Raubex Group Limited

Integrated Report 2016

Scope and boundary of the integrated report

The Board is pleased to present to you the integrated report of Raubex for the year ended 29 February 2016. This integrated report covers the activities and performance of Raubex and all of its operating subsidiaries, joint ventures and branches both local and international, a schedule of which is set out in notes 40 and 41 of the annual financial statements.

This integrated report aims to provide a balanced, comprehensible and complete view of the business by reporting on the financial and non-financial performance of the group to enable stakeholders to make an informed assessment of Raubex. The Board acknowledges its responsibility to ensure the integrity of this integrated report. The Board has considered the volume and complexity of the information in the integrated report and is of the opinion that it does not warrant a summarised version.

The integrated report also highlights the opportunities, risks and material issues faced by the group in the normal course of business and key consideration is given regarding the environmental and social impact of the activities of the group and the sustainability of the group's operating activities when compiling this report.

This integrated report is presented in accordance with IFRS, the Companies Act, the JSE Listings Requirements, King III and the International Integrated Reporting Framework of the International Integrated Reporting Council. The aim of the framework is for the company to provide relevant, reliable, comparable and comprehensive information pertaining to the business operations and capital employed in the group.

In terms of paragraph 8.63(a) of the JSE Listings Requirements, the group has published its application of the Chapter 2 Principles on its website at www.raubex.com.

There are no material changes to the layout or content of this integrated report compared to the prior year.

Disclaimer

The integrated report may contain certain forward-looking statements concerning the group's environment, financial performance and conditions, strategy and growth expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the group. No assurance can therefore be given that these will prove to be correct and no representation or warranty expressed or implied is given as to the accuracy or completeness of such views.

This integrated report for the year ended 29 February 2016 is published and was posted to shareholders on 1 August 2016. This integrated report is also available on the company's website.

Assurance

Raubex's external auditor, PricewaterhouseCoopers Inc., has assured the annual financial statements and their independent auditor's report is contained in this integrated report.

Raubex has an internal audit function, performed by a dedicated internal audit team. The audit committee, together with internal audit, provides the Board with comfort pertaining to the reliability of the information provided in this integrated report.

The sustainability report as a whole has not been independently assured; however, certain information contained in the sustainability report has been reviewed by the group's own internal control functions.

All operating subsidiaries are subject to an annual independent B-BBEE verification audit by a SANAS accredited verification agency, Empowerlogic.

Approval of this integrated report

The Board confirms its responsibility for the integrity of this integrated report, the content of which has been collectively assessed by the Board and in its opinion addresses the material issues that could potentially impact the performance of the group.

The integrated report was approved by the Board on 21 July 2016 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

Key facts

Revenue

up 9,4% to R7,93 billion

(2015: R7,25 billion)

Operating profit

up 14,2% to R710,6 million

(2015: R622,2 million)

Headline earnings per share

up 12,1% to 234,4 cents per share

(2015: 209,1 cents per share)

Group operating profit margin

of 9,0%

(2015: 8,6%)

Cash flow from operations

up 33,8% to R1,05 billion

(2015: R785,1 million)

Return on capital employed

of 13,3%

(2015: 12,3%)

Employs

10 516 people

(2015: 9 598 people)

Order book

of R8,27 billion

(2015: R8,68 billion)

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All abbreviations and definitions are available in the terms of reference on page 162.

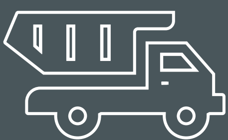
Raubex at a glance

Raubex is one of South Africa's leading infrastructure development and construction materials supply groups, celebrating over 40 years in the construction industry since it was established in 1974. Raubex listed on the JSE in March 2007 and operates across South Africa as well as throughout southern Africa.

The group consists of two divisions, namely the Construction Division and Materials Division.

Construction Division

The **Construction Division** includes three main reporting segments, namely *Road Surfacing and Rehabilitation*, *Road Construction and Earthworks* and *Infrastructure*. This division specialises in all aspects of road construction, rehabilitation and related infrastructure development including bulk earthworks, services, concrete structures and asphalt surfacing. The Infrastructure segment has construction capabilities which include electrical and alternative energy (solar and wind), rail, telecommunications, pipeline and housing infrastructure.



Materials Division

The **Materials Division** specialises in the supply of aggregates from commercial quarries, is a leading provider of material handling and screening services to the mining industry and provides mobile crushing solutions for remote project sites.

For more detail on each of these divisions and segments, refer to pages 22 to 33 of this integrated report.

Raubex group operates a vertically integrated model specialising in all road construction disciplines, fulfilling the full road construction cycle.

Infrastructure

- Raubex Infra
- L&R Civils
- Raubex Building
- Raudev
- Strata Civils
- Empa Structures

- Electricity
- Water
- Telecoms
- Housing
- Rail

Materials

- Raumix Aggregates
- B&E International
- SPH Kundalila
- Burma Plant Hire
- OMV Crushers

- Commercial quarries
- Contract crushing
- Material handling and processing for mines

Road Surfacing and Rehabilitation

- Roadmac Surfacing
- Roadmac Surfacing Cape
- Centremark Roadmarking
- Milling Techniks
- National Asphalt
- Shisalanga Construction
- Tosas*

Road Construction and Earthworks

- Raubex Construction
- Raubex Construction Zambia
- Raubex Construction Namibia
- Raubex KZN

For further detail on Raubex's effective shareholding in each of its businesses, please refer to note 40 on pages 134 to 140 of this integrated report.

* *For reporting purposes, Tosas has been reclassified and reported under the Construction Division for both the 2016 and 2015 year-end figures, refer to note 39 on page 133 of the financial statements for further information.*

Raubex at a glance *continued*

Number of asphalt plants

Free State	Gauteng	North West Province	Mpumalanga	Eastern Cape	Northern Cape	Western Cape	KwaZulu-Natal	Botswana	**Total**
1	2	1	2	0	0	1	10	1	**18**

Number of quarries

Free State	Gauteng	North West Province	Mpumalanga	Eastern Cape	Northern Cape	Western Cape	KwaZulu-Natal	Botswana	**Total**
1	5	2	1	3	2	1	0	1	**16**

Footprint

Raubex Operates in South Africa, Botswana, Namibia, Mozambique and Zambia.

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Strategic objectives, opportunities and values

Strategic objectives

The principal objective of the group is to maximise the profitability of all business units and provide value to shareholders whilst meeting all stakeholder expectations. The group is focused on the improvement of key business drivers as measured by **earnings per share**, **free cash flow** and **return on capital employed**.

Raubex has identified the following strategic objectives as key to its future growth and performance:

Objective	Description	Focus for 2016
Drive to attain a more balanced portfolio of work in the construction and related services sector	Reduce high level of exposure to a relatively small customer base, i.e. SANRAL, South African Provincial and Municipal Governments	▪ Secure work from round 3 and 4 REIPPP projects. ▪ Provide turnkey solutions to mines for employee housing. ▪ Participate in selected affordable housing developments. ▪ Look for acquisition opportunities for the Materials Division.
Expand existing business models into new geographies	Expand strategy in new geographic markets. Replicate current integrated business model outside of South Africa	▪ Commence with major works in Zambia on Link 8000 contracts. ▪ Leverage off Belabela footprint in Botswana. ▪ Investigate new geographies with a view to replacing international order book.
Build on existing competitive advantages	Continued business optimisation programmes and realisation of synergies between the different business units	▪ Selectively tender on projects that yield better margins. ▪ Focus on production monitoring and efficiencies at site level. ▪ Execute current order book efficiently and realise tendered margin.
Transformation in terms of South Africa's Black Economic Empowerment objectives	Transformation and alignment to Black Economic Empowerment scorecards	▪ Prepare for revised Construction Charter targets, Mining Charter and Generic Codes of Good Practice.

Progress during 2016	Focus for 2017
▪ Secured work on three REIPPP solar projects. ▪ Mine infrastructure spend, including employee housing, was curtailed due to weak commodity prices. This work was replaced with REIPPP solar work in the order book. ▪ Secured a pipeline of opportunities for affordable housing development projects. ▪ Launched own housing development project i.e. Woodwind Estates. ▪ Secured work in the Lufereng Integrated Urban Development Project. ▪ Acquired Belabela Quarries in Botswana.	▪ Execute solar projects efficiently and build on reputation to secure more work in the REIPPP programme. ▪ Maintain relationships with mining clients. ▪ Roll out the Woodwind Estates development in a phased approach. ▪ Look to secure more work opportunities in the Lufereng Integrated Urban Development Project. ▪ Look for strategic acquisition opportunities for the Materials Division.
▪ Zambia link 8000 projects 15% completed and operationally sound; payment delays affecting progress. ▪ Belabela Quarries bedded down well and an asphalt plant established in Botswana. ▪ Secured a well-balanced international order book in both the materials and construction divisions with operations active in Botswana, Mozambique, Namibia and Zambia.	▪ Resolve Zambia Link 8000 payment delays. ▪ Investigate new geographies with a view to replacing international order book. ▪ Form strategic partnerships to unlock opportunities in Africa. ▪ Look for acquisition opportunities outside of Africa in more developed markets.
▪ Secured a quality order book of R8,27 billion. ▪ Improved production efficiencies at site level. ▪ Executed the order book efficiently, no loss making or problem contracts. ▪ Improved the construction margins as a result of a quality order book and efficient execution of works.	▪ Order book replacement. ▪ Focus on production monitoring and efficiencies at site level. ▪ Execute the current order book efficiently and realise tendered margin. ▪ Improve the infrastructure division margins. ▪ Focus on staff retention and training.
▪ Maintained a level 2 status in the construction entities and the required 26% black ownership in quarrying entities under the mining charter.	▪ Align to the revised Construction Charter. ▪ Maintain the required black ownership level of the quarrying entities under the Mining Charter. ▪ Improve on Employment Equity score. ▪ Look for strategic long-term BEE partners.

Strategic objectives, opportunities and values *continued*

Opportunities

The opportunities the group has identified to further unlock and create stakeholder value include the following:

Materials Division

The construction materials market is a focus area for future expansion and an area that the group will look to strengthen in order to achieve a more diversified revenue stream. Opportunities exist to strengthen the division's commercial quarry activities through the establishment of new greenfield sites and through the acquisition of strategically positioned established sites.

SANRAL medium-term budget allocation

SANRAL has been allocated above inflationary increases for its non-toll maintenance budget from National Treasury over the medium term as it continues to take over administration and maintenance of South Africa's provincial road network. This healthy budget allocation bodes well for the group's road construction division. Policy certainty around the user pay principle and the agencies commitment to collecting e-toll revenue are positive steps for the agencies toll budget.
The agency maintains a 21 403 km national road network which is expected to grow to 35 000 km in the medium to long term, 15% of the current network is funded through tolling.

Geographical expansion

The group's strong balance sheet and healthy cash balance position it well to expand its current operations geographically throughout southern Africa both organically through tendering and strategic partnerships and acquisitively through the right opportunities.

Eskom Renewable Energy Independent Power Producer Procurement ("REIPPP") Programme

The group's infrastructure division is currently executing work on round 3 bid window projects and through its reputation for quality and on time delivery is well positioned to secure market share in round 4 and 5 bid window projects.

South African Government National Infrastructure Plan

The South African Government has an infrastructure plan that is intended to transform the economic landscape of South Africa, create a significant number of new jobs, strengthen the delivery of basic services to the people of South Africa and support the integration of African economies. This multi-billion rand plan lists 17 Strategic Integrated Projects ("SIPs") that include energy, transport and logistics infrastructure. These projects cover all the key infrastructure platforms of rail, road and port; dams, irrigation systems and sanitation; new energy generation plants, transmission lines and distribution of electricity to households; communication and broadband infrastructure and social infrastructure in the form of hospitals, schools and universities. The group is well positioned to share in the execution of various projects within this infrastructure plan.

Core values

Raubex subscribes to the following core values in its dealings with stakeholders and execution of work:

Quality

Integrity

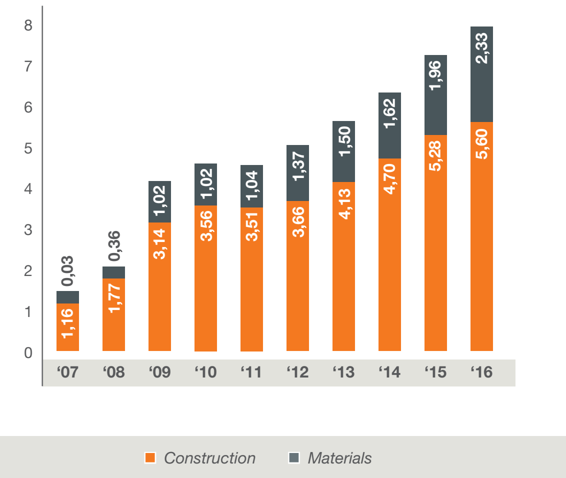
Professionalism

Five-year review

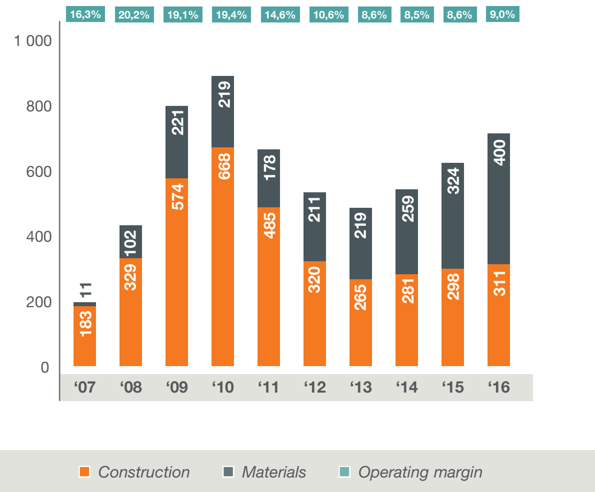
29 February		**2016**	2015	2014	2013	2012
Profit performance						
Revenue	R'm	**7 926**	7 245	6 325	5 636	5 033
Operating profit	R'm	**711**	622	540	484	531
Depreciation	R'm	**371**	335	283	251	228
Profit before income tax	R'm	**662**	607	534	477	519
Earnings	R'm	**445**	400	356	301	331
Financial position						
Total assets	R'm	**6 727**	6 273	5 354	4 858	4 387
Total liabilities	R'm	**2 894**	2 740	2 113	1 899	1 658
Total equity	R'm	**3 833**	3 533	3 241	2 959	2 729
Total property, plant and equipment	R'm	**2 336**	2 172	1 842	1 561	1 354
Cash flow information						
Cash flows from operating activities	R'm	**1 050**	785	751	859	663
Capital expenditure	R'm	**550**	511	483	461	287
Free cash flow	R'm	**359**	126	185	275	259
Cash and cash equivalent	R'm	**970**	937	871	836	625
Ratio and statistics						
Operating profit margin	%	**9,0**	8,6	8,5	8,6	10,6
EPS	cents	**236,9**	213,4	191,3	163,2	179,5
Diluted EPS	cents	**234,3**	209,9	187,9	160,3	178,5
HEPS	cents	**234,4**	209,1	187,1	158,7	177,2
Total dividend per share	cents	**78,0**	71,0	65,0	65,0	93,0
Net asset value per share	cents	**1 970,7**	1 886,2	1 714,1	1 582,1	1 468,2
ROCE	%	**13,3**	12,3	12,7	12,7	15,4
ROE	%	**12,2**	12,1	11,7	10,8	12,5
Current ratio	times	**1,8**	1,9	2,0	2,0	2,0
Gearing (debt:equity)	%	**28,5**	31,1	22,1	19,7	17,5
Number of employees		**10 516**	9 598	8 306	7 807	7 029
JSE statistics						
Market value per share						
– At year-end	cents	**1 600**	2 071	2 183	1 900	1 513
– Highest (year to 29 February)	cents	**2 399**	2 660	2 520	1 990	2 162
– Lowest (year to 29 February)	cents	**1 267**	1 822	1 753	1 250	1 170
Closing PE ratio	times	**7**	10	11	12	8
Market capitalisation – close	R'm	**3 028**	3 880	4 059	3 506	2 792
Volume traded (year to 29 February)	'000	**69 822**	49 584	77 387	54 716	96 779
Weighted number of shares	'000	**187 961**	187 330	185 900	184 536	184 536
Issued shares at 29 February	'000	**189 250**	187 330	185 900	184 536	184 536

Post-listing performance indicators

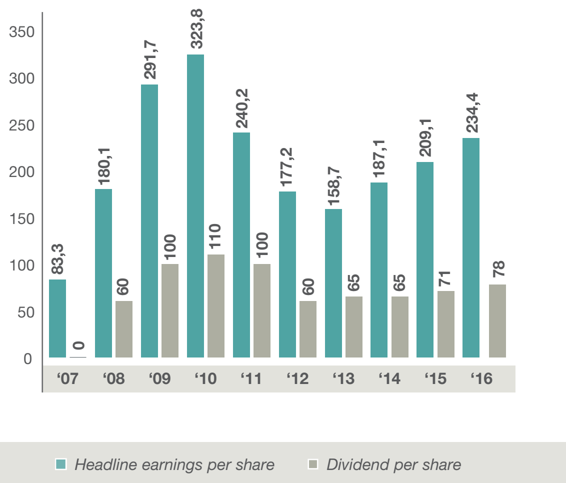
Revenue
(R billion)



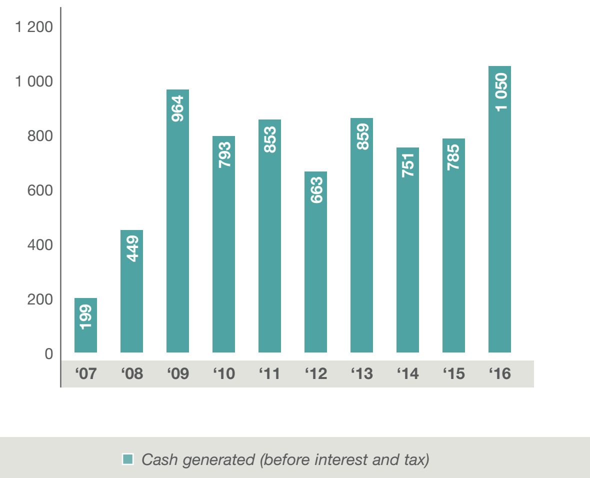
Operating profit
(R million)



Headline earnings per share and dividends per share
(cents)



Cash generated from operations
(R million)



Material issues and risk management

The management of Raubex has assessed all the material issues and potential risks which could influence or impact the key drivers in the way in which the business is managed. The risk committee oversees this process and a report is provided at each Board meeting. The risk committee's responsibilities are set out in the corporate governance report on page 38 of this integrated report.

The group has a comprehensive insurance programme to protect against a wide variety of insurable risks. External advisors are used to advise on the appropriate type and level of cover. The terms and levels of each facility are reviewed annually to ensure that satisfactory cover is in place.

Description of risk	**Level of risk**	Mitigation of risk
Competitive construction environment		
The competitive conditions currently being experienced in the construction industry have driven tender margins down to levels that are insufficient to compensate for risk on a sustainable basis.		Contract pricing is closely reviewed by experienced senior management before tenders are submitted. The group focuses more on tenders where synergies can be realised through its vertically integrated model.
Commodity prices		
The volatility in commodity prices has an impact on production volumes of mines. The group's material handling operations are particularly exposed to the cycles of the copper, diamond, gold and iron ore commodities.		The group follows due diligence procedures before contracts are entered into and evaluates both price risk and client risk relating to the commodity before committing resources to contracts. Capital employed is spread across various commodities to mitigate risks related to specific commodities.
Tender award irregularities		
Lack of transparency in award of provincial and municipal tenders.		It is the group's policy to take a firm stance against tender award irregularities and challenge the award of tenders through formal legal process where the awards are not consistent with pricing, technical ability and other scorecard criteria.
Africa risk (foreign currency risk, liquidity and repatriation of funds)		
The management of foreign currency exposure when operating in non-base currency geographies is critical to the success of the group's geographic expansion strategy. Contracting in non-base currencies and the inability to effectively hedge these currencies can have an adverse effect on the profitability of contracts. An increasing number of African states are experiencing foreign currency liquidity issues making it difficult to pay foreign suppliers and repatriate profits.		The group favours tenders that allow for currency selective payment options in order to naturally hedge revenues against costs and mitigate the risk of foreign exchange losses. Where tenders do not allow for currency selection, forward exchange contracts are used to hedge foreign currency exposure. If there is an in-active market in the non-base currency, uncertainty surrounding the timing of cash flows and ability to effectively hedge through forward exchange contracts, cost escalation mechanisms are negotiated to provide protection on currency-related inflation with residual risk being priced into contracts. The group has a cautious approach and evaluates country specific risk before entering into contracts in Africa.
Customer base		
A significant percentage of the group's local revenue stream is either directly or indirectly linked to the South African Government's infrastructure programme through SANRAL, Provincial Governments and Local Municipalities.		The group's strategy to offer a more balanced portfolio of construction and related services and also expand its current business model into new geographies aims to mitigate against this risk and ensure a more diversified revenue stream from an expanded customer base. The development and growth of the Infrastructure Division, the growth of the Materials Division and increase in the group's international order book have gone some way to mitigate this risk.

Description of risk	**Level of risk**	Mitigation of risk
Tender risk		
The majority of the group's revenue comes from contract work acquired through a tender process. There is inherent risk in tendering for work and most tenders, in addition to pricing, mark-up and contractual conditions require an educated view to be taken on factors pertaining to geological conditions and quality and availability of materials.		Experienced estimators are responsible for contract pricing. Pricing is reviewed by senior management according to a defined tender level of authority and review processes.
Credit risk		
Challenging conditions continue to be experienced in the South African construction market with an increasing number of customers showing signs of distress as a result of competitive pricing. These conditions result in higher levels of credit risk that the group is exposed to in its private customer base.		Strict credit approval and review procedures as well as a "stop supply" policy are in place in order to manage this risk to an acceptable level.
Industrial action		
The group revenue streams and profitability are dependent on a stable and affordable labour force. Wage negotiations in South Africa are generally prone to strikes as unaffordable demands take time to negotiate to acceptable levels for all stakeholders.		The group regularly engages with union officials and shop stewards to promote a healthy relationship between employer and employees and reduce the risk of industrial action.
Bitumen supply		
The group has concerns around the ability of South African oil refineries to ensure an adequate and efficient supply of bitumen to the local market in light of the country's ageing coastal refineries which are prone to unplanned maintenance shut downs.		The group owns bitumen storage facilities which are sufficient to ensure approximately one month's supply to its operations. These storage facilities and contingency plans are also sufficient to offload and hold a ship load of imported bitumen which makes importation a viable but more costly option than local supply. The group's acquisition of Tosas and the related bitumen supply agreement with Sasol ensures approximately 50% of the group's monthly supply and goes some way to mitigating supply side risks.
B-BBEE		
The group's B-BBEE score must be maintained in order to remain competitive amongst its peers when tendering for work in the construction industry and also to comply with the mining charter and retain the group's mining licences.		The group proactively monitors changes to B-BBEE legislation in order to put timely compliance plans in place in order to remain competitive and achieve its transformation goals.

■ *High* ■ *Moderate* ■ *Low*

Board of directors

Executive directors

Rudolf Johannes Fourie (50)

N Dip Marketing Management
Chief Executive Officer

Rudolf joined Raubex in 1997 as Managing Director of newly formed Roadmac Surfacing. Under his management, Roadmac has grown to be the leading surfacing company in South Africa. He has more than 20 years' experience in road surfacing and the bitumen industry. He became the Chief Executive Officer on 1 March 2010. Prior to working for Raubex, he worked as regional manager for the Colas Group until 1997 after he completed his studies in 1989.

James Finlay Gibson (42)

BCom, CA(SA)
Financial Director

James joined Raubex in July 2006 as Group Financial Accountant. He has managed the overall group financial function since then and played a key role during the listing process on the JSE in 2007. James was appointed Financial Director effective 24 July 2013. James is a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Cape Town. After completing his articles with Grant Thornton in 2000, James spent time abroad in the United Kingdom and gained experience contracting in London to Panasonic Corporation and P&O Nedlloyd before returning to South Africa where he spent three years in management accounting positions with SAB Limited before joining Raubex.

Non-executive directors

Jacobus (Koos) Esaias Raubenheimer (73)♦

BSc Eng (Civil), Pr Eng
Chairman

Koos founded Raubex in 1974 and led the group until retiring as Chief Executive Officer in February 2010. Prior to founding Raubex, Koos worked as an engineer with the Free State and Kruger National Park Road Departments for nine years. He has over 45 years of construction experience and invaluable experience in steering Raubex through challenging markets over many cycles. Koos continues to be involved with Raubex as a non-executive director and Chairman of the Board.

Freddie Kenney (62)♦

Freddie Kenney joined Raubex (Pty) Ltd as a director and shareholder in 2004, through the empowerment transaction with Kenworth. Freddie is widely regarded as a versatile and talented businessman in Bloemfontein, with interests in low-cost housing development, retail development and construction.

■ *Member of audit committee*
♦ *Member of remuneration and nomination committee*
✦ *Member of risk committee*

Independent non-executive directors

Ntombi Felicia Msiza (41)■♦+

BCom, H Dip (Tax), MBA

Felicia joined Raubex as an independent non-executive director in February 2011. She has extensive experience in the field of governance, including Internal Audit, external audit and risk management. She currently serves as a Director of Risk and Assurance at City Power Johannesburg after having previously served as a Director at the IDT as head of Internal Audit and with SizweNtsaluba VSP as head of the Mpumalanga office. Felicia also held a directorship position within the Institute of Internal Auditors of South Africa (IIASA) and served on the Audit Committee and Public Sector Committee in addition to various positions with Broadband Infraco, Group Five, Sappi and National Treasury, amongst others.

Bryan Hugh Kent (71)■♦+

BCom, FCMA, CA(SA), H Dip (Tax), H Dip (Company Law)

Bryan joined Raubex as an independent non-executive director in February 2011. He is an independent financial consultant and a director on the boards of Anchor Yeast, Cadiz and Emira amongst others. Bryan was also a partner at PricewaterhouseCoopers for 13 years where he managed the national tax practice and gained considerable experience in the areas of property matters, financial structuring, leveraged buyouts, international taxation and listings.

Lead independent non-executive director

Leslie (Les) Arthur Maxwell (69)■♦

BCom, CA(SA)

Les joined Raubex as an independent non-executive director in 2007. Until 14 March 2013, he held the position of Financial Director of JCI Limited. Les joined the board of JCI as an independent financial director to manage/effect the finalisation of forensic and other financial investigations in progress, the implementation of decisions and settlements arising therefrom and the preparation and publication of consequent financial results and reports. Les, over a 20-year period, has held directorships with Fralex Ltd, Fraser Alexander Ltd and Joy Manufacturing Co (Pty) Ltd, where he held the position of Financial Director.

Company secretary

Heike Elze Ernst (34)

LLB, Admitted Attorney

Heike joined Raubex in February 2008. She was admitted as an attorney in 2005, after which she practiced as an associate attorney at GP Venter Attorneys, specialising in litigation and commercial law. In 2008 she was appointed as the Company Secretary of the group and has since taken on the role of group legal advisor for all group companies providing legal advice, administrative support and guidance. She has also assisted in various mergers and acquisitions for the group.

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Performance and outlook

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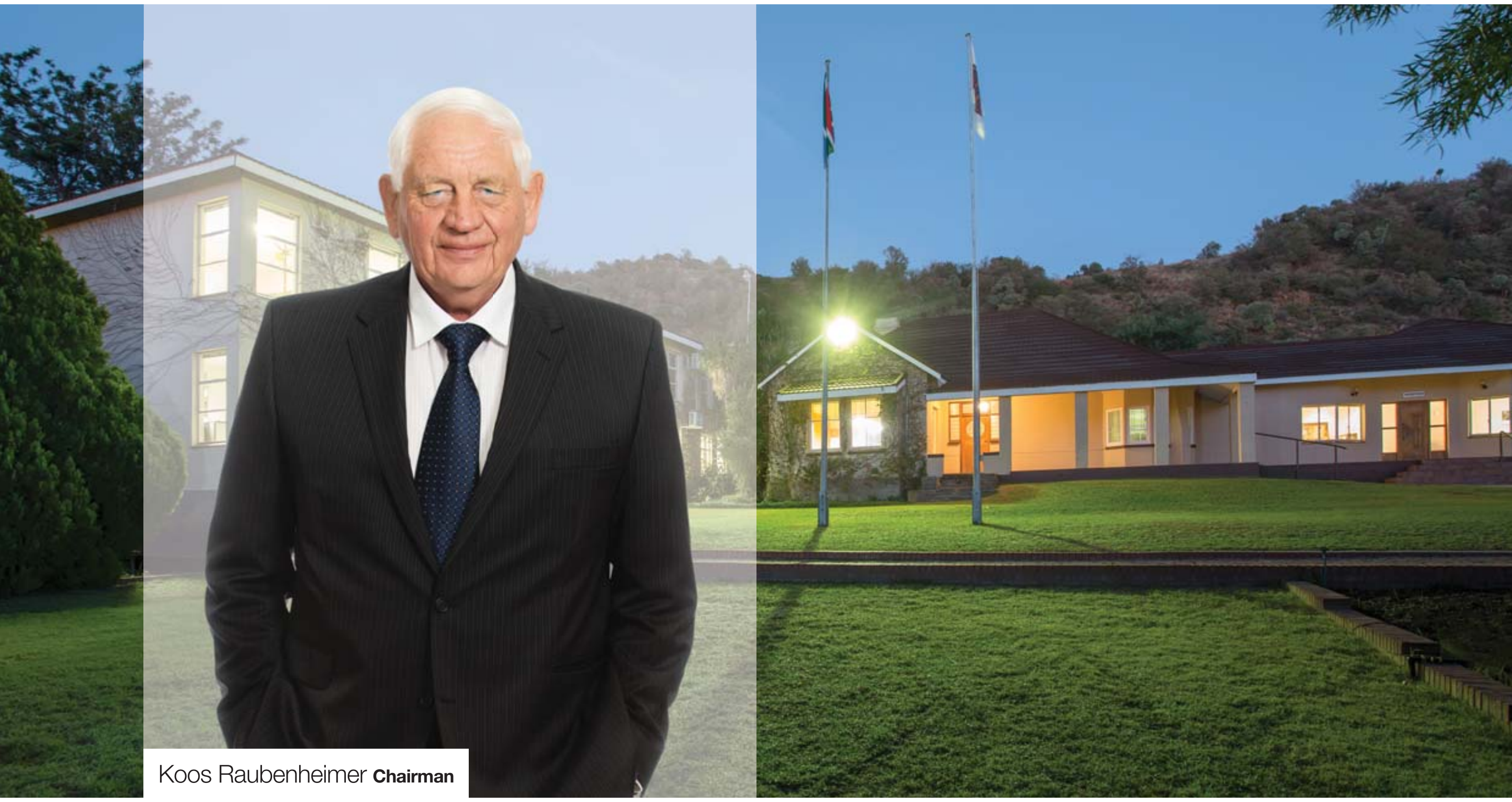
Chairman's report



Koos Raubenheimer **Chairman**

The past year showcased the broadening scope of operations of the Raubex Group to service new infrastructure needs, while simultaneously deepening our footprint as southern Africa's best in terms of the full road construction cycle. Solar work gained momentum in the second half of the financial year, with work secured on solar farms in the Northern Cape. Meanwhile, Raubex made good progress on the N1 Bloemfontein Bypass project and the N8 between Bloemfontein and Thaba Nchu, two of our biggest projects for the period.

Our Materials Division continues to support the group through operational synergies and as a solid stand-alone business unit contributing 56,3% of group operating profit. The acquisition of Belabela Quarries was bedded down providing a presence in Botswana and the acquisition of OMV Kimberley Quarry will further broaden our footprint in South Africa. We will continue to explore bolt-on acquisition opportunities with a focus on the supply of materials.

While the focus remains on national infrastructure projects, it is heartening to see that provincial road work has increased from 7% to 12% of the group's order book. SANRAL remains our single-most important client at 24% of the group order book. The increase in their medium-term budget allocation from National Treasury is encouraging as SANRAL continues to extend its mandate to incorporate key provincial road networks.

> "The past year gave us the opportunity to build on our reputation as a leading player in a competitive market. Our ability to deliver a strong set of results was supported by our steady drive to diversify our business geographically and operationally and it is in appreciation of all our stakeholders who continue to support us that I present my 2016 report."

Chairman's report continued

SANRAL remains a highly efficient government agency which continuously delivers on its mandate in an open and transparent manner. With the pending retirement of Nazir Alli we look forward, in due course, to welcoming a successor with equal abilities both in terms of engineering and professional skills.

Corporate governance and social responsibility

The Board is committed to maintain the highest standards of corporate governance. We continue to direct our efforts towards stakeholder engagement, transparency and open communication, which are all viewed as critical to our long-term success. The corporate governance report contained in this document sets out our principles and policies in more detail.

We are also aware that the nature of our activities requires us to ensure that we remain mindful of the environment we share and the necessity to uplift the communities which we come in contact with. The sustainability report covers developments and our approach across the group on those critical issues.

Transformation

We continually strive to improve our B-BBEE credentials and meaningful transformation remains a priority for Raubex. We believe that sustainable transformation is important to both the long-term future of the construction sector and the country. To this end, we will continue to engage with government, our clients and other stakeholders to develop lasting opportunities for the benefit of all South Africans. Raubex promotes the interdependence of performance and transformation, and I am pleased to report that the group has achieved a Level 2 B-BBEE rating.

Competition Commission matters

On 29 April 2011, we advised shareholders that the group had become aware of certain irregularities in terms of the provisions of the Competition Act, No 89 of 1998. The group filed a Fast Track application to the Competition Commission and signed a consent agreement with the Commission on 21 June 2013 in which the company admitted that it had engaged in collusive conduct during 2006 and 2007 in respect of eight road construction contracts tendered on for SANRAL. Raubex paid an administrative penalty of R58,8 million on 20 August 2013.

On 19 April 2016, the group received a summons to inform that SANRAL had instituted legal action against Raubex to claim relief for damages suffered as a consequence of certain of the contraventions referred to above. No provision for damages has been made to date and we continue to actively engage with SANRAL and government on this issue.

Share repurchase

We are also always mindful of our ability to deliver value to shareholders. Post-year-end, we initiated a share buy-back with the repurchase of 7,5 million shares at R16,00 per share from Freddie Kenney which we believe is at a discount to Raubex's intrinsic value and offers an efficient use of the group's excess cash. The group's strong cash generation could lead to future share buy-backs if suitable alternative acquisitions opportunities are not realised.

Prospects

The medium-term outlook for Raubex looks promising. Locally, the SANRAL budgets are encouraging with some large projects in the pipeline and also a number of maintenance contracts out to tender as SANRAL starts to rehabilitate roads previously under provincial administration. In the rest of Africa, Raubex will continue to pursue long term work flow at a high margin, keeping fixed to our overall cautious approach and strengthened by the lessons learnt on managing currency and payment risk over the years. The strength of the group's diversified Materials Division will continue to support sustainable earnings through the cyclical nature of the construction industry.

Appreciation

The Raubex team has earned the respect of the investment community for their competence and dependability in a sector which continues to attract negative sentiments. I must express my thanks to Rudolf Fourie and his team for their steadfastness and for positioning Raubex on a strong footing for the year ahead as we enter our 10th year as a listed company on the JSE.

Thanks also to our business partners, including our shareholders, for their support and to my fellow Board members for their experience and knowledge which have once again contributed significantly to the group's performance in the past year.

Koos Raubenheimer
Non-executive chairman

Chief executive officer's report

Rudolf Fourie **Chief executive officer**

A disciplined approach to securing a quality order book has resulted in a marked improvement in the performance of the Road Construction Division. The Materials Division continued to see a healthy demand for its products and services in both its commercial quarrying operations and its mining and material handling operations with this division contributing over half of the group's operating profit.

