



**CONSISTENTLY
DELIVERING**

 **AFRIMAT**[®]
LIMITED

Integrated annual report

2023





Contents

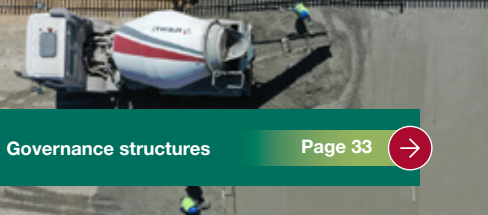
- 1 Performance for the year
- 2 About this report
- 1 Our business**
- 4 Business overview
- 8 Value creation through the use of capitals
- 10 Stakeholders
- 12 Chairman's Report
- 14 CEO's Report
- 17 CFO's Report

Business overview
Page 4 →



- 2 Business strategy**
- 22 Share performance
- 23 Group strategy, material issues and key risks


- 3 Performance**
- 28 Five-year review
- 29 Operational reviews



Governance structures
Page 33 →

- 4 Governance structures**
- 33 Corporate governance
- 34 Directorate
- 36 Board and Executive Committee structure
- 37 Risk management
- 39 Assurance

- 5 Governance overview**
- 42 Social, Ethics & Sustainability Committee Report
- 45 Ethical leadership and compliance
- 46 Environmental responsibility
- 48 Managing climate change
- 51 Safe and reliable operations
- 54 People management
- 57 Transformation
- 62 Mineral Resources Register
- 70 Remuneration Report
- 76 Technology and Systems



Statements of Financial Position
Page 88 →

- 6 Annual Financial Statements**
- 78 Directors' Responsibility Statement
- 78 Declaration by the Company Secretary
- 79 Audit & Risk Committee report
- 81 Independent Auditor's Report
- 85 Directors' Report
- 87 Statements of Profit or Loss and Other Comprehensive Income
- 88 Statements of Financial Position
- 89 Statements of Changes in Equity
- 90 Statements of Cash Flows
- 91 Notes to the Annual Financial Statements
- 145 Analysis of Shareholders

- 7 Shareholder information**
- 147 Notice of AGM
- 153 Form of proxy
- 155 Definitions
- 156 Shareholders' diary
- 156 Contact details

Afrimat's full suite of reports can be accessed from the links below:


Notice of Annual General Meeting 2023 →

Commodities resource register →

King IV™ application register →

New ESG report 2023 →

Afrimat is committed to applying ESG principles to create value for stakeholders.



Navigation toolkit

Read more page reference →

More info on website →

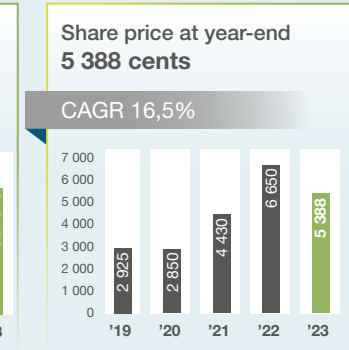
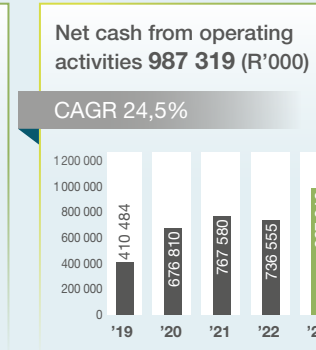
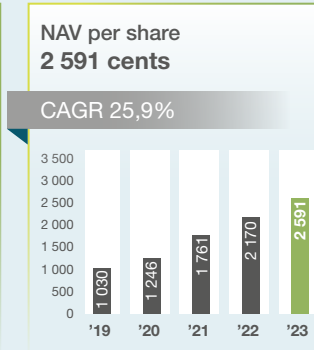
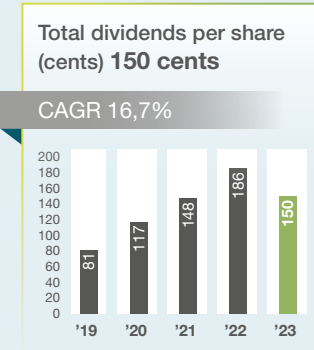
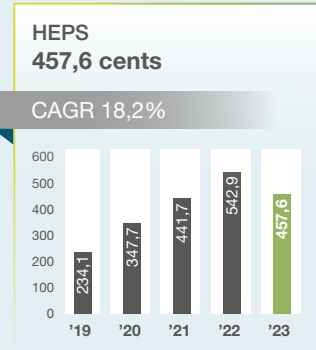
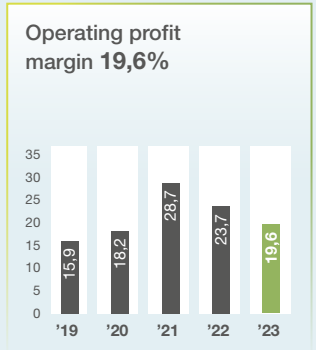
Some of the following United Nations Sustainable Development Goals ('SDGs') are addressed in this report:





Financial performance

➤ Balance sheet remains **strong** ➤ Net debt:equity ratio **4,4%** ➤ Operating profit margin **19,6%** ➤ Return on net operating assets **24,0%**



➤ Since 2009, Afrimat's share price rose 2 649% and over the past five years it is up 84% – during the time when most other companies felt the pain of an economic deterioration.

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

➤ Afrimat has a superb track record in acquiring, assimilating and then growing businesses. During the year Afrimat acquired the shares in Glenover Phosphate Proprietary Limited, in addition to the phosphate stockpiles acquired in the prior year.

Safety is our top priority

No fatalities for 11 consecutive years
LTIFR of 0,34

(Please refer to page 51 for safety initiatives)

Advancing sustainability

Afrimat is committed to Environmental, Social and Corporate Governance ('ESG') matters and regards sustainability as a mandatory strategic objective.

Value creation in communities

- Consolidated Broad-Based Black Economic Empowerment status attained at a level 3 (level 3 in 2022).
- Skills and socio-economic development spend R50,4 million (2022: R38,0 million).
- Preferential Procurement B-BBEE score of 75,1% (2022: 63,4%) as verified by South African National Accreditation System ('SANAS') Accredited B-BBEE Rating Agency.
- Certain subsidiary companies achieved a B-BBEE status of level 2.



About this report

Afrimat is a leading black empowered group with its main business and core competence in mid-tier mining and materials supply. The Group supplies industrial minerals and construction materials to a range of industries across southern Africa. In addition, Afrimat supplies bulk commodities to local and international markets. During the year, Afrimat started supplying phosphates to the agriculture sector. As of this year, it is listed in the 'General mining' sector of the JSE Main Board, previously listed in the 'Construction & Materials' sector since 2006.

Corporate information

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

The integrated annual report 2023 is available in hard copy, on request, from the Company Secretary and is also published on the Group's website www.afrimat.co.za.

Our integrated annual report 2023 contains information aimed at all our stakeholders with a specific focus on our shareholders. We are committed to providing shareholders with reliable, accurate, balanced and transparent reporting. Overall, the report is intended to give our stakeholders a better understanding of the material issues, risks and opportunities that we face in terms of business sustainability, value creation and growth over the short-term (less than 12 months), medium-term (one to three years) and long-term (beyond three years).

Scope and reporting parameters

This integrated annual report 2023 covers the financial performance and non-financial performance of the Group. Afrimat reports on the strategy, the six capitals on which it relies and the opportunities, risks and outcomes attributable to or associated with its key stakeholders, who significantly influence Afrimat's ability to create value for the year ended 28 February 2023. There has been no material change in the scope and boundary of the IAR compared to the prior year or to historical financial data.

For more information, see the annual financial statements on [pages 78 to 144](#).

Frameworks applied

In compiling this report, Afrimat considered the legislative requirements for reporting and the International Integrated Reporting Framework, issued in

January 2021. Our report conforms to the requirements of local and international integrated reporting frameworks, the South African Companies Act 2008, JSE Listings Requirements and the Mining Charter. We continue to use the GRI guidelines for our sustainable development reporting. The Company applies the majority of the principles in the King IV™ Report. An explanation and summary for each principle is provided and published on the Group's website www.afrimat.co.za. This is to allow stakeholders to make an informed decision as to whether Afrimat is achieving the four good governance outcomes required by King IV™.

Materiality

The legitimate interests of all our key stakeholders were taken into account in determining information that is considered to be material for inclusion in this report. Afrimat defines strategic matters as those which are most material to the formulation and execution of strategy and those that have the potential to significantly affect Afrimat's ability to create stakeholder value and contribute to the future sustainability of the Group.

Risk management

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

Refer to [page 37](#) for the risk management report.

Forward-looking disclaimer

This integrated annual report 2023 contains forward-looking statements that, unless otherwise indicated, reflect the Company's expectations as at 28 February 2023. Actual results may differ materially from the Company's expectations if known and unknown risks or uncertainties affect the business, or if estimates or assumptions realise differently. The Company cannot guarantee that any forward-looking statement will materialise and, accordingly, readers are cautioned not to place undue reliance on these

forward-looking statements. The Company disclaims any intention and assumes no obligation to update or revise any forward-looking statement even if new information becomes available as a result of future events or for any other reason.

Board responsibility statement

The Board, assisted by the Audit & Risk and Social, Ethics & Sustainability Committees, acknowledges its responsibility for ensuring the integrity of the integrated annual report, and has applied its collective mind in the preparation thereof. The Board believes that the report has, in all material respects, been presented in accordance with the IIRC's <IR> Framework. The Afrimat Board approved this integrated annual report and authorised its release on 22 June 2023.

Combined assurance

A combined assurance model is used to provide Afrimat with assurance obtained from management, internal and external assurance providers. PricewaterhouseCoopers Inc. are the auditors of Afrimat and provided an unmodified opinion after auditing our consolidated annual financial statements 2023. The extracts from the annual financial statements in this integrated annual report are from audited information but not audited.

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

Francois Louw
Chairman

22 June 2023

Andries van Heerden
CEO



1

Our business

Construction Materials

Glen Douglas Dolomite solar plant

Upon assessing the way forward in light of the current energy crisis in South Africa, Afrimat has identified the wholly-owned subsidiary, Glen Douglas Dolomite Proprietary Limited as the perfect operation to run on solar power. This is due to the fact that Glen Douglas Dolomite has one of the highest power usages in the Group and has the space available for the addition of the solar plant.

Solar power installations offer a wide range of environmental advantages that contribute to sustainability and help mitigate the impacts of climate change. Here are some of the key environmental benefits of solar power installations:

Renewable and Clean Energy

Solar power is a renewable and clean source of energy that does not produce any harmful greenhouse gas emissions, air pollution, or water pollution during its operation.

Reduced Carbon Footprint

One of the significant environmental advantages of solar power installations is the reduction of carbon footprint.

Conservation of Natural Resources

Solar power installations help in conserving natural resources. Fossil fuels such as coal, oil, and gas are finite resources that are extracted from the earth's crust and can deplete over time.

Improved Air and Water Quality

Solar power installations help in improving air and water quality. Burning fossil fuels for energy production releases harmful pollutants into the air and water, leading to air pollution and water contamination.

Biodiversity Conservation

Solar power installations have minimal impact on biodiversity compared to other forms of energy generation.



Construction Materials

Open pit mining and processing of aggregates products

Concrete brick and block manufacturing and readymix concrete batching



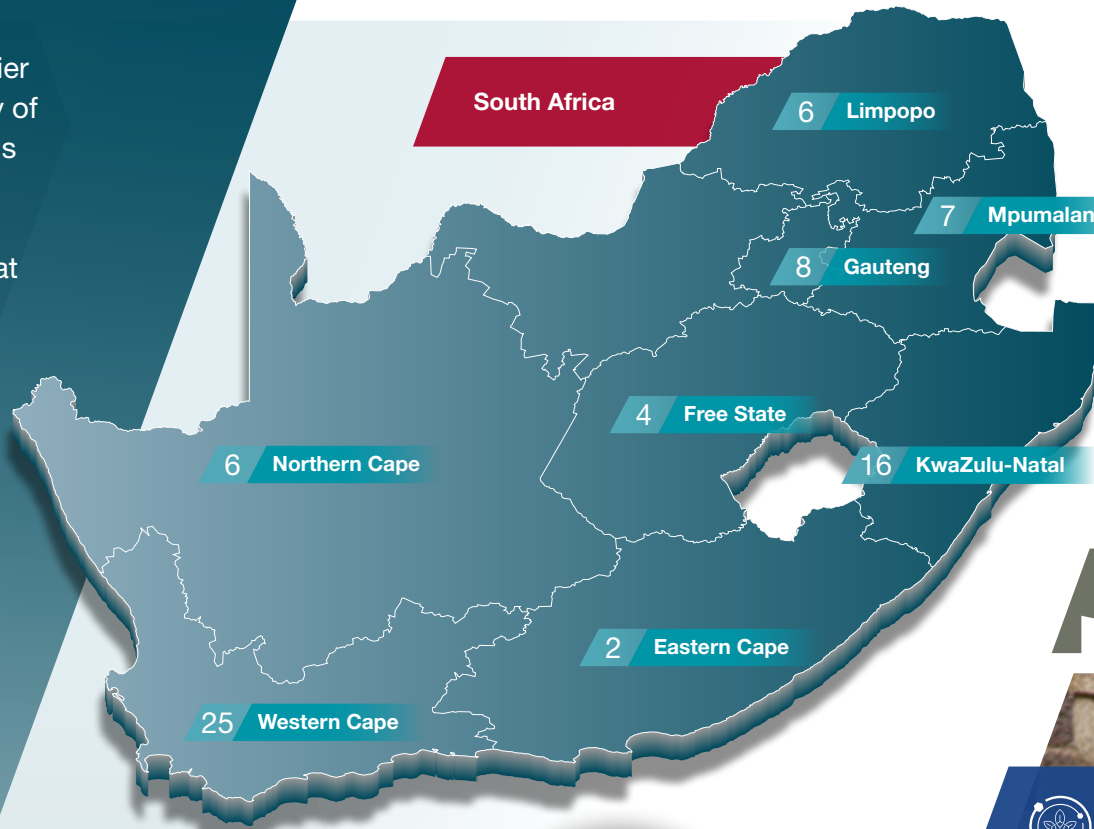
Business overview

FOOTPRINT

BUSINESS OPERATIONS

Afrimat primarily engages in mid-tier mining, processing and the supply of a broad range of industrial minerals and construction materials to an assortment of industries across southern Africa. In addition, Afrimat supplies bulk commodities to local and international markets. During the year, Afrimat started supplying phosphates to the agriculture sector.

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



Mauritius



Construction Materials



Industrial Minerals



Bulk Commodities



Future Materials and Metals



Services



Limpopo

- 1 Quarry
- 2 Readymix batching plants
- 1 Limestone source
- 1 Agricultural limestone mine
- Phosphate stockpiles
- 1 Vermiculite mine
- (Potential) rare earths

Gauteng

- 2 Dolomite mines
- 1 Silica mine
- 1 Quarry
- 2 Brick and block plants
- 1 Clinker source
- 1 Readymix plant

Western Cape

- 8 Quarries
- 9 Readymix batching plants
- 5 Sand mines
- 1 Brick and block factory
- 1 Limestone and dolomite source
- 1 Dolomite mine

KwaZulu-Natal

- 7 Quarries
- 4 Readymix batching plants
- 5 Brick and block factories

Mpumalanga

- 3 Quarries
- 3 Readymix batching plants
- 1 Anthracite mine

Northern Cape

- 4 Iron ore mines
- 1 Manganese source
- 1 Road-to-rail load-out facility

Eastern Cape

- 1 Quarries
- 1 Readymix batching plant

Free State

- 3 Quarries
- 1 Clinker source

Services rendered throughout all provinces

- Mobile crushing and screening
- Drilling and blasting
- Logistical services

Business overview (continued)

Construction Materials

Aggregates Concrete-based products Readymix

Industrial Minerals

Limestone Dolomite Silica

Bulk Commodities

Iron ore Anthracite Manganese

CORE ACTIVITIES

Open pit mining and processing of aggregates products

Concrete brick and block manufacturing and readymix concrete batching

Open pit mining, processing and beneficiation of industrial minerals

Open pit iron ore and anthracite mining and beneficiation, as well as underground anthracite mining and beneficiation

REVENUE CONTRIBUTION



PRODUCTS/ SERVICES

- ▶ Clinker ash
- ▶ Aggregates: roadstone, concrete stone, layer-works materials, ballast
- ▶ Manufactured and natural sand
- ▶ Stone dust
- ▶ Building blocks and bricks
- ▶ Pavers
- ▶ Lintels
- ▶ Readymix concrete
- ▶ Dolomite
- ▶ Silica
- ▶ Readymix concrete batched on demand and transported to customers by concrete mixer trucks
- ▶ Readymix mortars
- ▶ Metallurgical dolomite
- ▶ Metallurgical quartzite
- ▶ Metallurgical limestone
- ▶ High calcium neutralisation limestone
- ▶ Agricultural lime
- ▶ Feedlime
- ▶ Hydrated lime
- ▶ Un-slaked lime – calcium oxide
- ▶ Slaked lime – calcium hydroxide
- ▶ Silica sand
- ▶ Ultra-fine limestone and dolomite
- ▶ Dolomite fillers
- ▶ Top-end quality iron ore from Hematite ore up to 65% Fe
- ▶ Lump and fine fraction product range
- ▶ Siliceous manganese ore
- ▶ Mixed metal manganese ore
- ▶ High quality nuts and duff anthracite product

MARKETS/ APPLICATIONS

- ▶ Building and construction
- ▶ Low-cost housing
- ▶ Residential and commercial property
- ▶ Civil engineering and infrastructure projects
- ▶ Renewable energy projects
- ▶ Power distribution network
- ▶ Mines
- ▶ Road and bridge building
- ▶ Railroads
- ▶ Concrete product manufacturers
- ▶ Readymix producers
- ▶ Power stations
- ▶ Metallurgical manufacturers
- ▶ Water and sewage treatment
- ▶ Acid mine drainage treatment
- ▶ Paints and plastics
- ▶ Foundries
- ▶ Glass manufacturers
- ▶ Tile adhesive manufacturers
- ▶ Agriculture
- ▶ Renewable energy projects
- ▶ Power distribution network
- ▶ Chemical
- ▶ Animal hygiene
- ▶ International export
- ▶ Local consumption
- ▶ Mine to road to train to port logistics
- ▶ Domestic ferrochrome smelting market

QUALITY ASSURANCE

Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation. Blocks and bricks manufactured in accordance with SABS specification.

Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.

All iron ore products manufactured in accordance with customer specifications and sold in terms of the Platts iron ore 62% grade for export. Good quality anthracite due to its low sulphur and phosphorous content. All anthracite products manufactured in accordance with customer specifications. The utilisation of an in-house test laboratory for continuous process control. Quality and specification statements are generated by an outsourced accredited laboratory.



Future Materials and Metals

Phosphate Vermiculite Rare earths

CORE ACTIVITIES

Processing and beneficiation of phosphates

REVENUE CONTRIBUTION



PRODUCTS/SERVICES

- ▶ Granulated rock phosphate
- ▶ Single superphosphate ("SSP")
- ▶ Mobile crushing and screening
- ▶ Drilling and blasting
- ▶ Beneficiation of material
- ▶ Opencast mining services
- ▶ Transportation of materials
- ▶ Mine to road to train logistics
- ▶ Logistical services

MARKETS/APPLICATIONS

- ▶ Agricultural
- ▶ Building and construction
- ▶ Mines
- ▶ Mine to road to train to port logistics

QUALITY ASSURANCE

Products manufactured are sold within the industry specifications of a P-concentrate level of subminimum 32% and Fe level of <5%. The utilisation of in-house test laboratory for quality specifications and continuous process control.

Services

Contract crushing, drilling and blasting
Logistical services Group shared services

Group shared services including IT services, consulting services

Internal and external logistical and mining services such as contract crushing, drilling and blasting, load and haul



- ▶ Building and construction
- ▶ Mines
- ▶ Mine to road to train to port logistics

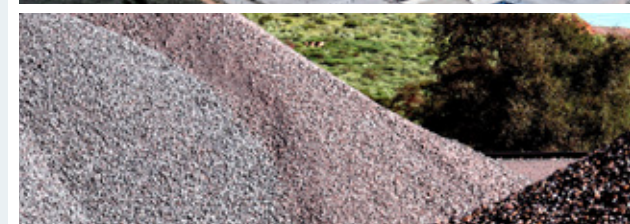
Quality-at-source processes by which quality control is ensured through constant monitoring and evaluation.

Vertical integration

Supply the majority of the aggregates used by Afrimat's own Concrete Based Product ("CMP") divisions.

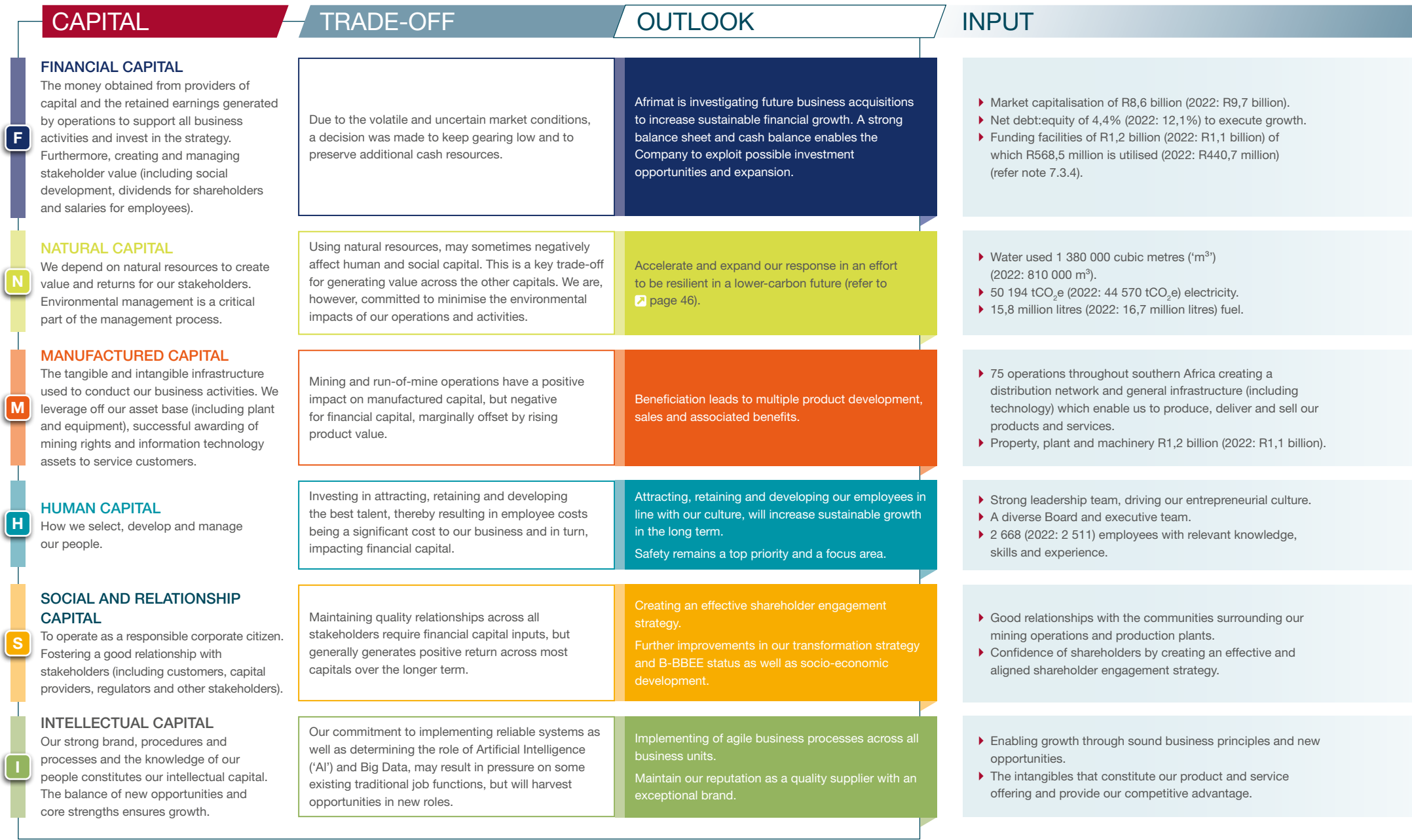


In-house mining services provided: Mobile crushing, drilling and blasting. This segment is utilised to manage and operate a railway load out station with direct access to the Oryx Sishen-Saldanha rail link. Logistical services supplied across all segments.





Value creation through the use of capitals





OUTCOMES

PAGE REFERENCE



F

- ▶ Revenue up 4,9% to R4,9 billion
- ▶ EBITDA: R1,3 billion (2022: R1,4 billion)
- ▶ Net cash generated from operations up 34,0% R987,3 million (2022: R736,6 million)
- ▶ HEPS: 457,6 cents (2022: 542,9 cents)
- ▶ Total dividend per share declared: 150,0 cents (2022: 186,0 cents)
- ▶ Net debt:equity of 4,4% (2022: 12,1%)

▶ CFO's report (refer to page 17)
 ▶ Annual financial statements (refer to page 78 to 144)

N

- ▶ 173,0 tCO₂e (2022: 179,3 tCO₂e) emissions

▶ Environmental responsibility (refer to page 46)
 ▶ Managing climate change (refer to page 48)

M

- ▶ Capital expenditure of R963,1 million (2022: R782,4 million)
- ▶ Depreciation and amortisation of R360,7 million (2022: R296,8 million)

▶ Legal and mining right compliance (refer to page 45)
 ▶ Technology and systems (refer to page 76)
 ▶ Annual financial statements (refer to page 78 to 144)
 ▶ Environmental responsibility (refer to page 46)

H

- ▶ Wages and salaries of R940,6 million (2022: R830,1 million)
- ▶ 4 (2022: 13) artisans successfully trained
- ▶ Board attendance of 98% (2022: 100%)

▶ Safe and reliable operations (refer to page 51)
 ▶ Governance structure (refer to page 4)
 ▶ Remuneration report (refer to page 70)

S

- ▶ Spending on skills and socio-economic development of R50,4 million (2022: R38,0 million)
- ▶ B-BBEE Level 3 (2022: Level 3)
- ▶ Preferential procurement of B-BBEE score of 75,1% (2022: 63,4%) as verified by SANAS Accredited B-BBEE Rating Agency

▶ Stakeholders (refer to page 10)
 ▶ Social, ethics & sustainability (refer to page 42)
 ▶ Transformation (refer to page 57)

I

- ▶ Investment in quality assurance and research and development R11,0 million (2022: R10,7 million)

▶ Business overview (refer to page 4)
 ▶ Annual financial statements (refer to page 78 to 144)

VALUE CREATION (R'000)

- ▶ Total value added **R2 326 515**
- ▶ Income from investment **R33 810**
- ▶ Value added by operations **R2 289 912**
- ▶ Profit on sale of property, plant and equipment **R2 793**

Stakeholders

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

Remunerate employees

H I

41%



Expand the Group

F M

18%



Replace assets

F M

16%



Reward providers of capital

F M

13%



Government and community

F N S

12%



Stakeholders

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

Our approach

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

Stakeholder groups

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

	What matters to them	Tools of engagement	Our response
Employees 	<ul style="list-style-type: none"> ▶ Job security ▶ Sustainability ▶ Personal growth and development ▶ Skills development ▶ Remuneration and incentives ▶ Safety ▶ Health and wellness ▶ Transformation ▶ Job satisfaction 	<ul style="list-style-type: none"> ▶ Annual culture climate survey ▶ Training sessions ▶ News updates ▶ Employment equity forums ▶ Regular reinforcement of Code of Conduct and policies/procedures ▶ Understanding 'The Afrimat Way' ▶ Annual performance reviews ▶ Union meetings as required ▶ 1:1 discussions 	<ul style="list-style-type: none"> ▶ Investment in training and talent management ▶ Dedicated skills development division ▶ Skills Development and Employment Equity Consultative Committees established for each subsidiary ▶ Ongoing health and safety programme ▶ Weekly 'toolbox talks'
Responsibility Executive Director: People & Sustainability and General Manager: People assisted by all management			
Customers 	<ul style="list-style-type: none"> ▶ Quality ▶ Service ▶ Value for money ▶ Product availability ▶ Credit facility levels 	<ul style="list-style-type: none"> ▶ Annual customer surveys conducted to determine service improvement opportunities ▶ Contractual engagement ▶ Personal interaction with main customers ▶ Product brochures ▶ Traditional and social media ▶ Product testing 	<ul style="list-style-type: none"> ▶ Commitment to quality products and service excellence ▶ Product and quality feedback ▶ Account queries and payment
Responsibility CEO, MDs of subsidiaries and sales teams			
Shareholders/ investors 	<ul style="list-style-type: none"> ▶ Profitability ▶ Strategy to ensure sustained financial growth ▶ ROI (share price and dividends) ▶ Cash generation ▶ Corporate governance and compliance ▶ Risk management ▶ Growth prospects ▶ Sound corporate practices ▶ Cost reductions ▶ Labour relations ▶ Sustainability ▶ Ethics ▶ Transparent executive remuneration ▶ Reputational issues 	<ul style="list-style-type: none"> ▶ Annual and interim results announcements ▶ Integrated annual report ▶ SENS announcements and trading updates ▶ Website publications ▶ Group results presentations ▶ 1:1 meetings ▶ Roadshows ▶ AGM ▶ Results of decisions taken at shareholders' meetings published on the Company's website following the meetings ▶ Media releases ▶ Site visits ▶ Investor open days ▶ Regular investor perception polls 	<ul style="list-style-type: none"> ▶ Feedback from results presentations and 1:1 meetings relayed to and dealt with at Board level ▶ Consistent dividend payments ▶ Publishing of voluntary SENS announcements to address shareholder concerns ▶ Educating shareholders regarding business processes by means of arranging site visits and an annual investor open day ▶ Feedback on Company performance, future prospects and strategy ▶ Feedback on economic, social and environmental risks ▶ Shareholder engagement meetings ▶ Research coverage
Responsibility CEO assisted by the CFO, COO and Executive Director: People & Sustainability			

**Lenders/
providers of
capital****What matters to them**

- ▶ Capital management
- ▶ Sustainability
- ▶ Profitability
- ▶ Liquidity and solvency
- ▶ Cash generation
- ▶ Corporate governance and compliance
- ▶ Risk management
- ▶ Growth prospects
- ▶ Reputational issues
- ▶ Punctuality and ability to meet capital and interest payments
- ▶ To comply with covenant requirements

Tools of engagement

- ▶ Contractually required information flow
- ▶ Annual and interim results announcements
- ▶ Regular meetings

Our response

- ▶ Feedback from meetings relayed to and dealt with at Board level
- ▶ 1:1 meetings with financier relationship managers to identify risks and discuss viable funding options

Responsibility CFO assisted by Group treasury and financial managers**Trade
unions**

- ▶ Wage negotiations
- ▶ Bargaining council agreements
- ▶ Conditions of employment
- ▶ Engagement on safety issues
- ▶ Engagement on health and wellness issues

- ▶ Regular meetings at the relevant levels

Responsibility General Manager: People assisted by all management

- ▶ Ongoing focus on labour and employee relations
- ▶ Consistency in industrial relations
- ▶ Recognition agreements at industry level

**Major contractors,
suppliers and
business partners**

- ▶ Consistent offtake
- ▶ Group payment record
- ▶ B-BBEE compliance and local economic development

- ▶ Contract and service agreements
- ▶ Whistle-blower's hotline
- ▶ Results presentations
- ▶ Supplier days

Responsibility CEO, CFO, COO, Executive Director: People & Sustainability and MDs of subsidiaries

- ▶ Regular business updates to suppliers
- ▶ Vision and values
- ▶ Group strategy and financial performance
- ▶ Group policies and guidelines
- ▶ Transformation and employment equity
- ▶ Health and safety
- ▶ B-BBEE compliance

**Government,
local authorities
and regulatory
bodies**

- ▶ Compliance with mining licence requirements
- ▶ Regulatory compliance
- ▶ B-BBEE status and black shareholding
- ▶ Environmental compliance
- ▶ Skills development
- ▶ Enterprise development
- ▶ Job creation
- ▶ Employment equity
- ▶ Uplift communities and environments in which we operate

- ▶ Lobbying with government departments
- ▶ Regular communication
- ▶ Report our impact on communities and environment

Responsibility CEO, Executive Director: People & Sustainability and MDs of subsidiaries

- ▶ Developing DMRE required social and labour plans in conjunction with local municipalities
- ▶ Raising awareness of local economic, social and infrastructure conditions and gaining approval for government funded projects
- ▶ Focus on procurement from suppliers with B-BBEE shareholding
- ▶ Energy, water and waste reduction
- ▶ Education and job creation

**Local
communities**

- ▶ Environmental issues – dust, emission, water, traffic, noise, unsightly development
- ▶ Infrastructure development
- ▶ Economic upliftment
- ▶ Job creation
- ▶ Enterprise development
- ▶ Preferential procurement

- ▶ Dialogue with local community interest groups

Responsibility Executive Director: People & Sustainability and MDs of subsidiaries and branch operational managers

- ▶ Supplementing labour force from surrounding communities
- ▶ Practicing a limited automation policy
- ▶ Prioritising environmental management of operations

Chairman's Report



Francois Louw

Diversification driving growth

Strong balance sheet and cash generation

Formidable execution ability



A new Future Materials and Metals segment was formed in the Company. The initial focus will be the completion of the acquisition of the Glenover mine and associated investment into a new processing facility for the production of phosphate products targeting the agricultural sector.

As an introduction, I have served on the Afrimat Board since November 2017 and as a member of various committees. In February 2021, I was appointed as Deputy Chairman and when Matie von Wielligh stepped down in 2022, I assumed the role of Chairman of the Board.

Thus, with great pleasure, I write to the shareholders of Afrimat for the first time in this role on what transpired during this financial year.

I completely agree with my predecessor's statement that 'Afrimat is a company that is humble, agile, innovative and true to its values, demonstrating the strength of its culture.' It has made me proud to witness this statement unfold during the year under review, despite what can best be described as a set of challenging circumstances in which Afrimat has had to operate. Under the leadership of Andries van Heerden and his executive team, with constructive input from the Board, Afrimat has managed these challenges exceptionally well. I am particularly proud to see how well the executive team navigated through this tough environment.

I commended management for their foresight many years ago in driving the strategy to broaden the scope of the Group, which has resulted in Afrimat now being positioned as a well-diversified, mid-tier junior mining company.

The Group's evolution in becoming the formidable junior miner it is today has been exceptional. The recent JSE sector change from the diversified construction sector to the diversified mining sector places Afrimat squarely in a comparable peer group and better describes the business. The same solid

and well implemented methodology that drove the Group's entry into iron ore is now taking place as it builds its knowledge of the industry and develops new processing facilities in the phosphates space.

The year under review

In the process of becoming more diversified, Afrimat has, of course, made acquisitions. The historic performance of these acquisitions has been successful, with additional commodities and mining and beneficiation processes being added to the deep quarrying and small opencast mining experience the Group was founded on. These acquisitions were made possible by prudent capital allocation and strict control of the balance sheet, with management never once allowing debt to undermine Afrimat's envisioned diversification drive. Testament to this is the ability to turn acquisitions into meaningful contributors to the Group with consistently high cash generation.

Moving to the results, the main contributor for the year was again the Bulk Commodities segment. The Jenkins iron ore mine and beneficiation processing facility were completed and has proven its ability to reach steady state production, with all products mined being sold into the local market. This increase in iron ore production was unfortunately offset by a reduction in iron ore prices and the export volumes being limited due to underperformance of the iron ore export channel. The Nkomati anthracite mine has made significant progress on its envisaged turnaround development path with additional opencast pits as well as an underground section being developed.

A new Future Materials and Metals segment was formed in the Company. The initial focus will be the completion of the acquisition of the Glenover mine and associated investment into a new processing facility for the production of phosphate products targeting the agricultural sector. The Company is also investigating various options for further development of Glenover's vermiculite and rare earth resources.

Led by its prudent management team, efficiency is actively encouraged and measured in Afrimat. Despite this being meticulously implemented across the Construction Materials and Industrial Minerals segments, unfortunately this was not enough to counteract the macroeconomic impact of national electricity supply load shedding, the lack of infrastructure spend and the low levels of economic growth.

During the year, Afrimat concluded a successful equity raise. The speed at which the capital was raised speaks volumes to the confidence that both existing and new shareholders have in the ability of Afrimat's management team.

Our balance sheet clearly shows that there is still room to fund future growth and I can assure shareholders that we are carefully considering a number of opportunities at the moment, and that we have the processes, experience and skills in place to execute on these new projects once we are in a position to announce them.



The main contributor for the year was again the Bulk Commodities segment. The Jenkins iron ore mine and beneficiation processing facility were completed and has proven its ability to reach steady state production, with all products mined being sold into the local market.

What to expect of the future?

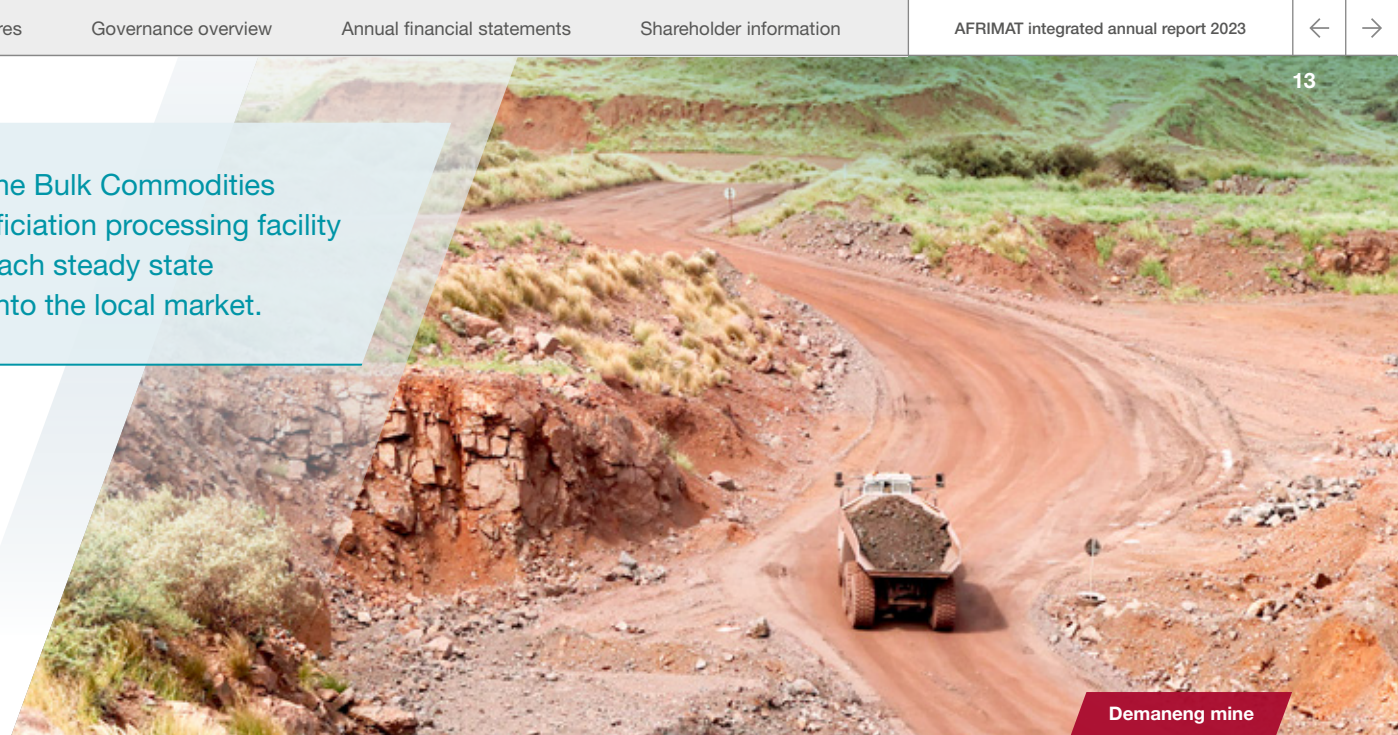
Although the year in review has seen a slight decline in the financial results, we remain optimistic with various actions expected to deliver positively in the upcoming year. Most notable of these being the Nkomati and Jenkins mines ramping up closer to steady state production, which should lead to increased volumes.

Afrimat positions itself as a low-cost producer and as such volumes are important. In guidance, the Group has alluded to FY2024, during which volumes should reach a steady state as a result of the investment into Nkomati, Jenkins and Driehoekspan. The export of iron ore from the Demaneng mine to international markets remains capped at 870 000 tonnes per annum due to the rail allocation to Saldanha. We are hopeful that the current focus on the iron ore export channel will result in the channel performing to its potential. Iron ore and anthracite sold into the local market are done so on fixed contract terms, thus the ability to operate as a low-cost producer stands Afrimat in good stead and does buffer international iron ore price fluctuations to some extent.

Environment, Social and Governance ('ESG')

The Afrimat team can be commended for driving sustainable outcomes across the Group and into the communities in which it operates. These achievements are documented across a suite of reporting documents. This year, the integrated annual report suite is enhanced with a separate ESG Report, covering relevant metrics and discussing measurements and improvements in place and a separate Competent Persons report covering operations in the Bulk Commodities segment.

Environmentally, the Group is governed by the Department of Minerals Resources and Energy ('DMRE'). In addition, Afrimat engages regularly with the Department of Water and Sanitation and the Department of Environmental Affairs. Afrimat has an excellent relationship with all these departments and respects the work they do. In fact, the Group goes beyond simply adhering to the principles, as you can read in the Social, Ethics & Sustainability Committee report, where the environmental responsibility section includes information on Afrimat's carbon footprint, carbon emissions, electricity consumption, water usage, waste management, climate change and biodiversity efforts.



Demaneng mine

This information can be found on [page 47 to 48](#) of this integrated annual report.

To reduce its carbon footprint, Afrimat is working on a formal plan to offset its emissions. It has identified the three main contributors to its carbon footprint as coal burnt to manufacture calcine lime, diesel used in earth moving equipment and carbon dioxide released during the calcination of lime. Afrimat has implemented a solar project at the Glen Douglas mine and is also evaluating a hemp project.

The Group has once again made meaningful contributions to developing social and labour plans and assisting in developing communities in which it operates, with a continued focus on investment in education, youth employment, and infrastructure.

From a governance perspective, Afrimat observes both the spirit and the principles of the JSE Listings Requirements, King IV™, the Framework for Integrated Reporting, the Mining Charter and the Companies Act. Commitment to governance across the Group remains strong and unwavering, with a unitary Board in place, along with all the necessary sub-committees.

Afrimat adheres to fair remuneration practices. All of the resolutions listed in the previous annual general meeting's notice were approved by a majority vote of shareholders present at the meeting or represented by proxy.

Appreciation

I am exceptionally proud of what Afrimat achieved in a year during which challenging economic circumstances had to be carefully and diligently managed. Equally, I am exceptionally proud of the demonstrated performance and dedication of Andries van Heerden and his team of executives and of the broader Afrimat team. The extent of the capability of this team is evident in my engagements with the teams across the operations. The Group has the capacity to pull together and ensure that all possible solutions are evaluated and, if appropriate, implemented.

I also wish to thank my fellow Board members for their input into discussions and recommendations. I am in awe of the level of deep expertise that the Board members have, and this makes it possible for the Board to give excellent guidance to the executive management team when it is needed.

To our shareholders, stakeholders, employees and customers, thank you for your ongoing commitment and support. We will continue to ensure our strategic decisions are well thought through to ensure that you benefit as a result.

Francois Louw

22 June 2023

CEO's Report



Andries van Heerden

Conscious diversification supported overall profitability

Values-based entrepreneurial culture paying off

Pipeline of attractive potential acquisitions



The Group and its subsidiaries remain highly profitable, albeit at slightly lower levels than last year. Afrimat is debt free, with sufficient capital and opportunities available to ensure that the capital entrusted to us by our shareholders will be spent wisely.

How would you describe the 2023 financial year?

The various management teams and leaders are to be commended for their tenacity, as well as for the execution of and consistent thought given to the various efficiency projects we have undertaken this year. I am constantly amazed at how our people continue to find ways to ensure the impacts of the macro economic environment are softer than they could be.

That being said, there is no doubt that this year was a tough one. Mining input inflation, especially concerning diesel and explosives, a general economic slowdown, and rising global recession concerns all played a part in making for a challenging operating environment. Despite this, I remain extremely confident in the ability of Afrimat's diversified structure to ensure performance delivery continues. Just as we were able to pay all our employees throughout the Covid-19 pandemic, this purposefully diversified structure will persist in delivering significant benefits for Afrimat into the future.

The Group and its subsidiaries remain highly profitable, albeit at slightly lower levels than last year. Afrimat is debt free, with sufficient capital and opportunities available to ensure that the capital entrusted to us by our shareholders will be spent wisely. The compound annual growth rate of profit after tax for the period February 2009 (after the global financial crisis) to February 2023 is 20,6%, which is a remarkable testament to our execution abilities.

What was a defining point of the year for you?

This was definitely the substantial progress made in executing the plan for the Jenkins iron ore and the Nkomati anthracite mines, both of which are poised to produce increased volumes in the coming year. The sale of iron ore and anthracite into the local market is done by means of fixed-price contracts, thereby reducing our exposure to the volatility of the international iron ore price. The investment into the mines was executed meticulously and they now stand ready to deliver against our expectations.

The Jenkins mine is out of the starting blocks and delivering volumes in line with the supply agreement, while Nkomati has started to turnaround. In the case of the latter, additional opencast pits and an underground section were developed to minimise any potential mining disruptions. The underground section gives us access to additional high-quality anthracite.

Both mines contributed positively to the Bulk Commodities segment's operating profit. Demaneng also continues to export iron ore via the allocation on the rail line of 870 000 tonnes per annum, and, waiting in the wings, Driehoekspan is ready to contribute iron ore when Demaneng is mined out.

Similarly, good progress was made at Glenover, with the mining site now fully established. Although the mine suffered start-up losses of R11,4 million, we expect several projects to come online in the next 12 months, including the high-grade phosphate project, the single superphosphate ('SSP') project and possibly the vermiculite project.

Are you satisfied with the progress made on Afrimat's strategic projects?

I am incredibly pleased with the progress as well as the speed with which these projects were executed, along with the attention to detail and mindfulness of risks that has got Jenkins, Nkomati as well as Glenover to this point. Nkomati and Jenkins' contribution to the results is in line with our intended strategy. For the 2023 financial year, their combined contribution amounted to 60% of total revenue for the Bulk Commodities segment (2022: 38%) and 53% of the segment's total operating profit (2022: 25%). We do expect that in the future this contribution composition will be maintained in line with volumes building up to a steady state.

What is your view on the international iron ore price?

Iron ore is an important product for Afrimat, remembering that when the iron ore price was very high, the Group benefited significantly in terms of cash flow, which in turn supported acquisitions and our ability to pay all of our employees during the Covid-19 crisis.

Afrimat is a low cost, junior miner, so we can make decent returns on international iron ore exports at levels lower than the current per tonne price. We are also a relatively small producer compared to larger competitors in the market and because of our diversification, we can withstand fluctuations in pricing.



We have such strong projects to execute on like Jenkins, Nkomati and Glenover that I am genuinely excited for the next eighteen months. These projects will increase our volumes, especially of iron ore and anthracite volumes available to the local market, and of course increasing our product diversification as additional volumes of phosphate and vermiculite are introduced into the mix.

In the Bulk Commodities segment, our purposeful approach is to diversify along commodity and revenue lines. In the past, Afrimat was exposed to the international iron ore price but with Jenkins and Nkomati having defined prices the impact is significantly reduced and we have spread the risk. As previously mentioned, both the Nkomati and Jenkins sales contracts are set up in such a way as to eliminate price volatility.

So often we hear, 'how does Afrimat get right, what so many could not'? How do you explain this?

In my opinion, this is due to a culmination of factors, starting with our culture, which embraces amongst other things accountability, respect, trust and diligence in execution. We position ourselves as a low-cost producer, although I sometimes think the market does not really understand what this means. Coming from a quarrying background, we became very used to doing things and making things work with very little. This philosophy continues to be instilled across the Group, where a lot of thought is given to ensuring efficiency. We try extremely hard not to be wasteful. We also have a strong executive and management team in place with many years of combined experience that steps up to help one another. This experience is also available to the organisation, all of which is supported by a Board with a significant amount of technical expertise.

To be honest, anyone can dig a hole and buy equipment to mine. What is critical, however, is having people with the ability and the motivation to do what needs to be done to turn businesses around and to do this while honouring a set of intrinsic values. I am confident that we have these people on board and I am grateful to work with each and every one of them.

What is Afrimat doing to lessen dependency on the electricity grid?

During the year under review loadshedding cost Afrimat many millions of Rand.

When I read and listen to what market commentators are saying and given all the investment into private electricity generation, we might see electricity becoming very cheap when the sun is shining! In a recent presentation to the retail market Astoria director Piet Viljoen indicated that, 'There is a possibility that energy generation in the next 18 months will be fully privatised and decentralised, putting the South African economy in a stronger position. The rest of the world aspires to this, and in the case of South Africa, we are forced to get there by an incompetent government.'

In Afrimat's case, there is no doubt that we must adjust for loadshedding. Fortunately, we have many smaller sites and our approach consists of four pillars: first, we have very accurate production planning to utilise power from Eskom as efficiently and effectively as possible; second, where needed, backup power is supplied by means of diesel generators; third, we are building solar plants, the first of which is in the process of being commissioned at Glen Douglas, with more to be rolled out; and last, but by no means least, we are planning to utilise land in certain areas for bigger solar plants for entrepreneurs that need space to put up solar plants.

What do you foresee as Afrimat's position in the next one to three years?

In the past we embarked on acquisitions such as those included in the deal with the Coza Group, as well as Nkomati and Glenover. We are currently in an advanced stage of execution, with Jenkins being fully commissioned. We have started operations at Driehoekspan, mining small amounts of manganese and iron ore and slowly ramping up iron ore production to ensure that the mine is fully operational and that the geology is well understood by the time that Demaneng runs out. The Nkomati mine is in the final stages of ramping up, with an underground access and two opencast pits to optimise operational efficiency. We will commission plant upgrades to increase

throughput from the mine and expect this to be completed late in the first half of the new financial year.

At Glenover we are making good progress in implementing the first phases of phosphate production and working further on the strategy to extract value.

Our balance sheet is technically debt free and supported by strong cash generation. We see many opportunities across our segments and feel that it could be time to bulk up the Construction Materials segment in particular. As Warren Buffett said, 'Be fearful when others are greedy and greedy when others are fearful.'

Shareholders are assured that Afrimat will continue to execute consistently and diligently and ensure that we have the correct human capital in place to execute effectively.

We have such strong projects to execute on like Jenkins, Nkomati and Glenover that I am genuinely excited for the next 18 months. These projects will increase our volumes, especially of iron ore and anthracite volumes available to the local market, and of course increasing our product diversification as additional volumes of phosphate and vermiculite are introduced into the mix. Further into the future, I envisage that these operations will be running at steady state in support of increased volumes.

I am also hoping that in the next two years, the private sector will assist proficiently in reducing the need for loadshedding and that Government realises that it needs, at the very least, to maintain infrastructure more than it is at present. This will greatly benefit our Construction Materials and Industrial Minerals divisions as Afrimat is well positioned to provide the aggregates and products necessary for infrastructure maintenance.

Having said this, our efficiency initiatives and new products help tremendously to buffer the impact of low- to no-infrastructure spending as well as loadshedding, but inflationary pressure does make it difficult.

CEO's Report (continued)

Appreciation

I am exceptionally grateful to our management teams and employees. Every day they thoroughly embrace 'The Afrimat Way' and added to that, the tenacity and acumen with which they drive sales and growth despite the obstacles they face, is to be lauded.

My heartfelt thanks also go to our customers, shareholders, stakeholders and authorities for their ongoing support of Afrimat. Without you, Afrimat would simply not be in business.

I also wish to thank our new Chairman, Francois Louw, for ably guiding the Board, as well as for the expert guidance and support he gives to the executive team and his fellow Board members. His technical experience is immensely beneficial.

Andries van Heerden

22 June 2023

Achievements

- Exceptional results despite a stagnant economy
- Continuous improvement in Mining Charter scores
- Continued reduction of **Section 54*** and **55**** notices
- Improvements on the implementation of the **Social and Labour Plan**
- Continuous improvement on **environmental industry ASPASA audits**
- Continuous improvement in **health and safety standards**, presidential audits and Industry ISHE ASPASA audits
- Successful **cost improvement initiatives and efficiency drives**
- Improvement in procurement spend towards **black-owned suppliers, services and consumables**
- **Over 11** consecutive calendar years without a fatality

Challenges

- Alignment and **relationships with communities**
- Continuous changes in **legislation governing the industry**, i.e. environmental laws, B-BBEE and DMRE requirements
- Establishing a reporting framework and measurement of emissions to comply with impending **carbon tax laws**
- Declining economic growth in the **construction sector**
- **South African economic contraction**
- Exposure to **foreign exchange fluctuations** and commodity price volatility
- To achieve a **LTIFR of zero** (refer to [page 51](#) for safety initiatives)
- Onboarding of talent and retention of **key employees**

* Occurrence, practice or condition endangering the health or safety of any person.

** Employer failed to comply with any provision of the Mine Health and Safety Act.



Demaneng mine

CFO's Report



Pieter de Wit

Group revenue up 4,9% to R4,9 billion

Net asset value ('NAV') per share up 19,4% to 2 591 cents

Headline earnings per share ('HEPS') of 457,6 cents

Return on net operating assets 24,0%

Operating profit margin 19,6%

Net debt:equity ratio of 4,4%

Net cash from operating activities of R1,0 billion

The Group and its subsidiaries remain highly profitable, albeit at slightly lower levels than last year. Afrimat is almost debt free, with sufficient capital and opportunities available to ensure that the capital entrusted to us by our shareholders will be spent wisely.

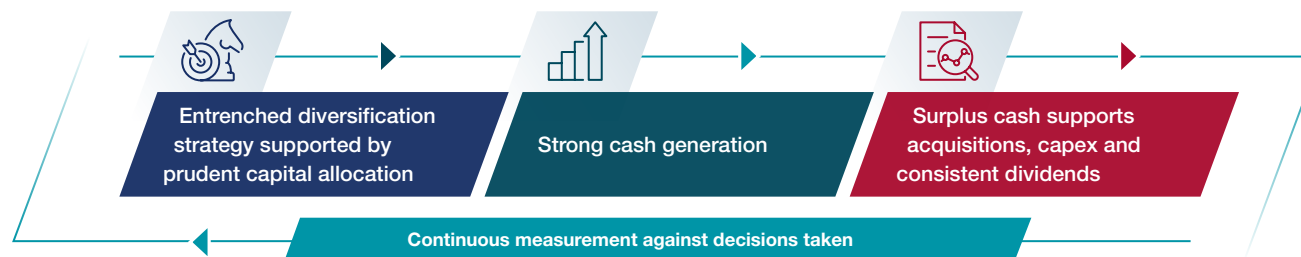


Demaneng mine

The financial scorecard has discipline and measurement at its core to support growth, diversification and sustainability.

Introduction and background to the results

I am pleased to report back on the financial performance of Afrimat for the 2023 financial year. The Group remains resilient and delivered satisfactory results, supported by its diversification strategy. By the time you read this report you will have gone through the Chairman's and CEO reports to understand where Afrimat has come from and the tremendous progress made on our strategic projects, Nkomati, Jenkins and Glenover. My report deals primarily with the numbers and, probably more importantly, our relationship with financial capital and how we make decisions to ensure sustainability, diversification and alignment with our shareholders.



CFO's Report (continued)

Group revenue increased by 4,9% from R4,7 billion to R4,9 billion. Operating profit decreased by 13,3% from R1,1 billion to R1,0 billion, resulting in the operating profit margin declining from 23,7% to 19,6%. Operating expenses increased by 15,4% largely due to increased operating activity at Jenkins and Nkomati. As these mines reach a steady state in the coming year, a rise in future volumes is expected.

Headline earnings per share declined by 15,7% from 542,9 cents to 457,6 cents.

