 42,0 cents per share (2017: 50,0 cents per share), 33,6 cents a share (2017: 40,0 cents a share) for shareholders who are subject to dividend tax was declared for the year on 23 May 2018. This is in line with the group's dividend policy of 2,75 times cover.

The total dividend (interim and final) for the year amounts to 62,0 cents per share (2017: 70,0 cents per share).

Taxation

The latest tax assessment of the company relates to the year ended 28 February 2017. All tax submissions up to and including February 2017 have been submitted. Tax returns for 28 February 2018 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 (2017: 1 000 000 000) no par value ordinary shares of which 143 262 412 (2017: 143 262 412) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

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

Mr Gert J Coffee	(executive director)
Mr Pieter GS de Wit	(CFO)
Mr Loyiso Dotwana	(non-executive director)
Mr Francois M Louw	(independent non-executive director)
Mr Helmut N Pool	(independent non-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)

DIRECTORS' REPORT (continued)

for the year ended 28 February 2018

Mrs Phuti RE Tsukudu and Mr Marthinus (Matie) W von Wielligh will retire by rotation at the upcoming AGM and, being eligible, will stand for re-election.

Mr Francois du Toit retired as a non-executive director on 31 August 2017. Mr Francois M Louw was appointed, in his stead, to the board on 14 November 2018 and his appointment must be ratified at the upcoming general meeting.

Directors' and officers' interests in contracts

No material contract in which directors have an interest was entered into during the year other than the transactions detailed in note 32 to the annual financial statements.

Directors' emoluments and employment contracts

Details of directors' emoluments are set out in note 35 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 28 February 2018, is set out on page 149.

Directors' shareholding at 28 February 2018

	Number of securities held				
Director	**Direct beneficial**	**Indirect beneficial**	**Through associates**	**Total**	**% held**
2018					
Gert J Coffee	**680 084**	**–**	**–**	**680 084**	**0,47**
Loyiso Dotwana	**–**	**3 314 529**	**–**	**3 314 529**	**2,31**
Phuti RE Tsukudu	**–**	**–**	**–**	**–**	**–**
Andries J van Heerden	**3 975 026**	**853 564**	**1 198 543**	**6 027 133**	**4,21**
Hendrik JE van Wyk	**–**	**112 000**	**–**	**112 000**	**0,08**
Jacobus F van der Merwe	**14 000**	**–**	**–**	**14 000**	**0,01**
Pieter GS de Wit	**169 215**	**–**	**–**	**169 215**	**0,12**
Marthinus W von Wielligh	**400 000**	**60 000**	**–**	**460 000**	**0,33**
Johannes HP van der Merwe	**–**	**–**	**–**	**–**	**–**
Helmut N Pool	**40 000**	**357 662**	**–**	**397 662**	**0,28**
Francois M Louw	**535 714**	**–**	**–**	**535 714**	**0,36**
	5 814 039	**4 697 755**	**1 198 543**	**11 710 337**	**8,17**
2017					
Gert J Coffee	680 084	–	–	680 084	0,47
Loyiso Dotwana	–	3 314 529	–	3 314 529	2,31
Francois du Toit	–	18 368 902	–	18 368 902	12,82
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	3 975 026	1 101 801	1 198 543	6 275 370	4,38
Hendrik JE van Wyk	–	112 000	–	112 000	0,08
Jacobus F van der Merwe	7 000	–	–	7 000	0,01
Pieter GS de Wit	153 361	–	–	153 361	0,11
Marthinus W von Wielligh	400 000	60 000	–	460 000	0,33
Johannes HP van der Merwe	–	–	–	–	–
Helmut N Pool	–	356 662	–	356 662	0,24
	5 215 471	23 313 894	1 198 543	29 727 908	20,75

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

Non-executive directors’ participation in the BEE share scheme

No non-executive director participated in the Afrimat BEE Trust share purchase scheme during the current year.

Following the implementation of the ARC Transaction in the prior year, all non-executive directors ceased to be participants under the previous scheme. Refer note 35 for further disclosure regarding the pay-out.

Internal control

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

Going concern

The directors have reviewed the group’s cash flow forecast for the year to 28 February 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Litigation statement

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

Refer note 31 for information regarding the referral of one of the company’s subsidiaries to the Competition Tribunal for allegedly charging excessive prices.

Company secretary

Mariëtte Swart is the company secretary. Her business and postal addresses, which are also the registered addresses of the company, are set out on the inside back cover of this integrated annual report.

Auditor

PricewaterhouseCoopers Inc. will continue in office as the external auditor in accordance with section 90 of the Companies Act, No. 71 of 2008, as amended.

Special resolutions

The following special resolutions were passed by shareholders of the company during the year (at the AGM of shareholders held on 2 August 2017), 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 28 February 2018;
- 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 36 for disclosure of events after the reporting date.

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

STATEMENTS OF FINANCIAL POSITION

at 28 February 2018

		Group		Company	
	Note	2018 R'000	2017* R'000	2018 R'000	2017 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	2	**1 417 845**	1 058 240	**–**	–
Investment property		**3 040**	3 040	**–**	–
Intangible assets	3	**12 848**	14 575	**–**	–
Goodwill	4	**287 036**	190 650	**–**	–
Loans to subsidiaries	5	**–**	–	**666 931**	187 540
Investments in subsidiaries	5	**–**	–	**936 973**	919 452
Investment in associate and joint venture		**183**	244	**8**	8
Other financial assets	7	**59 446**	276 942	**8 837**	162 847
Deferred tax	9	**55 115**	30 288	**15 078**	10 564
Total non-current assets		**1 835 513**	1 573 979	**1 627 827**	1 280 411
Current assets					
Inventories	10	**242 124**	162 960	**–**	–
Current tax receivable		**9 181**	9 279	**–**	–
Trade and other receivables	11	**391 603**	332 766	**25 150**	2 344
Other financial assets	7	**–**	107	**–**	–
Cash and cash equivalents	12	**112 208**	244 690	**400**	289
Total current assets		**755 116**	749 802	**25 550**	2 633
Total assets		**2 590 629**	2 323 781	**1 653 377**	1 283 044
EQUITY AND LIABILITIES					
Equity					
Stated capital	13	**266 985**	285 842	**196 105**	217 978
Treasury shares	14	**(59 660)**	(70 999)	**–**	–
Net issued stated capital		**207 325**	214 843	**196 105**	217 978
Reversed acquisition reserve	16	**(105 788)**	(105 788)	**–**	–
Other reserves	16	**5 888**	4 525	**2 205**	1 830
Retained earnings		**1 111 915**	1 085 792	**959 762**	261 320
Attributable to equity holders of the parent		**1 219 340**	1 199 372	**1 158 072**	481 128
Non-controlling interests		**9 980**	7 547	**–**	–
Total equity		**1 229 320**	1 206 919	**1 158 072**	481 128
Liabilities					
Non-current liabilities					
Borrowings	17	**271 954**	94 999	**210 000**	–
Provisions	18	**130 288**	96 190	**–**	–
Deferred tax	9	**207 583**	171 301	**–**	–
Total non-current liabilities		**609 825**	362 490	**210 000**	–
Current liabilities					
Loans from subsidiaries	5	**–**	–	**116 857**	552 069
Other financial liabilities	19	**21 856**	38 111	**–**	–
Borrowings	17	**165 004**	79 090	**72 954**	–
Current tax payable		**11 485**	8 997	**–**	–
Trade and other payables	20	**458 455**	352 150	**42 067**	30 651
Obligation for share of joint venture's losses	6	**4 481**	4 481	**–**	–
Bank overdraft	12	**90 203**	271 543	**53 427**	219 196
Total current liabilities		**751 484**	754 372	**285 305**	801 916
Total liabilities		**1 361 309**	1 116 862	**495 305**	801 916
Total equity and liabilities		**2 590 629**	2 323 781	**1 653 377**	1 283 044

* *Comparative figures were amended due to a measurement period adjustment relating to business combinations, refer note 28.*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 28 February 2018

	Note	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017* R'000
Revenue	21	**2 456 782**	2 228 157	**898 388**	112 724
Cost of sales	22	**(1 699 417)**	(1 464 494)	**–**	–
Gross profit		**757 365**	763 663	**898 388**	112 724
Operating expenses	22	**(406 205)**	(357 897)	**(23 199)**	(22 026)
Profit/(loss) on disposal of plant and equipment		**638**	(165)	**–**	–
Contribution from operations		**351 798**	405 601	**875 189**	90 698
Other net gains and losses		**–**	–	**–**	(13)
Profit on disposal of businesses	26.6	**–**	4 043	**–**	9 825
Impairment of property, plant and equipment	2, 22	**(1 399)**	(3 049)	**–**	–
Operating profit	22	**350 399**	406 595	**875 189**	100 510
Finance income	23	**32 930**	36 073	**19 382**	17 747
Finance costs	24	**(59 432)**	(41 589)	**(101 082)**	(48 915)
Share of (loss)/profit of associate		**(8)**	82	**–**	–
Share of profit of joint venture	6	**–**	1 047	**–**	–
Profit before tax		**323 889**	402 208	**793 489**	69 342
Income tax expense	25	**(78 511)**	(122 814)	**4 514**	6 130
Profit for the year		**245 378**	279 394	**798 003**	75 472
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Net change in fair value of available-for-sale financial assets		**183**	68	**–**	–
Income tax effect on available-for-sale financial assets		**(41)**	(63)	**–**	–
Currency translation differences		**961**	(7 270)	**–**	–
Other comprehensive income for the year, net of tax		**1 103**	(7 265)	**–**	–
Total comprehensive income for the year		**246 481**	272 129	**798 003**	75 472
Profit attributable to:					
Owners of the parent		**245 668**	277 824	**798 003**	75 472
Non-controlling interests		**(290)**	1 570	**–**	–
		245 378	279 394	**798 003**	75 472
Total comprehensive income attributable to:					
Owners of the parent		**246 771**	270 559	**798 003**	75 472
Non-controlling interests		**(290)**	1 570	**–**	–
		246 481	272 129	**798 003**	75 472
Earnings per ordinary share (cents)	33	**180,3**	196,0	**–**	–
Diluted earnings per ordinary share (cents)	33	**179,0**	194,0	**–**	–

* *Comparative figures have been reclassified, refer note 37 for further disclosure.*

STATEMENTS OF CHANGES IN EQUITY

for the year ended 28 February 2018

	Stated capital R'000	Treasury shares R'000	Reversed acquisition reserve R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Group							
Balance at 1 March 2016	263 611	(40 181)	(105 788)	8 619	892 088	6 737	1 025 086
Total comprehensive income							
Profit for the year	–	–	–	–	277 824	1 570	279 394
Other comprehensive income for the year	–	–	–	(7 265)	–	–	(7 265)
Net change in fair value of available-for-sale financial assets	–	–	–	68	–	–	68
Income tax effect	–	–	–	(63)	–	–	(63)
Currency translation differences	–	–	–	(7 270)	–	–	(7 270)
Income tax effect	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	(7 265)	277 824	1 570	272 129
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	6 023	–	–	6 023
Treasury shares used for acquisition (refer note 28)	(312)	23 908	–	–	–	–	23 596
Purchase of treasury shares (refer note 14)	–	(69 310)	–	–	–	–	(69 310)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(28 911)	14 584	–	(2 852)	2 852	–	(14 327)
Effect on disposal of treasury shares to ARC	51 454	–	–	–	–	–	51 454
Dividends paid (refer note 27)	–	–	–	–	(86 803)	(863)	(87 666)
Total contributions and distributions	22 231	(30 818)	–	3 171	(83 951)	(863)	(90 230)
Changes in ownership interests							
Additional non-controlling interest acquired due to:							
– Infrasors	–	–	–	–	(169)	103	(66)
Total changes in ownership interests	–	–	–	–	(169)	103	(66)
Total transactions with owners of the parent	22 231	(30 818)	–	3 171	(84 120)	(760)	(90 296)
Balance at 28 February 2017	285 842	(70 999)	(105 788)	4 525	1 085 792	7 547	1 206 919
Notes	13	14	16	16			

	Stated capital R'000	Treasury shares R'000	Reversed acquisition reserve R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2017	**285 842**	**(70 999)**	**(105 788)**	**4 525**	**1 085 792**	**7 547**	**1 206 919**
Total comprehensive income							
Profit for the year	–	–	–	–	245 668	(290)	245 378
Other comprehensive income for the year	–	–	–	1 103	–	–	1 103
Net change in fair value of available-for-sale financial assets	–	–	–	183	–	–	183
Income tax effect	–	–	–	(41)	–	–	(41)
Currency translation differences	–	–	–	961	–	–	961
Income tax effect	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	**1 103**	**245 668**	**(290)**	**246 481**
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	5 456	–	–	5 456
Purchase of treasury shares (refer note 14)	–	(13 552)	–	–	–	–	(13 552)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(20 357)	11 391	–	(5 196)	5 196	–	(8 966)
Dividends paid (refer note 27)	–	–	–	–	(95 600)	(640)	(96 240)
Total contributions and distributions	**(20 357)**	**(2 161)**	–	**260**	**(90 404)**	**(640)**	**(113 302)**
Changes in ownership interests							
Initial non-controlling interest acquired (refer note 28)	–	–	–	–	–	(64 257)	(64 257)
Additional non-controlling interest acquired due to:							
– Infrasors	–	–	–	–	(104)	83	(21)
– Afrimat Bulk Commodities	1 500	13 500	–	–	(19 268)	1 768	(2 500)
– Demaneng (refer note 28)	–	–	–	–	(109 769)	65 769	(44 000)
Total changes in ownership interests	**1 500**	**13 500**	–	–	**(129 141)**	**3 363**	**(110 778)**
Total transactions with owners of the parent	**(18 857)**	**11 339**	–	**260**	**(219 545)**	**2 723**	**(224 080)**
Balance at 28 February 2018	**266 985**	**(59 660)**	**(105 788)**	**5 888**	**1 111 915**	**9 980**	**1 229 320**
Notes	13	14	16	16			

STATEMENTS OF CHANGES IN EQUITY (continued)

for the year ended 28 February 2018

	Stated capital R'000	Treasury shares R'000	Reversed acquisition reserve R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Company							
Balance at 1 March 2016	249 639	–	–	1 690	272 333	–	523 662
Total comprehensive income							
Profit for the year	–	–	–	–	75 472	–	75 472
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	75 472	–	75 472
Transactions with company							
Contributions and distributions							
Share-based payments (refer note 16)	–	–	–	1 045	–	–	1 045
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	(31 661)	–	–	(905)	905	–	(31 661)
Dividends paid (refer note 27)	–	–	–	–	(87 390)	–	(87 390)
Total contributions and distributions	(31 661)	–	–	140	(86 485)	–	(118 006)
Total changes	(31 661)	–	–	140	(11 013)	–	(42 534)
Balance at 28 February 2017	217 978	–	–	1 830	261 320	–	481 128
Total comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**798 003**	**–**	**798 003**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**–**	**–**	**798 003**	**–**	**798 003**
Transactions with company							**–**
Contributions and distributions							**–**
Share-based payments (refer note 16)	**–**	**–**	**–**	**1 097**	**–**	**–**	**1 097**
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax (refer notes 15 and 16)	**(21 873)**	**–**	**–**	**(722)**	**722**	**–**	**(21 873)**
Dividends paid (refer note 27)	**–**	**–**	**–**	**–**	**(100 283)**	**–**	**(100 283)**
Total contributions and distributions	**(21 873)**	**–**	**–**	**375**	**(99 561)**	**–**	**(121 059)**
Total changes	**(21 873)**	**–**	**–**	**375**	**698 442**	**–**	**676 944**
Balance at 28 February 2018	**196 105**	**–**	**–**	**2 205**	**959 762**	**–**	**1 158 072**
Notes	13	14	16	16			

STATEMENTS OF CASH FLOWS

for the year ended 28 February 2018

	Notes	Group 2018 R'000	Group 2017* R'000	Company 2018 R'000	Company 2017* R'000
Cash flows from operating activities					
Cash generated from operations	26.1	**344 542**	531 114	**42 128**	7 700
Interest received	26.2	**31 623**	35 674	**19 382**	17 348
Dividends received		**54**	88	**125 694**	84 526
Finance costs paid	26.3	**(52 752)**	(36 487)	**(101 082)**	(48 915)
Tax paid	26.4	**(122 507)**	(124 343)	**–**	–
Net cash inflow from operating activities		**200 960**	406 046	**86 122**	60 659
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(118 918)**	(78 693)	**–**	–
Proceeds on disposal of property, plant and equipment	26.5	**22 975**	17 688	**–**	–
Acquisition of businesses and investments	5, 28	**4 228**	(280 263)	**(2 521)**	(259 122)
Proceeds on disposal of subsidiary	26.6	**–**	9 083	**–**	10 000
Advances to subsidiaries	5	**–**	–	**(479 391)**	(92 387)
Purchase of financial assets	7	**(68 060)**	(254 916)	**–**	(162 448)
Proceeds on sale of financial assets	7	**–**	138 940	**154 010**	137 775
Net cash outflow from investing activities		**(159 775)**	(448 161)	**(327 902)**	(366 182)
Cash flows from financing activities					
Repurchase of Afrimat shares	14	**(13 552)**	(9 656)	**–**	–
Proceeds from borrowings	17	**300 000**	250 983	**300 000**	–
Repayment of borrowings	17	**(119 871)**	(245 607)	**(17 046)**	–
Tax paid on disposal of shares to ARC	13	**–**	(8 200)	**–**	–
(Repayments)/proceeds from other financial liabilities	19	**(25 143)**	38 111	**–**	–
Acquisition of additional non-controlling interest		**(37 521)**	(66)	**–**	–
Repayment by subsidiaries	5	**–**	–	**224 989**	185 147
Dividends paid	27	**(96 240)**	(87 666)	**(100 283)**	(87 390)
Net cash inflow/(outflow) from financing activities		**7 673**	(62 101)	**407 660**	97 757
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**48 858**	(104 216)	**165 880**	(207 766)
Cash, cash equivalents and bank overdrafts at the beginning of the year	12	**(26 853)**	77 363	**(218 907)**	(11 141)
Cash, cash equivalents and bank overdrafts at the end of the year	12	**22 005**	(26 853)	**(53 027)**	(218 907)

** Comparative figures have been reclassified, refer note 37 for further disclosure.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 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 grey 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, unless otherwise stated.

