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

CONSISTENTLY DELIVERING

AFRIMAT LIMITED

Unaudited condensed consolidated interim financial results

for the six months ended 31 August 2018

Highlights

Revenue up **28,6%** to R1,5 billion

Operating profit up **4,3%** to R202,7 million

Headline earnings per share ('HEPS') of **93,6** cents

NAV per share of **943** cents

Interim dividend per share of **19,0** cents

Return on net operating assets **20,1%**

www.afrimat.co.za

Unaudited condensed consolidated interim financial results

COMMENTARY

BASIS OF PREPARATION

The unaudited condensed consolidated interim financial results ('financial statements') for the six months ended 31 August 2018 ('the period') have been prepared in accordance with and contain, as a minimum, the information required by IAS 34: *Interim Financial Reporting* and have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and in the manner required by the South African Companies Act No. 71 of 2008, as amended. The accounting policies and method of computation applied in preparation of the financial statements are in accordance with the International Financial Reporting Standards ('IFRS') and are consistent with those applied in the audited annual financial statements for the year ended 28 February 2018, except for the mandatory adoption of IFRS 9: *Financial Instruments* and IFRS 15: *Revenue from Contracts with Customers*. The group has applied both standards retrospectively without restating comparative figures. Refer to note 17 for further details. The comparative segment information was restated, refer to note 1 for further details. The above information has not been audited or reported on by Afrimat's auditors.

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

INTRODUCTION

The group continues to deliver satisfactory results supported by its diversification strategy despite very difficult trading conditions experienced by the construction materials businesses. The political uncertainty and economic slowdown felt during the last quarter of the previous financial year continued during this interim period and impacted the construction materials businesses the most. The bulk commodities segment, consisting of the Demaneng iron ore mine, contributed positively to the group results, which offset the lower performance of the construction materials businesses.

FINANCIAL RESULTS

Headline earnings per share declined by 8,4% from 102,2 cents to 93,6 cents. Industrial mineral producing operations across all regions as well as the iron ore business were the main contributors to the satisfactory results.

OPERATIONAL REVIEW

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

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

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, contributed positively to the group results. The business completed the recommissioning of both its dense media separation ('DMS') plants and started with the expansion of its load-out facility, which is expected to be completed in the second half of the year. After successful collaboration with the logistical service provider the business will be in a position to sell its full monthly production.

Industrial Minerals businesses across all regions delivered solid results, with the biggest impact of the economic slow-down in the construction sector felt by the Lyttelton mine.

The **Construction Materials** segment felt the brunt of the slowdown in economic activity, with the KwaZulu-Natal and Gauteng businesses being impacted the most. The KwaZulu-Natal business started with restructuring in order to improve the business. The Western Cape aggregates business continued to deliver solid results. The Mozambique business was in a ramp-up phase during the reporting period, after receiving an order to supply construction materials to a resettlement village. The Emfuleni Clinker Ash Dump, situated in Vereeniging and close to Afrimat's customers, will ensure an additional three to four year lifespan for both Clinker Supplies Proprietary Limited ('Clinker') and SA Block Proprietary Limited. Clinker continues to investigate further options in order to secure additional resources for the group.

BUSINESS DEVELOPMENT

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

B-BBEE

Existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 32,7% of Afrimat's issued shares (excluding treasury shares and mandated investments). Notwithstanding the fully empowered ownership platform in line with the Mining Charter requirements, the group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and has had a successful period in terms of sustained training, skills development and all-round employee upliftment.

DIVIDEND

The group's dividend policy is to maintain a 2,75 times dividend cover. An interim gross dividend of 19,0 cents per share (August 2017: 20,0 cents) for the period was declared on 31 October 2018. The dividend payable to shareholders who are subject to dividend tax is 15,2 cents per share (August 2017: 16,0 cents per share).

PROSPECTS

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

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

Afrimat expects the current business climate to continue with the group's future growth driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market.

On behalf of the board

MW von Wielligh
Chairman

AJ van Heerden
Chief Executive Officer

31 October 2018

DIVIDEND DECLARATION

Notice is hereby given that an interim gross dividend, No. 23 of 19,0 cents per share, in respect of the six months ended 31 August 2018, was declared on Wednesday, 31 October 2018.