Net cash from operating activities of R1,0 billion was generated, as well as R680,0 million from a successful equity raise during the year, resulting in the

net debt:equity ratio decreasing from 12,1% to 4,4%. The strong cash generation enables the Group to execute its growth strategy.

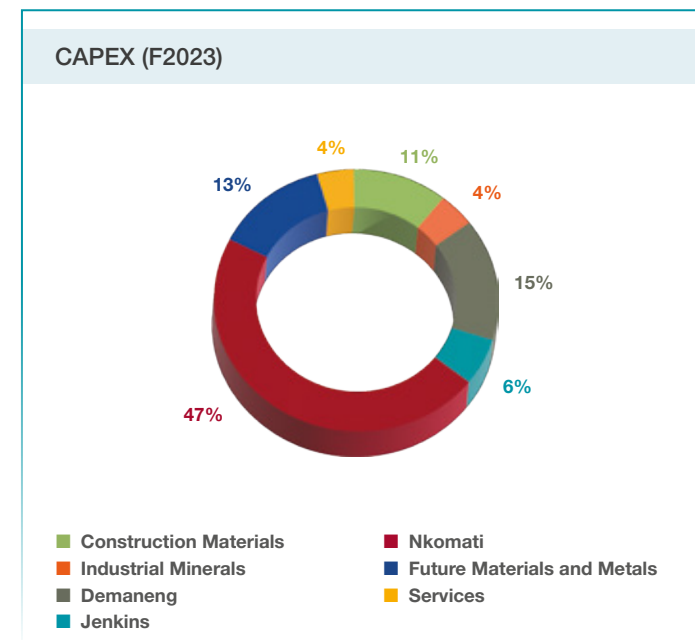
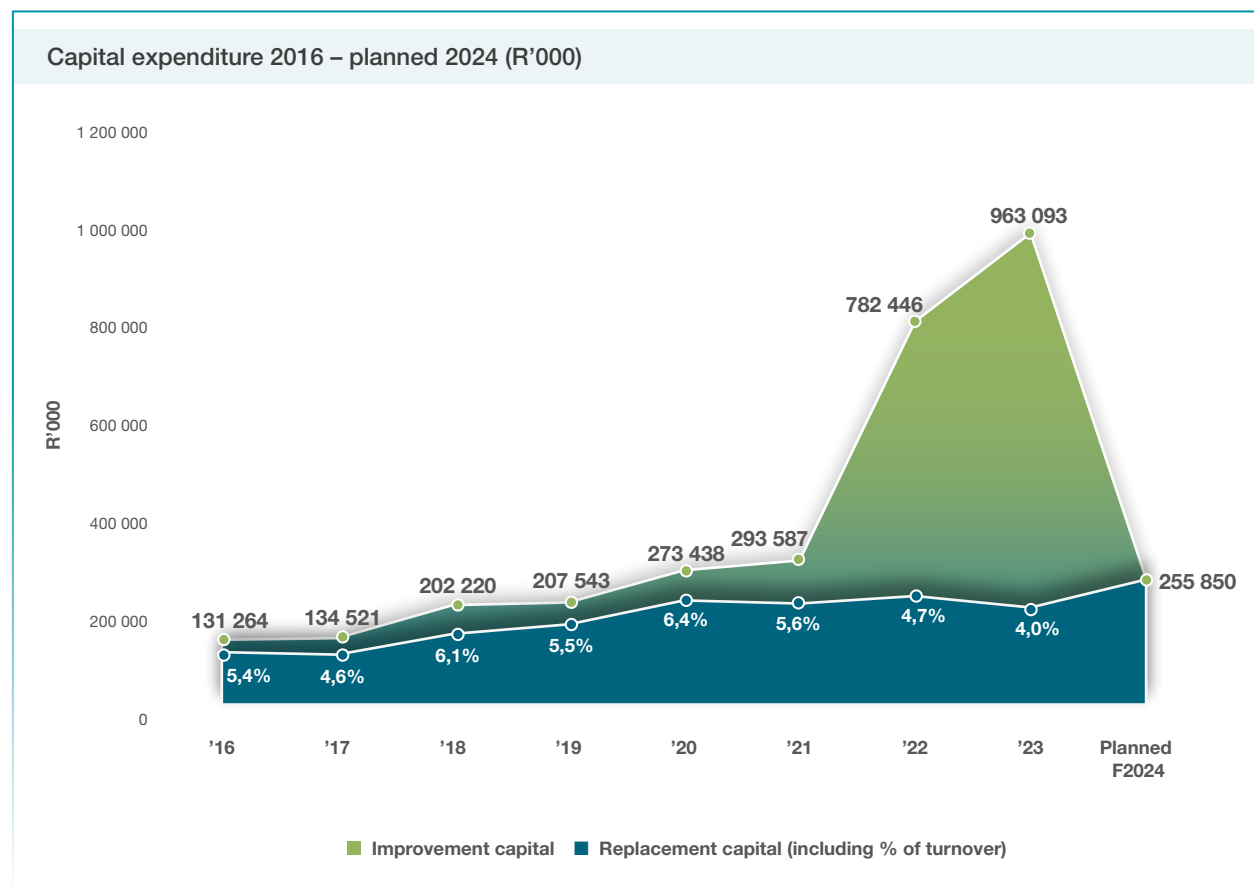
The Group's dividend policy is maintained at a 2,75 times dividend cover, with a final dividend of 110,0 cents per share being declared. The total dividend (interim and final) for the year amounts to 150,0 cents per share (2022: 186,0 cents per share).

Our historical and planned capital expenditure is shown in the graph below. Afrimat is mindful of ensuring that capital expenditure is undertaken regularly to keep our mines, quarries and equipment well maintained and able to operate cost-effectively.

Capital expenditure across the segments aligns with ensuring that our strategic projects deliver to spec. The largest spend took place at the Nkomati anthracite mine and included the opening of two additional opencast pits and developing of one underground mine to minimise any potential disruptions in production.

At Demaneng, capital was used to reach additional seams of iron ore to ensure sufficient volume to maintain the rail allocation required.

Capex was also allocated to the newly established Future Materials and Metals segment, which houses Glenover, to ensure the processing capacity that is required is in place. Further development of the strategy for this segment is underway.



Given the successful equity raise and continued strong cash flow, Afrimat has maintained a strong balance sheet that is almost debt free. The debt:equity ratio improved to 4,4% (2022: 12,1%). This cash, as shareholders are acutely aware, will be used to make future acquisitions to ensure ongoing diversification.

The net asset value per share has increased by 19,4% to 2 591 cents (2022: 2 170 cents).

Our approach to capital risk management

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

The directors meet regularly to review the capital structure. Part of this review is the consideration of available funding in the Group to support capital requirements. Also considered is the cost of capital and the risks associated with each class of capital.

To maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its shares, or reduce debt. The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts.

The Group monitors capital based on the net debt:equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings and other financial liabilities less cash and cash equivalents, net of bank overdraft.

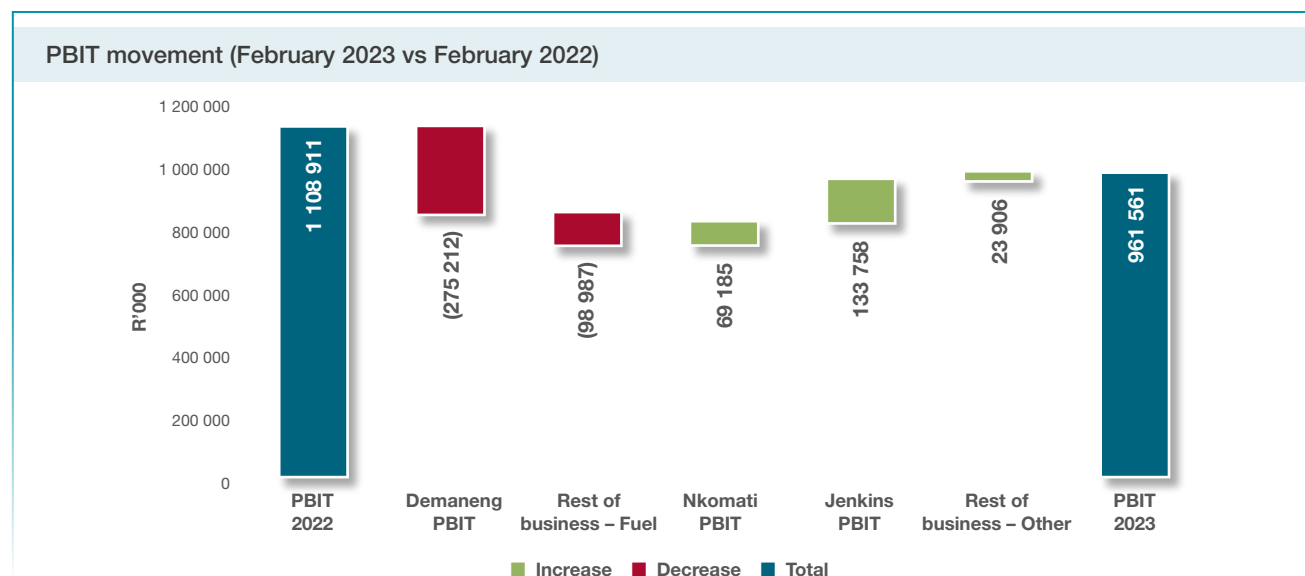
The Group's strategy is to maintain the net debt:equity ratio to below 25%.

Afrimat assessment by numbers

Since I am conscious of evaluating performance against a scorecard, and ensuring measurements are in line with our strategic vision, I provide these tables as a guide:

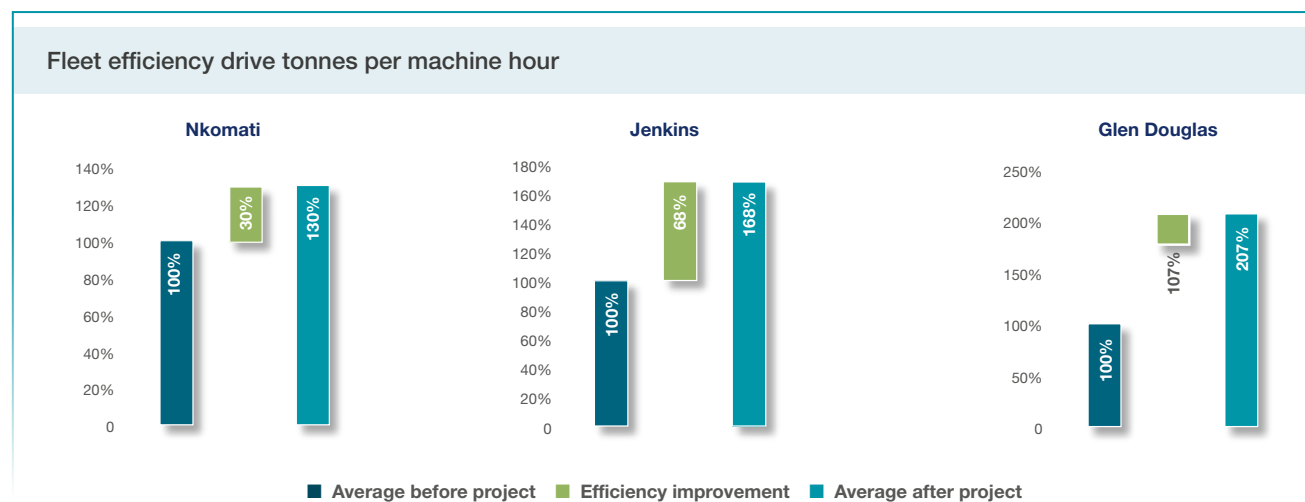
Return on capital	17,2%
Growth in profit after tax	20,6% compound annual growth rate from 2009 to 2023
Return on operating assets	24,0%
Net debt:equity	4,4%
Cash conversion	1,9
Dividend	Consistent at 2,75 time dividend cover

A proven diversification strategy and successful efficiency drive is illustrated below:



Efficiency drives

The Group is well positioned to capitalise on strategic initiatives and future opportunities. Afrimat has implemented an internal efficiency drive with new technology, which has proven to be highly successful. These solutions will now be implemented throughout the Group to improve efficiencies and margins further. These efficiency initiatives are aimed at countering inflationary mining cost increases.





CFO's Report (continued)

Feedback on acquisitions and strategic projects

During the year under review, Afrimat extracted itself from the Gravenhage manganese acquisition due to an unusable Water Use Licence being issued. This decision has allowed management to concentrate on the execution of other strategic projects. These include the rollout of Jenkins, which supplies iron ore to the local market through a fixed-term pricing contract. This mine is now at a steady state and producing consistent volumes.

Nkomati has demonstrated a fantastic turnaround and we are confident that it will add to overall volumes, selling anthracite into the domestic market.

The Glenover phosphate project is advancing according to plan, and we are making good progress in implementing the first phases of phosphate production. We are also working on our strategy to extract value from the project.

Afrimat remains a going concern

Given the cash-generative ability of Afrimat and the diligent conservation and effective use of cash resources, the current financial position ensures that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future. Therefore, the annual financial statements have been prepared based on accounting policies applicable to a going concern.

How we think about and run the finance function

I always like to provide background on how we think about the finance function at Afrimat, and I hope this will provide you with a deeper understanding of how we respect and implement the function.

At the start of my report, I indicated my passion for measurement through the financial scorecard. During Covid-19 the finance division was challenged to find ways to ensure that financial information was timeously reported so that strategic decisions could be quickly supported. As a result of this timeous decision, we did not have to opt for the additional month the JSE allowed for submitting final results during the pandemic. Looking back this was a blessing in disguise. Our financial system is now so advanced that we have a good idea of the business's financial health on a five-day turnaround period. This is a critical support tool for our weekly Business Performance Review meeting, where feedback on each segment is assessed. Of critical importance here is that if problems are picked up, they can be quickly addressed.

Automated predictive financial analytics have reduced turnaround times from 20 to five days, ensuring that we can now make in-time decisions.

This has been a game changer for our businesses. The culmination of this is that we can release our integrated annual report, including a separate ESG report and the audited financial statements, at a much faster pace. The integrated annual report will also for the first time include a Competent Persons report on the mines in the Bulk Commodities segment, in line with what is required now that Afrimat is listed in the general mining segment of the JSE.

This might not sound like a huge achievement but trust me when I say that compiling this suite of documents takes a massive amount of time from the team that prepares it. Getting it and the audit completed and distributed sooner allows the team to resume their day-to-day workload quicker.

Measurement and data accumulation helps tremendously to make better decisions and supports prompt communication to shareholders.

We have an exceptionally low staff turnover across the finance function, which is encouraging because it is indicative of having a clear path to career enhancement and succession planning. In line with The Afrimat Way, we support internships, providing a strong pool of human capital that can grow in and with Afrimat. I have 1:1 meetings with all direct reports and act as a mentor to junior employees – it is incredibly rewarding to watch our team members become more confident and to support them in generating ideas to assist with the business.

All of these steps align to The Afrimat Way of doing business and having respect for our employees by ensuring that they have a career path that is rewarding.

Conclusion

Despite both the Group itself and the rest of South Africa having to contend with loadshedding, inefficiencies in parastatal service delivery, infrastructure degradation, and input cost inflation, the future position of Afrimat is strong. Our strategic projects are poised to deliver increasing volumes during the coming financial year. As always, we will continue to assess acquisition opportunities to ensure that we effectively discharged the capital provided to us by shareholders.

Pieter GS de Wit
22 June 2023



We have an exceptionally low staff turnover across the finance function, which is encouraging because it is indicative of having a clear path to career enhancement and succession planning. In line with The Afrimat Way, we support internships, providing a strong pool of human capital that can grow in and with Afrimat.





2

Business strategy

Industrial Minerals

The successful acquisition of Agri Lime has strengthened Afrimat's footprint in the agricultural lime and feed lime market in support of deeper diversification and thereby expanding the product offering within the Industrial Minerals segment. This positions Afrimat to be in line with global trends such as food security.



Industrial Minerals

Open pit mining, processing and beneficiation of industrial minerals

Group's top priorities for 2024

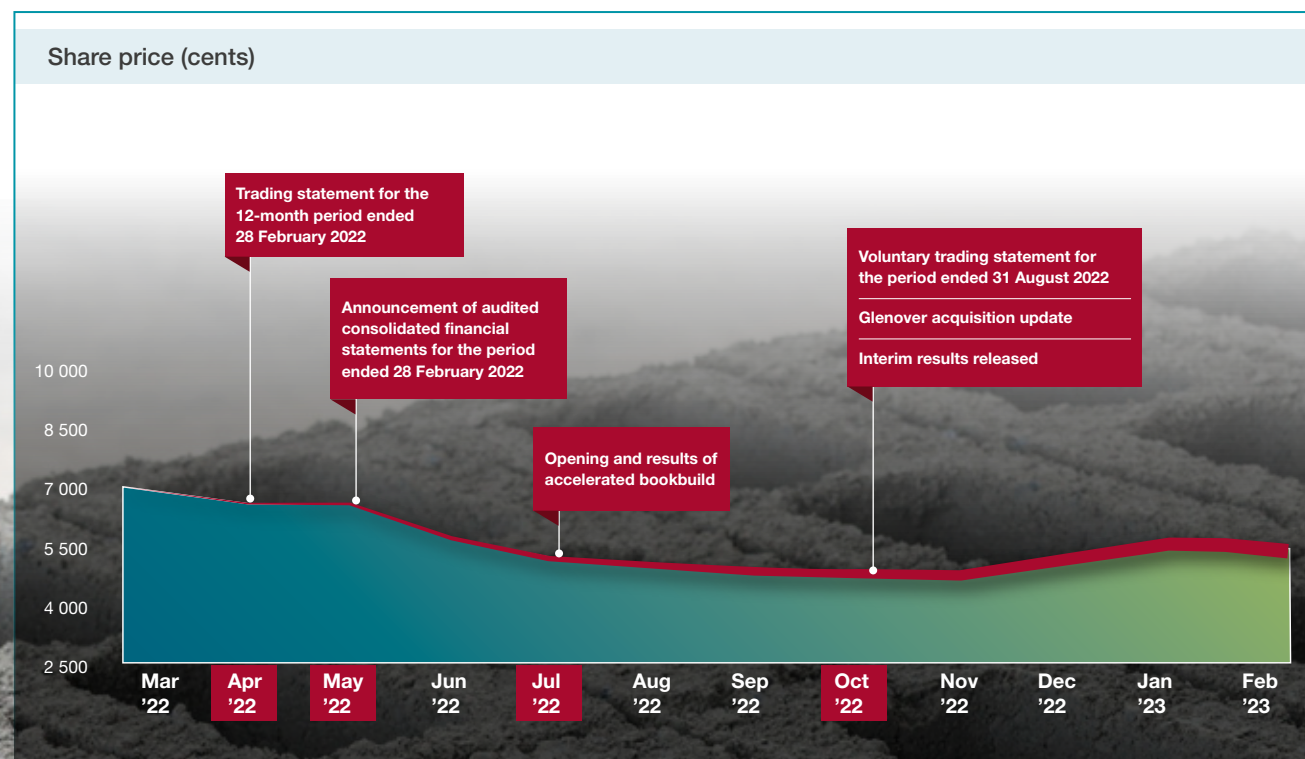
- Successful implementation and execution of Glenover's first phases of phosphate mining
- Successful execution on bulk commodities projects to advance steady state (Jenkins and Nkomati)
- Further development of longer life-of-mine assets
- Optimise mine fleet efficiency through innovative technology solutions
- Enhance the diversification strategy
- Increased focus on ESG

E
S
G
- Maintain good cash flow and capitalise on strategic initiatives and future opportunities

Share performance

at year-end

	F2023	F2022	F2021	F2020	F2019
Number of ordinary shares in issue ('000)	159 719	146 346	146 145	143 262	143 262
Less: Number of treasury shares ('000)	11 670	8 201	8 545	8 241	7 573
Net number of ordinary shares in issue ('000)	148 049	138 145	137 599	135 021	135 689
Weighted number of ordinary shares in issue ('000)	144 687	137 803	135 381	135 380	136 387
Headline earnings per share (cents)	457,6	542,9	441,7	347,7	234,1
Price:earnings ratio	11,8	12,2	10,0	8,2	12,5
Market price per share at year-end (cents)	5 388	6 650	4 430	2 850	2 925
Market capitalisation based on issued shares (R'000)	8 605 660	9 732 009	6 474 213	4 082 979	4 190 426
Market capitalisation based on issued shares less treasury shares (R'000)	7 976 880	9 186 643	6 095 658	3 848 110	3 968 915

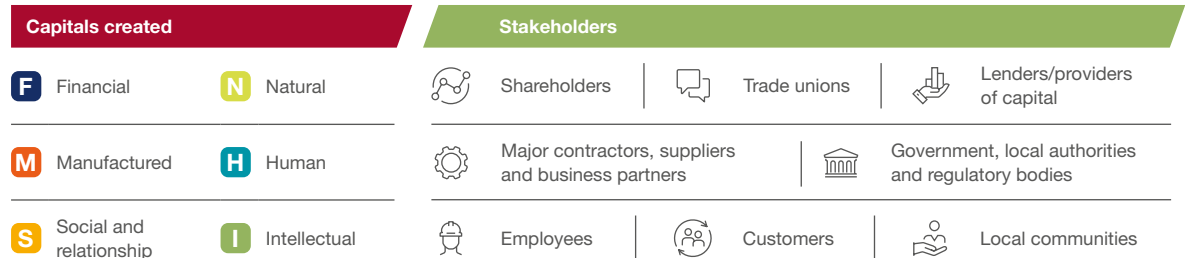


Group strategy, material issues and key risks

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

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

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



Refer to capital inputs for value creation reflected on [page 8](#).

Refer to stakeholders list on [page 10](#).

Growth through diversification			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Hedge against economic volatility	F M I		An efficient hedge against volatile local business conditions was created. The Bulk Commodities segment generated a healthy operating profit margin of 40,3% during the year under review. The Jenkins and Nkomati mines contributed additional volumes in tonnages sold. Fixed pricing agreements are in place for its inland iron ore and anthracite revenue.	Reduce reliance on local economic business environment.
Continuous research of business environment	F M I		Further research into possible new markets is ongoing, specifically relating to the high-grade phosphate and single superphosphate field.	Reduce reliance on one key market via organic expansion, as well as acquisitions into new products.
Focus on value enhancing acquisitions* and successful execution thereof	F M I		Identification of value enhancing targets. Establishment of the Future Materials and Metals segment, including the acquisition of Glenover, consisting of vermiculite, phosphates and rare earth elements.	The acquisition of Eckraal Quarries and Agri Lime will provide Afrimat with greater access to the market share and expand its national footprint within the Construction Materials and Industrial Minerals segment, respectively. The acquisition of the shares, further to acquiring the phosphate stockpiles, of Glenover Phosphate (including the surface and mining rights) ('Glenover') to ensure future, seamless product diversification and sustainability, added to the Group's diversification.

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

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

Focus areas for next year

- ▶ Continued development of longer life-of-mine assets.
- ▶ Navigating the business through the difficult and changing economic environment.
- ▶ Greater product diversity within Afrimat's area of expertise.
- ▶ Successful execution and implementations of acquisitions.

Group strategy, material issues and key risks (continued)

Maintain competitive advantage			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Extensive geographic footprint	F M		The further development of the iron ore mines and various access areas at Nkomati (underground and two opencast pits) as well as the successful acquisitions of Glenover, Eckraal and Agri Lime.	The Bulk Commodities sector's operating profit contributes 82% of total operating profit. Increased volumes secured by Jenkins and Nkomati (53% of contribution of Bulk Commodities), thereby reducing vulnerability of export market. These acquisitions are in support of deeper diversification within the Group.
Structural cost advantage	F M I		Focus is placed on efficiency improvement and cost reduction initiatives in all business units. Mine fleet efficiency was achieved through the roll out of innovative technology solutions, that resulted in cost savings which countered, to an extent, the rise in input costs.	The Group attained an overall operating profit margin of 19,6% (2022: 23,7%). Despite the impact of factors such as poor market sentiment, inflationary cost pressures, electricity supply interruptions by Eskom. The decrease is also attributable to the pullback of the iron ore prices from record levels in 2022.
Sustainable logistic and distribution channel	F M		Sustainable relationships with logistic suppliers to effectively deliver products to customers.	Transnet's provision of trains has become more consistent. Alternative solutions for inland volumes such as road transport has successfully been utilised, thereby supporting the increased iron ore tonnages sold from 1 190 132 to 1 280 299.
Unique metallurgies	F M I		The Group acquired the shares, further to acquiring the phosphate stockpiles, in Glenover, which will grant access to additional resources and minerals such as phosphate, vermiculite and rare earth elements. Research into possible new markets is ongoing.	These acquisitions will enable Afrimat to retain further resilience to be profitable.
Flexible business model	F I		Focus on efficiency improvement and cost reduction initiatives in all business units.	Enabled the Group to weather a rise in input costs (diesel, explosives), electricity supply interruptions and the pullback of iron ore prices. The Group delivered satisfactory results across all regions.
Company culture	H S		Afrimat has a comprehensive drive to create a good and healthy company culture, through the Afrimat Way.	Afrimat's company culture has become a competitive advantage.

Material issues and key risks	Risk mitigation and opportunities
Information and technology data and network loss.	Ensure proper access controls are in place, protection software is installed, and backups are made regularly. Regular penetration tests are performed by external service providers of virus, web security and mail analysing software to ensure the security within Afrimat. An appropriate Disaster Recovery Plan is in place.
South African economic slowdown.	Diversification into products sold in a different currency than the local currency and diversification into international markets.
Managing geographically dispersed business units.	Structure the Group into different clusters, managed by leaders with the required specialist knowledge and expertise. Ensure proper control by means of weekly business performance review ('BPR') sessions.
Local community unrest.	Good relationships are built with local communities. Various skills development and educational programmes are implemented to uplift communities, together with assistance to build and support infrastructure in cases where there is a dire lack of water or other requirements.
Lack of availability of trains from Transnet in order to fulfil full allocation.	Continuous interaction with Transnet on senior management level regarding allocation of rail capacity. Involved with the Chamber of Mines' industry initiatives to resolve the lack of availability. Alternative transport solutions, i.e. via road.

Focus areas for next year

- ▶ Continuing the culture drive, through conducting of culture surveys.
- ▶ Focus on continuous improvement of existing operations.
- ▶ Successfully implement, integrate and execute new acquisitions.

Organic growth through innovation			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Product innovation and entering new markets			Afrimat's culture is driven by excellence, innovation and a perpetual drive to find new applications or industries into which our products can be sold, such as developing environmental friendly products.	Entered new markets of phosphate, vermiculite and rare earths through Glenover, and Aglime and feedlime (food security) through Agri Lime, adding further to our diversification strategy and generally achieving higher operating margins. Developing products for the Hemp market.
Strong operational efficiency			Continuously improve operational efficiencies through innovative approaches and cost management.	Innovative technology solutions were rolled out which optimise mine fleet efficiency that resulted in cost savings which countered the rise in input costs.
Excellent maintenance and care			Afrimat prides itself in the excellent maintenance and care of its plant and machinery.	Excellent maintenance and care improve the life cycle of assets. Enhanced maintenance practices through the implementation of an On Key maintenance system.

Material issues and key risks	Risk mitigation and opportunities
Sustainable supply of electricity to operations.	A sustainable renewable energy project team. Usage of diesel generators on site. Emergency response plans. Installation of solar plants at key sites.
Understanding new markets and the application of new products.	Onboarding of required talent and constant market analysis.

Focus areas for next year

- ▶ Further focus on cost savings within the Group.
- ▶ Innovative solutions to reduce carbon footprint.
- ▶ Innovative use of technology to enter new markets that was previously uneconomical.
- ▶ Innovative application of technological solutions to improve efficiency.
- ▶ Finalisation of installation of PV plant at Glen Douglas.
- ▶ Successful ongoing implementation of On Key maintenance system to further enhance maintenance and care.

People led company			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Values-based entrepreneurial culture			Focus on maintaining entrepreneurial culture.	Afrimat's culture has become a competitive advantage.
Leveraging Afrimat's 'combined intellect' through synergistic teamwork			Focus is placed on deliberately building a teamwork culture. Continuous development of our employees remains a high priority.	Enabling competent employees to develop their skills, knowledge and experience in a culture of great teamwork. Employee development of R38,1 million.
Appointing the right people in the right position			Proper succession planning by means of tracking critical positions via a talent matrix will ensure the correct internal candidate is available when the need arises.	Sustained growth rate since Afrimat was listed on the JSE. Low attrition FY2023: 8,1% (FY2022: 11,2%) and absenteeism FY2023: 1,3% (FY2022: 1,4%) achieved.
Tangible leadership			Visible leadership through active and accessible involvement.	Stable high-performance workforce.

Material issues and key risks	Risk mitigation and opportunities
Industrial action and labour unrest.	Regular meetings are held with unions. Employees are acknowledged for their contribution. Focus is placed on creating a healthy culture. All wage negotiations for FY2023 have been settled.
Retention of key employees.	Prioritise succession planning and development for all our employees. Creating a culture of tangible strength-based leadership, shared values and great teamwork within an atmosphere of joy and positivity.

Focus areas for next year

- ▶ Achievement of EE targets.
- ▶ Drive a strength-based culture programme.
- ▶ Maximising benefits of an integrated People Management System.
- ▶ Culture drive through conducting comprehensive culture surveys.

Group strategy, material issues and key risks (continued)

Maintaining a leading position in our sustainability performance			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Safe operations			Refer to page 51 for safety initiatives.	LTIFR of 0,34 (2022: 0,58) was achieved and no fatalities for 11 consecutive years.
Environmental stewardship, social impact and governance as part of our sustainable development practices			Dedicated focus is placed on the improvement of Afrimat's ESG performance.	An improved performance on all aspects of ESG was achieved. A separate ESG report was published during the year.

Material issues and key risks	Risk mitigation and opportunities
Compliance to the new Mining Charter and maintaining of an acceptable B-BBEE ownership level.	Steps are taken to understand the change in ownership structure and where reasonable to implement strategies to improve or adhere.
Operating safely.	Dedicated focus on safety, making it an anchor of our culture. The incorporation of a safety and environmental management system throughout all business units. Increase safety standards at our operations and ensure disruptions are minimised.
Non-compliance with the Mining Charter, Social and Labour plans as well as Environmental plans can lead to loss of mining licences.	A dedicated sustainability department ensures effective management and planning with respect to sustainability and is supported by external consultants.
Environmental management and climate change impacts our operations.	Climate change scenario and TCFD gap analysis completed to better understand the climate risk. Ongoing monitoring of GHG emissions and climate change risks. Climate change strategy is being reviewed and updated.

Focus areas for next year

- ▶ Achievement of safety targets (refer [page 51](#)).
- ▶ Improvement in ESG performance (refer [page 52](#)).
- ▶ Committed to being part of the solution for climate change.

Outstanding customer service			Performance against objective	
Objectives	Capital created	Stakeholders	Outputs FY2023	Outcomes FY2023
Strategically positioned to deliver excellent service			The Group continues to expand the business and to strategically position the operating units to ensure flexible services which are supplemented by mobile mining and crushing facilities.	
Engaged customer relationships			Keeping lines of communication with customers open and providing customer support.	The business plan/model is continuously adapted. Reduce reliance on one key market via organic expansion. Continuous feedback is considered to improve market opportunity.
Customer advocacy through service, reliability and quality of supply			The Company keeps up to date with its services and products and ensure it meets its customers' needs and expectations.	The marketing team spends time to know their customer, standardising its processes, focusing on employee training and ensuring a unified customer experience across all channels.

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

Focus areas for next year

- ▶ Further technological enhancements improving customer experience.
- ▶ Ongoing improvements of lost market share by strong product execution.
- ▶ Continued focus on market research.
- ▶ Focus on alternatives to reduce reliance on key customers.
- ▶ Comprehensive customer service survey.



3

Performance

Bulk Commodities

The Jenkins iron ore mine and beneficiation processing facility were completed and is proving its ability to reach steady state production, with all products mined being sold into the local market.

The Nkomati anthracite mine has made significant progress on its envisaged turnaround development path with additional opencast pits as well as an underground section being developed.

Iron ore and anthracite sold into the local market is done on fixed contract terms, thus the ability to operate as a low-cost producer stands Afrimat in good stead and does buffer international iron ore price fluctuations to some extent.

The investment into the mines was executed meticulously and they now stand ready to deliver against our expectations.



Bulk Commodities

Open pit iron ore and anthracite mining and beneficiation, as well as underground anthracite mining and beneficiation

Five-year review

	2023 R'000	2022 R'000*	2021 R'000	2020 R'000	2019 R'000
Financial results and status					
Revenue	4 908 238	4 680 078	3 693 759	3 304 376	2 966 399
Construction Materials	1 809 333	1 751 942	1 595 055	1 714 180	1 739 496
Industrial Minerals	553 889	471 560	514 291	552 683	544 705
Bulk Commodities	2 480 355	2 408 710	1 584 413	1 037 513	682 198
Future Materials and Metals	25 215	2 964	–	–	–
Services	39 446	44 902	–	–	–
Revenue split					
Construction Materials	36,9%	37,4%	43,2%	51,9%	58,6%
Industrial Minerals	11,3%	10,1%	13,9%	16,7%	18,4%
Bulk Commodities	50,5%	51,5%	42,9%	31,4%	23,0%
Future Materials and Metals	0,5%	0,1%	–	–	–
Services	0,8%	1,0%	–	–	–
Operating profit	961 561	1 108 911	1 058 901	600 952	471 152
Construction Materials	129 603	157 524	104 906	192 438	190 182
Industrial Minerals	49 387	84 946	55 481	95 568	78 012
Bulk Commodities	787 653	859 922	885 202	321 665	201 329
Future Materials and Metals	(11 437)	(2 174)	–	–	–
Services	6 355	8 693	13 312	(8 719)	1 629
Profit after tax	665 481	775 168	776 437	465 176	304 215
Headline earnings	662 028	748 142	597 927	470 657	319 284
Net operating assets	4 001 786	3 362 461	2 597 222	1 943 532	1 856 983
Total assets	5 681 132	5 046 297	4 638 930	2 795 262	2 687 012
Total equity	3 849 014	3 007 200	2 431 017	1 688 907	1 409 517
Total liabilities	1 832 118	2 039 097	2 207 913	1 106 355	1 277 495
Net cash from operating activities	987 319	736 555	767 580	676 810	410 484
Number of ordinary shares in issue ('000)	159 719	146 346	146 145	143 262	143 262
Less: Number of treasury shares ('000)	(11 670)	(8 201)	(8 546)	(8 241)	(7 573)
Net number of ordinary shares in issue ('000)	148 049	138 145	137 599	135 021	135 689
Weighted number of ordinary shares in issue ('000)	144 687	137 803	135 381	135 380	136 387
Profitability ratios					
Operating profit margin	7,2%	9,0%	6,6%	11,2%	10,9%
Construction Materials	8,9%	18,0%	10,8%	17,3%	14,3%
Industrial Minerals	31,8%	35,7%	55,9%	31,0%	29,5%
Bulk Commodities	(45,4%)	(73,3%)	–	–	–
Future Materials and Metals					
Total	19,6%	23,7%	28,7%	18,2%	15,9%

	2023 R'000	2022 R'000*	2021 R'000	2020 R'000	2019 R'000
Earnings per ordinary share (cents)	457,1	560,7	571,6	341,6	221,0
Headline earnings per share (cents)	457,6	542,9	441,7	347,7	234,1
Dividends declared (cents)					
Interim	40,0	40,0	32,0	36,0	19,0
Final	110,0	146,0	112,0	81,0	62,0
Total	150,0	186,0	148,0	117,0	81,0
PBIT return on net operating assets/liabilities	24,0%	33,0%	40,8%	30,9%	25,4%
Return on shareholders' funds	17,2%	24,9%	24,6%	27,9%	22,7%
Utilisation of asset ratios					
Revenue: fixed assets ratio	1,5	1,7	1,6	2,1	1,8
Revenue: net operating assets ratio	1,2	1,4	1,4	1,7	1,6
Net asset value per share (cents)	2 591	2 170	1 761	1 246	1 030
Tangible net asset value per share (cents)	2 415	2 016	1 608	1 090	867
Capital expenditures					
Construction Materials	108 969	166 210	158 885	170 123	110 643
Industrial Minerals	41 851	31 357	32 313	21 963	63 593
Bulk Commodities	654 766	524 389	87 307	58 391	25 975
Future Materials and Metals	123 244	9 689	–	–	–
Services	34 263	50 801	15 082	22 961	7 332
Total	963 093	782 446	293 587	273 438	207 543
Liquidity and solvency ratios					
Current assets: current liabilities	1,5	1,4	1,5	1,5	1,3
Debt/overdraft less cash: equity	4,4%	12,1%	4,0%	8,2%	23,8%
Total liabilities: shareholders' funds	47,6%	67,8%	90,8%	65,5%	90,6%
Dividend cover (based on headline earnings)	2,76	2,75	2,76	2,81	2,75
Interest cover	36,0	25,9	61,3	21,5	9,1
Productivity, efficiencies and consumption					
Number employees at year-end	2 668	2 511	2 625	2 289	2 258
Revenue per weighted number of employees	1 840	1 864	1 407	1 444	1 314
Depreciation	358 815	295 147	207 578	175 672	144 712
Amortisation of intangible assets	1 865	1 676	1 798	1 495	1 629
Total	360 680	296 823	209 376	177 167	146 341
Electricity usage	100 897	101 807	84 540	77 433	77 804
Fuel usage	433 943	281 166	163 862	208 206	181 155
– Average fuel price (Western Cape) (Rand/litre)	21,80	16,44	11,93	14,00	13,51
Cement usage	142 754	147 417	180 347	137 878	188 867
Lost time injuries frequency rate	0,34	0,58	0,61	0,86	0,56

* During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year.

Operational reviews



There are five main operational segments. Future Materials and Metals is the latest addition to the Group's operational segments, which was formed through the acquisition of the stockpiles containing phosphate and rare earth elements; and the subordinate Vermiculite Mining Right. This segment diversifies Afrimat's exposure wider than ferrous metals and aligns it to global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products).

All five segments, namely Construction Materials, Industrial Minerals, Bulk Commodities, Future Materials and Metals and Services delivered satisfactory results for the current year supported by the Group's diversification strategy. This strategy enabled the Group to largely compensate for the impact of factors such as poor market sentiment, inflationary cost pressures, electricity supply interruptions by Eskom and rising concerns of a global recession. Strategic initiatives that contributed positively to the Group's performance were the successful commissioning of Jenkins iron ore mine ('Jenkins'), the turnaround of Nkomati anthracite mine ('Nkomati') and the ongoing continuous improvement initiatives at existing operations.

All operating units are strategically positioned to deliver outstanding service to customers while offering efficient protection against volatile local business conditions. The product range is wide, diversified and growing. It is made up of Construction Materials consisting of aggregates and concrete-based products, Industrial Minerals consisting of limestone, dolomite and industrial sand and Bulk Commodities consisting of iron ore and anthracite. The Services segment consists of external logistical and mining services. The Group's latest addition, Future Materials and Metals, consisting of phosphate, vermiculite and rare earth elements, has expanded the Group's product offering and national footprint.

During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year.

Construction Materials

Highlights FY2023	Key distinguishing features	Review of 2023																								
<ul style="list-style-type: none"> ▶ Traditional businesses felt the impact of the slowdown in economic activity with an overall reduction in construction activity and electricity supply interruptions which caused operating profit to decrease by 17,7% ▶ Traditional business based in the Western Cape and KwaZulu-Natal delivered satisfactory results with an increase in revenue of 3,3% ▶ Operational efficiency drives such as cost reduction initiatives, despite a slowdown in activities, are closely monitored by management, operating profit margin remained relatively flat at 7,2% ▶ During the year the Group acquired Eckraal Quarries Proprietary Limited ('Eckraal Quarries'), which is expected to expand the Group's current national footprint within this segment, refer note 12.1 of the notes to the annual financial statements for further details 	<ul style="list-style-type: none"> ▶ Operations are geographically well positioned ▶ Diverse customer base ▶ Wide product range complemented by ability to customise solutions ▶ Well-maintained plant and equipment ▶ Efficient processing plant design and process flows ▶ High quality standards (including compliance with COLTO and SABS standards) ▶ Brick and block products carry the SABS seal of approval ▶ Readymix products meet SARMA standards ▶ Flexible customised solutions for individual customer needs 	<p>Financial performance</p> <table border="1"> <thead> <tr> <th></th> <th style="background-color: #4CAF50; color: white;">Audited February 2023</th> <th style="background-color: #3969AB; color: white;">Audited February 2022</th> <th style="background-color: #3969AB; color: white;">% change</th> </tr> </thead> <tbody> <tr> <td>Revenue (R'000)</td> <td style="background-color: #4CAF50; color: white;">1 809 333</td> <td style="background-color: #3969AB; color: white;">1 751 942</td> <td style="background-color: #3969AB; color: white;">3,3</td> </tr> <tr> <td>Operating profit (R'000)</td> <td style="background-color: #4CAF50; color: white;">129 603</td> <td style="background-color: #3969AB; color: white;">157 524</td> <td style="background-color: #3969AB; color: white;">(17,7)</td> </tr> <tr> <td>Operating profit margin (%)</td> <td style="background-color: #4CAF50; color: white;">7,2</td> <td style="background-color: #3969AB; color: white;">9,0</td> <td></td> </tr> <tr> <td>Capital expenditure (R'000)</td> <td style="background-color: #4CAF50; color: white;">108 969</td> <td style="background-color: #3969AB; color: white;">166 210</td> <td></td> </tr> <tr> <td>Headcount</td> <td style="background-color: #4CAF50; color: white;">1 375</td> <td style="background-color: #3969AB; color: white;">1 560</td> <td></td> </tr> </tbody> </table>		Audited February 2023	Audited February 2022	% change	Revenue (R'000)	1 809 333	1 751 942	3,3	Operating profit (R'000)	129 603	157 524	(17,7)	Operating profit margin (%)	7,2	9,0		Capital expenditure (R'000)	108 969	166 210		Headcount	1 375	1 560	
	Audited February 2023	Audited February 2022	% change																							
Revenue (R'000)	1 809 333	1 751 942	3,3																							
Operating profit (R'000)	129 603	157 524	(17,7)																							
Operating profit margin (%)	7,2	9,0																								
Capital expenditure (R'000)	108 969	166 210																								
Headcount	1 375	1 560																								



The Construction Materials segment felt the impact of the slowdown in economic activity. The overall reduction in construction activity and electricity supply interruptions caused operating profit to decrease by 17,7% from R157,5 million to R129,6 million.



Operational reviews (continued)



Industrial Minerals

Highlights FY2023

- ▶ Successful market expansion through the acquisition of new feedlime and agrilime sources resulting in an increase of revenue of 17,5%
- ▶ Successful market penetration for new products
- ▶ Client base expansion
- ▶ New marketing initiatives under way
- ▶ Product development to access new markets
- ▶ Feed lime acquisition strengthened footprint in agricultural lime market

Key distinguishing features

- ▶ High quality, metallurgic unique geological resources
- ▶ Wide product range
- ▶ Diverse customer base
- ▶ Well-maintained plant and equipment

Review of 2023

Financial performance

	Audited February 2023	Audited February 2022	% change
Revenue (R'000)	553 889	471 560	17,5
Operating profit (R'000)	49 387	84 946	(41,9)
Operating profit margin (%)	8,9	18,0	
Capital expenditure (R'000)	41 851	31 357	
Headcount	354	334	

Given the current economic operating conditions, Industrial Minerals businesses across all regions delivered satisfactory results. However, the impact of the economic slowdown was exacerbated by electricity supply interruptions resulting in a decrease in operating profit of 41,9% from R84,9 million to R49,4 million. This segment was also impacted by the acquisition of Agri Lime Proprietary Limited and Stony Lime Proprietary Limited (collectively 'Agri Lime') with a turnover of R131,9 million and an operating loss of R4,5 million included in the results.



Bulk Commodities

Highlights FY2023

- ▶ The successful commissioning of the Jenkins and turnaround of the Nkomati mine contributed positively to the segment's results
- ▶ Increase in iron ore tonnes sold from 1 190 132 to 1 280 299 (Jenkins and Demaneng iron ore mines) and anthracite tonnes sold from 219 845 to 317 943 (Nkomati anthracite mine)
- ▶ The long-term sustainable LOM plan is being enhanced through the opening of two opencast pits and continued development of the underground operations at Nkomati
- ▶ Additional iron ore reserves have been secured to ensure the sustainability of Afrimat's iron ore export business with a LOM in excess of 15 years
- ▶ Increased volumes from Nkomati and Jenkins, which are not exposed to international iron ore price volatility, effectively buffer the Group against potential downturns in export iron ore prices
- ▶ Concluded a suppliers agreement to serve as a hedge to the volatile Platts Index
- ▶ This segment has implemented innovative technology solutions which optimise mine fleet efficiencies, that resulted in cost savings which countered, to an extent, the rise in diesel price and the fall in iron ore price and thereby generated a healthy operating profit margin of 31,8%

Key distinguishing features

- ▶ All ore products manufactured in terms of the Platts Iron Ore 62% grade for export
- ▶ High quality hematite origin iron ore up to 65% Fe
- ▶ High quality nuts and duff anthracite product
- ▶ High quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite
- ▶ An in-house test laboratory is used for continuous process control
- ▶ Quality and specification statements are generated by an outsourced accredited laboratory
- ▶ Being a low cost producer

Review of 2023

	Audited February 2023	Audited February 2022	% change
Revenue (R'000)	2 480 355	2 408 710	3,0
Operating profit (R'000)	787 653	859 922	(8,4)
Operating profit margin (%)	31,8	35,7	
Capital expenditure (R'000)	654 766	524 389	
Headcount	534	492	



The Bulk Commodities segment, consisting of the Demaneng and Jenkins iron ore mines, and the Nkomati anthracite mine, contributed 81,9% to the Group's operating profit. The excellent performance was largely due to increased volumes from Jenkins coming into production, the successful turnaround of Nkomati and cost-saving initiatives.

Although the operating profit decreased by 15,6% after the pullback of iron-ore prices from record levels in 2022 and a rise in input costs, a healthy operating profit margin of 40,3% was generated from the iron ore mines. The allocation of trains from Transnet is becoming more consistent. This segment is well-positioned to weather the volatility of the iron ore price because it is a low cost producer and has fixed pricing agreements for its inland iron ore and anthracite revenue.

During the year, the first blast was undertaken at Driehoekspan, the iron ore asset that will replace the Demaneng mine once it is mined out, which is expected to be in three years' time. Driehoekspan and Doornpan (as part of

the Coza acquisition) are to be brought into production to maintain export volumes and have a combined life of mine in excess of 15 years.

The Nkomati anthracite mine has turned from initial start-up losses to being profitable from August 2021 and contributed 23,1% to the segment's revenue for the year. It produces a high-quality product sold into the local market, as a replacement for imported anthracite, and is recognised as a consistent, reliable supplier of anthracite. The long-term sustainable life of mine plan is being enhanced through the opening of two opencast pits and the continued development of the underground operations. The first anthracite from these developments was extracted early in the new financial year. These planned new sources will reduce the overall average strip ratio compared to historical stripping ratios. This is a purposeful strategy to support greater diversification across the Bulk Commodities segment in both product range and income streams.



Future Materials and Metals

Highlights FY2023

- ▶ Most recent segment added to the Group's operational segments in support of its diversification strategy
- ▶ Revenue of R25,2 million was generated
- ▶ The Group is in the process of ramping up this operation, with site establishment already completed



Glenover is the segment's first project and it diversifies Afrimat's exposure wider than ferrous. Glenover is a greenfields project that has begun with its first production during the period and is in a ramp-up phase.

Revenue of R25,2 million was generated by the segment, with start-up losses of R11,4 million. The Group is in the process of ramping up this operation, with site establishment already completed.

Looking ahead, careful project implementation and the rollout of a well thought-through strategy for Glenover will be a top priority. This is expected to include vermiculite processing, optimisation of the high-grade

Key distinguishing features

- ▶ Aligns with global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products)
- ▶ Fertiliser for agricultural applications
- ▶ Vermiculite for various applications from industrial to horticulture
- ▶ Rare earth elements, supporting technological advancements such as high-strength permanent magnets and battery technology

Review of 2023

Financial performance

	Audited February 2023	Audited February 2022	% change
Revenue (R'000)	25 215	2 964	750,7
Operating profit (R'000)	(11 437)	(2 174)	(426,1)
Operating profit margin (%)	(45,4)	(73,3)	
Capital expenditure (R'000)	123 244	9 689	
Headcount	22	1	

phosphate project and the implementation of the single superphosphate ('SSP') project. These product lines will add additional volumes in future.

The Afrimat Board approved a spend of R300,0 million needed to purchase all the shares in Glenover including the surface and mining rights. This is essential to support a long life of mine and a business case to optimise Glenover's value.



Services

Highlights FY2023

- ▶ The dedicated new business development team ensures investigation of lucrative business opportunities for sustainable growth and value creation
- ▶ Improvement of internal audit efficiency and further focus placed on the implementation of a combined assurance model
- ▶ Group shared services function geared to support growth
- ▶ Two dividend pay-outs were effected during the year for the employee benefit scheme through the Afrimat BEE Trust
- ▶ Significant investment in technology and infrastructure
- ▶ Continuation of a combined method approach in terms of the Group's culture assessment
- ▶ Further development and improvement of the Afrimat Management Development Programme ('AMDP')

Key distinguishing features

- ▶ Daily tracking of all vehicles
- ▶ Full maintenance plans
- ▶ Linking base loads with return loads for optimal utilisation and cost saving
- ▶ Pit-to-port solutions
- ▶ Mobile crushing and screening
- ▶ Mine planning
- ▶ Bulk drilling and blasting
- ▶ Manage and operate railway load out station with direct access to the Oryx Sishen-Saldanha rail link

Review of 2023

Financial performance

	Audited February 2023	Audited February 2022	% change
Revenue (R'000)	39 446	44 902	(12,2)
Operating profit (R'000)	6 355	8 693	(26,9)
Capital expenditure (R'000)	34 263	50 801	
Headcount	383	125	



During the year, internal and external logistical and mining services were added to the reporting of this segment, as part of an internal restructuring.



4

Governance structures

Services

During the year, internal and external logistical and mining services were added to the services segment (as a result of an internal restructure). These services enable efficiencies within the Group through its application of vertical integration.

Logistics

Afrimat Logistics Proprietary Limited, a subsidiary of Afrimat, provides in-house logistical solutions to the other subsidiaries. Careful planning is considered, by linking base loads with return loads, daily tracking of all vehicles and full maintenance plans, for optimal utilisation and cost savings for the Group.

Mining services

Afrimat Mining Services Proprietary Limited, a wholly-owned subsidiary of Afrimat, offers full pit-to-port solutions to the mining, construction, and quarry industry throughout southern Africa.

With more than 50 years of experience, a track record of delivering exceptional contracting services, and the utilisation of the latest technology and equipment ensures operational efficiency and downstream cost savings for our customers.

Our contract mining services specialises in mine planning, bulk drilling and blasting, load and haul, mobile crushing and screening, beneficiation of products, rehabilitation, rail loadout management, and logistics.



Services

Group shared services including IT services, consulting services

Internal and external logistical and mining services such as contract crushing, drilling and blasting, load and haul

Corporate governance

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

The Company's King IV™ application register is available at www.afrimat.co.za.

Our Board

Directors appointed by the Board to fill a casual vacancy hold office only until the next AGM where they are eligible for election. They are not included in the number of directors who retire by rotation at the AGM.

A brief curriculum vitae in respect of Board members appointed by annual rotation, appear in the notice of AGM on [pages 147 and 154](#) of the integrated annual report.

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

To ensure a balance of power and authority is maintained at Board level and that no one individual has unfettered decision-making power, the Board elected Derick van der Merwe, an independent non-executive director, to act as lead independent director ('LID'). The role of the LID is to provide leadership and advice to the Board when the Chairman has a conflict of interest, without detracting from the authority of the Chairman.

Training and development

- ▶ The directors are primarily responsible for acquiring the skills necessary for effective discharge of their duties.
- ▶ A comprehensive induction programme is in place for new directors.
- ▶ A formal internal annual process is followed whereby the performance of the Board, Chairman and all Board Committees are reviewed by the directors. The FY2023 evaluation indicated an adequate discharge of responsibilities and no exceptions were identified. This is supported by a development and succession plan. The effectiveness of the Chairman is assessed by all directors.
- ▶ To improve the effectiveness of the directors and to understand the Company's business, the Afrimat directors scheduled key company site visits during the year. These visits are vital in order to provide context to any Board deliberations.

- ▶ The Board ensures a smooth succession plan is in place for all directors and senior management to avoid unexpected disruptions. The Company strives to improve its talent pool and reports back to the directors on a quarterly basis by tabling the current talent pool and development needs.

Board skill and composition*

(Refer to [page 36](#) for composition)

Business Strategy	98,0%	
Financial	92,0%	
Entrepreneurship	94,0%	
Marketing & Commercial	90,0%	
Leadership	98,0%	
Technical Knowledge	90,0%	
ESG**	90,0%	
Stakeholder communication	90,0%	
Business Processes	96,0%	

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

** Sustainability, safety, health, environment, governance, compliance, climate change and social responsibility.

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

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

The Board has adopted and approved a policy on broader diversity at Board level specifically focusing on the promotion of the diversity attributes of gender, race, culture, age, field of knowledge, skills and experience, as contemplated in paragraph 3.84(i) of the JSE Listings Requirements.

Information and communication

- ▶ There is full disclosure from Board Committees to the Board. Committee Chairmen provide the Board with a verbal report on recent Committee activities at each Board meeting, and the minutes of Committee meetings are available to the directors in support thereof. Board members receive information packs supporting decision-making for each Committee meeting held.

- ▶ Relevant and timely information is supplied to the Board in the form of comprehensive quarterly reports from management.
- ▶ Access to the advice and services of the Company Secretary and to Company records, information, documents and property is unrestricted. Non-executive directors also have unfettered access to the external auditor and to management at all times. All directors are entitled, at Afrimat's expense, to seek independent professional advice on any matters concerning the affairs of the Group.

Board charter

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

Independence

- ▶ Afrimat believes that there are a sufficient number of independent non-executive directors on the Board to create a suitable balance of power and prevent the dominance of the Board by one individual or by a small number of individuals.
- ▶ The classification of independent non-executive directors is determined by the Board on the recommendation of the Remuneration & Nominations Committee in accordance with the guidelines set out in King IV™. During FY2023, a rigorous review of independence and performance was performed on Phuti RE Tsukudu and Gert J Coffee. Annual independence reviews are conducted on all directors serving in an independent capacity for longer than nine years.
- ▶ Director independence is measured giving consideration to: director involvement with other companies; external directorships held; relationship with material suppliers and competitors; material contracts with the Group; employment of the director by the Group in an executive capacity during the preceding three years; whether the director has a direct or indirect interest in the Company which is material to their personal wealth.
- ▶ All directors regularly declare their directorships and commercial interests to the Board.