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 SAICA financial reporting guides as issued by the Accounting Practices Committee, IFRS and interpretations issued by the International Financial Reporting Interpretation Committee ('IFRIC').

1.2 Basis of preparation

The financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and the application of the equity method of accounting for investments in associated companies and joint ventures.

Refer note 40 for new and amended standards effective and not yet effective in FY2018 and its estimated impact from implementing these new standards. The group did not early adopt any of the IFRS standards. Of the standards that are not yet effective, management expects IFRS 9 and IFRS 16 to have an impact on the group and company. IFRS 15 is not expected to have an impact on the group and company, and therefore the group plans to adopt the new standard on its mandatory effective date using the cumulative catch-up method.

IFRS 9 incorporates a forward-looking 'expected loss' impairment model, which is a departure from the 'incurred loss' model applied previously under International Accounting Standards ('IAS') 39. Therefore it is no longer necessary for a credit event to have occurred before a credit loss is recognised. Based on management's current assessment, the impact is not expected to be material.

IFRS 16 requires lessees to recognise assets and liabilities arising from all leases (with limited exceptions) on the statement of financial position. Lessor accounting has not substantially changed in the new standard. Based on management's current assessment, the impact is not expected to be material.

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

1.3 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses are recognised in the statement of profit or loss and other comprehensive income within 'operating expenses'.

(c) *Group companies*

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

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

1. Significant accounting policies (continued)

1.3 Foreign currency translation (continued)

(c) *Group companies* (continued)

(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 Financial instruments

Initial recognition

Financial instruments carried on the statement of financial position include cash and cash equivalents, other financial assets, trade and other receivables, trade and other payables, loans and borrowings.

Financial instruments are initially measured at fair value, including transaction costs, when the group becomes a party to the contractual arrangements. However, transaction costs in respect of financial assets classified as 'fair value through profit and loss' are expensed.

1.5 Impairment of non-financial assets

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

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

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 11
- Deferred tax assets – refer note 9
- Decommissioning and rehabilitation provisions – refer note 18
- Impairment of goodwill and mining assets – refer notes 2 and 4
- Share-based payment expense calculation – refer note 15
- Provision for stock obsolescence – refer note 10
- Measurement of stockpile quantities – refer note 10

(b) *Judgements*

- Equity-accounted joint venture in which the group holds less than 50% – refer note 6
- Consolidation of Afrimat BEE Trust and its subsidiary AEI – refer note 5
- Consolidation of Afrimat Share Incentive Trust and Infrasors Environmental Rehabilitation Trust – refer note 5
- Consolidation of Infrasors Empowerment Trust – refer note 5
- Acquisitions of businesses – refer note 28
- Impairment of goodwill and mining assets – refer notes 2 and 4

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

2. 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 are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on the straight-line basis over their useful lives as follows:

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	10 to 50 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 15 years
Office and computer equipment	3 to 5 years
Dismantling costs	1 to 30 years
Mining assets	15 to 30 years

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

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, over which they are depreciated, equals the estimated useful life of the mine. Depreciation of the capitalised costs of mining assets start at the time when the mining activities commence on the acquired mining assets.

	Cost R'000 2018	**Accumulated depreciation R'000 2018**	**Carrying value R'000 2018**	Cost R'000 2017	Accumulated depreciation R'000 2017	Carrying value R'000 2017
Group						
Land and buildings	**123 750**	**(29 872)**	**93 878**	109 914	(24 829)	85 085
Leasehold property	**14 356**	**(5 703)**	**8 653**	12 464	(4 731)	7 733
Plant and machinery	**972 527**	**(391 273)**	**581 254**	722 902	(289 385)	433 517
Motor vehicles	**659 553**	**(352 903)**	**306 650**	559 742	(301 009)	258 733
Office and computer equipment	**33 623**	**(23 240)**	**10 383**	27 351	(18 988)	8 363
Dismantling costs	**28 530**	**(12 853)**	**15 677**	23 798	(11 520)	12 278
Mining assets	**449 177**	**(47 827)**	**401 350**	275 880	(23 349)	252 531
Total	**2 281 516**	**(863 671)**	**1 417 845**	1 732 051	(673 811)	1 058 240

2. Property, plant and equipment (continued)

Analysis of movements in carrying value:

	Opening carrying value R'000	Additions R'000	Additions through business combi-nations* R'000	Impair-ments R'000	Disposals** R'000	Depre-ciation R'000	Closing carrying value R'000
Group – 2018							
Land and buildings	**85 085**	**4 764**	**6 602**	**–**	**(202)**	**(2 371)**	**93 878**
Leasehold property	**7 733**	**1 892**	**–**	**–**	**–**	**(972)**	**8 653**
Plant and machinery	**433 517**	**114 419**	**98 364**	**(1 399)**	**(16 267)**	**(47 380)**	**581 254**
Motor vehicles	**258 733**	**70 969**	**26 344**	**–**	**(5 777)**	**(43 619)**	**306 650**
Office and computer equipment	**8 363**	**6 719**	**355**	**–**	**(91)**	**(4 963)**	**10 383**
Dismantling costs	**12 278**	**2 458**	**3 014**	**–**	**(687)**	**(1 386)**	**15 677**
Mining assets	**252 531**	**–**	**170 694**	**–**	**–**	**(21 875)**	**401 350**
Total	**1 058 240**	**201 221**	**305 373**	**(1 399)**	**(23 024)**	**(122 566)**	**1 417 845**
Group – 2017							
Land and buildings	71 223	7 154	8 518	–	–	(1 810)	85 085
Leasehold property	8 507	–	–	–	(134)	(640)	7 733
Plant and machinery	395 067	58 235	39 447	(3 049)	(19 761)	(36 422)	433 517
Motor vehicles	236 181	59 881	16 365	–	(9 954)	(43 740)	258 733
Office and computer equipment	6 038	7 287	288	–	(307)	(4 943)	8 363
Dismantling costs	5 693	1 964	6 405	–	(352)	(1 432)	12 278
Mining assets	40 447	–	221 725	–	–	(9 641)	252 531
Total	763 156	134 521	292 748	(3 049)	(30 508)	(98 628)	1 058 240

* *Refer note 28.*

** *In the prior year, group disposals included property, plant and equipment items sold as part of the disposal of business of AFT Aggregates Proprietary Limited with a carrying value of R12,7 million (refer note 29).*

Certain property, plant and equipment has been encumbered as security for interest-bearing borrowings (refer note 17).

	Group	
	2018 R'000	2017 R'000
Carrying value of assets pledged as security:		
Land and buildings	**–**	33 706
Plant and machinery*	**117 539**	195 143
Motor vehicles	**109 395**	72 191
Mining assets	**–**	34 333
Total	**226 934**	335 373

* *Refer note 17 for details on additional financing incurred during the prior year.*

Mining assets in the prior year included the fair value of resources obtained through the acquisition of Cape Lime as well as the Bethlehem quarry and ancillary businesses of Wearne. The fair values have been estimated at R205,2 million and R16,5 million, respectively. In the current year, additional mining assets were acquired as part of the Demaneng acquisition with a fair value estimation of R169,7 million.

Included in additions are plant and equipment with a cost of R79,8 million (2017: R55,8 million), which were financed and recognised as instalment purchase agreements in borrowings (refer note 17).

Included in disposals are plant and equipment with a cost of R7,7 million (2017: R100,7 million) and accumulated depreciation of R5,4 million (2017: R100,6 million), which had no further economical value and have been removed from the register.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

2. Property, plant and equipment (continued)

Depreciation expense of R113,1 million (2017: R89,2 million) has been charged in 'cost of sales' and R9,5 million (2017: R9,4 million) in 'operating expenses'.

An impairment loss was recognised relating to property, plant and equipment items written off at Afrimat Aggregates (KZN) Proprietary Limited and Afrimat Contracting International Proprietary Limited (2017: Delf Silica Coastal Proprietary Limited), which had no further economical value and have been removed from the register.

3. Intangible assets

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

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 were acquired as part of the Clinker Group acquisition and relate to ash dumps to which the group has exclusive rights to utilise and process until the dumps are exhausted.

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

	Group					
	Cost 2018 R'000	**Accumulated amortisation 2018 R'000**	**Carrying value 2018 R'000**	Cost 2017 R'000	Accumulated amortisation 2017 R'000	Carrying value 2017 R'000
Mining rights	**22 831**	**(11 237)**	**11 594**	22 831	(10 402)	12 429
Purchasing right	**9 983**	**(8 729)**	**1 254**	9 983	(7 837)	2 146
Total	**32 814**	**(19 966)**	**12 848**	32 814	(18 239)	14 575

Analysis of movements in carrying value:

	Group			
	Opening carrying value R'000	**Additions through business combinations* R'000**	**Amortisation R'000**	**Closing carrying value R'000**
2018				
Mining rights	**12 429**	**–**	**(835)**	**11 594**
Purchasing right	**2 146**	**–**	**(892)**	**1 254**
Total	**14 575**	**–**	**(1 727)**	**12 848**
2017				
Mining rights	12 762	28	(361)	12 429
Purchasing right	3 788	–	(1 642)	2 146
Total	16 550	28	(2 003)	14 575

* *Refer note 28.*

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods varies between 10 and 20 years (2017: 11 and 21 years). The purchasing right has a remaining finite life of between two and five years (2017: two and six years).

4. Goodwill

Goodwill is carried at cost less any accumulated impairment.

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

At the acquisition dates, goodwill is allocated to each of the cash-generating units expected to benefit from a business combination. An impairment is determined by assessing the recoverable amount of the cash-generating unit to which goodwill relates. The recoverable amount is 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 company also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the same time every year.

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.

Impairment of goodwill
Goodwill has been allocated to cash-generating units. The carrying value of goodwill is assessed using a discounting methodology based on forecasts including assumptions on operating profit, depreciation, working capital movements and capital expenditure.

	Group	
	2018 R'000	2017* R'000
Gross amount	**294 991**	198 605
Accumulated impairment	**(7 955)**	(7 955)
Carrying value	**287 036**	190 650
Analysis of movements in carrying value:		
Carrying value – opening balance	**190 650**	133 194
Business combination	**96 386**	57 456
Carrying value – closing balance	**287 036**	190 650
Goodwill acquired through business combinations has been allocated to cash-generating units as follows:		
Afrimat Concrete Products Proprietary Limited	**20 468**	20 468
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**	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
Unallocated**	**96 386**	–
	287 036	190 650

* *Prior year figures were amended due to a measurement period adjustment relating to business combinations, refer note 28.*
** *Unallocated goodwill relates to Demaneng's business combination that is provisional. Refer note 28.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

4. Goodwill (continued)

The recoverable amount has been determined using the value-in-use calculations. The group applied a discounted cash flow methodology to value goodwill. These cash flows were based on forecasts which included assumptions on operating profit, working capital movements and capital expenditure. The assumptions are based on past experience. The discount rate applied to the cash flow projections was 12,8% (2017: between 12,3% and 17,8%). The key assumption used was a growth rate of 5,3% (2017: between 3,0% to 10,0%) over the estimated useful life of mine.

It is management's belief that any reasonable possible change in the key assumptions on which the recoverable amount of the non-impaired cash-generating units are based, would not cause the carrying amount to exceed the recoverable amounts.

5. Investments 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.

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

Company financial statements

Investments in subsidiaries are initially recognised at cost.

Investments in subsidiaries are subsequently measured at cost less any accumulated impairment.

(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 was 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.

5. Investments in subsidiaries (continued)

Name of company	Nature of business	Principal place of business	% holding 2018	% holding 2017	Carrying amount shares 2018 R'000	Carrying amount shares 2017 R'000	Carrying amount indebtedness 2018 R'000	Carrying amount indebtedness 2017 R'000
Afrimat Aggregates (Eastern Cape) Proprietary Limited	●	EC	**100,0**	100,0	**53 181**	53 181	**(9)**	(42 512)
Afrimat Aggregates (Operations) Proprietary Limited	●	WC	**100,0**	100,0	**106 220**	106 220	**(107 156)**	(173 893)
Afrimat Aggregates (KZN) Proprietary Limited	●	KZN	**100,0**	100,0	**35 183**	35 183	**45 579**	25 399
Afrimat Aggregates (Trading) Proprietary Limited	●	WC	**100,0**	100,0	**28 925**	28 925	**(140)**	–
Afrimat BEE Trust	◇	WC	**–**	–	**–**	–	**–**	16
Afrimat Concrete Products Proprietary Limited	○	KZN	**100,0**	100,0	**67 379**	67 379	**5 111**	(9 059)
Afrimat Contracting International Proprietary Limited	♦	WC	**100,0**	100,0	**3 180**	3 180	**84 988**	7 858
Afrimat Empowerment Investments Proprietary Limited	◇	WC	**–**	–	**–**	–	**–**	8 462
Afrimat Engineering Services Proprietary Limited	■	GP	**100,0**	100,0	**1**	1	**617**	(1)
Afrimat Bulk Commodities Proprietary Limited (previously known as Afrimat Iron Ore Proprietary Limited)*	▲	NC	**100,0**	95,0	**17 500**	–	**423 828**	87 224
Afrimat Management Services Proprietary Limited	■	WC	**100,0**	100,0	**1**	1	**45 685**	22 632
Afrimat Manufacturing Proprietary Limited	◇	WC	**100,0**	100,0	**832**	832	**6 646**	–
Afrimat Minerals Proprietary Limited	◇	WC	**100,0**	100,0	**13 053**	13 053	**(1)**	–
Afrimat Mozambique Limitada	●	MZ	**99,0**	99,0	**14**	14	**303**	10
Afrimat Readymix (Cape) Proprietary Limited	○	WC	**100,0**	100,0	**5 267**	5 267	**(1)**	(17 869)
Afrimat Readymix (Inland) Proprietary Limited	○	MP	**75,0**	75,0	**1**	1	**(2)**	7
Afrimat Shared Services Proprietary Limited	■	WC	**100,0**	100,0	**–**	–	**16 735**	5 081
Afrimat Share Incentive Trust	◇	WC	**–**	–	**–**	–	**(20)**	(17)
Boublok Proprietary Limited	○	WC	**100,0**	100,0	**889**	889	**(2 001)**	20
Cape Lime Proprietary Limited	●	WC	**100,0**	100,0	**282 651**	282 651	**–**	(9 407)
Capmat Proprietary Limited	●	WC	**87,5**	87,5	**6 255**	6 255	**(1 679)**	3 863
Clinker Supplies Proprietary Limited	●	GP	**100,0**	100,0	**24 210**	24 210	**(9)**	(161 800)
Community Quarries Proprietary Limited	●	WC	**100,0**	100,0	**33 772**	33 772	**(1)**	–
Glen Douglas Dolomite Proprietary Limited	●	GP	**100,0**	100,0	**27 658**	27 658	**201**	(108 128)
Infrasors Holdings Proprietary Limited**	●	GP	**97,4**	97,4	**86 460**	86 439	**28 331**	21 398
Labonté 3 Proprietary Limited	◈	EC	**50,0**	50,0	**149**	149	**–**	–
Maritzburg Quarries Proprietary Limited	●	KZN	**100,0**	100,0	**1 296**	1 296	**457**	457
Meepo Ya Mmu Resources Proprietary Limited	●	MP	**54,0**	54,0	**955**	955	**542**	(234)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

