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AFRIMAT®
LIMITED

Audited summary consolidated financial statements

for the year ended 29 February 2020

Highlights

- Group revenue **up 11,4% to R3,3 billion**
- Headline earnings per share ('HEPS') **up 48,5% to 347,7 cents**
- Operating profit **up 27,5% to R601,0 million**
- Operating profit margin **18,2%**
- Return on net operating assets **30,9%**
- Net debt:equity ratio improved from **23,8% to 8,2%**

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

Commentary

Introduction

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

Improved earnings generated in all three operating segments contributed to these record results.

Financial results

External revenue increased by 11,4% from R3,0 billion to R3,3 billion and operating profit increased by an impressive 27,5% from R471,2 million to R601,0 million, principally due to an improvement across all three business segments, including an excellent performance by the Bulk Commodities segment.

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

Net cash from operating activities increased by 64,9% to R676,8 million, which resulted in an improvement of the net debt:equity ratio from 23,8% in the prior year to 8,2% in the current year. Goodwill in SA Block Proprietary Limited to the amount of R10,2 million was impaired during the year.

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 to support Construction Materials and limestone, dolomite and silica making up Industrial Minerals as well as iron ore as Bulk Commodities.

Good labour relations continued during the year under review, with no labour action having occurred. The Group remains committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Furthermore, staff development, training and education remain high on the Afrimat human capital agenda.

The **Bulk Commodities** segment, consisting of the Demaneng iron ore mine, delivered an exceptional contribution to the Group results, being 31,4% of revenue. The operating profit of this segment increased by 59,8% from R201,3 million to R321,7 million, as a result of an impressive increase in volumes and favourable pricing across the year. The operating margin increased from 29,5% to 31,0%.

Industrial Minerals businesses across all operating regions delivered strong results, with the segment's operating profit increasing by 22,5% from R78,0 million to R95,6 million and an operating profit margin improvement from 14,3% to 17,3%. The strong growth is attributable to these businesses successfully entering new markets, increasing volumes, reducing costs and implementing efficiency improvements.

After a slowdown in **Construction Materials** in the prior year, the segment delivered a marginal recovery with operating profit increasing by 1,2% to R192,4 million. The operating margin improved slightly from 10,9% to 11,2% for the year. The KwaZulu-Natal business reported improved results following a successful restructuring process during the prior year. The Western Cape aggregates business continued to deliver solid results. In Mozambique, the business continues to supply construction materials to projects in the north of the country, in the ramp-up to the major LNG project. The Gauteng business continues to bear the brunt of a slowdown in the economy.

Impact of Covid-19

On 18 March 2020, 26 March 2020, 1 April 2020 and 12 May 2020 Afrimat updated the market regarding operational closures during lockdown for South Africa in response to the Covid-19 pandemic. The impact of the national Covid-19 lockdown on the group was dampened by the partial reopening of Demaneng iron ore and certain Industrial Minerals operations early in the lockdown period. The re-opening was undertaken whilst given the utmost care to ensure the safety and well-being of all employees. From 20 April 2020, as gazetted by government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat is ramping up operations according to market demand and in line with regulations from government.

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

Business development

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

B-BBEE

Existing BEE shareholders and the Afrimat BEE Trust in aggregate hold 35,3% of Afrimat's issued shares.

Notwithstanding the fully empowered ownership platform in line with the Mining Charter requirements, the Group remains dedicated to enhancing all aspects of B-BBEE on an ongoing basis. Afrimat is committed to a bottom-up approach to transformation and has had a successful year in terms of sustained training, skills development and all-round employee upliftment.

Dividend

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

In the prior year a final dividend of 62,0 cents for the year was declared. The dividend payable to shareholders who were subject to dividend tax was 49,6 cents per share. Total dividends for the year ended 29 February 2020 currently amount to 36,0 cents per share (2019: 81,0 cents per share).

Prospects

Afrimat entered the Covid-19 lockdown with a very strong balance sheet, positioning it strongly for the uncertain and volatile business climate which is expected to continue for the immediate future. The Group is, however, well positioned to capitalise on strategic initiatives and future opportunities, such as government's infrastructure programs which is expected as post Covid-19 economic stimulus initiatives. The Group's future growth will still be driven by the successful execution of its proven strategy, recent acquisitions and a wider product offering to the market, whilst continuing to prudently manage cash flow and ensuring debt remains at low levels.

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.