Directorate

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

Executive directors

Non-executive directors

Andries J van Heerden (57) CEO	Pieter GS de Wit (49) CFO	Collin Ramukhubathi (49)	Marthinus (Gerhard) G Odendaal (58)	Loyiso Dotwana (59) [◇]
BEng (Mech), MBA, Government Certificate of Competence, Advanced management programme (Insead Business School)	BCompt (Hons), CA(SA), ACIS, Post Grad Cert in Tax, MBA (Cum Laude), Strategic financial leadership programme (Stanford University)	BTech (Mechanical Engineering), MBA, Executive Leadership Development Programme (Stanford University)	National Higher Diploma (T4) (Civil Engineering), C-Level Programme (Stanford University Graduate School of Business)	BSc Civil Eng
Length of service: 16 years 	Length of service: 7 years 	Length of service: 4 years 	Length of service: 1 year 	Length of service: 16 years

Attendance of Board and Board Committee meetings are as follows:

Meeting attendance	2023 (%)	2022 (%)
Board meetings	100	100
Audit & Risk Committee	100	100
Remuneration & Nominations Committee	95	100
Social, Ethics & Sustainability Committee	100	100
Non-executive meetings	100	100

- Invitee
- Investment Review Committee Chairman
- ◇ Remuneration Committee Chairman
- ◆ Nominations Committee Chairman
- ◇ Social, Ethics & Sustainability Committee Chairman
- Audit & Risk Committee Chairman
- + LID



Independent non-executive directors

Francois M Louw (62)◆ Chairman	Gert J Coffee (72)	Sisanda Tuku (44)	Phuti RE Tsukudu (69)◊	Jacobus (Derick) F van der Merwe (69)◊+	Johannes (Johan) HP van der Merwe (58)	Nicolaas AS Kruger (56)
BEng (Mech), MBA	BSc BEng (Mech) (Industrial)	BCom Financial Accounting, CA(SA)	MEd, Postgraduate Diploma in Adult Education BA (SW)	BCompt (Hons), CA(SA)	CA(SA), Master in Income Tax, MPhil Finance, Advanced Management Programme (Harvard Business School), Challenge of Leadership (Insead Business School)	BCom (Mathematics) (Cum Laude), FFA (Fellow of the Faculty of Actuaries), AMP (Advanced Management Programme, Oxford University), CD(SA) (Chartered Director)
Length of service: 6 years 4/4 4/4 3/3 2/2 4/4	Length of service: 13 years 4/4 2/2 4/4	Length of service: 1 year 4/4 4/4 1/1	Length of service: 14 years 4/4 3/3 2/2 4/4	Length of service: 8 years 4/4 4/4 4/4	Length of service: 6 years 4/4 1/3 4/4	Length of service: 2 months 2/2 1/1

Board demographics

Gender

Male 83%
Female 17%

Mix

59% Independent non-executive directors
33% Executive directors
8% Non-executive directors

Tenure

33% Nine years or more
34% One to four years
33% Five to eight years

Race

67% Non-historically disadvantaged
33% Historically disadvantaged

Board and Executive Committee structure

Statement of compliance

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

The Afrimat directors have confirmed that, to the best of their knowledge, Afrimat (i) complied with the provisions of the Companies Act, and (ii) operated in accordance with its memorandum of incorporation, during the year under review.

Board

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

Executive directors	Non-executive directors	Independent non-executive directors
Andries van Heerden (CEO) Pieter de Wit (CFO)	Collin Ramukhubathi Gerhard Odendaal	Loyiso Dotwana
		Francois Louw (Chairman) Phuti Tsukudu Derick van der Merwe (Lead Independent Director) Sisanda Tuku
		Johan van der Merwe Gert Coffee Nicolaas Kruger

The Board meets four times per year.

Committees

Audit & Risk Committee	Remuneration & Nominations Committee	Social, Ethics & Sustainability Committee*	Investment Review Committee	Executive Committee ('Exco')
The Audit & Risk Committee fulfils a vital role in corporate governance and is in place to ensure, among other things, the integrity of integrated reporting and internal financial controls, identify and manage financial risks and monitors the financial sustainability of the Group.	The Remuneration & Nominations Committee assists the Board with the development of the Afrimat remuneration policy, regularly reviews the structure, size and composition (committee diversity) of the Board and makes recommendations to the Board with regard to any adjustments that are deemed appropriate.	The Social, Ethics & Sustainability Committee monitors and reviews the Group's safety, health and environmental activities, labour practices and the Company's approach to transformation.	Monitors and reviews high impact investments defined in terms of potential value addition or value destruction for the Company.	Assists the CEO implement strategies and operational matters.
Derick van der Merwe (Chairman) Sisanda Tuku Loyiso Dotwana Francois Louw Nicolaas Kruger (appointed to the committee on 23 February 2023)	Francois Louw (Chairman – Nominations Committee) Phuti Tsukudu (Chairman – Remuneration Committee) Loyiso Dotwana Sisanda Tuku (appointed to the committee on 23 February 2023) Johan van der Merwe (appointed to the committee on 23 February 2023)	Loyiso Dotwana (Chairman) Gert Coffee Collin Ramukhubathi Phuti Tsukudu Andries van Heerden Gerhard Odendaal Francois Louw (appointed to the committee on 19 October 2022)	Francois Louw (Chairman) Pieter de Wit Derick van der Merwe Johan van der Merwe Nicolaas Kruger (appointed to the committee on 23 February 2023)	Executive directors Cluster Heads

Number of independent director members	4	4	3	4	N/A
Number of meetings per year	4	3	2	Ad hoc	4
Self-evaluation completed	Yes	Yes	Yes	N/A	N/A
For further information see	page 79	page 70	page 42		

* The Social, Ethics & Sustainability Committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act, and there were no instances of material non-compliance to disclose.

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

In accordance with King IV™ the Chairman of the Board should not be a member of the Audit Committee and all members of the Audit Committee should be independent, non-executive directors. Francois Louw (Chairman of the Board) and Loyiso Dotwana (non-executive director) are both members of the Audit & Risk Committee. The Board is of the opinion that Francois Louw and Loyiso Dotwana, who have both demonstrated the ability to act independently, continue to make a valuable contribution to the Audit & Risk Committee, which in turn helps the Audit & Risk Committee to satisfactorily discharge its roles and responsibilities.

Company Secretary

The Board of directors is assisted by a competent, suitably qualified and experienced Company Secretary. The Company Secretary, Catharine Burger, is a chartered accountant. Ms Burger has also completed her board exam at the Chartered Governance Institute of South Africa and is now a Chartered Company Secretary. The Board, through the Remuneration & Nominations Committee, considered and satisfied itself to the competence, qualifications and experience of the Company Secretary and concluded that she is competent to carry out her duties.

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

Risk management

Risk management

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

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

Risk management effectiveness

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

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

Risk appetite

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

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

Key business risks and opportunities

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

Management has effectively implemented an adequate and effective risk management framework, which identifies, evaluates and responds to key opportunities and risks that may affect strategic objectives.





Risk management (continued)

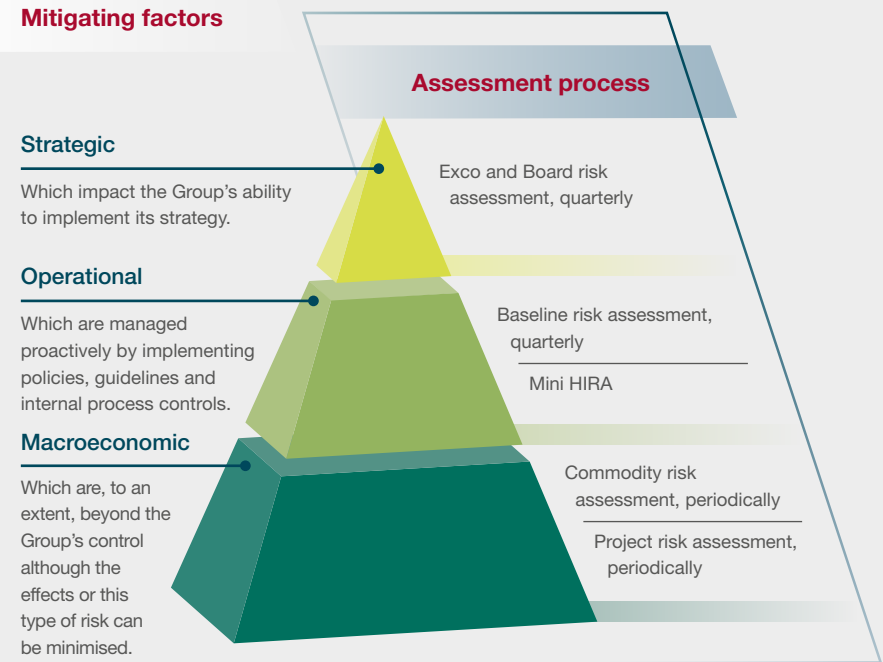
Risk management process



Identifying principal risks

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

Mitigating factors



Material risks

A description of all immediately identifiable material risks which are specific to the Company, its industry and/or its issued ordinary shares are set out under 'Afrimat's business strategy' in this integrated annual report.

Assurance

Combined assurance model

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

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

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



An ad hoc additional risk analysis is also conducted for major strategic decisions. An Investment Review Committee gives comfort to the Board that all significant risks in high impact investments have been addressed. High impact investments have been defined in terms of potential value addition or value destruction for Afrimat.

To ensure ongoing relevance, a formal risk assessment is conducted quarterly and the necessary updates are made to the risk register. In addition, throughout the year changes in risk relative to the formal register are reported to the Audit & Risk Committee (and the Board), together with an impact assessment and how the identified risks will be managed. In assessing risk, Afrimat reviews performance in terms of profit growth, return on new investments and debt levels against targets set during the annual budget process. In addition, the Group monitors profitability, utilisation of assets, liquidity/solvency, and productivity levels on a monthly basis. The Group's reputational risk is managed through strategic relationships and liaison with stakeholders. The CEO is the central point of contact assisted by investor and communications service providers and executives (for further detail on this and other risks, see Group strategy, material issues and key risks on [page 23](#)).

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

External audit

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

Internal audit

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

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

Assurance (continued)

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

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

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

Internal control framework

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

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

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

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

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



5

Governance overview

Future Materials & Metals

Glenover is the Future Materials & Metals segment's first project, and it diversifies Afrimat's exposure wider than ferrous metals and aligns it to global trends such as the advancement of technology for decarbonisation (through rare earth minerals) and food security (through fertiliser products). Glenover is a greenfields project that has begun with its first production during the period and is in a ramp-up phase.

The project contains three essential businesses: (i) fertiliser for agricultural applications; (ii) vermiculite for various applications from industrial to horticulture; and (iii) rare earth elements, supporting technological advancements such as high-strength permanent magnets and battery technology.

Looking ahead, careful project implementation and the rollout of a well thought-through strategy for Glenover will be a top priority. This is expected to include vermiculite processing, optimisation of the high-grade phosphate project and the implementation of the single superphosphate ('SSP') project.



**Future
Materials
& Metals**

**Processing and beneficiation
of phosphate**



Social, Ethics & Sustainability Committee Report

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

The Group is committed to endorsing the 10 principles set out in the United Nations Global Compact Principles ('UN Global Compact'), advocated by the Universal Declaration of Human Rights and International Labour Organisation.



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

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



Cape Lime Langvlei team

The 10 principles are summarised as follows:

- Principle 1 — Support and respect the protection of internationally proclaimed human rights.
- Principle 2 — Ensure we are not complicit in human rights abuses.
- Principle 3 — Uphold freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4 — Contribute to the elimination of all forms of forced and compulsory labour.
- Principle 5 — Contribute to the abolition of child labour and commit to ensuring that the minimum entry ages for employment are adhered to.
- Principle 6 — Ensure we do not practice discrimination in respect of employment and occupation.
- Principle 7 — Support a precautionary approach to environmental challenges.
- Principle 8 — Undertake initiatives to promote greater environmental responsibility.
- Principle 9 — Encourage the development and diffusion of environmentally friendly technologies.
- Principle 10 — Work against corruption in all its forms, including extortion and bribery.

The Committee comprises executive and non-executive directors during the year under review. Details of the Committee composition and meeting attendance are on [page 34](#).

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

Social and economic development including the Group's standing in terms of the:

- ▶ 10 principles set out in the United Nations Global Compact Principles;
- ▶ Organisation for Economic Co-operation and Development recommendations regarding corruption;
- ▶ Employment Equity Act; and
- ▶ B-BBEE Act.

Good corporate citizenship, including the Group's:

- ▶ Promotion of equality, fair remuneration, prevention of unfair discrimination, safety, health, dignity and development of employees;
- ▶ Economic transformation, prevention, detection and response to fraud and corruption, and responsible and transparent tax policy;
- ▶ Contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed; and
- ▶ Record of sponsorship, donations and charitable giving.



Environment, climate change, health and public safety, including the impact of the Group's activities and its services.

Customer relationships, including the Group's advertising, public relations and compliance with consumer protection laws.

Labour and employment, including the Group's:

- ▶ Standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
- ▶ Employment relationships, and our contribution towards the educational development of our employees.

The Committee draws these matters to the attention of the Board. Employment equity, B-BBEE, CSI and labour-related issues as reviewed by the Committee are reported on [pages 54 and 61](#).

Key indicators monitored by the Committee include:

Indicator	Standard or future goal
Transformation and B-BBEE ratings including: <ul style="list-style-type: none"> ▶ Equity ownership ▶ Management control ▶ Skills development ▶ Preferential procurement ▶ Enterprise development and supplier development ▶ Socio-economic development 	<ul style="list-style-type: none"> ▶ Maintain a Level 3 B-BBEE Group rating annually
Labour relations	<ul style="list-style-type: none"> ▶ Maintain employee satisfaction (employee turnover rate, industrial action, etc.) ▶ Effectively manage expectations and union relations to minimise labour unrest
Health and safety	<ul style="list-style-type: none"> ▶ Zero LTIFR
Environment including: <ul style="list-style-type: none"> ▶ Carbon footprint ▶ Water and forestry compliance and returns ▶ Climate change 	<ul style="list-style-type: none"> ▶ To mine within approved environmental management plans ('EMP') for all of the Group's mining activities and zero harm to the environment for all other activities ▶ Compliance with mining rights' EMPs ▶ Being committed to being part of the solution to climate change
DMRE compliance including: <ul style="list-style-type: none"> ▶ Mining Works Programme ▶ Social and Labour Plan ▶ EMP ▶ Mining Charter returns 	<ul style="list-style-type: none"> ▶ All existing mining rights maintained ▶ All future mining right applications predicated on Group's reliable track record of compliance
Mining rights status including: <ul style="list-style-type: none"> ▶ New applications ▶ NEMA/LUPO regulations ▶ Water use licence 	<ul style="list-style-type: none"> ▶ Business expansion not restricted by insufficient mining rights
Compliance with laws and regulations	<ul style="list-style-type: none"> ▶ Full compliance with all laws and regulations
Compliance with the 2018 Mining Charter ownership criteria	<ul style="list-style-type: none"> ▶ The creation of an umbrella trust to address shareholding to host mine communities by using the equity equivalent mechanism ▶ Increase in shareholding to qualifying employees

Social, Ethics & Sustainability Committee Report (continued)

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



Effectiveness against FY2023 KPIs and committee evaluation

	Evaluation score*
FY2023 KPI Increase more detailed reporting on climate change-related matters and measuring the carbon emissions and whether the reduction in such emissions have been accomplished	4,0
Launching of a safety culture beyond Afrimat's mining entities: Culture survey outcomes analysed to determine specific safety-related culture changes required at all operations, driving proactive safety interventions through the leading indicator topics such as SHE representative engagements, training, near miss reporting, audit results, trackless mobile machinery ('TMM') risk evaluations, SHE Committee meetings and traffic management	4,8
Sharing best practice: senior management actively sharing appropriate and applicable best practice from other committees with the Committee/Company	3,8

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

KPIs for FY2024

- ▶ Increase more detailed reporting on climate change-related matters and measuring the carbon emissions and whether the reduction in such emissions have been accomplished;
- ▶ Driving proactive safety interventions through the leading indicator topics such as SHE representative engagements, training, near miss reporting, audit results, trackless mobile machinery ('TMM') risk evaluations, SHE Committee meetings and traffic management;
- ▶ Continue with intervention to drive down the LTIFR lower;
- ▶ Focus more on analysing the health statistics; and
- ▶ Sharing best practice: Senior management actively sharing appropriate and applicable best practice from other Committees with the Committee/Company.

Ethical leadership and compliance



The Board strives to ensure that the Group conducts its business with integrity and leads by example. This commitment is formalised in a Code of Conduct (available at www.afrimat.co.za) which applies to the Board and all employees of the Group.

The Code of Conduct is designed to provide guidance as to ethical conduct in all areas, appropriate policies in respect of the safeguarding of assets and information, and the appropriate corrective measures to enforce these policies. The performance of the Board in terms of being held accountable for ethical and effective leadership is reviewed annually by the directors. Furthermore, the strong value system embedded in the Group culture is constantly reinforced by the CEO and supported by business unit heads and people management. Strict adherence to the provisions of the Code of Conduct is a condition of employment within Afrimat and is incorporated as part of the induction process.

The Code of Conduct sets out the Group's values and practices over and above requirements of formal governance codes and legal requirements such as the King IV™ Report and the Companies Act. Ethical conduct is an area with which the Social, Ethics & Sustainability Committee is tasked by the Board to oversee. As part of its responsibility, the Committee ensures that the Company's ethical performance is assessed, monitored, reported and disclosed. It reviews cases of conflicts of interest, misconduct or fraud, or any other unethical activity engaged in by employees or the Company. Further, the Committee reviews the Code of Conduct annually and recommends it to the Board for approval.

All senior employees are required to sign an annual declaration confirming compliance to laws and regulations. The Group has an independent whistleblower hotline and all reported matters are investigated by appropriate employees and the results reported to the Audit & Risk Committee. Unethical behaviour is not tolerated within the Group and all criminal behaviour is reported to the police. Management reports to the Committee on matters relevant to its deliberations to enable the members to fulfil their responsibilities. Mechanisms to encourage ethical behaviour such as the Code of Conduct, corporate citizenship policy and whistle-blower's hotline, were confirmed as adequate by the Social, Ethics & Sustainability Committee in the year. As part of the improvement process, annual interest declarations were requested from all senior employees. A revised procurement policy incorporating ethical standards for the selection of suppliers was rolled out during the current year. Ethical standards for the selection of customers will also be considered.

Anti-bribery and corruption

The Group is committed to working against corruption, by endorsing:

- ▶ Zero-tolerance against fraud, theft, corruption or any similar illegal behaviour;
- ▶ Complying with all applicable anti-bribery and corruption laws, regulations, rules, codes of conduct and conducting business transparently and in an honest and ethical manner;
- ▶ Reinforcing the anti-bribery and corruption compliance framework and processes in the day-to-day activities; and
- ▶ Continuously monitoring the regulatory environment to implement appropriate responses to changes and developments.

Legal compliance

The CEO, CFO, EDs, Group Legal Advisor, Company Secretary and senior management drive compliance. The Group has a legal and regulatory compliance checklist in place, which includes the Mining Charter. A risk-based compliance framework has been adopted to provide additional focus on compliance with priority legislation.

Management considers and includes all material legislative requirements within the checklist and delegates this to the appropriate compliance owners across top and senior management levels. Furthermore, Afrimat voluntarily adheres to the Business Leadership South Africa Code of Good Corporate Citizenship.

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

Mining right compliance

We are committed to conducting mining operations in strict compliance with the mining licence conditions set by the DMRE, in the Mineral and Petroleum Resources Development Act, Mine Health and Safety Act, and all other relevant legislation and regulations. This compliance is driven by the Executive Director: People & Sustainability for the Afrimat Group. Our culture is a pivotal thread in how we operate our operations and continuously strive to build and nurture good working relationships with different stakeholders.

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

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

The DMRE conducts compliance audits at the Group's mining operations and management addresses all issues identified. The Group's overall compliance level continues to improve. Through collaboration and teamwork, we ensure our operations comply with the legal requirements and mining right licence conditions. The Group continues achieving its target on people development training of 6% of employee costs incurred. This included a mentoring programme for interns in the field of mining engineering, mechanical engineering and environmental specialists.

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

- ▶ Water Use Licence;
- ▶ Air Emissions Licence; and
- ▶ Land use (LUPO and SPLUMA).

Environmental responsibility

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

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

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

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

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

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

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

The GM: Sustainability through senior environmental specialists are responsible for ensuring compliance with the site EMPs, assisted by the regional

managers. The regional managers assume responsibility for all sites in their respective regions and have full control of regional environmental resources.

Environmental training

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

Carbon footprint

Afrimat has embarked on a project to identify different renewable energy, energy efficiency and forestry carbon emission offset projects to implement in the near future. These include the implementation of Solar Photovoltaic plants as well as other carbon dioxide capturing projects (refer to Afrimat's ESG report available at www.afrimat.co.za). Afrimat has set a target to reduce its carbon footprint by 32% in 2030. This forms part of the Group's strategy to manage climate change.

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

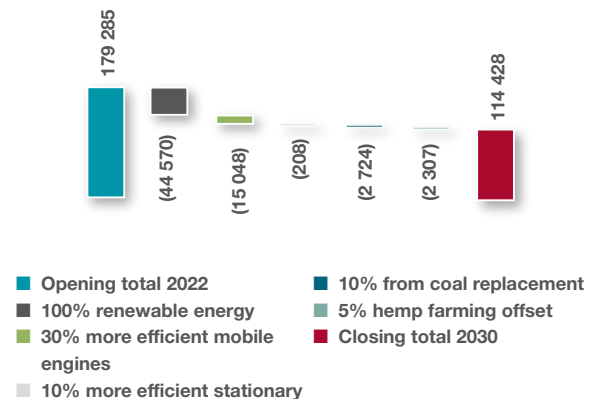
- ▶ Benchmarking of operational output and the use of electricity, fuel and explosives;
- ▶ Determination of the basic requirements to deliver optimum production leading to the establishment of a standard energy consumption rate per machine;
- ▶ Ongoing monitoring of power factor corrector capacitors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



2030 reduce carbon emissions by 32%

2050 target carbon neutrality across operations

Carbon neutral strategy 2030 – Reduce by 32%



Key focus areas are summarised below:

Long-term goals:		
Key focus area	FY2024 goal	Long-term goal
Electricity consumed	Determine reduction % from baselines	Measure electricity consumed per product tonne produced, compare usage at different operations and reduce usage in line with best practices.
Water usage	Determine reduction % from baselines	Measure water usage per product tonne produced, compare usage at different operations and reduce usage in line with best practices.
Carbon emissions	Determine reduction % from baselines	Register all relevant sites with South African Greenhouse Emissions Reporting Services ('SAGERS') in order to measure all carbon emissions. Compare emissions between different sites and identify initiatives to reduce emissions.
Waste management	Determine reduction % from baselines	Compare waste generated between various operations, reduce, reuse and recycle the waste generated.
Bio-diversity	Determine reduction % from baselines	Set annual target percentage on rehabilitation of operations (in hectares).

Effectiveness against FY2023			
Key focus area	FY2024 goal	Evaluation	Benchmark comparison
Electricity consumed*	Benchmark the use of electricity by all operations	Electricity usage for FY2023 has been measured for all operations.	12,6% increase from 42,1 million kWh in FY2022 to 47,4 million kWh in FY2023.
Water usage**	Water supplied by the municipality is currently measured. Meters to be installed at all sites utilising extraction points to draw water from natural resources. Recycling and conservation of water	The installation of water meters at operations utilising extraction points has not been completed. Water usage by operations (including municipal water supply as well as extraction points) is available for FY2023, based on a 90% measurement of all operations.	70,9% increase from 810 024 m ³ water used in FY2022 to 1 384 706 m ³ in FY2023.
Carbon emissions	Register of all relevant sites with SAGERS to enable the sites to report emissions accurately	All operations have been registered with SAGERS, measured and compared.	3,5% decrease from 179 284 tCO ₂ e in FY2022 to 173 046 tCO ₂ e in FY2023.
Waste management	Measure all waste generated	A waste stream identification list has been compiled for all operations.	58% decrease in waste from 154 tonnes in FY2022 to 64 tonnes in FY2023.
Bio-diversity	Quantify all hectares rehabilitated on the environmental performance assessment	In FY2023, 100% of all operations were quantified in terms of hectares rehabilitated.	Increase from 17 ha in FY2022 to 26,3 ha in FY2023.

* Electricity usage increased due to the increased capacity at Nkomati.

** Water usage increased as a result of the ramp up of Jenkins iron ore and Nkomati anthracite mine.

Environmental responsibility (continued)

Total greenhouse emissions per scope:

	2023 tCO ₂ e	2022 tCO ₂ e	2019* tCO ₂ e	Increase/ (decrease) from base year
Scope				
Total scope 1	112 789,6	125 619,9	85 412,3	32,1%
Total scope 2	50 194,3	44 569,8	43 146,3	16,3%
Total scope 3	10 062,0	9 095,0	34 309,2	(70,7%)
Total carbon footprint	173 045,8	179 284,7	162 867,8	6,2%

Intensity emissions:

	Intensity 2023	Intensity 2022	Intensity 2019*	Decrease from base year
Scope				
Scope 1 and 2 (tCO ₂ e/employee)	59,9	71,2	73,1	(18,1%)
Scope 1 and 2 (tCO ₂ e/tonnes)	0,008	0,007	0,016	(50,0%)

	2023	2022	2019*	Increase/ (decrease) from base year
Water consumption (m ³)	1 384 706,0	810 024,0	1 636 295,0	(15,4%)
Electricity consumption (tCO ₂ e)	50 194,0	44 569,8	43 146,3	16,3%
Fuel consumption (diesel and petrol) (million litres)	15,8	16,7	8,6	83,7%
CO ₂ emissions (tCO ₂ e)	173,0	179,3	162,9	6,2%
Rehabilitation (ha)	26,3	17,0	12,8	105,5%
Business travel (tCO ₂ e)	8,2	7,1	32,4	(74,7%)

* Represents base year.

Total emissions decreased by 3,5% as compared to the previous year. Afrimat continues to put measures in place to reduce GHG emissions across the Group.

Afrimat is committed to reducing, reusing and recycling all types of waste generated across the Group, and therefore a 70,7% decrease from base year in scope 3 emissions was recorded.

Managing climate change

Afrimat recognises the significance of the impact of climate change, being one of the critical global challenges of our time. Our commitment to being part of the solution to climate change has transformed our way of thinking. All business units within the Group are required to adopt high environmental management standards, we do this by continuing to develop and implement strategies, for example, using resource materials responsibly and efficiently, and complying with legislative requirements. We strive to create awareness and embed a culture of being mindful of the environmental impact in areas where we have influence.

The risks associated with climate change can generally be categorised into two broad areas:

- ▶ **Physical risks/opportunities:** These risks may be acute, driven by weather events, such as drought/floods or risks may be chronic, resulting in long-term weather pattern shifts; and
- ▶ **Transition risks/opportunities:** Transition to a low carbon economy may have certain challenges such as a change in customer behaviour, increase in costs, and compliance to new regulations.

Physical risks	Transition risks			
Acute/Chronic	Policy and Legal	Technology	Market	Reputation
<p>The shortage of water can result in less production and ultimately a loss in revenue. Obtaining of Water Use Licences and boreholes remains a key focus. Water recycling initiatives have been implemented at some of the operations.</p> <ul style="list-style-type: none"> ▶ Change in global weather patterns; ▶ Extreme weather, e.g. floods, drought, heatwaves; and ▶ Afrimat has proper disaster control measures and emergency plans in place and ensures that adequate insurance against disasters are available. 	<p>Carbon taxes and related GHG emission levies are still evolving, which will have a financial and regulatory impact on the costs and compliance of the operations.</p> <ul style="list-style-type: none"> ▶ Benchmarking of operational output and the use of electricity, fuel and explosives; ▶ Measurement of a standard energy consumption rate per machine; ▶ Sequential start-up of electrical motors; ▶ Production times to fall in non-peak electricity consumption periods; ▶ Monitoring of water usage; and ▶ Used oil and scrap steel sold to accredited recyclers. 	<p>High costs incurred to transition to lower emissions technology. Afrimat has embarked on a project to identify different renewable energy, energy efficiency and forestry carbon emission offset projects to implement in the near future.</p> <ul style="list-style-type: none"> ▶ These include the implementation of solar photovoltaic plants as well as other carbon dioxide capturing projects. 	<p>Increased production costs as a result of increase input costs, e.g. water, energy and output requirements, e.g. waste treatment.</p> <ul style="list-style-type: none"> ▶ The Group actively implements cost efficiencies and where possible measures its performance against benchmarks, refer page 47. 	<p>Stakeholder relations such as the Government, local authorities, NGOs and regulatory bodies are important to the Group.</p> <ul style="list-style-type: none"> ▶ Afrimat consistently engages and raises awareness within local economic, social and infrastructure spheres.

Measures put in place:

AFRIMAT IS COMMITTED TO BEING PART OF THE SOLUTION TO CLIMATE CHANGE



Task Force on Climate-Related Financial Disclosures ('TCFD')

We have used the guidelines as per the recommendations of the TCFD to respond to the TCFD reporting requirements. The core elements of the recommended climate-related financial disclosures may be illustrated as follows:

Themes	Purpose	Recommended disclosures	Application
Governance	Disclose the Group's governance around climate-related risks and opportunities	(a) The Board's oversight of climate-related risks and opportunities.	Board level oversight is a mandated responsibility of the Chairman of the Board and the CEO. The Social, Ethics & Sustainability Committee also provides overall direction on our sustainability strategy. The Committee oversees, on behalf of the Board, our environmental management; delivery of the sustainability framework implementation plan; and our climate change strategy, which includes management of water, energy and waste considerations. The Audit & Risk Committee is responsible for the governance of risk and has oversight of our climate-related risks and opportunities.
		(b) Management's role in assessing and managing climate-related risks and opportunities.	The GM: Sustainability through senior environmental specialists are a team that assess the impact of climate-related risks and opportunities. They are assisted by regional managers of the various sites to whom the environmental resources are available. The Group has conducted a formal carbon footprint assessment with the assistance of internal and external specialists.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy, and financial planning where such information is material	(a) The climate-related risks and opportunities the Group has identified over the short, medium and long term.	Refer to the risks of climate-related changes addressed on page 48 .
		(b) The impact of climate-related risks and opportunities on the Group's business, strategy and financial planning.	Climate-related risks have a financial impact on the Group's operations. The transition to a low carbon economy is costly. Therefore Afrimat focuses on sustainable mining that requires an approach which balances the curbing of environmental degradation with the optimising of materials extraction and minimisation of costs.
		(c) The resilience of the Group's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The Group undertook an initiative to reduce GHG emissions and to adhere to limiting the increase in global temperature to below pre-industrial level or the so-called 2°C climate environment.



Managing climate change (continued)

Themes	Purpose	Recommended disclosures	Application
Risk management	Disclose how the Group identifies, assesses and manages climate-related risks	(a) The Group's processes for identifying and assessing climate-related risks.	Refer to page 37 , for Afrimat's risk management process. These processes are used to identify and mitigate risks.
		(b) The Group's processes for managing climate-related risks.	The Group manages its environmental footprint with mandatory EMPs at all the mines, refer to the focus areas on page 45 .
		(c) How processes for identifying, assessing and managing climate-related risks are integrated into the Group's overall risk management.	Benchmarks are used to assess the Group's climate-related risks and targets are then set for the Group, which is then monitored on a continuous basis. Strategies are devised by the GM: Sustainability and senior environmental specialists and subsequently implemented.
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	(a) The metrics used by the Group to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>GHG emissions as well as electricity, water usage, waste management and bio-diversity are measured and monitored at all operations and the Group is compliant to the latest regulations on GHG reporting, carbon tax, carbon budget and carbon offset.</p> <p>GHG emissions has been measured since 1 January 2018 and the Group's focus is on developing mitigating measures to reduce emissions across all business units. Refer to the measures that have been implemented, refer to page 46 for carbon footprint.</p>
		(b) Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>The GHG Protocol ('Protocol') is widely used methodology, suitable for companies. The Protocol defines emissions as either 'direct' or 'indirect', where direct emissions are from sources that are owned or controlled by the Group. Three scopes are defined:</p> <ul style="list-style-type: none"> ▶ Scope 1: Direct emissions and emissions from sources owned and controlled by the Group (includes direct emissions from the combustion of liquid fuels in Group-owned vehicle fleet and the combustion of diesel generators); ▶ Scope 2: Indirect emissions associated with the generation of electricity, heating/cooling and steam purchased for own consumption (includes indirect emissions associated with purchased electricity from Eskom); and ▶ Scope 3: Indirect emissions other than those covered in Scope 2 (comprise a range of indirect emissions including business travel, air travel, employee commuting, purchased goods and services such as food, paper products, water supply and solid waste). <p>Refer to page 48 for the reported GHG per scope.</p>
		(c) The targets used by the Group to manage climate-related risks and opportunities and performance against targets.	To mine within approved EMP for all of the Group's mining activities and zero harm to the environment for all other activities. Refer to the table on page 47 for the Group's key focus areas, indicating the long-term goals and the measure of effectiveness against the goals.



Safe and reliable operations

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



The LTIFR reduced substantially from **0,58 to 0,34** at the end of the current financial year.

Responsibility for health and safety devolves down from the Executive Director: People & Sustainability, GM: Sustainability and Group SHE manager to all levels of employees and radiates up again with the CEO taking ultimate responsibility.

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

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

Health and safety risk process

Our FY2024 leading indicator focus points will be on electrical, ergonomics, fall risk, traffic management, environmental: air quality, waste management, surface and ground water and rehabilitation. We selected these leading indicators based on industry trends and Afrimat specific trends analysis of why our injuries occurred or our audit non-conformances. Audit non-conformances include internal, DMRE, Department of Labour, ASPASA SHE audits findings.

FY2022 compared to FY2023 and the targets set for FY2024

	FY2022	FY2023	Targets FY2024
LTIFR (12mr)*	0,58	0,34 ↓	20% reduction
MTI (12mr)**	1,07	0,70 ↓	20% reduction
FA (March – December)***	31	28 ↓	Consistently reduce
TRIFR (12mr)****	1,65	1,04 ↓	Achieve below 1,00
Near miss (12mr)	351	605 ↑	Increase near miss reporting by 20%
Leading indicators*****	76%	89% ↑	Increase leading indicators above 90%

* *Lost time injury frequency rate (number of incidents x 200 000 man hour/ actual hours worked).*

** *Medical treatment injuries.*

*** *First aid.*

**** *Total recordable injury frequency rate.*

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



Safe and reliable operations (continued)



Marble Hall team
1 000 days accident free

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

Key focus area	Leading indicators*	Near miss reporting**	Identifying critical tasks***	Planned task observations	Procedure and guideline Training****
FY2024 goal	90% compliance	60% improvement	80% of six focus points implemented	80% conducted	95% compliance testing
Long-term goal	Entrench uniform SHEQ culture within the Group	Increase accuracy of near miss reporting and reduction of LTIFR and MTI	Reduction of LTIFR	Reduction of LTIFR	Reduction of LTIFR

Our FY2024 leading indicator focus will be on HIRA, lockout, trackless mobile machinery, accident incident investigation, planned task observations and guards. We selected these leading indicators based on industry trends and Afrimat specific trends analysis of why our injuries occurred or our audit non-conformances. Audit non-conformances include internal, DMRE, Department of Labour, ASPASA SHE audits findings.

Effectiveness against FY2023 goals

Key focus area	Leading indicators*	Near miss reporting**	Identifying critical tasks***	Planned task observations	Procedure and guideline Training****
FY2023 goal	Standardisation of the SHEQ system with employee input	Redefine the definitions of the various incidents. Re-train all employees on incident reporting	Identify critical tasks relevant to each operation	Measure planned task observations performed on critical tasks	Measure and monitor training planned and executed
Evaluation	90% achieved on the overall leading indicator measuring tool	Proactive near misses reporting maintained	90% planned critical tasks identified	90% task observations on critical tasks completed	100% completion of training matrix

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

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

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

**** Training ensures that everyone is informed of the various rules and the control measures, if a person is unaware of the rule he/she can follow it and protect themselves. During FY2023 we focused on procedure training at operational level, therefore the percentage is slightly lower than the year before when we focused on statutory training that was completed during the current year.

Health & Safety training

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

- ▶ SHE induction for new employees (and annual refresher for all existing employees);
- ▶ Statutory training with an automated reminder process on SAGE;
- ▶ South African Qualifications Authority ('SAQA') requirements for the statutory training;
- ▶ Virtual platform;
- ▶ Integration of SHE in the Afrilead leadership management programme as part of the sustainability module; and
- ▶ Training evaluation done on SHE representative who train suppliers in order to improve quality of training received.

Our employees' well-being

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

As part of our AfriCare initiative to further make the principal caring environment a lived experience for all Afrimat employees, Afrimat partnered with Netcare 911 to offer our employees fast emergency response services in the event of a work-related medical emergency.

Benefits of using our injury emergency number:

- ▶ Get fast emergency responses that could save someone's life, especially in areas where it is difficult to get an ambulance to the scene quickly.
- ▶ Get professional telephonic or video call advice from medical professionals in emergency cases.
- ▶ Get emergency medical evacuation by road or air from doctors, nurses and paramedics who provide life-saving treatment, resuscitation, and stabilisation.

We shall ensure a healthy and safe working environment to be our primary responsibility. We shall lead our Health & Safety effort by example. We furthermore believe that, in self-interest and for the collective good, every employee should participate in and contribute towards our Health & Safety effort.

Quoted from our Health and Safety policy, to highlight the fact that Afrimat operates in an integrated process and not only inter-departmental. Each employee is encouraged to manage and take control of their own health.

Effective health and safety programmes were implemented at each of our sites, thereby entrenching a culture of safety and empowering employees to participate in these protocols to achieve a safe, healthy, and an accident-free environment. Our Medical Service Providers play a vital role in identifying the risk exposures through occupational hygiene measurements and occupational exposure reviews (Man Job Specifications) to identify potential risks. The People Management department and Medical Service Providers worked closely together to ensure our employees returned safely to work and managed those instances where return to work was not possible due to incapacity.

The following medicals are conducted:

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

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

Afrimat did not lose momentum on the HIV and TB programmes at the various operations. Voluntary HIV/Aids counselling and testing are offered during annual medical assessments and on an ongoing basis at all of Afrimat's onsite clinics or are referred to off-site testing. Our response to the HIV/Aids epidemic is set out in a formal policy (available at www.afrimat.co.za). The policy strives to prevent discrimination against employees living with HIV/Aids and encourages early detection and treatment.

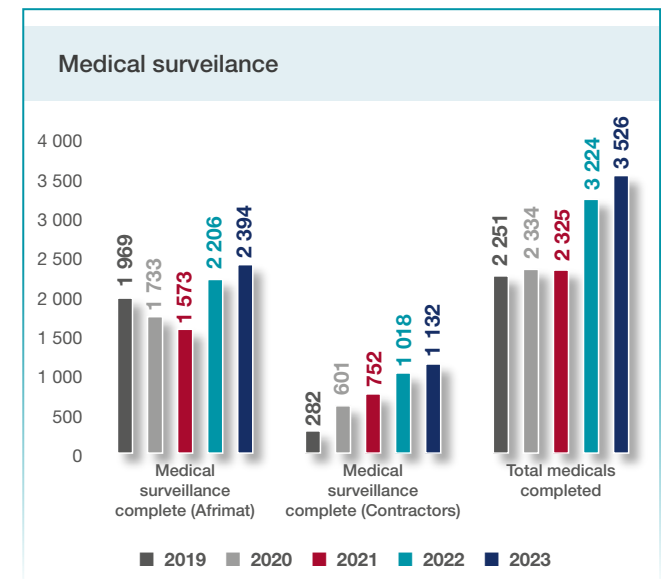
Awareness around HIV/Aids issues are highlighted through the following channels:

- ▶ Posters communicating information on HIV/Aids, STIs and TB symptoms and awareness;
- ▶ Employees newsletters;
- ▶ Information leaflets distributed prior to World Aids Day; and
- ▶ Counselling at annual medical assessments and each clinic visit.



Performance

Afrimat manages health through the applicable legislation in the Mine Health and Safety Act, Occupational Health and Safety Act and Code of Practices. The progress of medical surveillance is measured and monitored monthly to ensure the health of our employees and contractors. During FY2023 focus was placed on overall wellbeing of employees. The proactive health monitoring of employees increased due to the pandemic. The chronic illness numbers dropped compared to the previous financial year due to increased health monitoring and employees managing their life style diseases after the pandemic.



Public Health & Safety

We maintained responsibility for public safety during the past financial year and reinforced robust controls over access to our mines and the surrounding properties. Afrimat conducted a community risk matrix to ensure all community activities are managed on a risk-based approach.

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



People management

The evolution from Human Resources to People management was due to the optimisation of the key role of the function of ‘human’ resources from a transactional function to a more strategic function. Incorporating ‘People’ in the title, conveys a people focus with the intention to improve the employee experience. The People Management team is responsible for fostering and nurturing a healthy culture from a strategic and operational level and to improve engagement levels. We are dealing with people with strong values and appreciate the key role of each person contributing to the overall business success. The drive for change was due to Afrimat viewing our employees as key to our success rather than just a resource and to put people at the centre of what we do. We follow a modern approach to talent management by developing our employees holistically to establish an engaged workforce with competent people and sound leadership. We are sensitive to the personal strengths of our leadership and expose them to leadership development interventions. Regular culture surveys are conducted to ensure employees are aligned with Afrimat’s ideal/envisaged culture.

Highlights:

Job creation

Afrimat contributes to job creation by employing 2 668 (2022: 2 511) employees across South Africa.

Remuneration

Salaries and wages are fair, competitive and transparent. Increases are aligned with market conditions and Company performance. A total of R940,6 million (2022: R830,1 million) spent on remunerating our employees.

Corporate social responsibility

Investment of R12,3 million (2022: R7,9 million) on CSI expenditure. Where possible, labour is sourced from local communities. Extensive Social & Labour Plans (‘SLPs’) are established wherever the Group has a mining operation.

Upskill and re-skill

Afrimat is committed to developing our employees from unskilled to Top Management. During the FY2023 our average training days per employee was 4,5 days.

Employee relationships

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

Employee wellbeing

We launched a groupwide employee wellness programme, which offers 24-hour free counselling to all employees and families in a wide range of wellness topics in a South African language of their choice.

Our consistently low staff turnover (FY2023: 8,1%) resulting in a deepening skills pool. Special actions were taken to address the retention of highly skilled individuals. People development is dynamic and receives focused attention throughout our employees’ full employment cycle.

We also recognise the need for employment opportunities in the wider social context. Accordingly, we look to surrounding communities to supplement our employees and, in this way, we create jobs. We practice a limited automation policy (particularly at our brick and block plants) aimed at preserving as many jobs as possible without sacrificing competitiveness and sustainability.

We have identified our culture as a crucial intangible asset that gives us a competitive advantage. Therefore, we embarked on a culture journey ensuring a unified culture, based on sound values and work ethic.

While industrial action is always a high risk in labour intensive businesses, we experienced no labour action related to wage demands during the year under review. We strictly comply with all applicable legislation and bargaining arrangements and, in addition, have a strategic engagement process with unions and employees based on transparency and relationships (see our stakeholders on [page 10](#)). The Skills Development and Employment Equity Consultative Committees of each business unit communicate with the unions representing Afrimat’s employees. No single union has a majority representativity of all business units in Afrimat. Unions with sufficient representativity at certain business units include amongst other:

- ▶ National Union of Mineworkers (‘NUM’);
- ▶ Association of Mineworkers and Construction Union (‘AMCU’);
- ▶ National Union of Metal Workers of South Africa (‘NUMSA’); and
- ▶ Solidarity.

People development

The upskilling and re-skilling of our employees remains a top priority to ensure the highest level of employee productivity and efficiency. We have created a culture of learning, inspiring employees to mentor, coach and learn continuously. To enable learning and development for all employees we offer a variety of development initiatives such as adult education and training (‘AET’), study assistance, bursaries, learnerships, internships, as well as

training programmes addressing operational skills, health and safety, supervisory and leadership development. Employees are encouraged to take every opportunity afforded to them by the Group to upskill themselves. In addition to relevant commercial training material obtained, we developed our own comprehensive supervisory and management development programmes as well as a leadership development programme, aiding us in the development of junior and middle management. In addition, we facilitate exposure to world-class leadership programmes to senior management and executives.

Learning and development is divided into three main categories:

- ▶ **Skills development:** Learnerships, interns, core business skills, portable skills and AET.
- ▶ **Statutory development:** Health and safety (‘SHE’), firefighting, first aid, drivers’ licences, operator licences, mine regulations and safety representatives.
- ▶ **Strategic development:** Leadership and management development programmes, supervisory development programmes, bursaries, and study assistance to employees at tertiary institutions, i.e. diplomas, degrees and post-degree qualifications.

FY2023 in review

- ▶ **R38,1 million** (2022: R30,1 million) committed to skills development, bursaries, training, learnerships and internships for the year.
- ▶ **86,6%** of this expenditure was in respect of historically disadvantaged employees.
- ▶ Afrimat sponsored more than **11 836 training days**, averaging at 4,5 per employee.

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

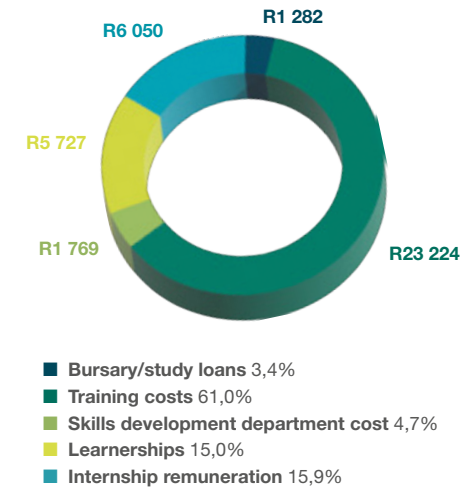
Learning and development initiatives

Initiative	Details	Target participants
Talent Management Programme	The programme is aimed at managing the retention of the Group's top skills through their structured development, exposure, recognition, reward, and motivation. We ensure that these employees receive high level development and exposure to remain abreast of new technology and that they are equipped with appropriate leadership skills and exposure for future specialist and leadership roles.	The Group's top employees are identified by the executive directors and business heads through an evaluation process.
Afrimat Supervisory Development Programme	An in-house, custom-designed programme, as part of our strategy to create professional supervision and a sustainable leadership team for the future. The programme focuses on the people skills needed in the world of supervision, arming supervisors with a broad understanding and professional skills, and enabling them to manage people effectively.	Junior management and supervisors.
Afrimat Management Development Programme	A two-year, seven-module, in-house programme, custom-designed as part of our strategy to create a sustainable leadership team for the future. The programme focuses on technical and leadership development in our industry. During the year 149 employees attended at least a module, with eight employees completing the programme.	Middle management, such as department heads, production managers and supervisors.
Afrimat Graduate Development Programme	<p>A programme where Afrimat hosts externally qualified graduates for them to gain exposure to the world of work for a period of between six months and two years. This enables them to put the theory that they have learned into practice in a controlled environment. The graduates follow a structured programme that exposes them to different disciplines and business units of the Group (focusing on their respective fields of expertise).</p> <p>During the year, 60 graduates participated in the Afrimat Graduate Development Programme. Where suitable vacancies become available in the Group, these interns are considered for placement.</p>	Engineering graduates and technicians (in mining, and mechanical engineering), as well as graduates in geology, environmental management, finance, and behavioural sciences.
Afrimat Learnerships Programme	<p>This programme focuses on the recruitment of learners to be trained and developed as qualified artisans. These learnerships (previously known as 'apprenticeships') take two to three years to completion.</p> <p>During the year 39 learnerships were in place. Once they completed their practical exposure, these learners become a good source for placement.</p>	Employees and external persons with the required aptitude in the various technical fields.
Afrimat Study Assistance	Afrimat assists selected employees with industry-related study assistance. During the year, 81 employees were assisted of which 59 were from the designated groups.	Employees whose contribution will increase by improving their qualifications.
Adult Education Training	Numeracy and communications skills improvement programmes for selected employees. During the year, 130 employees and 16 community members participated in the programme.	Assessed and selected employees with education levels lower than Grade 9.
Statutory Training	Compulsory and legislative training as prescribed by the industry and includes training such as fire fighting, first aid, health and safety and operator licences. During the year, 1 203 legislative training interventions took place.	Employees in roles where statutory training is prescribed for the execution of their roles.
Core Business Skills	Training interventions required all employees to function effectively in their current positions. The Group had 6 045 training interventions related to core skills.	All employees.

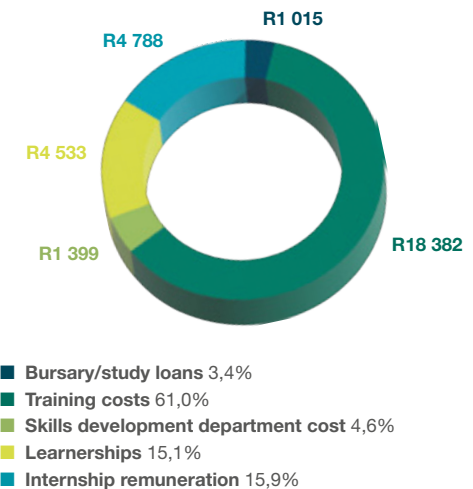
People management (continued)

Initiative	Details	Target participants
Gallup (Clifton strengths) Assessments and Coaching	The Clifton strengths assessment and coaching interventions are derived from Positive Psychology theories. In Afrimat we use the Clifton strengths tool to build a strengths-based culture. Through the processes of assessing our employees, taking them through individual coaching and team coaching, we create a common strengths language in the organisation. We create a culture where employees are aware of their own strengths, the strengths of their colleagues and are able to relate with one another and approach work from a strengths perspective. Our teams are thus empowered to balance their talents of execution, influencing, relationship building and strategic thinking.	All employees from C-Upper and above.
The Afrimat Way	Afrimat has launched a Culture Journey since 2018. This Journey has gone from strength to strength in aligning the culture through the Group. Our culture refers to the way we do things in Afrimat, what we value and how these values determine our behaviours, also known as 'The Afrimat Way'. All our new acquisitions go through a values alignment process which includes an in depths induction of Afrimat's cultural philosophy with the local leaders. This is followed with an exciting employee Afrimat Way launch which includes all employees.	All employees.
Culture Assessment Feedback and Planning	A critical part of our culture initiatives is the active assessment, understanding and improvement of culture elements as we journey towards our desired culture. A critical element as part of the culture journey was assessing our current culture to identify development areas. Leaders facilitate feedback sessions on the outcomes in terms of the limiting and enabling beliefs in their business units.	All management teams across the Group.
AfriCare managerial webinars	In an effort to further entrench the principle of care and making wellbeing a lived experience in Afrimat, we have availed a webinar to equip leaders on how to activate care by effectively making use of ICAS services. In the webinar, leaders are briefed on the full scope of ICASs services and educated on the support that ICAS offers leaders. Although only one webinar attendance is necessary, the webinar is run monthly to ensure that new leaders and those who previous opportunities get a chance to access the information.	All employees with direct reports
Leadership Development Programmes	Other than the business unit specific interventions Afrimat is also focused on strategically developing our leaders in the following topics: <ul style="list-style-type: none"> ▶ Mentorship Programmes; ▶ Leader & direct report 1:1 discussions; ▶ Impact of leadership style on culture; ▶ Communication; and ▶ Diversity & Inclusion Programmes. 	All management teams across the Group.

Training and development initiatives (R'000) 2023 R38,1 million



2022 R30,1 million



Transformation

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

Ownership

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



* Shares sold previously held by ARC, the shares qualify to be recognised in terms of paragraph 3.8 Recognition of ownership after the sale or loss of shares by black participants, of the B-BBEE COGP ('Codes'), therefore we are able to include these shares into our BEE ownership.

Black ownership in the Group totals 28,2% in line with Mining Charter requirements. In calculating the ownership percentage, the methodology as required in terms of Statement 100 of the Code, was applied. This requires a measured enterprise to apply the exclusion principle to four categories of rights of ownership to the number of issued shares: those held by organs of state and public entities; those held as mandated investments; those held by non-profit companies or public benefit organisations; those that equate to the value of the foreign operations of multinational businesses operating in South Africa.

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

Company/ Subsidiary name	FY2023 B-BBEE rating level	FY2022 B-BBEE rating level
Afrimat Limited (Consolidated)	3	3
Afrimat Readymix (Cape) Proprietary Limited	4	4
Afrimat Aggregates (KZN) Proprietary Limited	2	3
Afrimat Aggregates (Operations) Proprietary Limited	3	2
Afrimat Aggregates (Eastern Cape) Proprietary Limited	5	3
Afrimat Contracting International Proprietary Limited	7	2
Afrimat Concrete Products Proprietary Limited	7	5
Glen Douglas Dolomite Proprietary Limited	3	4
Clinker Supplies Proprietary Limited	8	8
Afrimat Logistics Proprietary Limited	3	3
Afrimat Mining Services Proprietary Limited	4	8
Afrimat Silica Proprietary Limited	4	5
SA Block Proprietary Limited	8	8
Boublok Proprietary Limited	5	4
Cape Lime Proprietary Limited	4	6
Afrimat Iron Ore Proprietary Limited	2	2
Afrimat Lyttelton Proprietary Limited	4	4
Afrimat Marble Hall Proprietary Limited	NC	4
Nkomati Anthracite Proprietary Limited	8	N/A
Afrimat Phosphates Proprietary Limited	NC	N/A

* Non-compliant.

Management control

Our Board includes four black directors, two of whom are female. The majority of subsidiaries have at least 50,0% black directors on their respective boards of directors. We make effort to ensure participation of historically disadvantaged individuals at decision-making positions and core occupational categories through the Afrimat's in-house Supervisory and Management Development Programmes, Leadership Programme, and external development initiatives. Through these programmes we aim to ensure leadership continuity in key positions, encourage individual advancement within the organisation, and find a match between the current talents to the required future talent.

Employment equity

A total of 84,6% (2022: 84,2%) of the Group's 2 668 employees are from the historically disadvantaged population groups.

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

In recruitment and promotion, the governing principle is 'from within the Group' and priority is given to the advancement of black employees. Employment equity goals are communicated to employees via the various subsidiaries' Skills Development and Employment Equity Consultative Committees.

We are also proactive in recognising and rewarding initiative, effort, and merit. Attractive remuneration and incentive schemes are outlined in the remuneration policy to attract and retain employees over the short, medium, and long term. (See remuneration report [page 70](#).)

Transformation (continued)

Employment equity reports

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

Each business registered its report on its BEE employment status at the Department of Labour by 30 September 2022.

Summary of reports:

	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Afrimat Limited	2	1	-	7	1	4	-	6	-	-	21
Afrimat Management Services Proprietary Limited	3	5	-	18	-	-	-	4	-	-	30
Afrimat Shared Services Proprietary Limited	7	-	-	23	4	1	-	3	-	-	38
Afrimat Group Services Proprietary Limited	1	2	-	17	1	2	-	14	-	-	37
Afrimat Aggregates (Operations) Proprietary Limited	115	121	-	29	9	32	-	13	-	-	319
Afrimat Aggregates (Eastern Cape) Proprietary Limited	25	14	-	7	5	2	-	2	-	-	55
Afrimat Readymix (Cape) Proprietary Limited	19	19	1	9	7	3	-	4	-	-	62
Afrimat Silica Proprietary Limited	29	1	-	1	6	-	-	-	-	-	37
Afrimat Contracting International Proprietary Limited	40	-	-	7	10	1	1	1	-	-	60
Afrimat Mining Services Proprietary Limited	150	15	-	41	6	1	-	9	-	-	222
Afrimat Aggregates (KZN) Proprietary Limited	132	3	1	21	29	4	2	11	-	-	203
Afrimat Concrete Products Proprietary Limited	144	-	1	10	21	1	1	4	-	-	182
Cape Lime Proprietary Limited	30	67	-	20	14	17	1	7	-	-	156
Boublok Proprietary Limited	14	13	-	-	5	1	-	2	1	-	36
Clinker Supplies Proprietary Limited	37	-	-	3	3	-	1	1	-	-	45
Afrimat Iron Ore Proprietary Limited	83	26	-	13	20	7	-	4	1	-	154
Glen Douglas Dolomite Proprietary Limited	72	1	-	16	15	-	1	10	-	-	115
Afrimat Lyttelton Proprietary Limited	62	2	1	4	14	-	-	3	-	-	86
Afrimat Marble Hall Proprietary Limited	79	-	1	8	19	-	-	3	-	-	110
Afrimat Logistics Proprietary Limited	25	5	-	4	6	-	-	-	-	-	40
SA Block Proprietary Limited	77	-	-	12	113	1	-	6	1	-	210
Nkomati Anthracite Proprietary Limited	292	-	-	13	69	-	-	5	3	-	382
Agri Lime Proprietary Limited & Stony Lime Proprietary Limited	64	-	-	7	14	-	-	7	-	-	92
Afrimat Phosphates Proprietary Limited	24	-	-	5	1	-	-	3	-	-	33
Total	1 526	295	5	295	392	77	7	122	6	0	2 725
	72,0%	13,9%	0,2%	13,9%	65,5%	12,9%	1,2%	20,4%	100,0%	0,0%	

A = African C = Coloured I = Indian W = White

The Employment Equity reports have a different cut-off period than the year under review and include employees as at 01 January 2023.