We are very pleased with this year's results and our ability to produce consistently good results year-on-year with strong cash flows to support healthy dividends for shareholders. In spite of the challenges in our industry over the past five years, we have managed to achieve consistent growth and deliver above average industry margins.

The year in review

The competitive pressure in the road construction market remains high due to overcapacity in the construction industry as a whole. We remained true to our stated strategy of rather maintaining profit levels than chasing a bigger order book. The order book decreased slightly to R8,2 billion in the year in review due to our selective tendering strategy, from R8,6 billion in financial year 2015.

> "Raubex has delivered another solid set of results in a competitive construction sector and a year during which the road construction industry was again impacted by a shortage in the supply of bitumen."

Chief executive officer's report *continued*

Raubex continues to be the largest single user of bitumen in the country. The bitumen supply shortages due to the unplanned refinery shutdowns in the first half of the year have been resolved, and our bitumen storage facilities are sufficient to prevent future shortages provided that timely and accurate planning information is received from the local oil companies.

Internationally, the risks surrounding the Link 8000 road contracts in Zambia have also been mitigated. An approved escalation formula linked to Zambia CPI provides a degree of protection from the depreciation of the Zambian kwacha and a cap has been self-imposed on the amount of working capital exposed to the client. Delayed payments resulted in slowed execution during the year and the client's ability to pay will determine the pace of execution going forward.

Weaker global fundamentals, and especially a significant deterioration in commodity prices, has had a direct impact on South African and southern African growth prospects. The marked slowdown in emerging markets during the year in review predominantly played out in volatile foreign currency swings. This impacted on our International operations, and mostly on the Zambia Link 8000 projects, due to the depreciation of the copper price and the Zambian kwacha.

Despite these pressures, the international operations are gaining traction as seen by the contribution of 15% to group revenue and 31% to group operating profit with operations in Botswana, Mozambique, Namibia and Zambia.

Closer to home, we are yet to see movement on the large-scale infrastructure projects which will be a catalyst to an improvement in the sector. It is encouraging though that spend from SANRAL has remained consistent during the year and that they have received above inflationary increases for their road maintenance budget over the medium term. This should at least ensure a stable performance from the road construction disciplines in the year ahead.

The Materials Division has continued to balance cyclical pressures as commercial quarries have performed extremely well and weaker commodity prices have not affected material handling and processing operations. The scale of our Materials Division has been given further support by the acquisition of Belabela Quarries in Botswana and OMV Kimberley Quarry locally, in the Northern Cape province.

Our Infrastructure Division established a couple of years ago has stabilised at current revenue levels although our focus will be on improving margins. Whilst mine infrastructure-related work slowed down during the year, this was partly offset by solar work gathering momentum in the second half of the year. Longer-term opportunities exist in the mid-size housing market whilst water related infrastructure will also be a growth area, once government begins to address the substantial backlog in this essential infrastructure area.

Financial overview

Revenue increased 9,4% to R7,93 billion and operating profit increased by 14,2% to R710,6 million from the prior year. These results were supported by an improvement in the performance of the Road Construction Division and favourable operating conditions in the Materials Division which contributed 56,3% of total operating profit. The Infrastructure Division results were stable, supported by solar energy projects gaining momentum in the second half of the year.

Profit before tax increased 9,1% to R661,6 million (2015: R606,6 million) with the effective tax rate stable at 29,1% compared to 29,4% in the prior year.

Earnings per share increased 11,0% to 236,9 cents with headline earnings per share increasing 12,1% to 234,4 cents.

Group operating profit margin increased to 9,0% (2015: 8,6%).

Cash generated from operations increased 33,8% to R1,05 billion (2015: R785,1 million) before finance charges and taxation.

Net finance costs increased to R49,2 million (2015: R15,7 million) due mainly to an increase in interest-bearing borrowings. Total non-cash finance costs amounted to R6,6 million for the year.

Trade and other receivables increased by 11,2% to R1,54 billion (2015: R1,38 billion). Payment delays from the Road Development Agency in Zambia continued to be experienced with an amount of R115,5 million outstanding at year-end included in accounts receivable.

Inventories increased by 6,6% to R564,1 million (2015: R529,0 million). The increase was mainly due to the group's property development projects through its subsidiaries Raudev and Raubex Building with a value of R110,3 million included under inventories.

Borrowings remained flat at R1,09 billion (2015: R1,10 billion).

Capital expenditure on property, plant and equipment increased 7,6% to R549,5 million (2015: R510,6 million). The effect of the weaker rand on imported plant and equipment contributed towards the increase.

The group's net cash inflow for the year was R29,0 million after a net cash outflow of R47,0 million on acquisition of subsidiaries and treasury shares acquired to the value of R46,6 million. Total cash and cash equivalents at the end of the year increased 3,5% to R969,7 million (2015: R937,3 million).

The Board declared a final dividend of 42 cents per share, which combined with the interim dividend brings the total dividends paid to 78 cents per share for the year. We are particularly pleased with the group's cash flow and ability to pay consistent dividends.

Prospects

The group has a secured order book of R8,27 billion (2015: R8,68 billion) with 25,8% of the order book representing contracts outside of South Africa in the rest of Africa. The Zambia Link 8000 contracts account for R890 million of the order book.

The group's road construction operations have secured a good quality short-term order book and are executing effectively with no problem contracts. The focus will now be on order book replacement to secure the medium term. With SANRAL receiving above inflationary increases in its maintenance budget and an increasing order book of provincial government work, prospects are encouraging.

Favourable operating conditions are expected to continue for the commercial quarry operations and the group will continue to look for acquisitions in the materials sector to expand its geographical footprint.

The material handling and processing operations are expected to remain stable given current commodity price levels. A stable labour force and demand for commodities are key to the prospects of these operations. Should the outlook for specific commodities change, there is client and commodity diversification within the operations to mitigate risk.

Projects in the renewable energy sector are gaining momentum and the infrastructure division is well placed to benefit from the continued roll-out of Eskom's REIPPP programme.

Supported by these encouraging prospects, a strong balance sheet and healthy cash position, the group is looking forward to another good year ahead as it enters its 10th year of operations since listing on the JSE in March 2007.

Acknowledgements

I would like to thank all the members of the Board for their guidance and my executive team for their hard work during the past year. We continue to attract and retain top talent in our sector which is testament to our credibility and resilience. I would also like to take this opportunity to thank every single one of our employees for their dedication and contribution to making Raubex one of South Africa's leading construction companies.

We also express our gratitude and thanks to all our customers, suppliers, service providers and shareholders for their ongoing support.

Rudolf Fourie
Chief executive officer

Divisional reviews

The group operates an integrated business model covering the full road construction cycle, including the supply of construction materials in the form of crushed aggregates, asphalt and bitumen, heavy earthworks, building of concrete structures, road surfacing and road marking. The group's business model also includes an Infrastructure segment with construction capabilities in the electrical and alternative energy (wind and solar), rail, telecommunications, pipeline and housing sectors.

The group also controls and operates a selection of strategically positioned commercial quarries and specialises in material handling, processing and screening operations for the mining sector.

Diamond	Copper	Aggregates
Gold	Coal	Gypsum
Iron ore	Sand	Commercial quarries

Materials

- Commercial quarries
- Contract crushing
- Material handling and processing for mines

Road Construction and Earthworks

The above operations are managed under two operating divisions, namely the **Construction Division** and the **Materials Division**.

Divisional reviews continued

Divisional directors

Construction Division Director

Louis Johannes Raubenheimer (50)

(BEng (Civil) UP – 1991)

Louis joined Raubex as a junior engineer in 1992. He has been with Raubex for over 20 years and has been part of the successful rise from a family-owned company to a public company. He is well experienced in the management of people, resources, projects and companies. Louis heads the Construction Division and oversees companies involved in road construction, road surfacing, structures, urban development and housing

Materials Division Director

Tobias (Tobie) Gerhardus Wiese (64)

(PrEng (BEng (Hons) Civil (US) – 1974)

Tobie joined B&E International in September 1992 where he held the position of Managing Director until 2008. After the acquisition of B&E International by Raubex in 2007, he assumed the position of Managing Director of the Materials Division. Tobie spent 40 years of his career in the engineering, construction and mining industries, where he was exposed to consulting engineering, local authorities and construction companies, mainly in the latter discipline.

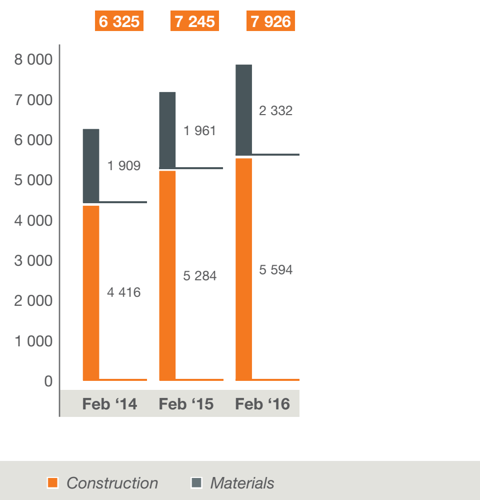
Construction Division

The **Construction Division** revenue increased by 5,9% to R5,59 billion (2015: R5,28 billion) and operating profit by 4,1% to R310,7 million (2015: R298,5 million).

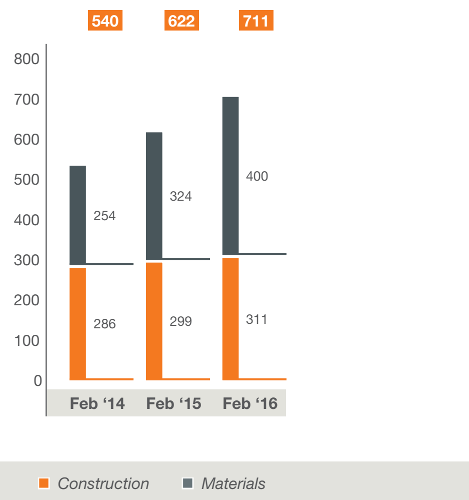
Materials Division

The **Materials Division** revenue increased by 18,9% to R2,33 billion (2015: R1,96 billion) and operating profit by 23,5% to R399,8 million (2015: R323,6 million).

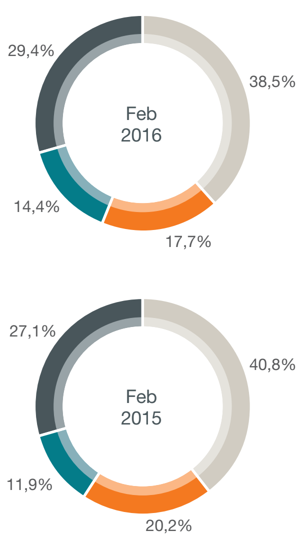
Revenue
(R billion)



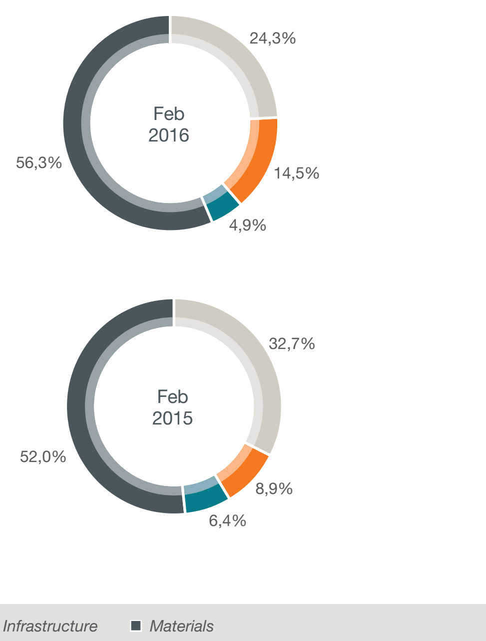
Operating profit
(R million)



Revenue



Operating profit



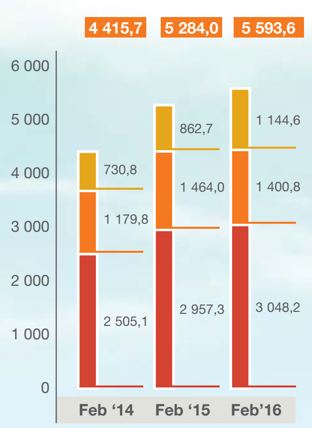
Divisional reviews *continued*

Construction Division

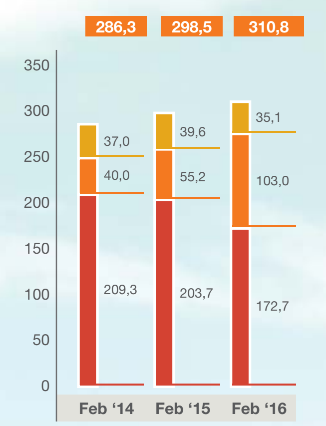
The Construction Division comprises three reporting segments:

- Road Surfacing and Rehabilitation
- Road Construction and Earthworks
- Infrastructure

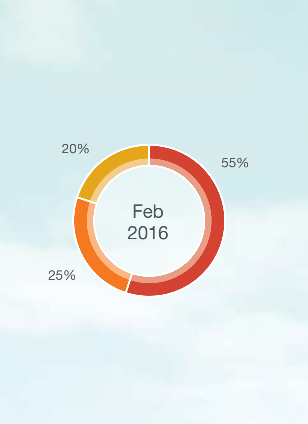
Revenue (R million)



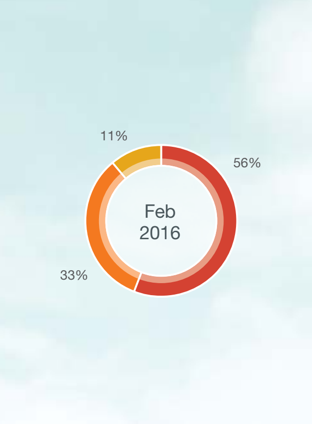
Operating profit (R million)



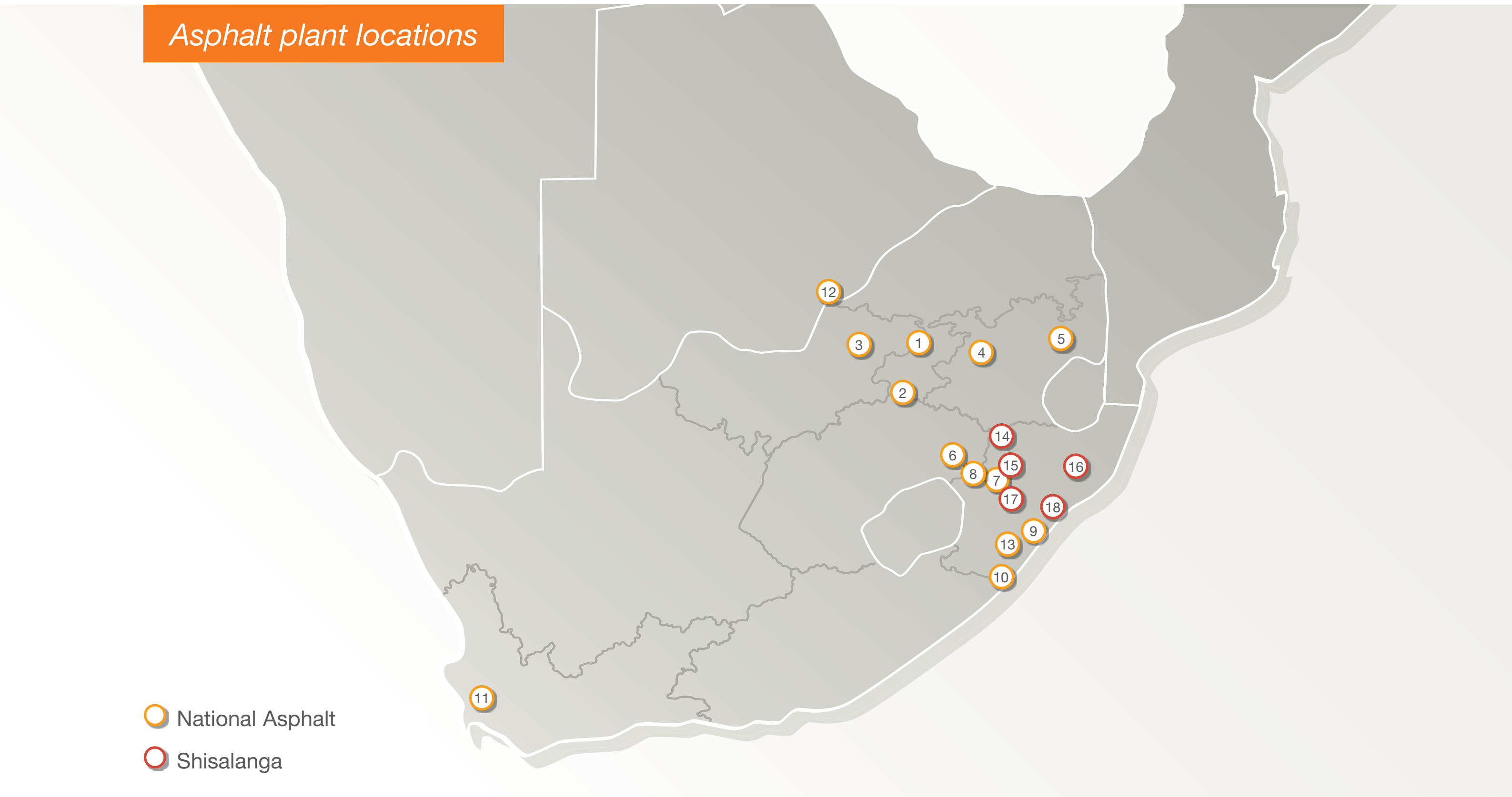
Revenue



Operating profit



■ *Road Surfacing and Rehabilitation* ■ *Road Construction and Earthworks* ■ *Infrastructure*



	Operation	Province	Town
1.	National Asphalt	Gauteng	Bon Accord
2.	National Asphalt	Gauteng	Van der Bijl
3.	National Asphalt	North West Province	Rustenburg
4.	National Asphalt	Mpumalanga	Middelburg
5.	National Asphalt	Mpumalanga	Nelspruit
6.	National Asphalt	Free State Province	Warden
7.	National Asphalt	KwaZulu-Natal	Montrose
8.	National Asphalt	KwaZulu-Natal	Keeversfontein
9.	National Asphalt	KwaZulu-Natal	Cliffdale
10.	National Asphalt	KwaZulu-Natal	Margate
11.	National Asphalt	Western Cape	Durbanville
12.	National Asphalt	Botswana	Gaborone
13.	National Asphalt	KwaZulu-Natal	Ixopo
14.	Shisalanga	KwaZulu-Natal	Newcastle
15.	Shisalanga	KwaZulu-Natal	Dundee
16.	Shisalanga	KwaZulu-Natal	Ulundi
17.	Shisalanga	KwaZulu-Natal	Estcourt
18.	Shisalanga	KwaZulu-Natal	Shakaskraal

Divisional reviews *continued*

Road Surfacing and Rehabilitation

This segment specialises in the manufacturing and laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals and includes the operations of Tosas, a company specialising in the manufacture and distribution of value added bituminous products. In the prior year, Tosas was reported as a segment on its own and its results have now been incorporated in the Road Surfacing and Rehabilitation segment. The comparative figures for the prior year have been restated.

This segment has a healthy order book and prospects for securing more work at both a National and Provincial Government level are encouraging. Revenue growth slowed during the year due to lower bitumen prices which are correlated to the international crude oil price and also a severe bitumen supply shortage in South Africa due to unplanned refinery shutdowns in the first half of the year. The bitumen supply shortage was resolved in the second half of the year and management continuously monitors supply side dynamics in order to execute timely contingency plans.

Revenue for the division increased 3,1% to R3,05 billion (2015: R2,96 billion) with operating profit decreasing by 15,2% to R172,7 million (2015: R203,7 million). The divisional operating profit margin decreased to 5,7% (2015: 6,9%). The division incurred capital expenditure of R128,4 million during the year (2015: R70,0 million), with R57,3 million relating to expansion and modernisation of the Tosas operations and plant. The division has a secured order book of R3,09 billion (2015: R2,60 billion).

Tosas
Wadeville plant expansion

Road Construction and Earthworks

This segment includes the road and civil infrastructure construction operations focused on the key areas of new road construction and heavy road rehabilitation.

This segment has been working through a better quality order book during the year as a result of selective tendering and order book discipline. Teams have focused on daily production monitoring and the efficient execution of contracts. Execution on the Zambia Link 8000 work has been hindered by a delay in payment from the Zambian Road Development Agency.

Revenue for the division decreased 4,3% to R1,40 billion (2015: R1,46 billion) with operating profit increasing 86,7% to R103,0 million (2015: R55,2 million). The divisional operating profit margins increased to 7,4% (2015: 3,8%). The division incurred capital expenditure of R48,1 million during the year (2015: R44,6 million). The division has a secured order book of R2,29 billion (2015: R3,20 billion) with R890 million relating to the Link 8000 contracts in Zambia.

Zambia RDA
Mpika to Mfuwe

Infrastructure

The Infrastructure segment specialises in disciplines outside of the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, pipeline construction and housing infrastructure projects.

Stable results were reported by this segment. The first half of the year saw the completion of works on some challenging mining infrastructure contracts and a delay in award of renewable energy work. The execution of solar energy work gained momentum in the second half of the year. Progress has been made in securing a pipeline of work opportunities in the affordable residential housing market.

Revenue for the division increased 32,7% to R1,14 billion (2015: R862,7 million) and operating profit decreased 11,6% to R35,1 million (2015: R39,6 million). The divisional operating profit margins decreased to 3,1% (2015: 4,6%). The division incurred capital expenditure of R49,9 million (2015: R37,7 million). The division has a secured order book of R1,12 billion (2015: R1,01 billion).

Prieska
Solar Farm

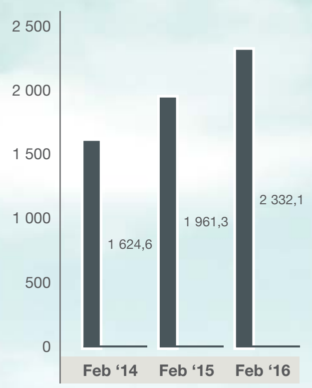
Divisional reviews *continued*

Materials Division

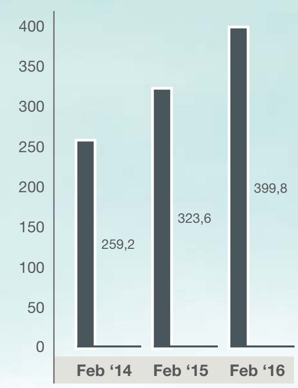
The Materials Division comprises three reporting segments:

- Commercial quarries
- Contract crushing
- Material handling and processing for the mining industry

Revenue (R million)

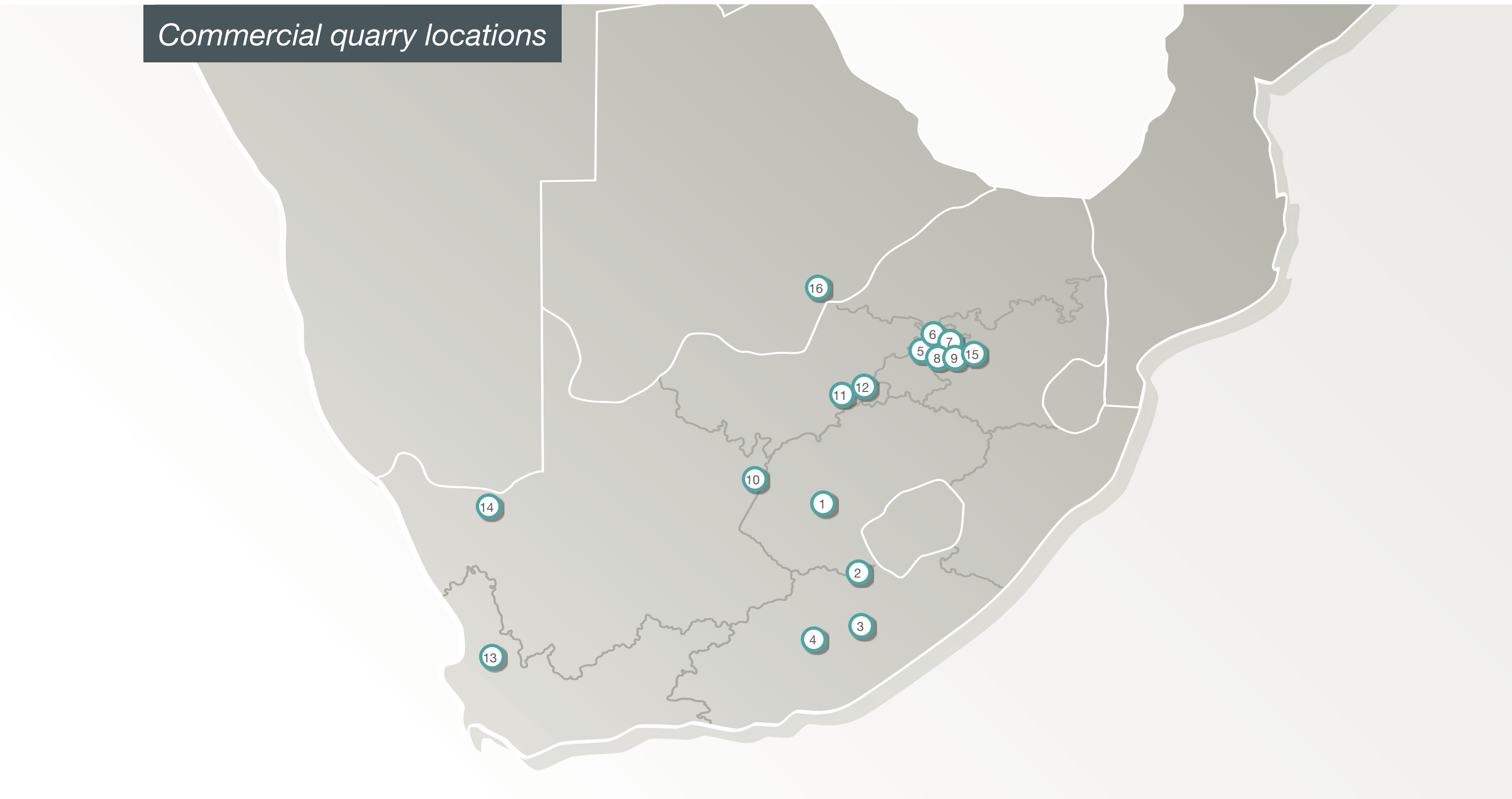


Operating profit (R million)



■ *Materials*

Commercial quarry locations



	Operation	Province	Town
1.	Petra Quarry	Free State	Bloemfontein
2.	Aliwal Dolerite Quarry	Eastern Cape	Aliwal North
3.	Queenstown Quarry	Eastern Cape	Queenstown
4.	Cradock Quarry	Eastern Cape	Cradock
5.	Rossway Quarry	Gauteng	Midrand
6.	Rosslyn Quarry	Gauteng	Pretoria
7.	Willows Quarry	Gauteng	Pretoria East
8.	Crushco Quarry (sand quarry)	Gauteng	Bredell
9.	Alfasand (sand quarry)	Gauteng	Bronkhorstspruit
10.	Kimberley Quarry	Northern Cape	Kimberley
11.	Stilfontein (mine dumps)	North West Province	Stilfontein
12.	Potchefstroom (gypsum dump)	North West Province	Potchefstroom
13.	Bridgetown Quarry	Western Cape	Moorreesburg
14.	Aroams Quarry	Northern Cape	Aggeneys
15.	Howards Quarry	Mpumalanga	South Of N4 Route Between Balmoral/Highveld Steel Offramp
16.	Belabela Quarries	Botswana	Gaborone

Divisional reviews *continued*

Activities

The division controls and operates commercial quarries strategically located in the following geographically areas:

- Gauteng (Midrand, Pretoria, Bronkhorstspruit, Bredell)
- Free State (Bloemfontein)
- North West (Stilfontein)
- Northern Cape (Kimberley and Aggeneys)
- Mpumalanga (South of N4, Balmoral offramp)
- Eastern Cape (Aliwal North, Cradock and Queenstown)
- Western Cape (Moorreesburg)
- Botswana (Gaborone)

These quarries supply crushed aggregate and sand to the construction industry for both the residential market and infrastructure projects. Gypsum is processed from a source in Potchefstroom and supplied predominantly to the cement market.

The division also specialises in contract crushing and provides high quality aggregates to greenfield and remote projects sites where transport of materials is not a viable option. It is a leader in its field and expertise includes the ability to design and construct mobile plant; to effect frequent moves and rapid installation; prospect for suitable rock sources; operate (and rehabilitate) project dedicated quarries, and the ability to achieve consistency of products at high rates of production in remote areas.

Comprehensive materials handling solutions are provided to the mining industry, with capabilities covering all aspects, including drilling, blasting and screening as well as ore loading and hauling. Activities include the screening of gold waste rock dumps and the operation of high volume screening plants for commodities including diamonds, iron-ore, chrome, coal, copper and lime. Mineral processing activities focus on the area of primary mineral processing involving pre-concentration in-field and processing run of mine for further treatment. Plant is generally purpose built and designed in-house to provide the capacity and capability required for each operation.

The materials handling and screening operations are situated throughout southern Africa and operate a modern fleet of well-maintained equipment combined with a highly experienced and motivated team. Their professional approach and focus on Health and Safety has enabled them to build strong relationships with their clients.

The division delivered another strong performance for the year and continued to experience favourable operating conditions. The commercial quarries were supported by a healthy demand for aggregates and the acquisition of Belabela Quarries in Botswana. Despite weaker commodity prices, conditions continued to favour the material handling and processing operations, which are mainly focused on the diamond, gold and copper mining sectors. Contract crushing operations have been stable and are operating in competitive conditions that are in line with the South African construction sector.

Revenue for the division increased 18,9% to R2,33 billion (2015: R1,96 billion) and operating profit increased by 23,5% to R399,8 million (2015: R323,6 million). The divisional operating profit margins increased to 17,1% (2015: 16,5%). The division incurred capital expenditure of R323,2 million during the year (2015: R358,3 million). The division has a secured order book of R1,76 billion (2015: R1,86 billion).

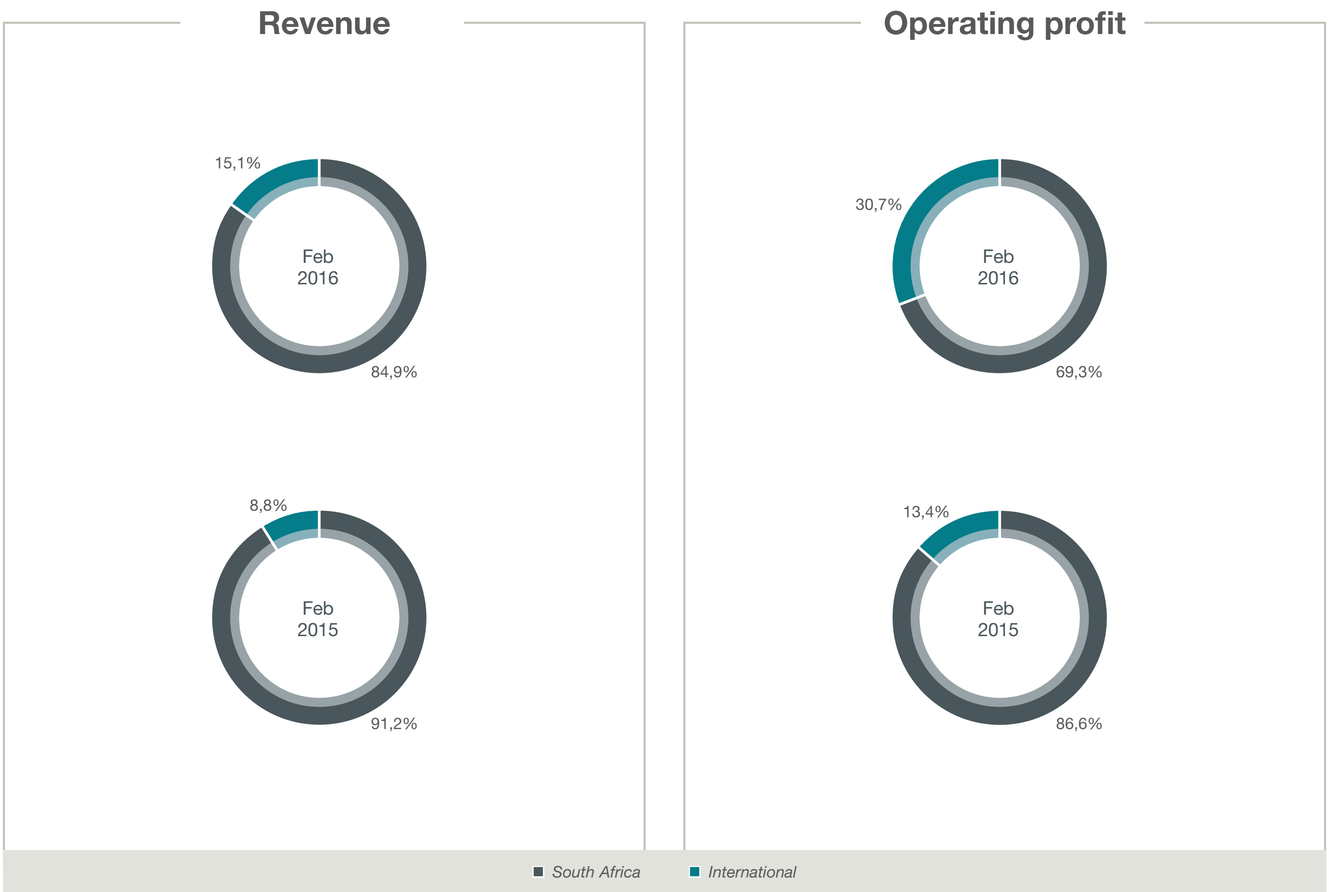
International operations

The group's international operations ("the rest of Africa") have expanded and good results were reported from both the Materials and Construction Divisions. Operations are focused mainly in Botswana, Mozambique, Namibia and Zambia.

In Zambia, good progress was made during the year on the Link 8000 road contracts and the Zambian kwacha strengthened significantly in the second half of the year from its lows in September 2015. The foreign exchange risk on these contracts has been reduced through an escalation recovery formula linked to the Zambian CPI index which was agreed with the client.

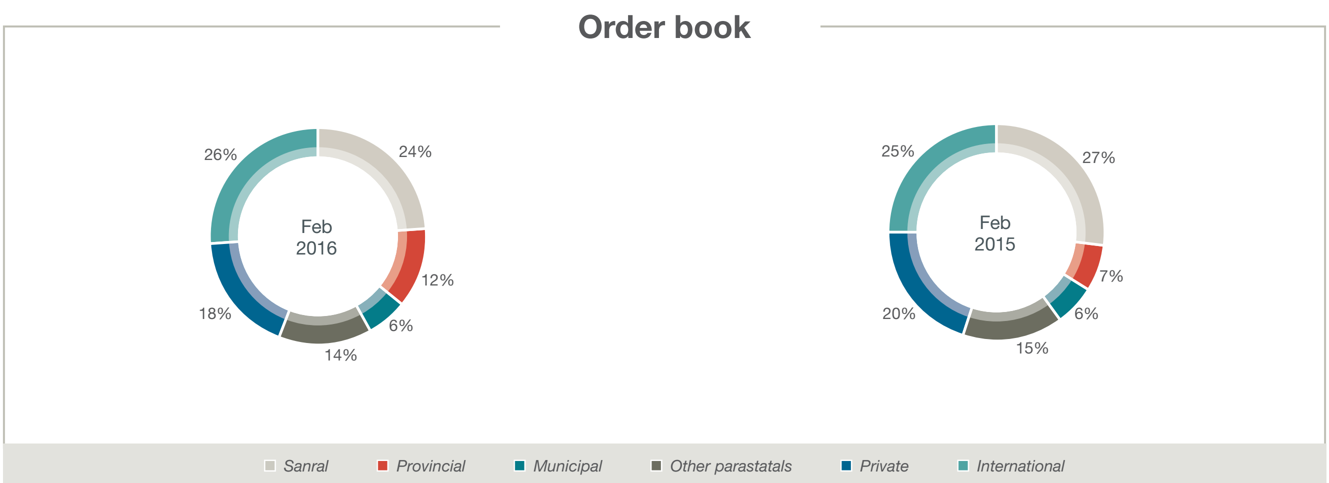
In Botswana, the acquisition of Belabela Quarries was bedded down well and provided the group with a base from which to expand and further develop its operating model in the country.