These financial statements may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

Auditor's reports

The summary consolidated financial statements for the year ended 29 February 2020 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived. A copy of the Independent Auditor's report on the annual financial statements is available for inspection at the Company's registered office, together with the annual financial statements identified in the Independent Auditor's report.

A copy of the audit report on the financial statements is attached on page 3.

On behalf of the Board

MW von Wielligh
Chairman

AJ van Heerden
Chief Executive Officer

20 May 2020

Independent auditor's report

ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Afrimat Limited

Opinion

The summary consolidated financial statements of Afrimat Limited, set out on pages 4 to 18 of the provisional report titled "Audited summary consolidated financial statements", which comprise the summary consolidated statement of financial position as at 29 February 2020, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of Afrimat Limited for the year ended 29 February 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the basis of preparation of the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Consolidated Financial Statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The Audited Consolidated Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 20 May 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Director's Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the basis of preparation of the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing ('ISA') 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

Director: FHS Weilbach
Registered Auditor

Stellenbosch

20 May 2020

Summary consolidated statement of profit or loss and other comprehensive income

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000	Change %
Revenue	**3 304 376**	2 966 399	11,4
Cost of sales	**(2 239 352)**	(2 043 234)	
Gross profit	**1 065 024**	923 165	15,4
Operating expenses	**(478 400)**	(451 497)	
Profit on disposal of property, plant and equipment	**2 788**	3 538	
Other income	**13 035**	12 189	
Other net gains and losses	**8 657**	4 225	
Impairment of goodwill (refer note 2)	**(10 152)**	(20 468)	
Operating profit	**600 952**	471 152	27,5
Finance income	**18 179**	14 771	
Finance costs	**(46 161)**	(66 706)	
Share of profit of equity-accounted investments	**300**	2 326	
Profit before tax	**573 270**	421 543	36,0
Income tax expense (refer note 4)	**(108 094)**	(117 328)	
Profit for the year	**465 176**	304 215	52,9
Profit attributable to:			
Owners of the parent	**462 512**	301 363	
Non-controlling interests	**2 664**	2 852	
	465 176	304 215	
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign entities (refer note 5)	**(3 586)**	(1 430)	
Income tax effect relating to these items	**–**	–	
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments at fair value through other comprehensive income	**88**	35	
Income tax effect relating to these items	**(17)**	(8)	
Other comprehensive income for the year, net of tax	**(3 515)**	(1 403)	
Total comprehensive income for the year	**461 661**	302 812	52,5
Total comprehensive income attributable to:			
Owners of the parent	**458 997**	299 960	
Non-controlling interests	**2 664**	2 852	
	461 661	302 812	
Earnings per share:			
Earnings per ordinary share (cents)	**341,6**	221,0	54,6
Diluted earnings per ordinary share (cents)	**337,7**	219,5	53,8
Note to statement of profit or loss and other comprehensive income			
Shares in issue:			
Total shares in issue	**143 262 412**	143 262 412	
Treasury shares (refer note 7)	**(8 239 965)**	(7 572 503)	
Net shares in issue	**135 022 447**	135 689 909	
Weighted average number of net shares in issue	**135 379 713**	136 387 043	
Diluted weighted average number of shares	**136 965 803**	137 285 229	

Reconciliation of headline earnings

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000	Change %
Profit attributable to owners of the parent	**462 512**	301 363	
Profit on disposal of plant and equipment attributable to owners of the parent	**(2 788)**	(3 538)	
Impairment of goodwill (refer note 2)	**10 152**	20 468	
Total income tax effects of adjustments	**781**	991	
	470 657	319 284	47,4
Headline earnings per ordinary share ('HEPS') (cents)	**347,7**	234,1	48,5
Diluted HEPS (cents)	**343,6**	232,6	47,7