Preferential procurement

Afrimat sees its suppliers as a critical part of its value chain, adding to its success in operating efficiently. Our business focuses on extracting value from our suppliers through direct engagements. This focus on efficiency benefits our bottom line, while retaining focus on localisation, supplier and enterprise development and maintaining quality, reliability, consistency and safety standards across all levels of our supply chain.

Our procurement approach is underpinned by good governance and efficient procedures and processes, supported by strong business relationships. Improvements in our supply chain are driven by KPIs, ethics, customer service, stakeholder interaction and a culture of efficiency.

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

Our Preferential Procurement Philosophy supports transformation in South Africa by:

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

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

Through the tools introduced to track B-BBEE ratings, the Group intensified its focus on Preferential Procurement during the year. The procurement spend on B-BBEE compliant companies was increased in recent years and remains a focus on all levels.

Procurement days were held to increase the awareness of B-BBEE amongst existing suppliers and to create an opportunity for new BEE suppliers to meet with the Group's procurement management. Existing suppliers are continuously encouraged to implement transformation processes within their

companies and those that demonstrate compliance to BEE empowerment, are given preferred supplier status. A continued focus on supplier development resulted in the identification of BEE suppliers who may otherwise not have been identified by the Group, contributing towards an improvement in BEE procurement of the Company. A high level on engagement ensures that this is more than just a compliance check box exercise.

Enterprise and Supplier Development

As part of our commitment to achieving sustainable growth and having an impact on the wider communities that we operate in, we continue to promote Enterprise and Supplier Development, even under difficult conditions with lower demand. We are invested in and committed to the process of assisting small businesses to thrive as they are one of the key vehicles through which poverty alleviation and inequality can be tackled effectively in our local communities, and South Africa as a whole.

All of our Enterprise and Supplier Development initiatives are aimed at ensuring that businesses become capable of supplying their products and services into diverse supply chains, not just into Afrimat. The aim is to help these suppliers become more agile and competitive to foster a strong likelihood of meaningful market share gain and sustainable job creation. This approach forms part of the Afrimat culture and long-term strategy, to create commercially valuable relationships with all stakeholders within our supply chain.

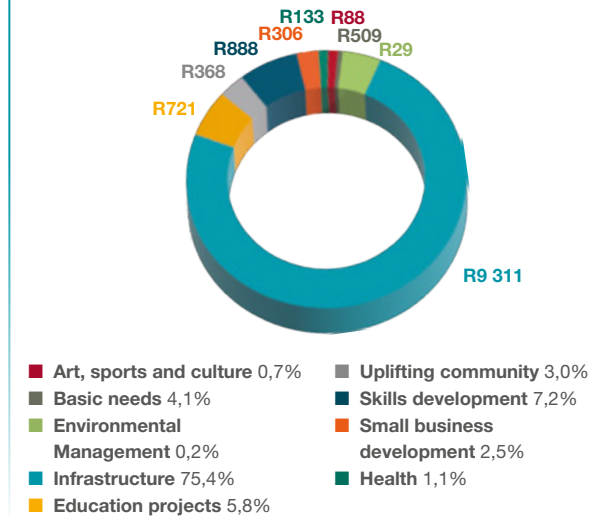
During the year, we contributed towards Enterprise and Supplier Development programmes by providing extensive management advice, administration services, grants and working capital funding to qualifying enterprises. In addition, several services and goods have been ring-fenced in order for the Group to only procure from these enterprises.

These enterprises are further assisted with preferential terms and granting credit facilities relating to fuel purchases and workshop services as well as capital expenditure funding. A continued focus is placed on converting these enterprises into fully fledged suppliers (if applicable).

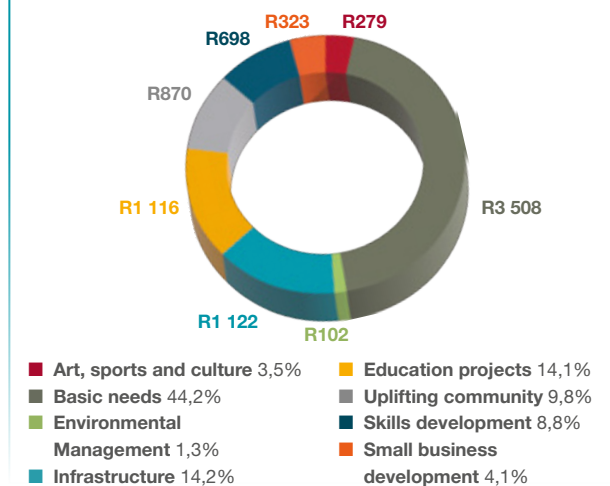
Communities and upliftment

Genuinely passionate about South Africa, we believe in creating value through our CSI in the different communities we operate in. With over 44 mining rights across the country, our geographic footprint allows for a bigger socio-economic impact in the different communities across the country. The geographical footprint map below shows the positive socio-economic impact of the projects and programmes across the different provinces in this financial year. To ensure projects and programmes are aligned with the needs of the communities, the projects and programmes are identified in consultation with communities, local and district municipalities, tribal authorities, and all other relevant stakeholders. The Group targets a portion of its profit to contribute to these initiatives. CSI expenditures during FY2023 amounted to R12,3 million (2022: R7,9 million). Refer to value added statement on [pages 8 and 9](#).

CSI spend: Categorisation 2023 R12,3 million



2022 R7,9 million

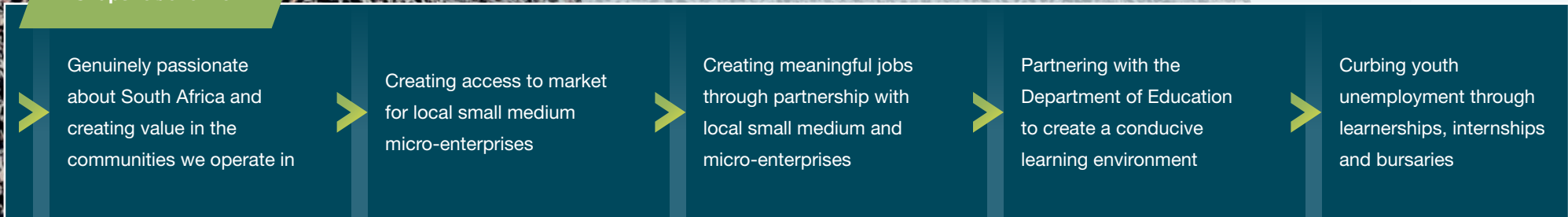


Madadeni Community Hall

Transformation (continued)



Snapshot/overview



Genuinely passionate about South Africa and creating value in the communities we operate in

Creating access to market for local small medium micro-enterprises

Creating meaningful jobs through partnership with local small medium and micro-enterprises

Partnering with the Department of Education to create a conducive learning environment

Curbing youth unemployment through learnerships, internships and bursaries

Education programme



Saldanha



Grade 3 learners at Eden Primary School and Panorama Primary School

Extra/remedial classes for Grade 3 learners in partnership with Missio Dei Education. Learners are taught in their mother tongue in foundation phase and transition to being taught in English from Grade 4. Some learners struggle with the transition and this programme aims to close that gap. The programme focuses on numeracy, literacy, phonics, and values.

Education programme



Grabouw



Peaceful Land in Siyanyanzela informal settlement, Mbalentle in Siteview, Kammaland in Pineview, Flukse Voetjies in Pineview and Little Folks in Water West

Heaven-On-Earth Programme (HOEP) is a school readiness programme for early childhood development centres. The programme focuses on numeracy, literacy, phonics, and values to get learners ready for foundation phase/primary school.

Unemployed youth training programme



Dunoon and Fisantekraal



Unemployed youth in Dunoon and Fisantekraal

The programme has been running over seven years and aims to provide the youth with skills relevant to the labour market and empower them to be employable. The programme is run by Learn to Earn, a division of Fisantekraal Centre of Development.

Infrastructure



Malelane (Steenbok)



Steenbok residents and surrounding communities

Renovation and extension of Steenbok Clinic. The Steenbok Clinic offers primary healthcare to Steenbok residents and surrounding communities and the necessary upgrades address fundamental needs identified specifically by the community.

Infrastructure



Malelane (Madadeni)



Madadeni residents

Construction of the Mawewe Community Hall in Madadeni. The hall is used as a venue for training and development initiatives, traditional events, and formal community meetings.



Mineral Resources Register

The Group supplies a broad range of products ranging from Construction Materials (aggregates and concrete-based products), Industrial Minerals (limestone, dolomite and industrial sand), Bulk Commodities (iron ore and anthracite), Services (external logistical and mining services) and the Group's latest addition, Future Materials and Metals (phosphate, vermiculite and rare earths elements). For further information, refer to the business overview on page 4. This Mineral Resources register specifically relates to the Bulk Commodities division of the Group, which consists of iron ore and anthracite. Afrimat established this division in 2016, with the acquisition of an iron ore mine in the Northern Cape. The division was subsequently expanded to include high-quality anthracite in Mpumalanga. Mining activities are undertaken pursuant to mining rights granted by the Department of Mineral Resources and Energy.

Compliance and reporting basis

Afrimat's method of reporting Mineral Resources and Mineral Reserves complies with the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC Code and section 12.13 of the JSE Listings Requirements). The SAMREC Code of 2016 sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves in South Africa. It was launched and adopted by the Johannesburg Stock Exchange (JSE) in May 2016. The 2023 Afrimat Mineral Resources and Mineral Reserves Report is based on the SAMREC Code. The reporting of Mineral Resources and Mineral Reserves is done annually according to the following flow chart:

The lead Competent Person with overall responsibility for the compilation of the 2023 Mineral Resources and Mineral Reserves report is Philip Mostert, an Afrimat employee. He confirms that the information in this report complies with the SAMREC Code and that it may be published in the form and context in which it was intended.

Philip Mostert graduated with a BSc (Hons) in geology from the University of Pretoria. He spent six years at Goldfields of South Africa as a production geologist, where his duties included the management of the surface capital exploration programme at Kloof. Subsequently, he joined Aflase Gold followed by Brinkley Mining as Senior Exploration Geologist, where he managed the exploration programmes both in South Africa and internationally.

In 2009, he joined Eskom's Primary Energy Division, and was promoted to Senior Manager Technical Services, taking responsibility for all geology, coal quality management, mining and process engineering functions. He was employed as a Principal Consultant at The MSA Group between 2015 and 2017, and at Deloitte Technical Mining Advisory as Senior Manager between 2018 and 2021. In both instances he was responsible for the completion of Competent Persons Reports, leading due diligence studies, Mineral Asset Valuations and evaluations of mining projects at all stages of development.

He was appointed as a Business Development Manager at Afrimat in September 2022, primarily focused on evaluating new mining acquisitions, assisting with the development of life of mine plans and providing expert geological services to the various Afrimat operations.

He is registered with the South African Council for Natural Scientific Professions (SACNASP) as a professional natural scientist (Pr.Sci.Nat.) in the field of practice of geological science, registration number 400442/11.

He has a total of 22 years' experience in various aspects of mining and exploration geology, database management, Mineral Asset Valuations and Mineral Resource and Mineral Reserve estimation and as such is considered to be a Competent Person. All Competent Persons at the Afrimat corporate office and the operations have sufficient relevant experience in the type of deposit and in the activity for which they have taken responsibility.

The Competent Persons consent to the inclusion of the Exploration Results, Mineral Resources and Mineral Reserves information in this report, in the form and context in which it appears. Details of Afrimat's Competent Persons are available from the Company secretary on written request.

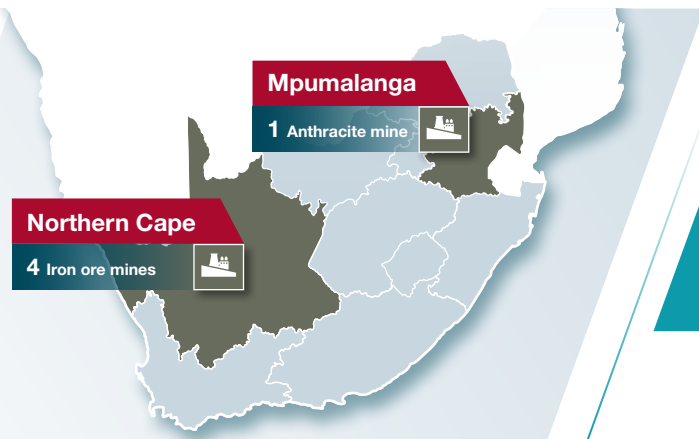
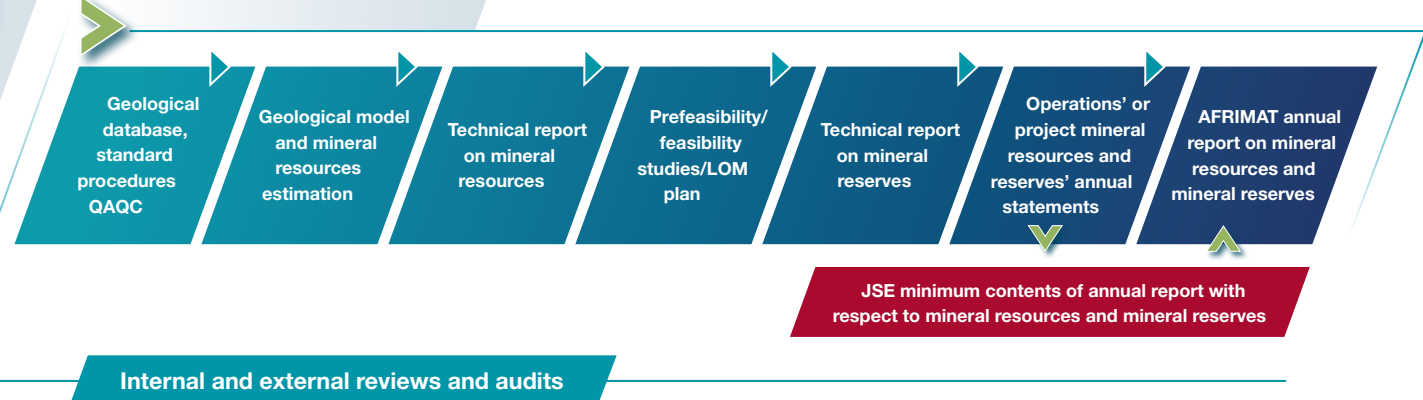
Philip Mostert Pr.Sci.Nat

Business Development Manager

Tyger Valley Office Park No 2
Corner Willie van Schoor Avenue and Old Oak Road
Bellville

2 May 2023

Reporting of mineral resources and mineral reserves flow chart



FY2023 Mineral Resources and Mineral Reserves Summary at 28 February 2023

The tables below are summaries of Afrimat's Mineral Resources and Mineral Reserves. Afrimat has not previously declared Mineral Reserves.

Nkomati Anthracite

Nkomati summary Coal Resource estimate (28 February 2023) Air Dried Washed Qualities @ 18% Ash													
Mining Area	Year	Measured			Indicated			Measured and Indicated			Inferred		
		MTIS Mt	Yield %	CV MJ/kg	MTIS Mt	Yield %	CV MJ/kg	MTIS Mt	Yield %	CV MJ/kg	MTIS Mt	Yield %	CV MJ/kg
Mangweni	2023	8.9	85.0	27.1	–	–	–	8.9	85.0	27.1	14.0	78.2	26.7
	2022	7.1	70.1	26.3	0.4	51.7	26.9	7.5	69.2	26.3	16.1	76.2	26.4
Madadeni	2023	20.8	76.3	26.5	2.3	73.2	26.3	23.1	75.9	26.4	1.0	40.8	25.0
	2022	18.9	68.5	26.7	3.9	79.8	26.4	22.9	70.5	26.7	4.8	48.3	26.1
Total Nkomati	2023	29.7	79.1	26.7	2.3	73.2	26.3	32.0	78.7	26.7	15.0	75.8	26.5
	2022	26.1	68.9	26.6	4.3	77.4	26.4	30.4	70.2	26.6	20.8	69.8	26.3

Notes:

Coal Resources include Coal Reserves.

A minimum seam thickness of 0.5m for opencast and 1.2m for underground applied.

Rounding down of tonnages to 10,000t.

Rounding down may result in computational discrepancies in totals.

Nkomati summary Coal Reserve estimate ROM (28 February 2023)							
Mining Area	Year	Probable		Proven		Probable and Proven	
		ROM Mt	CV MJ/kg	ROM Mt	CV MJ/kg	ROM Mt	CV MJ/kg
Mangweni	2023	3.0	23.4	–	–	3.0	23.4
	2022	–	–	–	–	–	–
Madadeni	2023	–	–	13.2	22.7	13.2	22.7
	2022	–	–	–	–	–	–
Total Nkomati	2023	3.0	23.4	13.2	22.7	16.2	22.9
	2022	–	–	–	–	–	–

Notes:

Rounding down of tonnages to 10,000t.

Rounding down may result in computational discrepancies in totals.



Mineral Resources Register (continued)

Afrimat Iron Ore

		Afrimat Iron Ore summary Mineral Resources (28 February 2023)							
Mining Area	Year	Measured		Indicated		Measured and Indicated		Inferred	
		Mt	Fe %	Mt	Fe %	Mt	Fe %	Mt	Fe %
Demaneng	2023	–	–	3.2	56.97	3.2	56.97	–	–
	2022	–	–	–	–	–	–	–	–
Jenkins	2023	16.2	60.38	–	–	16.2	60.38	–	–
	2022	21.5	62.66	2.3	60.73	23.8	62.47	2.5	62.30
Driehoekspan	2023	18.0	57.39	4.3	56.40	22.3	57.2	–	–
	2022	15.1	60.10	4.9	59.80	20.0	60.03	2.0	58.20
Doornpan	2023	1.1	56.57	1.5	57.14	2.5	56.88	0.1	58.10
	2022	1.3	60.92	0.3	61.12	1.6	60.95	0.1	59.80
Total Afrimat Iron Ore	2023	35.2	61.59	9.0	56.73	44.2	60.60	0.1	58.10
	2022	41.5	61.26	7.5	60.13	45.4	61.08	4.6	60.48

Notes:

Mineral Resources at Demaneng was not classified according to the SAMREC Code.

50% Fe cut-off used for Resource estimation.

Mineral Resources include Mineral Reserves.

Rounding down of tonnages to 10,000t.

Rounding down may result in computational discrepancies in totals.

		Afrimat Iron Ore summary Mineral Reserves (28 February 2023)					
Mining Area	Year	Probable		Proven		Probable and Proven	
		ROM Mt	Fe %	ROM Mt	Fe %	ROM Mt	Fe %
Demaneng	2023	2.6	62.17	–	–	2.6	62.17
	2022	–	–	–	–	–	–
Jenkins	2023	15.5	62.74	–	–	15.5	62.74
	2022	–	–	–	–	–	–
Driehoekspan	2023	7.6	60.18	–	–	7.6	60.18
	2022	–	–	–	–	–	–
Total Afrimat Iron Ore	2023	25.7	61.93	–	–	25.7	61.93
	2022	–	–	–	–	–	–

Notes:

All Iron Ore Resources are mined open pit.

Rounding down of tonnages to 10 000t.

Rounding down may result in computational discrepancies in totals.



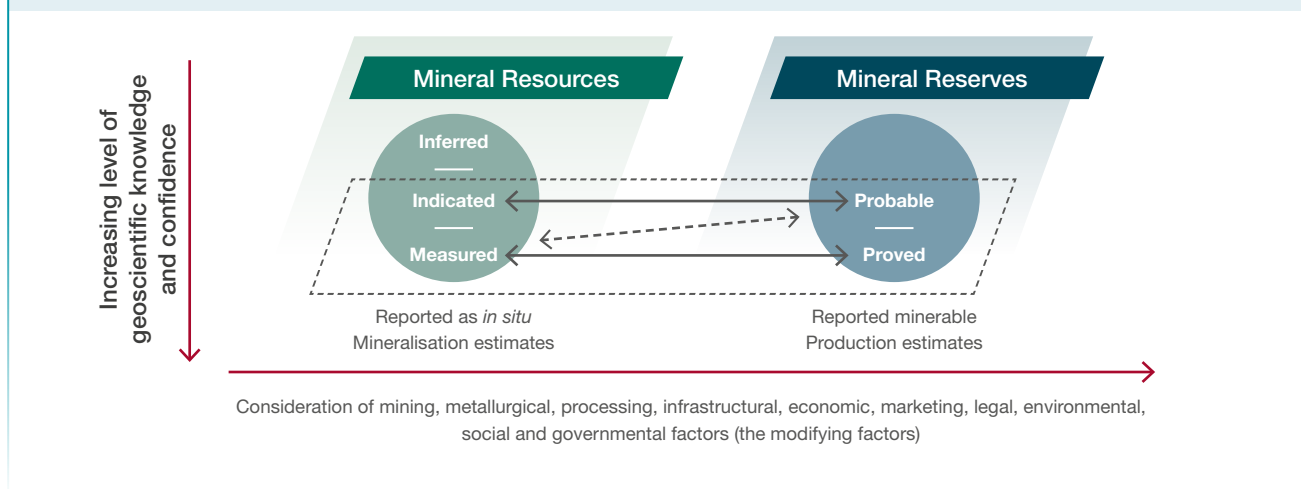


Overview of assets Nkomati Anthracite

Locality map of Nkomati Anthracite



Exploration results



Overview

Nkomati is an anthracite mine located in eastern Mpumalanga province, South Africa, close to the borders of Mozambique and Swaziland. Nkomati covers two distinct mining areas, namely Mangweni to the north and Madadeni to the south, separated by the Komati River. A central coal processing plant is located midway between these areas on the western side of the Komati River.

Legal tenure

Security of tenure for the Nkomati properties is held in the form of Mining Right MP30/5/12/2/89/MR issued on 22 January 2022. The mining right is valid until 21 January 2052 and covers approximately 11,812 hectares.

Exploration activities and expenditure

A total of 181 fully cored boreholes were drilled in 2020, 2021 and 2022, totalling 17 917 metres.

Exploration activities are limited to resource definition drilling, largely through the use of diamond core drilling.

Logging and sampling of the vertical cored boreholes are done as soon as possible after drilling to avoid deterioration of the coal core. The core is photographed and logging, sampling and analytical results are captured, which includes validation processes during importing of data. Coal samples are sent to a SANAS accredited laboratory.

For FY2023 the exploration expenditure was R12.38 million.

Geological setting

Regional geology anthracite

The majority of the Nkomati Mining Right is located within a narrow sliver of the north/south trending rocks belonging to the Karoo Supergroup which are situated between the granites and greenstones associated with the Barberton Greenstone Belt to the west and the Lebombo syncline to the east. Nkomati is located in the Ka'Ngwane Coalfield.

The Ka'Ngwane Coalfield extends along the eastern border of South Africa, north of Swaziland and west of the Kruger National Park, for approximately 70km by 40km and is subdivided into northern, central and southern sections. Although named the Ka'Ngwane Coalfield north of Swaziland, the coalfield continues southwards through Swaziland and is believed to be an extension of the Somkhele Coalfield.



Mineral Resources Register (continued)

The regional geology is dominated by sedimentary sequences including sandstones, mudstones, shales and coal seams of the Karoo Supergroup. The Karoo Supergroup, in chronological order, comprises thin glacial sediments of the Dwyka Group; coal hosted in Eccca Group sediments; coarse sandstones of the Beaufort Group; and basalt of the Stormberg Group. Coal sequences occur in the Volksrust and Vryheid Formations of the Eccca Group. As a result of the deep sand cover, outcrops are limited, and geological mapping was essentially based on drill hole information. No clear marker beds are present. Strata dip regionally to the east at between 3° to 20°, with a down dip steepening. The strike is north northeast/south southwest. The steepening dip defines the Lebombo monocline with a north northeast/south southwest trending fold axis.

Coal has been devolatilised on a regional scale and locally where adjacent to intrusives. The regional alteration is due to major and common regional faulting and volcanic activity throughout the coalfield. Faulting and dykes are generally post coal deposition.

Local geology-Nkomati

The local surface geology within the Nkomati Mining Right typically comprises sediments, coal seams and extrusive lava flows associated with the Karoo Supergroup along with the granites associated with the Nelspruit Suite (post Barberton Sequence). At Nkomati, seams 1, 2 (comprising 2L, 2U(1), 2U(2) subseams), 3, 4, 6 and 8 occur within the late Permian age, Vryheid Formation. The Volksrust Formation has not been encountered at Nkomati. The Nkomati area has been divided into two areas namely Mangweni to the north and Madadeni to the south. There are generally four to five coal seams present of economic significance within the Vryheid Formation, dipping approximately 8° to 10° east and a 2° dip towards the south. The sedimentary succession at Nkomati comprises sandstones, mudstones and shales.

Structurally, the mining area is affected by multiple north northeast/south southwest trending faults and, to a lesser extent, east/west faults resulting in the Mining Right being divided into a series of fault-bounded blocks. Although the geological modelling has been undertaken across these structures, mining areas have been defined by the fault bounded blocks separated by large fault throws. The local structure has had a significant impact on the selection of the mining method, with up faulted blocks enabling opencast methods to be implemented due to lower stripping ratios. Down faulted blocks may only be considered for underground extraction methods. The area is intruded by two major sills, which appear to have been intruded before the dykes and the thermal effects of these sills have resulted in the formation of anthracite. These sills have not been mapped in detail on surface, with the information pertaining to their extent being interpreted from the geophysical survey results. The sills have not been separately identified in drill holes using

lithological characteristics and therefore they have not been named. Vertical to semi-vertical dolerite dykes are regularly encountered in exploration drill hole cores and are visible in both the opencast and underground mining areas. These dykes appear to be secondary intrusions cross cutting the sills and coal seams. The dykes are generally cool and do not show significant burning or devolatilisation of the adjacent coal seams.

The coal seams are numbered from bottom to top, with the 1 seam being lowermost and the 8 seam being the uppermost, stratigraphically. The upper seams are only encountered in drill holes located towards the east. The occurrence of the various coal seams varies from Mangweni in the north to Madadeni in the south.

At Mangweni the 2L seam is well developed and of significant thickness (on average 5.5m thick) and is the only seam of economic interest. The seam can be split into two horizons based upon its phosphorous content, with the upper portion being significantly lower phosphorous content than the lower portion. The lowermost 1 seam does not occur at Mangweni. The upper coal seams of the 4, 3 and 2U are less well developed and significantly thinner with approximately thicknesses of 0.6m, 1.1m and 1.2m, respectively, totalling approximately 3m.

At Madadeni, the 1, 2L and 2U (1) seams are well developed and of economic interest. The seams are on average 1.2m, 4.0m, 3.5m thick, respectively, totalling approximately 8.7m. The 2U (2) is approximately 0.3m thick and therefore not of economic interest. All of the 2L coal seam is classified as low phosphorous coal.

The 2L seam is the main seam mined within the Mining Right, and is the seam targeted for underground mining. All seams are extracted within the opencast mining area.

Orebody modelling

The most recent geological models include exploration drilling and sampling results up to and including 31 January 2023 Dassault Systèmes GEOVIA Minex™ Version 6.5.5 (Minex), Golden Software Surfer® Version 17 (Surfer) and Model Maker® Version 12.02 were used for the structural, physical and quality modelling.

A 25m x 25m grid cell size was used throughout. Coal seam floor elevations and coal seam thicknesses were gridded from which the coal seam roof elevations were calculated. All raw coal qualities were gridded for the seams of interest (CV, Ash, IM, RD, VM, FC and TS) as well as the same qualities and theoretical yield variables within the wash curve. It is noted that over time different wash fractions have been analysed in the various exploration

campaigns. These cumulative fractions have been regularised using Micromine's Geobank data management software to estimate the missing fractions between analysed fractions.

Phosphorous has only been analysed on certain wash fractions (float density 1.55 and 1.65) which was not necessarily consistent with the product reported. Fortunately, this still does provide a rigorous indication of the expected phosphorous content of the saleable product. Minex's Coal Quality Database module was used to wash for a theoretical product of 18% ash per drill hole and per coal seam. These results were then gridded and were used to report the theoretical product yield and quality per Coal Resource block.

Mining activities

Mining is focused in the Madadeni section, with majority of coal extracted from the Madadeni Opencast and its North-East extension. The 2U and 2L seams are the primary mining targets, with additional coal coming from the 1 and 3 seams where developed. The development of Madadeni Block L commenced in November 2022, with first coal production reached in March 2023. Madadeni II production ceased in October 2022 after reaching proximity limits to the local community.

The Mangweni Mini-pit was exhausted in May 2022, with the void left as a possible second access point into the Mangweni Underground. Development of the Mangweni Underground decline continues and is expected to reach the coal horizon in Quarter 2 2023.

The remaining Life of Mine (LOM) is estimated at 22 years with ROM reserves of 16.18 Mt. The colliery is investigating future opportunities (opencast and underground) to extend the LOM.

There are no Inferred Coal Resources included in the LOM plan.

Production

ROM feed for FY2023 was 434 kt with a saleable product of 304 kt.

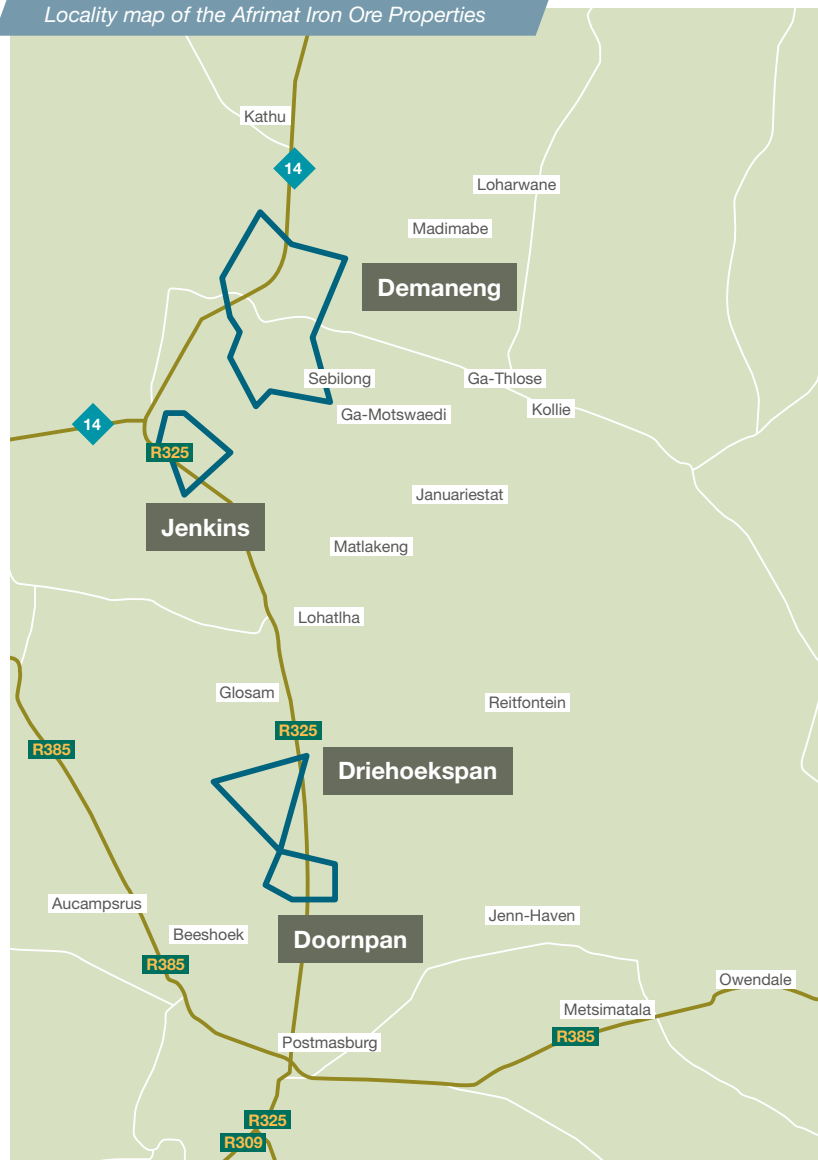
The coal from the mining areas are transported by truck to the ROM tip at the centrally located coal processing plant.

During FY2023, the sales split averaged 58% small nuts (+20-80mm), 41% duff (+0.5-20.0mm), and 1% spirals and slurry. Primary products are sold FOT to the local market, specifically to Glencore Operations South Africa (Pty) Limited (Glencore) for use in their ferroalloy smelters as a high-carbon reductant. Limited export sales of secondary products occur when excess product is available.



Afrimat Iron Ore

Locality map of the Afrimat Iron Ore Properties



Overview

Afrimat operates the three properties (Demaneng, Jenkins and Driehoekspan) as a single operating unit, with shared technical, operational and support functions. Production output from the properties are considered as a whole to meet customer requirements and maximise value. Doornpan is considered an exploration property.

The Demaneng Iron Ore mine is situated approximately 15km south of the mining town of Kathu in the Northern Cape province. Demaneng primarily mined Pit H and Rust & Vrede Pit, with ore processed through the two dense medium separation plants.

The Jenkins Iron Ore Mine is situated approximately 8km due south of the Demaneng Iron Ore Mine and about 23km south of the mining town of Kathu. Jenkins mined from a single open pit and produces a direct shipping ore product from its fixed crushing plant.

The Driehoekspan Iron Ore Mine is situated approximately 19km north of the Postmasburg town and about 25km south of the Jenkins Iron Ore Mine. The Doornpan Iron Ore project is situated approximately 13km north of the Postmasburg town and about 6km south of the Driehoekspan Iron Ore Project.

Mineral Resources Register (continued)

Legal tenure	
Demaneng	Security of tenure for the Demaneng property is held in the form of Mining Right NC 270 MR issued on 28 May 2011. The mining right is valid until 27 May 2028.
Jenkins	Security of tenure for the Jenkins property is held in the form of Mining Right NC 10094 MR issued on 24 March 2021. The mining right is valid until 23 March 2051.
Driehoekspan	Security of tenure for the Driehoekspan property is held in the form of Mining Right NC 10082 MR issued on 15 October 2020. The mining right is valid until 14 October 2050.
Doornpan	Security of tenure for the Doornpan property is held in the form of Mining Right NC 10034 MR issued on 4 December 2017. The mining right is valid until 3 December 2023.

the conglomeratic ore derived from erosion of the underlying laminated ores. The conglomeratic ores can thicken considerably into karst (solution) palaeo lows in the dolomite which can produce ore deposits with irregular floor and thickness distributions.

Local geology – Demaneng

The lithological sequence consists of shale and conglomerate of the Gamagara Formation that is unconformably underlain by BIF of the Manganore Iron Formation which is overlying an undulating Wolhaarkop chert breccia.

The majority of the mineralisation on Pit H occurs in a zone of structurally controlled haematite alteration in the BIF. The mineralisation is interpreted to occur within a series of repeated/duplicated zones of faulting or thrusting, which are orientated north-south. Duplication is evident with older stratigraphy observed to overlie younger stratigraphy. A set of northwest-southeast linear structures can be seen in the open-pit and are considered to be associated with the faulting and thrusting seen in the drillholes.

At Pit H, these linear features are perpendicular to the strike of the thrust orientations with recorded measurements of 90° to 110° dipping at approximately 75° to 90° to the northeast. Three distinct zones of mineralisation are evident in the drill holes, massive, homogenous haematite (>60% Fe), layered BIF with minor zones of haematite enrichment 45% to 55% Fe and a conglomerate.

The zones of partially replaced BIF that contain haematite are interpreted to form a ‘halo’ around the massive mineralisation which is orientated approximately northwest-southeast. Overlying the host BIF is the Doornfontein Conglomerate. The pebbles and matrix of the conglomerate are often seen to be replaced by haematite. The conglomerate is flat lying, with grades ranging from 50% to 55% Fe.

Local geology – Jenkins

The eastern part of Jenkins contains well exposed outcrops of dense black hematite, dipping at around 17° to west. At approximately 200m down slope, the hematite is overlain by the younger Gamagara quartzite and ferruginous shale, on an angular unconformity. Thrust faulting has been reported in the literature between the oxide layers and the underlying dolomite. Further to the west, the sedimentary rocks are overlain by the basaltic andesite of the Ongeluk Lava along the Black Ridge thrust fault plane.

Variations occur in the thickness of the various layers due to undulations of the dolomite floor (probably collapsed solution cavities in the dolomite), variations of the overlying sedimentary events and compression flexing from the west.

Exploration activities and expenditure

Exploration activities are limited to resource definition drilling, largely through the use of percussion drills. Logging and sampling of the boreholes are done at the drill rig. Logging, sampling and analytical results are captured, which includes validation processes during importing of data.

Samples are sent to the on-site laboratory for analysis.

For FY2023 the exploration expenditure was R4.41 million.

Geological setting and modelling

The central part of the Maremane dome comprises a flat lying erosional plain consisting of dolomite of the Campbellrand Subgroup, with an eastern and western limb consisting of the iron formation of the Asbesheuwels Subgroup of the Transvaal Supergroup.

The dome is a north-south plunging anticline elongated to form a semi-arcuate feature, with the eastern limb dipping gently to the east and the western limb dipping to the west. The structure of the dome has been considerably modified by later tectonics and is a remnant of a much larger palaeo feature with considerable amounts of ore material, mainly from the

Griquatown Iron Formation, having been removed by erosion. Only the eastern half of the dome is exposed with the western half covered unconformably by the Gamagara succession of diamictite, quartzite and basaltic andesites, with an unconformity produced by thrusting from the west caused by the low angle Black Ridge thrust fault.

High to medium grade hard hematite iron ore deposits are considered as type examples of the ancient enrichment of Precambrian Banded Iron Formations. These deposits are situated on the Klipfontein hills ridge, part of the eastern edge of the Maremane dome where BIF overlies the core of dolomite. Along the Klipfontein hills forming the eastern edge of the dome structure, scattered outcrops of BIF and chert breccia occur. The Sishen and Beeshoek iron ore deposits are hosted within the Manganore Iron Formation which is generally regarded as an altered equivalent of the Kuruman Iron Formation and the Griquatown Iron Formation of the Asbesheuwels Subgroup.

The distribution of chert bearing dolomite has influenced the development of karst type sub-surface into which high grade iron ore deposits have developed and been preserved. The two major types of iron ore deposits are the micro-crystalline hematite ores derived from supergene enrichment of the Asbesheuwels Iron Formation below the angular Gamagara unconformity and

Local geology – Driehoekspan

On Driehoekspan, only the western extremity of the farm contains the ore zone which outcrops on three distinct topographic ridges with opposing and overturned dips on the western most exposures, the eastern remainder of the farm being the central flat lying erosional dolomite plain with occasional low hills of dolomite.

Compression tectonics from the west has produced steep to vertical and possibly overturned isoclinal folding, the frequency and amplitude of which decreases rapidly eastwards. This is evidenced by three separate outcrop exposures of both ferrous and ferro-manganiferous oxide material, decreasing in altitude from the west.

Local geology – Doornpan

Doornpan lies on the flat lying central Maremane dome dolomite plain with the Bleskop Hill forming an isolated topographic high containing a semi-elliptical crown outcrop of hematite. Outcropping black hematite is visible both at the apex and at the base of the hill. Topographically, the top of the hill forms a shallow inwardly dipping which shows that the hill is a remnant overlying a collapsed solution cavity forming a slump structure, the base of which is some 70m below the present-day dolomite erosional surface.

Orebody modelling

The Datamine software package was used for geological modelling and geostatistical analyses and mineral resource determination and classification.

The orebody top and bottom contacts were established using a 50% Fe cut-off value.

>50% Fe samples near to the ore body (in both hanging and footwall) was used as a cut-off grade. The weighted grade of the outlier and the waste separating it from the ore body was calculated. If this weighted grade exceeded 50% Fe the outlier (and waste) was included in the ore body.

The orebody top and bottom were constructed as two separate DTM surfaces and the volume between was filled with blocks. The orebody was terminated 50m beyond the last line of boreholes. In order to avoid overestimating of the resource a geological loss was calculated for the orebody model. The number of samples at grades less than 55% Fe within the ore envelope was expressed as a percentage of the total samples and quoted as a loss.

Data was composited to 1m intervals. Summary statistics as histograms were generated on the composited file for the three different ore bodies.

The elements studied are Iron, Potassium, Silica, Alumina, Sulphur, Phosphate, Magnesium, Sodium and Titanium. The elements mainly follow the Normal distribution. Ordinary kriging was used in the interpolation process. The number of Discretisation points is 4*4*4 in the X, Y, Z directions respectively. The Datamine software package was used for geological and grade modelling. Swath analyses for the Fe and K₂O elements were done to compare borehole input against the predicted Block model value.

A 50m corridor along the Y-axis of the deposit through the borehole file and the same corridor through the block model was compared to assess if the same trend is present, i.e. is the kriging interpolation following the borehole values.

Mining activities

Demaneng mines four open pits (JC, Pit H, Rust and Vrede and Rust and Vrede South), with a single open pit in operation at Jenkins. Development of mining operations at Driehoekspan is ongoing and expected to reach full production during FY2024.

The remaining LOM is estimated at eleven years with ROM Reserves of 25.68 Mt.

There are no Inferred Mineral Resources included in the LOM plan.

Production

ROM for FY2023 was 1.97 Mt with a saleable product of 1.25 Mt.

Ore from the pit is transported to the ROM tip located at each site. Dependent on iron content it is either stockpiled and blended as direct shipping ore, or processed through the dense medium separation plants at Demaneng.

All product is transported to Lyleveld Siding, from where it is loaded on trains for transport to local and international customers.



Executive Committee visit to Sishen (Bulk Commodities)

Remuneration Report

Letter from the Chairmen of the Remuneration & Nominations Committee

Dear shareholders

On behalf of the Committees, we present the FY2023 remuneration report. This report highlights Afrimat's remuneration philosophy and policy and illustrates how the policy has been implemented, disclosing payments made to non-executive and executive directors during the year.

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

The Company is committed to shareholder engagement regarding its remuneration policy and its consistent implementation in order to maintain a strong relationship with our shareholders. We will continue to improve policies and practices to be aligned with remuneration developments in local and global best practices but also more importantly aligned with Afrimat's strategy and values.

Both the Company's remuneration policy and its implementation report thereon will again be presented to shareholders for separate non-binding advisory votes at Afrimat's 2023 AGM. In the event that 25% or more of the shareholders vote against either the remuneration policy or the implementation report at the meeting, Afrimat will engage with such shareholders through dialogue, requesting written submissions or otherwise. In order to address their concerns, always with due regard to meeting the Company's stated business objectives while being fair and responsible toward both the employees and shareholders.

Focus areas for FY2024

Employee development remains a critical item and we will continue to enhance our communication and focus on fair pay principles across the Group

Sound shareholder engagement to ensure a balanced and healthy relationship

Attract and retain personnel who will create long-term value

Continued focus on a healthy culture

Committee considerations and decisions

Introduction

The Remuneration & Nominations Committee is an independent and objective body, which monitors and strengthens the credibility of the Group's executive remuneration system. It ensures that executive directors and management is fairly rewarded and that their remuneration is linked, in part, to individual performance, the Group's performance and market conditions and benchmarks. It assists the Board in monitoring, reviewing and approving Afrimat's remuneration policies and practices, and administration of its share incentive schemes. It is therefore authorised by the Board, to seek any information that may further obtain external legal and/or other independent professional advice if deemed necessary, at the expense of the Group. The requirement for external advisors is assessed annually in the context of issues at hand and the recommendations by these advisors are only used as a guide, and do not serve as a substitute to the Board's thorough consideration of the relevant matters.

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

Prescribed officers are defined as those who exercise general executive control over and manage the whole or significant portion of the business and activities of the Group, or who regularly participate to a material degree in such exercise of general executive control and management. The executive

directors are deemed to be prescribed officers of the Company. Their remuneration is disclosed in the integrated annual report on [page 74](#).

Voting at the AGM held on 3 August 2022

The remuneration policy and implementation report is tabled each year for separate non-binding advisory votes by shareholders at the AGM. At the AGM on 3 August 2022, the remuneration policy and the implementation report were passed by the requisite majorities. As such, no further engagement with shareholders was required. The 2022 and 2021 AGM voting results are set out below.

	2022	2021
Advisory vote		
Remuneration policy	86,7%	88,7%
Implementation report	94,5%	90,6%
Special Resolutions 1 – 12		
Future non-executive directors' remuneration	99,5%	99,9%

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

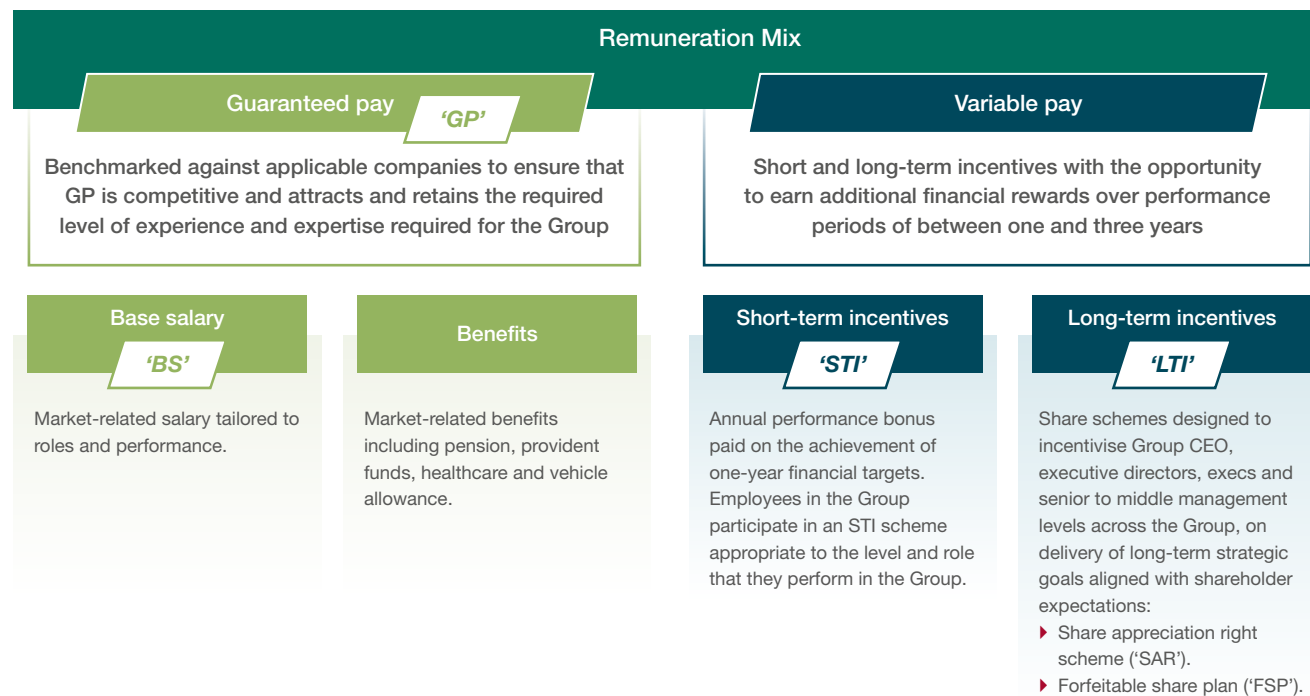
Independent external advisors

The Committee contracted the services of Deloitte Touche Tohmatsu Limited during FY2023 for independent external advice. The Committee continues to use Willis Towers Watson Public Limited Company (Willis Tower Watson) for remuneration benchmarking purposes. Furthermore, the Committee is satisfied with their independence and objectivity.

Remuneration Policy and Framework

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

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



Discretion

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

The Group's executives are remunerated in terms of a guaranteed remuneration package and incentivised with a short-term incentive bonus and long-term share appreciation rights scheme and forfeitable share plan. The remuneration packages are structured on a 'cost to company' basis and include contributions to health care and retirement benefits. Annual increases to executive remuneration packages are adjusted for changes in the general cost of living and market-related changes. Performance incentives are calculated in terms of defined profit targets and key performance indicators ('KPIs'), including risk management efficacy. Details of the share appreciation rights scheme and forfeitable share plan for executive directors and senior management are disclosed on [pages 72 to 73](#) of this report. (Afrimat's full remuneration policy is available at www.afrimat.co.za.)

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

Some of the principles driving fair and responsible remuneration are:

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

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

Employee share benefit scheme

The Afrimat employee trust, Afrimat BEE Trust, holds (indirectly through AEI) on an unencumbered basis, 6,8 million shares representing 4,3% of the issued share capital of the Company. The Company is in the process of increasing the shareholding by qualifying employees to 5,0%.

Qualifying employees will be an individual who must:

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

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

The beneficiaries have been allocated units in relation to the shares held. A beneficiary shall not be entitled to dispose and/or encumber or in any way deal with his/her trust unit, but will have a vested right to receive distributions, i.e. dividends commensurate with his/her participation rights. Dividends to the amount of R6,0 million (2022: R5,0 million) was distributed to the qualifying participants during the current financial year.

Remuneration report (continued)

At least 85,0% of the beneficiaries under the revised scheme shall be people defined as 'black' in terms of the Broad Based Black Economic Empowerment Act. The Company's qualifying employees constitute a representation of more than 85,0% black persons, i.e. 92,7%.

Employees

Collective wage increases for employees in bargaining units, i.e. where recognition agreements are in place and formal collective bargaining agreements take place, are negotiated with the representative trade union per business unit. Trade union membership in bargaining units comprises 45,2% (2022: 45,2%) of the total workforce.

Remuneration mix

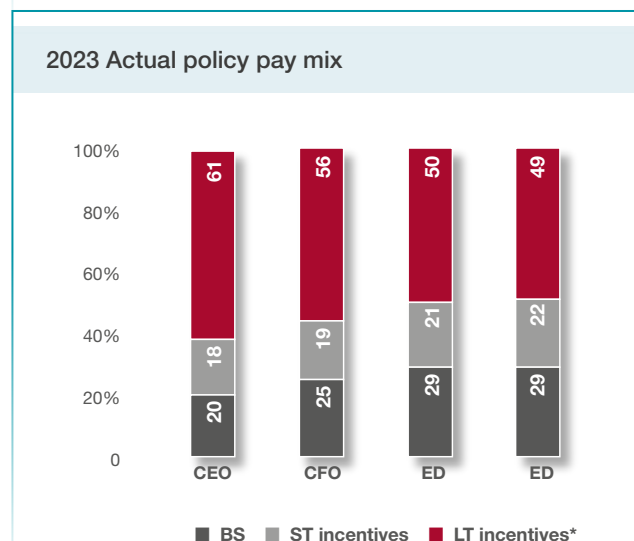
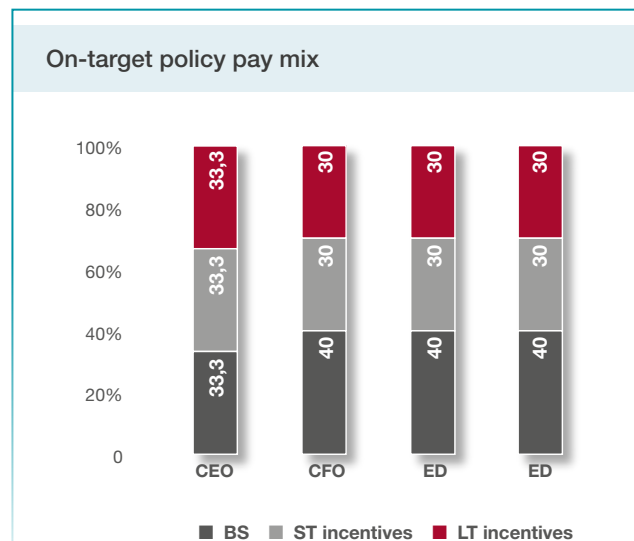
Refer [page 71](#) for remuneration framework of executives.

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

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

Share appreciation rights and forfeitable shares are issued to executives to align the interest of executives with those of the shareholders. The award of share options and forfeitable shares to key management is recommended by the Remuneration & Nominations Committee and approved by the Board. Refer to note 18 on [page 136](#) of the annual financial statements for further information. Non-executive directors do not take part in any performance based remuneration, as to not adversely affect the independence and objectivity of such directors.

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



* LT incentives are valued at vesting date and not award date.

Benchmarking

The Group uses industry and country specific benchmarking in ensuring that we apply the right mix and remunerate our executives competitively. The Committee uses remuneration surveys and peer group data from the JSE construction/mining sector. Afrimat targets between the 25th percentile and the 50th percentile for guaranteed pay of the market for executives due to higher relative variable pay with regards to the short-term incentive bonus scheme ('STIBS') and LT incentives.

Employment contracts

Refer to note 19 on [page 140](#) of the annual financial statements for further information.

Share appreciation right plan ('SAR')

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

SARs are granted to executives and key employees having regard, among other things, to the past and potential contribution of the person to the Group and the need to retain the skills of the employee. The instruments provide a right to future delivery of Afrimat shares (the value equating to the growth in share price from grant date to exercise date of the instruments, e.g. if 10 SARs are awarded at R10 and the share price grows to R20, then R100 will be delivered in shares (five shares at R20 on exercise date). Overall levels of SARs granted are reviewed annually in accordance with market best practice. Every qualifying position will be capped in terms of the maximum total SARs. When SARs vest the performance criteria stipulated in the SAR scheme rules (and agreed with participants in terms of grant letters) determine whether individuals qualify to receive shares and the quantum of shares. The vesting period of the SARs is typically three years, but SARs may vest up to five years after grant date (with a further exercise period). For early termination of employment (based on resignation, dismissal) all unvested SARs will lapse, but for good leavers (disability, death, retrenchment, etc.) unvested SARs will vest pro rata based on time employed and the extent to which performance conditions were met. The aggregate number of shares at any one time, which may be settled in respect of this SAR to all participants, shall not exceed 10 million shares, which equates to approximately 7,0% of the number of issued shares at the date of adoption of the SAR. Although a limitation of 7,0% was provided in the SAR rules, the actual aggregate number of shares that may settle at any one time has always been below 2,0%.

The maximum number of shares settled to any single participant in terms of this SAR, will not exceed one million shares, which equates to approximately 0,7% of the numbered issued shares at the date of adoption of the SAR, which is considered in line with best market practice. The limits will be aggregated with the FSP as discussed on [page 73](#).

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

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

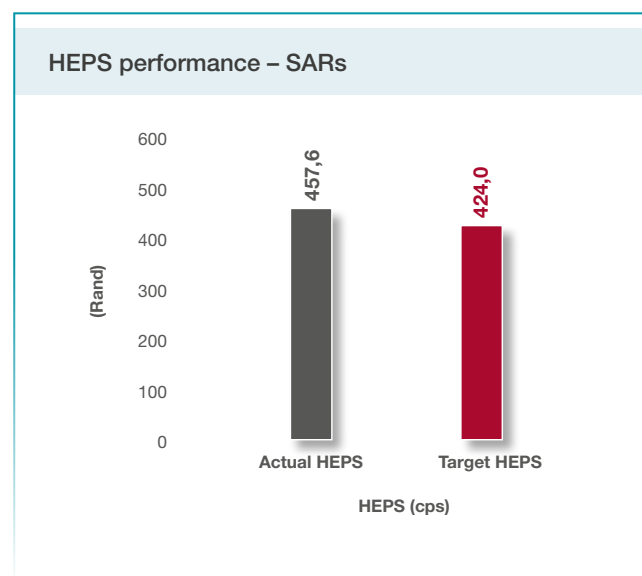
The achievement of the performance conditions for the SAR vesting during the year is as follows:

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

Vesting of Grant 15 SAR allocation:

The performance conditions for the Grant 15 SAR allocation vesting on 19 May 2023 were tested to determine if vesting had been achieved.

The performance condition for SARs is HEPS growth of cumulative CPI plus 6% over the three-year performance period. The graph shows the target HEPS, which is required for the full vesting of the May 2020 SAR, against actual HEPS. Actual HEPS achieved was 457,6 cps, 33,6 cps above the target HEPS of 424,0 cps. Based on the outcome, the May 2020 allocations have vested and was exercisable as from 19 May 2023, subsequent to approval by the Remuneration & Nominations Committee.



Forfeitable share plan ('FSP')

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

Forfeitable shares are awarded annually to executive directors, senior executives and senior managers based on achieving Company and individual performance objectives for the year under review. The performance objectives relate to specific KPIs identified per individual and their respective overall performance thereon. The FSP currently has nine (2022: nine) participants. The FSP participant population is intended to be for individuals who are considered to be key to Company's leadership and is considered annually. A forfeitable share award vests after a period of three years. Forfeitable share awards will be forfeited if the participant leaves employment during the restricted period (except if the participant is a 'good leaver' under the scheme rules).