5. Investments in subsidiaries (continued)

Name of company	Nature of business	Principal place of business	% holding 2018	% holding 2017	Carrying amount shares 2018 R'000	Carrying amount shares 2017 R'000	Carrying amount indebtedness 2018 R'000	Carrying amount indebtedness 2017 R'000
Olympic Sand Proprietary Limited	●	WC	**100,0**	100,0	**1 205**	1 205	**(2 562)**	–
Prima Quarries Namibia Proprietary Limited	●	NAM	**100,0**	100,0	**–**	–	**–**	–
Rodag Holdings Proprietary Limited	◈	KZN	**100,0**	100,0	**3 829**	3 829	**7 908**	5 113
SA Block Proprietary Limited	○	GP	**100,0**	100,0	**120 806**	120 806	**(403)**	(26 276)
Scottburgh Quarries Proprietary Limited	●	KZN	**100,0**	100,0	**8 020**	8 020	**–**	–
Sunshine Crushers Proprietary Limited	●	KZN	**100,0**	100,0	**8 081**	8 081	**(2 873)**	(2 873)
					936 973	919 452	**550 074**	(364 529)
Analysis of non-current assets and current liabilities:								
Non-current assets								
Loans to subsidiaries							**666 931**	187 540
Current liabilities								
Loans from subsidiaries							**(116 857)**	(552 069)
							550 074	(364 529)

● Aggregates and Industrial Minerals ○ Concrete Based Products ■ Services ▲ Commodities
◇ Investment ♦ Contracting ◈ Property

EC Eastern Cape GP Gauteng NAM Namibia
WC Western Cape MZ Mozambique NC Northern Cape
KZN KwaZulu-Natal MP Mpumalanga

* *Indirectly held subsidiaries include Afrimat Demaneng Proprietary Limited (previously Diro Manganese Proprietary Limited) and Diro Iron Ore 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, Infrasors Empowerment Trust.*

The loans have no fixed terms of repayment and the majority bear interest at prime (2017: prime less 2,5%). Interest on the Infrasors Holdings Proprietary Limited and Afrimat Demaneng Proprietary Limited loans are calculated at prime plus 1,5% and prime plus 4,5%, respectively. The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited and Afrimat Mozambique Limitada that are incorporated in Namibia and Mozambique, respectively.

The group disposed of 100% of its shareholding in AFT Aggregates Proprietary Limited to Nityn Proprietary Limited on 1 April 2016. The company was previously included in the 'Aggregates and Industrial Minerals' segment. Refer note 29.

The group acquired 60% of the issued shares of Demaneng, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. On 13 July 2017 all conditions precedent, including section 11 approval from the DMR, were fulfilled and the agreement became unconditional. On 22 August 2017, the group announced on SENS that Afrimat has concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake in Demaneng, effectively from 31 July 2017, for an aggregate purchase consideration of R44,0 million. Refer note 28.

The group acquired 100% of the issued ordinary shares of lime and associated products producer, Cape Lime, on 31 March 2016. The aggregate purchase consideration paid for the acquisition was R282,7 million. Refer note 28.

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.

6. Investment in joint venture/obligation for share of joint venture's losses

Group financial statements

The group's joint venture is 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 venture (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 venture.

Company financial statements

Investments in joint arrangements are initially recognised at cost.

Investments in joint arrangements are subsequently measured at cost less any accumulated impairment.

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

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

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Pemba Aggregates Limitada (49,0%)	**(4 481)**	(4 481)	**8**	8
Analysis of investment in joint venture:				
Opening balance	**(4 481)**	(5 466)	**–**	–
Translation reserve previously included in PBIT	**–**	(62)	**–**	–
Share of net loss after tax	**(2 236)**	(5 774)	**–**	–
Limitation of joint venture losses to net investment	**2 236**	6 821	**–**	–
Closing balance	**(4 481)**	(4 481)	**–**	–
The group's share of the results of its joint venture, which is unlisted, and the group's share of its aggregated assets and liabilities, are as follows:				
Assets	**4 795**	3 861	**–**	–
Liabilities	**(16 014)**	(12 711)	**–**	–
Revenues	**1 641**	3 286	**–**	–
Losses	**(2 235)**	(5 774)	**–**	–

The company's share of losses of the joint venture has been recognised until the share of losses equals its interest in the joint venture (refer note 7).

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

7. Other financial assets

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.

Financial assets at fair value through profit or loss

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

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

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

Available-for-sale financial assets

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

The fair values of quoted investments are based on current bid prices.

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

Loans and receivables

Loans and receivables are carried at amortised cost using the effective interest method. Interest is recognised in profit or loss.

Loans to group companies are classified as loans and receivables.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Non-current assets:				
Available-for-sale	**20 684**	2 464	**–**	–
Loans and receivables	**8 189**	247 214	**8 837**	162 847
At fair value through profit or loss – designated	**30 573**	27 264	**–**	–
	59 446	276 942	**8 837**	162 847
Current assets:				
Loans and receivables	**–**	107	**–**	–
	–	107	**–**	–
Total other financial assets	**59 446**	277 049	**8 837**	162 847
Analysis of other financial assets:				
Available-for-sale				
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	**128**	108	**–**	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	**2 548**	2 356	**–**	–
Liberty Life New Growth Rehabilitation Plan Trust	**18 008**	–	**–**	–
	20 556	2 356	**–**	–
Total available-for-sale financial assets	**20 684**	2 464	**–**	–

7. Other financial assets (continued)

Environmental funds were established to fund the cost of rehabilitation on closure of certain of the group's quarries. The Liberty Life New Growth Rehabilitation investments were acquired as part of the Demaneng acquisition (refer note 28).

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Loans and receivables				
Non-current assets:				
Afrimat Demaneng Proprietary Limited*	**–**	239 529	**–**	154 162
Investment in Pemba Aggregates Limitada/Afrimat Mozambique Limitada	**4 481**	4 481	**8 685**	8 685
BEE investor	**3 708**	3 204	**152**	–
Total non-current portion of loans and receivables	**8 189**	247 214	**8 837**	162 847
Current assets:				
BEE investor	**–**	107	**–**	–
Total current portion of loans and receivables	**–**	107	**–**	–
Total loans and receivables	**8 189**	247 321	**8 837**	162 847

* *Representing a working capital loan during FY2017.*

Demaneng

During FY2017, Afrimat concluded an agreement to purchase 60% of Demaneng, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. The effective date of the acquisition is the first business day following the date on which the conditions precedent are fulfilled or waived and the agreement becomes unconditional and enforceable in all respects. Demaneng was not incorporated into the FY2017 financial results, as the company awaited the section 11 approval from the DMR. As announced on SENS on 13 July 2017, all conditions precedent to the 60% acquisition of Demaneng were fulfilled or waived and the agreement became unconditional and enforceable. Demaneng was incorporated from the effective date of acquisition of 30 June 2017. For further details, refer to the SENS announcement published on 13 July 2017. The loan had no fixed terms of repayment and bore interest at prime plus 4,5%.

The loan was secured by notarial bonds over moveable property and mortgage bonds over land and buildings with an estimated value of R240,0 million.

BEE investor

During FY2014, 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 were provided by one of the group's subsidiaries, Afrimat Aggregates (Operations) Proprietary Limited. The loan is subject to interest at Standard Bank Limited of South Africa ('SBSA') prime overdraft rate less three percentage points and is repayable by 20 February 2019.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

7. Other financial assets (continued)

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
At fair value through profit or loss – designated				
Non-current assets:				
Allan Gray Unit Trust Management Proprietary Limited Balanced Fund	**–**	7 703	**–**	–
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	**613**	589	**–**	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	**27 695**	10 096	**–**	–
Sanlam Investment Management Proprietary Limited Balanced Fund	**–**	6 924	**–**	–
Stanlib Asset Management Limited Income Retention Fund	**2 265**	1 952	**–**	–
Total financial assets at fair value through profit or loss	**30 573**	27 264	**–**	–

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 18).

Similarly, the Infrasors Group reinvested an amount, previously realised, in a Centriq Mining Rehabilitation Guarantee Insurance Policy during the year for the same purpose (refer note 18).

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 (refer note 28).

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R1,5 million (2017: R0,8 million) was allocated to 'operating expenses' in profit or loss.

8. Financial instruments by category

	Group 2018 R'000	Group 2017 R'000	Company 2018 R'000	Company 2017 R'000
Assets as per statement of financial position				
Available-for-sale				
Other financial assets (refer note 7)	**20 684**	2 464	**–**	–
	20 684	2 464	**–**	–
Loans and receivables at amortised cost				
Other financial assets (refer note 7)	**8 189**	247 321	**8 837**	162 847
Trade and other receivables* (refer note 11)	**368 318**	325 539	**25 136**	1 994
Cash and cash equivalents (refer note 12)	**112 208**	244 690	**400**	289
Loans to subsidiaries (refer note 5)	**–**	–	**666 931**	187 540
	488 715	817 550	**701 304**	352 670
At fair value through profit or loss – designated				
Other financial assets (refer note 7)	**30 573**	27 264	**–**	–
	30 573	27 264	**–**	–
Total financial assets	**539 972**	847 278	**701 304**	352 670

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of loans and receivables mentioned above and at company level includes the exposure to SBSA and FNB omnibus securityship as per note 38(c).

8. Financial instruments by category (continued)

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Liabilities as per statement of financial position				
Financial liabilities at amortised cost				
Medium-term loans (refer note 17)	**287 174**	1 971	**282 954**	–
Instalment purchase agreements (refer note 17)	**149 784**	172 118	**–**	–
Other financial liabilities (refer note 19)	**21 856**	38 111	**–**	–
Loans from subsidiaries (refer note 5)	**–**	–	**116 857**	552 069
Trade and other payables** (refer note 20)	**343 898**	216 851	**38 309**	27 974
Bank overdraft (refer note 12)	**90 203**	271 543	**53 427**	219 196
Total	**892 915**	700 594	**491 547**	799 239

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

9. 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 profit 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.

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	
	2018 R'000	2017* R'000	**2018 R'000**	2017 R'000
Accelerated capital allowances for tax purposes	**(161 940)**	(134 162)	**–**	–
Accruals	**28 744**	17 537	**857**	643
Provisions	**36 481**	18 853	**–**	–
Tax losses available for set-off against future taxable income	**48 225**	17 181	**14 221**	10 256
Fair value adjustments	**(848)**	(1 255)	**–**	(335)
Mining assets	**(104 970)**	(57 456)	**–**	–
Other	**1 840**	(1 711)	**–**	–
	(152 468)	(141 013)	**15 078**	10 564

* *Prior year figures were amended due to a measurement period adjustment, relating business combinations, refer note 28.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

9. Deferred tax (continued)

Analysis of movement in deferred tax balance:

	February 2017						February 2018		
	Assets	Liabilities	Total	Recognised in profit or loss	Recognised directly in equity	Business combi-nations*	**Assets**	**Liabilities**	**Total**
Group									
Accelerated capital allowances for tax purposes	8 440	(142 602)	(134 162)	(9 455)	–	(18 323)	**(5 266)**	**(156 674)**	**(161 940)**
Accruals	4 637	12 900	17 537	11 207	–	–	**13 109**	**15 635**	**28 744**
Provisions	1 794	17 059	18 853	11 946	–	5 682	**8 785**	**27 696**	**36 481**
Tax losses available for set-off against future taxable income	15 759	1 422	17 181	24 470	–	6 574	**38 364**	**9 861**	**48 225**
Fair value adjustments	(335)	(920)	(1 255)	321	(41)	127	**62**	**(910)**	**(848)**
Mining assets	–	(57 456)	(57 456)	–	–	(47 514)	**–**	**(104 970)**	**(104 970)**
Other	(7)	(1 704)	(1 711)	3 551	–	–	**61**	**1 779**	**1 840**
Total	30 288	(171 301)	(141 013)	42 040	(41)	(53 454)	**55 115**	**(207 583)**	**(152 468)**
Company									
Accruals	643	–	643	214	–	–	**857**	**–**	**857**
Tax losses available for set-off against future taxable income	10 256	–	10 256	3 965	–	–	**14 221**	**–**	**14 221**
Fair value adjustments	(335)	–	(335)	335	–	–	**–**	**–**	**–**
Total	10 564	–	10 564	4 514	–	–	**15 078**	**–**	**15 078**

* *Refer note 28.*

The group has estimated income tax losses available amounting to R522,1 million (2017: R78,3 million). This amount includes a tax loss of R380,8 million relating to Afrimat Demaneng Proprietary Limited. The group has estimated capital tax losses available amounting to R52,6 million (2017: R54,2 million). The realisation of the related tax benefit through future taxable profits are probable due to new cost saving measures implemented, continuous improvement of production abilities and new products being launched.

Included in the above tax losses are R9,4 million (2017: R17,0 million) and R52,6 million (2017: R54,2 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. Also included in above tax losses is an amount of R340,5 million not raised as an asset due to pre-acquisition tax losses not yet assessed.

10. Inventories

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

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

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

10. Inventories (continued)

Provision for stock obsolescence

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

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. Stockpile tonnages are verified by periodic surveys. Year-end surveys are performed by external service providers.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
The amounts attributable to the different categories are as follows:				
Raw materials, components	**73 816**	17 248	**–**	–
Finished goods	**142 682**	108 837	**–**	–
Production supplies	**35 751**	46 089	**–**	–
	252 249	172 174	**–**	–
Allowance for inventory obsolescence:	**(10 125)**	(9 214)	**–**	–
Raw materials, components	**(201)**	–	**–**	–
Finished goods	**(6 842)**	(6 164)	**–**	–
Production supplies	**(3 082)**	(3 050)	**–**	–
	242 124	162 960	**–**	–

The carrying value of finished products identified as slow-moving, is R9,3 million (2017: R12,1 million), after allowing for the provision of inventory obsolescence.

Inventory write-off to net realisable value amounted to R7,6 million (2017: R11,3 million) and was included in 'cost of sales' in the statement of profit or loss and other comprehensive income. The total amount of inventory recognised as an expense is R881,0 million (2017: R742,8 million) and was recognised in 'cost of sales'.

11. Trade and other receivables

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.

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

11. Trade and other receivables (continued)

Trade and other receivables

Impairment of trade and other receivables requires the consideration of the impairment indicators, namely significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments.

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

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Trade receivables	**319 776**	282 106	**23 779**	365
Less: Provision for impairment of receivables	**(4 354)**	(4 757)	**–**	–
Trade receivables – net	**315 422**	277 349	**23 779**	365
Loans to related parties	**36 681**	25 690	**696**	628
Other receivables	**16 215**	22 500	**661**	1 001
Trade and other receivables – financial assets (refer note 8)	**368 318**	325 539	**25 136**	1 994
Prepayments and value-added taxation	**23 285**	7 227	**14**	350
Total trade and other receivables	**391 603**	332 766	**25 150**	2 344

The loans to related parties include loans made by the group to the group's associate and joint venture, Ikapa Quarries Proprietary Limited and Pemba Aggregates Limitada. The Ikapa Quarries Proprietary Limited receivables have no fixed repayment terms and bear interest at prime (2017: prime). The Pemba Aggregates Limitada receivables bear interest at Libor + 1,5% (2017: Libor + 1,5%) and have no fixed terms of repayment.

Trade receivables to the amount of R181,6 million in FY2017 served as security for SBSA overdraft facility and medium-term loan as per notes 12 and 17, respectively. The security was released during the current year, and trade receivables to the amount of R267,1 million served as security for the group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 17.

As at 28 February 2018, the group had trade receivables of R42,9 million (2017: R61,4 million) which were past due but not impaired. These relate to a number of reputable customers for whom there is no history of default, settlement agreements are in place or that management believes will in all probability pay.