Summary consolidated statement of financial position

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
Assets		
Non-current assets		
Property, plant and equipment	**1 571 519**	1 469 837
Investment property	**3 040**	3 040
Intangible assets	**210 226**	221 873
Investment in associate and joint venture	**16 420**	164
Other financial assets (refer note 6)	**53 015**	56 698
Deferred tax	**31 870**	33 680
Total non-current assets	**1 886 090**	1 785 292
Current assets		
Inventories	**260 526**	261 249
Current tax receivable	**4 757**	13 250
Trade and other receivables	**476 356**	435 458
Cash and cash equivalents	**167 533**	191 763
Total current assets	**909 172**	901 720
Total assets	**2 795 262**	2 687 012
Equity and liabilities		
Equity		
Stated capital	**245 988**	258 292
Treasury shares	**(108 365)**	(85 822)
Net issued stated capital	**137 623**	172 470
Other reserves	**(90 382)**	(94 391)
Retained earnings	**1 634 537**	1 320 087
Attributable to equity holders of the parent	**1 681 778**	1 398 166
Non-controlling interests	**7 129**	11 351
Total equity	**1 688 907**	1 409 517
Liabilities		
Non-current liabilities		
Borrowings (refer note 8)	**138 761**	235 542
Provisions	**152 748**	141 080
Deferred tax	**215 943**	214 576
Total non-current liabilities	**507 452**	591 198
Current liabilities		
Borrowings (refer note 8)	**157 071**	148 004
Other financial liabilities (refer note 9)	**9 631**	9 480
Current tax payable	**11 109**	4 143
Trade and other payables	**421 072**	390 517
Bank overdraft	**20**	134 153
Total current liabilities	**598 903**	686 297
Total liabilities	**1 106 355**	1 277 495
Total equity and liabilities	**2 795 262**	2 687 012
Note to statement of financial position:		
Net asset value per share (cents)	**1 246**	1 030
Net tangible asset value per share (cents)	**1 090**	867
Total borrowings	**305 463**	393 026
(Surplus cash)/overdraft less cash and cash equivalents	**(167 513)**	(57 610)
Net debt	**137 950**	335 416
Net debt:equity ratio (%)	**8,2**	23,8

Summary consolidated statement of cash flows

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
Cash flows from operating activities		
Cash generated from operations	**781 573**	551 722
Interest revenue	**17 829**	14 320
Dividends received	**64**	58
Finance costs	**(37 305)**	(58 565)
Tax paid	**(85 351)**	(97 051)
Net cash inflow from operating activities	**676 810**	410 484
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(154 245)**	(93 889)
Proceeds on disposal of property, plant and equipment	**34 320**	14 369
Purchase of financial assets	**(369)**	(444)
Acquisition of share of associate	**(16 020)**	–
Repayment from other financial assets at amortised cost	**6 390**	–
Net cash outflow from investing activities	**(129 924)**	(79 964)
Cash flows from financing activities		
Repurchase of Afrimat shares	**(28 815)**	(30 981)
Acquisition of additional non-controlling interest	**(10 855)**	(9 014)
Proceeds from borrowings (refer note 8.2)	**54 908**	144 635
Repayment of borrowings (refer note 8.2)	**(305 050)**	(309 847)
Capital elements of lease payments	**(8 191)**	–
Repayment of other financial liabilities	**(1 211)**	(3 488)
Dividends paid (refer note 12.2)	**(137 769)**	(86 220)
Net cash outflow from financing activities	**(436 983)**	(294 915)
Net increase in cash, cash equivalents and bank overdrafts	**109 903**	35 605
Cash, cash equivalents and bank overdrafts at the beginning of the year	**57 610**	22 005
Cash, cash equivalents and bank overdrafts at the end of the year	**167 513**	57 610

Summary consolidated statement of changes in equity

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Balance at 1 March 2018	266 985	(59 660)	(99 900)	1 101 103	9 980	1 218 508
Total comprehensive income						
Profit for the year	–	–	–	301 363	2 852	304 215
Other comprehensive income for the year	–	–	(1 403)	–	–	(1 403)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	35	–	–	35
Income tax effect	–	–	(8)	–	–	(8)
Currency translation differences	–	–	(1 430)	–	–	(1 430)
Total comprehensive income	–	–	(1 403)	301 363	2 852	302 812
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments	–	–	7 247	–	–	7 247
Deferred tax on share-based payments	–	–	2039	–	–	2 039
Purchase of treasury shares	–	(30 981)	–	–	–	(30 981)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax	(8 693)	4 819	(2 374)	2 374	–	(3 874)
Dividends paid (refer note 12.2)	–	–	–	(84 745)	(1 475)	(86 220)
Total contributions and distributions	(8 693)	(26 162)	6 912	(82 371)	(1 475)	(111 789)
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Infrasors Holdings Proprietary Limited ('Infrasors')	–	–	–	(8)	(6)	(14)
Total changes in ownership interest	–	–	–	(8)	(6)	(14)
Total transactions with owners of parent	(8 693)	(26 162)	6 912	(82 379)	(1 481)	(111 803)
Balance at 28 February 2019	258 292	(85 822)	(94 391)	1 320 087	11 351	1 409 517
Impact of IFRS 16 adoption on retained earnings (refer note 16)	–	–	–	(12 958)	–	(12 958)
Restated balance at 1 March 2019	258 292	(85 822)	(94 391)	1 307 129	11 351	1 396 559