International revenue increased 87,8% to R1,20 billion (2015: R639,0 million) and operating profit increased by 161,6% to R218,3 million (2015: R83,4 million). Operating profit margins increased to 18,2% (2015: 13,1%). The international order book stands at R2,13 billion (2015: R2,20 billion), and is included in the Materials and Construction Division order book.



Order book

Raubex has maintained a healthy order book of secured work amounting to R8,27 billion (2015: R8,68 billion). The order book is represented by the following customer categories:



3

Corporate governance

35 Corporate governance report

40 Remuneration and nomination committee report

45 Social and ethics committee report

Corporate governance report

General

Corporate governance is an integral part of the group's business philosophy. The directors and senior management of the group accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout the group.

The group supports King III and its best practice recommendations and has committed to the process of applying its recommendations. The Board is of the opinion that the group substantially complies with the key requirements of King III and the International Integrated Reporting Framework of the International Integrated Reporting Council as well as the provisions of the Companies Act and the JSE Listings Requirements. The Board, with assistance from the internal audit function and the company secretary, reviews compliance with the King III and the International Integrated Reporting Framework recommendations and monitors and evaluates areas of non-compliance.

Board

At the date of this integrated report, the company has a unitary Board with seven directors comprising two executive directors and five non-executive directors, three of whom are independent.

The Board provides effective leadership based on an ethical foundation and ensures that the company is and is seen to be a responsible corporate citizen and that all deliberations, decisions and actions are based on the four values of responsibility, accountability, fairness and transparency that underpin good governance. The Board ensures that the company's ethics are managed effectively and conducts its business in the best interest of the company, the group and all stakeholders. The Board has a formal charter setting out its responsibilities and is the focal point for and custodian of corporate governance.

The Board appreciates that strategy, risk, performance and sustainability are inseparable. The Board's responsibility includes providing the group with clear strategic direction, ensuring that there is adequate succession planning at senior levels, reviewing operational performance and management, determining policies and procedures which seek to ensure the integrity of the group's risk management and internal controls, implementing and maintaining clear channels of communication and overseeing director selection, orientation and evaluation.

The group's non-executive directors bring an independent view to the Board's decision making on issues such as strategy, resources, transformation, diversity and employment equity, standards of conduct and evaluation of performance. At each AGM, directors comprising one-third of the aggregate number of non-executive directors are subject, by rotation, to retirement and re-election by shareholders in accordance with the company's MOI.

The Board meets at least four times a year with additional meetings called if necessary. Information relevant to a meeting is supplied on a timely basis to the Board, ensuring directors make well-informed and reasoned decisions. The directors have unrestricted access to the company secretary and, where applicable, may seek the advice of independent professionals on matters concerning the affairs of the group.

Chairman and chief executive officer

The roles of the chairman and the chief executive officer are separate and they operate under separate mandates issued by the Board. This differentiates the division of responsibility within the company and ensures a balance of authority.

The Board is chaired by Koos Raubenheimer, a non-executive director and the founder of the company. The chairman is responsible for providing leadership to the Board, overseeing its efficient operation and ensuring good corporate governance practices. The chairman is not considered to be independent due to his material shareholding in the group and the role of lead independent non-executive director is filled by Les Maxwell.

Rudolf Fourie is the chief executive officer of the group and is responsible for the management of the group's day-to-day operations and affairs in line with the policies and strategic objectives set out and agreed to by the Board. The chief executive officer is supported by the group's executive committee of which he chairs a monthly meeting where the group's results, performance and prospects are reviewed. The chief executive officer reports to each board meeting on the performance and prospects of the group and any other material matters arising.

Directors of Raubex

The directors of the company and their credentials are set out on pages 14 and 15 of the integrated report.

Independence of the Board

The Board maintains its independence through:

- keeping the roles of chairman and chief executive officer separate;
- having a lead independent non-executive director;
- the non-executive directors not holding fixed term service contracts and their remuneration not being tied to the financial performance of the group;
- all directors having access to the advice and services of the company secretary;
- all directors, with prior permission from the Board, being entitled to seek independent professional advice on the affairs of the group at the group's expense;
- functioning Board committees comprising mainly non-executive directors;

Corporate governance report continued

- the appointment or dismissal of the company secretary being decided by the Board as a whole and not by one individual director.

The Board has assessed the independence of the independent non-executive directors and is satisfied that they are independent.

Interests in contracts and conflicts of interest

Directors are required to inform the Board timeously of conflicts or potential conflicts of interest that they may have in relation to particular items of business and are obliged to recuse themselves from discussions or decisions in relation to such matters. Directors are also required to disclose their other directorships at least annually and to inform the Board when any changes occur.

Insurance

A suitable directors' liability insurance policy has been taken out by the group. No claims have been lodged under this policy up to the date of this report.

Board meeting attendance

A register of quarterly Board meeting attendance is tabled below:

	5 May 2015	21 Aug 2015	5 Nov 2015	**25 Feb 2016**
RJ Fourie	✓	✓	✓	✓
JF Gibson	✓	✓	✓	✓
JE Raubenheimer	✓	✓	✓	✓
F Kenney	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓
BH Kent	✓	✓	✓	×
NF Msiza	✓	✓	✓	✓

✓ *Attended.*
× *Absent, with apology.*

Performance assessment and development

An evaluation of the Board and the individual directors is performed annually by the chairman. The Board has determined its own rule, functions, duties and performance criteria to serve as the basis for the performance appraisal. Although no formal director development process has been adopted, performance evaluations have been structured in such a way as to identify the training needs of directors. The company secretary assists the Board with director induction and training requirements.

Board committees

Audit committee

The Board has ensured that the group has an effective and independent audit committee which comprises of suitably skilled and experienced independent non-executive directors.

The following members serve on the audit committee:

- LA Maxwell (Chairman)
- BH Kent
- NF Msiza

The committee has adopted formal terms of reference that have been approved by the Board. To effectively comply with its terms of reference, the external auditors, the financial director, the group financial manager and internal audit manager attend the audit committee meetings as standing invitees. When appropriate the executive directors and officers attend the meetings by invitation.

The committee is responsible for assisting the Board in fulfilling its responsibility in respect of financial reporting issues. It also has a responsibility to ensure that management has implemented and maintained an effective control environment.

Board

Executive directors	Non-executive directors	Independent non-executive directors	Lead independent non-executive director
Rudolf Fourie James Gibson	Koos Raubenheimer Freddie Kenney	Ntombi Msiza Bryan Kent	Les Maxwell

Committees

- Executive committee
- Audit committee
- Risk committee
- Remuneration and nomination committee
- IT steering committee
- Social and ethics committee

The audit committee's terms of reference include the following key responsibilities:

- to review the effectiveness of the group's systems of internal control, including internal financial control and to ensure that effective internal control systems are maintained;
- to oversee the group's risk management processes with specific oversight of financial reporting risks, internal financial controls, fraud risks and IT risks;
- to assist the Board in fulfilling its responsibilities in respect of financial reporting issues and compliance with laws and regulations;
- to monitor and supervise the effective functioning and performance of the internal auditors;
- to ensure that the scope of the internal audit function has no limitations imposed by management and that there is no impairment of its independence;
- to evaluate the independence, effectiveness and performance of the external auditors;
- to ensure that the respective roles and functions of external audit and internal audit are sufficiently clarified and co-ordinated;
- to review financial statements for proper and complete disclosure of timely, reliable and consistent information and to confirm that the accounting policies used are appropriate; and
- to oversee integrated reporting and ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

The committee also sets the principles for recommending the use of the external auditors for non-audit purposes that include tax services, corporate restructuring, merger and acquisition advice and training.

The audit committee report is set out on pages 65 and 66 of the group's annual financial statements.

IT steering committee

The Board is responsible for IT governance and ensures that IT is aligned with the performance and sustainability objectives of the group. The Board has delegated to management the responsibility for the implementation of an IT governance framework. An IT steering committee has been appointed to assists the Board with its governance of the group's IT. The committee has adopted formal terms of reference that have been approved by the Board.

The IT steering committee is chaired by the financial director, reports to the audit committee and is responsible for:

- strategic direction in the design of systems and the use of IT resources within the group;
- the review and approval of IT systems and related expenditure within the group to ensure alignment with group strategy;
- development and implementation of an IT governance framework;
- value delivery through concentrating on optimising expenditure and proving the value of IT;
- risk management through addressing the safeguarding of IT assets, disaster recovery plans and ensuring continuity of operations;
- the protection and management of the group's information; and
- the coordination of priorities between the IT department, user departments and other stakeholders.

The group's IT function is adequately resourced with the necessary skills and expertise to manage its systems internally and ensure business continuity.

Remuneration and nomination committee

The remuneration and nomination committee is an independent committee appointed by the Board.

The committee consists of five members, three independent non-executive directors and two non-executive directors.

The following members serve on the committee:

- LA Maxwell (Chairman)
- BH Kent
- JE Raubenheimer
- F Kenney
- NF Msiza

The committee has adopted formal terms of reference that have been approved by the Board and includes the key responsibility of assisting the Board in:

- determining the remuneration, incentive arrangements and benefits of the executive directors of the company, including pension rights and any compensation payments;
- determining the fees payable to the chairman of the Board;
- determining the fees payable to the non-executive directors of the Board;
- determining the remuneration of the executive committee members;
- recommending and monitoring the level and structure of remuneration of senior executive employees;
- considering and deciding upon such other matters as the Board may refer to it;
- reviewing, at least annually, the committee's performance and terms of reference; and
- assisting the Board in the appointment of new directors to the Board.

Directors are appointed through a formal process. In order to appoint a new director, the committee will source candidates and make proposals regarding candidates, which proposals will be followed up with *curricula vitae* and interviews. Candidates will then be recommended to the Board, who may conduct interviews and will then make an appointment, subject to shareholders' approval at the next AGM.

Corporate Governance report *continued*

The remuneration and nomination committee report is set out on pages 40 to 44 of this integrated report.

Executive committee

The Exco supports the chief executive officer in carrying out his responsibilities for the day to day management of the group's operations and consists of seven members.

The following members serve on the Exco of the group:

- RJ Fourie (Chief executive officer)
- JF Gibson (Group financial director)
- TG Wiese (Managing director – Material Division)
- LJ Raubenheimer (Managing director – Construction Division)
- JA Louw (Group financial manager)
- RL Shedlock (Financial director – Materials Division)
- HE Ernst (Company secretary and legal advisor)

The Exco is chaired by the chief executive officer and has regular input from executives from operations, finance, IT, human resources, compliance and investor relations. Meetings are convened monthly. The committee is responsible for the strategic planning and operations of the group.

GM Raubenheimer retired from the Exco and the group on 29 February 2016 after 42 years of service and his function on the committee was handed over to JA Louw.

Risk committee

The Board is responsible for the governance of risk and has appointed a committee responsible for risk management which comprises two independent non-executive directors and one divisional financial executive. Exco members attend the risk committee meetings by invitation. The Board determines the levels of risk tolerance and has delegated to management the responsibility to implement and monitor the risk management plan and quarterly risk assessments.

The following members serve on the risk committee which convened four times during the year:

- BH Kent (Chairman)
- NF Msiza
- RL Shedlock

The risk committee is responsible for:

- overseeing the development of the group's risk management policy;
- monitoring the implementation of the group's risk management policy;
- ensuring that the risk management policy is adhered to throughout the group and integrated in the daily activities of the group;
- ensuring that risk management assessments are performed on an ongoing basis;
- considering and implementing plans to mitigate identified risks;
- continuous risk monitoring; and
- reporting identified risks to the Board.

A formal risk recording and rating methodology has been adopted whereby risks are identified and prioritised by subsidiary companies and divisions before being communicated through to the risk committee for review and recording in the group's risk register. Decisions are then made on how best to mitigate, manage or transfer high impact, high probability risks. The material risks and mitigating processes are set out on pages 12 and 13 of this integrated report.

The Board is satisfied with the effectiveness of the system and process of risk management.

Social and ethics committee

The Companies Act requires all listed public companies to have a social and ethics committee. In line with these requirements, the group has an established social and ethics committee whose report is set out on page 45 of the integrated report.

The following members serve on the social and ethics committee of the group:

- F Kenney (Chairman)
- JA Louw (Group financial manager)
- TA Dale (Group HR manager)

GM Raubenheimer retired from the committee and the group on 29 February 2016 and his function on the committee was handed over to JA Louw effective 1 March 2016.

Share dealing

The group has imposed closed periods in line with a "closed period" as defined in the JSE Listings Requirements. During these periods directors, officers and defined employees may not deal in any securities issued by the group. Notwithstanding the closed periods directors and officers may not trade in the group's securities during any period where they have access to unpublished price-sensitive information.

To ensure effective compliance, it is a requirement that no trade in the group's securities may take place outside of the closed periods without:

- the prior written approval from the chairman for the chief executive officer, financial director and non-executive directors;
- the prior written approval of the lead independent non-executive director for the chairman; and
- the prior written approval of the financial director for Exco members;

Directors, officers and defined employees are required to instruct their portfolio or investment managers not to trade in the securities of the group without their written consent. They are required to advise the company secretary without delay and within three business days after the trade has taken place who will then report the transaction to the JSE through SENS without delay and within 24 hours after receipt of such information in accordance with the JSE Listings Requirements. A register of share dealings by directors is maintained by the company secretary and reviewed by the Board on a quarterly basis.

Company secretary

The company secretary has been fully empowered by the Board to enable her to properly fulfil her duties and she has complete access to people and required resources. The company secretary plays an important role in supporting the Board of the company. She also provides a central source of guidance and advice to the Board and within the company on matters of business ethics and corporate governance. Relevant information on new regulations and legislation relating to directors is tabled when necessary. The directors have unlimited access to the advice and services of the company secretary.

The company secretary ensures that, in accordance with the pertinent laws, the proceedings and affairs of the Board and its members, the company itself and, where appropriate, the owners of securities in the company are properly administered.

The company secretary ensures compliance with the rules and JSE Listings Requirements, the statutory requirements of the company and its subsidiaries in South Africa in accordance with the Companies Act and also administers the group's share option scheme.

Together with the chairman, the company secretary is involved in ensuring proper information flows within the Board and its committees and between senior management and the non-executive directors.

The position of company secretary is held by HE Ernst. She is not a director of the group or any of its subsidiaries and the Board is satisfied that an arm's length relationship is maintained between the company secretary and the Board. Mrs Ernst's *curriculum vitae* is set out on page 15 of this integrated report. During her tenure with the group, she has attended various workshops and seminars on matters relevant to the company secretarial function and is also a member of the Institute of Directors. The Board has assessed her abilities and is satisfied with the qualifications, experience and the level of competence demonstrated.

Internal audit

The Board ensures that there is an effective risk-based internal audit function that subscribes to the Institute of Internal Auditors standards. Internal audit is an independent function and provides the Board with assurance that an effective governance, risk management and internal control environment is maintained. The internal audit function is informed by the strategy and risks of the group and its reports and recommendations, which provide a written assessment of the effectiveness of the company's internal controls, are tabled at quarterly audit committee meetings for review. The audit committee is responsible for overseeing the internal audit function and ensures that it has the appropriate skills and resources.

Compliance with laws, rules, codes and standards

The group is committed to the highest ethical and legal standards and expects all its stakeholders to act in accordance with the highest levels of personal and professional integrity in all aspects of their occupation and activity, and to comply with all laws, regulations and policies applicable to the group.

The group is committed to business conduct which ensures that its directors, management and employees do not engage in any conduct which constitutes a prohibited practice.

The Board ensures that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards. The Board has delegated to management the implementation of an effective compliance framework and process. Compliance risk forms part of the company's risk management process and a compliance function has been established which is managed by a designated compliance officer who reports into the risk committee. Significant progress has been made in implementing a compliance framework throughout the group and assurance is provided through internal audit.

The group has a competition law compliance programme that incorporates corporate governance designed to ensure that its employees, management, directors and agents do not engage in contraventions of the Competition Act.

Stakeholder communication and relations

The Board appreciates that stakeholders' perceptions affect the group's reputation and strives to achieve the appropriate balance between its various stakeholder groupings in the best interest of the company. The Board has delegated to management to deal with stakeholder relationships and structures have been introduced to manage the interface with the various stakeholder groups. There are responsive systems of governance and practice, which the Board and management regard as appropriate.

The communication with stakeholders is considered to be transparent and effective and the group has retained the services of public relations professionals to assist with stakeholder communication issues and investor relations. Further detail on the group's stakeholder communication is available on pages 54 to 55 of this integrated report.

The company maintains a website that contains up-to-date information at www.raubex.com.

Remuneration and nomination committee report

The remuneration and nomination committee, which is an independent committee appointed by the Board, is pleased to present this report for the financial year ended 29 February 2016 as recommended by the King III report on corporate governance.

Terms of reference

The committee, which has adopted formal terms of reference approved by the Board, has conducted its affairs in compliance with those terms of reference and has discharged its responsibilities contained therein.

Members and meeting attendance

The committee, which meets at least twice per annum with authority to convene additional meetings as circumstances require, is chaired by Les Maxwell, an independent non-executive director, and consists of five non-executive directors, three of whom are independent. The chief executive officer and the financial director attend the meetings by invitation only and are not party to any decisions with respect to their own remuneration.

The members who serve on the committee and the meeting attendance register are set out in the table below:

	5 May 2015	5 Nov 2015	**25 Feb 2016**
LA Maxwell (Chairman)	✓	✓	✓
JE Raubenheimer	✓	✓	✓
F Kenney	✓	✓	✓
BH Kent	✓	✓	×
NF Msiza	✓	✓	✓

✓ Attended.
× Absent, with apology.

Activities

The committee was convened three times during the year and dealt with the following matters:

- A review of fees payable to the chairman of the Board and the non-executive directors, and a recommendation to the Board on such fees for the ensuing year.
- A review of the remuneration of the executive directors and members of the Exco and a recommendation to the Board on the base pay for those parties for the ensuing year.
- A review of the performance, including KPI performance, of the executive directors and Exco members and a recommendation to the Board in respect of the short-term incentive payable to those parties during the year.
- A review of the KPIs of the executive directors and Exco members to ensure alignment with the strategic objectives and financial performance of the group.
- A review of the long-term incentive arrangement applicable to the executive directors and Exco members and recommendation to the Board not to renew the deferred stock scheme.
- A review of alternative long-term incentive proposals to replace the deferred stock scheme, and initiation of an exercise, which is still in progress, to determine which of the alternatives best supports the interests of the group and its shareholders.
- A review of the results of the 2015 AGM vote on the non-binding advisory endorsement on the group's remuneration policy.

In line with the committee's recommendation the Board did not renew the deferred stock scheme. There have been no other material changes to the group's remuneration policy or practices during the financial year under review.

Remuneration of the chairman and non-executive directors

The fees payable to the chairman and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. This structure was approved by the requisite majority of shareholders by way of a special resolution passed at the AGM on 9 October 2015 with 88,3% of shareholders voting in favour of the proposal.

The current fees and the proposed fees for the ensuing year which will be tabled for shareholder approval at the group's forthcoming AGM, are set out below. The proposed increase of 6% is in line with the average annual increase awarded to management across the group.

	2016 Annual fees (R)	Proposed 2017 Annual fees (R)	Proposed percentage increase
Chairman	**856 000**	907 360	6,0%
Lead independent non-executive	**695 500**	737 230	6,0%
Independent non-executive	**535 000**	567 100	6,0%
Non-executive	**535 000**	567 100	6,0%

Non-binding advisory endorsement on remuneration policy

The voting results in respect of the endorsement of the group's remuneration policy at the AGM held on Friday, 9 October 2015, were as follows:

- 70,8% (2015: 66,8%) of shareholders voting in favour of the remuneration policy;
- 29,2% (2015: 33,2%) voted against.

The committee has reviewed the remuneration policy for members of the Board and Exco for the ensuing financial year to ensure alignment with the industry, shareholder interests and the retention of key executives. Following this review, the committee believes that the remuneration policy is appropriate.

General remuneration policy

The group's remuneration policy aims to attract, motivate and retain management, including executive directors and members of Exco, with the required level of professional and operational expertise necessary to achieve the group's objectives.

Remuneration packages are designed in line with this policy and consist of the following components:

Base pay

The base pay of the executive directors and the Exco members is determined by the committee. The base pay of other managers, officers and employees is determined by executive management.

The policy on base pay is to pay salaries that are at least in line with the median base pay for comparable positions in the industry and geographies in which the group operates. Consideration is given to experience, responsibility and individual performance when determining and reviewing base pay.

Average annual increase guidelines are set by the Exco and new appointments with remuneration packages in excess of pre-determined limits are referred to the Exco for approval. In determining base pay all company contributions and allowances are taken into account including pension, provident, life and disability insurance and medical aid contributions.

Short-term incentive

The group follows a formal budget setting and approval process where budgets are presented by subsidiary company heads and are rolled up into operating division budgets presented to the Exco for approval. The Exco reviews these budgets and applies a reasonable degree of stretch before approving them and presenting the group budget to the Board for final approval.

Executive directors and nominated senior executive management participate in an annual executive bonus scheme. The scheme has a structure which includes:

- a measurement of earnings achieved against targets set in annual group and divisional budgets approved, as set out above, by the Board; and
- a measurement against KPIs determined, for executive directors, by the Board, or for nominated senior executive management, by the Exco and approved by the Board, as set out below.

The scheme structure can result in payments which are above the median level of the industry and has proved to be highly effective in motivating eligible participants to deliver performances that are above the industry average. The maximum annual bonus is capped at 200% of base pay for some participants and 100% of base pay for others.

When the committee reviews the annual bonus computation of eligible participants it also, when evaluating the overall performance of participants, takes into consideration:

- the group's performance in relation to its peers;
- prevailing market conditions, particularly those which are outside the control of participants and which have had a material influence on the group, its operations and results; and
- the response of participants to such conditions.

Once incentives have been calculated in terms of the scheme structure, the committee, after taking into account the above factors and the impact they have had on the group's performance and results, has a discretionary right to recommend the award of *ex gratia* bonuses it considers appropriate.

KPIs

Current KPIs for the executive directors are set out below:

	% weighting	
Key performance indicator	Chief executive officer	Financial director
Group earnings as % of budget*	70%	70%
Individual KPIs		
▪ Earnings per share	6%	6%
▪ Return on capital employed	6%	6%
▪ Cash management	6%	6%
▪ Strategic targets	6%	–
▪ Stakeholder relationship	6%	6%
▪ Compliance and risk management	–	6%
Total	100%	100%
Maximum incentive	200% of base pay	200% of base pay

* *In order to participate in this KPI, earnings of at least 90% of budget must be achieved.*

KPIs are adapted for eligible divisional executives to include elements of both the group and divisional financial performance as well as divisional strategic goals with 70% of the maximum incentive attributable to achievement of the group and divisional annual budgets.

Long-term incentive

The group adopted a deferred stock scheme on 8 October 2010 for an initial period of five years effective from 1 March 2010. The final options approved under this scheme were allocated during the prior year with an effective date of 1 March 2014 and vesting date of 1 March 2017 during which period the option holders are required to remain in the full time employ of the group in order to avoid lapsing of the option. A suitable replacement long-term incentive scheme is under review that will retain and incentivise key executives and more closely align their interests with those of the company and its shareholders.

Remuneration and nomination committee report *continued*

Remuneration

The remuneration of the executive directors and prescribed officers who served during the year under review was as follows:

	Year	Salary R'000	Incentive bonus[1] R'000	Retirement funding contribution[2] R'000	Other benefits[3] R'000	Total emoluments R'000
Executive directors						
RJ Fourie	**2016**	**2 614**	**6 286**	**287**	**355**	**9 542**
	2015	2 468	5 686	270	313	8 737
JF Gibson	**2016**	**1 769**	**3 848**	**177**	**25**	**5 819**
	2015	1 654	3 481	165	33	5 333
Total	**2016**	**4 383**	**10 134**	**464**	**380**	**15 361**
	2015	4 122	9 167	435	346	14 070
Prescribed officers						
TG Wiese	**2016**	**1 891**	**5 260**	**588**	**456**	**8 195**
	2015	1 762	5 233	536	547	8 078
LJ Raubenheimer	**2016**	**1 667**	**3 983**	**191**	**297**	**6 138**
	2015	1 559	3 371	179	315	5 424
GM Raubenheimer	**2016**	**1 414**	**1 772**	**164**	**252**	**3 602**
	2015	1 307	1 688	153	250	3 398
RL Shedlock	**2016**	**2 290**	**2 884**	**706**	**517**	**6 397**
	2015	2 154	3 258	645	480	6 537
JA Louw	**2016**	**1 088**	**1 326**	**109**	**150**	**2 673**
	2015	1 018	1 134	102	143	2 397
HE Ernst	**2016**	**514**	**571**	**51**	**–**	**1 136**
	2015	480	440	48	–	968
Total	**2016**	**8 864**	**15 796**	**1 809**	**1 672**	**28 141**
	2015	8 280	15 124	1 663	1 735	26 802

Notes
1. *Paid in May each year based on prior year performance.*
2. *Employer contribution towards a defined contribution retirement fund.*
3. *Other benefits include car allowances, employer contribution to medical aid schemes and other benefits.*

Prescribed officers

Prescribed officers are defined as having general executive control over and management of a significant portion of the company or regularly participate therein to a material degree, and are not directors of the company. Prescribed officers include the highest paid non-directors.

Contracts and severance

Employment contracts have been concluded with all executives and managers and these contracts specify the period of the contract as well as notice of termination.

Separate restraint of trade agreements have been concluded with key executives and managers, which agreements are linked to the acceptance of share options granted. These restraint of trade contracts provide for a restraint period equal to the duration of the employee's employment with any of the group companies; and a further period equal to two years from the termination date, provided that the restraint period shall endure for not less than five years following the effective date of the agreement.

Non-executive directors' fees

The fees paid to the non-executive directors who served during the year under review were as follows:

	2016 R'000	2015 R'000
Non-executive directors		
JE Raubenheimer	**819**	616
LA Maxwell	**665**	511
F Kenney	**512**	356
BH Kent	**512**	441
NF Msiza	**512**	481
Total	**3 020**	2 405

Share options granted to directors and prescribed officers

The following tables set out the share options granted to the executive directors and prescribed officers and the deemed value of share options exercised during the year at a strike price of R0,01 (one cent per share):

	Year	Options outstanding at beginning of year	Options granted during year	Options exercised during year	Options outstanding at end of year	Deemed value of options exercised (R'000)
Executive directors						
RJ Fourie	**2016**	**373 179**	**–**	**166 289**	**206 890**	**3 949**
	2015	393 283	104 612	124 716	373 179	2 706
JF Gibson	**2016**	**250 572**	**–**	**90 703**	**159 869**	**2 154**
	2015	237 763	80 836	68 027	250 572	1 476
Prescribed officers						
TG Wiese	**2016**	**288 365**	**–**	**128 496**	**159 869**	**3 052**
	2015	303 900	80 836	96 371	288 365	2 091
LJ Raubenheimer	**2016**	**288 365**	**–**	**128 496**	**159 869**	**3 052**
	2015	303 900	80 836	96 371	288 365	2 091
GM Raubenheimer	**2016**	**42 407**	**–**	**18 896**	**23 511**	**448**
	2015	44 691	11 888	14 172	42 407	308
RL Shedlock	**2016**	**150 642**	**–**	**37 793**	**112 849**	**898**
	2015	107 753	57 061	14 172	150 642	308
JA Louw	**2016**	**89 427**	**–**	**18 896**	**70 531**	**448**
	2015	67 936	35 663	14 172	89 427	308
HE Ernst	**2016**	**42 407**	**–**	**18 896**	**23 511**	**448**
	2015	44 691	11 888	14 172	42 407	308

Remuneration and nomination committee report continued

Interests of directors in the share capital of Raubex

The aggregate beneficial holdings of the directors of the company and their immediate families in the issued ordinary shares of the company are detailed below. There have been no material changes in these shareholdings between 1 March 2016 and 4 May 2016, the date of approval of the annual financial statements.

	29 February 2016		28 February 2015	
Number of shares held	**Direct**	**Indirect**	Direct	Indirect
Beneficial				
RJ Fourie	**4 485 796**	**–**	4 319 507	–
JF Gibson	**242 238**	**–**	151 535	–
F Kenney	**–**	**14 965 384**	–	14 965 384
LA Maxwell	**16 000**	**–**	16 000	–
Non-beneficial				
JE Raubenheimer	**–**	**25 650 000**	–	25 650 000
Total	**4 744 034**	**40 615 384**	4 487 042	40 615 384

There are no associate interests for the above directors.

Subsequent to the finalisation of the annual financial statements and approval thereof by the Board, F Kenney disposed of 9 000 000 Raubex shares as follows:

(a) 1 500 000 Raubex shares (on market) on 12 May 2016; and

(b) 7 500 000 Raubex shares (off market) in terms of a specific repurchase agreement with Raubex Group Limited dated 18 May 2016 which was approved by shareholders by way of a special resolution passed at a general meeting of shareholders held on 20 July 2016.

LA Maxwell
Chairman of the remuneration and nomination committee

21 July 2016

Social and ethics committee report

Introduction

The social and ethics committee has a Board-approved social and ethics charter which incorporates the responsibilities of the committee and the terms of reference, aligned to the guidelines and requirements provided by the Companies Act, King III and the International Integrated Reporting Framework of the International Integrated Reporting Council. The charter is regularly reviewed and updated where necessary to ensure that the terms of reference, as set out in the charter, complies with all regulatory and legislative guidelines and that the committee performs its duties in terms of the Companies Act, King III and the International Integrated Reporting Framework of the International Integrated Reporting Council. The social and ethics committee has executed its duties, in accordance with these terms of reference, during the past financial year.

Members

For the year ended 29 February 2016, the social and ethics committee was chaired by F Kenney, a non-executive director. The other two members who served on the committee during the year were GM Raubenheimer, an Exco member, and TA Dale, the group human resource manager. The Exco members of the group attend by invitation. The company secretary acts as the committee secretary and legal advisor. GM Raubenheimer retired from the group and the committee on 29 February 2016. JA Louw, the group financial manager, was appointed to serve on the committee effective 1 March 2016.

Meetings

The social and ethics committee held two meetings during the year, the meeting attendance register is set out in the table below:

	20 August 2015	**20 January 2016**
F Kenney (Chairman)	✓	✓
GM Raubenheimer	✓	✓
TA Dale	✓	✓

Statutory duties

This committee has a broad mandate in terms of the Companies Act and King III and reports to the Board.

In execution of its statutory duties, the social and ethics committee is responsible for monitoring the group's activities, taking into account relevant legislation, legal requirements and prevailing codes of best practice, relating to:

- social and economic development;
- good corporate citizenship;
- the environment, health and public safety;
- consumer relationships; and
- labour and employment.

The social and ethics committee also:

- consults with advisors and attends presentations on the various aspects of the duties and responsibilities relating to social and ethics issues;
- monitors the group's compliance with the United Nations Global Compact 10 Principles on Human Rights, Environment, Labour and Anti-Corruption;
- monitors the group's compliance with the Organisation for Economic Co-operation and Development recommendations regarding corruption;
- monitors the group's compliance with the International Labour Organisation's definition of "Decent Work";
- monitors the group's CSI; and
- creates a reporting structure for the group's business units in respect of the committee's requirements.

The committee is aware its function will continue to evolve as it addresses all the responsibilities within its mandate. The committee is satisfied with the group's progress in the different areas and with the plans for the 2017 financial year.

The social and economic sustainability of the group is important and the sustainability report contains more detail on the group's labour and employment, environmental issues and CSI initiatives. These issues are of significant importance to the group in terms of its obligations to all of its stakeholders, society as a whole and the countries in which it operates.

On behalf of the social and ethics committee

Freddie Kenney
Social and ethics committee chairman

21 July 2016

4 Sustainability

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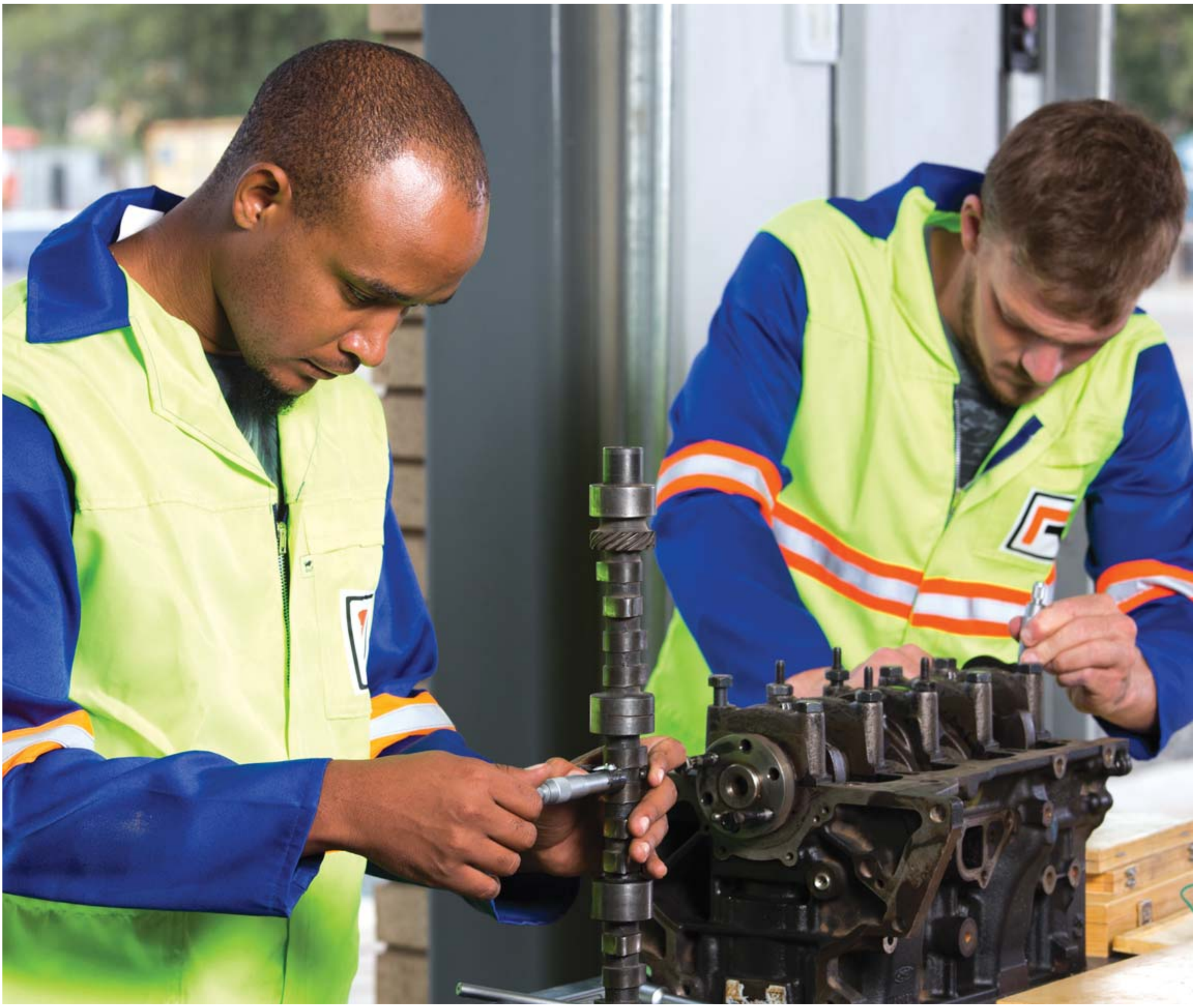


Sustainability report

Introduction and approach to sustainability

The sustainability report has been created to report, in more detail, on the group's approach to sustainability, its employees, health and safety, stakeholder engagement, CSI initiatives and the impact of operations on the environment.