There are 143 262 412 shares in issue at reporting date, of which 6 780 549 are held in treasury. The total dividend payable is R27,2 million (2017: R28,7 million).

The board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 15,2 cents and 19,0 cents per share, respectively. The income tax number of the company is 9568738158.

Relevant dates to the final dividend are as follows:

Last day to trade *cum* dividend	Tuesday, 27 November 2018
Commence trading *ex* dividend	Wednesday, 28 November 2018
Record date	Friday, 30 November 2018
Dividend payable	Monday, 3 December 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 November and Friday, 30 November 2018, both dates inclusive.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Change %	Audited year ended 28 February 2018 R'000
Revenue	**1 522 835**	1 184 592	28,6	2 456 782
Cost of sales	**(1 099 057)**	(791 563)		(1 699 417)
Gross profit	**423 778**	393 029	7,8	757 365
Operating expenses	**(224 231)**	(199 225)		(406 205)
Profit on disposal of plant and equipment	**3 122**	700		638
Contribution from operations	**202 669**	194 504	4,2	351 798
Impairment of property, plant and equipment (refer to note 2)	**–**	(260)		(1 399)
Operating profit	**202 669**	194 244	4,3	350 399
Finance income	**6 662**	25 612		32 930
Finance costs	**(32 762)**	(25 306)		(59 432)
Share of profits/(losses) of associate and joint venture	**25**	(20)		(8)
Profit before tax	**176 594**	194 530	(9,2)	323 889
Income tax expense (refer to note 4)	**(44 953)**	(56 048)		(78 511)
Profit for the period	**131 641**	138 482	(4,9)	245 378
Profit attributable to:				
Owners of the parent	**130 096**	139 417		245 668
Non-controlling interests	**1 545**	(935)		(290)
	131 641	138 482		245 378
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Net change in fair value of available-for-sale financial assets	**(34)**	108		183
Income tax effect on available-for-sale financial assets	**7**	(24)		(41)
Currency translation differences (refer to note 5)	**(496)**	998		961
Income tax effect on currency translation differences	**–**	–		–
Other comprehensive (loss)/income for the period, net of tax	**(523)**	1 082		1 103
Total comprehensive income for the period	**131 118**	139 564	(6,1)	246 481
Total comprehensive income attributable to:				
Owners of the parent	**129 573**	140 499		246 771
Non-controlling interests	**1 545**	(935)		(290)
	131 118	139 564		246 481
Earnings per share				
Earnings per ordinary share (cents)	**95,3**	102,4	(6,9)	180,3
Diluted earnings per ordinary share (cents)	**94,8**	101,5	(6,6)	179,0
Note to statement of profit or loss and other comprehensive income				
Shares in issue				
Total shares in issue	**143 262 412**	143 262 412		143 262 412
Treasury shares (refer to note 7)	**(6 780 549)**	(7 044 486)		(6 654 039)
Net shares in issue	**136 481 863**	136 217 926		136 608 373
Weighted average number of net shares in issue	**136 550 836**	136 112 937		136 271 264
Diluted weighted average number of shares	**137 257 328**	137 309 432		137 248 315

RECONCILIATION OF HEADLINE EARNINGS

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Change %	Audited year ended 28 February 2018 R'000
Profit attributable to owners of the parent	**130 096**	139 417		245 668
Profit on disposal of plant and equipment attributable to owners of the parent	**(3 122)**	(700)		(638)
Impairment of property, plant and equipment (refer to note 2)	**–**	260		1 399
Total income tax effects of adjustments	**874**	123		(213)
	127 848	139 100	(8,1)	246 216
Headline earnings per ordinary share ('HEPS') (cents)	**93,6**	102,2	(8,4)	180,7
Diluted HEPS (cents)	**93,1**	101,3	(8,1)	179,4

