

# Reviewed condensed provisional consolidated financial results

for the year ended 28 February 2011

Growth from diversification

# AFRIMAT

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

■ PAT up 5,0% ■ HEPS up 3,9% ■ NAV of 430 cents per share ■ Total dividend up 6% to 17,0 cents per share  
■ Net debt:equity ratio 5,2% ■ Strong performance from Mining & Aggregates division

Condensed consolidated income statement			
	Reviewed 2011 R'000	Audited 2010 R'000	Change %
Revenue	854 496	778 016	9,8
Cost of sales	(648 532)	(595 852)	
<b>Gross profit</b>	<b>205 964</b>	<b>182 164</b>	<b>13,1</b>
Other income	3 405	3 253	
Operating expenses	(99 543)	(76 493)	
<b>Operating profit</b>	<b>109 826</b>	<b>108 924</b>	<b>0,8</b>
Investment revenue	9 432	6 807	
Finance costs	(10 952)	(12 959)	
Share of profit of associate	18	5	
<b>Profit before taxation</b>	<b>108 324</b>	<b>102 777</b>	<b>5,4</b>
Taxation	(31 784)	(29 864)	6,4
<b>Profit attributable to shareholders</b>	<b>76 540</b>	<b>72 913</b>	<b>5,0</b>
Attributable to:			
Owners of the parent	76 072	72 911	
Non-controlling interests	468	2	
	76 540	72 913	
<b>Reconciliation of headline earnings:</b>			
Profit attributable to owners of the parent	76 072	72 911	
Profit on disposal of property, plant and equipment	(3 405)	(2 052)	
Profit on disposal of financial instruments	-	(669)	
Negative goodwill included in other income	-	(532)	
Impairment of goodwill	600	-	
Total tax effects of adjustments	592	779	
	73 859	70 437	4,9
<b>Shares in issue:</b>			
Total shares in issue	143 262 412	143 262 412	
Treasury shares	(5 149 510)	(3 398 280)	
<b>Net shares in issue</b>	<b>138 112 902</b>	<b>139 864 132</b>	
Weighted average number of net shares in issue	138 596 357	137 236 345	
Diluted weighted average number of shares	139 925 029	138 290 134	
Earnings per ordinary share (cents)	54,9	53,1	3,4
Diluted earnings per ordinary share (cents)	54,4	52,7	3,2
<b>Headline earnings per ordinary share "HEPS" (cents)</b>	<b>53,3</b>	<b>51,3</b>	<b>3,9</b>
Diluted HEPS (cents)	52,8	50,9	3,7

Condensed consolidated statement of financial position			
	Reviewed 2011 R'000	Audited 2010 R'000	
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant and equipment	403 980	385 261	
Intangible assets	13 819	14 479	
Goodwill	100 843	101 332	
Investment in associate	24	5	
Other financial assets	83 578	67 012	
Deferred tax	4 939	4 570	
Retirement benefit asset	12 891	12 672	
	620 074	585 331	
<i>Current assets</i>			
Inventories	75 548	68 862	
Current tax receivable	5 192	5 223	
Trade and other receivables	157 121	130 956	
Cash and cash equivalents	87 316	52 914	
	325 177	257 955	
Non-current asset held-for-sale	7 630	-	
	332 807	257 955	
<b>Total assets</b>	<b>952 881</b>	<b>843 286</b>	
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	1 435	1 435	
Share premium	352 150	352 150	
Business combination adjustment	(105 788)	(105 788)	
Treasury shares	(16 799)	(11 002)	
Net issued share capital	230 998	236 795	
Other reserves	2 692	1 835	
Retained income	379 429	325 668	
Attributable to equity holders of parent	613 119	564 298	
Non-controlling interests	3 207	201	
<b>Total equity</b>	<b>616 326</b>	<b>564 499</b>	
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Borrowings long-term	52 168	48 506	
Deferred tax	68 550	61 467	
Provisions	28 777	13 160	
	149 495	123 133	
<i>Current liabilities</i>			
Borrowings short-term	38 719	43 364	
Current tax payable	3 431	159	
Trade and other payables	116 729	91 347	
Bank overdraft	28 181	20 784	
	187 060	155 654	
<b>Total liabilities</b>	<b>336 555</b>	<b>278 787</b>	
<b>Total equity and liabilities</b>	<b>952 881</b>	<b>843 286</b>	
Net asset value per share (cents)	430	394	
Net tangible asset value per share (cents)	350	313	