The group's approach to sustainability and assessing its influence and impact on the environment and the communities in which it operates are foremost in mind when conducting business and considering and making investment decisions.

The following issues are covered in this report and are of significant importance to the group in terms of its obligations to all of its stakeholders, who include its employees, suppliers and customers, shareholders and the communities in the countries in which the group operates:

- Standards, audits and external assurances;
- Our employees;
- Stakeholder engagement;
- Occupational Health and Safety;
- Corporate Social Investment (CSI); and
- Environmental sustainability.

Standards, audits and external assurances

Raubex subscribes to various internal and international standards to which its operations, where applicable, are certificated and include:

Internal standards

- Raubex internal policies, procedures and instruction manuals addressing an array of management and working requirements throughout the business.
- Policies and procedures for safety, health, environmental and quality management.
- Policies and procedures for identifying, recording and managing business risks and assurances.

International and local standards

- ISO 9001: Quality management standards.
- ISO 14001: Environmental management standards.
- OHSAS 18001: Occupational health and safety management standards.
- SABITA: Bitumen accreditation standards.

Audits and external assurance

Compliance with standards and legislation across the group is monitored through a compliance framework with assurance provided from a combination of internal and external audits of the various management systems, standards and practices.

External assurance is received from the assurance providers listed in the following table:

Compliance category	**External assurance provider**
Finance	PricewaterhouseCoopers Inc.
ISO 9001, ISO 14001, OHSAS 18001	DEKRA
SANS 4001-BT1	SABS
Health and Safety	ASPASA, SABITA
Environmental	GCX Africa, ASPASA, SABITA
B-BBEE Scorecard	Empowerlogic, accredited by SANAS

Non-compliance issues and recommendations arising from audits are managed closely to ensure compliance is achieved and maintained through management interventions.

Our employees

Employment equity

The group's code of conduct prohibits any form of discrimination due to age, gender, race, religion, marital status, disability or any other status protected under law. The group conforms to all employment equity legislation in terms of its strategy, plan and reports that are compiled on a monthly basis, including the annual submissions as legislated. The group has a clearly defined employment equity strategy. This strategy is aimed at realising the potential of previously disadvantaged individuals in South Africa. Management is committed to promoting equity and diversity throughout the group, with special focus on its South African operations, where every effort is made to increase the percentage of HDSAs at management level. The group's employment equity policy expressly prohibits any form of unfair discrimination and these practices are reinforced through planned employment equity committee meetings and the communication that takes place with the workforce through consultative committees and interaction with trade union bodies. The role of the employment equity committee includes:

- The implementation and regular review of the employment equity policy;
- Establishment and implementation of policies and strategic plans relating to employment equity;
- Recommending and monitoring employment equity programmes;
- Investigating complaints relating to employment equity programmes;
- Reviewing targets, appointments, rejections, promotions and discrimination matters; and
- Collation, communication and sharing of employment equity information.

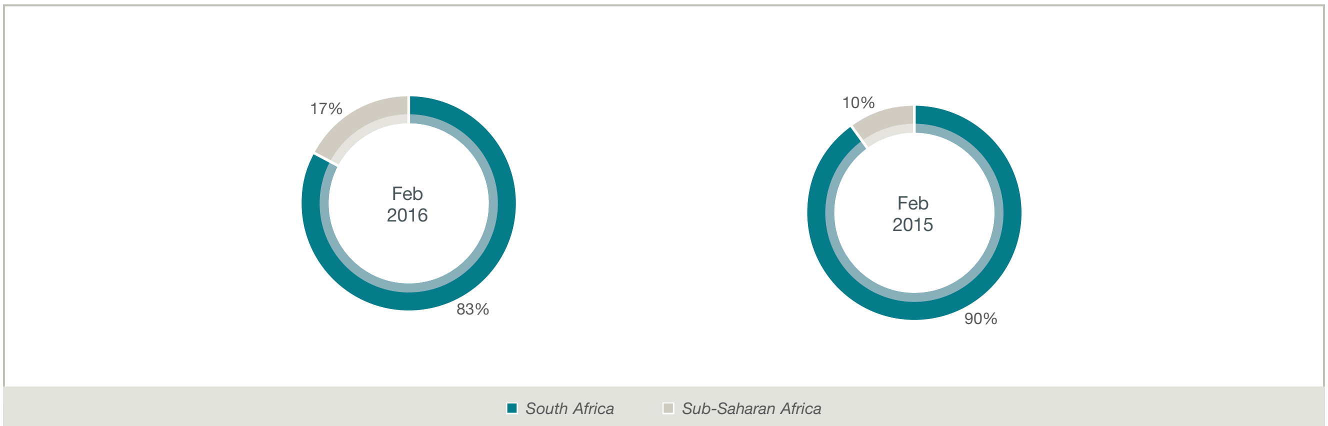
Sustainability report continued

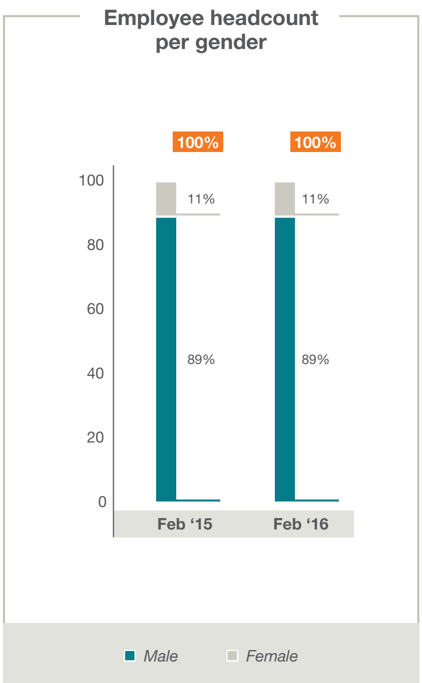
Headcount

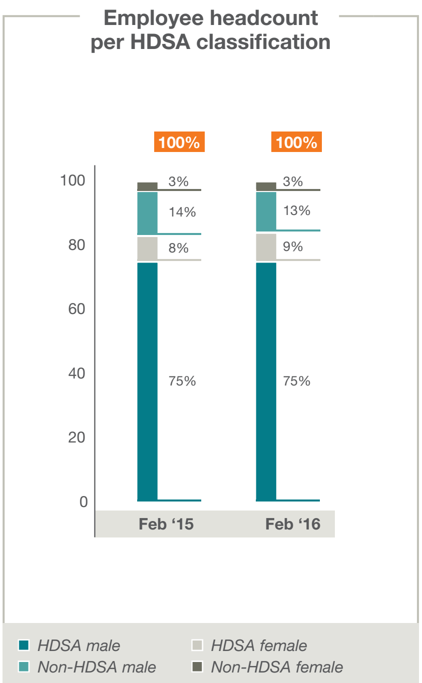
Employee headcount per geography:

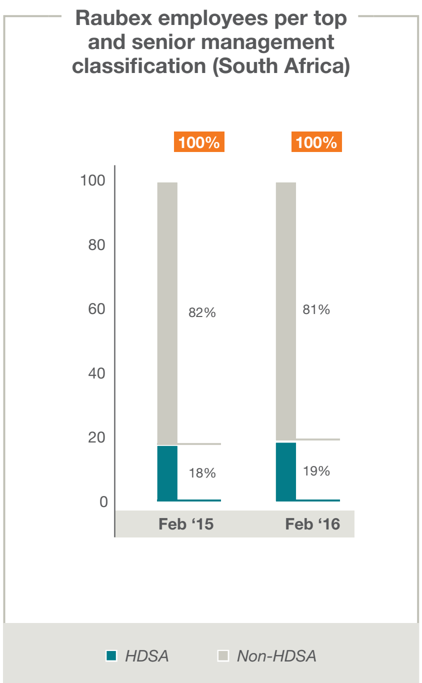
For the year ended 29 February 2016, Raubex employed 10 516 (2015: 9 598) employees, of whom 83% (2015: 90%) are based in South Africa and 17% (2015: 10%) based in sub-Saharan Africa.

Country	Male	Female	**2016**	2015
South Africa	7 735	1 017	**8 752**	8 654
Sub-Saharan Africa	1 632	132	**1 764**	944
Total employees	9 367	1 149	**10 516**	9 598









As at 29 February 2016, of the 10 516 employees, 89% (2015: 89%) were male employees and 11% (2015: 11%) were female employees, this is due to the labour intensive nature of construction works and the large percentage of unskilled labour in the workforce.

Raubex acknowledges the need to improve its HDSA employee representation at the senior and top management levels. This will be addressed through increased focus on training and mentoring of HDSA employees to ensure a talent pool from which management level positions can be filled by HDSA employees within the group and through specific and structured recruitment and selection process.

Code of conduct

Raubex has adopted a code of conduct that defines the group's ethical values and behavioural standards. The group's leadership teams not only endorse the code, but is committed to applying it in their decisions and actions in mapping the group's strategy and in managing its operations. The code applies to all employees, and covers the foundation of the group's ethical behaviour, including its values, how to apply the code, testing decisions, consulting on ethics and how to report misconduct. The code provides guidance on specific issues, including:

- Corporate governance
- Conflicts of interest
- Gifts and entertainment
- Confidentiality and insider trading
- Competition act compliance
- Business disclosures and financial reporting
- External communication
- Company assets
- Intellectual property
- Safety, Health and Environment
- Diversity, Equal Opportunity and harassment
- Protection of personal information, employee confidentiality and privacy
- Stakeholder relationships and company reputation
- Failure to comply and reporting procedures

The code is available on the company website and there is an anonymous tip-off service, allowing employees the opportunity to report issues relating to fraud, corruption and workplace misconduct. This service is administered by Deloitte and is independent of the group. The code is reviewed by the Board on a regular basis and training and communication of the code as well as the group's fraud line procedure form part of the induction programme for new employees.

Skills development

Skills development has been identified as being strategically important to the group, not only as part of the group's transformation plans to improve employment equity in management positions over the medium term but to ensure the sustainability of the group and support its future growth. Skills and expertise that are unique to the construction industry, built up by senior management through years of contracting experience need to be transferred through ongoing training and mentorship programmes to ensure that there is no loss of institutional memory within the group.

The group human resource manager is responsible for training and development throughout the group with the support of divisional human resource officers. The social and ethics committee oversees the implementation of training initiatives, monitors their progress and makes recommendations to the Board.

The group maintains a centralised training facility that provides specialised training in the fields of artisan training, diesel mechanics, fitters, millwrights and electricians, civil engineering apprentices, NQF 2 learners and a number of bursary holders studying with universities of technology and academic universities. Training is also offered in health and safety, supervisory skills, software applications, management, leadership and other short courses identified through needs analysis conducted in conjunction with line management and the respective managing directors.

Trainees are recruited from within all communities and geographical areas. A number of schools are supported by the group. These schools are representative of the demographics of the country and have contributed a substantial number of learners and apprentices from disadvantaged communities.

The training centre is registered and accredited by MERSETA and is also affiliated with the Construction SETA and the Services SETA. The training centre employs a qualified mechanical instructor accredited by MERSETA for a range of National Certificate learnerships in diesel trade theory.

The training centre facilities include a fully equipped mechanical workshop for practical training, three classrooms seating 120 learners in total and on-site accommodation for 22 learners.

Additional training and lecture room facilities were created to improve and expand the current training services offered. The training centre situated in Bloemfontein continues to run programmes aimed at the training and development of a variety of disciplines in the civil engineering sector and various trades. In addition to this facility the Materials Division also runs programmes to cater for the specialised needs in mining-related operations.

An accreditation application with The Construction Seta ("CETA") has been approved enabling the group to train employees in the following qualifications;

- National Certificate: Construction Roadworks (NQF2)
- National Certificate: Construction Plant Operations (NQF2)
- National Certificate: Construction (NQF2)
- National Certificate: Building and Civil Construction (NQF3)
- National Certificate: Construction Health & Safety (NQF3)
- National Certificate: Construction: Advanced Plant Operations (NQF3)
- Further Education and Training Certificate: Construction Materials Testing (NQF4)
- National Certificate: Supervision of Construction Processes (NQF4)
- National Certificate: Surveying (NQF4 Accreditation pending)

Sustainability report *continued*

Each one of these full qualifications has a number of unit standards, which can be presented separately, thus an employee does not have to be enrolled onto the full qualification.

The group has a target to increase the total number of apprentices and students to 5% of the total workforce over the medium term with a focus on HDSA training.

	2016	2015
Total trainees (including apprenticeships and learnerships)	**296**	169
Total workforce	**10 516**	9 598
% of total workforce	**2,8%**	1,8%

The group's training programme for the year ended 29 February 2016 and 2015 consisted of:

Type of training	**2016**	2015
Apprentices	**110**	151
Civil Engineering students	**4**	4
Administration students	**–**	1
Office Admin learnerships	**3**	3
Technical students	**10**	10
Hygiene and cleaning	**8**	–
Human Resource Management	**22**	–
Junior Office Management	**67**	–
Office Manager	**1**	–
IT Technical Support	**4**	–
IT Web Development	**1**	–
IT Cad	**2**	–
Senior Bookkeeping	**6**	–
Project Management	**58**	–
Total trainees	**296**	169

Apprenticeships

Raubex currently has enrolled 110 apprentices (2015: 151 apprentices) through MERSETA and the UIF Programme launched by the Department of Labour, which run over a period of three years on average.

Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 51 active bursary holders (2015: 57) within the group. The bursary holders are summarised by race and gender in the table below.

Type of bursary (course)	**Total**	Total HDSA Males	Total HDSA Females	Total non-HDSA	HOSA % of total
NDip Civil Engineering	**27**	20	5	2	93%
BTech Civil Engineering	**3**	2	–	1	67%
BEng Civil Engineering	**6**	5	–	1	83%
BEng Mechanical Engineering	**4**	1	–	3	25%
NDip Mechanical Engineering	**4**	3	–	1	75%
NDip Building	**2**	1	–	1	50%
Quantity Surveying	**–**	–	–	–	–
BSc Construction Management	**1**	–	–	1	–
Certificate in Accounting	**1**	–	–	1	–
NDip Internal Auditing	**1**	1	–	–	100%
BSc Civil	**2**	2	–	–	100%
	51	35	5	11	78%

Mechanical Engineering rotation programme

The group currently runs a two-year rotation programme whereby qualified degreed or diploma graduates in mechanical engineering are put through a programme of exposure to the various subsidiaries in the Materials Division. On completion the incumbents are employed full time by a subsidiary. The programme has proven to be successful.

Employee relations and trade unions

The group has set out its position on stakeholder relationships in its code of conduct. The need for management and employees to take account of the legitimate interests and expectations of its stakeholders in their decision making and actions is specifically addressed. The group acknowledges that all employees have the right to be treated fairly and equitably and to be protected from any type of discrimination in the workplace. The group recognises the right of employees to freedom of association, and as such, promotes and supports the existence of the relevant structures and relationships.

The group human resource manager is responsible for union negotiations where applicable and is supported by divisional human resource officers in carrying out his functions with regards to these negotiations and other employee relationship matters.

Approximately 25,8% (2015: 21,8%) of the workforce is represented by various unions, with the majority belonging to the unions noted below.

	NUM	AMCU	BCAWU	NUMSA	Small unions	Total
2016	**12,7%**	**8,4%**	**1,2%**	**1,2%**	**2,3%**	**25,8%**
2015	16,6%	0%	2,3%	0,6%	2,3%	21,8%

The Construction Division is regulated by the BCCEI and centralised wage bargaining where employers are represented by SAFCEC and employees are represented by the two majority unions, NUM and BCAWU. The Materials Division follows a decentralised approach to wage bargaining and a number of separate recognition agreements have been signed between individual entities and unions.

The increase in union membership can be ascribed to a reduction in the membership figures of NUM and BCAWU, the two unions representative at the bargaining council for the civil engineering industry and an increase in AMCU membership, mainly in the Materials Division.

The group has a formal process and policy in place to deal with disciplinary action and grievances. This policy has been communicated throughout the workforce.

Transformation

Raubex supports transformation in the construction industry and is committed to conducting its business in a socially responsible and ethical manner, promoting the interdependence of performance and transformation, and supporting the communities in which the group operates through corporate social investment and also partnerships and capacity-building interventions with previously disadvantaged contractors. The group's employment equity policy together with its skills development strategy and enterprise development initiatives are aligned to South Africa's economic transformation strategy.

Broad-Based Black Economic Empowerment ("B-BBEE")

B-BBEE is a central part of South Africa's economic transformation strategy. A multi-faceted "broad-based" approach has been adopted which aims to increase the number of previously disadvantaged individuals benefiting from the South African economy. The core elements of B-BBEE in South Africa are:

- Direct empowerment
  - Equity ownership
  - Management and control
- Human resources development
  - Employment equity
  - Skills development
- Indirect empowerment
  - Preferential procurement
  - Enterprise development
- Social economic development

All group operating subsidiaries are subject to an annual independent B-BBEE verification audit by a SANAS accredited verification agency. The scorecards issued are used as the basis for internal target setting and measurement of transformation progress.

The group is proud of its empowerment credentials and the progress it has made with respect to transformation. The group has an overall consolidated rating of a Level 2 contributor to B-BBEE using the Generic Codes of Good Practice (2015: Level 3 under the repealed Construction Charter codes). The group scores highly in the equity ownership, skills development, procurement, enterprise development and social economic development elements of the scorecard. The management control and employment equity elements of the scorecard are areas for improvement and the increased focus that the group has placed on training in recent years is expected to go some way to addressing this inequality in the medium term.

In the Materials Division, the entities involved in mining activities, i.e. the commercial quarries, have been empowered through the establishment of an Employee Trust and a Community Development Trust which holds a 26% interest in the underlying quarry entities in compliance with the requirements of the Department of Mineral Resources. Similar contract specific

Sustainability report *continued*

structures are put in place when tenders for mining-related contracts require it.

Occupational health and safety

The group is committed to a safe and healthy working environment and ensures strict compliance with the South African Occupational Health and Safety Act, 1993 and the Mine Health and Safety Act. The group consistently strives to ensure that safe and healthy working conditions are maintained and improved on where necessary. A SHEQ working group has been established and consists of representatives from all group subsidiaries. Most of the representatives are employed in roles related to safety, health and environmental matters. In some instances, subsidiaries are represented by senior operations managers or the managing director. The level of commitment is high and based on the understanding that the performance targets set by the group need to be achieved without compromising the health and safety of its workforce.

The working group has focused its effort on the following main areas:

Awareness

Creating and maintaining awareness throughout the group of incidents and ways to avoid or minimise such incidents.

Reporting

The introduction of a uniform reporting mechanism, ensuring correct reporting against established guidelines that also conform to applicable legislation in the construction and mining environment.

Standards

To revisit the required standards set by legislation, regulations and best practices and to ensure at least minimum compliance.

Training

Co-ordinate SHEQ training throughout the group in order to promote and stimulate the sharing of ideas.

Identification of problems

Experienced in carrying out the SHEQ functions and finding ways to address them.

Meetings are held quarterly with full participation in the setting of an agenda and facilitation of value added presentations during such meetings. In addition to this, a steering committee has been established to oversee the functions of the working group and to act as a link between the initiatives undertaken and the various divisional and Exco meetings.

The working group has developed group targets and objectives that have been implemented throughout the group. The following outlines were implemented and will be reviewed annually in conjunction with the group health, safety and environmental policies.

Objectives

- Create a health, safety and environmental awareness culture.
  - All companies within the Raubex group to implement a health, safety and environmental programme that is audited annually.
- Adopt a zero tolerance attitude towards accidents; injuries, poor practices and standards.
  - Commitment from top down.
  - Formalise the reporting and investigation of all accidents, injuries and property damages across the group.
  - Monitor performance statistics for all companies within the group.
- Limit the cost of quality non-conformances relevant to a project.
  - Formalise the reporting and investigation of all non-conformances.

Targets

- Fatalities = 0
- LTIR of < 1
- Quality non-conformance cost < 0,5% of project revenue

It is the policy of the group to:

- Maintain safe and healthy workplaces, to operate safe systems and methods of works and to protect employees, clients and others, including the public, by striving to eliminate foreseeable hazards, which may result in personal injury, fires, security losses or damage to property, through the systematic identification of hazards and the adequate assessment and control of risk.
- Make all companies in Raubex responsible to ensure that a sustainable Health and Safety programme is maintained.
- Provide all entities with the information, instruction, training and supervision they need to work safely and to develop employees, systems, policies and procedures as a key resource.
- Communicate openly on Health and Safety issues with all entities in Raubex.
- Ensure all sub-contractors are treated as resources that form part of Raubex.
- Ensure the continual improvement on all Health and Safety issues in Raubex.
- Comply with all relevant laws, regulations and standards and in the absence of appropriate legislation, the aim will be to develop and adopt a standard reflecting best practices.

- Appoint competent employees to enable the different stakeholders to comply with their responsibilities towards Health and Safety.
- Provide a framework for reviewing, monitoring and achieving SHEQ objectives and targets.
- Make the policy available to all stakeholders.
- Review this policy annually.

Although it is the responsibility of every individual in the group to look after their own health and safety, it is the overall responsibility of management to ensure that mechanisms are in place to create awareness and a safe working environment. The challenges lie in controlling external factors that operate outside the group, especially the public on road construction projects and other external individuals or elements that access the group's operations.

The fatality rate for the group increased to 0,05 (2015: 0,04) for the financial year, due to the unfortunate six fatalities that occurred during the year. Appropriate interventions and training are continuously developed and implemented in order to address the risks we are exposed to that result in serious or fatal incidents.

The LTIR for the group for the financial year ended 29 February 2016 was 1,99 (2015: 1,89). The LTIR for the two divisions are:

Safety training

Raubex concentrates on safety training and various training courses have been attended by employees in the various businesses. The group has also engaged the services of an accredited trainer who will focus on the provision of Health, Safety and Environment-based courses.

Medical examinations

Due to the amended construction regulations of 2014, in-house occupational health practitioners have been employed in order to conduct pre, annual and exit medicals according to site and position requirements.

HIV/AIDS

The group has a policy which sets out its position and supports confidentiality, protection from unfair discrimination, management, treatment and prevention of HIV/AIDS.

The group has a wellness programme in place aimed at maintaining the health of those that are infected with HIV/AIDS. Access to anti-retroviral therapy ("ART") is provided through these programmes in conjunction with in-house occupational medical practitioners and the Departments of Labour and Health. SETA accredited education and awareness programmes are held within its businesses. These programmes are aimed at:

- providing wellness programmes and support for employees;
- creating awareness to prevent the spread of HIV/AIDS; and
- providing confidential Voluntary pre- and post-Counselling and Testing ("VCT"), and treatment with anti-retroviral medication.

Risk assessments are conducted by health and safety officers and high rates of infection and fatalities are reported through to human resource officers for inclusion in executive committee reports. The group has a formal process for recording, managing and mitigating all business risks, including HIV/AIDS.

Stakeholder engagement

King III promotes stakeholder engagement and the Companies Act also requires a company to embrace engagement with its shareholders, employees, unions, communities and customers. The group's social and ethics committee monitors and assists the Board with stakeholder engagement.

The group embraces open, transparent and constructive communication with all stakeholders. Raubex has a dedicated human resources department and where deemed necessary, external consultants are used to assist the social and ethics committee in executing stakeholder engagement.

Mutual trust and understanding with stakeholders are imperative and the company uses specific means of communication with its different stakeholder groups.

Sustainability report continued

The group has identified the following stakeholder groups and how the group communicates with each of these groups:

Stakeholder	Communication
Shareholders and analysts	Raubex views its relationships with its shareholders and potential investors as essential to the reputation and survival of the group as providers of financial capital as well as determining the true value of the share price. The media are also important as the publishers of articles and information about the group. The group engages with these stakeholders as follows: ▪ Twice yearly results presentations and roadshows ▪ One-on-one meetings with larger shareholders on a regular basis within the constraints of equal information for all shareholders and according to the JSE Listings Requirements ▪ SENS announcements ▪ Meetings with potential investors ▪ Press releases ▪ Interviews with journalists, both financial and trade ▪ Representation at investor conferences
Employees	Raubex's relationship with its employees is important and open communication within the group between employees is encouraged. The group communicates and provides its employees with: ▪ A quarterly internal newsletter ▪ Training sessions ▪ Performance reviews ▪ Staff meetings ▪ E-mail announcements
Communities	The communities impacted by the group's activities and operations are seen as a stakeholder as it impacts the welfare of the people living in these communities. The group's engagement with the communities includes contributions towards initiatives in respect of fund raisings, donations, and community upliftment initiatives and involvement.
Customers and clients	Customers and clients are important stakeholders for the success of the group. The group has customers and clients that include large corporations and Government departments. The group engages with these stakeholders on various levels including the following: ▪ Regular operational meetings at the customer's site ▪ Customer service meetings ▪ Customer feedback surveys ▪ Processes to respond to complaints that meet the requirements of the Consumer Protection Act ▪ Appropriate customer entertainment and functions
Suppliers	Suppliers are the providers of services, materials and equipment that the group requires to service its customers. The group's engagement with these stakeholders vary and include elements of the following: ▪ Attendance at construction or technical conferences, where appropriate ▪ Regular one-on-one meetings with key suppliers

Stakeholder	Communication
Financial institutions	The financial institutions are custodians of the group's funds and provide funding for the acquisition of assets and/or investments. The group engages with them as follows: ▪ Regular meetings with the bankers ▪ Bank representatives are invited to attend the bi-annual results presentations
JSE and STRATE	The JSE and STRATE are responsible for the regulation of the group's securities which are listed on the Main Board of the JSE. The group engages with the JSE and STRATE as follows: ▪ Submission of documents, etc. for comment and approval in terms of the JSE Listings Requirements ▪ Participating in JSE training sessions where applicable and required ▪ Submitting comments on JSE draft regulations and rules, if required ▪ Engagement through the group's corporate sponsor
Trade unions	Trade unions are important as some of the group's workers are members. The key trade unions are NUM and AMCU. Engagement with these stakeholders includes: ▪ One-on-one meetings when required ▪ Participation through SAFCEC in the bargaining unit in respect of wage negotiations
Industry associations	Industry associations provide a forum to discuss and address industry-wide issues and also enable the industry to make representations to Government. The group's engagement with these associations is mainly through active membership.
National, Provincial and Local Governments	All levels of Government are important stakeholders as they set the regulatory environment within which the group operates, provide infrastructure and collect taxes. The group's engagement includes the following: ▪ Regular engagement with various departments within the Government, including SANRAL ▪ Interaction with the South African Revenue Service in respect of taxation issues and compliance

There have been no instances of any major non-compliance, fines prosecutions during the period under review.

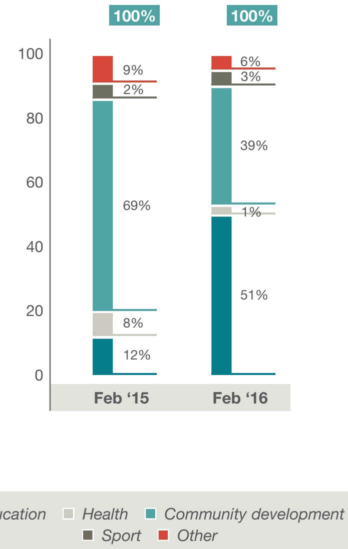
Corporate Social Investment ("CSI")

The group is aware of its social responsibilities and believes it is crucial for businesses to play a positive role in the communities within which they operate. The group's CSI strategy is to focus on education and skills development initiatives and in this way align the transformation of South Africa's previously disadvantaged individuals with the group's business model.

During the year a number of contributions were made towards improving school facilities in various communities including the construction of a sports platform at the Sasamala Secondary School in Harrismith to the value of R136 850, the construction of a classroom at the Lesseyton Primary School in Queenstown to the value of R557 712 and the construction of two classrooms at the Matebeleng Primary School situated in the Matebeleng Village in Botswana to the value of R533 157.

Sustainability report continued

The group contributed R4,3 million (2015: R4,5 million) which amounts to a combined 0,9% (2015: 1%) of profit after taxation towards social economic development projects which have been allocated according to the categories below:



Significant contributions were made to the following organisations:

Monyetla Project

The Monyetla Project is a registered public benefit organisation with the mission to assist top grade 12 achievers from previously disadvantaged communities to qualify for bursaries for tertiary education. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and every year the top 20 learners from different schools in the Free State are invited to be part of an elite group of students assisted by some of the most experienced educators the province has to offer.

During the 2015 school year a total of 619 grade 12 learners attended the programme. This group of learners achieved an overall pass rate of 96,1% including 169 distinctions. 68% of the learners received a Bachelor's pass, which qualifies them to study at a tertiary institution. This Bachelor pass rate well exceeded the provincial target set at 40%. The project is expected to reach 1 500 learners for the coming school year.

The Monyetla Project was supported with a financial contribution of R75 000 (2015: R50 000). This contribution allowed the top 40 learners to be exempted from programme fees.

www.monyetlaproject.co.za

Tshepang Educare Trust

The Tshepang Educare Trust is a non-profit organisation serving the interests of women and children in rural and disadvantaged areas. "Tshepang" which is a Sesotho word meaning "hope", supports farms, informal settlements and small towns throughout the Eastern Free State to help children living in these disadvantaged communities get access to quality early childhood development ("ECD").

The problem facing many of the children living in these areas is the lack of any kind of pre-school education programme which results in them being at a great disadvantage when entering mainstream schooling at the age of seven years. In most cases, the children that are not exposed to this early childhood development never catch up and are therefore disadvantaged for life.

Tshepang's main aim is to train members of these communities, to run a successful crèche or ECD centre, based in these informal settlements. This helps empower these individuals by giving them a chance to create a living through opening their own pre-schools, or to gain employment in existing ECD centres and also helps expose the young children in their communities to this vital form of education. Tshepang runs an 18-month programme which provides graduates with a Level 4 ECD certificate, authorised by ETDPSETA.

Tshepang also has a crèche for special needs children and has two mobile toy classrooms, which are taken to areas for children who cannot afford to attend a crèche. Employees of Tshepang also regularly visit areas to encourage parents to play constructively with their children and assist them in learning the basics required for school.

The Tshepang Educare Trust was supported with a financial contribution of R250 000 during the current year (2015: R250 000).

www.tshepangeducaretrust.co.za

Sustainability report continued

Spoudazo – Township Vegetable Tunnel Project

Spoudazo Enterprises Trust is a registered public benefit organisation, the purpose of which is to enhance the interests of the poor and vulnerable, to further their interests and well-being by means of providing them with welfare, humanitarian assistance, healthcare, land and housing, education and development services. Raubex has supported Spoudazo's Township Vegetable Tunnel Project since October 2012. This project involves setting up vegetable tunnels for individual households in addition to offering them training and mentoring. Currently there are 62 households in the townships of Mangaung benefiting from Raubex's contribution to the project.

The focus of this project is not only to ensure food security for these households but also to establish an economic system within their communities. Spoudazo is in the process of equipping them with the necessary vegetable growing skills that will aid them in earning an income, not only from the selling of their crops but also by sharing in the responsibilities of the set up and mentoring process of additional tunnels in their communities.

Many of these tunnel beneficiaries also produce for commercial purposes and have enjoyed fruitful seasons of delivering bountiful crops to local restaurants and retail shops in Bloemfontein, which has allowed them on average to increase their monthly income by around R700 per household.

Spoudazo was supported with a financial contribution of R330 050 (2015: R443 415) during the year.

www.spoudazo.org

Environmental sustainability

Environmental policy

Compliance to legislation is one of the overriding principles in the group's code of conduct. The group recognises that it has a responsibility to the environment beyond legal and regulatory requirements and is committed to reducing its environmental impact and continually improving its environmental performance as an integral part of its business strategy. The group is committed to providing a quality service across all of its business units and operations in a manner that ensures a safe and healthy workplace for its employees and minimises its potential impact on the environment.

The group has adopted an environmental policy that has been approved by the Board. The Exco is responsible for the implementation of this policy throughout the group. Company heads and all employees have a responsibility to ensure that the aims and objectives of the policy are met in their individual business units and areas of operation.

It is the policy of the group to:

- comply with all relevant legislation and regulatory requirements relating to the environment;
- identify significant environmental risks and put in place controls to mitigate these risks;
- promote sustainability strategies and the efficient use of materials and resources throughout the group, including water, electricity and raw materials including bitumen, aggregates, diesel and burner fuel;
- avoid the unnecessary use of hazardous materials and take all steps to protect human health and the environment when such materials are required to be used, stored and disposed of;

- promote the reuse and recycling of materials;
- promote environmental awareness among our employees and encourage them to work in an environmentally responsible manner;
- promote the implementation and audit of health, safety and environmental management systems and the attainment of industry recognised certifications;
- measure the group's carbon footprint annually and include the key data in the group's integrated report as well as submit to the CDP;
- develop environmental objectives and targets and compare these to actual results and industry standards;
- communicate this environmental policy throughout the organisation and make it publicly available to interested parties;
- communicate our environmental commitment to clients, customers and the public and encourage them to support it; and
- strive to improve our environmental performance and periodically review this environmental policy in light of current and planned future activities.

Compliance

The group is aware of its environmental responsibilities and the environmental legislation applicable to its various business operations. There is a culture of compliance within the senior management structures of the group and systems have been implemented to measure the impact that the group's activities have on the environment. The social and ethics committee is responsible for monitoring compliance to the policy and reporting on environmental matters.

ISO accreditation

The operations continued to make progress towards their objective to obtain industry recognised certification across all segments. ISO accreditation is part of the group's sustainability strategy and the following accreditations were valid at 29 February 2016.

Business	**Detail**	Date obtained
National Asphalt – Cliffdale	ISO 9001:2008	August 1996
National Asphalt – Mobile Plant	ISO 9001:2008	August 1996
National Asphalt – Bon Accord	ISO 9001:2008	February 2012
National Asphalt – Nelspruit	ISO 9001:2008	February 2014
National Asphalt – Cliffdale Laboratory	ISO 17025 accreditation	In progress
National Asphalt – Cliffdale	SABITA accreditation	July 2014
National Asphalt – Margate	SABITA accreditation	June 2015
Raubex Infra	ISO 9001	January 2013
Raubex Infra	ISO 14001	December 2014
Raubex Infra	OSHAS 18001	December 2014
SPH Kundalila	BS OHSAS 18001:2007	June 2013
Tosas	ISO 14001	May 2013
Tosas	BS-OSHAS 18001	May 2013
Tosas	SANS 4001-BT3	2014/2015
Tosas	SANS 4001-BT4	2014/2015
Tosas	SABITA accreditation	April 1998

Carbon footprint

The group recently completed its sixth annual carbon footprint assessment in June 2016 and will continue to submit the results on a voluntary basis to the Carbon Disclosure Project. The group's carbon footprint assessment has been compiled by external service providers using the following methodology and data submitted by the group. No external assurance was provided:

- The carbon emissions were measured in accordance with the GHG Protocol (WRI & WBCSD, 2004).
- As per the classification of the GHG Protocol, all Scope 1, Other Direct and Scope 2 emissions were included in the report.
- Scope 3 emissions were excluded from the analysis.
- The equity share approach was used to consolidate all emissions within the specified boundary.