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

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

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

Short-term variable incentives

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

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

Category	Bonus cap	Performance rating
Group CEO	On-target 77%	89%
	Stretch 23%	95%
Group Executive Directors	On-target 47%	89%
	Stretch 33%	100%

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

STIBS is based on performance of FY2023.

Pledged securities

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



Remuneration Report (continued)

Implementation and remuneration disclosure of the CEO, CFO and ED's

The implementation report details the outcomes of implementing the remuneration policy and detailed on [page 75](#).

2023 STIBS performance

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

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

Key performance areas	Performance	
	Target	Actual
Financial returns	HEPS, cash generated from operations, RONA.	Slight decrease in HEPS and RONA mainly due from the pull-back from iron ore prices as well as a significant increase in fuel prices across all business segments. A 31,3% improvement on cash generation from operations was achieved. Overall, a solid performance was attained during FY2023.
Safety, health and environment	LTIFR lower than 1, no reported environmental compliance incidence and clean audit result with health legislation compliance.	0,34 LTIFR, no reported incidence and clean audit result.
People management	Performance management, develop organisational culture, succession planning and drive leadership development programme.	Management of Company-wide performance management system, integration of acquisitions and driving culture programme Group-wide, assessment of leadership talent and enhancing of individual development plans.
B-BBEE	Compliance to revised B-BBEE criteria.	Comply with all targets in Mining Charter and employment equity plans. Improvement on all targets.
Business strategy	Approved strategy which focuses on five-year growth objective.	Cost reduction optimisation, sustainable HEPS growth.
Ensuring Afrimat has a positive image with investors	Positive relations with investors, good profile in the media and compliance to values and legislation.	Frequent interaction with top investors, clean audit reports, functional internal audit and annual financial statements.

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

Key performance areas	Performance	
	Target	Actual
Improve and grow the Nkomati business to a steady state	Steady-state sales target is 540 000 tpa.	During the year extensive mine development was done. It is expected that a steady-state status will be achieved during the second half of FY2024.
Successful conclusion and implementation of acquisitions	Quantified strategic plan, for the implementation of successful acquisitions as well as turnaround strategy for these businesses.	Acquisitions are progressing well in accordance with predetermined plans.
Drive a Company-wide efficiency optimisation programme	Mining cost reduction of 10% in R/ton, when comparing ton 28 February 2022.	The excessive increases in fuel and explosive cost were sufficiently mitigated by a Company-wide efficiency drive.

Single-figure remuneration

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

Tables of single total figure of remuneration

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

The value of the SAR and FSP are on vesting date and not on award date. The material increase is linked to growth in shareholder value.

Andries J van Heerden (CEO)

	2023 R'000	2022 R'000	% increase
BS	6 480	6 112	6,0%
STIBS	5 835	5 890	(0,9%)
SAR	12 141	8 594	41,3%
FSP	6 964	6 982	(0,3%)
Dividends	543	493	10,1%
Total (Pre-tax)	31 963	28 071	13,9%

Pieter GS de Wit (CFO)

	2023 R'000	2022 R'000	% increase
BS	3 947	3 717	6,2%
STIBS	2 945	2 870	2,6%
SAR	5 233	3 612	44,9%
FSP	3 196	3 331	(4,1%)
Dividends	304	297	2,4%
Total (Pre-tax)	15 625	13 827	13,0%

Collin Ramukhubathi (ED)

	2023 R'000	2022 R'000	% increase
BS	3 596	3 379	6,4%
STIBS	2 685	2 620	2,5%
SAR	2 736	1 993	37,3%
FSP	3 196	3 331	(4,1%)
Dividends	304	297	2,4%
Total (Pre-tax)	12 517	11 620	7,7%

MG (Gerhard) Odendaal (ED)

	2023 R'000	2022 R'000	% increase
BS	3 883	N/A	N/A
STIBS	2 885	N/A	N/A
SAR	3 078	N/A	N/A
FSP	3 196	N/A	N/A
Dividends	304	N/A	N/A
Total (Pre-tax)	13 346	N/A	N/A

* Marthinus G Odendaal was appointed as executive director on 13 April 2022.

Non-executive directors' remuneration

The Remunerations Committee is of the opinion that the existing annual fee to Board members is below market benchmarks applicable to the size of Afrimat. The proposed annual fee to Board members has therefore been increased in line with market rates applicable to the size of Afrimat.

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

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

Type of fee	Proposed annual fee 2023/24 R	Actual annual fee 2022/23 R
Board		
Chairman	1 047 000	952 000
Deputy Chairman	N/A	550 000
Board member	368 000	334 000
Audit & Risk Committee		
Chairman	221 000	201 000
Member	121 000	110 000
Remuneration & Nominations Committee		
Chairman – Remuneration	87 000	79 000
Chairman – Nominations	87 000	79 000
Member	68 000	62 000
Social, Ethics & Sustainability Committee		
Chairman	105 000	95 000
Member	68 000	62 000
Investment Review Committee		
Chairman	105 000	95 000
Member	68 000	62 000

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

Service contracts: non-executive directors

A daily rate of R22 000 for non-executive directors is currently paid for extraordinary duties. This daily rate will be requested for approval by shareholders at the next AGM.

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

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

Technology and Systems

Overview

Describing Afrimat's Technology and Systems, three words come to mind: resilience, agility, and innovation. Truly a period that tested these three properties within Afrimat on all levels. Digital transformation is old news, digital innovation is what needs to be focused on.

In Afrimat there's no time for: testing of digital readiness, network security, stability, and availability; resilience of our Disaster Recovery ('DR') strategy; or 'can we as employees cope with this constant changing workplace', this is a given; but rather to be adaptable, ready for the next innovation and excited to embrace change. We constantly remind ourselves: Everything within an atmosphere of joy and positivity.

With our Technology and Systems strategy, Afrimat positioned itself in such a way that it was able to take advantage of any useable digital technologies that presented themselves, despite the difficulties and challenges the country experienced on the social, industrial, economic, and political front.

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

Looking forward, we must embrace change, remain innovative, and take advantage of the latest developments on data science and analytics, secure ourselves against cyber criminals and invest in the upskilling of our people.

Our strategy

Technology (digital and data innovation) will play an increasingly important role for the future of Afrimat. Three years ago, we combined the Information Technology ('IT') and Engineering (Operational Technology ('OT')), to unlock the synergies between the two disciplines. The main purpose of Information Technology & Business Systems ('ITBS') is to provide infrastructure (servers, networks, data storage) and systems where the key characteristics are agility, elasticity and reliability, to effectively enable Afrimat to pre-empt trends and vulnerabilities in order to sustain and grow profitability for all stakeholders.

Engineering on the other hand, which involves driving projects, Reliability Centred Maintenance ('RCM') for equipment availability, installing IoT devices to collect OT data, and a continuous improvement culture for operational excellence. The synergy lies in the combined effort and focus to use Technology, Data, and Systems to alert tolerance deviations, trend analysis to pre-empt possible failure, condition monitoring and the reliance on historical data to decide on equipment replacement strategies and improvements. The

overlapping element between the two disciplines is the availability of data. The main goal is to build a normalised, structured dataset and use relevant data science and analytic tools to support and make informed decisions.

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

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

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

Our DR strategy is threefold: Firstly, to ensure that all Company data is backed up to an immutable state and back-ups checked and tested for restorability daily. Secondly, to ensure that all systems are replicated to an offsite location or second data centre from where it's accessible by the users if the main server is in distress, without losing data and long periods of processing time. Thirdly, be sure it is resilient enough to restore the Afrimat systems to its original state after a cyber-attack, without the loss of any or minimal transactional data.

Short and medium-term goals include:

- ▶ to stay on the latest workable technology for our network infrastructure;
- ▶ ensure that our network, server, and endpoint access security (cyber security) protection, and visibility tools are in place and up to date;
- ▶ standardised use of our ERP software and other software in all business units and ensure data integrity;
- ▶ create a data warehouse to provide the platform for data science, analytics and visualisation without manual intervention;
- ▶ make financial and operational reports available daily, incorporating near real time information; and
- ▶ create an asset care system that supports operational excellence and is fit for purpose to Afrimat.

The goal is to provide an intelligent assistant for Afrimat, an integrated system that supports the entire business data flow chain, where all data is contained in one place, on one database supported by world-class data analytics, visualisation, and robotics software with the ability to incorporate Artificial Intelligence ('AI') and Machine Learning ('ML').

The structure of the technology cluster is composed in such a way that the strategy can be achieved by making use of employed staff and managed

specialised consultants to ensure current and future sustainability of infrastructure, systems, data and services provided to the different business units.

Risk mitigation and governance

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

Our weekly Business Performance Review ('BPR') meeting oversees the detail actions and progress, align the efforts with the strategy and goal of the business and monitors any deviations from the agreed plans. Compliance to our own charters is overseen and monitored by the IT Steering Committee, Audit & Risk Committee, and the Board on a quarterly basis.

The future

Data and the science thereof, take centre stage to unlock the full potential of the Afrimat and other sources of information available. Robotic Process Automation ('RPA'), analytics and visualisation tools, AI and ML will be used to drive this process. The success of this lies in the literacy levels of our users.

Our cyber security strategy proved to be a huge success, with the user awareness programme on cyber security, drastically reducing the 'harmful click' or 'Just click YES' attitude. This led to the discovery of potential future enhancements to our network and cyber security strategy. Multi Factor Authentication ('MFA') and mobile device encryption is now part of the Afrimat security suite.

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

Summary

The Technology and Systems cluster is fully aware and informed of the challenges and opportunities that the business is facing. We are well-positioned to support businesses with these challenges by means of combining our 'human and digital forces' (Intelligent Assistant) to supply an infrastructure that is stable and agile, fit for purpose business and engineering systems that support the business processes, data science that is built on world standards and a DR strategy that supports business continuity.

6

Annual Financial Statements

Afrimat Nkomati Anthracite funded the construction of an additional wing and total facility upgrade of the Steenbok clinic in Mpumalanga. This facility offers primary healthcare to Steenbok residents and surrounding communities.

Afrimat is committed to applying ESG principles to create value for stakeholders



[View ESG report 2023](#)



Directors' Responsibility Statement

The annual financial statements set out on pages 85 to 144 are the responsibility of the directors. The directors are responsible for selecting and adopting sound accounting practices, for maintaining an adequate and effective system of accounting records, for safeguarding assets and for developing and maintaining systems of internal control that, among other things, will ensure the preparation of annual financial statements that achieve fair presentation and have been prepared in accordance with the Companies Act, the South African Institute of Chartered Accountants ('SAICA') financial reporting guides as issued by the Accounting Practices Committee, International Financial Reporting Standards ('IFRS'), Financial Pronouncements as issued by the Financial Reporting Standards Council, Listings Requirements of the JSE and interpretations issued by the IFRS Interpretation Committee ('IFRS IC'). They are based on appropriate accounting policies which have been consistently applied, unless otherwise indicated, and which are supported by reasonable and prudent judgements and estimates.

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

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

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

Andries J van Heerden
CEO

Cape Town

17 May 2023

Pieter GS de Wit
CFO

Chief Executive Officer and Chief Financial Officer responsibility statement:

The directors, whose names are stated below, hereby confirm that:

- ▶ the annual financial statements fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- ▶ to the best of our knowledge and belief no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- ▶ internal financial controls have been put in place to ensure that material information relating to the issuer and its subsidiaries have been provided to effectively prepare the annual financial statements of the Group;
- ▶ the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- ▶ where we are not satisfied, we have disclosed to the Audit & Risk Committee and the external auditors any deficiencies in design and operational effectiveness of the internal financial controls and have remediated the deficiencies; and
- ▶ we are not aware of any fraud involving directors.

Andries J van Heerden
CEO

Cape Town

17 May 2023

Pieter GS de Wit
CFO

Declaration by the Company Secretary

In terms of section 88(2)(e) of the Companies Act, I certify that to the best of my knowledge and belief the Company has lodged with the Companies and Intellectual Property Commission all such returns and notices as are required of a public company in terms of the Companies Act, in respect of the financial year ended 28 February 2023 and that all such returns and notices are true, correct and up to date.

Catharine Burger
Company Secretary

Cape Town

17 May 2023

Audit & Risk Committee Report

The Audit & Risk Committee ('the Committee') is pleased to present its report for the financial year ended 28 February 2023 to the shareholders of Afrimat Limited.

Composition

The Committee is chaired by independent non-executive director Jacobus (Derick) F van der Merwe and further comprises independent non-executive Board Chairman Francois M Louw, non-executive director Loyiso Dotwana, independent non-executive directors Sisanda Tuku and Nicolaas AS Kruger. The Board of directors is satisfied that these directors act independently for the purposes of the Committee. A brief summary of qualifications of the Committee members appear on [pages 34 and 35 of the IAR](#).

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

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

Attendance

The Committee met four times during the year and attendance is set out in the table on [pages 34 and 35](#). The Committee assists the Board in fulfilling its review and control responsibilities.

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

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

Role and responsibilities

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

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

Charter

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

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

Review of interim and integrated annual reports

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

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

In accordance with International Standards on Auditing, independent auditor's reports are required to incorporate the reporting of key audit matters. When reviewing the external audit plan for the financial year ended 28 February 2023, the Committee considered a preliminary view by the external auditors of key audit matters that might arise during the course of the audit, which in their judgement, were of significance to the audit of the annual financial statements. The Committee concluded that it had adequately considered the key audit matters as reported in the independent auditor's report.

Audit procedures and internal controls

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

- ▶ reviewed the internal control framework and procedures including accounting policies, legislative compliance, regulatory matters and governance;

- ▶ ensured that appropriate financial reporting procedures exist and are working which includes consideration of all entities included in the consolidated Group IFRS annual financial statements;
- ▶ considered and dealt with any concerns or complaints;
- ▶ approved the internal audit plan;
- ▶ considered and reviewed the internal audit charter for approval by the Board;
- ▶ considered and reviewed the information technology and business systems governance framework for approval by the Board;
- ▶ confirmed and reviewed the internal audit process and assessed the quality of the internal audit function;
- ▶ reviewed the internal and external audit reports;
- ▶ reviewed the effectiveness of the system of internal control including IT internal controls and risk management, based on a written annual report received from the CAE;
- ▶ considered updates on key internal and external audit findings in relation to the IT control environment; and
- ▶ reviewed legal matters that could have a significant impact on the annual financial statements.

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

The CAE reports to the Committee and meets with the Chairman of the Committee independently of management.

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

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

Risk management

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

Audit & Risk Committee Report (continued)

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

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

External auditor

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

- ▶ the appointment of an external auditor for approval by shareholders at the AGM;
- ▶ the external audit plan; and
- ▶ the remuneration of the external auditor for approval to the Board (note 4.5 on [page 98](#)).

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

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

In accordance with paragraph 22.15(h) of the JSE Listings Requirements the Committee requested the required information in its assessment of the external auditor. It has further assessed the performance of the external auditor and confirms that it is satisfied with the performance.

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

The Committee has nominated, for approval at the AGM, PricewaterhouseCoopers Inc. as external auditor for the 2024 financial year. The Committee is satisfied that the audit firm is accredited to appear on the JSE List of Accredited Auditors. Shareholders will therefore be requested to re-elect PricewaterhouseCoopers Inc. as the independent external auditor for the 2024 financial year at the AGM on 2 August 2023.

Significant financial and reporting matters

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

Impairment of intangible assets (refer note 6.2)

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

Environmental rehabilitation provision (refer note 6.5)

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

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

Revenue recognition (refer note 3)

In terms of IFRS 15: *Revenue from contracts with customers* is recognised based on the satisfaction of specifically identified performance obligations, when control of goods or services transfers to a customer.

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

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

Inventory valuation (refer note 6.4)

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

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

Contingent liabilities (refer note 16)

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

Tax and deferred tax (refer notes 5 and 6.3)

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

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

Accounting for complex transactions (refer notes 6.2 and 12.1)

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

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

Finance function

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

Independent Auditor's Report

To the shareholders of Afrimat Limited

Sustainability

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

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

Election of Committee members

The following members have made themselves available for election to the Committee. They are proposed to the shareholders for consideration and approval at the next AGM:

- ▶ Mr Loyiso Dotwana
- ▶ Mr Francois M Louw
- ▶ Ms Sisanda Tuku
- ▶ Mr Nicolaas AS Kruger
- ▶ Mr Jacobus (Derick) F van der Merwe (Chairman)

Statutory duties

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

Derick van der Merwe

Audit & Risk Committee Chairman

17 May 2023

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Afrimat Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Afrimat Limited's consolidated and separate financial statements set out on pages 87 to 144 comprise:

- ▶ the consolidated and separate statements of financial position as at 28 February 2023;
- ▶ the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- ▶ the consolidated and separate statements of changes in equity for the year then ended;
- ▶ the consolidated and separate statements of cash flows for the year then ended; and
- ▶ the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

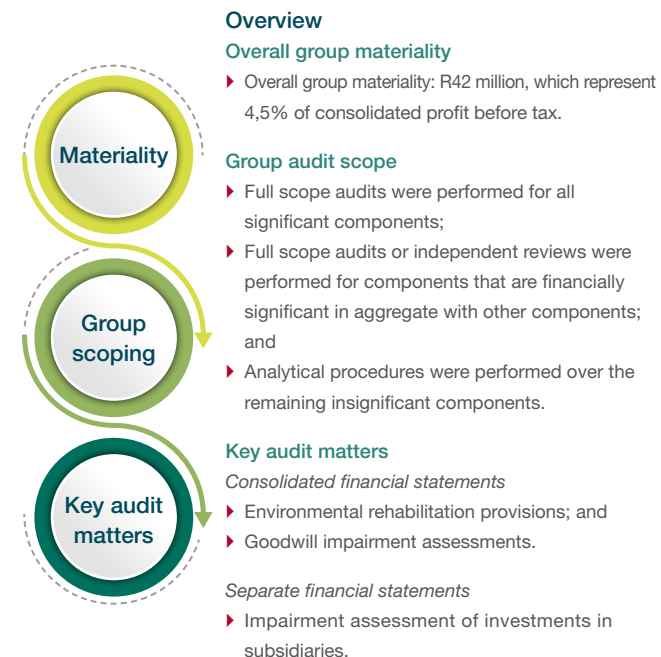
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (including International Independence Standards).

Our audit approach



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

Materiality

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

Independent Auditor's Report (continued)

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

Overall group materiality	R42 million.
How we determined it	4,5% of consolidated profit before tax.
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because it is, in our view, the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 4,5%, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

Our scoping included 59 components, which were either a financially significant component, a component of which an identified financial statement line item or items were considered significant or an area of higher risk, or components which were financially significant in aggregate with other components. Full scope audits were performed on components which are financially significant and components with significant risks. These are defined as significant components. Audits of account balances were performed on identified financial statement line items or items which were considered significant or an area of higher risk. In addition, full scope audits or independent reviews were performed for components that are not individually significant, but significant in aggregate with other components. The remainder of the components were considered non-significant, individually and in aggregate. We performed high-level analytical procedures on these remaining non-significant components.

In addition, audit procedures were performed on the consolidation and financial statement disclosures on a Group level.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Environmental rehabilitation provisions	
<p><i>This key audit matter relates to the consolidated financial statements only.</i></p> <p>Given the nature of its operations, the Group incurs obligations to close, restore and rehabilitate its sites. These activities are governed by a combination of legislative requirements and group policy.</p> <p>As at 28 February 2023, the consolidated statement of financial position includes environmental rehabilitation provisions of R259,2 million as per note 6.5 to the consolidated financial statements.</p> <p>The Group applies the guidelines issued by the South African Department of Mineral Resources ('DMR') to determine the rehabilitation provisions for submission to the DMR. For International Financial Reporting Standards ('IFRS') reporting purposes, it utilises its own internal and external environmental experts to determine the value of the environmental rehabilitation provisions.</p> <p>We considered the environmental rehabilitation provisions to be a matter of most significance to the current year audit due to the degree of estimation and significant judgement applied by management in the determination of:</p> <ul style="list-style-type: none"> ▶ When the rehabilitation of each site will take place, including the life of mine ('LOM'); and ▶ The closure costs and the expected increase in the costs associated with the rehabilitation activities. 	<p>We utilised our sustainability and climate change expertise to perform the following procedures:</p> <ul style="list-style-type: none"> ▶ We obtained management's provision calculations and compared the calculation methodology that was applied by the Group's external environmental experts to the Group's policy. We found it to be consistent with the Group's policy; ▶ We evaluated the Group's policy against the requirements of the DMRE and IFRS. Based on our evaluation we accepted the Group's policy and we obtained explanations from management for differences between their quantum calculation of the provision for reporting purposes and the DMRE guidelines for reporting to the DMRE. We assessed evidence in respect of such differences, taking into consideration the Group's specific sites. Based on our evaluation we accepted management's explanations in this regard; ▶ We tested a sample of inputs used by the Group's experts, such as the costs per hectare, by comparing to industry benchmarks. No material differences were noted; ▶ We performed an independent life of mines assessment through evaluation of mineral reserve statements and the duration of the mining licence and compared this to management's life of mines assessment. No material differences were noted; ▶ We assessed the competency, experience and objectivity of the Group's internal and external experts by obtaining evidence relating to their qualifications and professional memberships. In doing so, we held discussions with the Group's internal and external experts, inspected their curriculum vitae and where applicable, considered whether they were in good standing with relevant professional bodies; and ▶ We tested the mathematical accuracy of management's calculations and noted no material differences.

Key audit matter	How our audit addressed the key audit matter
Goodwill impairment assessments	
<p><i>This key audit matter relates to the consolidated financial statements only.</i></p> <p>The Group has goodwill of R249,3 million allocated to cash-generating units ('CGUs') as disclosed in note 6.2 to the consolidated financial statements.</p> <p>The Group is required to perform annual impairment tests on goodwill in terms of International Financial Reporting Standards. The recoverable amount of the CGUs to which goodwill has been allocated was based on value-in-use calculations, using discounted cash flows.</p> <p>Management concluded that no impairment losses are required.</p> <p>Management performed a sensitivity analysis to ascertain the impact of possible changes to key assumptions (growth rates and discount rates) on the available headroom of the CGUs.</p> <p>Management concluded that any reasonably possible change in the key assumptions supporting the recoverable amount of these CGUs would not result in impairment losses.</p> <p>We considered goodwill impairment assessments to be a matter of most significance to the current year audit because the impairment assessment performed by the Group required the exercise of significant management judgement, including making assumptions regarding growth rates and discount rates applied to each CGU.</p>	<p>We obtained management's impairment calculations per CGU and tested the reasonableness of the discounted cash flow calculations and the key assumptions applied, specifically the growth rates and discount rates, by performing the following:</p> <ul style="list-style-type: none"> ▶ We agreed amounts per the forecasted base year of the calculation to the current year financial statements. We noted no material differences; ▶ We utilised our valuation expertise to test the principles of management's calculation. We challenged key inputs in the calculations which included the long term growth rate, medium term revenue growth rate and future cash flow assumptions by comparing them to approved business plans and independent market data. We noted no material differences and accepted the key inputs applied by management; ▶ We further utilised our valuation expertise to test the reasonableness of the discount rates applied by management to each CGU. This was performed by recalculating the entities' cost of capital with reference to industry benchmarks and economic forecasts; and ▶ We performed independent sensitivity calculations on the impairment assessments to assess the degree by which the key assumptions needed to change in order to trigger an impairment. Management's conclusions were consistent with the results of our sensitivity analyses.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of investment in subsidiaries	
<p><i>This key audit matter relates to the separate financial statements only.</i></p> <p>The Company holds investments in subsidiaries with a carrying amount of R1 431,5 million as disclosed in note 13 to the separate financial statements.</p> <p>Investments are tested by management for impairment if impairment indicators exist, using a value-in-use calculation.</p> <p>Management concluded on an impairment loss required to impair the investment in Afrimat Concrete Products Proprietary Limited during the current financial period. Further disclosure with regards to this matter has been made in note 13 to the separate financial statements.</p> <p>The impairment assessment of investments in subsidiaries was considered to be a matter of most significance to the current year audit due to the estimation involved in determining the growth and discount rates used by management in calculating the recoverable amount of each investment.</p>	<p>Through discussions with management, we obtained an understanding of the process followed by them in their impairment assessment. We obtained management's impairment assessment of the investments in subsidiaries and performed the following procedures:</p> <ul style="list-style-type: none"> ▶ We compared the Company's carrying value of investments in subsidiaries to the value-in-use calculations used for goodwill impairment assessment by management, which were subject to audit procedures as part of our group audit. No exceptions were noted; ▶ We made use of our valuation expertise to test the reasonableness of the key assumptions underpinning management's value-in-use calculations of the Company's investments, including the selection of growth rates and discount rates, by comparing them to approved business plans and independent market data. Based on the procedures performed, we accepted the assumptions used; ▶ We recalculated the impairment of the investment to the recoverable amount and noted no material variance; and ▶ We reviewed the disclosures regarding the impairment losses in the financial statements and noted no material differences.

Independent Auditor's Report (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled 'Afrimat Limited annual financial statements 2023', which includes the Directors' Report, the Audit & Risk Committee Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the document titled 'Afrimat Limited 2023 Integrated Annual Report', which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: D de Jager
Registered Auditor

Stellenbosch, South Africa

17 May 2023

Directors' Report

for the year ended 28 February 2023

The directors of Afrimat present their report for the Group for the year ended 28 February 2023.

Nature of business

Afrimat is a black empowered open pit mid-tier mining company that supplies beneficiated or processed and sized materials and contracting services to the industrial minerals, building, construction, road building, railroad and mining sectors. In addition, Afrimat supplies bulk commodities to local and international markets. During the current year, Afrimat started supplying phosphates to the agriculture sector. It operates in the Western Cape, Eastern Cape, KwaZulu-Natal, Free State, Northern Cape, Gauteng, Limpopo and Mpumalanga.

Financial results

The annual financial statements and accompanying notes presented on [pages 87 to 144](#) set out fully the Group's financial position, results of operations and cash flows for the year, and in the directors' opinion, require no further comment.

Headline earnings per share decreased by 15,7% from 542,9 cents to 457,6 cents per share.

Operational review

Impacts on the operations are reviewed in detail in the CEO's report and operational reviews on [pages 14 and 29](#) which forms part of this IAR.

Corporate governance

The directors endorse the principles contained in King IV™ Report and are committed to applying the principles of transparency, integrity, fairness and accountability in the conduct of its business and affairs. Full details on how these principles are applied, are set out in the supplementary information on the website www.afrimat.co.za, as well as limited information in this integrated annual report. The Board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

Accounting policies

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

Dividend

A final dividend of 110,0 cents per share (2022: 146,0 cents per share), was declared for the year on 17 May 2023. This equates to 88,0 cents per share (2022: 116,8 cents per share) for shareholders who are subject to dividend tax. This is in line with the Group's dividend policy of 2,75 times cover.

The total dividend (interim and final) for the year amounts to 150,0 cents per share (2022: 186,0 cents per share).

Taxation

The latest tax assessment of the Company relates to the year ended 28 February 2022. All tax submissions up to and including February 2022 have been submitted. Tax returns for 28 February 2023 will be submitted during the next financial year.

Stated capital

The total authorised ordinary stated capital at year-end, consisted of 1 000 000 000 (2022: 1 000 000 000) no par value ordinary shares of which 159 718 929 (2022: 146 346 264) ordinary shares were issued. There was no change to the authorised stated capital during the year.

Directors

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

- ▶ Mr Gert J Coffee (independent non-executive director)
- ▶ Mr Pieter GS de Wit (CFO)
- ▶ Mr Loyiso Dotwana (non-executive director)
- ▶ Mr Nicolaas AS Kruger (independent non-executive director)
- ▶ Mr Francois M Louw (independent non-executive Chairman)
- ▶ Mr Collin Ramukhubathi (executive director)
- ▶ Mrs Phuti RE Tsukudu (independent non-executive director)
- ▶ Mr Jacobus (Derick) F van der Merwe (independent non-executive director and LID)
- ▶ Mr Johannes (Johan) HP van der Merwe (independent non-executive director)
- ▶ Mr Andries J van Heerden (CEO)
- ▶ Marthinus G Odendaal (executive director)
- ▶ Sisanda Tuku (independent non-executive director)

Mr Jacobus (Derick) F van der Merwe, Mr Johannes (Johan) HP van der Merwe and Mr Loyiso Dotwana will retire by rotation at the upcoming AGM with all three being eligible, they will stand for re-election. Mr Nicolaas AS Kruger will stand for election as independent, non-executive director at the upcoming AGM by the shareholders.

Changes to Board and Board Committees

Mr JF (Derick) van der Merwe was appointed as the Lead Independent Director at the AGM held on 3 August 2022.

Throughout the year, Mr FM Louw was appointed to serve on the Social, Ethics & Sustainability Committee.

Mr Johan van der Merwe (effective 3 August 2022) and Ms Sisanda Tuku (effective 23 February 2023) were appointed as members to the Remuneration and Nomination Committee.

Mr Nicolaas AS Kruger was appointed as an independent non-executive director of the Board, effective from 1 February 2023. Subsequently, Mr Nicolaas AS Kruger was appointed as a member of the Audit & Risk Committee and Investment Committee, effective 23 February 2023.

Directors' and officers' interests in contracts

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

Directors' emoluments and employment contracts

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

Shareholder analysis

An analysis of shareholders together with a list of shareholders beneficially holding, directly or indirectly, in excess of 3% of the ordinary shares of the Company on 28 February 2023, is set out on [page 145](#).

Directors' shareholding on 28 February 2023*

	Number of securities held				% held
	Direct beneficial	Indirect beneficial	Through associates	Total	
Director 2023					
Gert J Coffee	680 084	–	–	680 084	0,43
Loyiso Dotwana	–	2 160 000	–	2 160 000	1,35
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 340 506	853 564	1 198 543	6 392 613	4,00
Derick van der Merwe	30 000	–	–	30 000	0,02
Pieter GS de Wit	365 582	–	–	365 582	0,23
Johan van der Merwe	–	–	–	–	–
Francois M Louw	215 714	–	–	215 714	0,14
Collin Ramukhubathi	123 128	–	–	123 128	0,08
Marthinus G Odendaal	291 979	–	–	291 979	0,18
Nicolaas AS Kruger	–	–	–	–	–
Sisanda Tuku	–	–	–	–	–
	6 046 993	3 013 564	1 198 543	10 259 100	6,43

Directors' Report (continued)

for the year ended 28 February 2023

	Number of securities held				
	Direct beneficial	Indirect beneficial	Through associates	Total	% held
Director					
2022					
Gert J Coffee	680 084	–	–	680 084	0,46
Loyiso Dotwana	–	2 586 829	–	2 586 829	1,77
Phuti RE Tsukudu	–	–	–	–	–
Andries J van Heerden	4 178 973	853 564	1 198 543	6 231 080	4,26
Derick van der Merwe	25 000	–	–	25 000	0,02
Pieter GS de Wit	283 501	–	–	283 501	0,19
Matie von Wielligh	200 000	60 000	–	260 000	0,18
Johan van der Merwe	–	–	–	–	–
Helmut N Pool	–	397 661	–	397 661	0,27
Francois M Louw	215 714	–	–	215 714	0,15
Collin Ramukhubathi	192 865	–	–	192 865	0,13
	5 776 137	3 898 054	1 198 543	10 872 734	7,43

* Excludes shares granted under the Forfeitable Share Plan ('FSP'), which have not yet vested. Refer note 18 for further details.

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

Internal control

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

Going concern

The directors have reviewed the Group's cash flow forecast for the year to 28 February 2024 and in light of this review and the current financial position, they are satisfied that the Group and Company has or had access to adequate resources to continue in operational existence for the foreseeable future. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Litigation statement

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

Refer note 16 for information regarding legal or arbitration proceedings currently in progress.

Company Secretary

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

Auditor

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

Special resolutions

The following special resolutions were passed by shareholders of the Company during the year (at the AGM of shareholders held on 3 August 2022), and where necessary have been registered by the Companies and Intellectual Property Commission:

- ▶ special resolution providing approval for fees payable to non-executive directors for the year ended 28 February 2023;
- ▶ special resolution providing authority for the provision of financial assistance to Group inter-related entities (in terms of section 45 of the Companies Act); and
- ▶ special resolution providing authority for the financial assistance for subscription of securities (in terms of section 44 of the Companies Act).

Borrowings

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

Events after the reporting date

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

Compliance with laws and regulations

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

Contents to the Annual Financial Statements

Annual financial statements

Statements of Profit or Loss and Other Comprehensive Income	87
Statements of Financial Position	88
Statements of Changes in Equity	89
Statements of Cash Flows	90

Accounting policies

1 Significant accounting policies	91
-----------------------------------	----

How numbers are calculated

2 Segment information	92
3 Revenue	95
4 Other income and expense items	96
5 Income tax expense	99
6 Non-financial assets and liabilities	100
7 Financial assets and liabilities	109
8 Equity – including earnings per share	117
9 Cash flow information	121

Risk

10 Financial risk management	122
11 Capital risk management	128

Group structure

12 Business combinations	129
13 Investment in subsidiaries	131
14 Related parties	134

Unrecognised items

15 Commitments	135
16 Contingencies	135
17 Events after the reporting period	136

Employee benefits and costs

18 Share-based payments	136
19 Directors' emoluments	140

Other

20 Fair value estimation	143
21 New and amended standards	144
22 Going concern	144

Statements of Profit or Loss and Other Comprehensive Income

for the year ended 28 February 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Revenue	3	4 908 238	4 680 078	898 731	355 902
Cost of sales	4.5	(3 208 384)	(2 966 586)	–	–
Gross profit		1 699 854	1 713 492	898 731	355 902
Operating expenses	4.5	(793 931)	(687 991)	(60 114)	(59 532)
Other income	4.1	15 988	12 741	2 123	1 873
Other net gains	4.2	42 150	77 811	–	3 609
Profit on disposal of property, plant and equipment	4.3	2 793	7 904	–	–
Impairments	4.4	(3 776)	(13 341)	(43 617)	–
Movement in expected credit loss allowance*		(1 517)	(1 705)	(90 514)	–
Operating profit		961 561	1 108 911	706 609	301 852
Finance income	4.6	33 810	12 430	28 741	10 138
Finance costs	4.7	(60 508)	(55 280)	(126 125)	(84 155)
Share of profit of equity-accounted investments		–	257	–	–
Profit before tax		934 863	1 066 318	609 225	227 835
Income tax expense	5	(269 382)	(291 150)	(11 525)	1 933
Profit for the year		665 481	775 168	597 700	229 768

* The movement in expected credit loss allowance ('ECL') has been disclosed separately on the Statement of Profit or Loss and Other Comprehensive Income this year; due to the ECL being material for the Company, refer note 13. Previously the movement in ECL for the Group was disclosed as part of 'operating expenses' and was reflected in note 4.5.

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translation of foreign operations		(16 005)	(9 387)	–	–
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		192	393	–	–
Income tax effect relating to these items		(17)	(85)	–	–
Other comprehensive loss for the year, net of tax		(15 830)	(9 079)	–	–
Total comprehensive income for the year		649 651	766 089	597 700	229 768
Profit attributable to:					
Owners of the parent		661 320	772 714	597 700	229 768
Non-controlling interests	8.4	4 161	2 454	–	–
		665 481	775 168	597 700	229 768
Total comprehensive income attributable to:					
Owners of the parent		645 490	763 635	597 700	229 768
Non-controlling interests	8.4	4 161	2 454	–	–
		649 651	766 089	597 700	229 768
Earnings per ordinary share (cents)	8.5	457,1	560,7	–	–
Diluted earnings per ordinary share (cents)	8.5	450,0	546,6	–	–

Statements of Financial Position

at 28 February 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	6.1	3 326 059	2 696 448	–	–
Intangible assets	6.2	260 252	213 335	–	–
Loans to subsidiaries	13	–	–	769 802	1 204 280
Investments in subsidiaries	13	–	–	1 431 487	1 427 423
Other financial assets	7.1 – 7.3.1	121 565	91 986	–	–
Deferred tax	6.3	260 808	360 839	8 285	25 701
Inventories	6.4	212 569	–	–	–
Total non-current assets		4 181 253	3 362 608	2 209 574	2 657 404
Current assets					
Inventories	6.4	460 770	568 266	–	–
Other financial assets	7.1 – 7.3.1	9 128	1 732	3 609	–
Current tax receivable		6 884	9 665	–	2 458
Trade and other receivables	7.3.2	742 060	793 343	30 238	11 909
Cash and cash equivalents	7.3.3	281 037	290 633	74 170	19 927
Loans to subsidiaries	13	–	–	700 008	418 981
Total current assets		1 499 879	1 663 639	808 025	453 275
Non-current assets held for sale	6.1	–	20 050	–	–
Total assets		5 681 132	5 046 297	3 017 599	3 110 679
EQUITY AND LIABILITIES					
Equity					
Stated capital	8.1	939 435	315 886	851 264	228 638
Treasury shares	8.2	(289 348)	(109 030)	–	–
Net issued stated capital		650 087	206 856	851 264	228 638
Other reserves	8.3	(64 611)	(38 498)	50 077	25 885
Retained earnings		3 249 771	2 829 609	1 668 662	1 339 483
Attributable to equity holders of the parent		3 835 247	2 997 967	2 570 003	1 594 006
Non-controlling interests	8.4	13 767	9 233	–	–
Total equity		3 849 014	3 007 200	2 570 003	1 594 006

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Liabilities					
Non-current liabilities					
Borrowings	7.3.4	166 328	149 377	–	–
Other liability		5 094	–	1 795	–
Provisions	6.5	290 960	265 252	–	–
Deferred tax	6.3	367 147	450 044	–	–
Total non-current liabilities		829 529	864 673	1 795	–
Current liabilities					
Loans from subsidiaries	13	–	–	429 487	1 143 606
Other financial liabilities	7.3.5	136 590	7 488	–	–
Borrowings	7.3.4	146 248	494 449	–	350 000
Current tax payable		15 881	6 953	–	–
Trade and other payables	7.3.6	703 870	663 729	16 314	23 067
Bank overdraft	7.3.3	–	1 805	–	–
Total current liabilities		1 002 589	1 174 424	445 801	1 516 673
Total liabilities		1 832 118	2 039 097	447 596	1 516 673
Total equity and liabilities		5 681 132	5 046 297	3 017 599	3 110 679

Statements of Changes in Equity

for the year ended 28 February 2023

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Group						
Balance at 1 March 2021	345 894	(115 795)	(62 980)	2 255 536	8 362	2 431 017
Total comprehensive income						
Profit for the year	–	–	–	772 714	2 454	775 168
Other comprehensive loss for the year	–	–	(9 079)	–	–	(9 079)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	393	–	–	393
Income tax effect	–	–	(85)	–	–	(85)
Exchange differences on translation of foreign operations	–	–	(9 387)	–	–	(9 387)
Income tax effect	–	–	–	–	–	–
Total comprehensive (loss)/income	–	–	(9 079)	772 714	2 454	766 089
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	–	–	29 664	–	–	29 664
Deferred taxation on share-based payments (refer note 8.3)	–	–	21 818	–	–	21 818
Purchase of treasury shares (refer note 8.2)	–	(16 400)	–	–	–	(16 400)
Issue of stated capital (refer note 8.1)	11 000	–	–	–	–	11 000
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(41 008)	23 165	(17 921)	17 921	–	(17 843)
Dividends paid (refer note 8.7)	–	–	–	(213 539)	(1 388)	(214 927)
Total contributions and distributions	(30 008)	6 765	33 561	(195 618)	(1 388)	(186 688)
Additional non-controlling interest acquired due to: Capmat Proprietary Limited (refer note 8.4)	–	–	–	(3 023)	(195)	(3 218)
Total changes in ownership interests	–	–	–	(3 023)	(195)	(3 218)
Total transactions with owners of the parent	(30 008)	6 765	33 561	(198 641)	(1 583)	(189 906)
Balance at 28 February 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200

	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 2022	315 886	(109 030)	(38 498)	2 829 609	9 233	3 007 200
Total comprehensive income						
Profit for the year	–	–	–	661 320	4 161	665 481
Other comprehensive loss for the year	–	–	(15 830)	–	–	(15 830)
Net change in fair value of equity instruments at fair value through other comprehensive income	–	–	192	–	–	192
Income tax effect	–	–	(17)	–	–	(17)
Exchange differences on translation of foreign operations	–	–	(16 005)	–	–	(16 005)
Income tax effect	–	–	–	–	–	–
Total comprehensive (loss)/income	–	–	(15 830)	661 320	4 161	649 651
Transactions with owners of the parent						
Contributions and distributions						
Share-based payment expense for the year (refer note 8.3)	–	–	29 291	–	–	29 291
Deferred taxation on share-based payments (refer note 8.3)	–	–	(14 465)	–	–	(14 465)
Purchase of treasury shares (refer note 8.2)	–	(214 534)	–	–	–	(214 534)
Issue of stated capital (refer note 8.1)	680 000	–	–	–	–	680 000
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(56 451)	34 216	(25 109)	25 109	–	(22 235)
Dividends paid (refer note 8.7)	–	–	–	(266 267)	(1 650)	(267 917)
Total contributions and distributions	623 549	(180 318)	(10 283)	(241 158)	(1 650)	190 140
Additional non-controlling interest acquired through acquisition of businesses (refer note 12.1): Stony Lime Proprietary Limited Eckraal Quarries Proprietary Limited	–	–	–	–	478	478
	–	–	–	–	1 545	1 545
Total changes in ownership interests	–	–	–	–	2 023	2 023
Total transactions with owners of the parent	623 549	(180 318)	(10 283)	(241 158)	373	192 163
Balance at 28 February 2023	939 435	(289 348)	(64 611)	3 249 771	13 767	3 849 014
Note	8.1	8.2	8.3		8.4	

Statements of Changes in Equity (continued)

for the year ended 28 February 2023

	Stated capital R'000	Treasury shares R'000	Other reserves R'000	Retained earnings R'000	Non-controlling interests R'000	Total equity R'000
Company						
Balance at 1 March 2021	272 472	–	14 861	1 315 119	–	1 602 452
Total comprehensive income						
Profit for the year	–	–	–	229 768	–	229 768
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	229 768	–	229 768
Transactions with Company						
Contributions and distributions						
Issue of stated capital (refer note 8.1)	11 000	–	–	–	–	11 000
Share-based payment expense for the year (refer note 8.3)	–	–	11 867	–	–	11 867
Deferred taxation on share-based payments (refer note 8.3)	–	–	5 990	–	–	5 990
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(54 834)	–	(6 833)	16 815	–	(44 852)
Dividends paid (refer note 8.7)	–	–	–	(222 219)	–	(222 219)
Total contributions and distributions	(43 834)	–	11 024	(205 404)	–	(238 214)
Total changes	(43 834)	–	11 024	24 364	–	(8 446)
Balance at 28 February 2022	228 638	–	25 885	1 339 483	–	1 594 006
Total comprehensive income						
Profit for the year	–	–	–	597 700	–	597 700
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive income	–	–	–	597 700	–	597 700
Transactions with Company						
Contributions and distributions						
Issue of stated capital (refer note 8.1)	680 000	–	–	–	–	680 000
Share-based payment expense for the year (refer note 8.3)	–	–	9 059	–	–	9 059
Deferred taxation on share-based payments (refer note 8.3)	–	–	(4 541)	–	–	(4 541)
Settlement of employee Share Appreciation Rights exercised, Forfeitable Share Plan vested and reserve transfer, net of tax (refer notes 8.1, 8.2 and 8.3)	(57 374)	–	19 674	9 033	–	(28 667)
Dividends paid (refer note 8.7)	–	–	–	(277 554)	–	(277 554)
Total contributions and distributions	622 626	–	24 192	(268 521)	–	378 297
Total changes	622 626	–	24 192	329 179	–	975 997
Balance at 28 February 2023	851 264	–	50 077	1 668 662	–	2 570 003

Note

8.1

8.3

Statements of Cash Flows

for the year ended 28 February 2023

	Note	Group		Company	
		2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash flows from operating activities					
Cash generated from operations	9.1	1 262 186	1 076 666	78 350	40 517
Finance income received	9.2	32 610	11 726	28 741	10 138
Dividends received		–	98	718 566	225 721
Finance costs paid	9.3	(41 704)	(40 015)	(126 125)	(84 155)
Tax (paid)/refund received	9.4	(265 773)	(311 920)	3 808	(1 691)
Net cash inflow from operating activities		987 319	736 555	703 340	190 530
Cash flows from investing activities					
Acquisition of property, plant and equipment	9.6	(810 610)	(598 687)	–	–
Proceeds on disposal of property, plant and equipment	9.5	20 670	26 049	–	–
Proceeds on disposal of non-current assets held for sale	6.1	23 340	–	–	–
Acquisition of businesses	12.1	(28 650)	(14 750)	(33 500)	(14 750)
Acquisition of surface rights	6.2	–	(5 145)	–	–
Advances of loans to subsidiaries		–	–	(1 746 656)	(1 263 325)
Proceeds of loans to subsidiaries		–	–	1 810 157	610 305
Purchase of other financial assets		(35 932)	(12 582)	–	–
Repayments from other financial assets		10 990	3 823	–	–
Net cash (outflow)/inflow from investing activities		(820 192)	(601 292)	30 001	(667 770)
Cash flows from financing activities					
Repurchase of Afrimat shares	8.2	(214 534)	(16 400)	–	–
Proceeds from equity raise	8.1	680 000	–	680 000	–
Proceeds from borrowings	7.3.4	75 453	880 998	–	877 000
Repayment of borrowings	7.3.4	(560 508)	(918 120)	(350 000)	(747 000)
Capital elements of lease payments	9.7	(7 018)	(13 750)	–	–
Proceeds from other financial liabilities	7.3.5	120 000	–	–	–
Repayments from other financial liabilities		(394)	(1 355)	–	–
Acquisition of additional non-controlling interest		–	(134)	–	–
Repayments of loans from subsidiaries		–	–	(1 461 720)	(1 449 096)
Proceeds of loans from subsidiaries		–	–	730 176	1 977 235
Dividends paid	8.7	(267 917)	(214 927)	(277 554)	(222 219)
Net cash (outflow)/inflow from financing activities		(174 918)	(283 688)	(679 098)	435 920
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(7 791)	(148 425)	54 243	(41 320)
Cash, cash equivalents and bank overdrafts at the beginning of the year	7.3.3	288 828	437 253	19 927	61 247
Cash, cash equivalents and bank overdrafts at the end of the year	7.3.3	281 037	288 828	74 170	19 927

Notes to the Annual Financial Statements

for the year ended 28 February 2023

Accounting policies

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

Significant accounting judgements and estimates

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

1. Significant accounting policies

These policies have been consistently applied with the previous year.

1.1 Statement of compliance

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

1.2 Basis of preparation

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

The Group has chosen not to early adopt the following standards and interpretations, which has been published and are mandatory for the Group's accounting periods beginning on/after 1 March 2023 or later periods:

- ▶ IAS 1: Presentation of Financial Statements – Non-currents liabilities with covenants
- ▶ IAS 1: Presentation of Financial Statements – Classification of liabilities as current and non-current
- ▶ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- ▶ IAS 12: Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- ▶ IFRS 17: Insurance contracts
- ▶ IFRS 16: Lease liability in a Sale and Leaseback

Refer note 21 for details of new and amended standards issued but not yet effective in the current year.

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

1. Significant accounting policies (continued)

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

- (i) assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- (ii) income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in equity through other comprehensive income.

1.4 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the individual asset. Irrespective of whether there is any indication of impairment, the Group also tests goodwill acquired in a business combination for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually at the end of the reporting period.

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

1. Significant accounting policies (continued)

1.5 Significant accounting judgements and estimates

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

The Group continues to develop its assessment of the potential impacts of climate change and the transition to a low carbon economy. The potential financial impacts on the Group of climate change and the transition to a low carbon economy have been considered in the assessment of indicators of impairment.

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

(a) Estimates

- ▶ Trade and other receivables – refer note 7.3.2
- ▶ Deferred tax assets – refer note 6.3
- ▶ Dismantling and rehabilitation provisions – refer note 6.5
- ▶ Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- ▶ Share-based payment expense calculation – refer notes 18.1 and 18.2
- ▶ Provision for stock obsolescence – refer note 6.4
- ▶ Measurement of stockpile quantities – refer note 6.4
- ▶ Provisional pricing arrangements – refer note 3
- ▶ Acquisitions of businesses – refer note 12.1

(b) Judgements

- ▶ Consolidation of Afrimat BEE Trust and its subsidiary Afrimat Empowerment Investments Proprietary Limited ('AEI') – refer note 13
- ▶ Consolidation of Infrasers Environmental Rehabilitation Trust and Infrasers Empowerment Trust – refer note 13
- ▶ Extension and termination options in determining the lease term - refer note 6.1
- ▶ Incremental borrowing rate in discounting leases – refer note 6.1
- ▶ Impairment of mining assets and goodwill – refer notes 6.1 and 6.2
- ▶ Contingent liabilities – refer note 16
- ▶ Acquisitions of businesses – refer note 12.1

How numbers are calculated

2. Segment information

The segments of the Group have been identified by business segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors. Aggregation of segments 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 five main operational segments based on the market use of products. Future Materials and Metals is the latest addition to the Group's operational segments, which was formed through the acquisition of the stockpiles containing phosphate and rare earth elements; and the subordinate Vermiculite Mining Right.

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

Industrial Minerals consists mainly of the sale of limestone, dolomite and industrial sand. The Industrial Minerals business has become an integral contributor to the Group. Although the manufacturing process and customers are similar to those in Construction Materials, the Industrial Minerals products contain unique metallurgical and high quality properties which widens the customer base and serves a different market to Construction Materials.

Bulk Commodities includes iron ore and anthracite. Iron ore and anthracite have minimal manufacturing time and are sold in high volumes. Iron ore products are manufactured in terms of the Platts Iron Ore Index ('IODEX') 62% grade of export. High quality hematite origin of iron ore is beneficiated up to 65% Fe. High quality anthracite nuts and duff products are produced.

Future Materials and Metals comprises phosphate. The phosphates are graded according to high, medium or low. Currently the Group produces high-grade ('HG') phosphate which is also known as an organic fertiliser. The HG phosphate needs minimal manufacturing time and serves a different market to the existing operational segments.

Services consists of Group shared services including IT services, consulting services, external logistical and mining services. During the year, the Group reallocated various businesses within the operational segments, which led to the 'Services' segment to include external logistical and mining services. Mining services comprises contracting operations such as mobile crushing, screening, drilling and blasting.

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

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



2. Segment information (continued)

	Construction	Industrial	Bulk Commodities				Future Materials	Services	Total
	Materials	Minerals	Iron Ore		Anthracite	and Metals			
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	Total R'000	R'000	R'000	R'000
For the year ended 28 February 2023									
Segmental revenue	1 865 230	560 099	1 034 560	872 127	573 668	2 480 355	25 215	436 198	5 367 097
Inter-segmental revenue	(55 897)	(6 210)	–	–	–	–	–	(396 752)	(458 859)
Revenue	1 809 333	553 889	1 034 560	872 127	573 668	2 480 355	25 215	39 446	4 908 238
Depreciation and amortisation	97 993	24 850	39 558	17 504	127 526	184 588	3 579	49 670	360 680
Impairment of property, plant and equipment	3 776	–	–	–	–	–	–	–	3 776
Repairs and maintenance	183 073	53 547	40 924	10 260	20 718	71 902	3 274	63 155	374 951
Cement	142 754	–	–	–	–	–	–	–	142 754
Fuel and diesel	183 162	31 593	57 070	65 534	54 764	177 368	4 839	36 981	433 943
External transport	273 963	103 281	41 586	44 045	14 274	99 905	1 216	45 231	523 596
Railage	–	–	112 720	57 766	–	170 486	–	–	170 486
Employee costs	423 387	103 017	89 797	31 532	66 137	187 466	8 598	218 150	940 618
Electricity	52 068	35 575	8 699	–	3 941	12 640	132	482	100 897
Lease charges	50 136	57 491	90 393	152 769	113 509	356 671	4 961	23 885	493 144
Operating profit/(loss)	129 603	49 387	369 321	398 578	19 754	787 653	(11 437)	6 355	961 561
Operating profit margin on external revenue	7,2%	8,9%	35,7%	45,7%	3,4%	31,8%	(45,4%)	16,1%	19,6%

	Construction	Industrial	Bulk Commodities			Future Materials	Services	Total	
	Materials	Minerals	Iron Ore		Anthracite	and Metals			
	R'000	R'000	Iron Ore		Anthracite	Total	R'000	R'000	R'000
Assets*	1 273 729	621 007	1 688 204		701 400	2 389 604	369 683	1 027 109	5 681 132
Liabilities**	383 486	59 901	146 948		285 591	432 539	2 877	953 315	1 832 118
Capital expenditure***	108 969	41 851	203 726		451 040	654 766	123 244	34 263	963 093

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

2. Segment information (continued)

	Construction Materials	Industrial Minerals	Bulk Commodities				Future Materials and Metals	Services	Total
			Iron Ore	Iron Ore	Anthracite	Total			
	R'000	R'000	Demaneng Mine R'000	Jenkins Mine R'000	Nkomati Anthracite Mine R'000	R'000	R'000	R'000	
For the year ended 28 February 2022^o									
Segmental revenue	1 769 789	474 328	1 487 559	557 099	364 052	2 408 710	3 782	338 721	4 995 330
Inter-segmental revenue	(17 847)	(2 768)	–	–	–	–	(818)	(293 819)	(315 252)
Revenue	1 751 942	471 560	1 487 559	557 099	364 052	2 408 710	2 964	44 902	4 680 078
Depreciation and amortisation	114 755	35 453	54 251	11 368	64 998	130 617	147	15 851	296 823
Impairment of property, plant and equipment	9 715	3 176	450	–	–	450	–	–	13 341
Repairs and maintenance	196 667	58 006	58 221	12 407	16 548	87 176	617	7 843	350 309
Cement	147 417	–	–	–	–	–	–	–	147 417
Fuel and diesel	123 753	27 067	57 423	29 795	36 356	123 574	159	6 613	281 166
External transport	219 448	70 430	33 245	20 345	6 760	60 350	1 259	22 366	373 853
Railage	–	–	156 252	37 463	–	193 715	–	–	193 715
Employee costs	399 779	105 689	90 148	15 906	55 754	161 808	950	161 832	830 058
Electricity	43 052	44 283	10 080	2	3 549	13 631	417	424	101 807
Lease charges	90 861	3 014	7 787	87 869	117 048	282 704	567	5 821	382 967
Operating profit/(loss)	157 524	84 946	644 533	264 820	(49 431)	859 922	(2 174)	8 693	1 108 911
Operating profit margin on external revenue	9,0%	18,0%	43,3%	47,5%	(13,6%)	35,7%	(73,3%)	19,4%	23,7%

	Construction Materials	Industrial Minerals	Bulk Commodities			Future Materials and Metals	Services	Total
			Iron Ore	Anthracite	Total			
Assets*	1 192 325	612 113	1 192 722	733 551	1 926 273	261 042	1 054 544	5 046 297
Liabilities**	418 825	87 464	167 649	90 666	258 315	2 111	1 272 382	2 039 097
Capital expenditure***	166 210	31 357	420 939	103 450	524 389	9 689	50 801	782 446

^o During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year. Additionally, major expense items have been separately disclosed per business segment.

2. Segment information (continued)

	2023 R'000	2022 R'000
* The following assets have not been allocated to segments:		
Goodwill	249 284	200 502
Other financial assets	130 693	91 986
Deferred tax	260 808	360 839
Current tax receivable	6 884	9 665
Cash and cash equivalents	281 037	290 633
Other assets	98 403	100 919
	1 027 109	1 054 544
** The following liabilities have not been allocated to segments:		
Provisions	290 960	265 252
Deferred tax	367 147	450 044
Current tax payable	15 881	6 953
Bank overdraft	–	1 805
Other liabilities	279 327	548 328
	953 315	1 272 382

*** Excludes property, plant and equipment acquired through business combination, refer note 12.1. Within the Bulk Commodities segment, the increase relates to capital expenditure of R347,9 million on the opening of two opencast pits and work performed on the opening of the underground mine at Nkomati, R102,7 million for further mine development at the Demaneng mine. Within the Future Materials and Metals segment, the increase relates to a total capital expenditure of R34,9 million for the acquisition of the subordinate Vermiculite Mining Right and site establishment costs of R68,5 million.