Condensed consolidated statement of cash flows			
	Reviewed 2011 R'000	Audited 2010 R'000	
<b>Cash flows from operating activities</b>			
Cash generated from operations	160 524	166 491	
Interest income	9 432	6 807	
Dividends received	-	5	
Finance costs	(10 952)	(12 959)	
Tax paid	(28 424)	(25 582)	
<b>Net cash from operating activities</b>	<b>130 580</b>	<b>134 757</b>	
Acquisition of property, plant and equipment	(45 977)	(38 086)	
Proceeds on sale of property, plant and equipment	6 909	10 171	
Purchase of financial asset	(4 763)	(35 989)	
Acquisition of businesses	(33 189)	(14)	
Acquisition of non-controlling interests	(3 275)	-	
<b>Net cash from investing activities</b>	<b>(80 295)</b>	<b>(63 918)</b>	
Purchase of treasury shares	(5 797)	(6 882)	
Net movement in borrowings	4 964	(20 784)	
Dividends paid	(22 445)	(19 335)	
<b>Net cash from financing activities</b>	<b>(23 280)</b>	<b>(47 001)</b>	
Total cash movement for the year	27 005	23 838	
Cash at the beginning of the year	32 130	8 292	
<b>Total cash at the end of the year</b>	<b>59 135</b>	<b>32 130</b>	

Condensed consolidated statement of changes in equity										
	Share capital	Share premium	Treasury shares	Business combination adjustment	Other reserves	Retained income	Non-controlling interests	Total equity		
<b>Balance at 1 March 2009</b>	1 340	325 170	(4 120)	(105 788)	2 260	272 077	2 830	493 769		
<b>Changes:</b>										
Acquisition equity adjustments	-	-	-	-	-	15	(2 631)	2 616		
Issue of share capital	95	26 980	-	-	-	-	-	27 075		
Employee share option scheme: Value of services provided	-	-	-	-	(153)	-	-	(153)		
Movement in treasury shares	-	-	(6 882)	-	-	-	-	(6 882)		
Total comprehensive income for the year	-	-	-	-	(272)	72 911	2	72 641		
Dividends paid	-	-	-	-	-	(19 335)	-	(19 335)		
<b>Balance at 28 February 2010</b>	1 435	352 150	(11 002)	(105 788)	1 835	325 668	201	564 499		
<b>Changes:</b>										
Changes in non-controlling interests that do not result in loss of control	-	-	-	-	-	(127)	2 799	2 672		
Employee share option scheme: Value of services provided	-	-	-	-	750	-	-	750		
Movement in treasury shares	-	-	(5 797)	-	-	-	-	(5 797)		
Total comprehensive income for the year	-	-	-	-	107	76 072	468	76 647		
Dividends paid	-	-	-	-	-	(22 184)	(261)	(22 445)		
<b>Balance at 28 February 2011</b>	1 435	352 150	(16 799)	(105 788)	2 692	379 429	3 207	616 326		

Condensed consolidated statement of comprehensive income			
	Reviewed 2011 R'000	Audited 2010 R'000	Change %
<b>Profit for the year</b>	<b>76 540</b>	<b>72 913</b>	<b>5,0</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets	123	220	
Net change in fair value of available-for-sale financial assets transferred to profit and loss	-	(669)	
Income tax on other comprehensive income	(16)	177	
	107	(272)	
<b>Total comprehensive income for the year</b>	<b>76 647</b>	<b>72 641</b>	<b>5,5</b>
Attributable to:			
Owners of the parent	76 179	72 639	
Non-controlling interests	468	2	
	76 647	72 641	

Condensed consolidated segment report					
	Split 2011 %	Reviewed 2011 R'000	Split 2010 %	Audited 2010 R'000	
<b>Revenue</b>					
External sales					
Mining & Aggregates	68	581 878	63	487 387	
Ready mix	20	166 988	24	188 295	
Concrete Products	12	105 630	13	102 334	
	100	854 496	100	778 016	
Intersegment sales					
Mining & Aggregates	85	40 212	83	35 889	
Ready mix	3	1 452	1	554	
Concrete Products	12	5 906	16	6 713	
	100	47 570	100	43 156	
<b>Total revenue</b>					
Mining & Aggregates	69	622 090	64	523 276	
Ready mix	19	168 440	23	188 849	
Concrete Products	12	111 536	13	109 047	
	100	902 066	100	821 172	
<b>Operating profit before tax</b>					
Mining & Aggregates	90	98 968	77	83 633	
Ready mix	2	2 428	11	11 736	
Concrete Products	10	11 003	11	12 347	
Other	(2)	(2 573)	1	1 208	
	100	109 826	100	108 924	
<b>Operating profit margins on external revenue (%)</b>					
Mining & Aggregates		17,0		17,2	
Ready mix		1,5		6,2	
Concrete Products		10,4		12,1	
		12,9		14,0	
<b>Other information</b>					
<b>Assets</b>					
Mining & Aggregates		532 830		473 695	
Ready mix		56 558		58 889	
Concrete Products		60 665		60 528	
Other		302 828		250 174	
		952 881		843 286	
<b>Liabilities</b>					
Mining & Aggregates		172 502		145 809	
Ready mix		15 178		18 638	
Concrete Products		11 856		16 125	
Other		137 019		98 215	
		336 555		278 787	