A summary of the group's carbon footprint for the year ended 29 February 2016 is tabled below:

Carbon emissions	**2016 Tonnes CO_2e**	2015 Tonnes CO_2e
Scope 1 (Vehicles, mobile machinery, stationary fuels)	**148 634**	146 317
Scope 2 (Electricity)	**21 725**	21 530
Total carbon emissions	**170 359**	167 847
	kWh	kWh
Electricity consumed	**21 509 986**	20 903 285

Sustainability report *continued*

Intensity reporting

The group operates an integrated model consisting of a number of construction disciplines and construction-related manufacturing processes. Emissions vary depending on product specifications and contractual scope of works, which determines the type of equipment used, labour intensity and the volume of material required to complete the contract. The variable nature of the group's operations does not lend itself to meaningful intensity reporting metrics. Where applicable, individual business units have applied and monitor intensity measures.

Kg CO_2e/Revenue intensity

	2016	2015
Revenue (R'000)	**7 925 754**	7 245 259
CO_2e/Revenue (R'000)	**21,50 kg**	23,17 kg

Kg CO_2e/Asphalt production intensity

	2016	2015
Asphalt production (tonnes)	**1 059 362**	1 008 581
Asphalt production CO_2e (tonnes)	**31 133**	31 753
CO_2e/Asphalt tonnes produced	**29,4 kg**	31,5 kg
Target	**< 30 kg/tonne**	< 30 kg/tonne

Asphalt production

The group is particularly sensitive to the environmental impact of its asphalt production operations and advances have been made in reducing emissions from its asphalt plants. The measured carbon footprint of the group's asphalt production is in line with the average industry benchmark and its target is to reduce CO_2e emissions to below 30 kilograms per tonne.

Warm Mix Asphalt

National Asphalt is at the forefront in the implementation of Warm Mix Asphalt ("WMA") technologies which will result in lower carbon emissions through reduced energy consumption. These asphalt mixes include a variety of technologies from leading suppliers and include bitumen foaming technology. The company has also developed a local "green" WMA technology from renewable sources called EcoNat and it is believed that foaming and EcoNat will become the major warm asphalt mixes of the future.

Reclaimed Asphalt Pavement ("RAP")

The group is at the forefront of RAP technology in South Africa and through the in-house design and engineering facilities and expertise of Comar, the group has four asphalt plants with a capability to use up to 40% recycled materials to produce asphalt. The effect of this is the use of less virgin aggregates and bitumen, decreased heating costs and reduced waste as the milled material is reused in the new product resulting in both financial and environmental savings.

Bio fuels and bag houses

Asphalt operations make use of bio fuels in the cold mix asphalt processes and used engine and mechanical oils in the bitumen heating process. Bag houses are being implemented in plants to reduce dust emissions and this reduces the use of water to suppress these emissions.

New Crumb Rubber Technology ("NCRT")

Tosas, that manufactures and distributes value-added bituminous products, has focused its technical research and development efforts on environmental sustainability. Conventional bitumen rubber technology uses 20% of waste tyres. This type of bitumen modification improves the performance and durability and also extends the life of roads; however, extreme temperatures are required during the production and application of bitumen rubber. Tosas, through its research and development initiatives, has been able to reduce the manufacturing and production temperatures of NCRT by more than 30 degrees Celsius, which is a substantial energy saving.

Asphalt applications

	Conventional A-R1	NCRT
Binder manufacturing temperature	200ºC	180ºC
Asphalt mixing temperature	175 – 180ºC	140 – 150ºC
Asphalt paving temperature	135ºC	100ºC minimum
Shelf life	4 – 8 hours at 190 – 200ºC (12 – 15 hours)	7 days at 150ºC

Rooftop photovoltaic system

During the design process of the Infrastructure Division's office buildings in Estoire, a rooftop mounted PV system was added in an effort to save on local utility costs. An added benefit and motivating factor was the contribution that solar energy could make to carbon emission savings. Calculations were done determining the forecasted energy usage in kWh over a 12-month period and based on these results it was decided to install a 20 kW rooftop mounted PV system on the main building's roof. The installation consists of 72 x 305 W monocrystaline PV modules, connected in four strings of 18 modules each to a 22 kW inverter which feeds into the grid at a 400 V three-phase level. The system was commissioned on 1 December 2015 and has generated more than 11 MWh (11 000 kWh) over the first three months of operation which was more than adequate for daily use.

Other environmental sustainability initiatives

A number of other initiatives have been implemented throughout the group that will result in both cost savings and more environmentally friendly processes adopted by the group. These initiatives include the following:

- A mobile pre-coating plant has been developed that will enable road stone aggregate to be pre-coated with bitumen in a more controlled environment resulting in less wastage, lower diesel consumption and a reduced risk of spillage.
- Bitumen tank design and heat transfer technology have been improved to reduce bitumen heating costs and energy consumption.
- Waste recycling and disposal protocols are in place to ensure the responsible management and disposal of waste.

5 Financial performance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.

The reports and statements set out below comprise the financial statements presented to the shareholders:

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Statement of responsibility by the board of directors

for the year ended 29 February 2016

The directors are responsible for the maintenance of proper accounting records and the preparation, integrity and fair presentation of the annual financial statements and group annual financial statements of Raubex Group Limited and its subsidiaries. The annual financial statements presented on pages 67 to 160 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 71 of 2008, in South Africa and include amounts based on judgements and estimates made by management. The directors are also responsible for the preparation of the other information included in the annual report and for both its accuracy and its consistency with the annual financial statements.

The directors acknowledge that they are ultimately responsible for the process of risk management and the systems of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. These standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management and the internal auditor, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the group will not be a going concern in the foreseeable future based on forecasts and available cash resources. The viability of the company and the group is supported by the financial statements.

The financial statements have been audited by the independent auditors, PricewaterhouseCoopers Inc., that has been given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the Board. The directors believe that all representations made to the independent auditors during their audit were valid and appropriate. PricewaterhouseCoopers Inc.'s unmodified audit report is presented on page 64.

The financial statements were approved by the board of directors on 4 May 2016 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

Statement of compliance by the company secretary

I certify that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 71 of 2008, in respect of the year ended 29 February 2016, and that all such returns are true, correct and up to date.

Mrs HE Ernst
Company secretary

4 May 2016

Independent auditor's report

To the shareholders of Raubex Group Limited

Report on the financial statements

We have audited the consolidated and separate financial statements of Raubex Group Limited set out on pages 70 to 160, which comprise the statements of financial position as at 29 February 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Raubex Group Limited as at 29 February 2016, 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.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 29 February 2016, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 Raubex Group Limited for 10 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: L Rossouw
Registered auditor

4 May 2016

Audit committee report

The audit committee is pleased to present this report for the financial year ended 29 February 2016 in compliance with The Companies Act, 71 of 2008, and the recommendations of the King III report on corporate governance.

The audit committee is an independent statutory committee appointed by the Board and performs its functions on behalf of Raubex Group Limited and its subsidiary companies.

Audit committee terms of reference

The audit committee has adopted formal terms of reference that have been approved by the board of directors. The committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein.

Audit committee members, meeting attendance and assessment

The audit committee is independent and consists of the three independent, non-executive directors set out below. It meets at least four times per annum, with authority to convene additional meetings as circumstances require.

Name	Designation	Date appointed	Qualifications
Mr LA Maxwell	Independent non-executive (Chairman)	01/03/2007	BCom, CA(SA)
Mr BH Kent	Independent non-executive	24/02/2011	BCom, CA(SA), FCMA, HDip Tax, HDip Company Law
Ms NF Msiza	Independent non-executive	24/02/2011	BCom, HDip Tax, MBA

The chairman of the Board, executive directors, non-executive directors, external auditors, internal auditors, financial managers and other assurance providers attend meetings by invitation only.

During the year under review four meetings were held and attended as follows:

Name	4 May 2015	20 August 2015	5 November 2015	**25 February 2016**
Mr LA Maxwell	✓	✓	✓	✓
Mr BH Kent	✓	✓	✓	×
Ms NF Msiza	✓	✓	✓	✓

Role and responsibilities

The audit committee carried out its functions through the attendance of audit committee meetings, site visits and discussions with executive management and internal audit.

Statutory duties

The audit committee's role and responsibilities include statutory duties per the Companies Act, 71 of 2008, and further responsibilities assigned to it by the Board. The audit committee has executed its duties in terms of the requirements of King III.

The audit committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

External auditor appointment and independence

The audit committee has satisfied itself that the external auditors, PricewaterhouseCoopers Inc., are independent of the company and its subsidiaries and have ensured that their appointment has complied with the Companies Act, 71 of 2008.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the year ended 29 February 2016.

Financial statements and accounting practices

The audit committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards, the Companies Act, 71 of 2008, and the JSE Listings Requirements.

Audit committee report *continued*

Internal financial controls

The audit committee has reviewed the process by which internal audit performs its assessment of the effectiveness of the company's system of internal control, including internal financial controls. Nothing has come to the attention of the committee to indicate any material breakdown in the company's system of internal financial control. The audit committee is satisfied with the effectiveness of the company's internal financial controls.

Duties assigned by the Board

In addition to the statutory duties of the audit committee, as reported above, the board of directors has determined further functions for the audit committee to perform. These functions include the following:

Integrated reporting and combined assurance

The audit committee fulfils an oversight role regarding the company's integrated report and the reporting process and considers the level of assurance coverage obtained from management, internal and external assurance providers in making its recommendation to the Board.

Going concern

The audit committee reviews the going concern status of the company at each meeting and makes recommendations to the Board.

Governance of risk

The audit committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

An information technology steering committee assists the audit committee to fulfil their oversight role with regards to the governance of IT risks.

Internal audit

The audit committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties.

Evaluation of the expertise and experience of the financial director and finance function

The audit committee has satisfied itself that the financial director has appropriate expertise and experience.

The audit committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

LA Maxwell
Chairman of the audit committee

4 May 2016

Directors' report

This report presented by the directors is a constituent document of the group consolidated financial statements at 29 February 2016.

Nature of business

Raubex Group Limited is an investment holding company listed on the JSE Securities Exchange with interests in the Construction and Materials sector. The company does not trade and all of its activities are undertaken through a number of subsidiaries and joint arrangements. Details of the joint ventures and joint operations, major operating subsidiaries and associates are disclosed in notes 7, 40 and 41 of the group financial statements.

Group financial results

Group earnings attributable to owners of the parent for the year ended 29 February 2016 were R445,3 million (2015: R399,8 million), representing basic earnings per share of 236,9 cents (2015: 213,4 cents). Headline earnings per share were 234,4 cents (2015: 209,1 cents).

Full details of the financial position and results of the group are set out in these financial statements.

Share capital

There were 1 919 871 new shares (2015: 1 429 981) issued during the year in terms of the group share option scheme.

During the year 2 682 662 shares were repurchased by group subsidiaries (treasury shares).

Full details of the authorised and issued capital of the company at 29 February 2016 are set out in notes 12 and 13 of these financial statements.

Share option scheme

Full details of the share option scheme are set out in note 29 of these financial statements.

Dividend

The following dividends were declared during the year ended 29 February 2016:

- Final dividend number 16 declared on 11 May 2015 of 36 cents per ordinary share (2015: 35 cents per share)
- Interim dividend number 17 declared on 9 November 2015 of 36 cents per ordinary share (2015: 35 cents per share)

A final dividend in respect of the year ended 29 February 2016 of 42 cents per share was proposed at the board of directors' meeting on 4 May 2016 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Business combinations

Belabela Quarries (Pty) Ltd ("Belabela")

On 18 March 2015, the group effectively acquired 74% of Belabela for a purchase price of R43 million to be settled in cash. Belabela is a commercial quarry operating on the outskirts of Gaborone in Botswana. The acquisition will give the group a base from which it can expand and further develop its operating model in Botswana. The revenue included in the consolidated income statement since 1 March 2015 contributed by Belabela was R103,1 million with a net profit contribution of R15,2 million over the same period.

Mokwena Surfacing (Pty) Ltd ("Mokwena")

On 31 July 2015, the group acquired the asphalt manufacturing business including the asphalt plant and related fixed assets from Mokwena for a purchase price of R22 million in cash. These operations are located in Durbanville in the Western Cape province. The acquired operations contributed revenues of R7,4 million, and a net loss of R1,9 million, for the period from 31 July 2015 to 29 February 2016.

Phuhlisa Development Solutions (Pty) Ltd ("PDS")

On 1 March 2015, the group effectively acquired 80% of PDS for a purchase price of R0,4 million in cash. PDS is a professional consulting firm, providing engineering and project management services to the property development sector. The revenue included in the consolidated income statement since 1 March 2015 contributed by PDS was R2,5 million with a net profit contribution of R nil.

Details of the acquisition are set out in note 36 of these financial statements, while details of all subsidiaries are set out in note 40 of these financial statements.

Directors' report *continued*

Transactions with non-controlling interests

Centremark Roadmarking (Pty) Ltd

On 1 September 2015, the group acquired an additional 30% of the issued share capital from the non-controlling shareholders in Centremark Roadmarking (Pty) Ltd for R5,6 million in cash, increasing the group's shareholding from 65% to 95%.

Tosas Namibia (Pty) Ltd

Effective from 1 March 2015, the group entered into a sale of share agreement whereby 10% of Tosas Namibia (Pty) Ltd would be sold to a local Namibian non-controlling interest for R0,2 million. The group's interest was therefore reduced from 100% to 90%. The group still maintains control over Tosas Namibia (Pty) Ltd in terms of IFRS 10.

B&E International (Botswana) (Pty) Ltd

With the acquisition of the Belabela Quarries, one of the contractual conditions required that 26% of B&E international (Botswana) (Pty) Ltd be transferred to non-controlling interests effective from 31 March 2015. The group's interest in B&E International (Botswana) (Pty) Ltd therefore was reduced from 100% to 74%. The group still maintains control over the entity B&E International (Botswana) (Pty) Ltd in terms of IFRS 10.

Details of the transactions with non-controlling interests are set out in note 37 of these financial statements.

Capital commitments

Details of capital commitments are set out in note 35 of these financial statements.

Property, plant and equipment

There have been no major changes in the nature of the assets of the group during the year or in the policy relating to their use. Capital expenditure for the year amounted to R549,5 million (2015: R510,5 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R29,1 million (2015: R184,6 million).

Contingencies

Details of contingencies are set out in note 38 of these financial statements.

Events after the reporting period

Business combinations

OMV Kimberley (Pty) Ltd and OMV Kimberley Mining (Pty) Ltd ("OMV Kimberley")

The small merger of Raumix Aggregates (Pty) Ltd and OMV Kimberley, originally prohibited by the Competition Commission, was subsequently approved by the Competition Tribunal subject to certain conditions on 9 March 2016. On receipt of the Competition Tribunal's order on 9 March 2016 the group acquired 100% of OMV Kimberley for R37,5 million cash. OMV Kimberley is a commercial quarry operating in the Northern Cape province supplying aggregates to the construction industry.

Contingent liabilities

On 29 April 2011, shareholders were advised that the group had become aware of certain irregularities in terms of the provisions of the Competition Act, No 89 of 1998. The group filed a Fast Track application to the Competition Commission in accordance with the Commission's Invitation to Firms in the Construction Industry to Engage in Settlement of Contraventions of the Act by the required deadline date of 15 April 2011.

Raubex signed a consent agreement with the Commission on 21 June 2013 in which the company admitted that it had engaged in collusive conduct during 2006 and 2007 in respect of eight road construction contracts tendered on for the South African National Roads Agency SOC Limited ("SANRAL"). Raubex paid an administrative penalty of R58,8 million on 20 August 2013.

On 19 April 2016, the group received a summons to inform that SANRAL had instituted legal action against Raubex to claim relief for damages suffered as a consequence of certain of the contraventions referred to above. No provision for damages has been made in these annual financial statements.

No further material events after the reporting period occurred up to the date of preparation of these group financial statements.

Special resolutions

The following special resolutions were passed during the year:

Special resolution number one: Remuneration of non-executive directors

Resolved in terms of article 26.4.2 of the company's Memorandum of Incorporation and in accordance with sections 66(8) and 66(9) of the Companies Act, 71 of 2008, that the remuneration payable to the non-executive directors be as set out below for a period of two years, commencing 1 November 2015, unless such remuneration is proposed to be amended at the next AGM.

	Annual remuneration R
Chairman	**856 000**
Independent non-executive director	**695 500**
Non-executive director	**535 000**

Special resolution number two: General authority to acquire/(repurchase) shares

Resolved that the company and/or any subsidiary of the company be authorised by way of general authority to repurchase the company's own securities, upon such terms and conditions and in such amount as the directors of the company determine, but subject to the applicable requirements in the company's Memorandum of Incorporation, the Companies Act, 71 of 2008, and the JSE Listings Requirements.

Special resolution number three: Financial assistance to related or inter-related companies and corporations

Resolved that the Board may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company or any of its subsidiaries (and/or to any member of such subsidiary or related or inter-related company or corporation) for any purposes or in connection with any matter, including, but not limited to, the subscription for any options, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company.

Directorate and secretary

The names of the directors and secretary are set out on pages 14 and 15 of the integrated report.

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director and details of share options granted to the directors are set out in note 33 of these financial statements.

Shareholder spread

Details of the shareholder categories are set out in note 42 of these financial statements.

Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act, 71 of 2008. At the annual general meeting shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the group's auditors for the 2017 financial year.

Group statement of financial position

as at 29 February 2016

	Note	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**2 335 748**	2 171 829
Intangible assets	6	**829 283**	795 098
Investment in associates and joint ventures	7	**50 682**	10 708
Deferred income tax assets	18	**42 478**	43 136
Non-current inventories	8	**81 954**	90 668
Non-current trade and other receivables	10	**114 438**	129 355
Total non-current assets		**3 454 583**	3 240 794
Current assets			
Inventories	8	**482 162**	438 330
Construction contracts in progress and retentions	9	**369 184**	362 351
Trade and other receivables	10	**1 423 371**	1 253 668
Current income tax receivable		**27 593**	40 964
Cash and cash equivalents	11	**969 736**	937 275
Total current assets		**3 272 046**	3 032 588
Total assets		**6 726 629**	6 273 382
EQUITY			
Share capital	12	**1 892**	1 873
Share premium	12	**2 179 613**	2 179 613
Treasury shares	13	**(46 599)**	–
Other reserves	14	**(1 148 951)**	(1 140 762)
Retained earnings		**2 718 123**	2 381 905
Equity attributable to owners of the parent		**3 704 078**	3 422 629
Non-controlling interest	15	**128 764**	110 788
Total equity		**3 832 842**	3 533 417
LIABILITIES			
Non-current liabilities			
Borrowings	16	**682 027**	672 320
Provisions for liabilities and charges	17	**65 741**	54 253
Deferred income tax liabilities	18	**310 041**	311 621
Other financial liabilities	19	**59 385**	77 262
Total non-current liabilities		**1 117 194**	1 115 456
Current liabilities			
Trade and other payables	20	**1 323 782**	1 170 248
Borrowings	16	**411 411**	427 620
Current income tax liabilities		**18 466**	26 641
Other financial liabilities	19	**22 934**	–
Total current liabilities		**1 776 593**	1 624 509
Total liabilities		**2 893 787**	2 739 965
Total equity and liabilities		**6 726 629**	6 273 382

The notes on pages 75 to 142 are an integral part of these group financial statements.

Group statement of profit or loss

for the year ended 29 February 2016

	Note	2016 R'000	2015 R'000
Revenue	21	**7 925 754**	7 245 259
Cost of sales	24	**(6 800 882)**	(6 257 742)
Gross profit		**1 124 872**	987 517
Other income	22	**27 966**	12 113
Other gains/(losses) – net	23	**12 695**	9 984
Administrative expenses	24	**(454 970)**	(387 443)
Operating profit		**710 563**	622 171
Finance income	25	**41 872**	46 520
Finance costs	25	**(91 116)**	(62 259)
Finance costs – net	25	**(49 244)**	(15 739)
Share of profit of investments accounted for using the equity method	7	**324**	205
Profit before income tax		**661 643**	606 637
Income tax expense	26	**(192 240)**	(178 563)
Profit for the year		**469 403**	428 074
Attributable to:			
Owners of the parent		**445 308**	399 837
Non-controlling interests	15	**24 095**	28 237
		469 403	428 074
Basic earnings per share (cents)	30	**236,9**	213,4
Diluted earnings per share (cents)	30	**234,3**	209,9

The notes on pages 75 to 142 are an integral part of these group financial statements.

Group statement of comprehensive income

for the year ended 29 February 2016

	Note	2016 R'000	2015 R'000
Profit for the year		**469 403**	428 074
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**149**	(137)
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	14	**(2 069)**	382
Other comprehensive income for the year, net of tax		**(1 920)**	245
Total comprehensive income for the year		**467 483**	428 319
Attributable to:			
Owners of the parent		**443 388**	400 082
Non-controlling interests		**24 095**	28 237
Total comprehensive income for the year		**467 483**	428 319

The notes on pages 75 to 142 are an integral part of these group financial statements.

Group statement of changes in equity

for the year ended 29 February 2016

	Share capital R'000	Share premium R'000	Treasury Shares R'000	Other reserves R'000	Retained earnings R'000	Total attributable to owners of the parent company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 March 2014	1 859	2 179 613	–	(1 104 240)	2 109 193	3 186 425	54 612	3 241 037
Changes in equity:								
Shares issued in terms of equity-settled share option scheme	14	–	–	(16 242)	16 242	14	–	14
Share option reserve	–	–	–	27 797	–	27 797	–	27 797
Put option written on non-controlling interest	–	–	–	(48 459)	–	(48 459)	–	(48 459)
Non-controlling interest arising on business combination	–	–	–	–	–	–	61 376	61 376
Acquisition of non-controlling interest	–	–	–	–	(12 099)	(12 099)	(195)	(12 294)
Total comprehensive income for the year	–	–	–	382	399 700	400 082	28 237	428 319
Dividends paid	–	–	–	–	(131 131)	(131 131)	(33 242)	(164 373)
Total changes	14	–	–	(36 522)	272 712	236 204	56 176	292 380
Balance at 28 February 2015	1 873	2 179 613	–	(1 140 762)	2 381 905	3 422 629	110 788	3 533 417
Balance at 1 March 2015	1 873	2 179 613	–	(1 140 762)	2 381 905	3 422 629	110 788	3 533 417
Changes in equity:								
Shares issued in terms of equity-settled share option scheme	19	–	–	(25 995)	25 995	19	–	19
Share option reserve	–	–	–	19 875	–	19 875	–	19 875
Non-controlling interest arising on business combination	–	–	–	–	–	–	5 951	5 951
Disposal of interest to non-controlling interest	–	–	–	–	(54)	(54)	254	200
Acquisition of non-controlling interest	–	–	–	–	443	443	(6 043)	(5 600)
Acquisition of treasury shares	–	–	(46 599)	–	–	(46 599)	–	(46 599)
Total comprehensive income for the year	–	–	–	(2 069)	445 457	443 388	24 095	467 483
Dividends paid	–	–	–	–	(135 623)	(135 623)	(6 281)	(141 904)
Total changes	19	–	(46 599)	(8 189)	336 218	281 449	17 976	299 425
Balance at 29 February 2016	**1 892**	**2 179 613**	**(46 599)**	**(1 148 951)**	**2 718 123**	**3 704 078**	**128 764**	**3 832 842**
Notes	12	12	13	14			15	

The notes on pages 75 to 142 are an integral part of these group financial statements.

Group statement of cash flows

for the year ended 29 February 2016

	Note	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash generated from operations	32	**1 050 461**	785 053
Finance income	25	**41 872**	46 520
Finance costs	25	**(84 522)**	(57 900)
Income tax paid	32	**(190 449)**	(188 848)
Net cash generated from operating activities		**817 362**	584 825
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(549 535)**	(510 599)
Proceeds from sale of property, plant and equipment	32	**48 825**	40 267
Acquisition of subsidiaries	36	**(47 049)**	(202 485)
Loans granted to associates and joint ventures	7	**(39 650)**	(10 500)
Net cash used in investing activities		**(587 409)**	(683 317)
Cash flows from financing activities			
Proceeds from borrowings		**502 667**	752 827
Repayment of borrowings		**(509 725)**	(411 642)
Proceeds from shares issued		**19**	14
Dividends paid to owners of the parent	31	**(135 623)**	(131 131)
Dividends paid to non-controlling interests	15	**(6 281)**	(33 242)
Disposal of interest in a subsidiary	37	**200**	–
Acquisition of non-controlling interest	37	**(5 600)**	(12 294)
Acquisition of treasury shares	13	**(46 599)**	–
Net cash (used in)/generated from financing activities		**(200 942)**	164 532
Net increase in cash and cash equivalents		**29 011**	66 040
Cash and cash equivalents at the beginning of the year		**937 275**	871 260
Effects of exchange rates on cash and cash equivalents		**3 450**	(25)
Cash and cash equivalents at the end of the year	11	**969 736**	937 275

The notes on pages 75 to 142 are an integral part of these group financial statements.

Notes to the group financial statements

for the year ended 29 February 2016

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of Raubex Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS Interpretations Committee ("IFRS IC"), the JSE Listings Requirements and the Companies Act, 71 of 2008, of South Africa and are consistent with those of the previous year. The consolidated financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

The operating cycle of construction contracts in progress and retentions is considered to be more than 12 months. Accordingly the associated liabilities are classified as current as they are expected to be settled within the same operating cycle as construction contracts in progress and retentions.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

1.1 Significant estimates and judgements

The preparation of the financial statements in conformity with International Financial Reporting Standards requires the group's management to make estimates and judgements concerning the future that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. The resulting accounting estimates and judgements can, by definition, only approximate the actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below.

Estimates made in determining changes in estimated useful lives and residual value of property, plant and equipment

Annual evaluations on estimated useful lives and residual values are performed. These are conducted with reference to external valuations and confirmations supporting the reasonableness of estimates made.

Estimates regarding impairment of property, plant and equipment

The group continually assesses the recoverability of property, plant and equipment. Expected cash flows are inherently uncertain and could change over time. They are affected by a number of factors including estimates of cost of production, sustaining capital expenditure and product markets. The assets were evaluated with reference to external market valuations and management estimates to support the reasonableness of carrying values as part of the assets' annual evaluation process.

Estimated impairment of goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (note 6).

Construction contract revenue recognition and profit taking

The group uses the percentage-of-completion method in accounting for its construction contracts. Use of the percentage-of-completion method requires the group to estimate the construction services and activities performed to date as a proportion of the total services and activities to be performed. In addition, judgements are required when recognising and measuring any variations or claims on each contract (refer to note 9).

Notes to the group financial statements continued

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.1 Significant estimates and judgements (continued)

Estimate of exposure and liabilities with regard to rehabilitation costs

Estimated long-term environmental obligations, comprising rehabilitation, are based on the group's environmental management plans in compliance with current technological, environmental and regulatory requirements (refer to note 17).

Fair value of share-based compensation

The fair value of the employee share options are being determined using the Black-Scholes model. The significant inputs into the model are: vesting periods and conditions, risk-free interest rate, volatility, price on date of grant and dividend yield (refer to note 29).

Consolidation of entities in which the group holds less than 50%

The group tests annually whether control exist in entities in which the group holds less than 50%. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity (refer to note 40).

1.2 Consolidation

Common control transactions

Business combinations involving entities or businesses under common control are excluded from the scope of IFRS 3 "Business Combinations". A business combination involving entities or businesses under common control is defined in IFRS 3 as "a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory."

The "predecessor values" method is used to account for common control transactions. The "predecessor values" method requires financial statements to be prepared using predecessor book values without any step up to fair value. The difference between any consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity are recorded as an adjustment to equity as a common control reserve. No additional goodwill is created by the transaction.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 uses 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 and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. 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 acquiree's net assets. The group applied the non-controlling interest's proportionate share of the acquiree's net assets when recognising the non-controlling interest in the acquiree.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments.

The sum of the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; and gains or losses arising from such remeasurement are recognised in profit or loss.

1. Summary of significant accounting policies (continued)

1.2 Consolidation (continued)

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Changes in ownership interest in subsidiaries without change in control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners.

The group applies the economic entity model as a policy of treating transactions with non-controlling interests. The difference between the purchase consideration and the carrying value of the net assets acquired is recognised in equity against a separate reserve for transactions with non-controlling interests. The gains and losses on disposals to non-controlling interests are also recorded in equity against the same reserve.

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 operation 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.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The group’s share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “share of profit/(loss) of associates” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the group and its associate are recognised in the group’s financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

Notes to the group financial statements continued

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.2 Consolidation (continued)

Joint arrangements

The group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures and joint operations.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures. Loans to joint ventures are included in the investment in joint ventures line in the statement of financial position.

Joint operations are those entities in which the group has joint control. The group accounts for its assets and liabilities, revenue and expenses, as well as its share of assets, liabilities, revenue and expenses of joint operations in the consolidated financial statements.

The results of joint arrangements are included from the effective dates of acquisition and up to the effective dates of derecognition.

Inter-company transactions, balances and unrealised gains on transactions between the group and its joint operations are eliminated on consolidation to the extent of the group's interest. Unrealised losses are eliminated and are also considered an impairment indicator of the asset transferred. Accounting policies of joint arrangements have been changed where necessary to ensure consistency with policies adopted by the group.

The group recognises in relation to its interest in a joint operation:
- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly

The group recognises the portion of gains or losses on the sale of assets by the group to the joint operations. The group does not recognise its share of profits or losses from the joint operations that result from the group's purchase of assets from the joint operation until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

1.3 Segment reporting

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 group executive committee.

Management has determined the operating segments based on the reports reviewed by the executive committee that are used to make strategic decisions.

The committee considers the business from both a geographic and product perspective. Geographically management considers the performance from a South African (national) and African (international) perspective. The business is further segregated into the following four operating divisions:
- Road surfacing and light rehabilitation (including the manufacture and distribution of value added bituminous products, which consist of the operations of Tosas (Pty) Ltd in South Africa, Namibia and Botswana)
- Road construction, earthworks and heavy rehabilitation
- Aggregate supply, contract crushing and material handling
- Infrastructure (including energy, rail, telecommunications, pipeline and housing)

The executive committee assesses the performance of the operating segments based on operating profit.

1. Summary of significant accounting policies (continued)

1.3 Segment reporting (continued)

Inter-segment transfers

Segment revenue and segment expenses include transfers between business segments and between geographical segments. Such transfers are accounted for at arm's length prices. These transfers are eliminated on consolidation.

Segment revenue and expenses

All segment revenue and expenses are directly attributable to the segments. Segment revenue and expenses are allocated to the geographic segments based on the location of the operating activity.

Segment assets

These are all operating assets used by a segment, principally property, plant and equipment, investments, inventories, contracts in progress, receivables (net of allowances) and cash and cash equivalents. Segment assets are allocated to the geographic segments based on where the assets are located.

Segment liabilities

These are all operating liabilities of a segment, principally accounts payable, subcontractor liabilities and external interest-bearing borrowings.

1.4 Translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale, are included in the available-for-sale reserve in equity.

Group companies

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

- 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;
- income and expenses for each statement of profit or loss 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
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

1.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.5 *Property, plant and equipment* (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	50 years
Mechanical workshops	10 to 20 years
Machinery	3 to 20 years
Vehicles	4 to 10 years
Furniture, fittings and equipment	3 to 8 years

Aircraft is split into the following three components: air frame, engine and avionics. These components are depreciated based on the number of flight hours flown during the period to the total estimated number of flight hours. Aircraft are disclosed under the vehicles and machinery category (refer to note 5).

Commercial quarries are depreciated over the expected life of the mine on a unit of production basis and are disclosed under the land and buildings category (refer to note 5).

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to note 1.7). Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses) – net" in the statement of profit or loss.

1.6 *Intangible assets*

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling shareholders' interests in the acquiree. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to the operating segment. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Trademarks and licences

Trademarks are not amortised but tested annually for impairment and carried at cost less accumulated impairment losses. Separately acquired trademarks and licences are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date.

Licences have a finite useful life and are amortised over the contract period.

1. Summary of significant accounting policies (continued)

1.6 Intangible assets (continued)

Mining rights are amortised over the expected life of the mine on a straight-line basis and are carried at cost less accumulated amortisation.

Licences/rights	5 years
Mining rights for commercial quarries	9 to 50 years

1.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.8 Financial instruments

Financial instruments are recognised when the entity becomes party to the contractual provisions of the instruments. Financial instruments are derecognised when substantially all risks and rewards of ownership have been transferred.

Financial instruments are recognised initially on transaction date at fair value. For financial instruments carried at fair value through profit and loss, transaction costs are recognised immediately in the consolidated statement of profit and loss.

The group classifies its financial instruments into the following categories depending on the purpose for which the instrument was acquired. Management determines the classification at the time of initial recognition.

The group's categories are as follows:
- Loans and receivables
- Financial liabilities held at amortised cost
- Financial liabilities at fair value through profit and loss

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The recoverable amount of the group's loans and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The group assesses at the end of each reporting period whether there is objective evidence that loans and receivables are impaired. Loans and receivables are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and receivable and has an impact on the estimated future cash flows of the asset that can be reliably estimated.

An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Loans and receivables on the face of, or included in the notes to, the consolidated statement of financial position include:

(a) Loans to associates and joint ventures

Loans are recognised at amortised cost and include accrued interest (where applicable).

Notes to the group financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.8 *Financial instruments* (continued)

(b) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities held at amortised cost

These instruments include trade payables, accruals, bank overdrafts, put option liabilities and amounts owed for assets held under finance lease agreements and are carried at amortised cost. Financial liabilities shown on the face of, or included in notes to, the consolidated statement of financial position include:

(a) Trade and other payables

Trade and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The obligation arising is expected to be settled within 12 months of the reporting date.

(b) Borrowings and bank overdrafts

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

In the consolidated statement of financial position, bank overdrafts are shown in current liabilities.

(c) Other financial liabilities – put option

Put options are recognised initially at the present value of the redemption amount. When the financial liability is recognised initially, its value is reclassified from equity. Subsequently, the financial liability is measured at amortised cost using the effective interest method. Any adjustments are recognised in profit or loss. If the put option expires without delivery, the carrying amount of the put option is reclassified to equity.

Financial liabilities at fair value through profit and loss

(a) Other financial liabilities – contingent consideration

Contingent considerations have originated from the acquisition of business combinations. Additional contingent considerations are payable by the group dependent on the acquired company's earnings over a period in the future. Contingent considerations are recognised initially at fair value. When the financial liability is recognised initially, its fair value is included in the consideration transferred by the group in the business combination. Subsequently, the contingent consideration is measured at fair value. Gains and losses arising from changes in the fair value of the liability are included in profit or loss.

1. Summary of significant accounting policies (continued)

1.8 Financial instruments (continued)

Derecognition

Financial assets or a portion thereof are derecognised when the group's rights to the cash flows expire or when the group transfers all the risks and rewards related to the financial asset or when the group loses control of the financial asset.

Financial liabilities or a portion thereof are derecognised when the obligations specified in the contract are discharged, cancelled or expire.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the applicable variable selling expenses. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Development land is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, development and borrowing costs during development. All direct and indirect costs attributable to development land that are incurred to prepare development land for its intended use, are capitalised up to the date that the development is ready for its intended use. When development land is ready for its intended use, borrowing costs and other charges are expensed as incurred.

Aggregates and gypsum tonnes held in stockpile which exceeds the annual tonnes to be sold in the following year are classified as non-current in the statement of financial position.