There is significant exposure and dependency on Kumba International Trading S.A.R.L., Arcelormittal South Africa Limited and Glencore Operations South Africa Proprietary Limited, with revenues of approximately R1 307,3 million (2022: R1 435,2 million), R684,5 million (2022: R720,2 million) and R489,1 million (2022: R317,9 million), respectively, major customers of Afrimat Iron Ore Proprietary Limited and Nkomati Anthracite Proprietary Limited, within the Bulk Commodities segment. This risk has been mitigated by Afrimat's diversification strategy.

Segment revenue reflects both sales to external parties and inter-group transactions across segments.

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

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

3. Revenue

Group financial statements

The Group recognises revenue from the following major sources:

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

3. Revenue (continued)

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

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

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

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

Revenue arising from the rendering of services, i.e. drilling, blasting, erection costs, external logistical and mining services are performed over time and therefore are recognised (based on an output method) in the accounting period in which the services are rendered, because the customer receives and uses the benefits simultaneously. The performance obligations identified are satisfied by transferring control of the service to a customer. Revenue is measured at the fair value of the consideration received or receivable, which is represented by the invoiced amount net of value added tax, trade discounts and amounts collected on behalf of third parties.

Company financial statements

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

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

3. Revenue (continued)

	Group		Company	
	2023 R'000	2022 R'000 ^o	2023 R'000	2022 R'000
Revenue from contracts with customers:				
Sale of Construction Materials	1 540 249	1 529 182	–	–
Sale of Industrial Minerals	443 489	396 952	–	–
Sale of Bulk Commodities	2 604 696	2 527 968	–	–
Sale of Future Materials and Metals	25 215	2 964	–	–
Rendering of Services	418 930	342 270	64 706	50 655
Revenue from contracts with customers	5 032 579	4 799 336	64 706	50 655
Timing of revenue recognition				
At a point of time	4 613 649	4 457 066	–	–
Over time	418 930	342 270	64 706	50 655
	5 032 579	4 799 336	64 706	50 655
Revenue other than from contracts with customers:				
Group companies interest revenue	–	–	115 459	79 526
Group companies dividend revenue	–	–	718 566	225 721
Revenue other than from contracts with customers	–	–	834 025	305 247
Other revenue*	(124 341)	(119 258)	–	–
Total	4 908 238	4 680 078	898 731	355 902

^o During the year the Group reallocated various businesses within the operational segments in order to report in a manner consistent with the internal reporting provided to the chief operating decision-maker. These reallocations were due to an internal restructure performed during the year.

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

4. Other income and expense items

4.1 Other income

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Recoveries	2 195	2 738	17	–
Rental income	4 690	4 942	–	–
Scrap sales	1 321	2 369	–	–
Other	7 782	2 692	2 106	1 873
Total	15 988	12 741	2 123	1 873

4.2 Other net gains

Gains – financial assets at fair value through profit or loss	2 500	2 031	–	–
Gains on financial instruments	–	12 349	–	–
Compensation for loss of income	–	18 564	–	–
Foreign exchange gains	46 455	32 067	–	–
Foreign exchange losses	(6 805)	(15 687)	–	–
Gain on bargain purchase	–	25 628	–	–
Profit on sale of associate/investments	–	2 859	–	3 609
Total	42 150	77 811	–	3 609

In the prior year, a gain on bargain purchase of R25,6 million arose on the acquisition of Afrimat Mining Services Proprietary Limited, previously known as JEF Drill and Blast Proprietary Limited, refer note 12.1 for further disclosures.

4. Other income and expense items (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
4.3 Profit on disposal of property, plant and equipment				
Profit on disposal of property, plant and equipment	2 793	7 904	–	–
Total	2 793	7 904	–	–
4.4 Impairments				
Impairment of property, plant and equipment (refer note 6.1)	3 776	13 341	–	–
Impairment of investment in subsidiary (refer note 13)	–	–	43 617	–
Total	3 776	13 341	43 617	–

During the previous year, an attack by non-state armed groups occurred in the Palma District, Cabo Delgado province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared *force majeure*. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value. During the current year a further impairment of R3,8 million was recognised.

In the prior year, an impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

4. Other income and expense items (continued)

4.5 Expenses by nature

Leases

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

Some property leases contain variable payment terms that are linked to sales generated from the extract of certain minerals and aggregates from the quarries. The variable lease payments are determined on the basis of either a fixed rand/per tonne of stone extracted and sold from the quarry or as a fixed percentage of revenue generated from the sale of such product. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur. A 100,0% increase in sales across all quarries in the Group with such variable lease contracts would increase total lease payments by approximately R55,8 thousand (2022: R51,6 thousand).

Short-term employee benefits

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

Defined contribution plans

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

Bonus plans

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

4. Other income and expense items (continued)

4.5 Expenses by nature (continued)

	Group						Company	
	2023 Cost of sales R'000	2023 Operating expenses R'000	Total R'000	2022 Cost of sales R'000	2022 Operating expenses R'000	Total R'000	2023 Operating expenses R'000	2022 Operating expenses R'000
Lease charges (short-term, low value and variable lease payments not included in lease liabilities)	484 865	8 279	493 144	376 764	6 203	382 967	–	–
Premises								
Short-term	10 371	3 541	13 912	10 387	1 284	11 671	–	–
Variable lease payments	–	558	558	–	516	516	–	–
Equipment								
Short-term	474 101	–	474 101	366 123	–	366 123	–	–
Lease rentals – other								
Short-term	173	2 184	2 357	43	2 680	2 723	–	–
Low value	220	1 996	2 216	211	1 723	1 934	–	–
Amortisation of intangible assets	1 205	660	1 865	1 016	660	1 676	–	–
Depreciation of property, plant and equipment	308 346	50 469	358 815	256 381	38 766	295 147	–	–
Increase in inventory provision for impairment	–	2 824	2 824	–	149	149	–	–
Inventory write-off to net realisable value	8 370	–	8 370	26 970	–	26 970	–	–
Repairs and maintenance	369 409	5 542	374 951	343 257	7 052	350 309	–	–
Royalties	57 414	–	57 414	74 095	6 897	80 992	–	–
Drilling and blasting	41 675	–	41 675	113 318	–	113 318	–	–
Cement	142 754	–	142 754	147 417	–	147 417	–	–
Fuel and diesel	432 845	1 098	433 943	280 775	391	281 166	–	–
External transport	523 596	–	523 596	373 853	–	373 853	–	–
Railage	170 486	–	170 486	193 715	–	193 715	–	–
Electricity	98 607	2 290	100 897	99 464	2 343	101 807	–	–
Audit fees	–	8 693	8 693	–	7 475	7 475	3 930	3 854
Audit	–	8 541	8 541	–	7 395	7 395	3 930	3 854
Other	–	152	152	–	80	80	–	–
Employee costs	530 408	410 210	940 618	471 729	358 329	830 058	41 603	42 059
Defined contribution plan contributions	34 132	28 084	62 216	29 826	23 095	52 921	1 968	1 240
Share-based payment expense	971	33 414	34 385	–	29 664	29 664	10 855	11 867
Short-term employee expenses	495 305	348 712	844 017	441 903	305 570	747 473	28 780	28 952
Consulting and legal fees	20 778	57 879	78 657	17 944	45 615	63 559	1 097	1 094
Access control	–	47 343	47 343	–	41 500	41 500	–	–
Insurance	2 355	21 771	24 126	1 740	19 392	21 132	–	–
Training	–	20 328	20 328	–	20 104	20 104	–	6
Other costs	15 271	156 545	171 816	188 148	133 115	321 263	13 484	12 519
Total	3 208 384	793 931	4 002 315	2 966 586	687 991	3 654 577	60 114	59 532

4. Other income and expense items (continued)

4.6 Finance income

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Bank	31 458	11 116	28 695	10 108
Other interest	2 352	1 314	46	30
Total	33 810	12 430	28 741	10 138

4.7 Finance costs

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Instalment sale agreements	14 859	10 680	–	–
Lease liabilities	3 667	(1 179)	–	–
Bank	20 869	27 623	19 316	22 110
South African Revenue Service	921	168	–	–
Group companies loans	–	–	106 809	62 045
Environmental rehabilitation and dismantling	18 804	16 444	–	–
Other interest paid	1 388	1 544	–	–
Total	60 508	55 280	126 125	84 155

5. Income tax expense

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

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

5. Income tax expense (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Major components of the tax expense				
Current				
Local income tax				
Current year	274 247	302 840	–	27
Prior year (over)/under provision	(2 087)	48	(1 350)	–
	272 160	302 888	(1 350)	27
Deferred				
Deferred income tax				
Current year	(6 847)	(11 738)	12 875	(1 960)
Prior year under provision	4 069	–	–	–
	(2 778)	(11 738)	12 875	(1 960)
Total	269 382	291 150	11 525	(1 933)
Tax rate reconciliation				
Standard tax rate (%)	28,0	28,0	28,0	28,0
Permanent differences (%)	0,8	(0,7)	(26,1)	(28,8)
Non-deductible expenses (%)*	2,5	0,7	7,5	(0,3)
Share Appreciation Right Scheme expense realised (%)	(0,8)	(0,6)	(0,5)	(1,5)
Deferred tax not recognised in prior year utilised (%)	(1,7)	(1,0)	(0,2)	–
Deferred tax recognised in prior year – derecognised in current year (%)	–	–	–	0,7
Exempt income (%)**	(0,3)	(0,2)	(33,0)	(27,7)
Effect of rate change (%)	(0,2)	–	0,1	–
Deferred tax on previously unrecognised tax losses (%)	1,3	0,4	–	–
Effective rate (%)	28,8	27,3	1,9	(0,8)

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

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

For details on deferred tax, refer note 6.3.

Corporate income tax rate

The 2022 budget speech, delivered on 23 February 2022, announced that the corporate income tax rate will be reduced to 27% (from 28%) with effect for years of assessment ending on or after 31 March 2023. Therefore the new corporate income tax rate will be applicable to the Group for the year ended F2024.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities

6.1 Property, plant and equipment

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

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

The Right-of-Use ('RoU') assets are measured at cost comprising of the following: 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. RoU assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

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

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

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

Land	Indefinite life
Buildings	10 to 20 years
Leasehold property	1 to 20 years
Plant and machinery	5 to 20 years
Motor vehicles	3 to 15 years
Office and computer equipment	3 to 5 years
Dismantling costs	2 to 30 years
Mining assets	7 to 30 years
Stripping assets	Unit of Production ('UoP')

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

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Mining assets:

Mining assets represent the future benefits in respect of acquiring mineral reserves and resources, and therefore classifies it as a tangible asset under property, plant and equipment. These are acquired through business combinations and are initially valued at the fair value of the resources obtained. When the Group is able to mine, the undeveloped mining resources are depreciated as above.

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

The cost of an item of property, plant and equipment comprises any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. During the ramp-up phase, all costs that are directly attributable to developing the mine are capitalised up to the date when the commercial production indicators are met. The development of a mine to gain access to the resource as well as ramps, access roads and surface rights are components necessary for the mine to be capable of operating in the manner intended by management. Capitalisation of costs to the carrying amount of mining assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Stripping assets:

Stripping assets are initially measured at cost and subsequently carried at cost or its revalued amount less accumulated depreciation and impairment losses. These assets derive as a result of the removal of overburden or waste material which is required to obtain access to the ore body and therefore realise future economic benefit.

Mining costs associated with the removal of overburden are deferred to the extent that the actual stripping ratio of a component is higher than the expected average reserve life stripping ratio for that component. These assets are depreciated using the units-of-production method over the expected ROM that becomes more accessible as a result of the stripping activity and are charged to 'cost of sales' in profit or loss. The average reserve life stripping ratio is calculated as the total cubes of waste material expected to be removed over the reserve life per tonne of ore extracted. A component has been identified as a geographically distinct ore body within a pit to which the stripping activities being undertaken within that component could be allocated. Where the pit profile is such that the actual stripping ratio is below the average reserve life stripping ratio no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead, this position is monitored and when the cumulative calculation reflects a debit balance deferral commences. The stripping ratios for each component are reassessed annually at the end of each reporting period. Any changes in such accounting estimates are adjusted in the year of reassessment and applied prospectively.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Other:

When a transaction involving the acquisition of assets does not constitute a business as defined in IFRS 3, the Group shall account for the transaction as an asset acquisition within IAS 16: *Property, plant and equipment*. During the prior year, the Group has accounted for the acquisition of Coza Mining Proprietary Limited as an asset acquisition as it has been determined that the transaction is not a business in terms of IFRS 3. Therefore a mining asset relating to the mineral reserves and resources was accounted for at cost.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale, or while it is part of a disposal group classified as such.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Extension and termination options in determining the lease term

In determining the lease period, management considers all facts and circumstances pertaining to the lease such as: the non-cancellable period and any periods covered by an option to extend or terminate. Extension or termination options are only included in the lease period if the lease is reasonably certain to be extended or terminated.

The following factors are indicative that extension is most probable:

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

Impairment of property, plant and equipment

In management's assessment the following factors were considered in determining whether an indication of impairment exist:

- ▶ The current condition of the individual assets;
- ▶ Operational efficiencies;
- ▶ The operating relevance of the individual asset;
- ▶ Residual value of the individual assets; and
- ▶ Economic environment in which the assets operate in.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Cost	Accumulated depreciation/impairment	Carrying value	Cost	Accumulated depreciation/impairment	Carrying value
	2023	2023	2023	2022	2022	2022
	R'000	R'000	R'000	R'000	R'000	R'000
Group						
Land and buildings	169 601	(43 159)	126 442	156 130	(41 137)	114 993
Leasehold property	32 596	(20 451)	12 145	29 971	(16 691)	13 280
Plant and machinery	1 894 983	(797 697)	1 097 286	1 577 861	(653 840)	924 021
Motor vehicles	1 090 866	(526 822)	564 044	1 008 369	(501 261)	507 108
Office and computer equipment	66 361	(50 714)	15 647	55 061	(41 969)	13 092
Dismantling costs	31 864	(18 095)	13 769	30 121	(16 851)	13 270
Mining assets	1 742 815	(287 512)	1 455 303	1 226 219	(228 748)	997 471
Stripping assets	134 411	(119 283)	15 128	116 414	(31 754)	84 660
RoU assets	70 319	(44 024)	26 295	74 143	(45 590)	28 553
Total	5 233 816	(1 907 757)	3 326 059	4 274 289	(1 577 841)	2 696 448

Analysis of movements in carrying value:

	Opening carrying value	Additions	Additions through business combinations	Reclassification	Disposals	Depreciation	Impairment	Closing carrying value
	R'000	R'000	(refer note 12.1)	R'000	R'000	R'000	R'000	R'000
Group								
2023								
Land and buildings	114 993	16 007	–	–	(260)	(4 298)	–	126 442
Leasehold property	13 280	2 625	–	–	–	(3 760)	–	12 145
Plant and machinery	924 021	260 157	17 836	2 714	(1 873)	(105 569)	–	1 097 286
Motor vehicles	507 108	163 208	1 451	(2 714)	(19 239)	(81 994)	(3 776)	564 044
Office and computer equipment	13 092	10 807	98	–	(39)	(8 311)	–	15 647
Dismantling costs	13 270	1 682	–	–	(52)	(1 131)	–	13 769
Mining assets	997 471	485 488	32 150	–	–	(59 806)	–	1 455 303
Stripping assets	84 660	17 997	–	–	–	(87 529)	–	15 128
RoU assets	28 553	5 122	–	–	(963)	(6 417)	–	26 295
Total	2 696 448	963 093	51 535	–	(22 426)	(358 815)	(3 776)	3 326 059
Group								
2022								
Land and buildings*	104 677	20 559	–	(2 500)	(4 513)	(3 296)	66	114 993
Leasehold property	16 347	670	–	–	(16)	(3 721)	–	13 280
Plant and machinery	801 581	226 563	–	87	(3 949)	(91 541)	(8 720)	924 021
Motor vehicles	475 374	123 713	–	(87)	(9 350)	(77 855)	(4 687)	507 108
Office and computer equipment	9 851	9 751	–	–	(302)	(6 208)	–	13 092
Dismantling costs	15 766	1 783	–	–	(4 358)	79	–	13 270
Mining assets	727 308	343 015	–	–	–	(72 852)	–	997 471
Stripping assets	61 738	47 919	–	–	–	(24 997)	–	84 660
RoU assets	34 851	8 473	–	–	(15)	(14 756)	–	28 553
Total	2 247 493	782 446	–	(2 500)	(22 503)	(295 147)	(13 341)	2 696 448

* During the prior year the Group reclassified land to 'Non-current assets held for sale' as result of a sale transaction which the Group entered into.

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

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

	Group	
	2023 R'000	2022 R'000
Carrying value of assets pledged as security:		
Plant and machinery	72 092	98 836
Motor vehicles	258 902	215 479
Office and computer equipment	–	11
Total	330 994	314 326

Included in additions are plant, equipment and motor vehicles with a total cost of R145,7 million (2022: R173,5 million), which were financed and recognised as instalment sale agreements in borrowings (refer note 7.3.4).

Included in disposals are plant and equipment with a cost of R8,6 million (2022: R87,1 thousand) and accumulated depreciation of R8,6 million (2022: R60,4 thousand), which had no further economical value and have been removed from the register.

During the prior year an attack by non-state armed groups occurred in the Palma District, Cabo Delgado province, Mozambique. As a result, Afrimat immediately withdrew all expats, repatriated them to South Africa and declared *force majeure*. An impairment of R9,7 million was recognised in respect of property, plant and equipment, which could not be recovered and no longer had economic value. During the current year a further impairment of R3,8 million was recognised.

During the prior year, an impairment loss of R3,6 million was recognised, relating to property, plant and equipment which had no further economic value and has been removed from the register. R3,2 million relates to items written off at Afrimat Marble Hall Proprietary Limited (previously known as Lyttelton Dolomite Proprietary Limited).

Depreciation expense of R308,3 million (2022: R256,3 million) has been charged in 'cost of sales' and R50,5 million (2022: R38,8 million) in 'operating expenses'.

Leases:

	Group	
	2023 R'000	2022 R'000
Carrying value of RoU assets:		
Land and buildings	26 023	28 044
Equipment	272	509
Motor vehicles	–	–
Total	26 295	28 553

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

	Group	
	2023 R'000	2022 R'000
Depreciation charge of RoU assets:		
Land and buildings	6 246	6 968
Equipment	171	1 700
Motor vehicles	–	6 088
Total	6 417	14 756

	Group	
	2023 R'000	2022 R'000
Additions/reassessment of RoU assets:		
Land and buildings	4 159	8 473
Motor vehicles	–	–
Total	4 159	8 473

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

Non-current assets held for sale:

	Group	
	2023 R'000	2022 R'000
Land and buildings	–	20 050

During the prior year, the Group made the decision to sell a vacant land and office building. These assets form part of the acquisition of Afrimat Mining Services Proprietary Limited, refer note 12.1. A sale agreement was entered into between Afrimat Mining Services Proprietary Limited and Baughan Proprietary Limited, concluded on 8 October 2021. During the current year, the sale was concluded on 28 November 2022 at a selling price of R17,6 million. The land and building was measured at its fair value less costs to sell of R17,6 million.

Furthermore, another sale agreement between Rodag Holdings Proprietary Limited and Grain Carriers Proprietary Limited was concluded on 28 February 2022, to sell land. The land was originally purchased for use within the KwaZulu-Natal operations. During the current year, the sale was concluded on 5 August 2022 at a selling price of R5,7 million. The carrying value of the land was R2,5 million.

Both these assets were included within the total assets of the Construction Materials segment.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.1 Property, plant and equipment (continued)

Fair value measurement:

Land and buildings classified as held for sale were measured at the lower of its carrying value and fair value less costs to sell at the time of reclassification. No impairment arose on the reclassification of these assets. The fair value of the assets were determined using prices and other relevant information available by market transactions involving identical or comparable assets. This is a level 3 measurement in terms of the fair value hierarchy.

6.2 Intangible assets

Goodwill is carried at cost less any accumulated impairment.

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

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

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

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

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

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

Mining rights	20 to 30 years
Surface right	5 years

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

The amortisation on the purchasing right has been depleted during F2021. The amortisation charge is recognised as an expense in profit or loss. The amortisation period and amortisation method applied to an intangible asset with a finite useful life is reviewed, and adjusted if necessary, on an annual basis. These charges are accounted for as a change in estimate.

Impairment of goodwill

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

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	Group					
	Accumulated amortisation/impairment/Carrying value			Accumulated amortisation/impairment/Carrying value		
	Cost 2023 R'000	2023 R'000	2023 R'000	Cost 2022 R'000	2022 R'000	2022 R'000
Goodwill	287 859	(38 575)	249 284	239 077	(38 575)	200 502
Mining rights	24 188	(17 331)	6 857	24 188	(16 495)	7 693
Surface right	5 226	(1 115)	4 111	5 226	(86)	5 140
Purchasing right	–	–	–	9 983	(9 983)	–
Total	317 273	(57 021)	260 252	278 474	(65 139)	213 335

Analysis of movements in carrying value:

	Group			
	Opening carrying value	Additions	Amortisation	Closing carrying value
	R'000	R'000	R'000	R'000
2023				
Goodwill	200 502	48 782	–	249 284
Mining rights	7 693	–	(836)	6 857
Surface right	5 140	–	(1 029)	4 111
Total	213 335	48 782	(1 865)	260 252
2022				
Goodwill	200 502	–	–	200 502
Mining rights	9 283	–	(1 590)	7 693
Surface right	–	5 226	(86)	5 140
Total	209 785	5 226	(1 676)	213 335

None of the mining rights included in intangible assets have indefinite lives. Remaining amortisation periods varies between five and 15 years (2022: six and 16 years). An amortisation expense of R1,2 million (2022: R1,0 million) has been charged to 'cost of sales' and R0,7 million (2022: R0,7 million) has been charged to 'operating expenses'.

During the prior year, the Group acquired a surface right at its Nkomati Anthracite mine with a definite life of five years.

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Goodwill acquired through business combinations has been allocated to CGUs as follows:

	Group	
	2023 R'000	2022 R'000
Afrimat Aggregates (KZN) Proprietary Limited	16 878	16 878
Rodag Holdings Proprietary Limited	1 058	1 058
Afrimat Aggregates (Operations) Proprietary Limited	10 955	10 955
Afrimat Aggregates (Eastern Cape) Proprietary Limited	39 267	39 267
Clinker Supplies Proprietary Limited	26 105	26 105
Sunshine Crushers Proprietary Limited	5 723	5 723
Glen Douglas Dolomite Proprietary Limited	801	801
Afrimat Lyttelton Proprietary Limited	1 787	1 787
Cape Lime Proprietary Limited	57 456	57 456
Afrimat Iron Ore Proprietary Limited	40 472	40 472
Agri Lime Proprietary Limited*	40 102	–
Eckraal Quarries Proprietary Limited*	8 680	–
	249 284	200 502

* The goodwill for Agri Lime Proprietary Limited and Eckraal Quarries Proprietary Limited is provisional due to the accounting for the business combinations not being finalised at year-end. Refer note 12.1.

The recoverable amount was determined using value-in-use calculations using a discounted cash flow methodology. These cash flows were based on forecasts which included assumptions as disclosed in the table below.

Assumptions used in discounted cash flow methodology

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

Assumption	Approach used to determine values
Sales volume	An annual average growth rate extended over the five-year forecast period is used; this is based on past performance and management's expectations of market development, which is between the range of 4,0% to 6,0% (2022: 4,0% to 6,0%).
Budgeted gross margin	Based on past performance and management's expectations for the future, which is between the range of 4,0% to 6,0% (2022: 4,0% to 6,0%).

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

Other operating costs	These costs are forecasted by management adjusted for inflationary increases, non-cash flow items and once-off isolated expenses. These costs will generally reflect the fixed costs which are not expected to vary significantly with sales volumes or prices, which is between the range of 4,0% to 6,0% (2022: 4,0% to 6,0%).
Annual capital expenditure	Expected capital expenditure approved by the Board of directors for planned refurbishment. This is determined based on historical experience and expectations set by management, which is between the range of 4,0% to 6,0% (2022: 4,0% to 6,0%).
Medium-term growth rate	This is the weighted average growth rate, used to extrapolate the cash flows over the budgeted period, of 4,6% (2022: 4,6%)
Long-term growth rate	This is the weighted average growth rate, used to extrapolate the cash flows over the budgeted period, of 4,6% (2022: 4,6%)
Pre-tax discount rate	This is a discount rate determined by the Group that best reflects the specific risks relating to the CGUs against an adjusted market estimate of the weighted average target cost of capital structure of the Group. A rate of 15,8% (2022: 12,6%) has been applied.

Based on management's assessment no impairments were identified during the current year.

Significant estimate: impact on possible changes in key assumptions

A sensitivity analysis on assumptions used in the discounted cash flow has been done. The recoverable amounts of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited, would equal its carrying value amount if the key assumptions were to change as follows:

	2023		2022	
	From	To	From	To
Afrimat Aggregates (Eastern Cape) Proprietary Limited				
Medium-term growth rate	N/A	N/A	4,6%	3,6%
Long-term growth rate	4,6%	0,0%	4,6%	4,6%
Pre-tax discount rate	N/A	N/A	12,6%	17,8%

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.2 Intangible assets (continued)

	2022	
	From	To
Afrimat Aggregates (Operations) Proprietary Limited		
Medium-term growth	4,6%	3,6%
Pre-tax discount rate	12,6%	14,7%

The recoverable amount of the CGUs, Afrimat Aggregates (Eastern Cape) Proprietary Limited (2022: Afrimat Aggregates (Eastern Cape) Proprietary Limited and Afrimat Aggregates (Operations) Proprietary Limited), is estimated to exceed its carrying amount at 28 February 2023 by R96,4 million (2022: R36,2 million and R131,8 million, respectively).

Management have considered and assessed possible changes for the other assumptions and have not identified any instances that could cause the carrying amount of the CGU, Afrimat Aggregates (Eastern Cape) Proprietary Limited, to exceed its recoverable amount, therefore no impairment has been recorded. Should changes in the medium-term growth, long-term growth and pre-tax discount rate be greater than the rates stated above, it may cause the carrying amount to exceed the recoverable amount and therefore result in an impairment to be recognised.

6.3 Deferred tax

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

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

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Deferred tax assets

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Accelerated capital allowances for tax purposes	(284 053)	(189 130)	–	–
Accruals	50 165	40 396	3 336	14 501
Provisions	77 137	74 263	–	–
Tax losses available for set-off against future taxable income	182 695	212 162	515	–
Share-based payments	22 888	37 007	5 784	11 200
Fair value adjustments	(1 608)	(98 820)	–	–
Mining assets	(153 426)	(140 163)	–	–
Other	(11 618)	(37 414)	(1 350)	–
Lease liabilities	11 481	12 494	–	–
	(106 339)	(89 205)	8 285	25 701

6. Non-financial assets and liabilities (continued)

6.3 Deferred tax (continued)

Analysis of movement in deferred tax balance:

	Group								
	February 2022			Recognised in profit or loss R'000	Recognised directly in equity R'000	Business combinations (refer note 12.1) R'000	February 2023		
	Assets R'000	Liabilities R'000	Total R'000				Assets R'000	Liabilities R'000	Total R'000
Accelerated capital allowances for tax purposes	76 769	(265 899)	(189 130)	(89 493)	–	(5 430)	7 044	(291 097)	(284 053)
Accruals	45 239	(4 843)	40 396	9 769	–	–	18 471	31 694	50 165
Provisions	34 183	40 080	74 263	2 874	–	–	33 377	43 760	77 137
Tax losses available for set-off against future taxable income	202 324	9 838	212 162	(29 467)	–	–	174 258	8 437	182 695
Share-based payments	21 793	15 214	37 007	346	(14 465)	–	12 413	10 475	22 888
Fair value adjustments	(309)	(98 511)	(98 820)	97 229	(17)	–	8	(1 616)	(1 608)
Mining assets	(19 344)	(120 819)	(140 163)	(13 263)	–	–	12 582	(166 008)	(153 426)
Other	(2 811)	(34 603)	(37 414)	25 796	–	–	(1 122)	(10 496)	(11 618)
Lease liabilities	2 995	9 499	12 494	(1 013)	–	–	3 777	7 704	11 481
Total	360 839	(450 044)	(89 205)	2 778	(14 482)	(5 430)	260 808	(367 147)	(106 339)

	Company								
	February 2022			Recognised in profit or loss R'000	Recognised directly in equity R'000	February 2023			
	Assets R'000	Liabilities R'000	Total R'000			Assets R'000	Liabilities R'000	Total R'000	
Accruals	14 501	–	14 501	(11 165)	–	–	3 336	–	3 336
Tax losses available for set-off against future taxable income	–	–	–	515	–	–	515	–	515
Other	–	–	–	(1 350)	–	–	(1 350)	–	(1 350)
Share-based payments	11 200	–	11 200	(875)	(4 541)	–	5 784	–	5 784
Total	25 701	–	25 701	(12 875)	(4 541)	–	8 285	–	8 285

The Group has estimated income tax losses and capital tax losses available of R869,9 million (2022: R932,3 million) and R52,6 million (2022: R52,6 million), respectively. Included in the assessed tax losses were R186,4 million (2022: R174,6 million) and R52,6 million (2022: R52,6 million) relating to income and capital tax losses, respectively, which are available for set-off against future taxable income, but due to the improbability of the realisation of related tax benefits, these assets were not raised. Included in the income tax losses is an amount of R588,7 million (2022: R653,1 million) relating to the income tax losses of Nkomati Anthracite Proprietary Limited. The deferred tax asset includes an asset of R182,7 million (2022: R212,2 million) relating to assessed tax losses carried forward. The Group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income based on the approved business plan and budgets.

Corporate income tax rate

The 2022 budget speech, delivered on 23 February 2022, announced that the corporate income tax rate will be reduced to 27% (from 28%) with effect for years of assessment ending on or after 31 March 2023. Therefore the deferred tax balance has been recognised at the rate of 27% as the new corporate income tax rate will be applicable to the Group for the year ended F2024.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

6. Non-financial assets and liabilities (continued)

6.4 Inventories

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

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

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

Provision for stock obsolescence

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

A provision for stock obsolescence is calculated as follows:

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

Measurement of stockpile quantities

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Amounts attributable to the different categories are as follows:				
Raw materials, components	246 836	253 985	–	–
Finished goods	366 245	260 663	–	–
Production supplies	79 911	70 447	–	–
Total	692 992	585 095	–	–
Allowance for inventory obsolescence:	(19 653)	(16 829)	–	–
Finished goods	(16 329)	(11 979)	–	–
Production supplies	(3 324)	(4 850)	–	–
Total	673 339	568 266	–	–
Non-current assets*	212 569	–	–	–
Current assets	460 770	568 266	–	–
Total	673 339	568 266	–	–

* Inventories classified as 'non-current assets' relates to the 'raw materials: phosphate stockpiles' purchased by Afrimat Phosphates Proprietary Limited from Glenover Phosphate Proprietary Limited. The company is in the process of ramping up its operation for the processing of these stockpiles and therefore this has been classified as non-current.

6. Non-financial assets and liabilities (continued)

6.4 Inventories (continued)

Inventory write-off to net realisable value amounted to R8,4 million (2022: R26,9 million) and was included in 'cost of sales' in the Statement of Profit or Loss and Other Comprehensive Income.

The total amount of inventory recognised as an expense is R636,5 million (2022: R721,8 million) and was recognised in 'cost of sales'.

6.5 Provisions

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

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

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

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

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

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

Key assumptions used by management in valuation of rehabilitation and dismantling provisions:

Assumptions	2023	2022
Life-of-mine Values	Life-of-mine 7 to 30 years	Life-of-mine 7 to 30 years
Medium-term growth	7,20%	5,70%
Pre-tax discount rate	7,00%	7,10%

Quantifying the future costs of these obligations is complex and requires various estimates to be made, as well as interpretations of and decisions regarding regulatory requirements, particularly with respect to the degree of rehabilitation required, with reference to the sensitivity of the environmental area surrounding the sites.

The carrying value of the rehabilitation and dismantling provision is sensitive to assumptions and estimates used in its calculation. If the discount rate of 7,0% (2022: 7,1%) had been 0,8% higher than management's estimate, the Group would have decreased the provisions by R19,7 million (2022: R23,7 million). However, if the discount rate had been 0,8% lower than management's estimate, the Group would have increased the provisions by R22,7 million (2022: R28,1 million).

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

	Group		
	Environmental rehabilitation R'000	Dismantling R'000	Total provisions R'000
Balance at 1 March 2021	206 446	32 696	239 142
Discount unwinding	16 444	–	16 444
Reversed during year	(20 749)	(4 358)	(25 107)
Additions	32 990	1 783	34 773
Total changes	28 685	(2 575)	26 110
Balance at 1 March 2022	235 131	30 121	265 252
Acquired through business combination (refer note 12.1)	5 267	–	5 267
Discount unwinding	18 804	–	18 804
Reversed during year	(13 412)	(53)	(13 465)
Additions	13 420	1 682	15 102
Total changes	24 079	1 629	25 708
Balance at 28 February 2023	259 210	31 750	290 960

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

Key assumptions used by SPC:

Rehabilitation of access roads	R7,14/m ²
Buttress blasting	R1 000/linear metre
Rehabilitation of overburden and spoils	R130 760/hectare ('ha')
General surface rehabilitation	R63 746/ha
Two to three years of maintenance and aftercare	R6 342/ha
Discount rate	8,0%

These assumptions were unchanged and consistent with those used for the prior year.

6. Non-financial assets and liabilities (continued)

6.5 Provisions (continued)

The Financial Provisioning Regulations, 2015 as amended by Government Notice No. 1314, Government Gazette No. 40371 of 26 October 2016, Government Notice No. R452, Government Gazette No. 41584 of 20 April 2018, Government Notice No. 991, Government Gazette No. 42956 of 17 January 2020 and Government Notice No. 495, Government Gazette No. 44698 of 11 June 2021 have been repealed and replaced with the Proposed Financial Provisioning Regulations, 2022.

All environmental rehabilitation and dismantling provisions at year-end have been reviewed by management and adjusted as appropriate for changes in legislation, technology and other circumstances. The expected timing of any outflows of these provisions will be on the closure of the respective mines. Estimates are based on costs that are reviewed regularly and adjusted as appropriate for new circumstances. Future cash flows are appropriately discounted. A discount rate of 7,0% (2022: 7,1%) was used. The Company appointed SPC to conduct an Independent Specialist Update of the Quarry Site Rehabilitation Quantums during F2021.

The decommissioning and rehabilitation provisions are secured by guarantees issued to the DMRE to the amount of R414,2 million (2022: R412,2 million) (refer note 16). Funds to the amount of R86,2 million (2022: R69,7 million) have been invested in environmental insurance policies and R3,6 million (2022: R3,4 million) in a Green Horizons Environmental Rehabilitation Trust Fund (refer notes 7.1 and 7.2).

7. Financial assets and liabilities

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Other financial assets				
Non-current assets				
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 634	3 439	–	–
Financial assets at fair value through profit or loss (refer note 7.2)	86 811	70 329	–	–
Financial assets at amortised cost (refer note 7.3.1)	31 120	18 218	–	–
	121 565	91 986	–	–
Current assets				
Financial assets at amortised cost (refer note 7.3.1)	9 128	1 732	3 609	–
	9 128	1 732	3 609	–
Total other financial assets	130 693	93 718	3 609	–

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.1 Financial assets at fair value through other comprehensive income

Investments in equity instruments measured at fair value through other comprehensive income ('FVOCI') are recognised when the Group becomes a party to the contractual provisions of the instrument. The investments are measured at initial recognition at fair value. Transaction costs are added to the initial carrying amount for those investments. Investments in equity instruments are subsequently measured at FVOCI.

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

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Listed shares at fair value				
Old Mutual PLC shares	67	74	–	–
Environmental funds at fair value				
Green Horizons Environmental Rehabilitation Trust Fund	3 567	3 365	–	–
Total financial assets at fair value through other comprehensive income	3 634	3 439	–	–

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

Refer to note 20 for details of fair value estimation.

7.2 Financial assets at fair value through profit or loss

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

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

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

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

7. Financial assets and liabilities (continued)

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Cadiz Asset Management Proprietary Limited Enterprise Development Investment	609	610	–	–
Centriq Insurance Company Limited Mining Rehabilitation Guarantee Insurance Policy	55 858	50 979	–	–
Guardrisk Insurance Company Limited Endowment policies*	5 193	18 740	–	–
Total financial assets at fair value through profit or loss	86 811	70 329	–	–

* Endowment policies acquired as part of the business combination of Eckraal Quarries, refer note 12.1.

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

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

The Guardrisk investment was acquired as part of the Nkomati acquisition for the environmental rehabilitation costs of the Nkomati mine.

The fair value of all equity securities is based on their current bid prices in an active market. A change in fair value of R2,5 million (2022: R2,0 million) was allocated to 'other net gains and losses' in profit or loss, refer note 4.2.

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

7.3 Financial assets and liabilities at amortised cost

7.3.1 Other financial assets at amortised costs

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

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

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

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.1 Other financial assets at amortised costs (continued)

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

The Group measures the loss allowance at an amount equal to lifetime expected credit losses ('lifetime ECL') when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, the loss allowance for that loan is measured at 12-month expected credit losses ('12-month ECL').

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current assets				
Enterprise and supplier development loans	31 120	18 218	–	–
Current assets				
Enterprise and supplier development loans	5 411	1 732	3 609	–
Other*	3 717	–	–	–
Total other financial assets at amortised cost	40 248	19 950	3 609	–

* Included in 'Other' is a loan to Glenover Phosphate Proprietary Limited of R3,5 million. Which relates to an amount paid by Afrimat Phosphates Proprietary Limited to Eskom for an electricity connection point.

As part of Afrimat's commitment to achieve sustainable growth and having an impact on the communities we operate in, the Group provides local enterprise and supplier development loans to local qualifying enterprises. The majority of these loans have been provided by Afrimat Iron Ore Proprietary Limited to local qualifying enterprises. The loans bear no interest and are repayable between 10 and 48 monthly instalments.

It is management's view that these counterparties have a low risk of default as there are no amounts past due. For supplier development loans sufficient security is provided. The expected credit loss has been determined over a 12-month period, resulting in expected credit loss identified being immaterial.

The fair values of other financial assets at amortised cost are considered to be approximate to the carrying value due to their short-term nature.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. They are subsequently measured at amortised costs using the effective interest method, because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group's business model is to collect the contractual cash flows on trade and other receivables.

The Group applies the IFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The Group makes use of a provision matrix as a practical expedient to the determination of ECL on trade and other receivables. Trade receivables have been grouped with relation to the credit quality of the customers. The expected loss rate is based on the historical payment of sales, as well as credit losses experienced during a 12-month period before reporting date. The historical loss rate is adjusted to reflect current and forward-looking information on macroeconomic factors that may affect the ability of customers to settle the debt outstanding. The Group has identified the gross domestic product ('GDP') of South Africa to be the most relevant factor and accordingly adjusted the historical loss rate based on expected changes in the GDP. When there is no expectation to recover additional cash, the receivable is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other income' in the Statement of Profit or Loss and Other Comprehensive Income.

A significant increase in credit risk is indicated when:

- (1) the debtor has missed at least one payment (i.e. 30/60 days past due); and
- (2) any other economic indicators (i.e. national/global occurrences).

The quantitative criterion of credit impairment is when receivables are more than 90 days past due on their contractual payments which is a rebuttable presumption in IFRS 9.

ECL allowance is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The ECL is included in 'other operating expenses' in profit or loss as a movement in credit loss allowance.

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Provisionally priced receivables included within the trade receivables of Afrimat Iron Ore Proprietary Limited are exposed to future IODEX price movements. A financial asset host that is within the scope of IFRS 9 is not assessed for embedded derivatives, because the solely payments of principal and interest ('SPPI') criterion is applied to the entire hybrid contract to determine the appropriate measurement category. The exposure of provisionally priced trade receivables to future IODEX price fluctuations will fail the SPPI criteria and are therefore measured at fair value through profit or loss from the date of recognition up until date of settlement.

When assessing the loss allowance for inter-group loans, other financial assets and net investment in lease, the Group applies the General Model by firstly assessing which stage of the three-stage model the financial asset falls into and secondly calculating this loss taking into account the exposure, probability and expected loss accordingly. The stages applied are:

- (1) A performing asset – a 12-month ECL is calculated;
- (2) Increased credit risk – lifetime ECL is calculated; or
- (3) Credit impaired – lifetime ECL is calculated.

Trade and other receivables

ECL of trade and other receivables requires the consideration of historical default rates and forward-looking information. The Group applies the practical expedient in using the provision matrix and a forward-looking factor.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade receivables at amortised cost	442 177	436 348	24 814	10 369
Less: Allowances for credit losses	(13 751)	(8 961)	–	–
Trade and other receivables at fair value through profit or loss*	196 345	265 329	–	–
Trade receivables – net	624 771	692 716	24 814	10 369
Other receivables	50 345	24 086	424	460
Trade and other receivables – financial assets (refer note 10)	675 116	716 802	25 238	10 829
Prepayments and value-added taxation	66 944	76 541	5 000	1 080
Total trade and other receivables	742 060	793 343	30 238	11 909

* Trade receivables at fair value through profit or loss relates to the customer, Kumba International Trading S.A.R.L, refer note 20, for further details on fair value methodology.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

The other receivables comprising deposits have a low risk of default, with no amount past due. The ECL has been determined over a 12-month period, resulting in an ECL identified being immaterial.

Trade and receivables for the Company relates to inter-company balances. These balances have been assessed for ECL over a 12-month period, resulting in an ECL identified being immaterial, due to the balances not being past due.

In the prior year, trade receivables to the amount of R653,1 million served as security for the Group security special purpose vehicle ('SPV'), Shelfcor 08 Security SPV (RF) Proprietary Limited, refer note 7.3.4. During the year, the Group completed dissolving the SPV. None of the trade receivables serve as security.

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Group only deals with reputable customers with consistent payment histories. The collateral in place includes an insurance policy covering credit losses greater than R5,0 million. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, are continuously monitored.

Three of the Group's largest customers, Kumba International Trading S.A.R.L, ArcelorMittal South Africa Limited and Glencore Operations South Africa Proprietary Limited (2022: Kumba International Trading S.A.R.L and Glencore Operations South Africa Proprietary Limited), accounted for approximately 26,6%, 13,9% and 10,0% of net sales (2022: 30,8% and 6,8%) which represents 25,7%, 24,0% and 1,7% of the trade and other receivables balance outstanding (2022: 35,2% and 4,2%), respectively. There are no other significant concentration of customer credit risk.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	Group			
	Estimated gross carrying amount at default 2023 R'000	Loss allowance (lifetime expected credit loss) 2023 R'000	Estimated gross carrying amount at default 2022 R'000	Loss allowance (lifetime expected credit loss) 2022 R'000
Expected credit loss rate:				
Not past due: 0,0% (2022: 0,1%)	250 026	(8)	248 156	(244)
Less than 30 days past due: 1,7% (2022: 5,1%)	122 736	(2 044)	60 479	(3 065)
31 – 60 days past due: 0,1% (2022: 0,6%)	35 401	(34)	119 699	(661)
61 – 90 days past due: 5,8% (2022: 100,0%)	14 738	(862)	824	(824)
91 – 120 days past due: 8,1% (2022: 37,4%)	9 215	(742)	4 826	(1 803)
More than 120 days past due: 100,0% (2022: 100,0%)	10 061	(10 061)	2 364	(2 364)
Total	442 177	(13 751)	436 348	(8 961)

The following table shows the movement in the loss allowance (lifetime ECL) for trade and other receivables:

	Group	
	2023 R'000	2022 R'000
Opening balance	8 961	7 256
Acquired through business combination	3 273	–
Amounts recovered	(547)	(211)
Provision raised on new trade receivables	9 324	4 997
Provisions reversed on settled trade receivables	(7 260)	(3 081)
Closing balance	13 751	8 961

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.2 Trade and other receivables (continued)

Other trade receivables are assessed on an individual basis and considered to be low risk of default, due to parties having sufficient access to high liquid assets at year-end. The expected credit loss has been determined over a 12-month period, and the identified credit loss was immaterial.

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	515 842	479 450	30 238	11 909
Metcails	27 601	21 959	–	–
US Dollar	198 617	291 934	–	–
	742 060	793 343	30 238	11 909

The fair values of 'trade and other receivables at amortised cost' are considered to be equal to the carrying value due to their short-term nature. Refer note 20 for details of fair value estimation on 'trade and other receivables at fair value through profit or loss'.

7.3.3 Cash and cash equivalents

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

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

Bank overdrafts are classified as financial liabilities at amortised cost.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Cash and cash equivalents consist of:				
Cash on hand	229	246	–	–
Bank balances	199 337	274 650	74 170	19 927
Short-term bank deposits	81 471	15 737	–	–
Bank overdraft	–	(1 805)	–	–
	281 037	288 828	74 170	19 927
Current assets	281 037	290 633	74 170	19 927
Current liabilities	–	(1 805)	–	–
	281 037	288 828	74 170	19 927

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.3 Cash and cash equivalents (continued)

An unlimited omnibus securityship between Group companies was provided to The Standard Bank of South Africa Limited ('SBSA') for the Group overdraft facility.

The overdraft bears interest on a negotiated rate based on prime and payable on demand. Refer note 7.3.4 for the Group's undrawn facilities.

The cash and cash equivalents disclosed above and in the Statement of Cash Flows include RNil and R2,7 million (2022: R15,8 million and R13,0 thousand) which are held by Afrimat Mozambique Limitada and Afrimat Logistic Limitada, respectively. These deposits are subject to regulatory restrictions and are therefore not available for general use by the other entities within the Group.

Refer note 10 for details on the credit quality of cash and cash equivalents.

The fair values of cash and cash equivalents are considered to be equal to the carrying value due to their short-term nature.

7.3.4 Borrowings

Borrowings are classified as financial liabilities subsequently measured at amortised cost. The liabilities are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Leases are recognised as a RoU asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group leases various land and buildings, equipment and vehicles. Rental contracts are typically made for fixed periods of one year to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- ▶ fixed payments less any lease incentives receivable;
- ▶ exclude variable lease payments;
- ▶ amounts expected to be payable by the Group under residual value guarantees;
- ▶ the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- ▶ payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the RoU asset in a similar economic environment with similar terms, security and conditions.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Non-current liabilities				
Medium-term loans	–	–	–	–
Instalment sale agreements	131 246	110 785	–	–
Lease liabilities	35 082	38 592	–	–
	166 328	149 377	–	–
Current liabilities				
Medium-term loans	20 266	375 748	–	350 000
Instalment sale agreements	118 541	111 668	–	–
Lease liabilities	7 441	7 033	–	–
	146 248	494 449	–	350 000
Total borrowings	312 576	643 826	–	350 000

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Medium-term loans				
Capital reconciliation of medium-term loans was as follows:				
Opening balance	375 748	282 080	350 000	220 000
Borrowings raised	80 325	1 100 998	–	1 097 000
Repayments	(435 807)	(1 007 330)	(350 000)	(967 000)
Closing balance	20 266	375 748	–	350 000
Instalment sale agreements				
Capital reconciliation of instalment sale agreements was as follows:				
Opening balance	222 453	179 740	–	–
Additions through business combinations (refer note 12.1)	6 356	–	–	–
Borrowings raised	145 679	173 503	–	–
Repayments	(124 701)	(130 790)	–	–
Closing balance	249 787	222 453	–	–
Lease liabilities				
Capital reconciliation of lease liabilities was as follows:				
Opening balance	45 625	52 081	–	–
Additions	3 916	8 473	–	–
Finance cost	3 667	(1 179)	–	–
Lease payments (refer note 9.7)	(10 685)	(13 750)	–	–
Closing balance	42 523	45 625	–	–
Total borrowings	312 576	643 826	–	350 000

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Minimum payments due on instalment sale agreements and lease liabilities are as follows:				
Within one year	146 579	131 960	–	–
In second to fifth year inclusive	167 091	145 969	–	–
More than five years	22 677	23 980	–	–
	336 347	301 909	–	–
Future finance charges	(44 037)	(33 831)	–	–
Present value of minimum payments	292 310	268 078	–	–
Analysis of present value of minimum payments due:				
Within one year	125 982	118 701	–	–
In second to fifth year inclusive	148 526	131 069	–	–
More than five years	17 802	18 308	–	–
	292 310	268 078	–	–
Analysis as per Statement of Cash Flows:				
Total opening balance				
borrowings	643 826	513 901	350 000	220 000
Borrowings raised	75 453	880 998	–	877 000
Borrowings raised – non-cash	160 823	401 976	–	220 000
Medium-term loans	4 872	220 000	–	220 000
Instalment sale agreements (refer note 6.1)	145 679	173 503	–	–
Additions through business combinations (refer note 12.1)	6 356	–	–	–
Lease liabilities	3 916	8 473	–	–
Repayments	(567 526)	(931 870)	(350 000)	(747 000)
Instalment sale agreements and medium-term loans	(560 508)	(918 120)	(350 000)	(747 000)
Capital elements of lease payments	(7 018)	(13 750)	–	–
Repayments – non-cash	–	(221 179)	–	(220 000)
Medium-term loans*	–	(220 000)	–	(220 000)
Lease liabilities	–	(1 179)	–	–
Total closing balance borrowings	312 576	643 826	–	350 000

* In the prior year, the utilised facility of R220,0 million was settled through the new R500,0 million revolving credit facility obtained by the Group, therefore reflected as a non-cash movement.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

The following covenants are applicable to the general banking facilities

The Group shall ensure that the following financial covenants will be met:

	Targets	Achieved
– Net debt to earnings before interest, taxation, depreciation and amortisation ('EBITDA') ratio shall not exceed target;	2,25	0,02
– EBITDA to finance charges ratio shall at all times exceed target;	3,5	34,6
– Debt service cover ratio shall at all times exceed target;	1,2	5,5
– Guarantor EBITDA ratio shall at all times exceed target; and	90,0%	93,7%
– Guarantor total assets ratio shall at all times exceed target.	90,0%	97,1%

In the prior year, the Group acquired a R500,0 million revolving credit facility with SBSA and ABSA Group Limited ('ABSA'). The utilised portion was RNil as at 28 February 2023 (2022: R350,0 million). This amount was repaid and the facility was reduced to R100,0 million during the current year. The facility bears interest at the three-month Jibar overnight deposit rate plus 1,7%, payable quarterly in arrears.

In the current year, the Group repaid its \$4,0 million revolving credit facility with Standard Bank (Mauritius) Limited. The facility bore interest at Libor plus 2,6% (2022: Libor plus 2,6%) payable quarterly and was available until February 2023.

On 16 January 2023, the Group acquired a \$5,0 million revolving credit facility with Absa Bank (Mauritius) Limited. The utilised portion of the facility was \$1,1 million as at 28 February 2023. The facility bears interest at the daily Secured Overnight Frequency Rate ('SOFR'), compounded monthly, plus a margin of 2,5%.

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

The total cash outflow for leases during the year was R503,8 million (2022: R396,7 million).

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. None of the covenants were breached during the year ended 28 February 2023 neither in the preceding year.

It is Group policy to purchase certain property, plant and equipment under instalment sale agreements. The instalment sale agreements and lease liabilities are repayable in monthly instalments of R15,1 million (2022: R12,1 million) including interest and capital. Interest rates are linked to the prime overdraft rate and varied between 6,0% and 12,0% (2022: 5,2% and 12,0%) during the year. The instalment sale agreements are secured by various items of property, plant and equipment as indicated in note 6.1.

In the prior year, trade receivables and stated capital of major subsidiaries were provided as security for the general banking facilities (refer notes 7.3.2 and 13).

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.4 Borrowings (continued)

The exposure of the Group's borrowings to interest rate changes and to contractual repricing dates at the reporting dates are as follows:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
At floating rates based on prime overdraft rate	312 576	643 826	–	350 000

The Group has the following undrawn borrowing facilities with First National Bank of South Africa ('FNB'), SBSA and ABSA:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Floating rate:				
– Expiring within one year	589 194	609 653	269 851	222 901

The fair value of borrowings equals their carrying amount. The carrying amounts of the Group's borrowings are all denominated in South African Rand, except for the medium-term loan amounting to \$1,1 million (2022: \$1,7 million).

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

7.3.5 Other financial liabilities

Other financial liabilities are initially recognised at fair value, net of transaction costs incurred. Other financial liabilities are subsequently measured at amortised cost.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Glencore Operations South Africa Proprietary Limited	120 000	–	–	–
Net capital proceeds owing to Afrimat BEE Trust participants	6 960	7 488	–	–
Other financial liabilities	4 752	–	–	–
Acquired through business combination (refer note 12.1)	4 878	–	–	–
Total other financial liabilities	136 590	7 488	–	–

7. Financial assets and liabilities (continued)

7.3 Financial assets and liabilities at amortised cost (continued)

7.3.5 Other financial liabilities (continued)

A loan agreement was entered into between Glencore Operations South Africa Proprietary Limited ('Glencore') and Nkomati Anthracite Proprietary Limited ('Nkomati'), whereby Glencore advanced R120,0 million to Nkomati. The loan is interest free and repayable in four equal instalments of R30,0 million on 1 May 2023, June 2023, July 2023 and August 2023. This loan is secured by a guarantee issued to Glencore to the amount of R120,0 million by FNB, refer note 16.

7.3.6 Trade and other payables

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

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Trade payables	400 092	381 612	195	1 110
Accrued expenses	109 227	117 509	255	917
Other payables*	40 500	18 545	–	–
Trade and other payables – financial liabilities (refer note 10)	549 819	517 666	450	2 027
Taxes and other statutory liabilities	42 836	43 680	2 845	4 056
Employee-related accruals**	111 215	102 383	13 019	16 984
Total trade and other payables	703 870	663 729	16 314	23 067

* Included in 'Other payables' are the purchase considerations payable of R4,5 million and R21,0 million for the acquisitions of Agri Lime and Eckraal Quarries, respectively. Refer note 12.1.

** Included in 'Employee-related accruals' are accruals for bonus, leave pay, provident fund and medical aid.

Trade and other payables consist of purchases from suppliers at normal trade terms. Interest is paid on overdue accounts at an interest rate linked to the prime bank rate.

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Rand	688 729	589 084	16 314	23 067
Meticais	14 917	74 195	–	–
US Dollar	224	450	–	–
	703 870	663 729	16 314	23 067

The fair values of trade and other payables are considered to be equal to the carrying value due to their short-term nature.

8. Equity – including earnings per share

8.1 Stated capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Authorised				
1 000 000 000 (2022: 1 000 000 000) ordinary shares with no par value	–	–	–	–
Issued				
159 718 929 (2022: 146 346 264) ordinary shares with no par value				
Opening balance	315 886	345 894	228 638	272 472
13 372 665 (2022: 196 429) shares issued during the year	680 000	11 000	680 000	11 000
Net effect of settlement of employee share options	(56 451)	(41 008)	(57 374)	(54 834)
Stated capital	939 435	315 886	851 264	228 638

During the year an equity raise of R680,0 million, through the issue of 13 372 665 new ordinary shares at R50,85 per share, was performed on 28 July 2022. These shares were issued under the Company's general authority to issue new shares for cash.

During the prior year 196 429 shares were issued to Mpumalanga Economic Growth Agency ('MEGA'), previously a minority shareholder of Nkomati.

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

All shares issued by the Company were fully paid.