Summary consolidated statement of changes in equity (continued)

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Total comprehensive income						
Profit for the year	–	–	–	462 512	2 664	465 176
Other comprehensive income for the year	–	–	(3 515)	–	–	(3 515)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	88	–	–	88
Income tax effect	–	–	(17)	–	–	(17)
Currency translation differences (refer note 5)	–	–	(3 586)	–	–	(3 586)
Total comprehensive income	–	–	(3 515)	462 512	2 664	461 661
Transactions with owners of the parent						
Contributions and distributions						
Share-based payments, net of tax	–	–	14 157	–	–	14 157
Purchase of treasury shares	–	(28 815)	–	–	–	(28 815)
Settlement of employee Share Appreciation Rights exercised and reserve transfer, net of tax	(12 304)	6 272	(6 633)	6 633	–	(6 032)
Dividends paid (refer note 12.2)	–	–	–	(136 051)	(1 718)	(137 769)
Total contributions and distributions	(12 304)	(22 543)	7 524	(129 418)	(1 718)	(158 459)
Changes in ownership interests						
Additional non-controlling interest acquired due to:						
– Afrimat Logistics Limitada	–	–	–	–	12	12
– Infrasors	–	–	–	(5 686)	(5 180)	(10 866)
Total changes in ownership interest	–	–	–	(5 686)	(5 168)	(10 854)
Total transactions with owners of parent	(12 304)	(22 543)	7 524	(135 104)	(6 886)	(169 313)
Balance at 29 February 2020	245 988	(108 365)	(90 382)	1 634 537	7 129	1 688 907

Notes

Basis of preparation

The audited summary consolidated financial statements ('financial statements') are prepared in accordance with the requirements of the JSE Limited ('JSE') Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ('IFRS') and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements, except for the implementation of IFRS 16: *Leases*. Details of the implementation of this standard are disclosed in note 16.

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

1. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified by the executive directors. Aggregation of segments has been determined on the basis of product outputs with similar attributes; by considering the nature of products and services, production processes and the type of class of customer for the products and services.

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

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

- Construction Materials: Comprises aggregates, concrete-based products and contracting operations;
- Industrial Minerals: Comprises limestone, dolomite and industrial sand; and
- Bulk Commodities: Comprises iron ore.

	Change %	**Audited year ended 29 February 2020 R'000**	Audited year ended 28 February 2019 R'000
Revenue			
External revenue			
Construction Materials	(1,5)	**1 714 180**	1 739 496
Industrial Minerals	1,5	**552 683**	544 705
Bulk Commodities	52,1	**1 037 513**	682 198
	11,4	**3 304 376**	2 966 399
Inter-segmental revenue			
Construction Materials		**138 384**	126 316
Industrial Minerals		**15 585**	18 462
Bulk Commodities		**–**	–
Services		**23 714**	–
		177 683	144 778
Total revenue			
Construction Materials		**1 852 564**	1 865 812
Industrial Minerals		**568 268**	563 167
Bulk Commodities		**1 037 513**	682 198
Services		**23 714**	–
		3 482 059	3 111 177

Notes (continued)

	Change %	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
1. Segment information (continued)			
Operating profit			
Construction Materials	1,2	**192 438**	190 182
Industrial Minerals	22,5	**95 568**	78 012
Bulk Commodities	59,8	**321 665**	201 329
Services	(635,2)	**(8 719)**	1 629
	27,5	**600 952**	471 152
Operating profit margin on external revenue (%)			
Construction Materials		**11,2**	10,9
Industrial Minerals		**17,3**	14,3
Bulk Commodities		**31,0**	29,5
Overall operating profit		**18,2**	15,9
Other information			
Assets			
Construction Materials		**1 140 593**	1 080 543
Industrial Minerals		**591 289**	610 521
Bulk Commodities		**498 630**	467 230
Services		**564 750**	528 718
		2 795 262	2 687 012
Liabilities			
Construction Materials		**400 257**	358 604
Industrial Minerals		**106 852**	131 860
Bulk Commodities		**97 182**	56 370
Services		**502 064**	730 661
		1 106 355	1 277 495
Depreciation and amortisation			
Construction Materials		**94 265**	81 478
Industrial Minerals		**31 382**	28 233
Bulk Commodities		**43 308**	32 656
Services		**8 212**	3 974
		177 167	146 341
Capital expenditure			
Construction Materials		**170 123**	110 643
Industrial Minerals		**21 963**	63 593
Bulk Commodities		**58 391**	25 975
Services		**22 961**	7 332
		273 438	207 543