1.10 Construction contracts in progress

A construction contract is defined by IAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

Contract costs are initially recognised at cost when incurred. Costs include all costs that relate directly to the specific contract, and allocated overheads relating to construction contracts generally.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The group uses the "percentage of completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the reporting date as a percentage of total estimated costs for each contract. Costs incurred during the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within trade and other receivables and retentions are included in construction contracts in progress.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.10 Construction contracts in progress (continued)

The group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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 asset.

1.11 Share capital and equity

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as part of other reserves.

Treasury shares

Where any group company reacquires its own equity instruments (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income taxes) is deducted from equity attributable to the group's equity holders 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 group's equity holders. Any difference between the carrying amount and the consideration received, if reissued, is recognised in equity attributable to the company's equity shareholders. Dividends received on treasury shares are eliminated on consolidation.

1.12 Current and deferred income tax

Current income tax assets and liabilities

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current income tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income.

Deferred income taxes

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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 or loss. Deferred income tax liabilities are not recognised on the initial recognition of goodwill.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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 is provided for on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

1. Summary of significant accounting policies (continued)

1.12 Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes, assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilised. Generally the group is unable to control the reversal of the temporary difference for associates.

1.13 Dividend tax ("DT")

DT is a tax imposed on shareholders at a rate of 15% on receipt of dividends. The DT is categorised as a withholding tax, as the tax is withheld and paid to the South African Revenue Service by the company paying the dividend or by a regulated intermediary and not the person liable for the tax.

1.14 Provisions and contingencies

Provisions are recognised when:

- the group has a present, legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Environmental rehabilitation provisions

In terms of section 41(3) of the Mineral and Petroleum Resources Development Act, the holder of a mining right must annually assess their environmental liability with regards to the site over which the right is held and increase their financial provision to the satisfaction of the minister. The group's rehabilitation provisions are assessed annually and calculations are based on guidelines set out by the Department of Mineral Resources. The provision represents the present day obligation to rehabilitate the site to the standard required by the Department of Mineral Resources.

1.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the sale of goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax. Inter-company revenues are eliminated on consolidation.

No significant element of financing is deemed present. The terms granted to customers facilitate the preparation of payments. Prices are not linked to any changes in a recognised index of interest rates.

The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below.

Contracting revenue

Revenue from construction contracts are recognised on the stage of completion method. Refer policy 1.10 for further detail.

Commercial quarry revenue

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods have passed to the buyer.

Bitumen and emulsion products and services

Revenue from the sale of value-added bituminous products and provision of related services is recognised when significant risk and rewards of ownership of the goods have passed to the buyer.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.15 Revenue recognition (continued)

Plant hire revenue

Revenue from plant hire is recognised on a percentage completion basis over time based on operating hours.

Property sales and development fees

Property sales are recognised when risks and rewards of ownership are transferred. Development fees represent amounts receivable for project management services, development fees and subsidies receivable for the development of housing.

Other income

Other income from sale of goods or provision of services is recognised when significant risk and rewards of ownership of the goods have passed to the buyer. Revenue for services provided is recognised on a percentage completion basis of the specific transaction and assessed on the basis of the actual service provided as a portion of the total service to be provided, when the outcome of the transaction can be estimated reliably.

Interest income and dividends

Interest is recognised on a time-proportion basis using the effective interest rate method. Dividends are recognised when the company's right to receive payment has been established.

When a loan and receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

1.16 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases

Finance leases where the group is the lessee are recognised as assets and liabilities in the statement of financial position at the lease's commencement at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the "actuarial method". The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

Operating leases

Operating leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

1. Summary of significant accounting policies (continued)

1.17 Employee benefits

Pension obligations

The group operates defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid.

The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Other post-employment obligations

Some group companies provide post-retirement healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

Profit sharing and bonus plans

The group pays performance-based bonuses based on evaluations by management. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Share-based compensation

The group operates an equity-settled share-based compensation plan.

Under the equity-settled plan, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At each reporting date, the entity revises its estimate of the number of options that are expected to vest. It recognised the impact of the revision to original estimates, in the statement of profit or loss, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

1.18 Dividend distribution

Dividend distribution to the company’s shareholders is recognised as a liability in the group’s financial statements in the period in which the dividends are approved by the board of directors.

1.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Management views a substantial period to be longer than 12 months. All other borrowing costs are expensed.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

2. Standards, interpretations and amendments to published standards

New and amended standards adopted by the group

A number of International Financial Reporting Standards, interpretations and amendments have become effective for the first time for the year ended 29 February 2016. The group has applied the following amendment for the first time for the current reporting period:

International Financial Reporting Standards and amendments effective for the first time for 29 February 2016 year-end

Number	Effective date	Summary
Amendment to IAS 19: *Employee benefits, on defined benefit plans*	**1 July 2014**	Simplification of accounting for contributions that are independent of the number of years of employee service.

The adoption of the amendment did not have a significant impact on the current or any prior period and is not likely to affect future periods.

New standards and interpretations not yet adopted by the group

A number of International Financial Reporting Standards, interpretations and amendments have been issued during the year but are not yet effective for the year ended 29 February 2016 and have not been early adopted by the group.

The following standards and amendments are expected to have a significant effect on the results of operations, the financial position of the group and the current presentation and layout of the financial statements:

International Financial Reporting Standards and amendments issued but not yet effective for 29 February 2016 year-end

Number	Effective date	Summary
Amendments to IAS 1: *"Presentation of financial statements" disclosure initiative*	**1 January 2016**	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
IFRS 9: *Financial Instruments (2009 and 2010)* ▪ Financial liabilities ▪ Derecognition of financial instruments ▪ Financial assets General hedge accounting	**1 January 2018**	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss.

2. Standards, interpretations and amendments to published standards (continued)

International Financial Reporting Standards and amendments issued but not yet effective for 29 February 2016 year-end

Number	Effective date	Summary
Amendment to IFRS 9: *"Financial instruments", on general hedge accounting*	**1 January 2018**	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: ▪ The own credit risk requirements for financial liabilities. ▪ Classification and measurement (C&M) requirements for financial assets. ▪ C&M requirements for financial assets and financial liabilities. ▪ The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
IFRS 15: *Revenue from contracts with customers*	**1 January 2018**	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 16: *Leases*	**1 January 2019**	The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

2. Standards, interpretations and amendments to published standards (continued)

The following standards and amendments are relevant to the group, but are not expected to have any significant effect on the results of operations:

International Financial Reporting Standards and amendments issued but not yet effective for 29 February 2016 year-end

Number	Effective date	Summary
Amendments to IFRS 10: *"Consolidated financial statements"*; and **IAS 28:** *"Investments in associates and joint ventures" on sale or contribution of assets*	**Postponed (initially 1 January 2016)**	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
Amendments to IFRS 10: *"Consolidated financial statements"*; and **IAS 28:** *"Investments in associates and joint ventures" on applying the consolidation exemption*	**1 January 2016**	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11: *"Joint arrangements" on acquisition of an interest in a joint operation*	**1 January 2016**	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendments to IAS 27: *"Separate financial statements" on equity accounting*	**1 January 2016**	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
Amendment to IAS 7: *Cash flow statements*	**1 January 2017**	In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

3. Financial instruments and financial risk management

Overview

The group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate 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 the executive committee under approval by the board of directors. The executive committee identifies and evaluates financial risks in close cooperation with the group's operating units. The board provides principles for overall risk management.

Categories of financial instruments

	Note	Loans and receivables at amortised cost R'000	Financial liabilities held at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2015					
Loans to associates and joint ventures	7	10 463	–	–	10 463
Non-current trade and other receivables	10	129 355	–	–	129 355
Construction contracts in progress and retentions	9	362 351	–	–	362 351
Trade and other receivables	10	1 184 323	–	–	1 184 323
Cash and cash equivalents	11	937 275	–	–	937 275
Borrowings	16	–	(1 099 940)	–	(1 099 940)
Other financial liabilities	19	–	(50 397)	(26 865)	(77 262)
Trade and other payables	20	–	(1 091 460)	–	(1 091 460)
Total		2 623 767	(2 241 797)	(26 865)	355 105
At 29 February 2016					
Loans to associates and joint ventures	7	**49 643**	**–**	**–**	**49 643**
Non-current trade and other receivables	10	**114 438**	**–**	**–**	**114 438**
Construction contracts in progress and retentions	9	**369 184**	**–**	**–**	**369 184**
Trade and other receivables	10	**1 326 668**	**–**	**–**	**1 326 668**
Cash and cash equivalents	11	**969 736**	**–**	**–**	**969 736**
Borrowings	16	**–**	**(1 093 438)**	**–**	**(1 093 438)**
Other financial liabilities	19	**–**	**(53 749)**	**(28 570)**	**(82 319)**
Trade and other payables	20	**–**	**(1 279 780)**	**–**	**(1 279 780)**
Total		**2 829 669**	**(2 426 967)**	**(28 570)**	**374 132**

The trade and other receivables and trade and other payables disclosed in the tables above exclude the non-financial assets and liabilities carried on the statement of financial position. The total value of non-financial assets excluded from trade and other receivables is R96,7 million (2015: R69,4 million) and the total value of non-financial liabilities excluded from trade and other payables is R44 million (2015: R78,8 million).

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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).

Notes to the group financial statements *continued*

for the year ended 29 February 2016

3. Financial instruments and financial risk management (continued)

Fair value estimation (continued)

The following table presents the group's financial assets and liabilities that are measured at fair value at 29 February 2016.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Contingent consideration	–	–	26 865	26 865
Total liabilities	–	–	26 865	26 865
At 29 February 2016				
Financial liabilities at fair value through profit or loss				
Contingent consideration	**–**	**–**	**28 570**	**28 570**
Total liabilities	**–**	**–**	**28 570**	**28 570**

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The group had no financial instruments measured at fair value according to level 1 at reporting date.

(b) Financial instruments in level 2

The group had no financial instruments measured at fair value according to level 2 at reporting date.

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 29 February 2016:

	Contingent consideration in a business combination R'000	Total R'000
Year ended 28 February 2015		
Opening balance	4 900	4 900
Acquisition of subsidiaries	21 010	21 010
Gains and losses recognised in profit or loss	955	955
Closing balance	26 865	26 865
Year ended 29 February 2016		
Opening balance	**26 865**	**26 865**
Gains and losses recognised in profit or loss	**1 705**	**1 705**
Closing balance	**28 570**	**28 570**

See note 19 for disclosures relating to the measurement of the contingent considerations.

3. Financial instruments and financial risk management (continued)

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The group operates across sub-Saharan Africa and is exposed to foreign exchange risk arising from currency exposures. Foreign exchange risk arises from recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the group would consider using, if necessary, forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through managing the foreign asset base.

The carrying amount of the group's foreign currency denominated monetary assets and liabilities at year-end is as follows:

	South African rand and Namibian dollar* R'000	Mozambican metical R'000	Zambian kwacha R'000	Botswana pula R'000	US dollar R'000	Total R'000
Year ended 28 February 2015						
Non-current assets						
Trade and other receivables	129 355	–	–	–	–	129 355
Current assets						
Construction contracts in progress and retentions	347 753	9 206	5 392	–	–	362 351
Trade and other receivables	1 117 259	4 599	54 650	4 523	3 292	1 184 323
Cash and cash equivalents	906 919	11 348	1 433	10 718	6 857	937 275
Total monetary assets	2 501 286	25 153	61 475	15 241	10 149	2 613 304
Non-current liabilities						
Borrowings	672 320	–	–	–	–	672 320
Current liabilities						
Borrowings	427 620	–	–	–	–	427 620
Trade and other payables	1 079 712	2 666	7 924	1 019	139	1 091 460
Total monetary liabilities	2 179 652	2 666	7 924	1 019	139	2 191 400
Net monetary assets at year-end	321 634	22 487	53 551	14 222	10 010	421 904

Notes to the group financial statements *continued*

for the year ended 29 February 2016

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

	South African rand and Namibian dollar* R'000	Mozambican metical R'000	Zambian kwacha R'000	Botswana pula R'000	US dollar R'000	Total R'000
Year ended 29 February 2016						
Non-current assets						
Trade and other receivables	114 438	–	–	–	–	114 438
Current assets						
Construction contracts in progress and retentions	355 734	2 178	10 534	738	–	369 184
Trade and other receivables	1 139 057	33 724	131 985	21 902	–	1 326 668
Cash and cash equivalents	791 659	40 710	28 931	36 393	72 043	969 736
Total monetary assets	2 400 888	76 612	171 450	59 033	72 043	2 780 026
Non-current liabilities						
Borrowings	674 633	–	–	7 394	–	682 027
Current liabilities						
Borrowings	409 250	–	–	2 161	–	411 411
Trade and other payables	1 195 112	22 022	42 589	19 929	128	1 279 780
Total monetary liabilities	2 278 995	22 022	42 589	29 484	128	2 373 218
Net monetary assets at year-end	121 893	54 590	128 861	29 549	71 915	406 808

* *No exchange risk exists between the South African rand and the Namibian dollar, as the exchange rate is 1:1.*

The trade and other receivables and trade and other payables disclosed in the tables above exclude the non-financial assets and liabilities carried on the statement of financial position. The total value of non-financial assets excluded from trade and other receivables is R96,7 million (2015: R69,4 million) and the total value of non-financial liabilities excluded from trade and other payables is R44 million (2015: R78,8 million).

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

A sensitivity analysis has been performed to monitor the financial effect of changes in foreign exchange rates relating to translation risk. The analysis below depicts the impact an appreciation and depreciation of 10% in the value of the rand would have on the overall profit before tax of the group:

	Change in exchange rate %	Increase/(decrease) in profit before tax or reserves of the group due to a depreciation of the rand R'000	Increase/(decrease) in profit before tax or reserves of the group due to an appreciation of the rand R'000
Year ended 28 February 2015			
Total monetary assets		11 202	(11 202)
Mozambican metical	10	2 515	(2 515)
Zambian kwacha	10	6 148	(6 148)
Botswana pula	10	1 524	(1 524)
Us dollar	10	1 015	(1 015)
Total monetary liabilities		(1 175)	1 175
Mozambican metical	10	(267)	267
Zambian kwacha	10	(792)	792
Botswana pula	10	(102)	102
US dollar	10	(14)	14
Net increase/(decrease) in group profit before tax or reserves		10 027	(10 027)
Year ended 29 February 2016			
Total monetary assets		**37 913**	**(37 913)**
Mozambican metical	**10**	**7 661**	**(7 661)**
Zambian kwacha	**10**	**17 145**	**(17 145)**
Botswana pula	**10**	**5 903**	**(5 903)**
Us dollar	**10**	**7 204**	**(7 204)**
Total monetary liabilities		**(9 422)**	**9 422**
Mozambican metical	**10**	**(2 202)**	**2 202**
Zambian kwacha	**10**	**(4 259)**	**4 259**
Botswana pula	**10**	**(2 948)**	**2 948**
US dollar	**10**	**(13)**	**13**
Net increase/(decrease) in group profit before tax or reserves		**28 491**	**(28 491)**

In addition to the foreign currency translation risk that arises from the group's foreign operations, the group is also exposed to foreign currency operational risk.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

A sensitivity analysis has been performed to monitor the financial effect of changes in foreign exchange rates. The analysis below depicts the impact an appreciation and depreciation of 10% in the average value of the rand for the year would have on the overall operating profit of the group:

	Change in exchange rate %	Increase/(decrease) in the operating profit of the group due to a depreciation of the rand R'000	Increase/(decrease) in the operating profit of the group due to an appreciation of the rand R'000
Year ended 28 February 2015			
Net increase/(decrease) in group operating profit		1 425	(1 425)
Mozambican metical	10	(716)	716
Zambian kwacha	10	1 506	(1 506)
Botswana pula	10	395	(395)
US dollar	10	240	(240)
Year ended 29 February 2016			
Net increase/(decrease) in group operating profit		**8 927**	**(8 927)**
Mozambican metical	**10**	**3 030**	**(3 030)**
Zambian kwacha	**10**	**1 711**	**(1 711)**
Botswana pula	**10**	**4 176**	**(4 176)**
US dollar	**10**	**10**	**(10)**

(ii) Price risk

The group is not exposed to any price risk.

(iii) Cash flow interest rate risk

The group has significant interest-bearing assets in the form of cash and cash equivalents. The group's finance income cash flows are exposed to interest rate risk and are dependent on market interest rates (refer sensitivity analysis below).

The group's interest rate risk also arises from long-term borrowings. Borrowings are issued at variable rates and expose the group to interest rate fluctuation risk. The group manages this risk by maintaining borrowing levels at pre-set targets to be able to absorb any drastic rate increases.

Interest rate risk – sensitivity analysis

Interest rate risk is 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. A one percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	+1% R'000 2016	**-1% R'000 2016**	+1% R'000 2015	-1% R'000 2015
Cash and cash equivalents	**6 982**	**(6 982)**	6 748	(6 748)
Bank borrowings	**(7 646)**	**7 646**	(7 920)	7 920
Loans to joint ventures (note 7)	**360**	**(360)**	76	(76)
Increase/(decrease) in profitability	**(304)**	**304**	(1 096)	1 096

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the group.

Cash and cash equivalents – The group has policies that limit the amount of credit exposure to any financial institution and only creditable financial institutions are used.

Trade receivables, receivables under finance lease and retentions – Credit risk is managed on a group basis. Credit risk is managed by performing credit checks on customers and setting credit limits where necessary. The financial position of customers is monitored on an ongoing basis and where appropriate, use is made of payment guarantees. Delayed payment of accounts is actively managed by the group and policies are in place to ensure that sales are made to customers with appropriate credit history.

The group's customers are concentrated primarily in South Africa, but also exist in the rest of Africa (refer note 10). The majority of the customers are concentrated in the public, industrial and resource sector. From historical credit records and past experience these key customers have no history of default. Refer to the concentration of customers below:

	R'000 2016	**%**	R'000 2015	%
South African National Roads Agency	**165 382**	**11**	299 225	22
South African provincial and municipal government	**296 574**	**19**	219 778	16
South African private sector	**636 322**	**41**	573 618	41
Sub-Saharan Africa	**439 531**	**29**	290 402	21
Total trade and other receivables (note 10)	**1 537 809**	**100**	1 383 023	100

In determining the recoverability of receivables and loans to related parties the group considers frequency of payments, financial performance of the related parties and contractual agreements. Refer to note 10 for the ageing of debtors.

	Rating	**2016 R'000**	2015 R'000
Concentration of credit risk			
Cash and cash equivalents	AA	**13 975**	421
Cash and cash equivalents	A	**19 546**	1 722
Cash and cash equivalents	BBB	**931 953**	932 136
Cash on hand	Not rated	**4 262**	2 996
Total cash and cash equivalents (note 11)		**969 736**	937 275
Trade receivables	A	**16 585**	8 317
Trade receivables	BBB	**438 773**	474 651
Trade receivables	Not rated	**864 576**	706 330
Receivables under finance leases	Not rated	**129 355**	142 179
Receivables from related parties	Not rated	**86 635**	40 942
Loans to related parties	Not rated	**1 885**	10 604
Total trade and other receivables (note 10)		**1 537 809**	1 383 023
Retentions	AA	**–**	6 010
Retentions	A	**3 519**	–
Retentions	BBB	**113 084**	100 716
Retentions	Not rated	**70 780**	82 670
Total retentions (note 9)		**187 383**	189 396

Notes to the group financial statements *continued*

for the year ended 29 February 2016

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(b) Credit risk (continued)

Credit risk is represented by the going concern values of the receivables, retentions and cash and cash equivalents that are carried on the statement of financial position at a value of R2 694,9 million (2015: R2 509,7 million).

The credit ratings above have been obtained from publicly available information. Trade and other receivables and retentions classified as "not rated" have no formal credit rating, these customers fall within acceptable credit risk limits of the group and have no history of default. Credit checks are performed on all new accounts to ensure that they fall within acceptable risk limits and management reviews existing accounts on a monthly basis. Account applications that fall outside of acceptable risk limits are secured by bank or insurance company guarantees.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash coupled with the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the group maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the group's liquidity reserve on the basis of expected cash flow. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	2 to 5 years R'000	5 years and later R'000
At 28 February 2015					
Non-derivative financial liabilities					
Bank borrowings	1 074 615	1 206 001	475 187	729 800	1 014
Unsecured loan	25 325	25 325	25 325	–	–
Other financial liabilities	77 262	90 785	–	90 785	–
Trade and other payables	1 091 460	1 091 460	1 091 460	–	–
Total	2 268 662	2 413 571	1 591 972	820 585	1 014
At 29 February 2016					
Non-derivative financial liabilities					
Bank borrowings	**1 061 929**	**1 194 241**	**483 428**	**710 322**	**491**
Unsecured loan	**31 509**	**31 509**	**31 509**	**–**	**–**
Other financial liabilities	**82 319**	**90 785**	**23 207**	**67 578**	**–**
Trade and other payables	**1 279 780**	**1 279 780**	**1 279 780**	**–**	**–**
Total	**2 455 537**	**2 596 315**	**1 817 924**	**777 900**	**491**

The amounts disclosed in the table are the contractual undiscounted cash flows.

Bank borrowings are held at amortised cost and calculated using the specific fixed terms of the agreements in place. Refer to note 16 for the average remaining loan term and interest rates applicable at year-end. The carrying value of bank borrowings is deemed to approximate its fair value due to the fact that the interest rates applicable are similar to that of current market rates.

Unsecured loans are held at amortised cost. These loans are interest-free and have no fixed terms of repayment. The effects of discounting are not significant if discounted using current market rates over a 12-month period. Therefore the carrying value is deemed to approximate its fair value.

The carrying value of other financial liabilities is deemed to approximate its fair value. Refer to note 19 where significant unobservable inputs have been disclosed in this regard.

Trade payables are held at amortised costs and the impact of discounting is deemed to not be significant based on their short-term nature. Therefore the carrying value of trade and other payables is deemed to approximate its fair value.

3. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk (continued)

The trade and other payables disclosed in the table exclude the non-financial liabilities in trade and other payables carried on the statement of financial position at a value of R44 million (2015: R78,8 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 670,3 million (2015: R1 608,7 million). These guarantees have been excluded from the maturity analysis above as the issuer has no contractual obligation to make payment at the balance sheet date and the directors do not believe that any exposure to loss is likely.

4. Capital risk management

The group's objectives when managing capital are to safeguard its 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 group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The current banking facilities are subjected to the group maintaining a gearing ratio of not more than 1,25. The gearing ratios for purposes of the debt covenants are calculated below.

	2016 R'000	2015 R'000
Borrowings (refer note 16)	**1 093 438**	1 099 940
Other financial liabilities (refer note 19)	**82 319**	77 262
Trade and other payables (refer note 20)	**1 323 782**	1 170 248
Current income tax liabilities	**18 466**	26 641
Defined debt	**2 518 005**	2 374 091
Capital and reserves	**3 832 842**	3 533 417
Less: Intangible assets (refer note 6)	**(829 283)**	(795 098)
Defined shareholders' funds	**3 003 559**	2 738 319
Debt covenant gearing ratio	**0,84**	0,87
The gearing ratio expressed as a percentage of net debt to total capital plus net debt is calculated below:		
Total borrowings (refer note 16)	**1 093 438**	1 099 940
Less: Cash and cash equivalents (refer note 11)	**(969 736)**	(937 275)
Net debt	**123 702**	162 665
Total equity	**3 832 842**	3 533 417
Total capital and net debt	**3 956 544**	3 696 082
Gearing ratio	**3,1%**	4,4%

Notes to the group financial statements *continued*

for the year ended 29 February 2016

	Land and buildings R'000	Vehicles and machinery R'000	Furniture, fittings and equipment R'000	Total R'000
5. Property, plant and equipment				
At 28 February 2014				
Cost	226 450	2 735 475	34 943	2 996 868
Accumulated depreciation	(8 782)	(1 120 802)	(25 673)	(1 155 257)
Net book amount	217 668	1 614 673	9 270	1 841 611
Year ended 28 February 2015				
Opening net book amount	217 668	1 614 673	9 270	1 841 611
Exchange differences	(84)	(1 051)	–	(1 135)
Acquisition of subsidiaries	8 420	175 091	1 159	184 670
Additions	11 088	491 461	8 050	510 599
Disposals	(251)	(28 480)	(188)	(28 919)
Depreciation	(2 167)	(328 283)	(4 547)	(334 997)
Reclassification	1 189	(1 189)	–	–
Closing net book amount	235 863	1 922 222	13 744	2 171 829
At 28 February 2015				
Cost	237 193	3 263 210	38 550	3 538 953
Accumulated depreciation	(1 330)	(1 340 988)	(24 806)	(1 367 124)
Net book amount	235 863	1 922 222	13 744	2 171 829
Year ended 29 February 2016				
Opening net book amount	**235 863**	**1 922 222**	**13 744**	**2 171 829**
Exchange differences	**(4)**	**(1 115)**	**14**	**(1 105)**
Acquisition of subsidiaries	**2 617**	**26 380**	**96**	**29 093**
Additions	**35 668**	**501 435**	**12 432**	**549 535**
Disposals	**–**	**(41 909)**	**(389)**	**(42 298)**
Depreciation	**(3 869)**	**(360 425)**	**(7 012)**	**(371 306)**
Reclassification	**–**	**(2)**	**2**	**–**
Closing net book amount	**270 275**	**2 046 586**	**18 887**	**2 335 748**
At 29 February 2016				
Cost	**275 330**	**3 693 059**	**46 212**	**4 014 601**
Accumulated depreciation	**(5 055)**	**(1 646 473)**	**(27 325)**	**(1 678 853)**
Net book amount	**270 275**	**2 046 586**	**18 887**	**2 335 748**

Aircraft with a book value of R56,8 million (2015: R57,8 million) have been included under vehicles and machinery.

Depreciation expense of R371,3 million (2015: R335 million) has been charged in cost of sales (refer note 24).

A register containing the information required by the Companies Act, 71 of 2008, is available for inspection at the registered office of the company. Bank borrowings are secured on property, plant and equipment for a book value of R1 229,3 million (2015: R1 183,7 million).

A general notarial bond of R2,8 million (2015: R30,4 million) is registered over property, plant and equipment with a carrying value of R7,7 million (2015: R54,3 million) as security for borrowing and asset finance facilities.

Lease rentals amounting to R46,8 million (2015: R39,9 million) relating to the lease of property, plant and equipment, respectively, are included in the statement of profit or loss (note 24).

Borrowings are disclosed in note 16 of these financial statements.

6. Intangible assets

	Goodwill R'000	Trademarks R'000	Mining and other rights R'000	Total R'000
At 28 February 2014				
Cost	737 142	21 053	25 175	783 370
Accumulated amortisation and impairment	(6 876)	–	(12 823)	(19 699)
Net book amount	730 266	21 053	12 352	763 671
Year ended 28 February 2015				
Opening net book amount	730 266	21 053	12 352	763 671
Acquisition of subsidiaries	31 706	–	–	31 706
Amortisation charge	–	–	(279)	(279)
Closing net book value	761 972	21 053	12 073	795 098
At 28 February 2015				
Cost	768 848	21 053	25 175	815 076
Accumulated amortisation and impairment	(6 876)	–	(13 102)	(19 978)
Net book amount	761 972	21 053	12 073	795 098
Year ended 29 February 2016				
Opening net book amount	**761 972**	**21 053**	**12 073**	**795 098**
Acquisition of subsidiaries	**25 354**	**–**	**9 502**	**34 856**
Amortisation charge	**–**	**–**	**(671)**	**(671)**
Closing net book value	**787 326**	**21 053**	**20 904**	**829 283**
At 29 February 2016				
Cost	**794 203**	**21 053**	**34 678**	**849 934**
Accumulated amortisation and impairment	**(6 877)**	**–**	**(13 774)**	**(20 651)**
Net book amount	**787 326**	**21 053**	**20 904**	**829 283**

Goodwill and trademarks are considered to have an indefinite life and are not amortised but subject to impairment reviews. The directors consider an indefinite life to be appropriate as there is no foreseeable limit to the period over which the business units to which these intangible assets relate are expected to generate positive earnings and cash flows.

There has been no impairment in the carrying amount of goodwill during the period (2015: R nil).

Amortisation of mining rights and other rights of R0,7 million (2015: R0,3 million) is included in cost of sales in the statement of profit or loss (refer note 24).

Impairment test for goodwill
Goodwill is allocated to the group's cash-generating units ("CGU") identified according to operating segment.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

6. Intangible assets (continued)

An operating segment-level summary of the goodwill allocation is presented below.

Goodwill	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Total R'000
At 28 February 2015	484 292	136 093	131 568	10 019	761 972
At 29 February 2016	**505 646**	**140 093**	**131 568**	**10 019**	**787 326**

An operating segment-level summary of the trademark allocation is presented below.

Trademarks	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Total R'000
At 28 February 2015	21 053	–	–	–	21 053
At 29 February 2016	**21 053**	**–**	**–**	**–**	**21 053**

An operating segment-level summary of the mining and other rights allocation is presented below.

Mining and other rights	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Total R'000
At 28 February 2015	12 073	–	–	–	12 073
At 29 February 2016	**20 904**	**–**	**–**	**–**	**20 904**

The recoverable amounts of goodwill and trademarks are determined based on value-in-use calculations.

These calculations use earnings projections based on financial budgets approved by management for the year ended 28 February 2017.

Pre-tax cash flows beyond those budgeted are extrapolated using estimated growth rates. These rates do not exceed the long-term average growth rate of the construction industry. For purpose of sensitivity analysis long-term average growth rates of between 3% and 6% were used with a pre-tax discount rate of between 15% and 20% over an estimated life of 50 years. This period is considered reasonable as the business units to which the goodwill and trademarks relate are considered to have an indefinite life.

The carrying value amounts of goodwill and trademarks will still exceed the recoverable amount if the growth rate is 0%. A rise in the pre-tax discount rate to 38.2% will remove the remaining headroom and the carrying value will exceed the recoverable amount.

7. Investments in associates and joint ventures

The amounts recognised in the statement of financial position are as follows:

	2016 R'000	2015 R'000
Investment in associates	**1 039**	245
Loans to associates	**–**	–
Investment in joint ventures	**–**	–
Loans to joint ventures	**49 643**	10 463
Balance at the end of the year	**50 682**	10 708

	2016 R'000	2015 R'000
7.1 Associates		
Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:		
Carrying value at the beginning of the year	**245**	–
Investment in associate	**–**	3
Share of profit in associate	**794**	242
Carrying value at the end of the year	**1 039**	245

The associate as listed below has share capital consisting solely of ordinary shares, which are held indirectly by the group; the country of incorporation or registration is also their principal place of business.

Nature of investment in associate:

Name of entity	Place of business/ country of incorporation	% of attributable interest	Nature of the relationship	Measurement method
Lufhereng Development Company (Pty) Ltd	South Africa	25,34	Note 1	Equity

Note 1: Lufhereng Development Company (Pty) Ltd was established during the prior year to execute the project Lufhereng Mixed Integrated Development for the City of Johannesburg.

Lufhereng Development Company (Pty) Ltd is a private company and there is no quoted market price available for its shares.

	2016 R'000	2015 R'000
7.2 Joint ventures		
Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures:		
Carrying value at the beginning of the year	**10 463**	–
Investment in joint venture	**–**	–
Share of loss in joint venture	**(470)**	(37)
Loan to joint venture	**39 650**	10 500
Carrying value at the end of the year	**49 643**	10 463

Notes to the group financial statements *continued*

for the year ended 29 February 2016

7. Investments in associates and joint ventures (continued)

7.2 *Joint ventures* (continued)

The joint venture listed below has share capital consisting solely of ordinary shares, which is held directly by the group.

Nature of investment in joint ventures:

Name of entity	Place of business/ country of incorporation	% of attributable interest	Nature of the relationship	Measurement method
Turnkey Real Estate Company (Pty) Ltd	South Africa	50	Note 1	Equity

Note 1: Turnkey Real Estate Company (Pty) Ltd has been established during the prior year to carry out development projects.

Turnkey Real Estate Company (Pty) Ltd is a private company and there is no quoted market price available for its shares.

The loan to the joint venture bears interest at 12,25% (2015: 11,25%) with no fixed repayment terms.

	2016 R'000	2015 R'000
8. Inventories		
Crusher stone	**153 870**	157 890
Gypsum	**76 489**	84 639
Consumable stores	**126 046**	110 283
Development land	**110 476**	51 103
Other materials including bitumen, rubber and emulsions	**97 235**	125 083
	564 116	528 998
Less: Non-current inventories	**(81 954)**	(90 668)
Total current inventories	**482 162**	438 330

Non-current inventories relate to the OMV acquisition and include the portions of the mine dumps in Stilfontein and the portions of the synthetic gypsum dump in Potchefstroom which are not expected to be utilised within the next operating cycle of the group.

The cost of inventories recognised as expense and included in "cost of sales" amounted to R2 403,2 million (2015: R2 442,6 million) (refer to note 24). No inventories are encumbered.

	2016 R'000	2015 R'000
9. Construction contracts in progress and retentions		
Costs incurred plus profits recognised, less recognised losses relating to contracts at year-end	**5 778 563**	4 283 877
Less: Progress billings	**(5 802 205)**	(4 250 796)
Net balance sheet position for ongoing contracts	**(23 642)**	33 081
Consisting of:		
Amounts due from customers for contract work	**181 801**	172 955
Amounts due to customers for contract work (note 20)	**(205 443)**	(139 874)
Net balance sheet position for ongoing contracts	**(23 642)**	33 081
Amounts due from customers for contract work	**181 801**	172 955
Retentions	**187 383**	189 396
Total contracts in progress at reporting date including retentions	**369 184**	362 351

9. Construction contracts in progress and retentions (continued)

The carrying value of amounts due from customers for contract work and retentions approximates their fair value due to the short-term nature of these instruments. The discounting effect on the retentions receivable after 12 months is deemed to not be significant.

Retentions to be received after 12 months amounted to R22,2 million (2015: R44,7 million) and fall in the normal operating cycle of the group.

	2016 R'000	2015 R'000
10. Trade and other receivables		
Trade receivables	**1 256 231**	1 155 719
Less: Provision for impairment of trade receivables	**(33 000)**	(35 766)
Trade receivables – net	**1 223 231**	1 119 953
Receivables under finance leases	**129 355**	142 179
Prepayments	**77 920**	23 052
Value-added taxation	**18 783**	46 293
Receivables to related parties (note 33)	**86 635**	40 942
Loans to related parties (note 33)	**1 885**	10 604
	1 537 809	1 383 023
Less: Non-current trade and other receivables	**(114 438)**	(129 355)
Total current trade and other receivables	**1 423 371**	1 253 668
The fair values of trade and other receivables are as follows:		
Trade receivables	**1 223 231**	1 119 953
Receivables under finance leases	**129 355**	142 179
Prepayments	**77 920**	23 052
Value-added taxation	**18 783**	46 293
Receivables from related parties (note 33)	**86 635**	40 942
Loans to related parties (note 33)	**1 885**	10 604
Total trade and other receivables	**1 537 809**	1 383 023

The carrying value of trade and other receivables approximates their fair value due to the short-term nature of these instruments. All trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

The loans to related parties are unsecured, interest-free and have no fixed terms of repayment.

As of 29 February 2016, trade receivables of R33 million (2015: R35,8 million) were impaired and provided for. The ageing of these trade receivables is as follows:

	2016 R'000	2015 R'000
30 days to 3 months	**574**	4 062
3 to 6 months	**3 825**	12 309
Over 6 months	**28 601**	19 395
	33 000	35 766

There were no impairments required on any of the other classes of receivables.

As of 29 February 2016, trade receivables of R328,7 million (2015: R384 million) were in excess of 30 days but not considered impaired. These trade receivables fall within acceptable credit risk limits of the group. They consist mainly of South African provincial and municipal government accounts and customers for whom there is no recent history of non-payment.