The ageing analysis of these trade receivables is as follows:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Neither impaired nor past due	**272 478**	215 900	**23 779**	365
Not impaired but past due				
Between 30 and 60 days past due	**26 601**	39 369	**–**	–
Between 60 and 90 days past due	**7 967**	11 550	**–**	–
More than 90 days past due	**8 376**	10 530	**–**	–
	42 944	61 449	**–**	–
	315 422	277 349	**23 779**	365

11. Trade and other receivables (continued)

An impairment provision of R4,4 million (2017: R4,8 million) has been recognised against receivables. The ageing of the impairment portion of receivables, which is past due, is as follows:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Between 30 and 60 days	**476**	–	**–**	–
Between 60 and 90 days	**259**	17	**–**	–
More than 90 days	**3 619**	4 740	**–**	–
	4 354	4 757	**–**	–
Movements on the group provision for impairment of trade receivables are as follows:				
Opening balance	**4 757**	11 740	**–**	–
Acquired through business combinations	**–**	11	**–**	–
Disposal of subsidiary	**–**	(218)	**–**	–
Additional provision charged to profit or loss	**3 550**	2 341	**–**	–
Provisions reversed to profit or loss	**(1 339)**	(1 616)	**–**	–
Receivables written off during the year as uncollectible	**(2 614)**	(7 501)	**–**	–
Closing balance	**4 354**	4 757	**–**	–

As at 28 February 2018, trade and other receivables of R2,6 million (2017: R7,5 million) were impaired. These impaired receivables, previously provided for, mainly relate to debtors, which are in unexpectedly difficult economic situations as well as companies placed under liquidation.

The other classes within trade and other receivables do not contain impaired assets.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Credit quality of fully performing financial assets				
Trade receivables				
Customers without external ratings				
Group 1 (new customers)	**49 191**	30 620	**–**	–
Group 2 (existing customers – with no defaults in the past)	**203 707**	169 823	**23 779**	365
Group 3 (existing customers – some prior defaults, but fully recoverable)	**19 580**	15 457	**–**	–
	272 478	215 900	**23 779**	365

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

11. Trade and other receivables (continued)

The carrying amounts of the group's trade and other receivables are denominated in the following currencies:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Rand	**354 041**	318 308	**25 150**	2 344
Metical	**6 132**	14 458	**–**	–
US Dollar	**31 430**	–	**–**	–
	391 603	332 766	**25 150**	2 344

12. Cash and cash equivalents

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.

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

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

Bank overdrafts are classified as financial liabilities at amortised cost.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Cash and cash equivalents consist of:				
Cash on hand	**849**	293	**–**	2
Bank balances	**101 777**	122 302	**400**	284
Short-term bank deposits	**9 582**	122 095	**–**	3
Bank overdraft	**(90 203)**	(271 543)	**(53 427)**	(219 196)
	22 005	(26 853)	**(53 027)**	(218 907)
Current assets	**112 208**	244 690	**400**	289
Current liabilities	**(90 203)**	(271 543)	**(53 427)**	(219 196)
	22 005	(26 853)	**(53 027)**	(218 907)

An unlimited omnibus securityship between group companies was provided to SBSA for the group overdraft facility.

Funding towards the Demaneng acquisition (refer note 7) included in bank overdraft in the prior year, was obtained by means of utilising the company's current general banking facilities with SBSA as well as FirstRand Bank Limited ('FNB'). During the current year, the group refinanced the debt included in the general banking facilities into a R300,0 million amortising five-year term facility with SBSA and FNB, bearing interest linked to the three-month Jibar rate and payable in quarterly instalments commencing 30 November 2017.

Included in the prior year's short-term bank deposits is an amount of R110,1 million relating to available cash in AEI after the disposal of shares to ARC. During the current year, R79,5 million of the available R110,1 million was paid to the South African Revenue Service ('SARS') in relation to PAYE, SDL and arrear taxes from participants of Afrimat BEE Trust.

In the prior year, Infrasors' bank accounts to the value R1,2 million have been ceded as security to ABSA Bank Limited.

13. 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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Authorised				
1 000 000 000 (2017: 1 000 000 000) ordinary shares with no par value	**–**	–	**–**	–
Issued				
143 262 412 (2017: 143 262 412) ordinary shares with no par value	**285 842**	263 611	**217 978**	249 639
Net effect of settlement of employee share options	**(18 857)**	(28 911)	**(21 873)**	(31 661)
Effect of shares utilised for Cape Lime acquisition	**–**	(312)	**–**	–
Effect on disposal of treasury shares to ARC	**–**	51 454	**–**	–
Stated capital	**266 985**	285 842	**196 105**	217 978

The net effect of settlement of employee share options refer to the total shares issued to employees in terms of the Share Appreciation Rights Scheme including the shares 'surrendered' by employees in order to raise cash to pay the taxation owing.

The net effect on the disposal of 26,3 million treasury shares to ARC included the net income and capital gains on shares disposed. The 26,3 million shares were purchased by ARC from the BEE participants in their individual capacity and AEI acted as conduit.

All shares issued by the company were fully paid.

14. 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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
185 (2017: 533 789) shares held by Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary	**(6)**	(11 345)	**–**	–
6 653 854 (2017: 6 653 854) shares held by AEI, a subsidiary of Afrimat BEE Trust	**(59 654)**	(59 654)	**–**	–
	(59 660)	(70 999)	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

14. Treasury shares (continued)

The group acquired 475 216 (2017: 440 000) of its own shares through purchases on the JSE Limited via Afrimat Aggregates (Operations) Proprietary Limited. The total amount paid to acquire the shares was R13,6 million (2017: R9,7 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R28,52 (2017: R21,95). During the year, 473 106 (2017: 685 615), 535 714 (2017: Nil) and Nil (2017: 1 139 347) shares were utilised in terms of the Share Appreciation Rights Scheme, Afrimat Bulk Commodities Proprietary Limited ('Afrimat Bulk Commodities') 5% minority stake acquisition and Cape Lime acquisition (refer note 28) for an amount of R11,4 million (2017: R14,6 million), R13,5 million (2017: RNil) and RNil (2017: R23,9 million), respectively. The related weighted average share price at the time of exercise was R24,67 (2017: R21,27).

Following the implementation of the ARC Transaction, the Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 653 854 (2017: 6 653 854) shares representing 4,64% of the issued share capital of the company.

	Group		Company	
	2018 '000	2017 '000	**2018 '000**	2017 '000
Analysis of movement in number of treasury shares:				
Opening balance	**7 188**	1 919	**–**	–
Utilised for settlement of employee Share Appreciation Rights exercised	**(473)**	(686)	**–**	–
Utilised to purchase minority shares in Afrimat Bulk Commodities	**(536)**	–	**–**	–
Utilised for Cape Lime acquisition	**–**	(1 139)	**–**	–
Shares held by AEI	**–**	6 654	**–**	–
Purchased during the year	**475**	440	**–**	–
Closing balance	**6 654**	7 188	**–**	–

15. Share options

The group operates an equity-settled share appreciation rights scheme, under which the group receives services from employees as consideration for ordinary shares of Afrimat.

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 settled, 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.

Share-based payment expense calculation

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

15. Share options (continued)

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

	2018 Average grant price in cents per share	**2018 Number of options '000**	2017 Average grant price in cents per share	2017 Number of options '000
Opening balance	**1580**	**3 955**	1205	4 825
Granted	**2900**	**1 455**	2220	1 015
Exercised	**1200**	**(1 445)**	952	(1 835)
Forfeited	**–**	**–**	1646	(50)
Closing balance	**2203**	**3 965**	1580	3 955

Out of the 3 965 000 outstanding options (2017: 3 955 000), 530 000 options (2017: 900 000) were exercisable. Options exercised, resulted in 100 000, 120 000, 400 000 and 825 000 shares (2017: 115 000, 120 000 and 1 600 000) being issued at a weighted price of R3,40, R5,72, R8,50 and R15,65 each, respectively (2017: R17,26, R15,65 and R8,50 each, respectively). The related weighted average share price at the time of exercise was R29,12 (2017: R26,18) per share.

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

	Grant price cents	**Number of options 2018 '000**	Number of options 2017 '000
2018	340	**–**	100
2019	572	**120**	240
2020	850	**160**	560
2021	1565	**250**	1 075
2022	1726	**965**	965
2023	2220	**1 015**	1 015
2024	2900	**1 455**	–
		3 965	3 955

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

	Number of shares 2018 '000	Number of shares 2017 '000
Opening balance	**23 091**	22 221
Exercised	**1 445**	1 835
Forfeited	**–**	50
Utilised	**(1 455)**	(1 015)
Closing balance	**23 081**	23 091

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

15. Share options (continued)

Number of share options held by directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2018						
Andries J van Heerden	**580**	**310**	**2900**	**2024**	**(200)**	**690**
Pieter GS de Wit	**220**	**155**	**2900**	**2024**	**(60)**	**315**
	800	**465**			**(260)**	**1 005**
2017						
Andries J van Heerden	730	180	2220	2023	(330)	580
Hendrik P Verreynne	435	–	–	–	(435)	–
Pieter GS de Wit	–	300	1625	2020 to 2023	(80)	220
Gert J Coffee	150	–	–	–	(150)	–
	1 315	480			(995)	800

The fair value of options granted during the year using the Black Scholes valuation model, was R11,8 million (2017: R8,4 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 R5,5 million (2017: R6,0 million).

Analysis of movement in remaining options:

Grant date	9 May 2012 '000	8 May 2013 '000	14 May 2014 '000	20 May 2015 '000	18 May 2016 '000	17 May 2017 '000	Total '000
Originally granted	2 835	2 160	1 220	1 105	1 015	1 455	9 790
Forfeited	(120)	–	(25)	(25)	–	–	(170)
Exercised	(2 595)	(2 000)	(945)	(115)	–	–	(5 655)
Net outstanding	120	160	250	965	1 015	1 455	3 965
Grant price (cents)	572	850	1565	1726	2220	2900	
Fair value of option (cents)	147	170	390	406	711	852	

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

Grant date	9 May 2012	8 May 2013	14 May 2014	20 May 2015	18 May 2016	17 May 2017
Grant price (cents)	572	850	1565	1726	2220	2900
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	36,53	29,09	31,69	28,76	40,77	37,57
Expected likelihood	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%
Expected risk free rates	6,44%	5,07%	6,73%	7,58%	9,01%	7,64%
Expected dividend yields	3,32%	3,29%	2,49%	2,90%	2,57%	2,41%

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.

16. Other reserves

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

	Available-for-sale reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Total other reserves R'000	Reversed acquisition reserve R'000
Group					
Balance at 1 March 2016	616	8 301	(298)	8 619	105 788
Share-based payment expense for the year	–	6 023	–	6 023	–
Settlement of employee share options	–	(2 852)	–	(2 852)	–
Fair value adjustment	5	–	–	5	–
Currency translation differences	–	–	(7 270)	(7 270)	–
Total changes	5	3 171	(7 270)	(4 094)	–
Balance at 1 March 2017	621	11 472	(7 568)	4 525	105 788
Share-based payment expense for the year	**–**	**5 456**	**–**	**5 456**	**–**
Settlement of employee share options	**–**	**(5 196)**	**–**	**(5 196)**	**–**
Fair value adjustment	**142**	**–**	**–**	**142**	**–**
Currency translation differences	**–**	**–**	**961**	**961**	**–**
Total changes	**142**	**260**	**961**	**1 363**	**–**
Balance at 28 February 2018	**763**	**11 732**	**(6 607)**	**5 888**	**105 788**
Company					
Balance at 1 March 2016	–	1 690	–	1 690	–
Share-based payment expense for the year	–	1 045	–	1 045	–
Settlement of employee share options	–	(905)	–	(905)	–
Total changes	–	140	–	140	–
Balance at 1 March 2017	–	1 830	–	1 830	–
Share-based payment expense for the year	**–**	**1 097**	**–**	**1 097**	**–**
Settlement of employee share options	**–**	**(722)**	**–**	**(722)**	**–**
Total changes	**–**	**375**	**–**	**375**	**–**
Balance at 28 February 2018	**–**	**2 205**	**–**	**2 205**	**–**

Nature and purpose of reserves

(a) *Available-for-sale reserve*
This reserve records the changes in fair value of available-for-sale financial assets.

(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 15 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) *Reversed 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. This has resulted in an reversed acquisition reserve of the group of R105,8 million in terms of IFRS 3.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

17. Borrowings

Borrowings are classified as financial liabilities at amortised cost.

Instalment purchase agreements are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the financed asset or, if lower, the present value of the minimum instalment payments. The corresponding liability, net of finance charges, to the lessor is included in the statement of financial position as borrowings.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Non-current liabilities:				
Medium-term loans	**214 220**	1 325	**210 000**	–
Instalment purchase agreements	**57 734**	93 674	**–**	–
	271 954	94 999	**210 000**	–
Current liabilities:				
Medium-term loans	**72 954**	646	**72 954**	–
Instalment purchase agreements	**92 050**	78 444	**–**	–
	165 004	79 090	**72 954**	–
Medium-term loans				
Capital reconciliation of medium-term loans were as follows:				
Opening balance	**1 971**	20 665	**–**	–
Additions through business combinations	**2 895**	–	**–**	–
Additions	**300 000**	141 383	**300 000**	–
Repayments	**(17 692)**	(160 077)	**(17 046)**	–
Closing balance	**287 174**	1 971	**282 954**	–
Instalment purchase agreements				
Capital reconciliation of instalment purchase agreements was as follows:				
Opening balance	**172 118**	92 220	**–**	–
Borrowings raised	**79 845**	165 428	**–**	–
Repayments	**(102 179)**	(85 530)	**–**	–
Closing balance	**149 784**	172 118	**–**	–
Minimum payments due on instalment purchase agreements are as follows:				
Within one year	**101 305**	91 054	**–**	–
In second to fifth year inclusive	**61 071**	98 716	**–**	–
	162 376	189 770	**–**	–
Future finance charges	**(12 592)**	(17 652)	**–**	–
Present value of minimum payments	**149 784**	172 118	**–**	–
Analysis of present value of minimum payments due:				
Within one year	**92 050**	78 444	**–**	–
In second to fifth year inclusive	**57 734**	93 674	**–**	–
	149 784	172 118	**–**	–
Non-current liabilities:				
At amortised cost	**271 954**	94 999	**210 000**	–
Current liabilities:				
At amortised cost	**165 004**	79 090	**72 954**	–
	436 958	174 089	**282 954**	–

17. Borrowings (continued)

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

A security SPV was established and major subsidiaries' trade receivables and share capital served as security for this five-year term facility, refer note 11.

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 were purchased in preceding years and will have been included in the 'additions' of those respective years. A vehicle asset finance facility of R109,6 million over 36 months at prime rate minus 1,5%, repayable in monthly instalments of capital and interest, was agreed upon for this purpose.

During the prior year, SBSA provided funding to AEI in the amount of R141,3 million for the redemption by AEI of all its existing preference shares in issue and to pay the existing preference share aggregate redemption quantum to Afrimat. The company's shares held by AEI/Afrimat BEE Trust served as security for the preference share funding provided by SBSA. On 8 December 2016, AEI repaid the debt from SBSA and was subsequently released from the company pledge and cession agreement as set out in the subscription agreement with SBSA.

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 28 February 2018 as well as in the preceding year.

It is the group policy to purchase certain property, plant and equipment under instalment purchase agreements. The instalment purchase agreements are repayable in monthly instalments of R11,6 million (2017: R8,4 million) including interest and capital. Interest rates are linked to prime overdraft rate and varied between 8,0% and 10,0% (2017: 8,0% and 10,0%) during the year. The instalment purchase agreements are secured over various items of property, plant and equipment as indicated in note 2.

In the prior year, Afrimat Aggregates (Operations) Proprietary Limited, a subsidiary, also provided a cession of R15,0 million on its short-term insurance policy in favour of SBSA for borrowing facilities held. This cession has been cancelled during the year under review.

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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
At floating rates	**436 958**	174 089	**282 954**	–
The group has the following undrawn borrowing facilities with FNB, SBSA and ABSA Bank Limited: Floating rate: – Expiring within one year	**553 591**	454 066	**74 673**	206 904

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

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

18. Provisions

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

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 DMR, have been used to estimate future rehabilitation costs.

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2016	59 677	15 888	75 565
Acquired through business combinations	9 208	6 611	15 819
Disposal of subsidiary	(2 196)	(353)	(2 549)
Discount unwinding	5 102	–	5 102
Reversed during year*	(921)	(312)	(1 233)
Additions	1 522	1 964	3 486
Total changes	12 715	7 910	20 625
Balance at 1 March 2017	72 392	23 798	96 190
Acquired through business combinations	**17 170**	**3 146**	**20 316**
Discount unwinding	**6 680**	**–**	**6 680**
Reversed during year	**(9 342)**	**(2 512)**	**(11 854)**
Additions	**14 858**	**4 098**	**18 956**
Total changes	**29 366**	**4 732**	**34 098**
Balance at 28 February 2018	**101 758**	**28 530**	**130 288**

* *An amount was reversed in relation to the disposal of assets and liabilities of the Blue Platinum business.*

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 provided for by the DMR Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for IFRS reporting purposes.