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
2. Impairment of goodwill		
Impairment of goodwill	**10 152**	20 468

During the process of performing the annual goodwill impairment test, it was identified that the carrying value of the SA Block Proprietary Limited (2019: Afrimat Concrete Products Proprietary Limited) cash-generating unit, exceeded its recoverable amount. This was mainly due to the reduction in sales volumes resulting from a slowdown in the market and a decline in demand for construction materials in the Gauteng area.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
3. Depreciation and amortisation		
Depreciation	**175 672**	144 712
Amortisation	**1 495**	1 629
	177 167	146 341

4. Income tax expense

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

5. Currency translation differences

Foreign currency transactions relating to the Mozambique and Mauritius 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.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
6. Other financial assets		
Financial assets at fair value through other comprehensive income	**2 851**	2734
Financial assets at fair value through profit or loss	**49 475**	50 025
Financial assets at amortised cost	**689**	3 939
Non-current other financial assets	**53 015**	56 698

Refer note 11 for fair value disclosure of other financial assets.

	Number of shares	
	29 February 2020	28 February 2019
7. Movement in number of treasury shares		
Opening balance	**7 572 503**	6 654 039
Utilised for Share Appreciation Rights Scheme	**(213 340)**	(183 036)
Purchased during the year		
Afrimat Aggregates Operations Proprietary Limited ('AAO')	**–**	209 000
Afrimat Empowerment Investments Proprietary Limited	**19 600**	–
Afrimat Management Services Proprietary Limited ('AMS')	**861 202**	892 500
Closing balance	**8 239 965**	7 572 503

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

AMS holds 899 250 shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP'). The remaining 667 261 shares held in AMS are held for the purposes of the Company's Share Appreciation Rights Scheme.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
8. Borrowings		
8.1 Capital net movement		
Opening balance	**383 546**	436 958
IFRS 16 adjustment – lease liability	**53 447**	–
New borrowings	**172 080**	256 435
Finance cost	**2 686**	–
Repayments	**(315 927)**	(309 847)
Closing balance	**295 832**	383 546
Analysis as per statement of financial position		
Borrowings non-current	**138 761**	235 542
Borrowings current	**157 071**	148 004
	295 832	383 546
8.2 Analysis as per statement of cash flows		
New borrowings	**54 908**	144 635
Repayments	**(305 050)**	(309 847)
Lease payments	**(8 191)**	–
	(258 333)	(165 212)

In February 2020, the Group acquired a $4,0 million revolving credit facility, of which $2,7 million (R44,4 million) was drawn, with Standard Bank (Mauritius) Limited. The facility bears interest at Libor plus 2,6% payable quarterly and is available for the next 18 months.

In FY2018, the Group financed 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 prior 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. This facility was repaid in full during the current period.

During the prior year, the Group financed plant and machinery with SBSA to fund capital expenditure and working capital requirements to support the growth and expansion of the Group. The financed plant and machinery was purchased in preceding years and would have been included in the 'additions' of those respective years. A vehicle asset facility of R109,6 million over 36 months at prime rate minus 1,15% repayable in monthly instalments of capital and interest, was agreed upon for this purpose.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
9. Other financial liabilities		
Net capital proceeds owing to Afrimat BEE Trust participants	**9 631**	9 480
	9 631	9 480

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 who could not be traced, mostly deceased individuals. Afrimat is in the process of tracking these beneficiaries to ensure payment occurs timeously.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
10. Authorised capital expenditure		
Contracted after year-end, but not provided for		
Property, plant and equipment	**7 500**	2 928
Not yet contracted for		
Property, plant and equipment	**189 702**	194 697
Total authorised capital expenditure	**197 202**	197 625

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

11. Fair value estimation

Fair value determination

The following table presents the financial assets that are measured at fair value:

	Level 1 R'000	Level 2 R'000	Level 3 R'000
At 29 February 2020			
Assets			
Investment property*	**–**	**–**	**3 040**
At fair value through other comprehensive income			
Equity securities**	**81**	**–**	**–**
Environmental funds***	**–**	**2 770**	**–**
At fair value through profit or loss			
Unit trusts***	**–**	**49 475**	**–**
Trade receivables****	**–**	**125 312**	**–**
Total assets	**81**	**177 557**	**3 040**
At 28 February 2019			
Assets			
Investment property*	–	–	3 040
At fair value through other comprehensive income			
Equity securities**	71	–	–
Environmental funds***	–	2 663	–
At fair value through profit or loss			
Unit trusts***	–	50 025	–
Trade receivables****	–	52 522	–
Total assets	71	105 210	3 040

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

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

*** *The fair value was derived using the adjusted net asset method. The adjusted net asset method determines the fair value of the investment by reference to the fair value of the individual assets and liabilities recognised in the unit trust's/environmental fund's statement of financial position.*

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

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
12. Dividends		
12.1 Afrimat Limited dividends paid/declared in respect of the current year profits		
Interim dividend paid	**51 574**	27 220
Final dividend declared/paid	**–**	88 823
	51 574	116 043
12.2 Dividends cash flow		
Current year interim dividend paid	**51 574**	27 220
Previous year final dividend paid	**88 823**	60 170
Dividends received on treasury shares	**(4 346)**	(2 645)
	136 051	84 745
Dividends paid by subsidiaries to non-controlling shareholders	**1 718**	1 475
	137 769	86 220
The Company has declared the following cash distributions to shareholders:		
Interim dividend paid (cents)	**36,0**	19,0
Final dividend declared/paid (cents)	**–**	62,0
Distributions paid (cents)	**36,0**	81,0

13. Events after reporting date

On 11 March 2020, the World Health Organisation declared the novel strain of coronavirus ('Covid-19') a global pandemic and recommended containment and mitigation measures worldwide. On 23 March 2020, President Cyril Ramaphosa declared a national lockdown for 21 days in South Africa, effective from midnight 26 March 2020. The impact of the national Covid-19 lockdown on the group was dampened by the partial reopening of Demaneng iron ore mine and certain industrial minerals operations early in the lockdown period. This re-opening was done whilst the utmost care was taken to ensure our staff's safety and well-being. By 20 April 2020, as gazetted by government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat is ramping operations up according to market demand and within regulations from government.

As at the date hereof, the Group has approximately R167,5 million in cash and R776,4 million, undrawn debt facilities. As a result, management believes that the Group has sufficient liquidity to withstand an interruption to our operations, but that notwithstanding, will continue to work towards minimising the impact of Covid-19 on our operations.

Afrimat has evaluated the potential impact of these conditions assuming a three-month closure period across the Group (period used is based on periods of total lockdown experienced in Europe, China and South Korea) and is of the view that it will be a going concern for the foreseeable future. However, the Company cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption may materially impact the consolidated financial position, consolidated results of operations, and consolidated cash flows for FY2021.

14. Contingencies

Guarantees to the value of R69,6 million (2019: R73,7 million) were supplied by SBSA to various parties, including the DMR and Eskom.

Guarantees to the value of R13,6 million (2019: R25,1 million) were supplied by FNB to various parties, including the DMR and Eskom.

Guarantees to the value of R1,6 million (2019: R1,6 million) by Lombard's Insurance Group, R0,9 million (2019: R0,9 million) by ABSA Bank Limited, R131,2 million (2019: R116,6 million) by Centriq Insurance Innovation and R2,7 million (2019: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the 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.

14. Contingencies (continued)

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 R11,1 million (2019: R8,3 million). An accrual has been raised in respect of commitments made up to the end of the year.

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

The Company received notice on 27 February 2019 from the South African Revenue Service ('SARS'), in terms of which SARS demands payment of R74,3 million from Afrimat Demaneng Proprietary Limited ('Demaneng'). The Company submits that the debts owed to SARS prior to the commencement of business rescue proceedings have been settled in full as envisaged in the Business Rescue Plan. On 13 March 2019, the Company requested SARS to permanently write off the outstanding balance, in accordance with the provisions of section 197 and section 198 of the Tax Administration Act. After taking legal advice and considering the claim, the Company is of the opinion that there is no merit to the claim and will therefore vigorously defend itself against SARS. The probability of outflow is considered remote and no liability has been raised. The Company received further correspondence from SARS confirming that the demand of R74,3 million will be written off.