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000*	Audited year ended 28 February 2018 R'000*
Assets			
Non-current assets			
Property, plant and equipment	**1 451 475**	1 413 259	1 417 845
Investment property	**3 040**	3 040	3 040
Intangible assets	**12 051**	13 623	12 848
Goodwill	**231 122**	231 122	231 122
Investment in associate	**166**	195	183
Other financial assets (refer to note 6)	**60 843**	57 450	59 446
Deferred tax	**45 058**	39 200	55 115
Total non-current assets	**1 803 755**	1 757 889	1 779 599
Current assets			
Inventories	**289 498**	229 760	242 124
Current tax receivable	**9 854**	11 372	9 181
Trade and other receivables	**444 749**	405 450	391 603
Other financial assets (refer to note 6)	**–**	364	–
Cash and cash equivalents	**164 945**	135 594	112 208
Total current assets	**909 046**	782 540	755 116
Total assets	**2 712 801**	2 540 429	2 534 715
Equity and liabilities			
Equity			
Stated capital	**262 800**	270 925	266 985
Treasury shares	**(62 830)**	(68 784)	(59 660)
Net issued stated capital	**199 970**	202 141	207 325
Reversed acquisition reserve	**(105 788)**	(105 788)	(105 788)
Other reserves	**6 908**	3 464	5 888
Retained earnings	**1 185 698**	1 051 160	1 111 915
Attributable to equity holders of the parent	**1 286 788**	1 150 977	1 219 340
Non-controlling interests	**10 580**	7 811	9 980
Total equity	**1 297 368**	1 158 788	1 229 320
Liabilities			
Non-current liabilities			
Borrowings (refer to note 8)	**281 348**	333 087	271 954
Deferred tax	**201 077**	224 113	207 583
Provisions	**135 782**	121 363	130 288
Total non-current liabilities	**618 207**	678 563	609 825
Current liabilities			
Borrowings (refer to note 8)	**182 526**	153 071	165 004
Other financial liabilities (refer to note 9)	**11 663**	59 571	21 856
Current tax payable	**9 697**	16 748	11 485
Trade and other payables	**440 363**	409 007	402 541
Obligation of share of joint venture's losses	**4 481**	4 481	4 481
Bank overdraft	**148 496**	60 200	90 203
Total current liabilities	**797 226**	703 078	695 570
Total liabilities	**1 415 433**	1 381 641	1 305 395
Total equity and liabilities	**2 712 801**	2 540 429	2 534 715
Note to statement of financial position:			
Net asset value per share (cents)	**943**	846	893
Net tangible asset value per share (cents)	**765**	666	716
Total borrowings and other financial liabilities	**475 537**	545 729	458 814
Surplus cash	**(16 449)**	(75 394)	(22 005)
Net debt	**459 088**	470 335	436 809
Net debt:equity ratio (%)	**35,4**	40,6	35,5

* *Comparative figures were amended due to a measurement period adjustment relating to business combinations, refer to note 11.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
Cash flows from operating activities			
Cash generated from operations	**211 717**	118 898	344 542
Interest received	**6 303**	6 985	31 623
Dividends received	**34**	29	54
Finance costs paid	**(28 692)**	(22 117)	(52 752)
Tax paid	**(43 857)**	(63 205)	(122 507)
Net cash inflow from operating activities	**145 505**	40 590	200 960
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(51 399)**	(56 501)	(118 918)
Proceeds on disposal of property, plant and equipment	**11 886**	8 517	22 975
Purchase of financial assets	**(76)**	(55 615)	(68 060)
Proceeds on sale of financial assets	**–**	5 482	–
Acquisition of businesses (refer to note 11)	**–**	4 228	4 228
Net cash outflow from investing activities	**(39 589)**	(93 889)	(159 775)
Cash flows from financing activities			
Repurchase of Afrimat shares	**(5 469)**	(5 598)	(13 552)
Acquisition of additional non-controlling interest (refer to note 12)	**–**	(21)	(37 521)
Proceeds from borrowings	**60 000**	300 000	318 506
Repayment of borrowings	**(96 517)**	(49 105)	(138 377)
Repayment of other financial liabilities	**(10 305)**	(21 292)	(25 143)
Dividends paid (refer to note 13.2)	**(59 181)**	(68 438)	(96 240)
Net cash (outflow)/inflow from financing activities	**(111 472)**	155 546	7 673
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(5 556)**	102 247	48 858
Cash, cash equivalents and bank overdrafts at the beginning of the period	**22 005**	(26 853)	(26 853)
Cash, cash equivalents and bank overdrafts at the end of the period	**16 449**	75 394	22 005