Notes to the group financial statements continued

for the year ended 29 February 2016

10. Trade and other receivables (continued)

The ageing of these trade receivables is as follows:

	2016 R'000	2015 R'000
Up to 3 months	**292 281**	335 030
3 to 6 months	**10 432**	37 329
Over 6 months	**26 029**	11 628
	328 742	383 987

No trade and other receivables are pledged as security for overdraft facilities of the group.

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

	2016 R'000	2015 R'000
South African rand	**1 090 929**	1 200 548
Botswana pula	**22 842**	4 669
US dollar	**–**	3 292
Mozambican metical	**34 937**	12 206
Namibian dollar	**255 245**	106 193
Zambian kwacha	**133 856**	56 115
	1 537 809	1 383 023
Provision for impairment of trade receivable		
Balance at the beginning of the year	**35 766**	28 831
Exchange differences	**(19)**	(3)
Acquisition of subsidiaries	**–**	600
Current year provision for receivables	**17 880**	23 801
Receivables written off during the year as uncollectible	**(17 747)**	(13 998)
Unused amounts reversed	**(2 880)**	(3 465)
Balance at the end of the year	**33 000**	35 766

The creation and release of provision for impaired receivables have been included in other operating expenses in the statement of profit or loss (refer to note 24).

Receivables under finance leases

Reconciliation between the gross investment in the lease and the present value of the minimum lease instalment receivable:

	2016 R'000	2015 R'000
Total gross investment in finance leases	**195 884**	229 463
No later than 1 year	**33 580**	33 580
Later than 1 year and no later than 5 years	**134 321**	134 320
Later than 5 years	**27 983**	61 563
Unearned finance income	**(66 529)**	(87 284)
Net investment in lease	**129 355**	142 179

10. Trade and other receivables (continued)

Represented by:

	2016 R'000	2015 R'000
Present value of minimum lease instalments	**129 355**	142 179
No later than 1 year	**14 917**	12 824
Later than 1 year and no later than 5 years	**88 310**	103 227
Later than 5 years	**26 128**	26 128

As part of the group's extended services, the group offers lessor financing for manufactured plant over the period of the contract where the plant has been built by group entities. The carrying value of receivables under finance lease is deemed to approximate its fair value as the interest rate applicable to the lease is similar to that of current market rates.

	2016 R'000	2015 R'000
11. Cash and cash equivalents		
Cash on hand	**4 262**	2 996
Bank balances	**566 078**	377 308
Investments on call	**399 396**	556 971
Total cash and cash equivalents	**969 736**	937 275

Cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	2016 R'000	2015 R'000
Cash and cash equivalents	**969 736**	937 275
Bank overdrafts	**–**	–
Total cash and cash equivalents	**969 736**	937 275

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
12. Share capital and premium				
At 1 March 2014	185 900	1 859	2 179 613	2 181 472
Shares issued in terms of equity-settled share option scheme	1 430	14	–	14
At 28 February 2015	187 330	1 873	2 179 613	2 181 486
Shares issued in terms of equity-settled share option scheme	**1 920**	**19**	**–**	**19**
At 29 February 2016	**189 250**	**1 892**	**2 179 613**	**2 181 505**

1,9 million new shares were issued during the year (2015: 1,4 million).

The total authorised number of ordinary shares is 500 million shares (2015: 500 million) with a par value of 1 cent per share (2015: 1 cent per share). All issued shares are fully paid.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

	2016 R'000	2015 R'000
13. Treasury shares		
Treasury shares held by Raubex (Pty) Ltd	**46 599**	–
Total	**46 599**	–

Treasury shares are shares in Raubex Group Limited that are held by group companies. The company acquired 2,7 million of its own shares through purchases on JSE Limited. The total amount paid to acquire the shares was R46,6 million and has been deducted from shareholders' equity. The related weighted average share price at the time of purchase was R17,37.

Analysis of movement in treasury shares:

	Number of shares '000	Value R'000
At 1 March 2015	–	–
Acquisition of treasury shares by Raubex (Pty) Ltd	2 683	46 599
At 29 February 2016	**2 683**	**46 599**

	Foreign currency translation reserve R'000	Common control reserve R'000	Equity-settled share-based payment R'000	Put option written on non-controlling interest R'000	Total R'000
14. Other reserves					
At 1 March 2014	670	(1 175 298)	70 388	–	(1 104 240)
Translation difference of foreign subsidiaries	382	–	–	–	382
Share options exercised by employees (note 29)	–	–	(16 242)	–	(16 242)
Share options granted to employees (note 29)	–	–	27 797	–	27 797
Put option written on non-controlling interest (note 19)	–	–	–	(48 459)	(48 459)
At 28 February 2015	1 052	(1 175 298)	81 943	(48 459)	(1 140 762)
Translation difference of foreign subsidiaries	**(2 069)**	**–**	**–**	**–**	**(2 069)**
Share options exercised by employees (note 29)	**–**	**–**	**(25 995)**	**–**	**(25 995)**
Share options granted to employees (note 29)	**–**	**–**	**19 875**	**–**	**19 875**
At 29 February 2016	**(1 017)**	**(1 175 298)**	**75 823**	**(48 459)**	**(1 148 951)**

Raubex Group Limited listed on the JSE Securities Exchange ("JSE") on 20 March 2007. Upon listing Raubex Group Limited acquired 100% of the share capital of Raubex (Pty) Ltd and the non-controlling interests of underlying subsidiary companies in a common control transaction. This transaction gave rise to the common control reserve disclosed above.

	2016 R'000	2015 R'000
15. Non-controlling interest		
Balance at the beginning of the year	**110 788**	54 612
Profit attributable to non-controlling interest	**24 095**	28 237
Non-controlling interest arising on business combination (note 36)	**5 951**	61 376
Disposal of non-controlling interest – Tosas Namibia	**254**	–
Acquisition of non-controlling interest (note 37)	**(6 043)**	(195)
Dividends paid to non-controlling interest	**(6 281)**	(33 242)
Balance at the end of the year	**128 764**	110 788

Refer to note 40 for a breakdown of non-controlling interests per subsidiary.

	2016 R'000	2015 R'000
16. Borrowings		
Non-current		
Bank borrowings	**682 027**	672 320
Total non-current borrowings	**682 027**	672 320
Current		
Bank borrowings	**379 902**	402 295
Unsecured loans	**31 509**	25 325
Total current borrowings	**411 411**	427 620
Total borrowings	**1 093 438**	1 099 940

Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R1 229,3 million (2015: R1 183,7 million) and repayable in monthly instalments of R44,8 million (2015: R38 million) with an effective interest rate ranging between 6,6% and 10,25% per annum (2015: 7,1% and 10,0%). Bank borrowings mature by June 2022.

A general notarial bond of R2,8 million (2015: R30,4 million) is registered over property, plant and equipment with a carrying value of R7,7 million (2015: R54,3 million) as security for borrowing and asset finance facilities.

The bank borrowings consist of mortgage loans and suspensive sale agreements.

The group has undrawn borrowing facilities of R248,3 million (2015: R96,4 million). The facilities are subject to annual review.

Gross future minimum payments on bank borrowings are as follows:

	2016 R'000	2015 R'000
No later than 1 year	**483 428**	475 187
Later than 1 year and no later than 5 years	**710 322**	729 800
Later than 5 years	**491**	1 014
	1 194 241	1 206 001
Future finance charges on bank borrowings	**(132 312)**	(131 386)
Present value of bank borrowings	**1 061 929**	1 074 615

The current banking facilities are subjected to the group maintaining a gearing ratio of not more than 1,25. The gearing ratio for purposes of the debt covenants is calculated in note 4 – capital risk management.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

16. Borrowings (continued)

Unsecured loans

The unsecured loans consist of the following:

	2016 R'000	2015 R'000
Crossmoor Transport CC (note 33)	**6 896**	8 570
Independent Family Trust (note 33)	**4 335**	–
MAB Fusion (Pty) Ltd (note 33)	**15 015**	16 755
Manamata Investments (Pty) Ltd (note 33)	**5 263**	–
Total unsecured loans	**31 509**	25 325

The unsecured loans are interest-free and have no fixed terms of repayment.

17. Provisions for liabilities and charges

	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
At 1 March 2014	30 575	4 100	34 675
Acquisition of subsidiaries	13 415	–	13 415
Charged to statement of profit or loss:			
Additional provision	4 712	–	4 712
Unwinding of discount (note 25)	1 466	–	1 466
Current service cost (note 28)	–	206	206
Interest expense (note 28)	–	406	406
Past service cost gain (note 28)	–	(817)	(817)
Actuarial loss for the year	–	190	190
At 28 February 2015	50 168	4 085	54 253
Acquisition of subsidiaries (note 36)	**3 978**	**–**	**3 978**
Charged to statement of profit or loss:			
Additional provision	**6 269**	**–**	**6 269**
Unwinding of discount (note 25)	**1 537**	**–**	**1 537**
Current service cost (note 28)	**–**	**197**	**197**
Interest expense (note 28)	**–**	**380**	**380**
Past service cost gain (note 28)	**–**	**(667)**	**(667)**
Actuarial gain for the year	**–**	**(206)**	**(206)**
At 29 February 2016	**61 952**	**3 789**	**65 741**

	2016 R'000	2015 R'000
Analysis of total provisions		
Non-current		
Rehabilitation provision	**61 952**	50 168
Post-employment benefits	**3 789**	4 085
Total non-current provisions	**65 741**	54 253
Current		
Total current provisions	**–**	–
Total provisions	**65 741**	54 253

17. Provisions for liabilities and charges (continued)

The additional provision has been included in other operating expenses in the statement of profit or loss (refer to note 24).

Rehabilitation provision

Rehabilitation provision consists of amounts accrued to rehabilitate environments disturbed by quarries. The provisions have been determined based on assessments and estimates by management and external consultants to reflect the estimated current cost of the rehabilitation. A risk-free rate of 6,6% (2015: 5,6%) and an average inflation rate of 4,8% (2015: 6,0%) were used in the calculation of the estimated net present value of the rehabilitation provision. Actual results could differ from estimates and there is no certainty as to the timing of the cash flows relating to these provisions.

Post-employment benefits

One of the subsidiaries in the group, ie Tosas (Pty) Ltd, provides post-retirement healthcare benefits to certain of its retirees employed prior to 1 January 1998, who retire and satisfy the necessary requirements of the medical fund. The plan is unfunded.

The amounts recognised in the statement of financial position are determined as follows:

	2016 R'000	2015 R'000
Non-current present value of unfunded obligations	**3 775**	4 085
Current present value of unfunded obligations	**14**	–
Balance at the end of the year	**3 789**	4 085
Consisting of:		
Retirement benefits	**3 328**	3 892
Death-in-service benefits	**150**	193
Continuation members' benefits	**311**	–
Balance at the end of the year	**3 789**	4 085

The actuarial valuation method used to value the liabilities is the projected unit credit method. Future benefits valued are projected using specific actuarial assumptions and the liability for in-service employees is accrued over the expected working lifetime.

The most significant assumptions used for the current and previous valuations are outlined below:

	2016	2015
Discount rate	**10,7%**	9,3%
Healthcare cost inflation	**10,2%**	9,0%
Expected retirement age	**59**	59

The weighted average duration of the post-retirement healthcare benefit is 23,0 years (2015: 24,6 years).

The expected maturity analysis of undiscounted benefit payments:

	Less than a year	Between 1 and 5 years	Between 6 and 10 years	Between 11 and 15 years
At 28 February 2015				
Benefit payments	–	149	991	2 187
At 29 February 2016				
Benefit payments	**15**	**268**	**1 113**	**2 493**

Notes to the group financial statements *continued*

for the year ended 29 February 2016

17. Provisions for liabilities and charges (continued)

Projection of results of the valuation as at 29 February 2016 to 28 February 2017 is set out below.

	Post-employment benefit liability R'000
As at 29 February 2016	**3 789**
Current service cost	**167**
Interest expense	**405**
Expected employer benefit payments	**(15)**
As at 28 February 2017	**4 346**

Risks to this valuation include the risk that future CPI inflation and healthcare cost inflation are higher than expected. The impact of this is not considered to be material to the group due to the low number of employees to which these benefits are provided.

	2016 R'000	2015 R'000
18. Deferred income tax		
Deferred tax assets		
Non-current	**(42 478)**	(43 136)
Deferred tax liabilities		
Non-current	**310 041**	311 621
Deferred tax liabilities (net)	**267 563**	268 485
The gross movement on the deferred income tax account is as follows:		
Balance at the beginning of the year	**268 485**	228 955
Exchange differences	**18**	271
Acquisition of subsidiaries	**2 486**	44 068
Charged to statement of profit or loss	**(3 484)**	(4 756)
Charged to comprehensive income	**58**	(53)
Balance at 28 February	**267 563**	268 485

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Accelerated depreciation R'000	Construction contracts R'000	Other R'000	Total R'000
Deferred tax liabilities				
At 1 March 2014	272 973	53 901	3 932	330 806
Exchange differences	(37)	–	–	(37)
Charged to statement of profit or loss	16 386	(15 354)	(3 798)	(2 766)
Acquisition of subsidiaries	50 079	2 662	(125)	52 616
At 28 February 2015	339 401	41 209	9	380 619
Exchange differences	**17**	**–**	**1**	**18**
Charged to statement of profit or loss	**27 791**	**23 120**	**–**	**50 911**
Acquisition of subsidiaries	**2 091**	**–**	**1 270**	**3 361**
At 29 February 2016	**369 300**	**64 329**	**1 280**	**434 909**

18. Deferred income tax (continued)

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
Deferred tax assets				
At 1 March 2014	(54 940)	(44 752)	(2 159)	(101 851)
Exchange differences	–	308	–	308
Charged to statement of profit or loss	(3 460)	1 470	–	(1 990)
Charged to comprehensive income	(53)	–	–	(53)
Acquisition of subsidiaries	(1 069)	(3 724)	(3 755)	(8 548)
At 28 February 2015	(59 522)	(46 698)	(5 914)	(112 134)
Charged to statement of profit or loss	**(5 455)**	**(43 736)**	**(5 204)**	**(54 395)**
Charged to comprehensive income	**58**	**–**	**–**	**58**
Acquisition of subsidiaries	**(875)**	**–**	**–**	**(875)**
At 29 February 2016	**(65 794)**	**(90 434)**	**(11 118)**	**(167 346)**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through taxable profits is probable.

19. Other financial liabilities

	Put option R'000	Contingent consideration R'000	Total R'000
At 1 March 2014	–	–	–
Reclassification from trade and other payables	–	4 900	4 900
Acquisition of subsidiaries:			
– OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd	48 459	18 874	67 333
– Empa Structures CC and Empa Plant CC	–	2 136	2 136
Charged to statement of profit or loss:			
– Unwinding of discount (note 25)	1 938	955	2 893
At 28 February 2015	50 397	26 865	77 262
Non-current	50 397	26 865	77 262
Current	–	–	–
	50 397	26 865	77 262
At 1 March 2015	50 397	26 865	77 262
Charged to statement of profit or loss:			
– Unwinding of discount (note 25)	3 352	1 705	5 057
At 29 February 2016	**53 749**	**28 570**	**82 319**
Non-current	**53 749**	**5 636**	**59 385**
Current	**–**	**22 934**	**22 934**
	53 749	**28 570**	**82 319**

Notes to the group financial statements continued

for the year ended 29 February 2016

19. Other financial liabilities (continued)

L & R Civils (Pty) Ltd – contingent consideration

The contingent consideration originated on the acquisition of the share capital of L & R Civils (Pty) Ltd. On 1 July 2012, the group acquired 80% of the share capital for R17,6 million cash. An additional contingent consideration limited to R6 million is payable dependent on the company's earnings over a five-year period from the effective date of the acquisition. The contingent consideration arrangement requires the group to pay in cash to the former owners and non-controlling shareholders of L & R Civils (Pty) Ltd, R2 million should the profit after tax average not less than R3,2 million for the next three successive 12-month periods from the effective date. An additional contingent consideration limited to a maximum of R4 million is payable if the profit after tax average for any three consecutive years within the first five years from the effective date is between R5 million and R7 million. The maximum undiscounted amount of the contingent consideration payable is R6 million.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,04%, which is the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

The unwinding of discount has been calculated by determining the fair value of the contingent consideration at year-end using an income approach and a discount rate of 6,55%, which is also a significant unobservable input.

OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd ("OMV") – put option

The put options originated on the acquisition of the 70% interests in the Stilfontein and Potchefstroom operations of OMV whereby the former owners and holders of the 30% non-controlling interests were granted an irrevocable option to sell their interests ("sale shares") to the group based on the following terms:

The put option shall only be exercisable within 90 days after the financial statements of the relevant entity have been received in respect of the year ended 30 June 2016, 30 June 2017 and 30 June 2018.

The purchase consideration for the sale shares of each of the Stilfontein and Potchefstroom operations is an amount equal to the amount determined in terms of the following formula, i.e. the lesser of an earnings multiple of 6,5 or the 30-day VWAP earnings multiple at which Raubex Group Limited trades on the JSE Securities Exchange, multiplied by the average profit after tax for the three historical years prior to the date of exercising the put option, multiplied by 30%.

The maximum consideration payable for 100% interest in both the Stilfontein and Potchefstroom operations, including the initial purchase price, the contingent considerations (refer above) and the put options is capped at R180 million.

The fair value of the put option at acquisition date has been determined using an income approach and a discount rate of 6,5%, which is the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

The unwinding of discount has been calculated by determining the fair value of the put option at year-end using an income approach and a discount rate of 6,55%, which is also a significant unobservable input.

OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd ("OMV") – contingent consideration

The contingent consideration arrangement requires the group to pay in cash, to the former owners, the following amounts;

In respect of the Stilfontein operations, an amount equal to the amount by which the actual average profit after tax ("PAT") for the three years ending 30 June 2016 exceeds R7,9 million multiplied by a factor of 3,25 multiplied by 70%, plus an amount by which the actual average PAT for the three years ending 30 June 2016 exceeds R7,2 million multiplied by a factor of 3,25 multiplied by 10%.

In respect of the Potchefstroom operations, an amount equal to the amount by which the actual average profit after tax ("PAT") for the three years ending 30 June 2016 exceeds R9,1 million multiplied by a factor of 3,25 multiplied by 70%, plus an amount by which the actual average PAT for the three years ending 30 June 2016 exceeds R8,3 million multiplied by a factor of 3,25 multiplied by 10%.

The maximum consideration payable for 100% interest in both the Stilfontein and Potchefstroom operations, including the initial purchase price, the contingent considerations and the put options is capped at R180 million.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,5%, which is the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

19. Other financial liabilities (continued)

The unwinding of discount has been calculated by determining the fair value of the contingent consideration at year-end using an income approach and a discount rate of 6,55%, which is also a significant unobservable input.

Empa Structures CC and Empa Plant CC ("Empa") – contingent consideration

The contingent consideration arrangement requires the group to pay, in cash, to the former owners, an amount limited to a maximum undiscounted amount of R2,4 million should Empa make an average profit before tax of between R6 million and R10 million for a period of three years from 1 March 2015 to 28 February 2018.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6%, which is the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement.

The unwinding of discount has been calculated by determining the fair value of the contingent consideration and at year-end using an income approach and a discount rate of 6,55%, which is also a significant unobservable input.

	2016 R'000	2015 R'000
20. Trade and other payables		
Trade payables	**613 560**	661 877
Payables due to related parties (note 33)	**298**	13 842
Loans from related parties (note 33)	**981**	–
Advance payments received	**4 015**	48 137
Value-added taxation	**39 987**	30 651
Accruals and other payables	**459 498**	275 867
Amounts due to customers for contract work (note 9)	**205 443**	139 874
Total trade and other payables	**1 323 782**	1 170 248

The loans from related parties are unsecured, interest-free and have no fixed terms of repayment.

	2016 R'000	2015 R'000
21. Revenue		
Contracting revenue	**6 596 629**	6 045 081
Commercial quarry aggregates and gypsum revenue	**609 827**	449 424
Bitumen and emulsion products and services	**353 366**	388 766
Plant hire revenue	**361 971**	356 907
Property sales and development fees	**3 961**	5 081
Total revenue	**7 925 754**	7 245 259
22. Other income		
Income received under finance leases	**20 756**	4 018
Insurance recoveries	**3 030**	1 622
Interest on accounts receivable	**1 946**	1 176
Seta recoveries	**1 361**	3 643
Bad debts recovered	**873**	840
Other income	**–**	814
Total other income	**27 966**	12 113
23. Other gains/(losses)		
Profit on sale of fixed assets	**6 527**	11 348
Gain/(loss) on exchange differences	**6 168**	(1 364)
Total other gains/(losses)	**12 695**	9 984

Notes to the group financial statements *continued*

for the year ended 29 February 2016

	2016 R'000	2015 R'000
24. Expenses by nature		
Changes in inventories	**(29 259)**	(2 478)
Subcontractors	**1 589 453**	1 233 393
Raw materials and consumables (note 8)	**2 403 210**	2 442 582
Employee benefit expense (note 28)	**1 931 303**	1 675 876
Depreciation and amortisation (notes 5 and 6)	**371 977**	335 276
Operating lease charges (note 5)	**46 758**	39 872
Repairs and maintenance	**480 871**	466 068
Other operating expenses	**461 539**	454 596
Total of cost of sales and administrative expenses	**7 255 852**	6 645 185
25. Finance income and costs		
Finance income:		
Interest income on cash resources	**40 226**	45 183
Other interest	**1 646**	1 337
Total finance income	**41 872**	46 520
Finance costs:		
Bank borrowings	**(82 275)**	(56 997)
Unwinding of discount – rehabilitation provision (note 17)	**(1 537)**	(1 466)
Unwinding of discount – contingent consideration liability (note 19)	**(5 057)**	(2 893)
Other interest	**(2 247)**	(903)
Total finance costs	**(91 116)**	(62 259)
Net finance costs	**(49 244)**	(15 739)
26. Income tax expense		
South African normal taxation		
Current tax		
Current period	**135 327**	158 954
Adjustments for current tax of prior periods	**1 063**	(494)
Capital gains tax	**379**	811
Total South African normal taxation	**136 769**	159 271
Deferred tax		
Originating and reversing temporary differences	**(4 016)**	(2 478)
Total South African deferred taxation	**(4 016)**	(2 478)
Total South African taxation	**132 753**	156 793

26. Income tax expense (continued)

	2016 R'000	2015 R'000
Foreign taxation		
Current tax		
Current period	**57 384**	25 116
Adjustments for current tax of prior periods	**1 571**	(1 068)
Total foreign normal tax	**58 955**	24 048
Deferred tax		
Originating and reversing temporary differences	**261**	(2 624)
Change in tax rate	**271**	346
Total foreign deferred tax	**532**	(2 278)
Total foreign taxation	**59 487**	21 770
Total income tax expense	**192 240**	178 563

	2016 %	2015 %
Reconciliation between applicable tax rate and effective tax rate:		
Applicable tax rate	**28,00**	28,00
Capital gains tax	**0,32**	(0,07)
Adjustments for current tax of prior periods	**0,21**	(0,38)
Disallowed charges – other	**(0,11)**	0,69
Disallowed charges – share option expense	**0,84**	1,28
Special allowances – learnership agreements	**(0,34)**	(0,34)
Change in tax rates in foreign countries	**0,04**	0,06
Tax at rates in foreign countries	**0,09**	0,19
Effective tax rate	**29,05**	29,43

The tax effect relating to components of other comprehensive income is as follows:

	Before tax 2016 R'000	Tax 2016 R'000	After tax 2016 R'000	Before tax 2015 R'000	Tax 2015 R'000	After tax 2015 R'000
Currency translation differences	**(2 069)**	**–**	**(2 069)**	382	–	382
Actuarial (loss)/gain on post-employment benefit obligations	**206**	**58**	**148**	(190)	53	(137)
Other comprehensive income	**(1 863)**	**58**	**(1 921)**	192	53	245

27. Auditors' remuneration

	2016 R'000	2015 R'000
Fees	**8 694**	8 135
Prior year underprovision	**(133)**	327
Tax and non-audit services	**501**	211
Total auditors' remuneration	**9 062**	8 673

Notes to the group financial statements *continued*

for the year ended 29 February 2016

	2016 R'000	2015 R'000
28. Employee benefit expense		
Wages and salaries	**1 736 335**	1 510 416
Share options granted to employees (note 29)	**19 875**	27 797
Pension contributions	**77 018**	63 374
Medical aid contributions	**30 893**	26 298
Other post-employment benefits (note 17)	**(90)**	(205)
Other contributions and accruals	**67 272**	48 196
Total employee benefit expense	**1 931 303**	1 675 876

Other contributions and accruals consist of contributions to the Unemployment Insurance Fund ("UIF"), Skills Development Levies ("SDL"), the Federated Employers Mutual Assurance Company ("FEMA") and life policy contributions.

	2016 '000	2015 '000
Number of employees – both permanent and limited duration contracts at year-end	**10 516**	9 598

29. Employee Share Option Scheme

Details of the share scheme are as follows:

Deferred Stock Scheme

The Deferred Stock Scheme is intended to retain and incentivise selected executives or members of senior management in the full-time employ of the company by giving them the opportunity to acquire an interest in and participate in the economic benefit of the company, thereby providing them with a further incentive to advance the company's interests and promoting the alignment of the interests of the employees and the company.

The scheme shall endure for a period of five years from the date of initial approval by the company's shareholders. The date of the initial approval was 8 October 2010.

Options will only be exercisable after a specified period, being not less than three years.

Options granted to an employee will only be valid if such employee concludes a restraint agreement with the company.

The price payable by an employee to acquire shares in terms of an option will be the greater of the par value of the shares and R0,01 per share.

Employees will be entitled to exercise options for a period of 40 business days after expiry of the retention period of such option.

Exercised options will be settled either by way of an allotment and issue of shares by the company to the relevant employee or by the acquisition of shares in the market on the relevant employee's behalf.

No options were issued during the current year.

29. Employee Share Option Scheme (continued)

Arrangement	a) Deferred Stock 2011	b) Deferred Stock 2012	c) Deferred Stock 2013
Nature of arrangement	Grant of share option	Grant of share option	Grant of share option
Options approved	848 400	1 723 400	2 260 030
Number of options granted	848 366	1 652 483	2 208 042
Number of options outstanding	–	1 403 051	1 927 430
Exercise price	R0,01	R0,01	R0,01
Date of grant	8 October 2010	7 October 2011	5 October 2012
Share price at the date of grant	R23,12	R13,49	R15,06
Contractual life	40 days from expiry of the three-year retention period relating to the options	40 days from expiry of the three-year retention period relating to the options	40 days from expiry of the three-year retention period relating to the options
Vesting conditions	Three years of service from the date of grant	Three years of service from the date of grant	Three years of service from the date of grant
Settlement	Shares	Shares	Shares
Expected volatility	45%	45%	45%
Expected option life at grant date	2,4 years	2,4 years	2,4 years
Risk-free interest rate	7,30%	6,70%	5,40%
Expected dividend yield	4,80%	4,80%	4,80%
Expected departures (grant date)	–	–	–
Expected outcome of meeting performance criteria (grant date)	100%	100%	100%
Fair value of options determined at the grant date	R20,47	R11,06	R13,54
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes

Arrangement	d) Deferred Stock 2014	e) Deferred Stock 2015	**f) Deferred Stock 2016**
Nature of arrangement	Grant of share option	Grant of share option	**–**
Options approved	1 339 700	1 362 380	**–**
Number of options granted	1 339 699	1 362 334	**–**
Number of options outstanding	1 339 699	1 362 334	**–**
Exercise price	R0,01	R0,01	**–**
Date of grant	7 November 2013	3 October 2014	**–**
Share price at the date of grant	R24,90	R22,60	**–**
Contractual life	40 days from expiry of the three-year retention period relating to the options	40 days from expiry of the three-year retention period relating to the options	**–**
Vesting conditions	Three years of service from the date of grant	Three years of service from the date of grant	**–**
Settlement	Shares	Shares	**–**
Expected volatility	45%	2,50%	**–**
Expected option life at grant date	2,3 years	2,4 years	**–**
Risk-free interest rate	8,10%	8,40%	**–**
Expected dividend yield	2,60%	3,10%	**–**
Expected departures (grant date)	–	–	**–**
Expected outcome of meeting performance criteria (grant date)	100%	100%	**–**
Fair value of options determined at the grant date	R23,42	R21,03	**–**
Valuation model	Black-Scholes	Black-Scholes	**–**

Notes to the group financial statements *continued*

for the year ended 29 February 2016

29. Employee Share Option Scheme (continued)

The expected price volatility is based on the historic volatility (based on the remaining life of the options and the early years of the company being listed), adjusted for any expected changes to future volatility due to publicly available information. The group expects the volatility of its share price to reduce as it matures over time.

The following information applies to options outstanding at the end of each period:

29 February 2016					28 February 2015				
			Weighted average remaining life (yrs)					Weighted average remaining life (yrs)	
Range of exercise prices	**Weighted average exercise price**	**Number of options**	**Expec-ted**	**Contrac-tual**	Range of exercise prices	Weighted average exercise price	Number of options	Expec-ted	Contrac-tual
R0,01	**R0,01**	**–**	**–**	**–**	R0,01	R0,01	–	–	–
R0,01	**R0,01**	**–**	**–**	**–**	R0,01	R0,01	1 919 871	–	–
R0,01	**R0,01**	**1 320 328**	**–**	**–**	R0,01	R0,01	1 320 328	1	1
R0,01	**R0,01**	**1 362 334**	**1**	**1**	R0,01	R0,01	1 362 334	2	2

A reconciliation of movements in the number of share options can be summarised as follows:

	Number of options 2016	**Exercise price 2016**	Number of options 2015	Exercise price 2015
Outstanding at the beginning of the year	**4 602 533**	**R0,01**	4 670 180	R0,01
Options granted	**–**	**R0,01**	1 362 334	R0,01
Options forfeited	**–**	**R0,01**	–	R0,01
Options exercised	**(1 919 871)**	**R0,01**	(1 429 981)	R0,01
Outstanding at the end of the year	**2 682 662**	**R0,01**	4 602 533	R0,01
Exercisable at the end of the year	**1 320 328**	**R0,01**	1 919 871	R0,01

The weighted average share price on exercise date was R23,75.

The amounts recognised in the financial statements (before tax) for share-based payment transactions with employees can be summarised as follows:

	2016 R'000	2015 R'000
Expense – equity-settled arrangements		
Deferred stock scheme (note 28)	**19 875**	27 797
Total share equity-settled share-based payment expense	**19 875**	27 797

30. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent entity by the weighted average number of ordinary shares in issue during the year.