	Audited year ended 29 February 2020 R'000	Audited year ended 28 February 2019 R'000
15. Related parties		
Loan balance owing by associate	**27 451**	7 777
Loan balance owing by joint venture	**–**	11 884
Interest received from associate	**626**	574
Interest received from joint venture	**1 457**	1 971

16. New and amended accounting standards

New and amended standards adopted by the Group

New standards became applicable for the current reporting period and the Group changed its accounting policies as set out below.

IFRS 16: *Leases*

The Group has adopted IFRS 16 from 1 March 2019 using the retrospective approach and therefore comparative figures have not been restated, as permitted under the specific transition provisions in the standard. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. The result thereof is that all leases have been recognised on the balance sheet as lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17: *Leases*.

Payments associated with short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss. Short-term leases of equipment and vehicles are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture. Variable payments are determinable on revenue recognised in profit or loss. Short-term leases, low-value assets and variable payments are recognised on a straight-line basis as an expense in profit or loss.

The lease liabilities are measured at the present value of remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. (The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 March 2019 was 9,7%.)

16. New and amended accounting standards (continued)

New and amended standards adopted by the Group (continued)

IFRS 16: Leases (continued)

The Group leases various land, office buildings and motor vehicles. Rental contracts are made for fixed periods, but may have extension options as described below. Leases are negotiated on an individual basis and contain different terms and conditions. Leases with variable payments are linked to sales generated from quarries.

At 1 March 2019, leases are recognised as a Right-of-Use ('RoU') asset and liability at application date or at the date at which the leased asset is available for use by the Group. Each lease payment is allocated to the liability. Finance cost is charged to profit or loss over the lease period on the remaining balance of the liability. The RoU asset is depreciated over the lease term on a straight-line basis.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonable similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 March 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 March 2019 as short-term leases;
- excluding initial direct cost for the measurement of the RoU asset at the date of initial application;
- using hindsight in determining the lease term where the contract contains options to extend or terminated the lease; and
- low value assets (individual assets below R75 000) has been accounted for as operating leases.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17: *Leases and Interpretation 4: Determining whether an Arrangement contains a Lease*.

(ii) Measuring of lease liabilities

	1 March 2019 R'000
Operating lease commitments - as lessee disclosed as at 28 February 2019	33 522
Discounted using the lessee's incremental borrowing rate at the date of initial application	(27 936)
Less: Short-term leases recognised as expense	(1 429)
Less: Low-value leases recognised as expense	(5 783)
Add/less: Adjustment as a result of different treatment of extension and termination options	55 073
Lease liability recognised as at 1 March 2019	53 447
Non-current liabilities	47 947
Current liabilities	5 500
	53 447

Lease payments

The Group takes into consideration the following factors when measuring the lease liability:

- Fixed payments less any lease incentives received/receivable;
- Exclude variable lease payments;
- Residual value amounts expected to be payable;
- The exercise price of a purchase option if reasonably certain the option will be exercised; and
- Payments of penalties for terminating the lease, if reasonably certain that the option to terminate will be exercised.

The lease payments are discounted using the interest rate implicit in the lease, except if the rate is not determinable in which case the incremental borrowing rate will be used.

16. New and amended accounting standards (continued)

New and amended standards adopted by the Group (continued)

IFRS 16: Leases (continued)

(iii) Measuring of RoU assets

The Group has chosen to measure the RoU asset on a retrospective basis as if the new rules had always been applied.

For new leases the RoU asset will be the sum of: the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, estimate of costs to be incurred upon the dismantling and removal of an asset and the cost of purchasing the asset at the end of the lease term if it is reasonably certain.

(iv) Impairment

RoU assets will be tested for impairment when there is an indication of impairment, in terms of IAS 36: *Impairment of Assets*.

(v) Lease period

Extension and termination options are included in a number of leases of the Group. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors. In determining the lease period, management considers all facts and circumstances pertaining to the lease such as: the non-cancellable period, any periods covered by an option to extend or terminate. Extension options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

(vi) Adjustments recognised in the balance sheet on 1 March 2019

	1 March 2019 R'000
Increase in RoU asset	35 448
Decrease in equity	12 958
Increase in deferred tax asset	5 041
Increase in lease liability	(53 447)

(vii) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of IFRS 16.

Interpretation 23: Uncertainty of Income Tax Treatments

Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

The amendments in IFRIC 23 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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PGS de Wit (CFO)
C Ramukhubathi
GJ Coffee*
L Dotwana*
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