The group calculates the DMR liability using the Guideline for Evaluation of the Quantum of Closure-related Financial Provision Provided by a Mine (2005) for submission to the DMR and provides financially for this liability.

18. Provisions (continued)

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 is 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% (2017: 8,0%) was used. The company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums during the current year.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMR to the amount of R187,3 million (2017: R123,7 million) (refer note 31). Funds to the amount of R27,7 million (2017: R24,7 million) have been invested in environmental insurance policies and R2,5 million (2017: R2,4 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer note 7).

19. Other financial liabilities

Other financial liabilities are classified as financial liabilities at amortised cost.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Net capital proceeds owing to Afrimat BEE Trust participants	**12 968**	38 111	**–**	–
Deferred liability: Demaneng minorities	**8 888**	–	**–**	–
Closing balance	**21 856**	38 111	**–**	–

Upon the implementation of the ARC Transaction, 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 whom could not be traced, mostly deceased individuals. Afrimat is in the process of tracking these individuals to ensure payment occurs timeously.

On 22 August 2017, the group announced on SENS that Afrimat has concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake in Demaneng as from 15 August 2017. The purchase consideration of R44,0 million is payable in nine tranches as follows: eight monthly instalments of R5,0 million per month for eight consecutive months commencing 15 August 2017; and R4,0 million in one final instalment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

20. Trade and other payables

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

Trade and other payables are classified as financial liabilities at amortised cost.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Trade payables	**202 451**	145 192	**5 871**	235
Accrued expenses	**75 096**	43 327	**3 361**	26 975
Other payables	**66 351**	28 332	**29 077**	764
Trade and other payables – financial liabilities (refer note 8)	**343 898**	216 851	**38 309**	27 974
Taxes and other statutory liabilities	**83 021**	14 699	**3 758**	171
Employee-related accruals	**31 536**	120 600	**–**	2 506
Total trade and other payables	**458 455**	352 150	**42 067**	30 651

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.

In the prior year, employee-related accruals included an amount of R79,5 million owing to SARS in relation to PAYE, SDL and arrear taxes from participants of the Afrimat BEE Trust.

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

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Rand	**446 417**	343 676	**42 067**	30 651
Metical	**12 038**	8 474	**–**	–
	458 455	352 150	**42 067**	30 651

21. Revenue

Revenue from the sale of aggregates, concrete based products, industrial minerals and commodities is 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 fair value of the consideration received or receivable, which is represented by 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.

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

21. Revenue (continued)

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.

Rental income due from truck and machine rental is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017* R'000
Sale of goods	**2 436 912**	2 200 431	**–**	–
Rendering of services	**3 225**	10 839	**39 577**	13 312
Interest received (trading)	**16 645**	16 887	**–**	–
Deemed interest/preference dividends (BEE structure)	**–**	–	**–**	5 990
Group companies interest revenue	**–**	–	**57 916**	8 896
Group companies dividend revenue	**–**	–	**800 895**	84 526
	2 456 782	2 228 157	**898 388**	112 724

* *Prior year figures have been reclassified, refer note 37 for further disclosure.*

During the year, subsidiary loans were restructured through in specie dividends declared to the holding company.

22. Operating profit

Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are considered to be operating leases.

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

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) is recognised in the period in which the related service is rendered and is 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, ie profit/loss on disposal of businesses, impairment of property, plant and equipment 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.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

22. Operating profit (continued)

Operating profit for the year is stated after accounting for the following:

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
(Profit)/loss on disposal of property, plant and equipment	**(638)**	165	**–**	–
Profit on disposal of business	**–**	(4 043)	**–**	(9 825)
Expenses by nature				
Operating lease charges	**76 885**	82 448	**–**	–
Premises				
– Contractual amounts	**10 465**	17 219	**–**	–
Equipment				
– Contractual amounts	**62 682**	62 816	**–**	–
Lease rentals on operating lease – other				
– Contractual amounts	**3 738**	2 413	**–**	–
Amortisation of intangible assets	**1 727**	2 003	**–**	–
Depreciation of property, plant and equipment	**122 566**	98 628	**–**	–
Impairment of property, plant and equipment	**1 399**	3 049	**–**	–
Impairment of debit loans*	**615**	1 205	**–**	6 245
Decrease in provision for impairment of receivables	**(403)**	(6 983)	**–**	–
Increase/(decrease) in inventory provision for impairment	**911**	(13 646)	**–**	–
Gains – financial assets at fair value through profit or loss	**(1 465)**	(760)	**–**	–
Repairs and maintenance	**283 469**	228 405	**–**	–
Drilling and blasting	**80 374**	52 395	**–**	–
Cement	**165 003**	175 145	**–**	–
Fuel and diesel	**136 339**	106 846	**–**	–
External transport	**261 203**	245 148	**–**	–
Electricity	**73 386**	71 425	**–**	–
Audit fees	**4 406**	4 259	**760**	839
Audit	**4 244**	4 106	**760**	839
Other	**162**	153	**–**	–
Employee costs	**536 022**	471 509	**10 315**	10 374
Defined contribution plan contributions	**53 015**	30 175	**69**	111
Share-based payment expense	**5 456**	6 023	**1 097**	1 045
Short-term employee expenses	**477 551**	435 311	**9 149**	9 218
Other costs	**364 584**	304 364	**12 124**	4 568
Total cost of sales and operating expenses	**2 107 021**	1 825 440	**23 199**	22 026

* *In the prior year the impairment of debit loans, on group level, includes the impairment of a loan to Nityn Proprietary Limited, acquired as part of the Cape Lime acquisition. On company level, the impairment includes an impairment of a loan to AFT Aggregates Proprietary Limited on disposal of the entity as a going concern.*

23. Finance income

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017* R'000
Finance income				
Bank	**14 535**	15 064	**8 999**	8 437
Deemed interest/preference dividends (BEE structure)	**1 105**	5 990	**–**	–
Other interest	**17 290**	15 019	**10 383**	9 310
Total finance income	**32 930**	36 073	**19 382**	17 747

** Prior year figures have been reclassified, refer note 37 for further disclosure.*

24. Finance costs

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

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Instalment purchase agreements	**13 335**	12 737	**–**	–
Bank	**37 636**	22 649	**32 084**	14 876
SARS	**43**	394	**–**	–
Group companies	**–**	–	**68 885**	34 039
Environmental rehabilitation and dismantling	**6 680**	5 102	**–**	–
Other interest	**1 738**	707	**113**	–
	59 432	41 589	**101 082**	48 915

25. 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.

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Major components of the tax expense				
Current				
Local income tax				
Current year	**119 810**	130 816	**–**	–
Recognised in current year for prior years	**(238)**	337	**–**	–
Withholding tax	**979**	–	**–**	–
	120 551	131 153	**–**	–

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

25. Income tax expense (continued)

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Deferred				
Deferred income tax				
Current year	**(33 665)**	(8 178)	**(2 911)**	(6 130)
Recognised in current year for prior years	**(8 375)**	(161)	**(1 603)**	–
	(42 040)	(8 339)	**(4 514)**	(6 130)
	78 511	122 814	**(4 514)**	(6 130)
Tax rate reconciliation				
Standard tax rate (%)	**28,0**	28,0	**28,0**	28,0
Permanent differences (%)	**(1,2)**	2,3	**(28,5)**	(36,1)
Non-deductible expenses (%)	**2,9**	2,6	**(0,2)**	0,5
Share appreciation right scheme expense realised (%)	**(2,0)**	–	**–**	–
Effect of rehabilitation provision in current year (%)	**(2,4)**	–	**–**	–
Exempt income (%)	**(0,1)**	(0,7)	**(28,3)**	(36,6)
Increase in unrecognised tax losses recognised in current year (%)	**0,4**	0,4	**–**	–
Effect of capital gains tax rate change (%)	**–**	0,1	**–**	(0,7)
Recognised in current year for prior years (%)	**(2,6)**	0,1	**–**	–
Effective rate (%)	**24,2**	30,5	**(0,5)**	(8,8)

26. Notes to the cash flow statements

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
26.1 Cash generated from operations				
Profit before tax	**323 889**	402 208	**793 489**	69 342
Adjustments for:				
Depreciation and amortisation	**124 293**	100 631	**–**	–
Impairment of property, plant and equipment	**1 399**	3 049	**–**	–
Impairment of debit loans	**615**	1 205	**–**	6 245
Share of loss/(profit) of associate	**8**	(82)	**–**	–
Share of profits of joint venture	**–**	(1 047)	**–**	–
(Profit)/loss on sale of property, plant and equipment	**(638)**	165	**–**	–
Profit on disposal of business	**–**	(4 043)	**–**	(9 825)
Gains – financial assets at fair value through profit or loss	**(1 465)**	(760)	**–**	–
Foreign exchange differences	**961**	(7 270)	**–**	–
Dividend revenue (in specie)	**–**	–	**(675 201)**	–
Dividend revenue	**–**	–	**(125 694)**	(84 526)
Interest revenue	**(32 930)**	(36 073)	**(19 382)**	(17 747)
Finance costs	**59 432**	41 589	**101 082**	48 915
Net effect of settlement of employee share options	**(8 966)**	(14 327)	**(21 873)**	(31 661)
Movements in provisions	**5 353**	2 253	**–**	–
Share-based payment reserve	**5 456**	6 023	**1 097**	1 045

26. Notes to the cash flow statements (continued)

26.1 Cash generated from/(used in) operations (continued)

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Changes in working capital (excluding the effects of acquisition on consolidation):				
Increase in inventories	**(66 718)**	(13 147)	**–**	–
Increase in trade and other receivables	**(50 647)**	(10 131)	**(22 806)**	(1 300)
(Decrease)/increase in trade and other payables	**(15 500)**	60 871	**11 416**	27 212
	344 542	531 114	**42 128**	7 700

26.2 Interest received

Interest revenue (refer note 23)	**32 930**	36 073	**19 382**	17 747
Adjustments for:				
Deemed interest (non-cash)	**(1 307)**	(399)	**–**	(399)
	31 623	35 674	**19 382**	17 348

26.3 Finance costs paid

Finance costs (refer note 24)	**59 432**	41 589	**101 082**	48 915
Adjustments for:				
Environmental rehabilitation and dismantling	**(6 680)**	(5 102)	**–**	–
	52 752	36 487	**101 082**	48 915

26.4 Tax paid

Opening balance as per statement of financial position	**282**	5 361	**–**	–
Current tax for the year recognised in statement of profit or loss and other comprehensive income (refer note 25)	**(120 551)**	(131 153)	**–**	–
Acquired through business combinations (refer note 28)	**(4 542)**	(1 093)	**–**	–
Disposal of subsidiary (refer note 29)	**–**	2 824	**–**	–
Closing balance in statement of financial position	**2 304**	(282)	**–**	–
	(122 507)	(124 343)	**–**	–

26.5 Proceeds on disposal of property, plant and equipment

Net book amount (refer note 2)	**23 024**	30 508	**–**	–
Disposal of subsidiary	**–**	(12 655)	**–**	–
Environmental rehabilitation and dismantling	**(687)**	–	**–**	–
Profit/(loss) on sale of property, plant and equipment	**638**	(165)	**–**	–
	22 975	17 688	**–**	–

26.6 Proceeds on disposal of subsidiary*

Net assets derecognised (refer note 29)	**–**	5 957	**–**	175
Cash and cash equivalents disposed of	**–**	(917)	**–**	–
Profit on disposal of business	**–**	4 043	**–**	9 825
	–	9 083	**–**	10 000

* *The business including all assets of AFT Aggregates Proprietary Limited was disposed of as a going concern with effect 1 April 2016.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

26. Notes to the cash flow statements (continued)

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
26.7 Non-cash investing and financing activities				
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 2)	**79 845**	55 828	**–**	–
Acquisitions of dismantling costs (refer note 2)	**2 458**	–	**–**	–
Total	**82 303**	55 828	**–**	–
Acquisition of businesses by means of equity issue (refer note 28)	**–**	23 596	**–**	–
Acquisition of additional non-controlling interest by means of equity issue	**15 000**	–	**–**	–
26.8 Net debt reconciliation				
This section sets out an analysis of net debt and the movements in net debt for each of the reporting periods:				
Cash and cash equivalents	**22 005**	(26 853)	**(53 027)**	(218 907)
Borrowings – repayable within one year	**(165 004)**	(79 090)	**(72 954)**	–
Borrowings – repayable after one year	**(271 954)**	(94 999)	**(210 000)**	–
Other financial liabilities	**(21 856)**	(38 111)	**–**	–
Loans from subsidiaries	**–**	–	**(116 857)**	(552 069)
Net debt	**(436 809)**	(239 053)	**(452 838)**	(770 976)

	Other assets	Liabilities from financing activities			
	Cash and cash equivalents	Borrowings due within one year	Borrowings due after one year	Other financial liabilities	Loans from subsidiaries
Net debt as at 1 March 2016	77 363	65 564	47 321	–	–
Cash flows	(104 216)	(9 558)	14 934	38 111	–
Acquisitions – instalment sale agreements	–	23 084	32 744	–	–
Other non-cash movements	–	–	–	–	–
Net debt as at 28 February 2017	(26 853)	79 090	94 999	38 111	–
Cash flows	**48 858**	**42 562**	**137 567**	**(16 255)**	**–**
Acquisitions – instalment sale agreements	**–**	**40 457**	**39 388**	**–**	**–**
Acquisitions – Demaneng (refer to note 28)	**–**	**2 741**	**–**	**–**	**–**
Other non-cash movements	**–**	**154**	**–**	**–**	**–**
Net debt as at 28 February 2018	**22 005**	**165 004**	**271 954**	**21 856**	**–**

27. Dividends paid

Dividends declared to the group's shareholders are recognised in the group's financial statements in the period in which the dividends are approved by the group's directors.

27. Dividends paid (continued)

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Current year interim dividend paid	**28 652**	28 652	**28 652**	28 652
Previous year final dividend paid	**71 631**	58 738	**71 631**	58 738
Dividends received on treasury shares	**(4 683)**	(587)	**–**	–
Dividends paid by subsidiaries to non-controlling shareholders	**640**	863	**–**	–
	96 240	87 666	**100 283**	87 390
The company has made the following cash distributions to shareholders:				
Interim dividend paid (cents)			**20,0**	20,0
Final dividend declared/paid (cents)			**42,0**	50,0
Distributions paid (cents)			**62,0**	70,0

28. Acquisitions of businesses

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

The group acquired 60% of the issued shares of Demaneng, as well as a cession and delegation agreement with Investec Limited to purchase all of its security. On 13 July 2017, all conditions precedent, including section 11 approval from the DMR, were fulfilled and the agreement became unconditional.

The acquisition will complement and augment Afrimat's product offering and further expand its footprint across South Africa. Given the nature of Demaneng's reserves and the access to infrastructure, together with Afrimat's existing competencies, the transaction allows the ability to leverage the combined strengths which will result in developing new revenue opportunities for Afrimat in the iron ore space.

The accounting for this business combination is still within the measurement period and information pertaining to the fair value of current and deferred tax assets and liabilities have not yet been received.

Provisional details of the acquisition are as follows:

	Demaneng Total 2018 R'000
Property, plant and equipment*	**304 374**
Other financial assets	**17 557**
Inventories	**12 446**
Trade and other receivables	**8 804**
Borrowings	**(307 852)**
Current tax payable	**(4 542)**
Deferred tax liability	**(53 454)**
Trade and other payables	**(122 910)**
Provisions	**(20 294)**
Cash and cash equivalents	**5 228**
Net assets	**(160 643)**
Non-controlling interest	**64 257**
Goodwill	**96 386**
Consideration paid	**–**

** Property, plant and equipment includes the fair value of mining assets of R169,7 million acquired.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

28. Acquisitions of businesses (continued)

Demaneng (continued)

On 22 August 2017, the group announced on SENS that Afrimat had concluded a sale of shares and claims agreement with the minorities of Demaneng to acquire the remaining 40% stake in Demaneng, from 15 August 2017, for an aggregate purchase consideration of R44,0 million.

The purchase consideration of R44,0 million is payable in nine tranches as follows: eight monthly instalments of R5,0 million per month for eight consecutive months commencing 15 August 2017; and R4,0 million in one final instalment (refer note 19).

	Total 2018 R'000
Pro forma revenue assuming the business combination for the full year	**274 647**
Pro forma loss after tax assuming the business combination for the full year	**(103 836)**
Revenue included in results	**251 773**
Loss after tax included in results	**(38 790)**
Acquisition costs (including business rescue costs) included in 'operating expenses' for the year	**5 782**

At acquisition, the fair value of trade and other receivables was R8,8 million and includes trade receivables of R8,0 million. An amount of R8,0 million is reflected as neither impaired nor past due.