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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	–	–	–	–	139 417	(935)	138 482
Other comprehensive income for the year	–	–	–	1 082	–	–	1 082
Net change in fair value of available-for-sale financial assets	–	–	–	108	–	–	108
Income tax effect	–	–	–	(24)	–	–	(24)
Currency translation differences (refer to note 5)	–	–	–	998	–	–	998
Total comprehensive income	–	–	–	1 082	139 417	(935)	139 564
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments	–	–	–	1 723	–	–	1 723
Purchase of treasury shares	–	(5 598)	–	–	–	–	(5 598)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(14 917)	7 813	–	(3 866)	3 866	–	(7 104)
Dividends paid (refer to note 13)	–	–	–	–	(68 048)	(390)	(68 438)
Total contributions and distributions	(14 917)	2 215	–	(2 143)	(64 182)	(390)	(79 417)
Changes in ownership interest							
Initial non-controlling interest acquired – Afrimat Demaneng	–	–	–	–	–	(64 257)	(64 257)
Additional non-controlling interest acquired due to:							
– Infrasors (refer to note 12)	–	–	–	–	(98)	77	(21)
– Afrimat Demaneng (refer to note 12)	–	–	–	–	(109 769)	65 769	(44 000)
Total changes in ownership interest	–	–	–	–	(109 867)	1 589	(108 278)
Total transactions with the owners of the parents	(14 917)	2 215	–	(2 143)	(174 049)	1 199	(187 695)
Balance at 31 August 2017*	270 925	(68 784)	(105 788)	3 464	1 051 160	7 811	1 158 788
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 (refer to note 5)	–	–	–	961	–	–	961
Total comprehensive income	–	–	–	1 103	245 668	(290)	246 481
Transactions with owners of the parent							
Contributions and distributions							
Share-based payments	–	–	–	5 456	–	–	5 456
Purchase of treasury shares	–	(13 552)	–	–	–	–	(13 552)
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	(20 357)	11 391	–	(5 196)	5 196	–	(8 966)
Dividends paid (refer to note 13)	–	–	–	–	(95 600)	(640)	(96 240)
Total contributions and distributions	(20 357)	(2 161)	–	260	(90 404)	(640)	(113 302)

* *Comparative figures were amended due to a measurement period adjustment relating to business combinations, refer note 11.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(continued)

	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
Changes in ownership interest							
Initial non-controlling interest acquired							
– Afrimat Demaneng	–	–	–	–	–	(64 257)	(64 257)
Additional non-controlling interest acquired due to:							
– Infrasors (refer to note 12)	–	–	–	–	(104)	83	(21)
– Afrimat Demaneng (refer to note 12)	–	–	–	–	(109 769)	65 769	(44 000)
– Afrimat Bulk Commodities (refer to note 12)	1 500	13 500	–	–	(19 268)	1 768	(2 500)
Total changes in ownership interest	1 500	13 500	–	–	(129 141)	3 363	(110 778)
Total transactions with the owners of the parents	(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**
Balance at 1 March 2018	**266 985**	**(59 660)**	**(105 788)**	**5 888**	**1 111 915**	**9 980**	**1 229 320**
Total comprehensive income							
Profit for the year	**–**	**–**	**–**	**–**	**130 096**	**1 545**	**131 641**
Other comprehensive income for the year	**–**	**–**	**–**	**(523)**	**–**	**–**	**(523)**
Net change in fair value of available-for-sale financial assets	**–**	**–**	**–**	**(34)**	**–**	**–**	**(34)**
Income tax effect	**–**	**–**	**–**	**7**	**–**	**–**	**7**
Currency translation differences (refer to note 5)	**–**	**–**	**–**	**(496)**	**–**	**–**	**(496)**
Total comprehensive income	**–**	**–**	**–**	**(523)**	**130 096**	**1 545**	**131 118**
Transactions with owners of the parent							
Contributions and distributions							
Purchase of treasury shares	**–**	**(5 469)**	**–**	**–**	**–**	**–**	**(5 469)**
Share-based payments	**–**	**–**	**–**	**3 466**	**–**	**–**	**3 466**
Settlement of employee share appreciation rights exercised and reserve transfer, net of tax	**(4 185)**	**2 299**	**–**	**(1 923)**	**1 923**	**–**	**(1 886)**
Dividends paid (refer to note 13)	**–**	**–**	**–**	**–**	**(58 236)**	**(945)**	**(59 181)**
Total contributions and distributions	**(4 185)**	**(3 170)**	**–**	**1 543**	**(56 313)**	**(945)**	**(63 070)**
Total transactions with the owners of the parents	**(4 185)**	**(3 170)**	**–**	**1 543**	**(56 313)**	**(945)**	**(63 070)**
Balance at 31 August 2018	**262 800**	**(62 830)**	**(105 788)**	**6 908**	**1 185 698**	**10 580**	**1 297 368**