8.2 Treasury shares

Shares in Afrimat Limited held by wholly owned subsidiaries are classified as treasury shares. Where any Group company purchases the Company's ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders under 'treasury shares' until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders under 'treasury shares'. Dividends received on treasury shares are eliminated on consolidation. No gains or losses are recognised in the Group profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

	Group	
	2023 R'000	2022 R'000
Opening balance	(109 030)	(115 795)
Utilised for settlement of employee Share Appreciation Rights exercised	18 542	14 499
Utilised for settlement of employee Forfeitable Share Plan shares vested	15 674	8 666
Purchased during the year	(214 534)	(16 400)
AEI	(5 372)	(1 440)
Afrimat Management Services Proprietary Limited ('AMS')	(209 162)	(14 960)
	(289 348)	(109 030)
	2023 '000	2022 '000
Analysis of movement in number of treasury shares:		
Opening balance	8 201	8 546
Utilised for settlement of employee Share Appreciation Rights exercised	(431)	(422)
Utilised for settlement of employee Forfeitable Share Plan shares vested/forfeited	(482)	(293)
Purchased during the year	4 382	370
AEI	106	26
AMS	4 276	344
Closing balance	11 670	8 201

The Group acquired 4 276 406 and 105 650 (2022: 343 625 and 25 630) of its own shares, by way of general authority to repurchase shares, through purchases on the JSE Limited via AMS and AEI, respectively. The total amount paid to acquire the shares was R214,5 million (2022: R16,4 million) and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R48,52 (2022: R44,41). During the year, 430 850 (2022: 421 276) shares were utilised in terms of the Share Appreciation Rights ('SAR') Scheme, for an amount of R18,5 million (2022: R14,5 million). The related weighted average share price at the time of exercise was R63,06 (2022: R54,61). During the year, 482 400 shares (2022: 292 500 shares) vested under the Forfeitable Share Plan ('FSP'). The related weighted average share price at the time of exercise was R51,45 (2022: R55,25).

The Afrimat BEE Trust (indirectly through AEI) holds, on an unencumbered basis, 6 830 894 (2022: 6 725 244) shares amounting to R68,1 million (2022: R62,7 million) representing 4,3% (2022: 4,6%) of the issued share capital of the Company.

Afrimat Management Services Proprietary Limited ('AMS') shareholding is as follows:

- ▶ 911 650 (2022: 1 066 850) shares, as nominee for the absolute benefit of the participants of the Company's Forfeitable Share Plan ('FSP') amounting to R30,3 million (2022: R31,7 million);

8. Equity – including earnings per share (continued)

8.2 Treasury shares (continued)

- ▶ 826 998 (2022: 408 642) shares held in AMS are held for the purposes of the Company's Share Appreciation Rights scheme ('SAR') amounting to R42,4 million (2022: R14,6 million);
- ▶ 3 100 000 shares for the partial settlement for the Glenover acquisition amounting to R148,5 million (refer note 17).

8.3 Other reserves

Other reserves comprise mainly of accumulated amounts related to equity-settled share-based payment schemes, and also accumulated amounts related to re-measurements of financial assets at FVOCI and currency translation differences. The Group transfers amounts from the fair value reserve to retained earnings when relevant equity securities are derecognised.

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Group					
Balance at 1 March 2021	1 013	45 675	(3 880)	(105 788)	(62 980)
Share-based payment expense for the year	–	29 664	–	–	29 664
Settlement of employee SAR exercised, FSP vested, net of tax	–	(17 921)	–	–	(17 921)
Deferred taxation on share-based payments	–	21 818	–	–	21 818
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	308	–	–	–	308
Exchange differences on translation of foreign operations	–	–	(9 387)	–	(9 387)
Total changes	308	33 561	(9 387)	–	24 482
Balance at 28 February 2022	1 321	79 236	(13 267)	(105 788)	(38 498)
Share-based payment expense for the year	–	29 291	–	–	29 291
Settlement of employee SAR exercised, FSP vested, net of tax	–	(25 109)	–	–	(25 109)
Deferred taxation on share-based payments	–	(14 465)	–	–	(14 465)
Net change in fair value of equity instruments at fair value through other comprehensive income, net of tax	175	–	–	–	175
Exchange differences on translation of foreign operations	–	–	(16 005)	–	(16 005)
Total changes	175	(10 283)	(16 005)	–	(26 113)
Balance at 28 February 2023	1 496	68 953	(29 272)	(105 788)	(64 611)

8. Equity – including earnings per share (continued)

8.3 Other reserves (continued)

	Fair value reserve R'000	Share-based payment reserve R'000	Translation reserve R'000	Reverse acquisition reserve R'000	Total other reserves R'000
Company					
Balance at 1 March 2021	–	14 861	–	–	14 861
Share-based payment expense for the year	–	11 867	–	–	11 867
Deferred taxation on share-based payments	–	5 990	–	–	5 990
Settlement of employee SAR exercised, FSP vested, net of tax	–	(6 833)	–	–	(6 833)
Total changes	–	11 024	–	–	11 024
Balance at 28 February 2022	–	25 885	–	–	25 885
Share-based payment expense for the year	–	9 059	–	–	9 059
Deferred taxation on share-based payments	–	(4 541)	–	–	(4 541)
Settlement of employee SAR exercised, FSP vested, net of tax	–	19 674	–	–	19 674
Total changes	–	24 192	–	–	24 192
Balance at 28 February 2023	–	50 077	–	–	50 077

Nature and purpose of reserves

(a) *Fair value reserve*

This reserve records the changes in fair value of equity instruments at FVOCI.

(b) *Share-based payment reserve*

This reserve records the fair value of the vested and unvested portion of share options (determined at grant date) granted in terms of the Group's share-based payment schemes.

Refer note 18 for further details on the relevant schemes.

(c) *Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(d) *Reverse acquisition reserve*

The Group financial statements are issued in the name of Afrimat Limited but are, in fact, prepared as a continuation of the Group financial statements of Prima Klipbrekers Proprietary Limited as a result of a reverse acquisition in 2007. This has resulted in a reverse acquisition reserve in the Group of R105,8 million in terms of IFRS 3.

8. Equity – including earnings per share (continued)

8.4 Non-controlling interest

	2023 R'000	2022 R'000
Carrying amount of non-controlling interest	13 767	9 233
Total non-controlling interest	13 767	9 233
Summarised financial information:		
Non-current assets	92 509	86 385
Current assets	103 480	146 038
Non-current liabilities	(28 134)	(16 055)
Current liabilities	(249 806)	(279 127)
Net liabilities	(81 951)	(62 759)
Revenue	257 680	148 677
Profit/(loss) after taxation included in results		
Reported by subsidiaries	27 152	(2 123)
Other comprehensive income	–	–
Total comprehensive income/(loss)	27 152	(2 123)
Profit after taxation, allocated to non-controlling interest	4 161	2 454
Other comprehensive income, allocated to non-controlling interest	–	–

During the prior year, Capmat Proprietary Limited entered into a share buy-back with the minority shareholder, Joe Kalo Investments Proprietary Limited, whereby all shares held by Joe Kalo Investments Proprietary Limited were bought back, resulting in 100,0% shareholding held by Afrimat Limited.

8.5 Earnings per share

(a) Basic and headline earnings per share

Basic earnings and headline earnings per share is calculated by dividing the net profit attributable to owners of the Group and headline earnings, respectively, by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares held by the Group as treasury shares. Headline earnings are calculated in accordance with Circular 1/2021 issued by SAICA as required by the JSE Listings Requirements.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all ordinary shares with dilutive potential. For this purpose the share options are assumed to have been converted into ordinary shares. The share options have no effect on net profit and therefore no adjustment is made in this respect.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

8. Equity – including earnings per share (continued)

8.5 Earnings per share (continued)

	Group	
	2023 '000	2022 '000
Number of shares in issue		
Total shares in issue	159 719	146 346
Treasury shares	(11 670)	(8 201)
Net shares in issue	148 049	138 145
Weighted average number of net shares in issue	144 687	137 803
Adjusted for effect of future share-based compensation payments	2 262	3 556
Diluted weighted average number of shares	146 949	141 359
Profit attributable to ordinary shareholders (rand)	661 320	772 714
Earnings per ordinary share (cents)	457,1	560,7
Diluted earnings per ordinary share (cents)	450,0	546,6

	Group			
	Gross 2023 R'000	Net of tax 2023 R'000	Gross 2022 R'000	Net of tax 2022 R'000
Reconciliation of headline earnings				
Profit attributable to ordinary shareholders	–	661 320	–	772 714
Profit on disposal of property, plant and equipment attributable to owners of the parent	(2 793)	(2 011)	(7 904)	(5 691)
Profit on sale of associate	–	–	(2 859)	(2 859)
Gain on bargain purchase (refer note 12.1)	–	–	(25 628)	(25 628)
Impairments (refer note 4.4)	3 776	2 719	13 341	9 606
Headline earnings		662 028		748 142
Headline earnings per share ('HEPS') (cents)		457,6		542,9
Diluted HEPS (cents)		450,5		529,2

8. Equity – including earnings per share (continued)

8.6 Net asset value ('NAV') per share

	Group	
	2023 '000	2022 '000
Number of shares in issue		
Total shares in issue	159 719	146 346
Treasury shares	(11 670)	(8 201)
Net shares in issue	148 049	138 145
Shareholders' funds attributable to owners of the parent (rand)	3 835 247	2 997 967
Total NAV per share (cents)	2 591	2 170
Tangible net asset value ('TNAV') per share		
Shareholders' funds attributable to owners of the parent (rand)	3 835 247	2 997 967
Intangible assets and goodwill	(260 252)	(213 335)
TNAV (rand)	3 574 995	2 784 632
Total TNAV per share (cents)	2 415	2 016

8.7 Dividends paid

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

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Current year interim dividend paid	63 888	58 537	63 888	58 537
Previous year final dividend paid	213 666	163 682	213 666	163 682
Dividends received on treasury shares	(11 287)	(8 680)	–	–
Dividends paid by subsidiaries to non-controlling interest shareholders	1 650	1 388	–	–
	267 917	214 927	277 554	222 219
The Company declared the following cash distributions to shareholders:				
Interim dividend paid (cents)			40,0	40,0
Final dividend declared/paid (cents)			110,0	146,0
Distributions declared/paid (cents)			150,0	186,0

9. Cash flow information

9.1 Cash generated from operations

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Profit before tax	934 863	1 066 318	609 225	227 835
Adjustments for:				
Depreciation and amortisation	360 680	296 823	–	–
Impairment of property, plant and equipment	3 776	13 341	–	–
Gain on bargain purchase	–	(25 628)	–	–
Expected credit losses from related parties	–	–	90 514	–
Impairment of investment in subsidiary	–	–	43 617	–
Share of profit of associate	–	(257)	–	–
Profit on sale of property, plant and equipment	(2 793)	(7 904)	–	–
Profit on sale of associate	–	(2 859)	–	(3 609)
Deregistration of subsidiaries	–	526	–	–
Inventory write-off to net realisable value	8 370	26 970	–	–
Gains – financial assets at fair value through profit or loss	(2 016)	(1 788)	–	–
Foreign exchange differences	(11 133)	(9 387)	–	–
Dividend revenue	–	–	(718 566)	(225 721)
Interest revenue	(33 810)	(12 430)	(28 741)	(10 138)
Finance costs	60 508	55 280	126 125	84 155
Net effect of settlement of employee SAR exercised, FSP vested	(22 235)	(17 843)	(29 595)	(44 852)
Movements in provisions	8	12 241	–	–
Share-based payment expense	34 385	29 664	10 855	11 867
Changes in working capital:				
Increase in inventories	(110 646)	(316 192)	–	–
Decrease/(increase) in trade and other receivables	65 956	(97 368)	(18 329)	(1 712)
(Decrease)/increase in trade and other payables	(23 727)	67 159	(6 755)	2 692
	1 262 186	1 076 666	78 350	40 517

9. Cash flow information (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
9.2 Finance income received				
Finance income (refer note 4.6)	33 810	12 430	28 741	10 138
Adjustments for:				
Other financial assets interest	(1 200)	(704)	–	–
	32 610	11 726	28 741	10 138
9.3 Finance costs paid				
Finance costs (refer note 4.7)	60 508	55 280	126 125	84 155
Adjustments for:				
Environmental rehabilitation and dismantling (refer note 4.7)	(18 804)	(16 444)	–	–
Lease liabilities	–	1 179	–	–
	41 704	40 015	126 125	84 155
9.4 Tax paid				
Opening balance as per Statement of Financial Position	2 712	(6 320)	2 458	794
Current tax for the year recognised in Statement of Profit or Loss and Other Comprehensive Income (refer note 5)	(272 160)	(302 888)	1 350	(27)
Acquired through business combination (refer note 12.1)	(5 322)	–	–	–
Closing balance as per Statement of Financial Position	8 997	(2 712)	–	(2 458)
	(265 773)	(311 920)	3 808	(1 691)
9.5 Proceeds on disposal of property, plant and equipment				
Net book amount (refer note 6.1)	22 426	22 503	–	–
Disposal of dismantling costs (refer note 6.1)	(52)	(4 358)	–	–
Profit on sale of property, plant and equipment	(497)	7 904	–	–
Reassessment of RoU	(1 207)	–	–	–
	20 670	26 049	–	–

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

9. Cash flow information (continued)

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
9.6 Acquisition of property, plant and equipment				
Acquisition of property, plant and equipment (refer note 6.1)	963 093	782 446	–	–
Acquisition of property, plant and equipment by means of instalment sale agreements (refer note 7.3.4)	(145 679)	(173 503)	–	–
Acquisitions of dismantling costs (refer note 6.1)	(1 682)	(1 783)	–	–
RoU assets (refer note 6.1)	(5 122)	(8 473)	–	–
	810 610	598 687	–	–
9.7 Capital elements of lease payments				
Repayment of lease liability (refer note 7.3.4)	10 685	14 929	–	–
Interest expense on lease liability (refer note 7.3.4)	(3 667)	(1 179)	–	–
	7 018	13 750	–	–

Risk

10. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board. Group treasury identifies and evaluates financial risks, when beneficial, with prior approval from the Board. The Board provides guidance on overall risk management, as well as on written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Audit & Risk Committee oversees how management monitors compliance with these risks and control policies.

There has been no change in the Group's objectives, policies and processes for managing its financial risks or the methods to measure them.

10. Financial risk management (continued)

Financial instruments by category

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Assets as per Statement of Financial Position:				
Financial assets at fair value through other comprehensive income ('FVOCI') (refer note 7.1)	3 634	3 439	–	–
Financial assets at fair value through profit or loss ('FVPL') (refer note 7.2)	86 811	70 329	–	–
Trade and other receivables at fair value through profit or loss (refer note 7.3.2)	196 345	265 329	–	–
Financial assets at amortised cost:				
Other financial assets (refer note 7.3.1)	40 248	19 950	3 609	–
Trade and other receivables (refer note 7.3.2)	478 771	451 473	25 238	10 829
Cash and cash equivalents (refer note 7.3.3)	281 037	290 633	74 170	19 927
Loans to subsidiaries (refer note 13)	–	–	1 469 810	1 623 261
Total financial assets	1 086 846	1 101 153	1 572 827	1 654 017
Liabilities as per Statement of Financial Position:				
Financial liabilities at fair value through profit or loss:				
Other liability	5 094	–	1 795	–
Financial liabilities at amortised cost:				
Medium-term loans (refer note 7.3.4)	20 266	375 748	–	350 000
Instalment sale agreements (refer note 7.3.4)	249 787	222 453	–	–
Lease liabilities (refer note 7.3.4)	42 523	45 625	–	–
Other financial liabilities (refer note 7.3.5)	136 590	7 488	–	–
Loans from subsidiaries (refer note 13)	–	–	429 487	1 143 606
Trade and other payables (refer note 7.3.6)	549 819	517 666	450	2 027
Bank overdraft (refer note 7.3.3)	–	1 805	–	–
Total financial liabilities	1 004 079	1 170 785	431 732	1 495 633

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises equity price risk, interest rate risk, foreign exchange risk and commodity price risk. Financial instruments affected by market risk include other financial assets, trade and other receivables, cash and cash equivalents and borrowings.

Hedging is conducted in very limited circumstances.

(i) Equity price risk

The Group is exposed to equity price risk in respect of the investments held in the environmental rehabilitation trusts and Old Mutual PLC shares. Refer notes 7.1 and 7.2.

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

Sensitivity analysis

The Group measures sensitivity of the equity price risk as the effect of a change in the JSE shareholder weighted Top 40 Index performance for the year. The Group regards a 500 basis points (2022: 500 basis points) change in the aforementioned index as being reasonably possible at the end of the reporting periods.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on other comprehensive income after tax R'000
Group 2023			
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 634	+500 -500	105 (105)
Total		+500 -500	105 (105)
Group 2022			
Financial assets at fair value through other comprehensive income (refer note 7.1)	3 439	+500 -500	99 (99)
Total		+500 -500	99 (99)

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(i) Equity price risk (continued)

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2023			
Financial assets at fair value through profit or loss (refer note 7.2)	86 811	+500 -500	3 125 (3 125)
Total		+500 -500	3 125 (3 125)
Group 2022			
Financial assets at fair value through profit or loss (refer note 7.2)	70 329	+500 -500	2 532 (2 532)
Total		+500 -500	2 532 (2 532)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(ii) Interest rate risk

The Group's interest rate risk arises from other financial assets, cash and cash equivalents and borrowings as set out in notes 7.3.1, 7.3.3 and 7.3.4. Cash and cash equivalents invested and borrowings obtained at variable interest rates expose the Group to cash flow interest rate risk.

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

Sensitivity analysis

Interest rate risks are presented by way of sensitivity analysis in accordance with IFRS 7. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, if appropriate, shareholders' equity.

The Group measures sensitivity to interest rates as the effect of a change in the South African Reserve Bank ('SARB') repo rate on the profit after tax based on the Group's exposure at reporting date. The Group regards a 200 basis points (2022: 200 basis points) change in the SARB repo rate as being reasonably possible at the end of the reporting periods.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2023			
Other financial assets	40 248	+200	580
		-200	(580)
Cash and cash equivalents	280 808	+200	4 044
		-200	(4 044)
Borrowings	(312 576)	+200	(4 501)
		-200	4 501
Other financial liabilities	(4 752)	+200	(68)
		-200	68
Total		+200	54
		-200	(54)

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Company 2023			
Other financial assets	3 609	+200	52
		-200	(52)
Cash and cash equivalents	74 170	+200	1 068
		-200	(1 068)
Loans to subsidiaries	1 469 810	+200	21 165
		-200	(21 165)
Loans from subsidiaries	(429 487)	+200	(6 185)
		-200	6 185
Total		+200	16 101
		-200	(16 101)
Group 2022			
Other financial assets	19 950	+200	287
		-200	(287)
Cash and cash equivalents	290 387	+200	4 182
		-200	(4 182)
Borrowings	(643 826)	+200	(9 271)
		-200	9 271
Bank overdraft	(1 805)	+200	(26)
		-200	26
Total		+200	(4 828)
		-200	4 828

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(ii) Interest rate risk (continued)

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Company			
2022			
Cash and cash equivalents	19 927	+200	287
		-200	(287)
Borrowings	(350 000)	+200	(5 040)
		-200	5 040
Loans to subsidiaries	1 623 261	+200	23 375
		-200	(23 375)
Loans from subsidiaries	(1 143 606)	+200	(16 468)
		-200	16 468
Total		+200	2 154
		-200	(2 154)

(iii) Foreign exchange risk

The Group's earnings are exposed to movements in exchange rates. Afrimat Iron Ore Proprietary Limited ('AIO') export prices are determined in US Dollars and the company negotiates iron ore prices in that currency with customers. Currency movements of the US Dollars against the Rand therefore could have a significant effect on the financial position and results of AIO. The Group's functional currency for the preparation of financial accounts is South African Rand and is therefore exposed to foreign exchange risk in respect of non-rand cash flows for revenues. Hedging may only take place in exceptional circumstances which would require approval by the Iron Ore Executive Committee. It is the Group's policy to be fully exposed to revenue currency risk, i.e. not to hedge foreign currency revenues.

The Group's foreign exchange risk arises from certain trade and other receivables, cash and cash equivalents and trade and other payables as set out in notes 7.3.2, 7.3.3 and 7.3.6. Currency movements of the US Dollars and Meticaïs against the Rand therefore could have an effect on the financial position. The Group's functional currency for the preparation of financial accounts is South African Rand and is therefore exposed to foreign exchange risk in respect of non-rand cash flows for these balances and transactions. The US Dollar: Rand and Meticaïs: Rand exchange rate as at 28 February 2023 was R18,42 and R0,29.

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

Sensitivity analysis

A movement in exchange rate of 10,0% (2022: 10,0%), with all other variables held constant, against the US Dollar would have increased/(decreased) profit or loss and financial position by the amounts shown below.

This analysis considers the impact of changes in foreign exchange rates on profit or loss, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve).

	Statements of Profit or Loss and Other Comprehensive Income/Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group			
2023			
Revenue subject to exchange rate fluctuations	1 307 280	+1 000	94 124
		-1 000	(94 124)
Trade receivables subject to exchange rate fluctuations	226 218	+1 000	16 288
		-1 000	(16 288)
Cash and cash equivalents subject to exchange rate fluctuations	3 567	+1 000	257
		-1 000	(257)
Trade payables subject to exchange rate fluctuations	(15 141)	+1 000	(1 090)
		-1 000	1 090
Total		+1 000	109 579
		-1 000	(109 579)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iii) Foreign exchange risk (continued)

	Statements of Profit or Loss and Other Comprehensive Income/Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2022			
Revenue subject to exchange rate fluctuations	1 435 194	+1 000 -1 000	103 334 (103 334)
Trade receivables subject to exchange rate fluctuations	313 893	+1 000 -1 000	22 600 (22 600)
Cash and cash equivalents subject to exchange rate fluctuations	15 742	+1 000 -1 000	1 133 (1 133)
Trade payables subject to exchange rate fluctuations	(74 645)	+1 000 -1 000	(5 374) 5 374
Total		+1 000 -1 000	121 693 (121 693)

(iv) Commodity price risk

The Group's earnings are exposed to movements in the prices of iron ore that it produces. As a commodity producer the Group wishes to remain exposed to individual commodity prices for the ultimate benefit of its shareholders. It is the Group's policy not to hedge commodity price risks. Certain of the Group's sales are provisionally priced, meaning that the selling price is determined normally 30 to 90 days after delivery to the customer, based on quoted market prices stipulated in the contract, and as a result are susceptible to future price movements. As at 28 February 2023, R196,3 million (2022: R265,3 million) of the trade receivables balance are subject to price movements.

10. Financial risk management (continued)

Financial instruments by category (continued)

(a) Market risk (continued)

(iv) Commodity price risk (continued)

Sensitivity analysis

A movement in commodity prices of 10,0% (2022: 10,0%), with all other variables held constant, on the Group's sales exposed to this risk would have increased/(decreased) profit or loss by the amounts shown below.

	Statements of Financial Position	Statement of Profit or Loss and Other Comprehensive Income	
	R'000	Movement in basis points	Effect on profit after tax R'000
Group 2023			
Trade receivables subject to price fluctuations	196 345	+1 000 -1 000	14 137 (14 137)
Total		+1 000 -1 000	14 137 (14 137)
Group 2022			
Trade receivables subject to price fluctuations	265 329	+1 000 -1 000	19 104 (19 104)
Total		+1 000 -1 000	19 104 (19 104)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risks from its operating activities. Credit risk arises principally from accounts receivable and, to a lesser extent, from other third-party contractual financial obligations such as other financial assets and short-term bank deposits in note 7.3.1 to 7.3.3.

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

10. Financial risk management (continued)

Financial instruments by category (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is presented in the table below:

	Gross carrying amount 2023 R'000	Credit loss allowance 2023 R'000	Amortised cost/fair value 2023 R'000	Gross carrying amount 2022 R'000	Credit loss allowance 2022 R'000	Amortised cost/fair value 2022 R'000
Group						
Other financial assets at amortised cost	40 248	–	40 248	19 950	–	19 950
Trade and other receivables	688 867	(13 751)	675 116	725 763	(8 961)	716 802
Cash and cash equivalents	280 808	–	280 808	290 387	–	290 387
Total	1 009 923	(13 751)	996 172	1 036 100	(8 961)	1 027 139

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

	Gross carrying amount 2023 R'000	Credit loss allowance 2023 R'000	Amortised cost/fair value 2023 R'000	Gross carrying amount 2022 R'000	Credit loss allowance 2022 R'000	Amortised cost/fair value 2022 R'000
Company						
Other financial assets at amortised cost	3 609	–	3 609	–	–	–
Loans to subsidiaries	1 707 006	(237 196)	1 469 810	1 769 943	(146 682)	1 623 261
Trade and other receivables	25 238	–	25 238	10 829	–	10 829
Cash and cash equivalents	74 170	–	74 170	19 927	–	19 927
Total	1 810 023	(237 196)	1 572 827	1 800 699	(146 682)	1 654 017

(i) Trade receivables

For exposure to credit risk identified by the Group, refer note 7.3.2 for further details disclosed.

(ii) Cash and cash equivalents

The Group limits its counterparty exposure arising from bank accounts/call deposits by only dealing with well-established financial institutions of high credit standing. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board annually.

10. Financial risk management (continued)

Financial instruments by category (continued)

(b) Credit risk (continued)

(ii) Cash and cash equivalents (continued)

Credit quality of cash in the bank and short-term deposits, excluding cash on hand (according to Moody's short-term ratings):

Group	Credit rating		Amount	
	2023	2022	2023	2022
Financial institution:				
ABSA	NP	NP	14 275	20 778
FNB	NP	NP	3 390	4 435
SBSA	NP	NP	196 001	264 061
Other	N/A	N/A	67 142	1 113
			280 808	290 387

(iii) Financial guarantees

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

Refer note 16 for details of guarantees provided.

(iv) Other financial assets

Refer note 7.3.1 for details.

(c) Liquidity risk

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

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

Surplus cash over and above the balance required for working capital management, is transferred to the Group treasury. Group treasury invests surplus cash in interest-bearing current accounts and call deposits to provide sufficient headroom as determined by the above mentioned forecasts. At the reporting period, the Group held call deposits of R81,5 million (2022: R15,7 million) that are expected to readily assist in generating cash inflows for managing liquidity risks.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

10. Financial risk management (continued)

Financial instruments by category (continued)

(c) Liquidity risk (continued)

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

	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Group					
At 28 February 2023					
Other liability	5 094	5 094	–	5 094	–
Medium-term loans	20 266	20 266	20 266	–	–
Other financial liabilities	136 590	136 590	136 590	–	–
Lease liabilities	42 523	56 637	7 441	26 519	22 677
Instalment sale agreements	249 787	259 113	118 541	140 572	–
Trade and other payables	549 819	549 819	549 819	–	–
	1 004 079	1 027 519	832 657	172 185	22 677
At 28 February 2022					
Medium-term loans	375 748	375 748	375 748	–	–
Other financial liabilities	7 488	7 488	7 488	–	–
Lease liabilities	45 625	64 915	10 891	30 044	23 980
Instalment sale agreements	222 453	236 994	121 069	115 925	–
Trade and other payables	517 666	517 666	517 666	–	–
Bank overdraft	1 805	1 805	1 805	–	–
	1 170 785	1 204 616	1 034 667	145 969	23 980
	Carrying values R'000	Total cash flows R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Company					
At 28 February 2023					
Other liability	1 795	1 795	–	1 795	–
Loans from subsidiaries	429 487	429 487	429 487	–	–
Trade and other payables	450	450	450	–	–
	431 732	431 732	429 937	1 795	–
At 28 February 2022					
Medium-term loans	350 000	350 000	350 000	–	–
Loans from subsidiaries	1 143 606	1 143 606	1 143 606	–	–
Trade and other payables	2 027	2 027	2 027	–	–
	1 495 633	1 495 633	1 495 633	–	–

11. Capital risk management

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

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, buy back its own shares or reduce debt.

The Group is required, by means of covenants provided to financiers, to maintain certain solvency and profitability ratios which are monitored monthly via management accounts and cash flow forecasts. The Group monitors capital on the basis of the net debt:equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings, other financial liabilities and loans from subsidiaries less cash and cash equivalents, net of bank overdraft as shown in the Statement of Financial Position.

The Group's strategy is to maintain the net debt:equity ratio to below 25% in the long-term. The net debt:equity ratios at reporting date were as follows:

	Group		Company	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Total borrowings, other financial liabilities and loans from subsidiaries	449 166	651 314	429 487	1 493 606
Overdraft less cash and cash equivalents/ (surplus cash)	(281 037)	(288 828)	(74 170)	(19 927)
Net debt	168 129	362 486	355 317	1 473 679
Total equity	3 849 014	3 007 200	2 570 003	1 594 006
Total capital	4 017 143	3 369 686	2 925 320	3 067 685
Net debt:equity ratio (%)	4,4	12,1	13,8	92,5

The strategy to maintain a net debt:equity ratio in the Company has been influenced by the inclusion of the loans from subsidiaries. Should this have been excluded the Company would have met the Group's targets at (2,9%) (2022: (20,7%)). Solvency and liquidity ratios are monitored on a Group basis and therefore capital adequacy requirements have continued to remain satisfied.

There were no changes in the Group's approach to capital maintenance during the year.

Group structure

12. Business combinations

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

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

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

12.1 Acquisition of businesses

Agri Lime Proprietary Limited

On 12 November 2021, Afrimat entered into an agreement to acquire 100,0% of the shares in Agri Lime Proprietary Limited and 74,0% of the shares in Stony Lime Proprietary Limited (collectively 'Agri Lime') for a purchase consideration of R38,0 million. The opencast mine and plant are located close to the town of Northam in Limpopo.

All conditions precedent were met to acquire 100,0% of the shares in Agri Lime Proprietary Limited and the acquisition became effective from 13 May 2022.

The acquisition of 74,0% of the shares in Stony Lime Proprietary Limited is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

- ▶ Ministerial consent is obtained, in writing, either unconditionally or free from any onerous terms.

The Group entered into a contract mining agreement with Kalaka Mining Proprietary Limited (holder of the mining right), allowing the Group to undertake mining operations under the mining area in respect of which the mining right has been granted. Effective management and control of the mining operations (Stony Lime Proprietary Limited) through its appointment as mining contractor in terms of the contract mining agreement and asset lease agreement was obtained by the Group effectively from 13 May 2022. The Group has full operational and financial control.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Details of the purchase consideration are as follows:

	Total 2023 R'000
Cash paid	33 500
Consideration payable*	4 500
Total purchase consideration	38 000

* Consideration payable is attributed as follows and becomes payable once all conditions precedent have been met:

- R4,5 million for 74,0% of the shares in Stony Lime Proprietary Limited.

Provisional details of the acquisition are as follows:

	Total 2023 R'000
Carrying amount/fair value of net liabilities acquired – Agri Lime	
Property, plant and equipment	8 767
Deferred tax asset	546
Trade and other receivables	11 157
Borrowings	(5 404)
Other financial liability	(1 269)
Current tax payable	(250)
Trade and other payables	(19 571)
Cash and cash equivalents	4 400
Net liabilities – Agri Lime	(1 624)
Less: Non-controlling interests	(478)
Goodwill	40 102
Total purchase consideration	38 000
Pro forma revenue assuming the business combination for the full year	154 832
Pro forma loss after tax assuming the business combination for the full year	(11 047)
Revenue included in results	131 894
Loss after tax included in results	(3 778)
Acquisition cost included in 'operating expenses' for the year	1 000
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(38 000)
Consideration payable	4 500
Cash and cash equivalents	4 400
Cash outflow	(29 100)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

The goodwill acquired in Agri Lime is attributable to the feedlime and agrilime market share, which is expected to expand the Group's current national footprint as well as include diversity with the access to minerals that will expand the product offering within the Industrial Minerals segment.

Non-controlling interest:

The Group had chosen to recognise the non-controlling interest at its proportionate share.

Eckraal Quarries Proprietary Limited ('Eckraal Quarries')

On 30 January 2023, Afrimat entered into an agreement to acquire 84,0% of the shares in Eckraal Quarries Proprietary Limited and the Ready-Mix Plant for a purchase consideration of R21,0 million. The opencast mine and plant are located in Pretoria. Eckraal Quarries holds 100,0% of the shares in Eckraal Bricks and Ready-Mix Proprietary Limited ('Eckraal BRM').

The following conditions precedent had not been met at the reporting date:

- ▶ on or before 29 February 2024, the consent of the Minister for Section 11 application is granted.

The Group entered into an agreement with Eckraal Quarries, allowing the Group to undertake all activities in conducting the operations of Eckraal Quarries during the interim period, including but not limited to mining, processing, logistics, marketing and selling. Effective management and control of the operations through its appointment as contractor in terms of the agreement was obtained by the Group effectively from 31 January 2023.

Details of the purchase consideration are as follows:

	Total 2023 R'000
Cash paid	–
Consideration payable*	21 000
Total purchase consideration	21 000

* Consideration payable becomes payable once all conditions precedent have been met:

- R15,0 million shall be settled in cash; and
- R6,0 million shall be settled in Afrimat Limited shares.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

Provisional details of the acquisition are as follows:

	Total 2023 R'000
Carrying amount/fair value of net assets acquired – Eckraal Quarries	
Property, plant and equipment	42 768
Other financial assets	5 421
Inventories	2 798
Trade and other receivables	2 099
Cash and cash equivalents	450
Borrowings	(952)
Other financial liability	(3 609)
Provisions	(5 267)
Current tax payable	(5 072)
Trade and other payables	(18 795)
Deferred tax liability	(5 976)
Net assets – Eckraal Quarries	13 865
Less: Non-controlling interests	(1 545)
Goodwill	8 680
Total purchase consideration	21 000
Pro forma revenue assuming the business combination for the full year	64 117
Pro forma loss after tax assuming the business combination for the full year	(10 552)
Revenue included in results	–
Loss after tax included in results	–
Acquisition cost included in 'operating expenses' for the year	–
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(21 000)
Consideration payable	21 000
Cash and cash equivalents	450
Cash inflow	450

The goodwill acquired in Eckraal Quarries is attributable to the market share the business has in the industry, which is expected to expand the Group's current national footprint within the Construction Materials segment.

Non-controlling interest:

The Group had chosen to recognise the non-controlling interest at its proportionate share.

JEF Drill and Blast Proprietary Limited ('JEF')

In the prior year, the Group acquired 100,0% of the issued shares of JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services'). The transaction was done by way of a Sale of Shares agreement for a consideration of R1, as well as a cession agreement with the creditors of the company to purchase the remaining balance owing, for an additional consideration of R14,8 million.

The company was placed in business rescue effective 1 February 2021. As part of the business rescue process a business rescue plan ('Plan') was developed to which Afrimat provided the business rescue practitioner ('BRP') with its proposal to rescue the company. The Plan was approved by the requisite creditors and shareholders on 14 June 2021.

12. Business combinations (continued)

12.1 Acquisition of businesses (continued)

On 23 June 2021, all conditions precedent were fulfilled and the agreement became unconditional.

Details of the acquisition are as follows:

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Afrimat Mining Services	
Non-current assets held for sale	17 550
Deferred tax asset	21 057
Trade and other receivables	1 771
Trade and other payables	(14 750)
Net assets – Afrimat Mining Services	25 628
Total consideration (fair value)	–
Gain on bargain purchase	(25 628)
Total net assets acquired	–
Pro forma revenue assuming the business combination for the full year	34 771
Pro forma loss after tax assuming the business combination for the full year	(8 063)
Revenue included in results	34 771
Loss after tax included in results	(404)
Acquisition cost (including business rescue cost) included in 'operating expenses' for the year	–
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	–
Trade and other payables	(14 750)
Cash outflow	(14 750)

The gain on bargain purchase realised in Afrimat Mining Services is due to the business being bought out of business rescue and the fact that the entity was loss making at the time the acquisition occurred. The Group identified an opportunity to expand its contracting operations through this acquisition. In the prior year this operation was reflected within the Construction Materials segment, but has subsequently been reallocated to the Services segment, as this business operation relates mainly to services rendered.

A deferred tax asset of R21,0 million has been raised on this acquisition. Afrimat Mining Services is generating taxable income and therefore has started utilising the assessed loss carried forward. The Group concludes that the deferred tax asset will be recoverable.

12.2 Acquisition of assets

Coza Mining Proprietary Limited ('Coza')

As per the SENS announcement published on 17 August 2020, the Company entered into a Sale of Shares agreement ('Coza Agreement'), in terms of which the Company agreed to purchase 100,0% of the issued ordinary shares of Coza Mining Proprietary Limited ('Coza') ('Assets'), with operations in South Africa, for a purchase consideration of R307,6 million, subject to adjustment ('Coza Transaction').

12. Business combinations (continued)

12.2 Acquisition of assets (continued)

Coza Mining Proprietary Limited ('Coza') (continued)

The Group entered into a mining contractor's agreement with Coza, allowing the Group to undertake mining operations at the mine, pursuant to the grant of the mining right for Farm Morokwa 572 and Farm Jenkins (together 'Jenkins Mine'). On 27 June 2021, the mining right was granted for the Jenkins Mine. Effective management and control of the mining operations through its appointment as mining contractor in terms of the mining contractor's agreement was obtained by the Group effectively from 1 July 2021. On 14 September 2021, all conditions precedent were fulfilled and the agreement became unconditional.

The purchase consideration of R307,6 million, including interest to the amount of R7,6 million, has been settled.

	Total 2022 R'000
Carrying amount/fair value of net assets acquired – Coza	
Property, plant and equipment	307 643
Net assets/total consideration (fair value)	307 643
Analysis as per Statement of Cash Flows:	
Total consideration (fair value)	(307 643)
Cash outflow	(307 643)

13. Investment in subsidiaries

(a) Basis of consolidation

Group financial statements

Subsidiaries are all entities (including structured entities) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10: *Consolidated Financial Statements*. The consolidated financial information includes the financial statements of the Company, its subsidiaries, interest in joint ventures and structured entities. Where the Group has no control over an entity, that entity is not consolidated.

The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power to direct the activities of the entity.

Company financial statements

Investments in subsidiaries are initially recognised at cost.

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

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

13. Investment in subsidiaries (continued)

(b) Changes in ownership interests in subsidiaries without change of control

IFRS 3: *Business Combinations* excludes from its scope business combinations between entities under common control. Depending on the specific facts and circumstances surrounding a particular business combination under common control, management selects an appropriate accounting policy, and it applies that policy consistently from period to period to all business combinations under common control that are considered similar in nature. The Group accounted for the common control transaction by applying the predecessor method, that is the assets and liabilities of the acquired entities are stated at their predecessor carrying amounts, being the net book value of these assets and liabilities in the financial statements.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions at cost. The difference between the share acquired of the carrying value of net assets of the subsidiary and the purchase consideration is recorded in retained earnings within equity.

Gains or losses on disposals of ownership interests to non-controlling interests, whilst still holding a controlling interest after the disposal, are also recorded in retained earnings within equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Share trusts

The Afrimat BEE Trust is a structured entity that is consolidated by the Group.

(e) Loans to/from subsidiaries

Loans to/from subsidiaries are classified as financial assets/liabilities subsequently measured at amortised cost.

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

The loans are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

13. Investment in subsidiaries (continued)

Consolidation of Afrimat BEE Trust and its subsidiary AEI

Afrimat BEE Trust and its subsidiary AEI was established with the objective of holding and funding shares on behalf of qualifying employees. The Group is exposed to variable returns from the trust in the form of staff performance and incentives associated with BEE and the DTI Codes of Good Practice. Furthermore, the Group is also exposed to changes in the trust's net asset value. Management therefore concluded that the Group controls the trust and its subsidiary.

Consolidation of Infrasors Environmental Rehabilitation Trust

The Group consolidated the Infrasors Environmental Rehabilitation Trust due to the Group having rights to variable returns from its involvement with the trusts and has the ability to affect those returns through its control over the trusts.

Consolidation of Infrasors Empowerment Trust

Due to the Group having the right to appoint the trustees, providing all loan funding and the fact that the Group is exposed to variable returns from the trust, management has concluded that the Group controls the trust.

13. Investment in subsidiaries (continued)

Name of entity	Nature of business	Principal place of business	% holding 2023	% holding 2022
Afrimat Aggregates (Eastern Cape) Proprietary Limited [#]	Aggregates	Eastern Cape	100,0	100,0
Afrimat Aggregates (KZN) Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Afrimat Aggregates (Operations) Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Afrimat Aggregates (Trading) Proprietary Limited [#]	Aggregates	Western Cape	100,0	100,0
Afrimat BEE Trust	Investment	Western Cape	–	–
Afrimat Bulk Commodities Proprietary Limited*	Bulk commodities	Northern Cape	100,0	100,0
Afrimat Concrete Products Proprietary Limited [#]	Concrete-based products	KwaZulu-Natal	100,0	100,0
Afrimat Contracting International Proprietary Limited [#]	Aggregates	Gauteng	100,0	100,0
Afrimat Empowerment Investments Proprietary Limited	Investment	Western Cape	–	–
Afrimat Group Services Proprietary Limited (previously known as Phakamani Academy Proprietary Limited) [#]	Services	Western Cape	100,0	100,0
Afrimat Hemp Proprietary Limited	Future materials and metals	Western Cape	55,0	55,0
Afrimat Lime Company Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Afrimat Logistics Proprietary Limited	Services	Gauteng	51,0	51,0
Afrimat Lyttelton Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Afrimat Management Services Proprietary Limited	Services	Western Cape	100,0	100,0
Afrimat Marble Hall Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Afrimat Mining Services Proprietary Limited [#]	Contracting	Gauteng	100,0	100,0
Afrimat Mozambique Limitada	Aggregates	Mozambique	99,0	99,0
Afrimat Offshore**	Investment	Mauritius	100,0	100,0
Afrimat Phosphates Proprietary Limited (previously known as Delf Sand Proprietary Limited) [#]	Future materials and metals	Limpopo	100,0	100,0
Afrimat Readymix (Cape) Proprietary Limited	Concrete-based products	Western Cape	100,0	100,0
Afrimat Readymix (Inland) Proprietary Limited	Concrete-based products	Mpumalanga	75,0	75,0
Afrimat Shared Services Proprietary Limited	Services	Western Cape	100,0	100,0
Afrimat Silica Proprietary Limited [#]	Aggregates	Gauteng	100,0	100,0
Agri Lime Proprietary Limited	Industrial minerals	Limpopo	100,0	–
Boublok Proprietary Limited	Concrete-based products	Western Cape	100,0	100,0
Cape Lime Proprietary Limited [#]	Industrial minerals	Western Cape	100,0	100,0
Capmat Proprietary Limited [#]	Aggregates	Western Cape	100,0	100,0
Clinker Supplies Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Community Quarries Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Delf Silica Coastal Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Eckraal Quarries Proprietary Limited***	Aggregates	Gauteng	–	–
Glen Douglas Dolomite Proprietary Limited	Aggregates	Gauteng	100,0	100,0
Infrasors Empowerment Trust	Investment	Gauteng	–	–
Infrasors Environmental Rehabilitation Trust	Investment	Gauteng	–	–
Labonte 3 Proprietary Limited	Property	Eastern Cape	50,0	50,0
Maritzburg Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Meepo Ya Mmu Resources Proprietary Limited [#]	Aggregates	Mpumalanga	54,0	54,0
Olympic Sand Proprietary Limited	Aggregates	Western Cape	100,0	100,0
Pienaarspoort Ontwikkeling Proprietary Limited	Industrial minerals	Gauteng	100,0	100,0
Prima Quarries Namibia Proprietary Limited	Aggregates	Namibia	100,0	100,0
Rodag Holdings Proprietary Limited	Property	KwaZulu-Natal	100,0	100,0
SA Block Proprietary Limited	Concrete-based products	Gauteng	100,0	100,0
Scottburgh Quarries Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0
Stony Lime Proprietary Limited	Industrial minerals	Limpopo	–	–
Sunshine Crushers Proprietary Limited	Aggregates	KwaZulu-Natal	100,0	100,0

* Indirectly held subsidiaries include Afrimat Iron Ore Proprietary Limited, Afrimat Manganese Proprietary Limited, Nkomati Anthracite Proprietary Limited, Coza Mining Proprietary Limited and Benicon Coal Proprietary Limited.

** Indirectly held subsidiary include Afrimat Logistics Limitada.

*** Indirectly held subsidiary include Eckraal Bricks and Ready-Mix Proprietary Limited.

[#] Management performed further impairment assessments on the Company's investments in subsidiaries where the net asset value of the Company did not exceed its cost of investment.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

13. Investment in subsidiaries (continued)

	Carrying amount shares 2023 R'000	Carrying amount shares 2022 R'000	Carrying amount indebtedness 2023 R'000	Carrying amount indebtedness 2022 R'000
Analysis of non-current assets and current liabilities:				
Non-current assets				
Loans to subsidiaries	–	–	1 006 998	1 350 962
Less: Allowances for credit losses	–	–	(237 196)	(146 682)
Investments in subsidiaries	1 431 487	1 427 423	–	–
Current assets				
Loans to subsidiaries	–	–	700 008	418 981
Current liabilities				
Loans from subsidiaries	–	–	(429 487)	(1 143 606)
	1 431 487	1 427 423	1 040 323	479 655

During the prior year the Group performed an internal restructure by way of an unbundling transaction in terms of S46 of the Income Tax Act. This resulted in Afrimat Limited obtaining a direct interest in the entities which was previously directly held by Afrimat Lyttelton Proprietary Limited, ultimately there was no change in common control.

The loans have no fixed terms of repayment and the majority bear interest at prime (2022: prime). The subsidiaries are incorporated in the Republic of South Africa except for Prima Quarries Namibia Proprietary Limited, Afrimat Offshore, Afrimat Logistics Limitada and Afrimat Mozambique Limitada that are incorporated in Namibia, Mauritius and Mozambique, respectively.

The Group has no contractual, other commitments or intentions to provide financial assistance to, or to buy assets from the Afrimat BEE Trust and its subsidiary AEI, Infrasors Environmental Rehabilitation Trust and Infrasors Empowerment Trust.

The investment in subsidiaries were assessed for impairment. The recoverable amount was determined by means of value-in-use calculations using a discounted cash flow methodology with the same assumptions as disclosed in note 6.2. During the year, management concluded to fully impair the investment in Afrimat Concrete Products Proprietary Limited recognising an impairment loss of R43,6 million. This was mainly due to the reduction in sales volumes, inflationary cost pressures and electricity supply interruptions which affected the operations.

The ECL calculated on loans to subsidiaries is based on the probability of default, the loss given default and the exposure at the default. The Group considers the probability of default upon initial recognition of these loans and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers this to be when there is existing or forecast deterioration, i.e. insufficient cash balances or highly liquid assets available, in the counterparty's ability to meet its debt obligations.

13. Investment in subsidiaries (continued)

The ECL's recognised on loans to subsidiaries are made up as follows; Nkomati Anthracite Proprietary Limited R128,1 million (2022: R128,1 million); Afrimat Mozambique Limitada R9,2 million (2022: R9,2 million); Afrimat Contracting International Proprietary Limited R54,3 million (2022: R6,9 million); Afrimat Management Services Proprietary Limited R2,4 million (2022: R2,4 million); Afrimat Concrete Products Proprietary Limited R16,3 million (2022: RNil); Afrimat Silica Proprietary Limited R2,6 million (2022: RNil); Afrimat Manganese Proprietary Limited R11,9 million (2022: RNil) and Stony Lime Proprietary Limited R12,4 million (2022: RNil).

During the prior year, Capmat Proprietary Limited entered into a share buy-back with the minority shareholder, Joe Kalo Investments Proprietary Limited, whereby all shares held by Joe Kalo Investments Proprietary Limited were bought back, resulting in 100,0% shareholding held by Afrimat Limited.

In the current year, the Group acquired 100,0% of the issued shares of Agri Lime Proprietary Limited (2022: JEF Drill and Blast Proprietary Limited, which was subsequently renamed to Afrimat Mining Services Proprietary Limited ('Afrimat Mining Services')), refer note 12.1 for further disclosures.

14. Related parties

Subsidiaries, associates and related trusts

During the year under review, the Company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with related parties. For a list of the Group's subsidiaries and related trusts, refer note 13.

		Group	
		2023 R'000	2022 R'000
Interest received from	Associate	–	94

		Company	
		2023 R'000	2022 R'000
Net loan balances	Subsidiaries	1 040 323	479 655
Loan balances owing (to)	Subsidiaries	(429 487)	(1 143 606)
Loan balances owing by	Subsidiaries	1 469 810	1 623 261
Trade and other payables	Subsidiaries	(19)	(129)
Trade and other receivables	Subsidiaries	24 814	10 369
Share of net profit after tax	Associate	–	257
Sales of goods to – gross values	Subsidiaries	64 706	50 655
Dividends received from	Subsidiaries	718 566	225 623
Dividends received from	Associate	–	98
Interest paid to	Subsidiaries	(106 809)	(62 045)
Interest received from	Subsidiaries	115 459	79 526

14. Related parties (continued)

The Company has provided an unlimited omnibus securityship to SBSA in respect of funding provided by the bank to its subsidiaries.

Directors

Remuneration

Details relating to executive and non-executive directors' remuneration are disclosed in note 19. The only key employees identified are the executive directors of Afrimat Limited.

Share options

Share options have been granted to certain executive directors of Afrimat Limited and employees of its subsidiaries. These are fully disclosed in note 18.

Shareholding

Refer to the analysis of shareholders on [page 145](#) for a list of shareholders with a beneficial interest of 3,0% or more in the Company.

Joint venture

During F2020, the Group impaired the investment in the joint venture. No transactions were entered into with the joint venture during the year under review.

Treasury shares

The Group acquired 4 382 056 (2022: 369 255) of its own shares through purchases on the JSE Limited. Refer note 8.2 for further disclosure. Furthermore, Afrimat BEE Trust holds (indirectly through AEI) on an unencumbered basis, 6 830 894 (2022: 6 725 244) shares representing 4,3% (2022: 4,6%) of the issued share capital of the Company.

Unrecognised items

15. Commitments

	Group	
	2023 R'000	2022 R'000
Authorised capital expenditure		
Contracted after year-end, but not provided for		
Property, plant and equipment	18 511	46 961
Not yet contracted for		
Property, plant and equipment	237 339	153 017
Total authorised capital expenditure	255 850	199 978

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

16. Contingencies

Guarantees

Guarantees to the value of R63,0 million (2022: R65,5 million) were supplied by SBSA to various parties, including the DMRE and Eskom.

Guarantees to the value of R139,7 million (2022: R39,0 million) were supplied by FNB to various parties, including the DMRE and Eskom. The increase in the guarantees supplied by FNB relates to a loan agreement entered into between Nkomati and Glencore, whereby Glencore provided Nkomati with a R120,0 million loan, refer note 7.3.5.

Guarantees to the value of R0,9 million (2022: R0,9 million) by ABSA, R253,1 million (2022: R249,4 million) by Centriq Insurance Innovation and R2,7 million (2022: R2,7 million) by SIG Guarantee Acceptances Proprietary Limited were supplied to various parties, including the DMRE, Eskom and Chevron South Africa Proprietary Limited.

Guarantees to the value of R94,8 million (2022: R94,8 million) was supplied by Guardrisk to the DMRE. These guarantees relates to the environmental rehabilitation costs for Nkomati.

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

Other

A contingent liability exists due to the uncertain timing of cash flows with regards to future local economic development ('LED') commitments made to the DMRE in respect of companies with mining rights. These commitments are dependent on the realisation of the future agreed upon LED projects. Future commitments amount to R10,4 million (2022: R14,4 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'), had 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 still awaits a final hearing date to be set by the Tribunal.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

17. Events after the reporting period

Glenover

As per the SENS announcement on 9 December 2021, in terms of which Afrimat announced that it had purchased certain assets and rights to mine select deposits at the Glenover mine (the 'Sale Assets'), as well as the option to acquire 100,0% of the shares (the 'Sale Shares') in Glenover Phosphate Proprietary Limited ('Glenover') from the current shareholders, for a total purchase consideration of R550,0 million ('Glenover Acquisition'). The Group exercised this option to acquire the shares in Glenover on 19 October 2022. Refer to SENS announcement released on 20 October 2022.

The purchase consideration of R550,0 million is allocated as follows:

- ▶ Sale Assets: R250,0 million; and
- ▶ Sale of Shares: R300,0 million.

The purchase consideration of Sale Shares of R300,0 million will be settled as follows:

- ▶ 50% of the Sale Shares Purchase Consideration shall, at the election of Afrimat, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders; and
- ▶ 50% of the Sale Shares Purchase Consideration shall, at the election of the Shareholders, be split between a cash payment and the issuing of Afrimat Shares to the Shareholders.

The Sale of Shares Agreement is subject to the fulfilment of the following outstanding conditions precedent ('Conditions Precedent'):

- (i) Approval in terms of section 11 of the Mineral and Petroleum Resources Development Act No. 28 of 2002.

Employee benefits and costs

18. Share-based payments

The Group operates an equity-settled Share Appreciation Rights Scheme and Forfeitable Share Plan, under which the Group receives services from employees as consideration for ordinary shares of Afrimat Limited.

The employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised as an increase in equity in 'other reserves'.

When the reward is vested, the Group utilises treasury shares. The market value of rewards exercised, net of any directly attributable transaction costs, is debited to 'stated capital'. The share-based payment reserve related to rewards previously provided is transferred directly to 'retained earnings' as the rewards expire or are exercised.

New grants issued under the Forfeitable Share Plan are recognised as cash-settled, as a result of an amendment to the plan approved by shareholders in F2022. At initial recognition, the employee services received is recognised at the fair value of the shares granted and is expensed over the vesting period. The corresponding credit entry is recognised in the balance sheet as an 'other liability'. The 'other liability' is subsequently remeasured at the fair value of the shares granted at each reporting period. The fair value remeasured is allocated to 'employee costs' in profit or loss.

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

18. Share-based payments (continued)

Share-based payment expense calculation

The Group uses the Black Scholes valuation model to determine the fair value of the options/shares granted.

Share options are granted to executive directors and to selected employees in the form of a Share Appreciation Rights Scheme. The exercise price of the granted options is equal to the 30-day average volume weighted average price for the Afrimat Limited shares on the date when the option is exercised. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years from the grant date, subject to the Group achieving its target growth in headline earnings per share over the period; the options have a contractual option term of four years after vesting. The Group has no legal or constructive obligation to repurchase or settle the options in cash. When the options are exercised the participants will receive shares equal in value to the number of options exercised multiplied by the difference between the exercise price and the grant price.

Additionally, the Group has an Afrimat Forfeitable Share Plan ('FSP'). The plan allows certain senior employees to earn a long-term incentive to assist with the retention and reward of selected employees. Shares are granted to employees for no consideration. These shares participate in dividends and shareholder rights from grant date. Awards are based on their performance conditional on the employee completing three years' service (the vesting period). The shares are recognised at the closing share price on the grant date as an issue of treasury shares. The Group has no legal or constructive obligation to repurchase or settle the shares in cash, therefore these shares are equity-settled share-based payments.

During the F2022 an amendment to the FSP was approved by shareholders, whereby shares allocated to FSP participants may be settled in cash or shares at the discretion of the Board. This modification is only applicable on future FSP allocations.

18.1 Share Appreciation Rights Scheme ('SAR')

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

	Average grant price in cents per share 2023	Number of options '000 2023	Average grant price in cents per share 2022	Number of options '000 2022
Opening balance	3 066	6 108	2 684	6 068
Granted	6 514	1 570	4 000	1 690
Exercised	2 976	(1 473)	2 616	(1 480)
Forfeited	4 569	(135)	2 622	(170)
Closing balance	3 946	6 070	3 066	6 108

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Out of the 6 070 000 outstanding options (2022: 6 108 000), 480 000 options (2022: 410 000) were exercisable. Options exercised, resulted in 70 000, 90 000 and 1 313 000 shares (2022: 60 000, 140 000, 130 000 and 1 150 000) being issued at a weighted price of R22,20, R29,00 and R30,21 each, respectively (2022: R17,26, R22,20, R29,00 and R26,79 each, respectively). The related weighted average share price at the time of exercise was R63,06 (2022: R54,61) per share.