Cape Lime

The group acquired 100% of the issued ordinary shares of lime and associated products producer, Cape Lime, on 31 March 2016. The aggregate purchase consideration paid for the acquisition of Cape Lime was R282,6 million and was settled in cash amounting to R259,0 million and reissuing of treasury shares of R23,6 million. Included in the purchase consideration was an interest amount of R6,6 million. The original cash consideration of R252,4 million bore interest at the SBSA's prime overdraft rate less 2,0% from 10 December 2015, or from such earlier date in the event that all approvals were received from the authorities. The acquisition will complement and augment Afrimat's industrial mineral product offering and further expand its footprint across South Africa.

The parties to the acquisition recognise the scale of potential business opportunities that such a relationship presents, as Afrimat and Cape Lime have different and complementary strengths. Leverage from the combined strengths will result in developing new revenue opportunities for Afrimat and Cape Lime.

Measurement period adjustment

During the 2018 financial year, the 2017 comparative information is adjusted retrospectively to increase the fair value of the deferred tax liability at the acquisition date by R57,4 million offset by an increase to goodwill of R57,4 million in finalisation of the accounting for this business combination.

Details of the acquisition are as follows:

	Cape Lime Total 2017 R'000
Carrying amount/fair value of net assets acquired	
Property, plant and equipment*	264 248
Intangible assets	28
Other financial assets	3 695
Inventories	16 467
Trade and other receivables	29 054
Current tax payable	(1 093)
Trade and other payables	(17 004)
Deferred tax liability	(64 209)
Provisions	(13 783)
Cash and cash equivalents	7 792
Goodwill	57 456
Net assets	282 651

* *Property, plant and equipment includes the fair value of mining assets of R205,2 million acquired.*

28. Acquisitions of businesses (continued)

Cape Lime (continued)

	Cape Lime Total 2017 R'000
Consideration paid:	
Cash	259 055
Treasury shares issued (issued at R20,71 per share)	23 596
Total consideration	282 651
Net cash outflow from acquisition of subsidiary:	
Cash consideration paid	259 055
Cash and cash equivalents acquired	(7 792)
	251 263

At acquisition, the fair value of trade and other receivables was R29,1 million and includes trade receivables of R26,9 million. An amount of R25,1 million was reflected as neither impaired nor past due.

Wearne

Wearne Aggregates Proprietary Limited and Wearne Readymix Concrete Proprietary Limited, both wholly owned subsidiaries of Wearne, entered into an agreement with Afrimat Aggregates (KZN) Proprietary Limited and Afrimat Concrete Products Proprietary Limited, both wholly owned subsidiaries of Afrimat, on 6 July 2016 to dispose of the Bethlehem quarry and ancillary businesses as a going concern for R28,0 million. Furthermore Wearne also agreed to dispose of Erf 4038, Bethlehem, Free State to Rodag Holdings Proprietary Limited, a wholly owned subsidiary of Afrimat, for R2,0 million. The effective date of the transaction was 17 October 2016. The acquisition will strengthen Afrimat's existing geographical footprint in the Eastern Free State region.

Details of the acquisition are as follows:

	Wearne – additional acquisition 2018 R'000	Wearne – initial acquisition 2017 R'000
Carrying amount/fair value of net assets acquired		
Property, plant and equipment*	**1 000**	28 500
Inventories	**–**	2 536
Provisions	**–**	(2 036)
Net assets	**1 000**	29 000
Consideration paid		
Cash	**1 000**	29 000
Total consideration	**1 000**	29 000
Net cash outflow from acquisition of business and property:		
Cash consideration paid**	**1 000**	29 000
	1 000	29 000

* *Property, plant and equipment includes the fair value of mining assets of R1,0 million acquired.*

** *An amount of R1,0 million was payable on the approval of section 11 by the DMR.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

29. Disposal of subsidiary

AFT Aggregates Proprietary Limited

The group disposed of 100% of its shareholding in AFT Aggregates Proprietary Limited ('AFT Aggregates') (includes the Randfontein business) to Nityn Proprietary Limited on 1 April 2016. The company was previously included in the 'Aggregates and Industrial Minerals' segment.

Details of the disposal are as follows:

	AFT Aggregates Total 2017 R'000
Carrying amount/fair value of net assets over which control was lost	
Property, plant and equipment	12 655
Inventories	1 892
Trade and other receivables	1 972
Current tax payable	(2 824)
Trade and other payables	(3 553)
Deferred tax liability	(2 553)
Provisions	(2 549)
Cash and cash equivalents	917
Net assets	5 957
Consideration received:	
Cash	10 000
Total consideration	10 000
Net cash inflow from disposal of subsidiary:	
Cash consideration received	10 000
Cash and cash equivalents disposed of	(917)
	9 083

30. Commitments

	Group		Company	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Authorised capital expenditure				
Contracted after year-end, but not provided for				
Property, plant and equipment	**6 771**	8 458	**–**	–
Not yet contracted for				
Property, plant and equipment	**177 144**	131 555	**–**	–
Total authorised capital expenditure	**183 915**	140 013	**–**	–
Operating leases – as lessee (expense)				
Minimum lease payments due				
No later than one year	**7 847**	4 008	**1 773**	–
Later than one year and no later than five years	**18 428**	6 681	**2 630**	–
	26 275	10 689	**4 403**	–

30. Commitments (continued)

Operating lease payments represent rentals payable by the group for quarries, other premises, motor vehicles and equipment. Certain leases carry standard escalation clauses in line with inflation. The lease terms are between one and five years, and the majority of lease agreements are renewable at the end of the lease period at market rates. All rental agreements exceeding five years have a notice period of six months and therefore not disclosed above. The lease expenditure charged to profit or loss during the year is disclosed in note 22.

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

31. Contingencies

Guarantees

Guarantees to the value of R87,5 million (2017: R87,2 million) were supplied by SBSA to various parties, including the DMR and Eskom.

Guarantees to the value of R73,9 million (2017: R9,3 million) were supplied by FNB to various parties, including the DMR and Eskom. The increase in amount with FNB relates to guarantees of the amount of R50,0 million provided to the business rescue practitioner and compromised creditors in terms of the Demaneng acquisition.

Guarantees to the value of R1,6 million (2017: R23,5 million) by Lombard's Insurance Group, R0,5 million (2017: R1,4 million) by ABSA Bank Limited, R2,7 million (2017: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited and R94,2 million (2017: R10,9 million) by Centriq Insurance Company were supplied to various parties, including the DMR, Eskom and Chevron South Africa Proprietary Limited. The increase in amount with Centriq Insurance Innovation mainly relates to the acquisition of Demaneng and restructuring of the environmental rehabilitation guarantee of Infrasors.

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 DMR in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R10,3 million (2017: R4,8 million). An accrual has been raised in respect of commitments made up to the end of the financial year.

The company received notice on 31 March 2017 from the Competition Commissioner that it has 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 case is still ongoing. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for FY2016 which equates to R16,3 million.

32. 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 5 and 6, respectively.

		Group	
		2018 R'000	2017 R'000
Loan balances owing by	Associate	**10 151**	11 591
Loan balances owing by	Joint venture	**31 011**	14 099
Obligation of share of joint venture's losses	Joint venture	**(4 481)**	(4 481)
Interest received from	Associate	**484**	806
Interest received from	Joint venture	**887**	420

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

32. Related parties (continued)

Subsidiaries, associates and related trusts (continued)

		Company	
		2018 R'000	2017 R'000
Net loan balances	Subsidiaries	**550 074**	(364 529)
Loan balances owing to	Subsidiaries	**(116 857)**	(552 069)
Loan balances owing by	Subsidiaries	**666 931**	187 540
Loan balances owing by	Associate	**696**	628
Amounts included in trade and other receivables	Associate	**–**	49
Share of net loss after tax	Joint venture	**(2 235)**	(5 774)
Rendering of services	Subsidiaries	**39 577**	13 312
Dividends received from	Subsidiaries	**800 895**	84 526
Dividends received from	Associate	**54**	88
Interest paid to	Subsidiaries	**(68 885)**	(34 039)
Interest received from	Subsidiaries	**57 916**	8 896

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 35.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. Refer note 15.

Shareholding

Refer to the analysis of shareholders on page 149 for a list of shareholders with a beneficial interest of 3,0% or more in the company.

Associate

The total authorised ordinary stated capital of the associate consisted of 1 000 (2017: 1 000) no par value ordinary shares of which 300 (2017: 300) ordinary shares were issued at year-end.

A share of profit of associate of R0,01 million (2017: R0,08 million) has been included in the results. Transactions with the associate is entered into at the prevailing market rates. An interest amount of R0,5 million (2017: R0,8 million) was received on inter-company loan accounts with the group's associate.

Joint venture

Details regarding the group's joint venture are set out in notes 6 and 11. Transactions with the joint venture is entered into at the prevailing market rates.

Treasury shares

The group acquired 475 216 (2017: 440 000) of its own shares through purchases on the JSE Limited. Refer note 14 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 653 854 (2017: 6 653 384) shares representing 4,64% of the issued share capital of the company.

33. 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 2/2015 issued by SAICA as required by the JSE Listings Requirements.

(b) Diluted 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	
	2018 ’000	2017 ’000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(6 654)**	(7 188)
Net shares in issue	**136 608**	136 074
Weighted average number of net shares in issue	**136 271**	141 713
Adjusted for effect of future share-based compensation payments	**977**	1 496
Diluted weighted average number of shares	**137 248**	143 209
Profit attributable to ordinary shareholders (rand)	**245 668**	277 824
Earnings per ordinary share (cents)	**180,3**	196,0
Diluted earnings per ordinary share (cents)	**179,0**	194,0

	Gross 2018 R’000	**Net of tax 2018 R’000**	Gross 2017 R’000	Net of tax 2017 R’000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	**–**	**245 668**	–	277 824
(Profit)/loss on disposal of property, plant and equipment attributable to owners of the parent	**(638)**	**(459)**	165	119
Profit on disposal of subsidiary	**–**	**–**	(4 043)	(1 842)
Impairment of property, plant and equipment	**1 399**	**1 007**	3 049	2 195
Headline earnings		**246 216**		278 296
Headline earnings per share (‘HEPS’) (cents)		**180,7**		196,4
Diluted HEPS (cents)		**179,4**		194,3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

34. Net asset value ('NAV') per share

	Group 2018 R'000	Group 2017 R'000
Number of shares in issue		
Total shares in issue	**143 262**	143 262
Treasury shares	**(6 654)**	(7 188)
Net shares in issue	**136 608**	136 074
Shareholders' funds attributable to owners of the parent	**1 219 340**	1 199 372
Net total asset value per share (cents)	**893**	881
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent	**1 219 340**	1 199 372
Intangible assets and goodwill	**(299 884)**	(205 225)
	919 456	994 147
Total TNAV per share (cents)	**673**	731

35. Directors' emoluments

	Short-term benefits			Post-retirement benefits	Other	
	Basic salary/ annual fees 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 2018						
Paid by company						
Executive						
Andries J van Heerden	3 999	156	33	–	–	4 188
Pieter GS de Wit	2 179	96	37	240	–	2 552
Gert J Coffee	1 747	300	18	–	–	2 065
	7 925	552	88	240	–	8 805
Non-executive						
Marthinus W von Wielligh	767	–	–	–	232	999
Francois du Toit (retired 31 August 2017)	50	–	–	–	–	50
Loyiso Dotwana	383	–	–	–	10	393
Hendrik JE van Wyk	341	–	–	–	20	361
Jacobus F van der Merwe	284	–	–	–	–	284
Phuti RE Tsukudu	319	–	–	–	–	319
Helmut N Pool (appointed 1 March 2017)	266	–	–	–	–	266
Johannes HP van der Merwe (appointed 1 March 2017)	213	–	–	–	–	213
Francois M Louw (appointed 14 November 2017)	75	–	–	–	22	97
	2 698	–	–	–	284	2 982
Total	10 623	552	88	240	284	11 787

35. Directors' emoluments (continued)

	Short-term benefits			Post-retirement benefits	Other	
	Basic salary/ annual fees R'000	Travel allowance R'000	Medical aid R'000	Pension R'000	Other allowances R'000	Total R'000
2017						
Paid by company						
Executive						
Andries J van Heerden	3 612	160	39	–	–	3 811
Pieter GS de Wit	1 900	100	35	209	–	2 244
Gert J Coffee	1 622	300	17	–	–	1 939
	7 134	560	91	209	–	7 994
Non-executive						
Marthinus W von Wielligh	720	–	–	–	299	1 019
Francois du Toit	200	–	–	–	–	200
Loyiso Dotwana	360	–	–	–	–	360
Hendrik JE van Wyk	320	–	–	–	–	320
Jacobus F van der Merwe	266	–	–	–	–	266
Phuti RE Tsukudu	350	–	–	–	–	350
	2 216	–	–	–	299	2 515
Total	9 350	560	91	209	299	10 509

Notes

1. Other fees include daily rates for non-executive directors utilised on extraordinary duties. Costs in obtaining the knowledge and expertise of Marthinus W von Wielligh with regards to commodities during the implementation of the Demaneng transaction have been incurred and classified to other allowances.
2. Other fees paid to Hendrik JE van Wyk, included trustee fees paid in terms of the Afrimat Share Incentive Trust.

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.

Gert J Coffee's contract was renewed for another one-year period, which started 1 January 2018. No compensation will apply to termination.

Andries J van Heerden and Pieter GS de Wit, the CEO and CFO, 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 form of a Share Appreciation Rights Scheme (refer note 15).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

35. Directors' emoluments (continued)

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**
2018								
Andries J van Heerden								
150 000	13 Dec 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	2 346
180 000	18 May 2016	2 220	–	–	–	–	180 000	1 222
310 000	17 May 2017	2 900	–	–	–	–	310 000	(3)
			2 815 000	450 000		28 532	690 000	3 565
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	704
120 000	18 May 2016	2 220	–	–	–	–	120 000	815
135 000	17 May 2017	2 900	–	–	–	–	135 000	(1)
			470 000	90 000		5 905	315 000	1 518
Gert J Coffee								
300 000	12 May 2010	325	300 000	–	901	1 728	–	–
250 000	11 May 2011	340	250 000	–	1 650	3 275	–	–
200 000	9 May 2012	572	200 000	–	1 873	2 602	–	–
150 000	8 May 2013	850	150 000	–	3 065	3 323	–	–
			900 000	–		10 928	–	–

* *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 share price (R28,99), less the strike price of these instruments.*

In terms of the Share Appreciation Rights Scheme: Grant 9 (2017: Grant 8), the rights have vested after the three-year vesting period, as the performance criteria have been met.

35. Directors' emoluments (continued)

Incentive bonuses paid to executive directors

	Group	
	2018 R'000	2017 R'000
Executive		
Andries J van Heerden	**2 450**	2 700
Pieter GS de Wit	**1 250**	1 300
Gert J Coffee	**900**	1 000
	4 600	5 000

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

Non-executive directors' pay-out in terms of the BEE share scheme

Following the implementation of the ARC Transaction, the beneficiaries under the current scheme received the proceeds on the sale of their shares net of any liabilities and ceased to be participants under the current scheme.

	Group	
	2018 R'000	2017 R'000
Non-executive		
Phuti RE Tsukudu	**–**	1 790
Loyiso Dotwana	**–**	4 447
	–	6 237

Directors' shareholding

Please refer to the directors' report for further disclosure regarding the directors respective shareholding in the company.

36. Events after the reporting period

There have been no material changes in the affairs or financial position of the company and its subsidiaries since the statement of financial position date.

37. Comparative figures

Certain comparative figures have been reclassified to enhance disclosure. These changes have no impact on the overall profitability.

Statement of profit or loss and other comprehensive income

Certain revenue items have been reclassified from 'finance income' to 'revenue' in the company to better reflect the nature of the revenue item.

The effects of the reclassification are as follows:

	Company	
	2018 R'000	2017 R'000
Revenue	**–**	(99 412)
Finance income	**–**	99 412

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

37. Comparative figures (continued)

Statement of cash flows

Non-cash transactions relating to instalment sale agreements have been excluded from 'Acquisition of property, plant and equipment' and 'Proceeds from borrowings' in terms of paragraph 43 to 44 of IAS 7: *Statement of Cash Flows*.