NOTES

1. SEGMENT INFORMATION

At 1 March 2018, the executive committee, being the chief decision-making body, amended the basis in which the various businesses within the group are being reported as a result of the changes to the executive management of the group. This has been aligned in three main operational pillars with five segments being allocated to these pillars, based on the market use of products.

Industrial Minerals, previously reflected within the Aggregates segment, is separately disclosed. The rationale for the change was that over the years the Industrial Minerals business has become an integral contributor to the group and serves a different market to Construction Materials.

The principal services and products of each of these segments are as follows:

- Construction Materials: Comprises Aggregates, Concrete-Based Products and Contracting operations;
- Bulk Commodities: Iron Ore;
- Industrial Minerals: Separate segment, previously included within the Aggregates segment.

	Split six months ended 31 August 2018 %	**Unaudited six months ended 31 August 2018 R'000**	Split six months ended 31 August 2017 %	Restated unaudited six months ended 31 August 2017 R'000	**Split year ended 28 February 2018 %**	**Restated year ended 28 February 2018 R'000***
Revenue						
External sales						
Construction Materials	**57,1**	**870 149**	73,9	874 855	**67,0**	**1 645 252**
Bulk Commodities	**24,2**	**368 363**	2,4	29 037	**10,2**	**251 773**
Industrial Minerals	**18,7**	**284 323**	23,7	280 700	**22,8**	**559 757**
		1 522 835		1 184 592		**2 456 782**
Intersegment sales						
Construction Materials	**100,0**	**63 674**	100.0	42 746	**100,0**	**100 237**
Bulk Commodities	**–**	**–**	–	–	**–**	**–**
Industrial Minerals	**–**	**–**	–	–	**–**	**–**
		63 674		42 746		**100 237**
Total revenue						
Construction Materials	**58,9**	**933 823**	74,8	917 601	**68,3**	**1 745 489**
Bulk Commodities	**23,2**	**368 363**	2,3	29 037	**9,8**	**251 773**
Industrial Minerals	**17,9**	**284 323**	22,9	280 700	**21,9**	**559 757**
		1 586 509		1 227 338		**2 557 019**
Contribution from operations						
Construction Materials	**56,6**	**114 748**	76,1	147 966	**78,4**	**275 979**
Bulk Commodities	**24,7**	**50 035**	(2,8)	(5 474)	**(9,5)**	**(33 443)**
Industrial Minerals	**20,5**	**41 477**	28,0	54 519	**25,1**	**88 393**
Services	**(1,8)**	**(3 591)**	(1,3)	(2 507)	**5,9**	**20 869**
		202 669		194 504		**351 798**
Contribution from operations margins on external revenue (%)						
Construction Materials		**13,2**		16,9		**16,8**
Bulk Commodities		**13,6**		(18,9)		**(13,3)**
Industrial Minerals		**14,6**		19,4		**15,8**
Overall contribution		**13,3**		16,4		**14,3**
Other information						
Assets						
Construction Materials		**1 145 144**		1 068 171		**1 072 080**
Bulk Commodities		**416 741**		352 473		**382 777**
Industrial Minerals		**616 047**		613 099		**582 634**
Services		**534 869**		506 686		**497 224**
		2 712 801		2 540 429		**2 534 715**

1. SEGMENT INFORMATION *(continued)*

	Split six months ended 31 August 2018 %	Unaudited six months ended 31 August 2018 R'000	Split six months ended 31 August 2017 %	Restated unaudited six months ended 31 August 2017 R'000	Split year ended 28 February 2018 %	Restated year ended 28 February 2018 R'000*
Liabilities						
Construction Materials		**359 420**		386 863		**324 707**
Bulk Commodities		**80 852**		63 475		**81 989**
Industrial Minerals		**113 300**		97 795		**88 224**
Services**		**861 861**		833 508		**810 475**
		1 415 433		1 381 641		**1 305 395**
Capital expenditure (excluding acquisitions through business combinations)						
Construction Materials		**49 895**		76 951		**114 080**
Bulk Commodities		**18 554**		6 913		**41 633**
Industrial Minerals		**46 184**		28 899		**40 707**
Services		**1 127**		3 031		**5 800**
		115 760		115 794		**202 220**

* *This information has not been audited or reviewed.*

** *Includes the R300,0 million amortising five-year facility with SBSA and FNB.*

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
2. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT			
Impairment of property, plant and equipment	**–**	(260)	(1 399)

In the prior year, 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.