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

	Grant price cents	Number of options	
		2023 '000	2022 '000
2023	2 220	–	70
2024	2 900	50	140
2025	2 679	200	200
2026	3 021	230	1 543
2027	2 501	2 415	2 465
2028	4 800	1 650	1 690
2029	6 514	1 525	–
		6 070	6 108

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

	Number of shares	
	2023 '000	2022 '000
Opening balance	20 938	20 978
Exercised	1 473	1 480
Forfeited	135	170
Utilised	(1 570)	(1 690)
Closing balance	20 976	20 938

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Number of share options held by executive directors:

	Opening balance '000	Granted/ transferred in '000	Average grant price in cents per share	Expiry dates	Exercised/ expired '000	Closing balance '000
2023						
Andries J van Heerden	1 085	210	6 514	2029	(355)	940
Pieter GS de Wit	465	90	6 514	2029	(153)	402
Collin Ramukhubathi	353	90	6 514	2029	(80)	363
Marthinus G Odendaal*	–	590	3 654	2029	(160)	430
	1 903	980			(748)	2 135
2022						
Andries J van Heerden	1 170	260	4 800	2028	(345)	1 085
Pieter GS de Wit	500	110	4 800	2028	(145)	465
Collin Ramukhubathi	333	100	4 800	2028	(80)	353
	2 003	470			(570)	1 903

* Marthinus G Odendaal was appointed as executive director effective 12 April 2022.

The fair value of options granted during the year using the Black Scholes valuation model, was R29,5 million (2022: R26,0 million), and will be expensed over a three-year vesting period. The option expense for the year, in respect of current year and previous years' options granted, was R21,0 million (2022: R17,5 million), of which R6,4 million (2022: R5,8 million) is attributed to the executive directors.

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

18. Share-based payments (continued)

18.1 Share Appreciation Rights Scheme ('SAR') (continued)

Analysis of movement in remaining options:

	18 May 2016	17 May 2017	5 Nov 2018	22 May 2019	20 May 2020	26 May 2021	18 May 2022	Total '000
Grant date	'000	'000	'000	'000	'000	'000	'000	
Originally granted	1 015	1 455	1 520	1 603	2 465	1 690	1 570	11 318
Forfeited	(70)	(170)	(170)	(60)	(50)	(40)	(45)	(605)
Exercised	(945)	(1 235)	(1 150)	(1 313)	–	–	–	(4 643)
Net outstanding	–	50	200	230	2 415	1 650	1 525	6 070
Grant price (cents)	2 220	2 900	2 679	3 021	2 501	4 800	6 514	
Fair value of option (cents)	711	852	676	853	655	1 541	1 879	

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

	18 May 2016	17 May 2017	5 Nov 2018	22 May 2019	20 May 2020	26 May 2021	18 May 2022
Grant date	2016	2017	2018	2019	2020	2021	2022
Grant price (cents)	2 220	2 900	2 679	3 021	2 501	4 800	6 514
Expected option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Expected volatility	40,77%	37,57%	30,90%	37,59%	41,22%	40,32%	36,71%
Expected likelihood	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%
Expected employee attrition	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%	5,00%
Expected risk free rates	9,01%	7,64%	7,08%	7,07%	6,75%	9,23%	8,37%
Expected dividend yields	2,57%	2,41%	2,31%	2,68%	4,68%	3,01%	2,86%

The share price volatility is measured at the standard deviation of expected share price returns based on the statistical analysis of monthly share prices over the current year.

18. Share-based payments (continued)

18.2 Forfeitable Share Plan ('FSP')

Shares issued under the plan are at the discretion of the Board, and no offer may be made unless employment conditions were met. The FSP is considered a long-term retention plan and shares are only awarded to certain key individuals based on their performance. Shares issued under the plan may not be sold, ceded, transferred, encumbered, pledged or otherwise alienated until the award has vested. In all other respects the shares rank equally with other fully-paid ordinary shares in issue.

	Number of shares	
	2023 '000	2022 '000
Opening balance	1 066	1 359
Issued to participating employees	350	–
Forfeited	(23)	–
Vested	(481)	(293)
Closing balance	912	1 066

350 350 (2022: Nil) shares were issued to participants at an average market value of R65,14 (2022: RNil).

In terms of IFRS 2, the transaction is measured at fair value of the equity instruments at the grant date. The fair value takes into account that the employees are entitled to the dividends from grant date. The fair value of the equity-settled shares subject to non-market conditions is the closing share price at grant date.

During the year 105 200, 10 000 and 367 200 shares (2022: 292 500) vested, the related weighted average share price at the time of exercise was R66,37, R58,12 and R47,00 (2022: R55,25) per share.

The share-based payment expense for the year, in respect of current and previous years' shares granted, was R12,9 million (2022: R12,2 million), of which R8,3 million (2022: R6,4 million) is attributed to the executive directors.

Number of forfeitable shares held by directors:

	Opening balance '000	Issued/ transferred '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2023						
Andries J van Heerden	324	73	6 514	2025	(105)	292
Pieter GS de Wit	131	47	6 514	2025	(68)	110
Collin Ramukhubathi	131	47	6 514	2025	(68)	110
Marthinus G Odendaal*	–	178	3 588	2025	(68)	110
	586	345			(309)	622

* Marthinus G Odendaal was appointed as executive director effective 12 April 2022.

18. Share-based payments (continued)

18.2 Forfeitable Share Plan ('FSP') (continued)

	Opening balance '000	Issued/ transferred '000	Average grant price in cents per share	Vesting dates	Vested '000	Closing balance '000
2022						
Andries J van Heerden	324	–	–	–	–	324
Pieter GS de Wit	196	–	–	–	(65)	131
Collin Ramukhubathi	196	–	–	–	(65)	131
	716	–			(130)	586

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

	25 February 2019	30 October 2019	19 February 2020	22 February 2021	18 May 2022
Grant date					
Grant price (cents)	2 850	3 200	2 930	4 390	6 514
Fair value of grants (cents)	2 607	2 644	2 413	3 443	5 455
Expected volatility	33,07%	36,61%	34,31%	42,67%	36,71%
Expected risk free rates	7,58%	6,64%	6,26%	6,75%	8,37%
Expected dividend yields	2,05%	2,66%	2,76%	4,68%	2,86%
Vesting dates	25 February 2022	30 October 2022	19 February 2023	22 February 2024	18 May 2025

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

19. Directors' emoluments

Directors' basic salary and allowance

	Short-term benefits			Post-employment benefits	Other	Total
	Basic salary	Travel allowance	Medical aid	Pension	Other allowances	
	R'000	R'000	R'000	R'000	R'000	R'000
2023						
Paid by Company						
Executive						
Andries J van Heerden	6 268	165	47	–	–	6 480
Pieter GS de Wit	3 418	99	84	346	–	3 947
Collin Ramukhubathi	3 063	144	79	310	–	3 596
Marthinus G Odendaal*	3 176	163	106	438	–	3 883
	15 925	571	316	1 094	–	17 906
Non-executive						
Marthinus W von Wielligh ¹	628	–	–	–	–	628
Loyiso Dotwana	601	–	–	–	–	601
Jacobus F van der Merwe	653	–	–	–	–	653
Phuti RE Tsukudu	475	–	–	–	–	475
Helmut N Pool ¹	211	–	–	–	–	211
Johannes HP van der Merwe	432	–	–	–	–	432
Francois M Louw	1 078	–	–	–	–	1 078
Sisanda Tuku*	370	–	–	–	–	370
Gert J Coffee	396	–	–	–	–	396
Nicolaas AS Kruger*	28	–	–	–	–	28
	4 872	–	–	–	–	4 872
Total	20 797	571	316	1 094	–	22 778

* During the year, the following new appointments were made:

- Marthinus G Odendaal was appointed as executive director effective 12 April 2022;
- Sisanda Tuku was appointed as non-executive director effective 1 May 2022; and
- Nicolaas AS Kruger was appointed as non-executive director effective 1 February 2023.

19. Directors' emoluments (continued)

Directors' basic salary and allowance (continued)

	Short-term benefits			Post-employment benefits	Other	Total
	Basic salary	Travel allowance	Medical aid	Pension	Other allowances	
	R'000	R'000	R'000	R'000	R'000	R'000
2022						
Paid by Company						
Executive						
Andries J van Heerden	5 886	184	42	–	–	6 112
Pieter GS de Wit	3 228	97	77	315	–	3 717
Collin Ramukhubathi	2 880	145	73	281	–	3 379
	11 994	426	192	596	–	13 208
Non-executive						
Marthinus W von Wielligh ¹	1 256	–	–	–	–	1 256
Loyiso Dotwana	545	–	–	–	–	545
Hendrik JE van Wyk	168	–	–	–	20	188
Jacobus F van der Merwe	541	–	–	–	–	541
Phuti RE Tsukudu	430	–	–	–	–	430
Helmut N Pool ¹	459	–	–	–	–	459
Johannes HP van der Merwe	359	–	–	–	–	359
Francois M Louw	742	–	–	–	40 ²	782
Gert J Coffee	359	–	–	–	–	359
	4 859	–	–	–	60	4 919
Total	16 853	426	192	596	60	18 127

Notes

1. Mr Marthinus W von Wielligh and Mr Helmut N Pool resigned at the AGM held in August 2022.
2. In the prior year other fees paid to Francois M Louw relate to extraordinary duties performed on the Glenover transaction.

Executive directors' contracts

No executive director has a notice period of more than three months. No executive director's service contract includes predetermined compensation as a result of termination exceeding one year's salary and benefits.

Andries J van Heerden, Pieter GS de Wit, Collin Ramukhubathi and Marthinus G Odendaal have indefinite employment contracts. There are no other service contracts between the Company and executive directors.

19. Directors' emoluments (continued)

Executive directors' participation in share schemes

Share options are granted to executive directors in the format of a SAR Scheme (refer note 18.1):

	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
2023									
Andries J van Heerden	150 000	13 December 2007	850	–	150 000	–	–	–	–
	300 000	9 May 2008	650	–	300 000	–	–	–	–
	500 000	13 May 2009	200	500 000	–	874	3 370	–	–
	750 000	12 May 2010	325	750 000	–	901	4 320	–	–
	575 000	11 May 2011	340	575 000	–	1 652	7 544	–	–
	460 000	9 May 2012	572	460 000	–	1 873	5 985	–	–
	330 000	8 May 2013	850	330 000	–	2 223	4 531	–	–
	200 000	14 May 2014	1 565	200 000	–	2 956	2 782	–	–
	200 000	20 May 2015	1 726	200 000	–	2 820	2 188	–	–
	180 000	18 May 2016	2 220	180 000	–	3 504	2 311	–	–
	310 000	17 May 2017	2 900	310 000	–	3 611	2 204	–	–
	345 000	5 November 2018	2 679	345 000	–	5 125	8 439	–	–
	355 000	21 May 2019	3 021	355 000	–	6 441	12 141	–	–
	470 000	20 May 2020	2 501	–	–	–	–	470 000	13 569
	260 000	26 May 2021	4 800	–	–	–	–	260 000	1 529
	210 000	18 May 2022	6 514	–	–	–	–	210 000	–
				4 205 000	450 000		55 815	940 000	15 098
Pieter GS de Wit	40 000	9 May 2008	850	–	40 000	–	–	–	–
	50 000	9 May 2008	650	–	50 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	60 000	12 May 2010	325	60 000	–	901	346	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 862	1 548	–	–
	80 000	8 May 2013	850	80 000	–	2 899	1 639	–	–
	60 000	14 May 2014	1 565	60 000	–	3 012	868	–	–
	60 000	20 May 2015	1 726	60 000	–	3 381	993	–	–
	120 000	18 May 2016	2 220	120 000	–	3 381	1 393	–	–
	135 000	17 May 2017	2 900	135 000	–	3 611	960	–	–
	145 000	5 November 2018	2 679	145 000	–	5 125	3 547	–	–
	153 000	21 May 2019	3 021	153 000	–	6 441	5 233	–	–
	202 000	20 May 2020	2 501	–	–	–	–	202 000	5 832
	110 000	26 May 2021	4 800	–	–	–	–	110 000	647
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				1 083 000	90 000		18 030	402 000	6 479

* The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (i.e. share price on exercise less strike price)

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R53,88), less the strike price of these instruments

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

19. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

	Number of SARs initially allocated	Date awarded	Strike price (cents)	Number of SARs exercised	Number of SARs terminated	Share price at date of redemption (cents)	Value increase from strike price to price at redemption* R'000	Number of SARs not redeemed (outstanding)	Indicative expected value of number of SARs not redeemed**
Collin Ramukhubathi	25 000	14 May 2014	1 565	25 000	–	2 943	345	–	–
	25 000	20 May 2015	1 726	25 000	–	2 851	281	–	–
	50 000	18 May 2016	2 220	50 000	–	3 381	581	–	–
	50 000	17 May 2017	2 900	50 000	–	3 611	356	–	–
	80 000	5 November 2018	2 679	80 000	–	5 125	1 957	–	–
	80 000	21 May 2019	3 021	80 000	–	6 441	2 736	–	–
	173 000	20 May 2020	2 501	–	–	–	–	173 000	4 995
	100 000	26 May 2021	4 800	–	–	–	–	100 000	588
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				310 000	–		6 256	363 000	5 583
Marthinus G Odendaal	40 000	13 December 2007	850	–	40 000	–	–	–	–
	40 000	9 May 2008	650	–	40 000	–	–	–	–
	50 000	13 May 2009	200	50 000	–	584	192	–	–
	200 000	12 May 2010	325	200 000	–	1 325	2 000	–	–
	100 000	11 May 2011	340	100 000	–	1 652	1 312	–	–
	120 000	9 May 2012	572	120 000	–	1 873	1 561	–	–
	80 000	8 May 2013	850	80 000	–	2 970	1 696	–	–
	60 000	14 May 2014	1 565	60 000	–	3 504	1 163	–	–
	60 000	20 May 2015	1 726	60 000	–	3 611	1 131	–	–
	60 000	18 May 2016	2 220	60 000	–	5 802	2 149	–	–
	70 000	17 May 2017	2 900	70 000	–	5 647	1 923	–	–
	80 000	5 November 2018	2 679	–	–	–	–	80 000	2 167
	90 000	21 May 2019	3 021	90 000	–	6 441	3 078	–	–
	160 000	20 May 2020	2 501	–	–	–	–	160 000	4 619
	100 000	26 May 2021	4 800	–	–	–	–	100 000	588
	90 000	18 May 2022	6 514	–	–	–	–	90 000	–
				890 000	80 000		16 206	430 000	7 374

* The cash realisation value depicts the number of SARs exercised multiplied by the growth in share price (i.e. share price on exercise less strike price).

** Number of SARs not redeemed at financial year-end (outstanding) multiplied by the applicable year-end Afrimat Limited share price (R53,88), less the strike price of these instruments.

19. Directors' emoluments (continued)

Executive directors' participation in share schemes (continued)

In terms of the SAR Scheme: Grant 14 (2022: Grant 13), the rights have vested after the three-year vesting period, as the performance criteria have been met.

Forfeitable shares awarded to executive directors, in the current year (none in the prior year), in the format of a FSP (refer note 18.2):

	Number of shares initially allocated	Date awarded	Market value on grant date
2023			
Andries J van Heerden	72 350	18 May 2022	65,14
Pieter GS de Wit	47 600	18 May 2022	65,14
Collin Ramukhubathi	47 600	18 May 2022	65,14
Marthinus G Odendaal	47 600	18 May 2022	65,14

Incentive bonuses paid to executive directors:

	Group	
	2023 R'000	2022 R'000
Executive		
Andries J van Heerden	5 835	5 890
Pieter GS de Wit	2 945	2 870
Collin Ramukhubathi	2 685	2 620
Marthinus G Odendaal*	2 885	–
	14 350	11 380

* Marthinus G Odendaal was appointed as executive director, effective 12 April 2022.

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

Directors' shareholding

Please refer to [page 85](#) for further disclosure regarding the directors' respective shareholding in the Company.

Other

20. Fair value estimation

Items measured at fair value on the Statement of Financial Position are classified according to a fair value hierarchy. The fair value hierarchy is identified in levels as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

	Group			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
At 28 February 2023				
Assets				
At fair value through other comprehensive income				
Equity securities*	67	–	–	67
Environmental funds**	–	3 567	–	3 567
At fair value through profit or loss				
Unit trusts**	–	86 811	–	86 811
Trade receivables***	–	196 345	–	196 345
Total assets	67	286 723	–	286 790
Liabilities				
Other liability**	(5 094)	–	–	(5 094)
Total liabilities	(5 094)	–	–	(5 094)

	Company			
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
At 28 February 2023				
Liabilities				
Other liability**	(1 795)	–	–	(1 795)
Total liabilities	(1 795)	–	–	(1 795)

Notes to the Annual Financial Statements (continued)

for the year ended 28 February 2023

20. Fair value estimation (continued)

	Group			Total balance R'000
	Level 1 R'000	Level 2 R'000	Level 3 R'000	
At 28 February 2022				
Assets				
At fair value through other comprehensive income				
Equity securities*	74	–	–	74
Environmental funds**	–	3 365	–	3 365
At fair value through profit or loss				
Unit trusts**	–	70 329	–	70 329
Trade receivables***	–	265 329	–	265 329
Total assets	74	339 023	–	339 097

* Other liability relates to the cash-settled Forfeitable Share Plan of the Group.

* This fair value is 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 Iron Ore 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.

The Group's equity securities are traded in active markets. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Environmental funds and environmental insurance policies consist of equity investments quoted in an active market. Their fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2.

Unit trusts are investments held in trust to be used to rehabilitate the environment after mining operations are completed at the Lyttelton, Marble Hall and Delf mining sites (refer note 6.5). The significant inputs to the adjusted net asset method are the fair values of the individual assets and liabilities whose fair value is derived from quoted market prices in active markets. The fair values are indirectly derived from prices quoted in Level 1, and therefore included in Level 2 of the fair value hierarchy.

Provisionally priced receivables related to the sale of bulk commodities were measured at FVPL from the date of recognition up until date of settlement, as it fails the amortised cost requirement of cash flows representing solely payment of principal and interest.

(a) Transfers

The Group recognises transfers between level of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. There were no transfers within the fair value hierarchy during the period ended 28 February 2023 or the prior year.

21. New and amended standards

New standards and interpretations not yet effective

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

The Group has not early adopted the following new standards and amendments:

Standard	Subject	Impact
IAS 1 (effective 1 January 2024)	Presentation of Financial Statements – Non-current liabilities with covenants	Impact of the amendment was not material.
IAS 1 (effective 1 January 2023)	Presentation of Financial Statements – Classification of liabilities as current and non-current	Impact of the amendment was not material.
IAS 8 (effective 1 January 2023)	Accounting Policies, Changes in Accounting Estimates and Errors	Impact of the amendment was not material.
IAS 12 (effective 1 January 2023)	Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The disclosure of deferred tax is already aligned to the amendment; as a result, there is no impact on the Group's financial statement arising from the amendment.
IFRS 17 (effective 1 January 2023)	Insurance contracts	Process of assessing impact.
IFRS 16 (effective 1 January 2024)	Lease liability in a Sale and Leaseback	No impact expected.

22. Going concern

Russian invasion

The Russian invasion of Ukraine still has a devastating impact on the global growth. It has filtrated into the South African economy, the Group has experienced a rise in operational costs such as fuel. Based on the current financial and operating performance of the Group and Company and the Group's and Company's solvency and liquidity position, the directors believe that the Group and Company will continue as a going concern in the foreseeable future. Management continues to assess and monitor the developments of the war.

Loadshedding

The frequent power outages, known as loadshedding, has had a significant impact on the economy of South Africa, and thus affecting the Group and Company as well. These interruptions have resulted in lower production and increased input costs, leading to lower income for businesses. Moreover, if Eskom, the state-owned electricity provider, increases its tariffs further, it will add to the cost burden of South African companies. Despite these challenges, the Group's and Company's directors believe that, based on the current financial and operational performance, as well as solvency and liquidity position, the Group and Company will continue to operate as a going concern in the foreseeable future. Management is actively exploring alternative power supply sources to mitigate the impact of loadshedding.

Analysis of Shareholders

as at 28 February 2023

	Number of shareholders	%	Number of shares	%
Shareholding				
1 – 1 000 shares	11 485	77,26	1 924 874	1,21
1 001 – 10 000 shares	2 651	17,83	8 712 138	5,45
10 001 – 100 000 shares	566	3,81	17 800 848	11,15
100 001 – 1 000 000 shares	145	0,98	38 356 485	24,01
1 000 000 shares and over	18	0,12	92 924 584	58,18
	14 865	100,00	159 718 929	100,00
Analysis of holdings				
Non-public shareholding				
Directors and their associates	8	0,05	10 259 100	6,43
Treasury shares – Afrimat Management Services Proprietary Limited	1	0,01	4 838 648	3,03
Treasury shares – Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	1	0,01	6 830 894	4,28
	10	0,07	21 928 642	13,74
Public shareholding	14 855	99,93	137 790 287	86,26
	14 865	100,00	159 718 929	100,00

	Number of shares	%	Number of BEE shares	%
Major, founder and BEE shareholders				
Founder shareholders – related parties				
Andries J van Heerden (CEO)	4 340 506	2,72	–	–
Maryke E van Heerden	1 198 543	0,75	–	–
Amala Familie Trust (CEO)	853 564	0,53	–	–
Founder shareholders – not related parties				
Korum Trust (TCB Jordaan)	9 010 000	5,64	–	–
Forecast Investments Proprietary Limited (Laurie P Korsten)	400 000	0,25	–	–
Frans du Toit Trust	17 642 000	11,05	–	–
Other major shareholders				
Government Employees Pension Fund	27 338 163	17,12	–	–
BEE shareholders*				
Mega Oils Proprietary Limited (Loyiso Dotwana, non-executive director)	2 160 000	1,35	2 160 000	1,35
Afrimat Empowerment Investments Proprietary Limited/Afrimat BEE Trust	6 830 894	4,28	6 328 823	3,96
Collin Ramukhubathi	123 128	0,08	123 128	0,08
Joe Kalo Investments Proprietary Limited	90 000	0,06	90 000	0,06
Johannes M Kalo	60 090	0,04	60 090	0,04
Goolam Ballim	227 009	0,14	227 009	0,14
Mandated investments	69 946 031	43,79	8 190 680	5,13
Previously recognised interest**	–	–	–	17,45
	140 219 928	87,80	17 179 730	28,21
Other	19 499 001	12,20	–	–
	159 718 929	100,00	17 179 730	28,21

* During the current year the Flow Through Principal method was used to calculate the BEE ownership of the Group.

** Shares sold previously held by ARC, the shares qualify to be recognised in terms of paragraph 3.8 Recognition of ownership after the sale or loss of shares by black participants, of the B-BBEE COGP, therefore we are able to include these shares into our BEE ownership.



7

Shareholder information

Africare, an employee wellness programme was launched to improve the overall health and well-being of all Afrimat employees. This programme gives Afrimat employees and their immediate family members access to a network of professional counsellors across South Africa offered by an independent contractor.



Afrimat is committed to applying ESG principles to create value for stakeholders



[View ESG report 2023](#)



Notice of AGM

Afrimat Limited

(Registration number: 2006/022534/06)

Share code: AFT

ISIN: ZAE000086302

('Afrimat' or 'the Company')

Notice is hereby given that the annual general meeting of shareholders of Afrimat will be held at the Protea Hotel, Durbanville, 99 Jip De Jager Drive, Vineyards Office Estate, Tyger Valley, 7530 on Wednesday, 02 August 2023 at 14:00.

Purpose

The purpose of the AGM is to transact the business set out in the agenda below.

Agenda

Presentation of the audited annual financial statements of the Company, including the reports of the directors and the Audit & Risk Committee for the year ended 28 February 2023. The integrated annual report, of which this notice forms part, contains the consolidated annual financial statements for the year ended 28 February 2023 and the aforementioned reports. The consolidated annual financial statements for the year ended 28 February 2023, including the unmodified audit opinion, are also available on Afrimat's website at www.afrimat.co.za or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours. In addition, electronic copies of the consolidated annual financial statements for the year ended 28 February 2023 may be requested and obtained, at no charge, from the Company at secretary@afriamt.co.za.

To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note:

For ordinary resolutions numbers 1 to 15 (inclusive) to be adopted, more than 50% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof. For ordinary resolutions numbers 16 and 17 to be adopted, at least 75% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof.

1. Adoption of annual financial statements

1.1 Ordinary resolution number 1

'Resolved that the annual financial statements of the Company and its subsidiaries for the year ended 28 February 2023 be and are hereby received and adopted.'

2. Retirement, election and re-election of directors

2.1 Ordinary resolution number 2

'Resolved that Mr Jacobus (Derick) F van der Merwe, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director.'

Summary curriculum vitae of Mr Jacobus (Derick) F van der Merwe

BCompt (Hons), CA(SA)

Derick, a chartered accountant, was the Managing Director and CEO of the highly successful Victoria & Alfred Waterfront Proprietary Limited, in Cape Town when he left to start his own company, DVDM Properties Proprietary Limited (that also operated in the People Spaces group until 2014) both offering international property development management and consulting services. Prior to that, he was an executive director within various companies in the Stocks & Stocks construction group of companies. Derick was a non-executive director of PNA Stationers for 11 years (including Chairman) and served as non-executive on a few other boards and trusts. He is a retired member of South African Institute of Realtors and Associated Chartered Institute of Building. He serves currently as a non-executive director (Lead Independent Director since 1 February 2021) on the Board of Accelerated Property Fund Limited.

2.2 Ordinary resolution number 3

'Resolved that Mr Loyiso Dotwana, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director.'

Summary curriculum vitae of Mr Loyiso Dotwana

BSc Civil Engineering (University of Cape Town)

Loyiso worked as a civil engineer in design and project management for more than 20 years. He specialised in design and contract administration of township services and rural, urban and national roads. He was involved in the conceptual and detailed design of bulk services for the Coega Industrial Development Zone in Port Elizabeth. Loyiso founded Illiso Consulting Proprietary Limited, one of South Africa's largest black owned consulting engineering companies, of which he is currently a director and the major shareholder. Loyiso was appointed to the Afrimat Board since its listing in 2006. He serves as Chairman of the Social, Ethics & Sustainability Committee.

2.3 Ordinary resolution number 4

'Resolved that Mr Johannes HP (Johan) van der Merwe, who retires by rotation in terms of the memorandum of incorporation of the Company and, being eligible, offers himself for re-election, be and is hereby re-elected as director.'

Summary curriculum vitae of Mr Johannes HP (Johan) van der Merwe

CA(SA), Master in Income Tax (University of Pretoria), MPhil Finance (Cambridge University), Advanced Management Programme (Harvard Business School), Challenge of Leadership (Insead Business School)

Johan joined Investec Asset Management in 1997 as Head of Resources and became the Global Sector Head of Resources in 2000. He was a director and executive committee member of Investec Asset Management. In 2002 he was appointed as CEO of Sanlam Investment Management. He stepped down as the CEO of Sanlam Investment Management on 1 November 2015 and remained on the Sanlam Investments, Capital Markets and Employee Benefits Boards, respectively, as non-executive director. He is a chartered accountant and is currently co-CEO of African Rainbow Capital Proprietary Limited. Johan was appointed to the Afrimat Board in 2017.

Notice of AGM (continued)

2.4 Ordinary resolution number 5

'Resolved that the appointment of Mr Nicolaas AS Kruger, as a director be and is hereby approved by shareholders.'

Summary curriculum vitae of Mr Nicolaas AS (Nicolaas) Kruger

BCom (Mathematics) Cum Laude, FFA (Fellow of the Faculty of Actuaries), AMP (Advanced Management Programme, Oxford University), CD(SA) (Chartered Director)

Nicolaas Kruger is a business executive with more than 30 years' experience in South Africa. He has extensive experience as a director and currently serves as a non-executive director on various boards, including Sanlam, GWK (Chairman), Gen Re, Granor Passi, Brenn-O-Kem (Chairman) and Afrimat. He served as Group CEO of the insurance group MMI for seven years and was chief actuary of Momentum for 10 years. He has gained experience doing business internationally, including various countries in Africa. He has also gained in-depth experience of corporate transactions throughout his career. He served on the board of the Association for Savings and Investment South Africa (ASISA) for 9 years.

3. Appointment and re-appointment of the members of the Audit & Risk Committee of the Company

Note:

For avoidance of doubt, each reference to the Audit & Risk Committee of the Company is a reference to the audit committee as contemplated in the Companies Act.

3.1 Ordinary resolution number 6

'Resolved that Mr Loyiso Dotwana, being eligible, be and is hereby appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

A summary curriculum vitae of Mr Loyiso Dotwana has been included in paragraph 2.2 above.

3.2 Ordinary resolution number 7

'Resolved that Mr Francois M Louw, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary curriculum vitae of Mr Francois M Louw

BEng (Mechanical), MBA

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

3.3 Ordinary resolution number 8

'Resolved that Mr Jacobus (Derick) F van der Merwe, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

A summary curriculum vitae of Mr Jacobus (Derick) F van der Merwe has been included in paragraph 2.1 above.

3.4 Ordinary resolution number 9

'Resolved that Ms Sisanda Tuku, being eligible, be and is hereby re-appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

Summary curriculum vitae of Ms Sisanda Tuku:

BCom Financial Accounting (Honours) CA(SA)

Sisanda has over 18 years' experience in the financial services sector, with extensive experience in structured finance, capital raising, corporate finance, infrastructure and public private partnerships financial advisory. She is currently the CEO of THEZA Capital Proprietary Limited, a financial advisory services company with a 15-year track record of ground-breaking transactions. She is passionate about elevating people, the businesses she is involved in as well as developing her leadership skills. In 2016, she was selected to be part of the International Women's Forum Leadership Foundation Fellows Programme for emerging global leaders in conjunction with the Harvard and INSEAD Business Schools.

Prior to this, Sisanda was part of Investec Bank's structured finance team where she was responsible for funding transactions in the mid-market space, including mergers and acquisitions, leveraged buyouts as well as black economic empowerment deals.

3.5 Ordinary resolution number 10

'Resolved that, subject to the approval of ordinary resolution number 5, Mr Nicolaas AS Kruger, being eligible, be and is hereby appointed as a member of the Audit & Risk Committee of the Company, as recommended by the Board, until the next annual general meeting of the Company.'

A summary curriculum vitae of Mr Nicolaas AS Kruger was included in paragraph 2.4 above.

4. Re-appointment of auditor

4.1 Ordinary resolution number 11

'Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the Company for the ensuing financial year or until the next annual general meeting of the Company, whichever is the later, with the designated auditor being Mr Dawid de Jager, a registered auditor and partner in the firm, on the recommendation of the Audit & Risk Committee of the Company.'

The reason for ordinary resolution number 11 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the Company as required by the Companies Act and the JSE Listings Requirements.

5. Non-binding endorsement of Afrimat's remuneration policy

5.1 Ordinary resolution number 12

'Resolved that the Company's remuneration policy, as set out on [pages 70 to 75](#) of the integrated annual report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.'

The reason for ordinary resolution number 12 is that the King IV™ Report on Corporate Governance for South Africa, 2016 ('King IV™') recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the remuneration policy adopted by the Company's Remuneration Committee. The effect of ordinary resolution number 12, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 12 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

6. Non-binding endorsement of Afrimat's implementation report on the remuneration policy

6.1 Ordinary resolution number 13

'Resolved that the Company's implementation report in respect of its remuneration policy, as set out on pages 70 to 75 of the integrated annual report of which this notice forms part, be and is hereby endorsed by way of a non-binding advisory vote.'

The reason for ordinary resolution number 13 is that King IV™ recommends, and the JSE Listings Requirements require, that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting of such company. This enables shareholders to express their views on the implementation of the Company's remuneration policy. The effect of ordinary resolution number 13, if passed, will be to endorse the Company's implementation report in relation to the remuneration policy. Ordinary resolution number 13 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the Board will take the outcome of the vote into consideration when considering amendments to implementation of the Company's remuneration policy.

Note:

Should 25% or more of the votes exercised in respect of ordinary resolution number 12 and/or ordinary resolution number 13 be against either resolution, the Company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the Company.

7. Signature of documentation

7.1 Ordinary resolution number 14

'Resolved that a director of the Company or the Company Secretary be and is hereby authorised to sign all such documentation and do all such things as may be necessary for or incidental to the implementation of the ordinary and special resolutions which are passed by the shareholders at the AGM.'

8. Issue of shares

8.1 Ordinary resolution number 15: Unissued ordinary shares

'Resolved that all the authorised but unissued ordinary shares of the Company, be and are hereby placed at the disposal and under the control of the directors, and that the directors be and are hereby authorised to allot, issue and otherwise to dispose of all or any of such shares at their discretion, in terms of and subject to the provisions of the Companies Act and the JSE Listings Requirements.'

8.2 Ordinary resolution number 16: General authority to issue ordinary shares for cash

'Resolved that the directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue any of the Company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the Company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- ▶ the approval shall be valid until the date of the next annual general meeting of the Company, provided it shall not extend beyond 15 (fifteen) months from the date of this resolution;
- ▶ the general issues of shares for cash under this authority may not exceed, in aggregate, 5% of the Company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders, in consideration for acquisitions, issued in connection with the Company's Forfeitable Share Plan or the Company's Share Appreciation Right Scheme, in accordance with the JSE Listings Requirements, shall not diminish the number of ordinary shares that comprise the 5% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 5% of the issued ordinary shares (net of treasury shares) of the Company amounts to 7 435 148 ordinary shares;
- ▶ in determining the price at which an issue of shares will be made in terms of this authority the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the Company and the party subscribing for the securities. The JSE Limited will be consulted for a ruling if the securities have not traded in such 30 business day period;
- ▶ any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- ▶ any such issue will only be comprised of securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue;
- ▶ in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the Stock Exchange News Service; and
- ▶ related parties may participate in a general issue for cash through a bookbuild process in terms of the JSE Listings Requirements.'

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or in connection with duly approved share incentive schemes), it is necessary for the Board of the Company to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 16 is to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the Company.

Note:

For this resolution to be adopted, at least 75% of the voting rights exercised on it, whether in person or by proxy, must be exercised in favour of this resolution.

9. Amendment of the Afrimat Limited Share Appreciation Right Scheme

9.1 Ordinary resolution number 17

'Resolved, as an ordinary resolution, that the Board be and are hereby authorised, to adopt and/or authorise the adoption of the amendments to the Afrimat Limited Share Appreciation Right ('SAR') Scheme by amending clauses 2.1.38 and 9.1 of the SAR Scheme to read as follows:

- ▶ Clause 2.1.38: 'Purchase Programme' a purchase programme wherein the dates and quantities of securities to be traded during a Prohibited Period are fixed (not subject to any variation) and which has been submitted to the JSE in writing prior to the commencement of the Prohibited Period, which purchase programme is in accordance with the provisions of the JSE Listings Requirements; and

Notice of AGM (continued)

- ▶ Clause 9.1: Following the Exercise of SARs, the Company or relevant Employer Company will within 30 (thirty) days of the Exercise Date procure the Settlement of the number of Shares calculated in accordance with Rule 9.2 to the Participant, in accordance with the Settlement methods described in Rule 9.4 (which Settlement may be effected net of taxation (i.e. on a net settlement basis).

The SAR Scheme, as amended, is available for inspection from the date of this notice of AGM until the conclusion of the AGM convened in terms thereof at the registered office of the Company and at the offices of the Company's JSE sponsor, Valeo Capital Proprietary Limited, at unit 12, Paardevlei Specialist Centre, Somerset West, 7130, during office hours.

Note:

The above ordinary resolution must be approved by 75% of the votes cast by shareholders present in person or represented by proxy at this AGM in terms of Schedule 14. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any ordinary shares acquired in terms of the SAR and owned or controlled by persons who are existing participants in the SAR, and which may be impacted by the above-mentioned resolution, shall not be considered.

To consider and, if deemed fit, pass, with or without modification, the following special resolutions:

Note:

For any of the special resolutions numbers 1 to 15 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable special resolution must be exercised in favour thereof.

10. Remuneration of non-executive directors

Special resolutions numbers 1 to 12

'Resolved, in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below, which includes serving on various sub-committees, provided that this authority will be valid until the next annual general meeting of the Company:

10.1 Special resolution number 1

Resolved that the Chairman of the Board be paid an annual fee of R1 047 000 (excluding value added tax ('VAT'));

10.2 Special resolution number 2

Resolved that the non-executive directors be paid an annual fee of R368 000 (excluding VAT);

10.3 Special resolution number 3

Resolved that the Chairman of the Audit & Risk Committee be paid an annual fee of R221 000 (excluding VAT);

10.4 Special resolution number 4

Resolved that the Audit & Risk Committee members be paid an annual fee of R121 000 (excluding VAT);

10.5 Special resolution number 5

Resolved that the Chairman of the Remuneration Committee be paid an annual fee of R87 000 (excluding VAT);

10.6 Special resolution number 6

Resolved that the Chairman of the Nominations Committee be paid an annual fee of R87 000 (excluding VAT);

10.7 Special resolution number 7

Resolved that the Remuneration & Nominations Committee members be paid an annual fee of R68 000 (excluding VAT);

10.8 Special resolution number 8

Resolved that the Chairman of the Social, Ethics & Sustainability Committee be paid an annual fee of R105 000 (excluding VAT);

10.9 Special resolution number 9

Resolved that the Social, Ethics & Sustainability Committee members be paid an annual fee of R68 000 (excluding VAT);

10.10 Special resolution number 10

Resolved that the Chairman of the Investment Review Committee be paid an annual fee of R105 000 (excluding VAT);

10.11 Special resolution number 11

Resolved that the Investment Review Committee members be paid an annual fee of R68 000 (excluding VAT); and

10.12 Special resolution number 12

Resolved that the non-executive directors receive a daily rate of R22 000 (excluding VAT) in respect of rare circumstances falling outside the ambit of scheduled annual commitments.'

All approved fixed annual fee payments will be updated and paid on 31 August 2023 and backdated as from 1 March 2023.

The reason for special resolutions numbers 1 to 12 (inclusive) is to allow the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolutions numbers 1 to 12 (inclusive), if passed, is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

11. Inter-company financial assistance

11.1 Special resolution number 13: Inter-company financial assistance

'Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in section 45(1) of the Companies Act), that the Board may deem fit to any company or corporation that is related or inter-related ('related' and 'inter-related' will herein have the meanings attributed to them in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the Board may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company.'

The reason for and effect, if passed, of special resolution number 13 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, *inter alia*, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

11.2 Special resolution number 14: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company

'Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the Board be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ('financial assistance' will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the Board may deem fit to any person, including any company or corporation that is related or inter-related to the Company ('related' and 'inter-related' will herein have the meanings attributed to such terms in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the Board may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or of a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company.'

The reason for and effect, if passed, of special resolution number 14 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any person, including any company or corporation which is related or inter-related to the Company and/or any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, *inter alia*, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a wholly owned subsidiary raises funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a guarantee or otherwise, for the obligations of its wholly owned subsidiary to the third-party funder arising from the issue of the preference shares.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the Board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolutions numbers 13 and 14 above:

- ▶ the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company); and
- ▶ the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

In addition, prior to providing any financial assistance under special resolutions numbers 13 and 14, the Board will satisfy itself that:

- ▶ the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- ▶ all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

12. Share repurchases by the Company and its subsidiaries

12.1 Special resolution number 15

'Resolved, as a special resolution, that the Company and the subsidiaries of the Company, be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the JSE Listings Requirements, including, *inter alia*, that:

- ▶ the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- ▶ this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;
- ▶ an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- ▶ the general authority to repurchase is limited to a maximum of 20%, in aggregate, in any one financial year of the Company's issued share capital of that class at the time the authority is granted;
- ▶ a resolution has been passed by the Board of directors approving the repurchase, that the Company and its subsidiaries ('the Group') has satisfied the solvency and liquidity test as defined in the Companies Act, and that since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Group;
- ▶ the general repurchase is authorised by the Company's memorandum of incorporation;
- ▶ repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five-business-day period;
- ▶ the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- ▶ the Company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements.'

The reason for and effect, if passed, of special resolution number 15 is to grant the directors a general authority in terms of the Company's memorandum of incorporation and the JSE Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 15. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a company. For the avoidance of doubt, a *pro rata* repurchase by the Company from all its shareholders will not require shareholder approval, save as may be required by the Companies Act.

Notice of AGM (continued)

13. Other business

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the Company.

Information relating to the special resolutions

- Pursuant to, and in terms of, the JSE Listings Requirements, the Board hereby states that the intention of the directors of the Company is to utilise the general authority to repurchase ordinary shares in the Company if, at some future date, the cash resources of the Company are in excess of its requirements or there are other good reasons for doing so. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company.
- The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 15 to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the Group would not be compromised as to the following:
 - ▶ the Group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
 - ▶ the consolidated assets of the Group (fairly valued) will be in excess of the consolidated liabilities of the Group (fairly valued) at the time of the AGM and at the time of such determination, as well as for a period of 12 months after the date of this AGM and for a period of 12 months following the repurchase. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Group;
 - ▶ the ordinary capital and reserves of the Group after the repurchase will remain adequate for the purpose of the business of the Group for a period of 12 months after the AGM and after the date of the share repurchase; and
 - ▶ the working capital available to the Group after the repurchase will be sufficient for the Group's ordinary business purposes for a period of 12 months after the date of the notice of the AGM and after the date of share repurchase.

General information in respect of major shareholders, material changes and the share capital of the Company is contained in the integrated annual report of which this notice forms part, as well as the full set of annual financial statements, which is also available on Afrimat's website at www.afrimat.co.za or which may be requested and obtained in person, at no charge, at the registered office of Afrimat during office hours. Electronic copies of the consolidated annual financial statements may be requested and obtained, at no charge, from the Company at secretary@afriamt.co.za.

- The directors, whose names appear on [page 34](#) of the integrated annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of AGM contains all information required by law and the JSE Listings Requirements.
- Other than the facts and developments reported on in this integrated annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Voting

- The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the Company ("the share register") for purposes of being entitled to receive this notice is Thursday, 15 June 2023.
- The date on which shareholders must be recorded in the share register for purposes of being entitled to participate and vote at the AGM is Friday, 28 July 2023, with the last day to trade being Tuesday, 25 July 2023.
- Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the

Chairman of the AGM and must accordingly submit a copy of their valid identity document, passport or driver's licence to the transfer secretaries via email at proxy@computershare.co.za. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

- Shareholders entitled to participate and vote at the AGM may appoint one or more proxies to participate, speak and vote thereat in their stead. A proxy need not be a shareholder of the Company. A form of proxy, which sets out the relevant instructions for its completion, is enclosed for use by a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from participating and voting (in preference to that shareholder's proxy) at the AGM.
- Proxy forms are for use by the holders of the Company's certificated ordinary shares ('certificated shareholders') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Proxy forms, together with proof of identification and authority to do so (when acting in a representative capacity), should be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at Private Bag X9000, Saxonwold, 2132, South Africa (please note that postal delivery by the due date is at the risk of the shareholder), or emailed to proxy@computershare.co.za to be received, by no later than 14:00 on Monday, 31 July 2023, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the transfer secretaries via email at proxy@computershare.co.za at any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the transfer secretaries verifying the form of proxy and proof of identification before any shareholder rights are exercised.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to participate in the AGM, will need to request their Central Securities Depository Participant ('CSDP') or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
- Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to participate the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.

Questions

Shareholders are encouraged to submit, via email, any questions in advance of the AGM to the Company Secretary at secretary@afriamt.co.za. These questions will be addressed at the AGM and will be responded to via email thereafter.

By order of the Board

Catharine Burger
Company Secretary

22 June 2023

Registered office

Tyger Valley Office Park No 2
Corner Willie van Schoor Avenue and Old Oak Road
Tyger Valley
7530
(PO Box 5278, Tyger Valley, 7536)
Telephone: +27 21 917 8840

Transfer secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/00364/07)
Rosebank Towers, 15 Biermann Avenue
Rosebank, 2196
(Private Bag X9000, Saxonwold, 2132)
Telephone: +27 11 370 5000
Facsimile: +27 11 688 5200



Form of proxy

Afrimat Limited

(Registration number: 2006/022534/06)

Share code: AFT

ISIN: ZAE000086302

('Afrimat' or 'the Company')

For use at the annual general meeting of shareholders of Afrimat to be held at the Protea Hotel, Durbanville, 99 Jip De Jager, Vineyards Office Estate on Wednesday, 2 August 2023 at 14:00.

For use by the holders of the Company's certificated ordinary shares ('certificated shareholder') and/or dematerialised ordinary shares held through a Central Securities Depository Participant ('CSDP') or broker who have selected own-name registration ('own-name dematerialised shareholders'). Additional forms of proxy are available from the transfer secretaries of the Company.

Not for the use by holders of the Company's dematerialised ordinary shares who are not own-name dematerialised shareholders. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the AGM and request that they be issued with the necessary authorisation to do so, or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the AGM in order for the CSDP or broker to vote thereat in accordance with their instructions.

I/We _____ (full name in block letters)

of _____ (address)

being the registered holder of _____ ordinary shares in the Company hereby appoint:

1. _____ of _____ or failing him/her,

2. _____ of _____ or failing him/her,

3. the Chairman of the AGM,

as my/our proxy to attend, speak and vote on my/our behalf at the AGM for purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions and special resolutions to be proposed thereat and at each adjournment thereof and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name(s) in accordance with the following instructions (see Notes):

		Number of shares		
		For*	Against*	Abstain*
1.1	Ordinary resolution number 1: To adopt the 2023 annual financial statements			
2.1	Ordinary resolution number 2: To re-elect Mr Jacobus (Derick) F van der Merwe as a director			
2.2	Ordinary resolution number 3: To re-elect Mr Loyiso Dotwana as a director			
2.3	Ordinary resolution number 4: To re-elect Mr Johannes HP (Johan) van der Merwe as a director			
2.4	Ordinary resolution number 5: To approve the appointment of Mr Nicolaas AS Kruger as a director			
3.1	Ordinary resolution number 6: To re-appoint Mr Loyiso Dotwana as a member of the Audit & Risk Committee			
3.2	Ordinary resolution number 7: To re-appoint Mr Francois M Louw as a member of the Audit & Risk Committee			
3.3	Ordinary resolution number 8: To re-appoint Mr Jacobus (Derick) F van der Merwe as a member of the Audit & Risk Committee			
3.4	Ordinary resolution number 9: To re-appoint Ms Sisanda Tuku as a member of the Audit & Risk Committee			
3.5	Ordinary resolution number 10: To approve the appointment of Mr Nicolaas AS Kruger as a member of the Audit & Risk Committee			
4.1	Ordinary resolution number 11: To re-appoint PricewaterhouseCoopers Inc. as auditor			
5.1	Ordinary resolution number 12: Non-binding endorsement of Afrimat's remuneration policy			
6.1	Ordinary resolution number 13: Non-binding endorsement of Afrimat's implementation report on the remuneration policy			
7.1	Ordinary resolution number 14: To authorise the directors or the Company Secretary to sign documentation			
8.1	Ordinary resolution number 15: To place unissued shares under the directors' control			
8.2	Ordinary resolution number 16: General authority to issue ordinary shares for cash			
9.1	Ordinary resolution number 17: Approval of the amendment of the Afrimat Limited Share Appreciation Right Scheme			
10.1	Special resolution number 1: Remuneration of Chairman of the Board			
10.2	Special resolution number 2: Remuneration of non-executive directors			
10.3	Special resolution number 3: Remuneration of Chairman of the Audit & Risk Committee			
10.4	Special resolution number 4: Remuneration of Audit & Risk Committee members			
10.5	Special resolution number 5: Remuneration of Chairman of the Remuneration Committee			
10.6	Special resolution number 6: Remuneration of Chairman of the Nominations Committee			
10.7	Special resolution number 7: Remuneration of Remuneration & Nominations Committee members			
10.8	Special resolution number 8: Remuneration of Chairman of the Social, Ethics & Sustainability Committee			
10.9	Special resolution number 9: Remuneration of Social, Ethics & Sustainability Committee members			
10.10	Special resolution number 10: Remuneration of Chairman of the Investment Review Committee			
10.11	Special resolution number 11: Remuneration of Investment Review Committee members			
10.12	Special resolution number 12: Ad hoc remuneration of members of the Board under rare circumstances			
11.1	Special resolution number 13: Inter-company financial assistance			
11.2	Special resolution number 14: Financial assistance for the subscription and/or purchase of shares in the Company or a related or inter-related company			
12.1	Special resolution number 15: Share repurchases by Afrimat Group and its subsidiaries			

* Please indicate your voting instruction by inserting the number of shares (or a cross should you wish to vote all of your shares) in the space provided.

Signed at (place) _____ on date _____ 2023

Shareholder's signature _____ assisted by (if applicable) (state capacity and full name)



Notes to form of proxy

1. An Afrimat shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space(s) provided, with or without deleting 'the Chairman of the AGM'. The person whose name appears first on the form of proxy and who is participating in the AGM will be entitled to act as proxy to the exclusion of those whose names follow.
2. An Afrimat shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of shares to be voted on behalf of that shareholder in the appropriate box provided or by insertion of a cross if all shares should be voted on behalf of that shareholder. Failure to comply with the above will be deemed to authorise the Chairman of the AGM, if he/she is the authorised proxy, to vote in favour of the resolutions at the AGM, or any other proxy to vote or to abstain from voting at the AGM as he/she deems fit, in respect of all the shares concerned. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or his/her proxy, but the total of the votes cast and in respect whereof abstentions are recorded may not exceed the total of the votes exercisable by the shareholder or his/her proxy.
3. When there are joint registered holders of any shares, any one of such persons may vote at the AGM in respect of such shares as if he/she was solely entitled thereto, but, if more than one of such joint holders be present or represented at any AGM, that one of the said persons whose name stands first in the register in respect of such shares or his/her proxy, as the case may be, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder, in whose name any shares stand, shall be deemed joint holders thereof.
4. Proxy forms, together with proof of identification and authority to do so (when acting in a representative capacity), should be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, or posted to the transfer secretaries at Private Bag X9000, Saxonwold, 2132, South Africa (please note that postal delivery by the due date is at the risk of the shareholder), or emailed to proxy@computershare.co.za to be received, by them not later than Monday, 31 July 2023 at 14:00, provided that any form of proxy not delivered to the transfer secretaries by this time may be submitted to the transfer secretaries via email at proxy@computershare.co.za any time before the appointed proxy exercises any shareholder rights at the AGM, subject to the transfer secretaries verifying the form of proxy and proof of identification before any shareholder rights are exercised.
5. Any alteration or correction made to this form of proxy must be initialled by the signatory(ies).
6. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by the Company's transfer secretaries or waived by the Chairman of the AGM.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from participating the AGM and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. The Chairman of the AGM may reject or accept a form of proxy which is completed and/or received, otherwise than in accordance with these notes, if the Chairman is satisfied as to the manner in which the shareholder wishes to vote.
9. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company's transfer secretaries.

Definitions

'AEI'	Afrimat Empowerment Investments Proprietary Limited	'King IV™ Report'	King Report on Governance for South Africa 2016
'Afrimat' or 'Company'	Afrimat Limited (Registration number 2006/022534/06), listed on the Main Board of the JSE Limited in the 'General Mining' sector	'LOM'	Life of mine
'AGM'	Annual general meeting	'LUPO'	Land Use Planning Ordinance
'ARC'	African Rainbow Capital Proprietary Limited	'LTIFR'	Lost Time Injury Frequency Rate
'ASPASA'	Aggregate and Sand Producers Association of South Africa	'MD'	Managing Director
'B-BBEE'	Broad-Based Black Economic Empowerment	'NEMA'	National Environmental Management Act, 1998
'BEE'	Black Economic Empowerment	'previous/prior year' or 'FY2022'	Year ended 28 February 2022
'Board'	The Board of Directors of Afrimat, as set out on page 34	'QAQC'	Quality assurance/Quality control
'CAE'	Chief Audit Executive	'SAR'	Share Appreciation Right
'CEO'	Chief Executive Officer of Afrimat, Andries J van Heerden	'SARS'	South African Revenue Services
'CFO'	Chief Financial Officer of Afrimat, Pieter GS de Wit	'SARMA'	South African Readymix Association
'COO'	Chief Operating Officer of Afrimat, Marthinus G Odendaal	'SENS'	Securities Exchange News Service, the regulatory information dissemination platform for the JSE
'COBIT'	Control objectives for information and related technologies	'SHE'	Safety, Health and Environment
'Codes'	Department of Trade and Industry's B-BBEE Codes of Good Practice	'SHEQ'	Safety, Health, Environment and Quality
'COLTO'	Committee of Land Transport Officials	'SLP'	Social and Labour Plan
'Companies Act'	Companies Act No. 71 of 2008, as amended	'TCFD'	Task Force on Climate-Related Financial Disclosures
'Covid-19'	The Covid-19 pandemic	'year' or 'year under review' or 'FY2023'	Year ended 28 February 2023
'CSI'	Corporate Social Investment	'WUL'	Water use license
'DMRE'	Department of Mineral Resources and Energy		
'ED'	Executive Director, Collin Ramukhubathi and Marthinus G (Gerhard) Odendaal	Financial definitions	
'EMP'	Environmental Management Plan	'CAGR'	Compound annual growth rate
'ESG'	Environmental, Social and Governance	'FY'	Financial year ending February
'Exco'	Executive Committee, as set out on page 36	'IFRS'	International Financial Reporting Standards
Executive Director: People & Sustainability	Collin Ramukhubathi	'HEPS'	Headline earnings per share
'the Group'	Afrimat Limited, its subsidiaries, joint venture and associate companies	'NAV'	Net asset value
'GRI'	Global Reporting Initiative, a best practice benchmark in reporting	'PAT'	Profit after tax
'GHG'	Greenhouse gas	'PBIT'	Profit before interest and tax
'HRD'	Human Resource Development	'ROE'	Return on equity
'H&S'	Health and Safety	'ROI'	Return on investment
'HIRA'	Hazard Identification and Risk Assessment	'RONA'	Return on net operating assets
'IAR'	Integrated Annual Report	'TNAV'	Tangible net asset value
'IRBA'	Independent Regulatory Board of Auditors		
'IRC South Africa'	The Integrated Reporting committee of South Africa		
'ISO'	International Organisation for Standardisation		
'IT'	Information Technology		
'ITBS'	Information Technology Business Systems		
'JSE'	JSE Limited incorporating the JSE Securities Exchange, the main board in South Africa		



Shareholders' diary

Financial year-end	28 February
Trading update	18 April 2023
Announcement of annual results	18 May 2023
Integrated annual report posted	23 June 2023
AGM	2 August 2023
Trading update	October 2023
Announcement of interim results and interim dividend	October 2023
Interim dividend payment	December 2023

Contact details

Registered office

Tyger Valley Office Park No 2
 Corner Willie van Schoor Avenue and Old Oak Road
 Tyger Valley, 7530
 (PO Box 5278, Tyger Valley, 7536)
 Telephone: +27 21 917 8840
 Email: info@afrimat.co.za
 Website: www.afrimat.co.za

Company Secretary

Catharine Burger
 Tyger Valley Office Park No 2
 Corner Willie van Schoor Avenue and Old Oak Road
 Tyger Valley, 7530
 (PO Box 5278, Tyger Valley, 7536)
 Email: secretary@afrimat.co.za
 Telephone: +27 21 917 8840

Attorneys

Webber Wentzel
 10 Fricker Road
 Illovo, 2196
 (PO Box 61771, Marshalltown, 2107)
 Telephone: +27 11 530 5000
 Facsimile: + 27 11 530 5111

Transfer secretaries

Computershare Investor Services Proprietary Limited
 (Registration number 2004/003647/07)
 Rosebank Towers, 15 Biermann Avenue
 Rosebank, 2196
 (Private Bag X9000, Saxonwold, 2132)
 Telephone: +27 11 370 5000
 Facsimile: +27 11 688 5200

Sponsor

Valeo Capital Proprietary Limited
 Unit 12, Paardevlei Specialist Centre, Somerset West,
 7130
 Telephone: +27 21 851 0091

Auditor

PricewaterhouseCoopers Inc.
 Trumali Forum Building, Trumali Street
 Stellenbosch, 7600
 (PO Box 57, Stellenbosch, 7599)

Commercial bankers

The Standard Bank of South Africa Limited
 Corporate and Investment Banking
 20th Floor, Main Tower, Standard Bank Centre
 Heerengracht, Cape Town, 8001
 (PO Box 40, Cape Town, 8000)
 Telephone: +27 11 401 2574
 Facsimile: +27 11 401 2550

Afrimat Limited

Tyger Valley Office Park No 2
Corner Willie van Schoor Avenue
and Old Oak Road, Tyger Valley, 7530
(PO Box 5278, Tyger Valley, 7536)

Telephone +27 21 917 8840

E-mail info@afriam.co.za

Website www.afriam.co.za