As at 28 February 2017, R69,3 million was reflected as 'Repurchase of Afrimat shares' in the cash flow statement and included a non-cash flow item of R59,7 million. The only cash flow item that should have been reflected was for 440 000 of the company's own shares purchased on the JSE Limited via Afrimat Aggregates (Operations) Proprietary Limited. The total amount paid to acquire the shares was R9,7 million. The company identified that R59,7 million was a non-cash transaction and should have been offset against the R51,5 million 'Effect on disposal of treasury shares to ARC' to reflect the only cash flow in the amount of R8,2 million which directly related to the CGT payable by AEI on the disposal of shares to ARC.

The effects of reclassification is as follows:

	Group		Company	
	Restated audited year ended 28 February 2017 R'000	Previous audited year ended 28 February 2017 R'000	Restated audited year ended 28 February 2017 R'000	Previous audited year ended 28 February 2017 R'000
Cash flows from operating activities				
Cash generated from/(used in) operations	–	–	7 700	(7 186)
Interest received	–	–	17 348	32 234
Net cash inflow from operating activities	–	–	60 659	60 659
Cash flows from investing activities			–	–
Acquisition of property, plant and equipment	(78 693)	(134 521)	–	–
Net cash outflow from investing activities	(448 161)	(503 989)	–	–
Cash flows from financing activities			–	–
Repurchase of Afrimat shares	(9 656)	(69 310)	–	–
Proceeds from borrowings	250 983	306 811	–	–
Tax paid on disposal of shares to ARC	(8 200)	51 454	–	–
Net cash outflow from financing activities	(62 101)	(6 273)	–	–

38. 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.

(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, currency 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 circumstance.

(i) Equity price risk

The group is not exposed to material equity price risk.

38. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The group's interest rate risk arises from cash and cash equivalents, borrowings and other financial liabilities as set out in notes 12, 17 and 18. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the group to cash flow interest rate risk.

The group's policy is to invest cash and cash equivalents and to obtain borrowings at variable interest rates and not to make use of any interest rate derivatives, which expose the group to cash flow interest rate risk in South Africa.

Sensitivity analysis

Interest rate risks are presented by way of sensitivity 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 (2017: 200 basis points) change in the Reserve Bank repo rate as being reasonably possible at the reporting periods.

	Movement in basis points	Effect on profit after tax R'000
2018		
Group		
Cash and cash equivalents	+200	1 604
	-200	(1 604)
Borrowings	+200	(6 292)
	-200	6 292
Other financial liabilities	+200	(128)
	-200	128
Bank overdraft	+200	(1 299)
	-200	1 299
Total	+200	(6 115)
	-200	6 115
Company		
Cash and cash equivalents	+200	6
	-200	(6)
Borrowings	+200	(4 075)
	-200	4 075
Loans to subsidiaries	+200	9 604
	-200	(9 604)
Loans from subsidiaries	+200	(1 683)
	-200	1 683
Bank overdraft	+200	(769)
	-200	769
Total	+200	3 083
	-200	(3 083)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

38. Financial risk management (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Movement in basis points	Effect on profit after tax R'000
2017		
Group		
Cash and cash equivalents	+200	3 519
	-200	(3 519)
Borrowings	+200	(2 507)
	-200	2 507
Other financial liabilities	+200	(549)
	-200	549
Bank overdraft	+200	(3 910)
	-200	3 910
Total	+200	(3 447)
	-200	3 447
Company		
Cash and cash equivalents	+200	4
	-200	(4)
Loans to subsidiaries	+200	2 701
	-200	(2 701)
Loans from subsidiaries	+200	(7 950)
	-200	7 950
Bank overdraft	+200	(3 156)
	-200	3 156
Total	+200	(8 401)
	-200	8 401

(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 Dollar and the company negotiates iron ore prices in that currency with customers. Currency movements of the US Dollar 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 currency 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, ie not to hedge foreign currency revenues.

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).

38. Financial risk management (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

Sensitivity analysis (continued)

	Movement in basis points	Effect on profit after tax R'000
2018		
Group		
Profit or loss	**+1 000**	**21 327**
	-1 000	**(21 327)**
Total	**+1 000**	**21 327**
	-1 000	**(21 327)**

(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 28 February 2018, R31,4 million (2017: RNil) of the trade receivables balance are subject to price movements.

(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 and 12.

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

(i) Trade receivables

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

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

Limited security is obtained for trade receivables, although trade receivables to the value of R275,2 million (2017: R124,6 million) are currently insured by Credit Guarantee Insurance Corporation of Africa Limited further limiting the group's exposure to credit risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

38. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables (continued)

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

	2018 %	2017 %
Contractual		
Neither impaired nor past due	**86,4**	77,8
Between 30 and 60 days past due	**8,4**	14,2
Between 60 and 90 days past due	**2,5**	4,2
More than 90 days past due	**2,7**	3,8
Total	**100,0**	100,0

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

(ii) Cash and cash equivalents

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

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

(iii) Financial guarantees

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

Refer note 31 for details of guarantees provided.

(iv) Available-for-sale financial assets

The maximum exposure to credit risk at the reporting period is the carrying value of the debt securities classified as available-for-sale. None of the financial assets were pledged as collateral. Management has assessed the credit risk as low due to the investments being held with established financial institutions and due to the underlying listed categorisation of equity investments.

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

(c) Liquidity risk

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

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

Surplus cash over and above balance required for working capital management, is transferred to the group treasury. Group treasury invest surplus cash in interest-bearing current accounts and money market deposits to provide sufficient headroom as determined by the abovementioned forecasts. At the reporting period, the group held money market funds of R9,5 million (2017: R122,1 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

38. Financial risk management (continued)

(c) Liquidity risk (continued)

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

	Carrying values R'000	Total cash flows R'000	Less than one year R'000	Between one and five years R'000	Over five years R'000
Group					
At 28 February 2018					
Medium-term loans	**287 174**	**334 576**	**87 499**	**247 077**	**–**
Other financial liabilities	**21 856**	**21 856**	**21 856**	**–**	**–**
Instalment purchase agreements	**149 784**	**162 376**	**101 305**	**61 071**	**–**
Trade and other payables	**343 898**	**343 898**	**343 898**	**–**	**–**
Bank overdraft	**90 203**	**90 203**	**90 203**	**–**	**–**
	892 915	**952 909**	**644 761**	**308 148**	**–**
At 28 February 2017					
Medium-term loans	1 971	1 971	646	1 325	–
Other financial liabilities	38 111	38 111	38 111	–	–
Instalment purchase agreements	172 118	189 770	91 054	98 716	–
Trade and other payables	216 851	216 851	216 851	–	–
Bank overdraft	271 543	271 543	271 543	–	–
	700 594	718 246	618 205	100 041	–
Company					
At 28 February 2018					
Medium-term loans	**282 954**	**330 356**	**83 279**	**247 077**	**–**
Loans from subsidiaries	**116 857**	**116 857**	**116 857**	**–**	**–**
Trade and other payables	**38 309**	**38 309**	**38 309**	**–**	**–**
Exposure to omnibus securityship	**90 203**	**90 203**	**90 203**	**–**	**–**
	528 323	**575 725**	**328 648**	**247 077**	**–**
At 28 February 2017					
Loans from subsidiaries	552 069	552 069	552 069	–	–
Trade and other payables	27 974	27 974	27 974	–	–
Exposure to omnibus securityship	271 543	271 543	271 543	–	–
	851 586	851 586	851 586	–	–

(d) Capital risk management

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

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

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buyback 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 28 February 2018

38. Financial Risk Management (continued)

(d) Capital Risk Management

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	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Total borrowings	**458 814**	212 200	**399 811**	552 069
Overdraft less cash and cash equivalents	**(22 005)**	26 853	**53 027**	218 907
Net debt	**436 809**	239 053	**452 838**	770 976
Total equity	**1 229 320**	1 206 919	**1 158 072**	481 128
Total capital	**1 666 129**	1 445 972	**1 610 910**	1 252 104
Net debt:equity ratio (%)	**35,5**	19,8	**39,1**	160,2

The strategy to maintain a net debt:equity ratio in the current year has been influenced by the inclusion of the loans from group companies as well as the funding towards the Demaneng transaction. Should this have been excluded the group and company would have met the group's targets at 12,5% and 4,6% (2017: (4,8%) and 7,8%). 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.

39. 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 28 February 2018				
Assets				
Investment property	**–**	**–**	**3 040**	**3 040**
Available-for-sale financial assets				
Equity securities	**128**	**–**	**–**	**128**
Environmental funds	**–**	**20 556**	**–**	**20 556**
At fair value through profit or loss – designated				
Unit trusts	**–**	**30 573**	**–**	**30 573**
Total assets	**128**	**51 129**	**3 040**	**54 297**

39. Fair value estimation (continued)

	Group			
	Level 1	Level 2	Level 3	Total balance
At 28 February 2017				
Assets				
Investment property	–	–	3 040	3 040
Available-for-sale financial assets				
Equity securities	108	–	–	108
Environmental funds	–	2 356	–	2 356
At fair value through profit or loss – designated				
Unit trusts	–	27 264	–	27 264
Total assets	108	29 620	3 040	32 768

The group's available-for-sale equity securities are traded in active markets. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. 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 schemes that invest in equity 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 18). The fair value of unquoted unit trusts is derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment in the unit trust by reference to the fair value of the individual assets and liabilities recognised in a unit trust's statement of financial position. The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

(a) Transfers

The group recognises transfers between the level of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 28 February 2018 or the prior year.

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

In the prior year, unit trusts to the value of R24,7 million held in IERT, were classified under Level 2 of the fair value hierarchy. The IERT received, held and invested funds contributed by the group for the rehabilitation or management of negative environmental impacts associated with mining and exploration activities. The contributions were aimed at providing for sufficient funds at date of estimated closure of mining activities to address the rehabilitation and environmental impacts.

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

The trustees of the fund were appointed by the group and consisted of sufficiently qualified employees capable of fulfilling their fiduciary duties.

The funds were invested by the in-house treasury department with reputable financial institutions in accordance with a strict mandate to ensure capital preservation and real growth.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

40. New and amended standards

New and amended standards adopted by the group

The group has adopted the following amendment that is effective for the current financial year and that is relevant to its operations:

IAS 7 (Amendment): *Statement of cash flows*

The amendment clarifies the information provided to users of financial statements about the entity's financing activities. The adoption of the amendment resulted in amended disclosures (refer notes 26.7 and 26.8).

New standards and interpretations not yet adopted

Title of standard	**IFRS 9:** *Financial instruments*
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	The group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 March 2018: The majority of the group's debt instruments that are currently classified as available-for-sale will satisfy the conditions for classification as at fair value through other comprehensive income ('FVOCI') and hence there will be no change to the accounting for these assets. However, certain investments in financial assets do not meet the criteria to be classified either as at FVOCI or at amortised cost and R18,3 million will have to be reclassified to financial assets at fair value through profit or loss ('FVPL'). Related fair value gains of RNil will have to be transferred from the available-for-sale financial assets reserve to retained earnings on 1 March 2018. The other financial assets held by the group include: ▪ equity instruments currently classified as available-for-sale for which a FVOCI election is available; ▪ equity instruments currently measured at FVPL which will continue to be measured on the same basis under IFRS 9; and ▪ debt instruments currently measured at amortised cost which meet the conditions for classification at amortised cost under IFRS 9. Accordingly, the group does not expect the new guidance to affect the classification and measurement of these financial assets. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from IAS 39: *Financial Instruments: Recognition and Measurement* and have not been changed. The new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, lease receivables and loan commitments. Based on the assessments undertaken to date, the group expects a small increase in the provision allowance for trade receivables by approximately 22,6% and in relation to financial assets at amortised cost. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.
Date of adoption by group	Must be applied for financial years commencing on or after 1 January 2018. The group will apply the new rules retrospectively in the FY2019 results, with the practical expedients permitted under the standard.

40. New and amended standards (continued)

New standards and interpretations not yet adopted (continued)

Title of standard	**IFRS 15:** *Revenue from Contracts with Customers*
Nature of change	The International Accounting Standards Board ('IASB') has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management has assessed the effects of applying the new standard on the group's financial statements and has identified no areas that will be affected.
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2018. The group intends to adopt the standard using the cumulative catch-up method which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 March 2018 and that comparatives will not be restated.

Title of standard	**IFRS 16:** *Leases*	
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.	
Impact	The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of R26,3 million, refer note 30. The group estimates that approximately 40,0% to 45,0% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss. The group has assessed the affect of the difference in treatment of variable lease payments and the extension and termination options. The estimate of the effect of the adoption of the new standard is as follows:	
		R'000
	Property, plant and equipment	**10 680**
	Lease liability	**(17 854)**
	Retained earnings (opening balance)	**6 371**
	(Profit)/loss	**803**
Date of adoption by group	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the group intends to adopt the standard on 1 March 2018. The group intends to apply the approach and will restate comparative amounts for the year, prior to first adoption.	

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

41. Segmental analysis

The segments of the group have been identified by business segment. The basis is representative of the internal structure used for management reporting to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

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 can be specifically identified within a particular segment.

	Change %	2018 R'000	2017 R'000
Aggregates and Industrial Minerals*			
Segmental revenue		**1 768 038**	1 672 103
Intersegmental		**(185 367)**	(118 818)
Revenue from external customers	1,9	**1 582 671**	1 553 285
Depreciation and amortisation		**89 091**	82 166
Impairment of property, plant and equipment		**1 399**	3 049
Contribution from operations	(8,4)	**343 651**	374 986
Contribution margin on external revenue		**21,7%**	24,1%
Operating profit	(8,0)	**342 252**	371 937
Assets	6,5	**1 406 136**	1 319 965
Equity		**1 052 531**	968 058
Liabilities	0,5	**353 605**	351 907
Capital expenditure (excluding acquisitions through business combinations)		**140 177**	106 234
Concrete Based Products**			
Segmental revenue		**631 176**	677 229
Intersegmental		**(8 838)**	(2 357)
Revenue from external customers	(7,8)	**622 338**	674 872
Depreciation and amortisation		**11 578**	15 291
Contribution from operations	(47,2)	**20 721**	39 238
Contribution margin on external revenue		**3,3%**	5,8%
Operating profit	(47,2)	**20 721**	39 238
Assets	13,1	**248 578**	219 722
Equity		**189 252**	173 284
Liabilities	27,8	**59 326**	46 438
Capital expenditure (excluding acquisitions through business combinations)		**14 610**	17 037
Commodities***			
Segmental revenue		**251 773**	–
Intersegmental		**–**	–
Revenue from external customers		**251 773**	–
Depreciation and amortisation		**20 042**	–
Contribution from operations		**(33 443)**	–
Contribution margin on external revenue		**(13,3%)**	–
Operating profit		**(33 443)**	–
Assets		**382 777**	–
Equity		**244 874**	–
Liabilities		**137 903**	–
Capital expenditure (excluding acquisitions through business combinations)		**41 633**	–

* *Comprising Industrial Minerals, Contracting Services and Aggregates.*
** *Comprising Concrete Products and Readymix.*
*** *Comprising bulk commodities.*

41. Segmental analysis (continued)

	Change %	2018 R'000	2017 R'000
Unsegmental and eliminations			
Segmental revenue		**–**	–
Intersegmental		**–**	–
Revenue from external customers		**–**	–
Depreciation and amortisation		**3 584**	3 174
Profit on disposal of subsidiary		**–**	4 043
Contribution from operations		**20 869**	(8 623)
Contribution margin on external revenue		**–**	–
Operating profit/(loss)		**20 869**	(4 580)
Assets****		**553 138**	784 094
Equity		**(257 337)**	65 577
Liabilities*****		**810 475**	718 517
Capital expenditure (excluding acquisitions through business combinations)		**5 800**	11 250
Total			
Segmental revenue		**2 650 987**	2 349 332
Intersegmental		**(194 205)**	(121 175)
Revenue from external customers	10,3	**2 456 782**	2 228 157
Depreciation and amortisation		**124 295**	100 631
Impairment of property, plant and equipment		**1 399**	3 049
Profit on disposal of subsidiary		**–**	4 043
Contribution from operations	(13,3)	**351 798**	405 601
Contribution margin on external revenue		**14,3%**	18,2%
Operating profit	(13,8)	**350 399**	406 595
Assets	7,5	**2 590 629**	2 323 781
Segmental equity		**1 229 320**	1 206 919
Liabilities	18,6	**1 361 309**	1 116 862
Capital expenditure (excluding acquisitions through business combinations)		**202 220**	134 521
****** Unsegmental assets**			
Unsegmental assets consist of the following unallocated assets:			
Goodwill		**287 036**	190 650
Other financial assets*		**59 446**	277 049
Deferred tax		**55 115**	30 288
Current tax receivable		**9 181**	9 279
Cash and cash equivalents		**112 208**	244 690
Other assets		**30 152**	32 138
		553 138	784 094

* *Includes financial asset owing by Afrimat Demaneng Proprietary Limited, in prior year.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

for the year ended 28 February 2018

41. Segmental analysis (continued)

	2018 R'000	2017 R'000
***** **Unsegmental liabilities**		
Unsegmental liabilities consist of the following unallocated liabilities:		
Provisions	**130 288**	96 190
Deferred tax	**207 583**	171 301
Current tax payable	**11 485**	8 997
Bank overdraft*	**90 203**	271 543
Other liabilities	**370 916**	170 486
	810 475	718 517

** In the prior year, this amount includes financing which was restructured into a medium-term loan in the current year.*

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

Geographical information

	Revenues* 2018 R'000	Non-current assets** 2018 R'000	Revenues* 2017 R'000	Non-current assets** 2017 R'000
South Africa	**2 454 162**	**1 824 270**	2 183 423	1 565 629
Mozambique	**2 620**	**11 243**	44 734	8 350
Total	**2 456 782**	**1 835 513**	2 228 157	1 573 979

** Revenues are attributed to countries on the basis of the customer's location.*
*** Non-current assets are attributed to countries on the basis of the asset's location.*

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

The **Aggregate and Industrial Minerals** operations have been combined. Aggregates consist mainly out of the sales of sand, gravel and crushed stone. The sale of industrial minerals consist mainly out of the sale of limestone, dolomite and industrial sand. The manufacturing process and customers for both aggregates and industrial minerals are similar. The classification between the operations are influenced by the market use of products. The demand for these products are also similar and increases/decreases during the same period as customers use both aggregates and industrial minerals during construction.