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
3. DEPRECIATION AND AMORTISATION			
Depreciation	**73 367**	58 073	122 566
Amortisation	**797**	952	1 727
	74 164	59 025	124 293

4. INCOME TAX EXPENSE

The effective tax rate of the group decreased from 28,8% to 25,5% in the current period, mainly due adjustments made to the fair value of deferred tax liabilities in finalising business combinations.

Included in the available income tax losses of R517,5 million (August 2017: R502,3 million) are tax losses of R347,9 million (August 2017: R400,3 million), which are available for set-off against future taxable income but not raised. The amount not raised includes a tax loss of R340,9 million (August 2017: R340,9 million) relating to Afrimat Demaneng Proprietary Limited, due to tax losses not yet assessed.

5. CURRENCY TRANSLATION DIFFERENCES

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

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
6. OTHER FINANCIAL ASSETS			
Rehabilitation fund trusts and other	**60 843**	57 814	59 446
	60 843	57 814	59 446
Non-current other financial assets	**60 843**	57 450	59 446
Current other financial assets	**–**	364	–
	60 843	57 814	59 446

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.

	Number of shares		
	30 August 2018	31 August 2017	28 February 2018
7. MOVEMENT IN NUMBER OF TREASURY SHARES			
Opening balance	**6 654 039**	7 187 643	7 187 643
Utilised for share appreciation rights scheme	**(82 490)**	(343 250)	(473 106)
Utilised to purchase minority shares in Afrimat Bulk Commodities	**–**	–	(535 714)
Purchased during the period/year	**209 000**	200 093	475 216
Closing balance	**6 780 549**	7 044 486	6 654 039

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

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
8. BORROWINGS			
Capital net movement			
Opening balance	**436 958**	174 089	174 089
Acquired through business combination	**–**	2 740	2 740
New borrowings	**123 433**	358 434	398 506
Repayments	**(96 517)**	(49 105)	(138 377)
Closing balance	**463 874**	486 158	436 958
Analysis as per statement of financial position			
Borrowings non-current	**281 348**	333 087	271 954
Borrowings current	**182 526**	153 071	165 004
	463 874	486 158	436 958

In the prior 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.

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

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
9. OTHER FINANCIAL LIABILITIES			
Net capital proceeds owing to Afrimat BEE Trust participants	**11 663**	21 819	12 968
Deferred liability: Demaneng minorities	**–**	37 752	8 888
	11 663	59 571	21 856

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

On 22 August 2017, the group announced on SENS that Afrimat had concluded a sale of shares and claims agreement with the minorities of Afrimat Demaneng Proprietary Limited and Diro Iron Ore Proprietary Limited ('Demaneng') to acquire the remaining 40% stake in Demaneng as from 15 August 2017. The purchase consideration of R44,0 million was 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.

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
10. AUTHORISED CAPITAL EXPENDITURE			
Not yet contracted for			
– Property, plant and equipment	**68 155**	47 832	183 915

11. ACQUISITION OF BUSINESSES

Afrimat Demaneng Proprietary Limited and Diro Iron Ore Proprietary Limited (‘Demaneng’)

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 Department of Mineral Resources (‘DMR’), were fulfilled and the agreement became unconditional. 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 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.

Measurement period adjustment

During the reporting period, the FY2018 comparative information was adjusted retrospectively to decrease trade and other payables at the acquisition date by R55,9 million offset by an increase to goodwill of R55,9 million in finalisation of the accounting for this business combination.