## Commentary

### BASIS OF PREPARATION

The reviewed condensed provisional consolidated financial statements for the year ended 28 February 2011 ("the year") have been prepared in accordance with the recognition and measurement criteria of the International Financial Reporting Standards (IFRS), the disclosure and presentation requirements of IAS 34: Interim Financial Reporting, the AC 500 standards as issued by the Accounting Practice Board, the Listings Requirements of the JSE Limited and in the manner required by the South African Companies Act. The accounting policies and method of measurement and recognition applied in preparation of these reviewed condensed provisional consolidated financial statements are consistent with those applied in the audited annual financial statements for the previous year ended 28 February 2010.

### INTRODUCTION

The directors are pleased to present the condensed provisional consolidated financial results for the year reflecting ongoing improvement and diversification. The healthier financial results were driven in part by strategic initiatives of previous years starting to yield benefits for the group during the year while laying a solid foundation for the diversification strategy.

### ACQUISITION – Glen Douglas Dolomite (Pty) Limited

As previously reported the acquisition of Glen Douglas Dolomite (Pty) Limited became unconditional with effect from 1 January 2011, following fulfilment of all conditions precedent including approvals from the Department of Mineral Resources.

### FINANCIAL RESULTS

Revenue for the year increased by 9,8% to R854,5 million from R778,0 million. Headline earnings grew by 4,9% translating into 3,9% higher headline earnings per share ("HEPS") of 53,3 cents (2010: 51,3 cents). As a result of the BEE transaction announced on 31 August 2009 and the impact on the group of the new Mineral and Petroleum Resources Royalty Act effective 1 March 2010, HEPS was reduced by 2,5% and 3,1%, respectively.

### OPERATIONAL REVIEW

'Mining & Aggregates' benefited from both increased volumes and solid contracting activities throughout the year. Afrimat's flexible service delivery model utilising mobile equipment positioned the group to become a key player in contracting. Certain projects were concluded during the year and this division has successfully secured a number of new major roads contracts in various regions, boding well for future growth. The slowdown in private residential and commercial spend, especially in the Western Cape, severely impacted the division's margins for the year. However, since year-end some improvement is noticeable.

'Ready mix' continued to underperform due to a fall in volumes, severe competition and intensifying margin squeeze in the Western Cape resulting from the generally poor economy in the region. Sales volumes in KwaZulu-Natal were adversely impacted by delays in government housing projects.

'Concrete Products' positively enjoyed increased volumes. Severe competition was evident and selling prices and margins remained under pressure.

### BUSINESS EXPANSION AND ACQUISITIONS

Diversification and new business development remain key components of the group's growth strategy. The dedicated business development team continues to explore opportunities in existing markets as well as in areas where high growth is projected.

### DIVIDEND

A final dividend of 11,0 cents per share (2010: 10,0 cents) has been declared for the year. This is in line with the group's dividend policy of three times cover. The total dividend (interim and final) for the year is 17 cents per share (2010: 16 cents per share). (See "Dividend Declaration" below.)

## Notes

	Reviewed 2011 R'000	Audited 2010 R'000
<b>1. Dividends</b>		
<b>1.1 Afrimat Limited dividends paid/declared in respect of the current year profits</b>		
- Interim dividend paid	8 596	8 596
- Final dividend declared/paid	15 759	14 326
	24 355	22 922
<b>1.2 Dividends cash flow</b>		
- Current year interim dividend paid	8 596	8 596
- Previous year final dividend paid	14 326	10 701
- Dividends received on treasury shares	(738)	(262)
- Dividends paid by subsidiaries to non-controlling shareholders	261	300
	22 445	19 335
<b>2. Capital commitments</b>		
- Approved capital expenditure to be funded from surplus cash and bank financing	74 752	51 951
<b>3. Depreciation</b>	44 880	38 642
<b>4. Net movement in borrowings</b>		
- Opening balance	91 870	101 121
- New borrowings	60 160	30 509
- Acquired through acquisitions	(5 947)	11 533
- Repayments	(55 196)	(51 293)
- Closing balance	90 8	