Concrete Based Products includes concrete made from rock, sand, water and cement. The concrete based products go through a longer manufacturing process than aggregates and industrial minerals.

Commodities includes 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.

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

ANALYSIS OF SHAREHOLDERS

as at 28 February 2018

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	1 405	44,21	580 193	0,40
1 001 – 10 000 shares	1 318	41,47	4 864 549	3,40
10 001 – 100 000 shares	319	10,04	10 165 085	7,10
100 001 – 1 000 000 shares	118	3,71	34 315 123	23,95
1 000 000 shares and over	18	0,57	93 337 462	65,15
	3 178	100,00	143 262 412	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	9	0,28	11 710 337	8,17
Treasury shares – Afrimat Aggregates (Operations) Proprietary Limited	1	0,03	185	0,00
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,03	6 653 854	4,64
	11	0,34	18 364 376	12,81
Public shareholding	3 167	99,66	124 898 036	87,19
	3 178	100,00	143 262 412	100,00

Major, founder and BEE shareholders

	Number of shares	%	Number of BEE shares	%
Founder shareholders – related parties				
Andries J van Heerden (CEO)	3 975 026	2,78	–	–
Maryke E van Heerden	1 198 543	0,84	–	–
Amala Familie Trust	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)	500 000	0,35	–	–
Frans du Toit Trust	18 368 902	12,83	–	–
Other major shareholders				
Government Employees Pension Fund	4 385 198	3,06	–	–
BEE shareholders				
Old Mutual Life Assurance Company (South Africa)	2 828 089	1,97	903 857	0,63
ARC	26 300 000	18,36	26 065 930	18,19
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	3 314 529	2,31	3 314 529	2,31
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 653 854	4,64	6 653 854	4,64
Joe Kalo Investments Proprietary Limited	250 000	0,17	250 000	0,17
Goolam H Ballim	432 414	0,30	432 414	0,30
Johannes M Kalo	150 605	0,11	150 605	0,11
	78 210 724	54,60	37 771 189	26,35
Other	65 051 688	45,40	–	–
	143 262 412	100,00	37 771 189	26,35

07 SHAREHOLDER INFORMATION

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 at the Ruslamere Hotel, Spa & Conference Centre, 14 Langeberg Road, Durbanville, 7550 on Wednesday, 1 August 2018 at 14:00 for the purposes of:

- considering and adopting the annual financial statements of the company for the year ended 28 February 2018;
- 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, as amended, requires that a record date be determined by the directors to establish those shareholders of the company that are entitled to attend and to vote at the relevant general meeting or AGM.

Accordingly, for purposes of the AGM of the company, the record date is hereby set at close of business on Friday, 27 July 2018 with the last day to trade in the shares of the company on the JSE Limited being Tuesday, 24 July 2018.

SPECIAL RESOLUTIONS

Special resolution 1: General authority to repurchase company shares

'Resolved that the company and/or its subsidiaries be and are hereby authorised, by way of general authority, to acquire ordinary shares issued by the company, in terms of section 16 of the company's memorandum of incorporation and in terms of the Listings Requirements of the JSE, 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 15 (fifteen) 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 (5) 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 15 (fifteen) 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 pages 52 and 53 of the integrated annual report;
- major beneficial shareholders – see page 149 of the integrated annual report;
- stated capital of the company – see page 81 of the integrated annual report; and
- directors' interests in ordinary shares – see page 82 of the integrated annual report.

LITIGATION STATEMENT

The directors, whose names appear under board of directors on pages 50 and 51 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 12 (twelve) 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 51 of the integrated annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all necessary information.

MATERIAL CHANGES

Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

STATEMENT BY THE BOARD OF DIRECTORS OF THE COMPANY

Pursuant to, and in terms of, the JSE Listings Requirements, the board of directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the general authority to repurchase ordinary shares in the company if, at some future date, the cash resources of the company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, inter alia, an appropriate capitalisation structure for the company, the long-term cash needs of the company, and the interests of the company; and

(b) in determining the method by which the company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the company will ensure that:

- the company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of notice of this AGM;
- 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 12 (twelve) 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 12 (twelve) 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 12 (twelve) months after the date of this notice of AGM.

NOTICE OF AGM (continued)

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 (exclusive of VAT) to non-executive directors with effect from 1 March 2018:

Chairman of the board	R649 500
Non-executive director	R227 900
Audit & Risk Committee Chairman	R136 750
Audit & Risk Committee member	R75 230
Remuneration Committee Chairman	R53 500
Nominations Committee Chairman	R53 500
Remuneration & Nominations Committee member	R41 950
Social & Ethics and Sustainability Committee Chairman	R64 950
Social & Ethics and Sustainability Committee member	R41 950
Investment Review Committee Chairman	R64 950

as well as a daily rate of R20 000 for non-executive directors utilised on extraordinary duties.'

Please refer to ordinary resolution 9 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 2018 and backdated as from 1 March 2018.

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

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

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

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

(c) in terms of section 44(3)(a)(ii) of the Companies Act the board of directors of a company may not authorise any financial assistance unless pursuant to a special resolution of the shareholders adopted within the previous two (2) 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 two (2) 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 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, related 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: Amendments to the memorandum of incorporation ('MOI')

5.1 'Resolved to insert the following definitions into article 1 of the MOI of the Company:

5.1.1 "VAT" means value-added tax levied in terms of the VAT Act; and

5.1.2 "VAT Act" means the Value-Added Tax Act, No 89 of 1991, as amended, consolidated or re-enacted from time to time, and includes all schedules to the VAT Act.'

5.2 'Resolved to insert the following wording to article 27 as a new article. The existing article 27.4 will then become 27.5:

In all instances, the amounts of remuneration and/or expenses payable to the directors shall exclude any VAT, provided that any director who is registered as a vendor for VAT purposes and who is liable to account for VAT on such amounts is entitled to recover the VAT so payable as an addition to any remuneration or expenses payable by the company to the director or member of a board committee.'

5.3 'Resolved that clause 31.2 of the MOI be replaced by the following clause:

The company shall each year prepare annual financial statements within 6 (six) months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an AGM in terms of section 61(7) of the Act.'

See MOI on the company's website www.afrimat.co.za.

ORDINARY RESOLUTIONS

Ordinary resolution 1: Adoption of annual financial statements

'Resolved that the annual financial statements of the company for the year ended 28 February 2018 be and are hereby received and adopted.'

NOTICE OF AGM (continued)

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 (fifteen) months, to allot and issue any equity securities (which shall include for the purpose of this ordinary resolution 2, the grant or issue of options or convertible securities that are convertible into an existing class of equity securities) for cash subject to the Listings Requirements of the JSE 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 30% (thirty 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 30 (thirty) 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 30 (thirty) 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 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 director

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

A brief curriculum vitae in respect of Mrs Phuti RE Tsukudu is set out below:

MEd (University of Bristol), Postgraduate Diploma in Adult Education, BA (SW)

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

Ordinary resolution 5: Re-election of director

'Resolved that Mr Marthinus W von Wielligh be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr Marthinus W von Wielligh is set out below:
BSc (Mech Eng) (University of Pretoria), MBA (University of Stellenbosch), Stanford Executive Programme (Stanford University, USA)
Matie has more than 40 years' professional experience in the mining industry. He has extensive engineering, operational and business experience. He currently consults on business strategy, new business development, operational improvement, capital efficiency, feasibility studies and project management. Previously, at Iscor Mining and Kumba Resources, he served in various management and senior management positions before becoming managing director of Sishen Iron Ore Company. Matie holds other directorships and is a non-executive Chairman of Vega Asset Management Proprietary Limited.

Ordinary resolution 6: Re-election of director

'Resolved that Mr Francois M Louw be re-elected as a director of the company.'

A brief curriculum vitae in respect of Mr Francois M Louw is set out below:
BEng (Mechanical), MBA
Francois holds a BEng (Mechanical) and MBA degree and has 34 years' experience in the mining industry. He has extensive experience in company strategy, major capital projects, commercial negotiations, business development and engineering. He was a member of the inaugural executive committee when Kumba Iron Ore Limited, a subsidiary of the Anglo American plc group, was listed on the JSE in November 2006 and served on the executive committee and the board of Sishen Iron Ore Proprietary Limited, a Kumba Iron Ore Limited subsidiary up until April 2015. Prior to this, Francois served in various operations and project positions in the iron ore, heavy minerals and coal sectors.

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

'Resolved that the following directors be re-elected as members of the Audit & Risk Committee of the company:
7.1 Mr Loyiso Dotwana (non-executive director);
7.2 Mr Helmut N Pool (independent non-executive director);
7.3 Mr Jacobus F van der Merwe (independent non-executive director);
7.4 Mr Hendrik JE van Wyk (independent non-executive director) (Chairman); and
7.5 Mr Marthinus W von Wielligh (independent non-executive director and Chairman of the board).'

Ordinary resolution 8: Reappointment of auditor

'Resolved that the directors be and are hereby authorised to appoint the auditor, PricewaterhouseCoopers Inc. 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 9: Remuneration policy

'Resolved that the company's remuneration policy be approved as a non-binding advisory vote.'

As this is not a matter that is required to be resolved or approved by shareholders, no minimum voting threshold is required. Nevertheless, for record purposes, the minimum percentage of voting rights that is required for this resolution to be adopted as a non-binding advisory vote is 50% (fifty percent) of the voting rights plus one (1) vote to be cast on the resolution. (Refer remuneration policy on the company's website www.afrimat.co.za and summary of remuneration policy in this integrated report on page 64.)

Ordinary resolution 10: Approval of the implementation report in terms of King IV

'Resolved that the company's implementation report in terms of King IV be approved as a non-binding advisory vote. (See implementation report on the company's website www.afrimat.co.za and compliance of King IV, demonstrated throughout this integrated report.)'

Ordinary resolution 11: Approval of the new share appreciation rights ('SARs') plan rules

'Resolved that the new SARs plan rules of the company be and are hereby approved.'

Summary of plan rules

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, eg if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares 5 (five) shares at R20 on exercise date).

NOTICE OF AGM (continued)

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 (3) years, but SARs may vest up to five (5) years after grant date (with a further exercise period).

For early termination of employment (based on resignation or 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.

Executives are encouraged by the board to hold shares in Afrimat, post exercise date to ensure alignment between management and shareholders.

(See detailed description of SAR plan rules on the company's website www.afrimat.co.za and a summary of the SAR plan rules as well as the forfeitable share plan in this integrated report pages 63 to 64.)

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.'

Voting and proxies

A shareholder of the company entitled to attend and vote at the general meeting is entitled to appoint one or more proxies (who need not be a shareholder of the company) to attend, vote and speak in his/her stead. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one (1) vote only. On a poll, every shareholder of the company present in person or represented by proxy shall have one (1) 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.

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.

'Forms of proxy' may also be obtained on request from the company's registered office. The completed forms of proxy must be deposited at, posted or faxed to the transfer secretaries at the address on the IBC, to be received by no later than 48 (forty eight) hours prior to the meeting. However, should the 'form of proxy' not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the AGM before the meeting is due to commence. Any member who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the general meeting should the member subsequently decide to do so.

By order of the board

Mariëtte Swart
Company secretary

22 June 2018

Registered office
Tyger Valley Office Park No. 2
Cnr. 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
(PO Box 61051, Marshalltown, 2107)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200

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 at the Ruslamere Hotel, Spa & Conference Centre, 14 Langeberg Road, Durbanville, 7550 on Wednesday, 1 August 2018 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			
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. To approve amendments to the memorandum of incorporation ('MOI')			
Ordinary resolutions 1. To adopt the 2018 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 Mrs Phuti RE Tsukudu as director of the company			
5. To re-elect Mr Marthinus W von Wielligh as director of the company			
6. To re-elect Mr Francois M Louw as director of the company			
7. To re-elect the Audit & Risk Committee members of the company			
7.1 Mr Loyiso Dotwana			
7.2 Mr Helmut N Pool			
7.3 Mr Jacobus F van der Merwe			
7.4 Mr Hendrik JE van Wyk			
7.5 Mr Marthinus W von Wielligh			
8. To authorise the directors to reappoint the auditor, PricewaterhouseCoopers Inc. together with Frans Weilbach as the individual registered auditor and to fix their remuneration			
9. To approve the remuneration policy as a non-binding advisory vote			
10. To approve the implementation report in terms of King IV			
11. To approve the new share appreciation rights ('SARs') plan rules			
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 2018

Member's signature assisted by (if applicable)

NOTES TO 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'.

2. Members who have dematerialised their shares, other than 'own-name' dematerialised shareholders, and who wish to attend the AGM must contact their 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.

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 (forty eight) hours prior to the meeting:
    Computershare Investor Services Proprietary Limited
    Rosebank Towers, 15 Biermann Avenue
    Rosebank, 2196
    (PO Box 61051, Marshalltown, 2107)
    Telephone: +27 11 370 5000
    Facsimile: +27 11 688 5200

However, should the 'form of proxy' not be returned to the transfer secretaries by the aforesaid time, it may be handed to the Chairman of the AGM before the meeting is due to commence.

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 50
'CAE'	Chief Audit Executive
'Cape Lime'	Cape Lime Proprietary Limited, acquired by Afrimat since 31 March 2016
'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 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
'DMR'	Department of Mineral Resources
'EMP'	Environmental Management Plan
'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
'H&S'	Health and Safety
'HIRA'	Hazard Identification and Risk Assessment
'Infrasors'	Infrasors Holdings Proprietary Limited, incrementally acquired by Afrimat since 1 March 2013
'IRBA'	Independent Regulatory Board of Auditors
'IRC South Africa'	The Integrated Reporting Committee of South Africa
'IRMSA'	The Institute of Risk Management South Africa
'ISO'	International Organisation for Standardisation
'IT'	Information technology
'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
'KPI'	Key Performance Indicator
'KPA'	Key Performance Area
'LUPO'	Land Use Planning Ordinance
'LTIFR'	Lost time injury frequency rate
'Mancom'	Management Committee, as set out on page 53
'MD'	Managing Director
'NEMA'	National Environmental Management Act, 1998
'NOSA'	National Occupational Safety Association (South Africa)
'previous/ prior year' or 'FY2017'	Year ended 28 February 2017
'SABS'	South African Bureau of Standards
'SARMA'	South African Readymix Association
'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'SHE'	Safety, Health and Environment
'SHEQ'	Safety, Health, Environment and Quality
'Wearne'	WG Wearne Limited
'year' or 'year under review' or 'FY2018'	Year ended 28 February 2018

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	**28 February**
Trading update	**May 2018**
Announcement of annual results and final dividend	**24 May 2018**
Final dividend payment	**18 June 2018**
AGM	**1 August 2018**
Annual report posted	**June 2018**
Trading update	**October 2018**
Announcement of interim results and interim dividend	**November 2018**
Interim dividend payment	**December 2018**

CONTACT DETAILS

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Auditor
PricewaterhouseCoopers Inc.
PWC Building – Capital Place
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Stellenbosch, 7600
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Commercial bankers
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Corporate and Investment Banking
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