Details of the acquisition are as follows:

	F2018	
	Demaneng – initial acquisition R’000	**Total R’000**
Carrying amount/fair value of net assets acquired:		
Property, plant and equipment*	304 374	304 374
Other financial assets	17 557	17 557
Inventories	12 446	12 446
Trade and other receivables	8 804	8 804
Borrowings	(307 852)	(307 852)
Trade and other payables	(66 996)	(66 996)
Provisions	(20 294)	(20 294)
Deferred tax liability	(53 454)	(53 454)
Current tax payable	(4 542)	(4 542)
Cash and cash equivalents	5 228	5 228
Net assets*	(104 729)	(104 729)
Additional non-controlling interest acquired	64 257	64 257
Goodwill	40 472	40 472
Consideration paid	–	–
Net cash inflow from acquisition of subsidiary:		
Cash and cash equivalents acquired	5 228	5 228
	5 228	5 228
Pro forma revenue assuming the business combination for the full period ended 28 February 2018		274 647
Pro forma loss after tax assuming the business combination for the full period ended 28 February 2018		(103 836)
Revenue included in results		251 773
Loss after taxation included in results		(38 790)
Acquisition costs (including business rescue costs) included in operating expenses for the period ended 28 February 2018		5 782

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

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 R8,8 million is reflected as neither impaired nor past due.

11. ACQUISITION OF BUSINESSES *(continued)*

Bethlehem Quarry and ancillary businesses from WG Wearne Limited ('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.

Details of the acquisition are as follows:

	F2018 Wearne – additional acquisition R'000	F2018 Total R'000
Carrying amount/fair value of net assets acquired:		
Property, plant and equipment*	1 000	1 000
Net assets*	1 000	1 000
Consideration paid		
Cash	1 000	1 000
Total consideration	1 000	1 000
Net cash outflow from acquisition of subsidiary:		
Cash consideration paid**	(1 000)	(1 000)
	(1 000)	(1 000)

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

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

12. ACQUISITION OF ADDITIONAL NON-CONTROLLING INTEREST

	F2018 Infrasors Holdings Proprietary Limited R'000	F2018 Total R'000
Infrasors Holdings Proprietary Limited		
August 2018		
No movements during the current period.		
February 2018		
Additional non-controlling interest acquired	(83)	(83)
Premium paid on additional shares acquired in subsidiary after initial acquisition	104	104
	21	21
August 2017		
Adjustment to non-controlling interest acquired	(77)	(77)
Premium paid on additional shares acquired in subsidiary after initial acquisition	98	98
	21	21

12. ACQUISITION OF ADDITIONAL NON-CONTROLLING INTEREST *(continued)*

	F2018 Afrimat Bulk Commodities Proprietary Limited	F2018 Total R'000
Afrimat Bulk Commodities Proprietary Limited		
February 2018		
Additional non-controlling interest acquired	**(1 768)**	**(1 768)**
Premium paid on additional shares acquired in subsidiary after initial acquisition	**19 268**	**19 268**
Treasury shares issued (issued at R28,00 per share)	**(15 000)**	**(15 000)**
	2 500	**2 500**

In the prior year, Afrimat acquired a further 5,0% of the issued shares in Afrimat Bulk Commodities Proprietary Limited for R17,5 million, settled in shares of R15,0 million and cash of R2,5 million.

	F2018 Afrimat Demaneng Proprietary Limited	F2018 Total R'000
Afrimat Demaneng Proprietary Limited		
February 2018		
Additional non-controlling interest acquired	**(65 769)**	**(65 769)**
Premium paid on additional shares acquired in subsidiary after initial acquisition	**109 769**	**109 769**
	44 000	**44 000**

Refer to note 9 for further details.

13. DIVIDENDS

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
13.1 Afrimat Limited dividends paid/declared in respect of the current year profits			
Interim dividend paid	**27 220**	28 652	28 652
Final dividend declared/paid	**–**	–	60 170
	27 220	28 652	88 822
13.2 Dividends cash flow			
Current year interim dividend paid	**–**	–	28 652
Previous year final dividend paid	**60 170**	71 631	71 631
Dividends received on treasury shares	**(1 934)**	(3 583)	(4 683)
	58 236	68 048	95 600
Dividends paid by subsidiaries to non-controlling shareholders	**945**	390	640
	59 181	68 438	96 240

14. EVENTS AFTER REPORTING DATE

Subsequent to the reporting date, the company settled the original vehicle asset finance facility entered into during F2017 and refinanced plant and machinery to fund capital expenditure and working capital requirements to support the growth and expansion of the group. The vehicle asset finance facility of R109,6 million was financed over 36 months at prime rate minus 1,15%, repayable in monthly instalments of capital and interest with SBSA.

15. CONTINGENCIES

Guarantees to the value of R87,5 million (August 2017: R85,3 million) were supplied by SBSA to various parties, including the DMR and Eskom, respectively during the year under review.

Guarantees to the value of R76,7 million (August 2017: R61,2 million) were supplied by FNB to various parties, including the DMR and Eskom, respectively during the year under review.

Guarantees to the value of R1,6 million (August 2017: R2,9 million) by Lombard's Insurance Group, R0,5 million (August 2017: R0,6 million) by ABSA Bank Limited, R98,2 million (August 2017: R88,1 million) by Centriq Insurance Innovation and R2,7 million (August 2017: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMR, Eskom and Chevron South Africa Proprietary Limited.

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

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMR in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R9,3 million (August 2017: R5,0 million). An accrual has been raised in respect of commitments made up to the end of the year.

The company received notice on 31 March 2017 from the Competition Commissioner that it had referred a complaint to the Competition Tribunal, alleging that the company, through its wholly owned subsidiary, Clinker Supplies Proprietary Limited ('Clinker'), has engaged in an abuse of dominance by allegedly charging excessive prices. After taking legal advice and considering the complaint, the company is of the opinion that there is no merit to the complaint and will therefore vigorously defend itself before the Competition Tribunal. The Competition Commission is ordering an administrative penalty equal to 10% of affected turnover for F2016 which equates to R16,3 million. The company awaits a final hearing date to be set by the Tribunal.

	Unaudited six months ended 31 August 2018 R'000	Unaudited six months ended 31 August 2017 R'000	Audited year ended 28 February 2018 R'000
16. RELATED PARTIES			
Loan balance owing by associate	**6 334**	12 773	10 151
Loan balance owing by joint venture	**32 060**	24 437	31 011
Obligation of share of joint venture's losses	**(4 481)**	(4 481)	(4 481)
Interest received from associate	**317**	252	484
Interest received from joint venture	**420**	435	887

17. NEW AND AMENDED ACCOUNTING STANDARDS

New and amended standards adopted by the group

A number of new or amended standards became applicable for the current reporting period and the group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9: *Financial Instruments;* and
- IFRS 15: *Revenue from contracts with customers*.

The impact of the adoption of IFRS 9 and IFRS 15 was immaterial and no adjustment is therefore presented.

Adoption of IFRS 9

The impact on the classification and measurement of financial assets will be as follows for the group:

- 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 no change to the accounting for these assets;
- 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.

IFRS 9 replaces the incurred credit losses model in IAS 39 with a forward-looking expected credit loss ('ECL') model to calculate impairments of financial assets. It applies to financial assets classified at amortised cost, lease receivables and loan commitments. In assessing the impairment that should be raised under the ECL model on these financial assets, credit enhancements such as insurance held against loans and receivables are taken into account in the ECL model. The impact on the ECL provision was substantially impacted by the credit enhancements, and the increase in the impairment provision from the incurred loss model to the ECL was found to be immaterial.

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.

There was no material change in the classification and measurement after tax. Consequently, there was no financial impact to the consolidated group on 1 March 2018 upon adoption of IFRS 9.

Adoption of IFRS 15

This new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

There are no material changes to the revenue recognition for revenue from the sale goods and rendering of services which are recognised under IFRS 15. Consequently, there was no financial impact to the consolidated group on 1 March 2018 upon adoption of IFRS 15.

Impact of standards issued but not yet applied by the group

IFRS 16 Leases

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 standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

NOTES

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

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)

Sponsor
Bridge Capital Advisors Proprietary Limited
50 Smits Road, Dunkeld, 2196
(PO Box 651010, Benmore, 2010)

Auditor
PricewaterhouseCoopers Inc.
PWC Building
Capital Place, 15 – 21 Neutron Avenue, Technopark
Stellenbosch, 7600
(PO Box 57, Stellenbosch, 7599)

Transfer secretaries
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Company secretary
M Swart
Tyger Valley Office Park No. 2
Cnr. Willie van Schoor Avenue and Old Oak Road
Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)