	2016 R'000	2015 R'000
Profit attributable to owners of the parent entity	**445 308**	399 837
Weighted average number of ordinary shares in issue ('000)*	**187 961**	187 330
Basic earnings per share (cents)	**236,9**	213,4

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2016 R'000	2015 R'000
Profit attributable to owners of the parent entity	**445 308**	399 837
Weighted average number of ordinary shares in issue ('000)*	**187 961**	187 330
Adjustments for:		
Shares deemed issued for no consideration (share options)	**2 085**	3 202
Weighted average number of ordinary shares for diluted earnings per share ('000)	**190 046**	190 532
Diluted earnings per share (cents)	**234,3**	209,9
Headline		
Profit attributable to owners of the parent entity	**445 308**	399 837
Adjustments for:		
Profit on sale of fixed assets (note 23)	**(6 527)**	(11 348)
Total tax effects of adjustments	**1 827**	3 177
Basic headline earnings	**440 608**	391 666
Weighted average number of shares ('000)*	**187 961**	187 330
Headline earnings per share (cents)	**234,4**	209,1
Headline earnings	**440 608**	391 666
Adjusted weighted average number of shares ('000)	**190 046**	190 532
Diluted headline earnings per share (cents)	**231,8**	205,6

** The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.*

	Number of shares '000 2016	**Value R'000 2016**	Number of shares '000 2015	Value R'000 2015
31. Dividends per share				
Previous year final dividend paid	**189 250**	**68 130**	187 330	65 566
Current year interim dividend paid	**189 250**	**68 130**	187 330	65 565
Dividends received on treasury shares	**(884)**	**(637)**	–	–
Total dividends paid		**135 623**		131 131

A final dividend in respect of the year ended 29 February 2016 of R79,5 million (42 cents per share) amounting to a total dividend for the year of R147,6 million (78 cents per share) was proposed at the board of directors' meeting on 4 May 2016 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Notes to the group financial statements *continued*

for the year ended 29 February 2016

	2016 R'000	2015 R'000
32. Cash generated from operations		
Profit before income tax	**661 643**	606 637
Adjustments for:		
Depreciation (note 5)	**371 306**	334 997
Amortisation (note 6)	**671**	279
Profit on sale of assets (note 23)	**(6 527)**	(11 348)
Finance income (note 25)	**(41 872)**	(46 520)
Finance costs (note 25)	**91 116**	62 259
Foreign exchange loss/(gains) – unrealised	**(5 729)**	155
Provisions (note 17)	**7 510**	6 163
Share of profit of investments accounted for using the equity method (note 7)	**(324)**	(205)
Share options granted to employees (note 29)	**19 875**	27 797
Changes in working capital		
Inventories	**(27 399)**	4 986
Trade and other receivables	**(147 691)**	(228 188)
Construction contracts in progress and retentions	**(6 833)**	(26 745)
Trade and other payables	**134 715**	54 786
Net cash generated from operations	**1 050 461**	785 053
In the cash flow statement, proceeds from sale of property, plant and equipment comprise:		
Net book amount (note 5)	**42 298**	28 919
Profit on disposal of property, plant and equipment (note 23)	**6 527**	11 348
Proceeds from disposal of property, plant and equipment	**48 825**	40 267
In the statement of cash flows taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the year	**(14 323)**	(9 975)
Add: Acquisitions	**(79)**	1 181
Add: Current year tax charge (note 26)	**195 724**	183 319
Add: Balance receivable at the end of the year	**9 127**	14 323
Taxation paid	**190 449**	188 848

33. Related parties

Relationships

Joint ventures and Joint operations — Refer to notes 7 and 41

Companies and trusts controlled by directors and directors of subsidiaries:

Bridgetown Dolomite Mine Joint Venture
Corpclo 851 CC
Crossmoor Transport CC
Doncon (Pty) Ltd
Independent Family Trust
Klaas en Ellie Beleggings (Pty) Ltd
Lemati Developers (Pty) Ltd
Ligra (Pty) Ltd
MAB Fusion (Pty) Ltd
Manamata Investments (Pty) Ltd
Maxdeals CC
Nashitoke Trust
Plant Management CC
Raubex Eiendomme (Pty) Ltd
RJ Fourie Boerdery
Swanvest 294 (Pty) Ltd
The Burger Family Trust

33. Related parties (continued)

	2016 R'000	2015 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
Akasia/Actophambili Joint Operation	**3 230**	6 937
Bridgetown Dolomite Mine Joint Venture	**1 547**	–
Corpclo 851 CC	**10**	–
Doncon (Pty) Ltd	**10 373**	–
Kentha/Raumix Joint Operation	**–**	107
Klaas en Ellie Beleggings (Pty) Ltd	**–**	36
Lemati Developers (Pty) Ltd	**41 174**	–
Raubex Eiendomme (Pty) Ltd	**9**	39
Raubex/Nodoli Joint Operation	**–**	621
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**9 454**	122
Raubex/Sakula Joint Operation	**17 506**	31 775
RESA Joint Operation	**2 948**	–
RJ Fourie Boerdery	**5**	23
Roadmac Surfacing/Actophambili Joint Operation	**–**	1 282
Roadmac Surfacing/KYK Joint Operation	**379**	–
Receivables from related parties (refer to note 10)	**86 635**	40 942
Amounts included in trade payables regarding related parties		
Corpclo 851 CC	**–**	36
Raubex Eiendomme (Pty) Ltd	**67**	35
Raubex/Matlapeng Joint Operation	**–**	2 823
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**231**	–
Raubex/Sakula Joint Operation	**–**	10 948
Payables due to related parties (refer to note 20)	**298**	13 842
Loans to related parties		
Kentha/Raumix Joint Operation	**1 176**	1 149
Namibia Road Products/Roadmac Surfacing Joint Operation	**–**	397
Nashitoke Trust	**200**	–
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**–**	8 066
Roadmac Surfacing/Actophambili Joint Operation	**252**	827
Roadmac Surfacing/KYK Joint Operation	**257**	165
Loans to related parties (refer to note 10)	**1 885**	10 604
The loans are unsecured, interest-free and have no fixed terms of repayment.		
Loans to entities controlled by key management:		
At the beginning of the year	**–**	–
Loans advanced during the year	**200**	–
Loan repayments received	**–**	–
At the end of the year	**200**	–
Loans to joint operations:		
At the beginning of the year	**10 604**	12 362
Loans advanced during the year	**119**	1 895
Loan repayments received	**(9 038)**	(3 653)
At the end of the year	**1 685**	10 604

Notes to the group financial statements *continued*

for the year ended 29 February 2016

33. Related parties (continued)

	2016 R'000	2015 R'000
Total loans to related parties:		
At the beginning of the year	**10 604**	12 362
Loans advanced during the year	**319**	1 895
Loan repayments received	**(9 038)**	(3 653)
At the end of year the (refer to note 10)	**1 885**	10 604
Loans from related parties		
Crossmoor Transport CC	**6 896**	8 570
Independent Family Trust	**4 335**	–
MAB Fusion (Pty) Ltd	**15 015**	16 755
Manamata Investments (Pty) Ltd	**5 263**	–
Raubex/Sakula Joint Operation	**981**	–
Loans from related parties	**32 490**	25 325
Loans from entities controlled by key management:		
At the beginning of the year	**25 325**	109
Loan received during the year	**9 598**	25 325
Loan repayments made	**(3 414)**	(109)
At the end of the year	**31 509**	25 325
Loans from joint operations:		
At the beginning of the year	**–**	1 195
Loans received during the year	**981**	–
Loan repayments made	**–**	(1 195)
At the end of the year	**981**	–
Total loans from related parties:		
At the beginning of the year	**25 325**	1 304
Loans received during the year	**10 579**	25 325
Loan repayments made	**(3 414)**	(1 304)
At the end of the year	**32 490**	25 325
The unsecured loans are interest-free and have no fixed terms of repayment.		
Subcontractors' fees received from/(paid to) related parties		
Akasia/Actophambili Joint Operation	**14 700**	6 085
Doncon (Pty) Ltd	**11 679**	–
Lemati Developers (Pty) Ltd	**70 168**	–
Namibia Road Products/Roadmac Surfacing Joint Operation	**–**	6 934
Raubex Eiendomme (Pty) Ltd	**50**	–
Raubex/Nodoli Joint Operation	**–**	9 011
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**41**	5 658
Raubex/Sakula Joint Operation	**11 536**	46 431
Roadmac Surfacing/Actophambili Joint Operation	**19 798**	4 626
Roadmac Surfacing/KYK Joint Operation	**112 500**	–

33. Related parties (continued)

	2016 R'000	2015 R'000
Rental of equipment and premises received from/(paid to) related parties		
Bridgetown Dolomite Mine Joint Venture	**16 905**	20 944
Corpclo 851 CC	**(946)**	(873)
Kentha/Raumix Joint Operation	**(1 213)**	(1 103)
Ligra (Pty) Ltd	**–**	(4)
MAB Fusion (Pty) Ltd	**(180)**	–
Maxdeals CC	**–**	(273)
Plant Management CC	**–**	(1 425)
Raubex Eiendomme (Pty) Ltd	**(2 450)**	(2 186)
RESA Joint Operation	**31 599**	(794)
Swanvest 294 (Pty) Ltd	**–**	(292)
The Burger Family Trust	**(120)**	(120)
Administration fees received from/(paid to) related parties		
Raubex/Matlapeng Joint Operation	**–**	(118)
Raubex/Sakula Joint Operation	**239**	–
Other fees received from/(paid to) related parties		
Raubex Eiendomme (Pty) Ltd	**(178)**	(467)
RJ Fourie Boerdery	**85**	72

Related-party transactions with directors and prescribed officers

Directors' emoluments

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2015						
Executive						
RJ Fourie	–	2 468	5 686	270	313	8 737
JF Gibson	–	1 654	3 481	165	33	5 333
Total emoluments	–	4 122	9 167	435	346	14 070
Non-executive						
JE Raubenheimer	616	–	–	–	–	616
LA Maxwell	511	–	–	–	–	511
F Kenney	356	–	–	–	–	356
BH Kent	441	–	–	–	–	441
NF Msiza	481	–	–	–	–	481
Total emoluments	2 405	–	–	–	–	2 405

Notes to the group financial statements *continued*

for the year ended 29 February 2016

33. Related parties (continued)

Directors' emoluments (continued)

	Directors' fees R'000	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2016						
Executive						
RJ Fourie	–	2 614	6 286	287	355	9 542
JF Gibson	–	1 769	3 848	177	25	5 819
Total emoluments	–	4 383	10 134	464	380	15 361
Non-executive						
JE Raubenheimer	819	–	–	–	–	819
LA Maxwell	665	–	–	–	–	665
F Kenney	512	–	–	–	–	512
BH Kent	512	–	–	–	–	512
NF Msiza	512	–	–	–	–	512
Total emoluments	3 020	–	–	–	–	3 020

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Prescribed officers' emoluments 2015					
T Wiese	1 762	5 233	536	547	8 078
LJ Raubenheimer	1 559	3 371	179	315	5 424
GM Raubenheimer	1 307	1 688	153	250	3 398
RL Shedlock	2 154	3 258	645	480	6 537
JA Louw	1 018	1 134	102	143	2 397
HE Ernst	480	440	48	–	968
Total emoluments	8 280	15 124	1 663	1 735	26 802
Prescribed officers' emoluments 2016					
T Wiese	1 891	5 260	588	456	8 195
LJ Raubenheimer	1 667	3 983	191	297	6 138
GM Raubenheimer	1 414	1 772	164	252	3 602
RL Shedlock	2 290	2 884	706	517	6 397
JA Louw	1 088	1 326	109	150	2 673
HE Ernst	514	571	51	–	1 136
Total emoluments	8 864	15 796	1 809	1 672	28 141

33. Related parties (continued)

Share options granted to directors and prescribed officers

	Options outstanding at 1 March 2014	Options granted during the year	Options exercised during the year	Options outstanding at 28 February 2015	Strike price
Share options 2015					
Executive directors					
RJ Fourie	393 283	104 612	124 716	373 179	R0,01
JF Gibson	237 763	80 836	68 027	250 572	R0,01
Prescribed officers					
T Wiese	303 900	80 836	96 371	288 365	R0,01
LJ Raubenheimer	303 900	80 836	96 371	288 365	R0,01
GM Raubenheimer	44 691	11 888	14 172	42 407	R0,01
RL Shedlock	107 753	57 061	14 172	150 642	R0,01
JA Louw	67 936	35 663	14 172	89 427	R0,01
HE Ernst	44 691	11 888	14 172	42 407	R0,01

	Options outstanding at 1 March 2015	**Options granted during the year**	**Options exercised during the year**	**Options outstanding at 29 February 2016**	**Strike price**
Share options 2016					
Executive directors					
RJ Fourie	**373 179**	**–**	**166 289**	**206 890**	**R0,01**
JF Gibson	**250 572**	**–**	**90 703**	**159 869**	**R0,01**
Prescribed officers					
T Wiese	**288 365**	**–**	**128 496**	**159 869**	**R0,01**
LJ Raubenheimer	**288 365**	**–**	**128 496**	**159 869**	**R0,01**
GM Raubenheimer	**42 407**	**–**	**18 896**	**23 511**	**R0,01**
RL Shedlock	**150 642**	**–**	**37 793**	**112 849**	**R0,01**
JA Louw	**89 427**	**–**	**18 896**	**70 531**	**R0,01**
HE Ernst	**42 407**	**–**	**18 896**	**23 511**	**R0,01**

The share options granted to directors and prescribed officers are in terms of the Deferred Stock Scheme, details of which are set out in note 29 to these group financial statements.

Value of share options granted to directors and prescribed officers

	2016 R'000	2015 R'000
Executive directors		
RJ Fourie	**–**	2 200
JF Gibson	**–**	1 700
Total value of share options for executive directors	**–**	3 900
Prescribed officers		
T Wiese	**–**	1 700
LJ Raubenheimer	**–**	1 700
GM Raubenheimer	**–**	250
RL Shedlock	**–**	1 200
JA Louw	**–**	750
HE Ernst	**–**	250
Total value of share options for prescribed officers	**–**	5 850

Notes to the group financial statements *continued*

for the year ended 29 February 2016

33. Related parties (continued)

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director are listed below as at 29 February 2016.

	2016 Number of shares	2015 Number of shares
Beneficial		
Direct and indirect		
RJ Fourie	**4 485 796**	4 319 507
JF Gibson	**242 238**	151 535
F Kenney	**14 965 384**	14 965 384
LA Maxwell	**16 000**	16 000
BH Kent	**–**	–
NF Msiza	**–**	–
Non-beneficial		
Direct and indirect		
JE Raubenheimer	**25 650 000**	25 650 000

At date of this report, these interests remained unchanged.

	2016 R'000	2015 R'000
34. Directors', prescribed officers' and key management's emoluments		
Executive		
For services as directors of the company	**15 362**	14 070
For services as prescribed officers of the company	**28 140**	26 802
For services as key management	**70 830**	74 512

Prescribed officers of the company consist of the company secretary and executive committee members who are not directors of the company.

Key management consists of directors of subsidiaries who are not defined as prescribed officers of the company.

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
Key management emoluments 2015	37 355	25 058	4 830	7 269	74 512
Key management emoluments 2016	**37 130**	**22 851**	**4 954**	**5 895**	**70 830**

35. Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred are as follows:

	2016 R'000	2015 R'000
Property, plant and equipment	**1 781**	21 812
Investment in subsidiary	**37 500**	43 000
Mining and property rights	**–**	37 000
Total capital commitments	**39 281**	101 812

Capital commitments for property, plant and equipment will be funded by cash and borrowings.

35. Commitments (continued)

Operating lease commitments

The group leases various land and buildings and quarries under non-cancellable operating lease agreements. These leases have varying terms, clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 R'000	2015 R'000
No later than 1 year	**36 966**	10 116
Later than 1 year and no later than 5 years	**29 021**	6 630
Total operating lease commitments	**65 987**	16 746

36. Business combinations

Belabela Quarries (Pty) Ltd ("Belabela")

On 18 March 2015, the group effectively acquired 74% of Belabela for a purchase price of R43 million to be settled in cash. Belabela is a commercial quarry operating on the outskirts of Gaborone in Botswana. The acquisition will give the group a base from which it can expand and further develop its operating model in Botswana.

The goodwill is attributable to the geographical location of the operation and the synergies expected to come from combining the operations with that of the Raubex Group.

Details of the net assets acquired, purchase consideration and goodwill are set out below:

	R'000
Consideration	
Cash	**43 000**
Less: Loans owed and settled as part of acquisition	**(4 709)**
Total consideration	**38 291**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**11 089**
Intangible asset – mining right	**9 502**
Deferred tax asset	**875**
Inventories	**7 719**
Trade receivables	**6 587**
Current income tax receivable	**79**
Cash and cash equivalents	**13 653**
Borrowings	**(556)**
Deferred tax liability	**(3 361)**
Trade and other payables	**(18 721)**
Rehabilitation provision	**(3 978)**
Total identifiable net assets	**22 888**
Non-controlling interest	**(5 951)**
Goodwill attributable to owners of the parent	**21 354**
Total	**38 291**
Purchased consideration settled in cash	**38 291**
Less: Cash and cash equivalents in the business combination acquired	**(13 653)**
Cash outflow on acquisition for cash flow statement	**24 638**

Notes to the group financial statements continued

for the year ended 29 February 2016

36. Business combinations (continued)

Acquisition-related costs of R0,2 million have been charged to administrative expenses in the consolidated income statement for the year.

The fair value of trade and other receivables is R6,6 million which is the same as the gross contractual amount. The full amount is expected to be collectable.

The revenue included in the consolidated income statement since 1 March 2015 contributed by Belabela was R103,1 million with a net profit contribution of R15,2 million over the same period.

Mokwena Surfacing (Pty) Ltd ("Mokwena")

On 31 July 2015, the group acquired the asphalt manufacturing business including the asphalt plant and related fixed assets from Mokwena for a purchase price of R22 million in cash. These operations are located in Durbanville in the Western Cape province.

The goodwill is attributable to the geographical location of the operation and the synergies expected to come from combining the operations with that of the Raubex Group.

Details of the net assets acquired, purchase consideration and goodwill are set out below:

	R'000
Consideration	
Cash	**22 000**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**18 000**
Total identifiable net assets	**18 000**
Non-controlling interest	**–**
Goodwill attributable to owners of the parent	**4 000**
Total	**22 000**
Purchased consideration settled in cash	**22 000**
Less: Cash and cash equivalents in the business combination acquired	**–**
Cash outflow on acquisition for cash flow statement	**22 000**

No trade receivables were acquired as part of the business combination.

The acquired operations contributed revenues of R7,4 million, and a net loss of R1,9 million for the period from 31 July 2015 to 29 February 2016.

Phuhlisa Development Solutions (Pty) Ltd ("PDS")

On 1 March 2015 the Group effectively acquired 80% of PDS for a purchase price of R0,4 million in cash. PDS is a professional consulting firm, providing engineering and project management services to the property development sector.

Details of the net assets acquired, purchase consideration and goodwill are set out below:

	R'000
Consideration	
Cash	**418**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	**4**
Trade receivables	**508**
Cash and cash equivalents	**6**
Trade and other payables	**(100)**
Total identifiable net assets	**418**

36. Business combinations (continued)

	R'000
Non-controlling interest	–
Goodwill attributable to owners of the parent	–
Total	**418**
Purchased consideration settled in cash	**418**
Less: Cash and cash equivalents in the business combination acquired	**(7)**
Cash outflow on acquisition for cash flow statement	**411**

The fair value of trade and other receivables is R0,5 million which is the same as the gross contractual amount. The full amount is expected to be collectable.

The revenue included in the consolidated income statement since 1 March 2015 contributed by PDS was R2,5 million with a net profit of R nil over the same period.

37. Transactions with non-controlling interests

Centremark Roadmarking (Pty) Ltd

On 1 September 2015, the group acquired an additional 30% of the issued share capital from the non-controlling shareholders in Centremark Roadmarking (Pty) Ltd for R5,6 million in cash, increasing the group's shareholding from 65% to 95%.

	R'000
Carrying amount of non-controlling interests acquired	**6 043**
Less: Consideration paid to non-controlling interests	**(5 600)**
Gain from bargain purchase recognised in parent's equity	**443**

Tosas Namibia (Pty) Ltd

Effective from 1 March 2015, the group entered into a sale of share agreement whereby 10% of Tosas Namibia (Pty) Ltd would be sold to a local Namibian non-controlling interest for R0,2 million. The group's interest was therefore reduced from 100% to 90%. The group still maintains control over Tosas Namibia (Pty) Ltd in terms of IFRS 10.

B&E International (Botswana) (Pty) Ltd

With the acquisition of Belabela Quarries, one of the contractual conditions required that 26% of B&E international (Botswana) (Pty) Ltd be transferred to non-controlling interests effective from 31 March 2015. The group's interest in B&E International (Botswana) (Pty) Ltd therefore was reduced from 100% to 74%. The group still maintains control over the entity B&E International (Botswana) (Pty) Ltd in terms of IFRS 10.

38. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 670,3 million (2015: R1 608,7 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R3 104 million (2015: R2 625 million).

The group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The directors do not believe that adverse decisions in any pending proceedings or claims against the group will have a material adverse effect in the financial position or future operations of the group.

Notes to the group financial statements continued

for the year ended 29 February 2016

39. Segmental analysis

Operating segments	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Consolidated R'000
At 28 February 2015					
Segment revenue – external	1 961 342	2 957 304	1 463 953	862 660	7 245 259
Segment result (operating profit)	323 640	203 713	55 169	39 649	622 171
Finance income	7 542	4 264	32 487	2 227	46 520
Finance costs	(44 049)	(11 667)	(4 593)	(1 950)	(62 259)
Share of profit of investments accounted for using the equity method	–	–	–	205	205
Taxation	(87 411)	(58 912)	(21 258)	(10 982)	(178 563)
Profit for the year	199 722	137 398	61 805	29 149	428 074
Segment assets	2 726 073	1 637 316	1 501 231	408 762	6 273 382
Segment liabilities	1 412 539	696 584	453 865	176 977	2 739 965
Depreciation and amortisation	198 811	80 844	41 812	13 809	335 276
Capital expenditure	358 285	70 032	44 599	37 683	510 599
Inter-segment revenue	163 696	359 244	121 604	15 648	660 192
At 29 February 2016					
Segment revenue – external	**2 332 083**	**3 048 219**	**1 400 823**	**1 144 629**	**7 925 754**
Segment result (operating profit)	**399 823**	**172 682**	**102 989**	**35 069**	**710 563**
Finance income	**8 426**	**4 322**	**26 637**	**2 487**	**41 872**
Finance costs	**(70 537)**	**(11 977)**	**(5 448)**	**(3 154)**	**(91 116)**
Share of profit of investments accounted for using the equity method	**–**	**–**	**–**	**324**	**324**
Taxation	**(105 303)**	**(50 237)**	**(28 419)**	**(8 281)**	**(192 240)**
Profit for the year	**232 409**	**114 790**	**95 759**	**26 445**	**469 403**
Segment assets	**2 961 809**	**1 699 959**	**1 505 606**	**559 255**	**6 726 629**
Segment liabilities	**1 467 142**	**697 836**	**460 129**	**268 680**	**2 893 787**
Depreciation and amortisation	**228 993**	**83 213**	**40 070**	**19 701**	**371 977**
Capital expenditure	**323 167**	**128 399**	**48 106**	**49 863**	**549 535**
Inter-segment revenue	**169 928**	**259 910**	**100 625**	**60 548**	**591 011**

Approximately 17% (2015: 22%) of total revenue is derived from a single external customer, i.e. the South African National Roads Agency ("SANRAL"). These revenues are attributable to all the business segments. Approximately 8% (2015: 10%) of total revenue is derived from South African local municipalities and provincial governments. These revenues are attributable to both the Road Surfacing and Road Construction segments.

39. Segmental analysis (continued)

Additional voluntary disclosure: Geographical information	Local R'000	International R'000	Consolidated R'000
At 28 February 2015			
Segment revenue – external	6 606 290	638 969	7 245 259
Segment result (operating profit)	538 722	83 449	622 171
Finance income	42 923	3 597	46 520
Finance costs	(54 281)	(7 978)	(62 259)
Share of profit of investments accounted for using the equity method	205	–	205
Taxation	(156 743)	(21 820)	(178 563)
Profit for the year	370 826	57 248	428 074
Segment assets	5 645 026	628 356	6 273 382
Segment liabilities	2 412 106	327 859	2 739 965
Depreciation and amortisation	305 399	29 877	335 276
Capital expenditure	455 942	54 657	510 599
Inter-segment revenue	181 541	–	181 541
At 29 February 2016			
Segment revenue – external	**6 725 552**	**1 200 202**	**7 925 754**
Segment result (operating profit)	**492 253**	**218 310**	**710 563**
Finance income	**40 700**	**1 172**	**41 872**
Finance costs	**(70 084)**	**(21 032)**	**(91 116)**
Share of profit of investments accounted for using the equity method	**324**	**–**	**324**
Taxation	**(131 183)**	**(61 057)**	**(192 240)**
Profit for the year	**332 010**	**137 393**	**469 403**
Segment assets	**5 684 346**	**1 042 283**	**6 726 629**
Segment liabilities	**2 453 444**	**440 343**	**2 893 787**
Depreciation and amortisation	**332 599**	**39 378**	**371 977**
Capital expenditure	**468 387**	**81 148**	**549 535**
Inter-segment revenue	**329 899**	**25 728**	**355 627**

International revenues from external customers account for 15,1% (2015: 8,8%) of total group revenue from external customers and were generated from operations in Botswana, Mozambique, Namibia, Zambia, and the Democratic Republic of Congo.

Reclassification of comparative figures

In the prior period consolidated financial statements for the year ended 28 February 2015 the results of Tosas were disclosed as a separate segment in the segmental analysis. This was done in order to report the results of Tosas separately until such time as the acquired business was bedded down within the group and returned to profitability. In order to more fairly present the segments and in line with the disclosure of information reported to the chief operating decision-maker in terms of IFRS, the results of Tosas have been disclosed as part of the Road Surfacing and Rehabilitation segment. This has resulted in the restatement of the prior period figures.

Notes to the group financial statements continued

for the year ended 29 February 2016

39. Segmental analysis (continued)

Operating segments	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Tosas R'000	Consolidated R'000
At 28 February 2015 (as previously reported)						
Segment revenue – external	1 961 342	2 568 538	1 463 953	862 660	388 766	7 245 259
Segment result (operating profit)	323 640	192 462	55 169	39 649	11 251	622 171
Finance income	7 542	3 842	32 487	2 227	422	46 520
Finance costs	(44 049)	(9 847)	(4 593)	(1 950)	(1 820)	(62 259)
Share of profit of investments accounted for using the equity method	–	–	–	205	–	205
Taxation	(87 411)	(56 918)	(21 258)	(10 982)	(1 994)	(178 563)
Profit for the year	199 722	129 539	61 805	29 149	7 859	428 074
Segment assets	2 726 073	1 346 902	1 501 231	408 762	290 414	6 273 382
Segment liabilities	1 412 539	558 331	453 865	176 977	138 253	2 739 965
Depreciation and amortisation	198 811	66 799	41 812	13 809	14 045	335 276
Capital expenditure	358 285	63 401	44 599	37 683	6 631	510 599
Inter-segment revenue	163 696	467 755	121 604	15 648	307 354	1 076 057

40. Interest in subsidiaries

		Issued share capital Shares	Effective % held by the group 2016 %	2015 %	Effective % held by non-controlling interests 2016 %	2015 %	Shares at cost 2016 R'000	2015 R'000	Amounts owing by subsidiaries 2016 R'000	2015 R'000
Direct										
Raubex (Pty) Ltd	✧	300	**100**	100	**–**	–	**1 001 620**	1 001 620	**465 768**	499 327
B&E International (Pty) Ltd	#	1 000	**100**	100	**–**	–	**473 844**	473 844	**–**	–
Burma Plant Hire (Pty) Ltd	†	100	**70**	70	**30**	30	**11 532**	11 532	**35 035**	39 095
Aquatic Services (Pty) Ltd (SPH Group)	#	300	**100**	100	**–**	–	**111 336**	111 336	**–**	–
L & R Civils (Pty) Ltd	☐	300	**80**	80	**20**	20	**22 300**	22 300	**–**	–
Strata Civils (Pty) Ltd	☐	500	**90**	90	**10**	10	**–**	–	**–**	–
Raubex Construction (Mauritius) Ltd	☐	100	**100**	100	**–**	–	**1**	1	**–**	–
Tosas Holdings (Pty) Ltd	✧	100	**100**	100	**–**	–	**120 000**	120 000	**–**	–

40. Interest in subsidiaries (continued)

		Issued share capital	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost		Amounts owing by subsidiaries	
		Shares	**2016 %**	2015 %	**2016 %**	2015 %	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
Indirect										
Acquasoil (Pty) Ltd	♦	40 000	**100**	100	**–**	–	**–**	–	**–**	–
Akasia Road Surfacing (Pty) Ltd	⬟	100	**100**	100	**–**	–	**120 796**	120 796	**–**	–
Aliwal Dolorite Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**7 619**	7 619	**–**	–
B&E International – North (Namibia) (Pty) Ltd	†	100	**100**	100	**–**	–	**–**	–	**–**	–
B&E International (Botswana) (Pty) Ltd	♦	10 000	**74**	100	**26**	–	**–**	–	**–**	–
B&E International (Foreign) (Pty) Ltd	#	100	**100**	100	**–**	–	**–**	–	**–**	–
B&E International (Lesotho) (Pty) Ltd	♦	1 000	**100**	100	**–**	–	**–**	–	**–**	–
B&E International (Namibia) (Pty) Ltd	#	200	**74**	74	**26**	26	**–**	–	**–**	–
B&E International (Swaziland) (Pty) Ltd	♦	4 000	**100**	100	**–**	–	**–**	–	**–**	–
B&E International Mozambique Limitada	#	16 835	**100**	100	**–**	–	**–**	–	**–**	–
B&E Quarries (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
B&E Quarries Leasing (Pty) Ltd	♦	1 000	**100**	100	**–**	–	**–**	–	**–**	–
Bedrock Mining (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Bekha Trading (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Belabela Quarries (Pty) Ltd	▪	1 660 000	**74**	–	**26**	–	**–**	–	**–**	–
Belabela Asphalt (Pty) Ltd	⬟	100	**99**	–	**1**	–	**–**	–	**–**	–
Burma Plant Hire (Mining) (Pty) Ltd	†	100	**52**	52	**48**	48	**–**	–	**–**	–
Burma Plant Hire (Namibia) (Pty) Ltd	†	100	**70**	70	**30**	30	**–**	–	**–**	–
Canyon Rock (Pty) Ltd	▪	120	**74**	74	**26**	26	**46 294**	46 294	**–**	–
Centremark Roadmarking (Pty) Ltd	■	120	**95**	65	**5**	35	**7 763**	2 163	**–**	–
Cherry Moss Trade and Invest (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Comar Plant Design and Manufacturing (Pty) Ltd	#	1 000	**100**	100	**–**	–	**3 000**	3 000	**–**	–
DBE Mining (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Empa Plant (Pty) Ltd	†	400	**70**	70	**30**	30	**23 527**	23 527	**–**	–
Empa Structures (Pty) Ltd	□	100	**70**	70	**30**	30	**4 099**	4 099	**–**	–
Forward Infra (Pty) Ltd	■	100	**100**	100	**–**	–	**–**	–	**–**	–
Greemined Environmental (Pty) Ltd	▲	1 000	**100**	100	**–**	–	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	▪	870 000	**74**	74	**26**	26	**–**	–	**–**	–
Inzalo Crushing and Aggregates (Pty) Ltd	▪	10 000	**74**	74	**26**	26	**9**	9	**–**	–

Notes to the group financial statements continued

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40. Interest in subsidiaries (continued)

		Issued share capital	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost		Amounts owing by subsidiaries	
		Shares	**2016 %**	2015 %	**2016 %**	2015 %	**2016 R'000**	2015 R'000	**2016 R'000**	2015 R'000
Matlosana Industries (Pty) Ltd	▪	100	**52**	52	**48**	48	**–**	–	**–**	–
Milling Techniks (Pty) Ltd	*	100	**100**	100	**–**	–	**15 000**	15 000	**–**	–
Muscle Construction (Pty) Ltd	♦	100	**26**	26	**74**	74	**–**	–	**–**	–
Narindonde Construction (Pty) Ltd	#	100	**74**	74	**26**	26	**–**	–	**–**	–
National Asphalt (Pty) Ltd	⬟	100	**100**	100	**–**	–	**–**	–	**–**	–
National Cold Asphalt (Pty) Ltd	⬟	100	**100**	100	**–**	–	**1 124**	1 124	**–**	–
Notwane Quarries (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
OMV Gypsum Potchefstroom (Pty) Ltd	▪	800	**70**	70	**30**	30	**54 452**	54 452	**–**	–
OMV Stilfontein (Pty) Ltd	▪	800	**70**	70	**30**	30	**34 706**	34 706	**–**	–
OMV Stilfontein Mining (Pty) Ltd	▪	100	**52**	52	**48**	48	**–**	–	**–**	–
Petra Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**3 849**	3 849	**–**	–
Phambili Road Surfacing (Pty) Ltd	*	200	**100**	100	**–**	–	**20 515**	20 515	**–**	–
Phuhlisa Development Solutions (Pty) Ltd	⊙	1 000	**80**	–	**20**	–	**418**	–	**–**	–
Prodev Plant Hire (Pty) Ltd	†	100	**70**	70	**30**	30	**31 000**	31 000	**–**	–
Queenstown Quarry (Pty) Ltd	▪	100	**74**	74	**26**	26	**21 929**	21 929	**–**	–
Raubex Building (Pty) Ltd	☐	100	**73**	73	**27**	27	**–**	–	**–**	–
Raubex Civil (Pty) Ltd	✧	100	**100**	100	**–**	–	**14 999**	14 999	**–**	–
Raubex Construction (Pty) Ltd	*	1 000	**100**	100	**–**	–	**87 300**	87 300	**–**	–
Raubex Construction Namibia (Pty) Ltd	♦	100	**49**	49	**51**	51	**1**	1	**–**	–
Raubex Construction Zambia Ltd	*	5 000 000	**100**	100	**–**	–	**6 008**	6 008	**–**	–
Raubex Infra (Pty) Ltd	☐	900	**70**	70	**30**	30	**6 538**	6 538	**–**	–
Raubex KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**43 907**	43 907	**–**	–
Raudev (Pty) Ltd	☐	100	**80**	80	**20**	20	**8 083**	8 083	**–**	–
Raumix Aggregates (Pty) Ltd	▪	916	**100**	100	**–**	–	**–**	–	**30 993**	30 993
Raumix Holdings (Pty) Ltd	✧	100	**100**	100	**–**	–	**23 674**	23 674	**–**	–
Roadmac (Pty) Ltd	✧	100	**100**	100	**–**	–	**84 550**	84 550	**–**	–
Roadmac Surfacing (Pty) Ltd	*	100	**100**	100	**–**	–	**20 000**	20 000	**–**	–
Roadmac Surfacing Cape (Pty) Ltd	*	200	**100**	100	**–**	–	**24 299**	24 299	**–**	–
Roadmac Surfacing KZN (Pty) Ltd	*	100	**100**	100	**–**	–	**151**	151	**–**	–
Saldanha Plant Hire (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Shisalanga Construction (Pty) Ltd	⬟	100	**60**	60	**40**	40	**38 400**	38 400	**–**	–
SPH Earthmoving (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Equipment Hire (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Group (Pty) Ltd	✧	300	**100**	100	**–**	–	**–**	–	**–**	–

40. Interest in subsidiaries (continued)

		Issued share capital Shares	Effective % held by the group 2016 %	2015 %	Effective % held by non-controlling interests 2016 %	2015 %	Shares at cost 2016 R'000	2015 R'000	Amounts owing by subsidiaries 2016 R'000	2015 R'000
SPH Group Properties (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
SPH Sand (Pty) Ltd	♦	100	**100**	100	**–**	–	**–**	–	**–**	–
Stabilpave (Pty) Ltd	♦	200	**100**	100	**–**	–	**–**	–	**–**	–
Thekweni Surfacing (Pty) Ltd	♦	100	**26**	26	**74**	74	**–**	–	**–**	–
Tosas (Pty) Ltd	◈	20 000	**100**	100	**–**	–	**–**	–	**–**	–
Tosas East London(Pty) Ltd	◈	100	**50**	–	**50**	–	**–**	–	**–**	–
Tosas Botswana (Pty) Ltd	◈	134	**100**	100	**–**	–	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	◈	100	**90**	100	**10**	–	**–**	–	**–**	–
Willows Quarries (Pty) Ltd	▪	100	**74**	74	**26**	26	**–**	–	**–**	–
Zamori Construction (Pty) Ltd	*	120	**100**	100	**–**	–	**35 799**	35 799	**–**	–
Zisena (Pty) Ltd	*	100	**49**	49	**51**	51	**–**	–	**–**	–

Nature of business

- * Rehabilitation of roads, civil and general construction work
- # Contract crushing and material handling
- ⬟ Asphalt production
- ✧ Investment and holding company
- † Plant hire
- ▲ Application for water permits, mining licences and environmental control
- ▪ Commercial quarrying
- ■ Road marking
- ♦ Dormant entity
- ☐ Infrastructure
- ◈ Manufacturing and distribution of value-added bituminous products
- ⊙ Professional consulting firm – engineering and project management services

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company does not differ from the proportion of ordinary shares held.

Management has assessed that, in terms of IFRS 10, the group is considered to exercise control over these entities through its ability to affect returns and direct the entities' relevant activities, despite owning less than 50% of the issued shares. Thus the group has power over and is exposed to, or has rights to, variable returns from its involvement with these entities:

- Muscle Construction (Pty) Ltd;
- Zisena (Pty) Ltd; and
- Raubex Construction Namibia (Pty) Ltd.

Management considered the following factors in determining control:

- The involvement of the group in decision-making over significant transactions and/or investments
- The involvement of the group in determining the policies and processes in place at these entities;
- The number of directors the group has on the boards of these entities;
- The relation of the other shareholders of these entities to the group; and
- The dependence of these entities on the group and/or its subsidiaries.

Notes to the group financial statements *continued*

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40. Interest in subsidiaries (continued)

All companies are incorporated in South Africa except for the following:

Name	Country of incorporation and place of business
B&E International – North (Namibia) (Pty) Ltd	Namibia
B&E International (Botswana) (Pty) Ltd	Botswana
B&E International (Lesotho) (Pty) Ltd	Lesotho
B&E International (Namibia) (Pty) Ltd	Namibia
B&E International (Swaziland) (Pty) Ltd	Swaziland
B&E International Mozambique Limitada	Mozambique
Belabela Asphalt (Pty) Ltd	Botswana
Belabela Quarries (Pty) Ltd	Botswana
Burma Plant Hire (Namibia) (Pty) Ltd	Namibia
Narindonde Construction (Pty) Ltd	Namibia
Notwane Quarries (Pty) Ltd	Botswana
Prodev Plant Hire (Pty) Ltd	Namibia
Raubex Construction (Mauritius) Ltd	Mauritius
Raubex Construction Namibia (Pty) Ltd	Namibia
Raubex Construction Zambia Ltd	Zambia
Tosas Botswana (Pty) Ltd	Botswana
Tosas Namibia (Pty) Ltd	Namibia

Roadmac Surfacing (Pty) Ltd operates through a branch registered in Namibia.

Raubex (Pty) Ltd operates through branches registered in Namibia and Zambia.

Raubex Construction (Pty) Ltd operates through a branch registered in Botswana.

B&E International (Foreign) (Pty) Ltd operates through a branch registered in Zimbabwe.

The following companies were deregistered during the year:
- Instant Concrete Investments (Pty) Ltd; and
- Thaba Bosiu Construction (Pty) Ltd.

During the year the following name change occurred:
- Raubex Housing (Pty) Ltd changed to Raubex Building (Pty) Ltd.

The group maintains a register of all subsidiaries for inspection at the registered office of Raubex Group Limited.

Significant restrictions

There are no significant restrictions on the group's ability to access or use the assets and settle the liabilities of the group.

40. Interest in subsidiaries (continued)

Set out below is the summarised financial information for each subsidiary with non-controlling interest that is material in the group:

	Profit for the period R'000	Dividends paid to non-controlling interest R'000	Total assets R'000	Total liabilities R'000	Net increase/ (decrease) in cash and cash equivalents R'000
At 28 February 2015					
Burma Plant Hire (Pty) Ltd	22 519	(29 474)	306 501	(291 669)	(2 590)
OMV Gypsum Potchefstroom (Pty) Ltd	6 982	–	33 041	(9 211)	10 968
OMV Stilfontein (Pty) Ltd	2 234	–	55 342	(16 953)	8 147
Raubex Building (Pty) Ltd	11 869	–	129 631	(113 119)	(13 819)
Raubex Infra (Pty) Ltd	17 768	–	91 876	(49 561)	(2 740)
Shisalanga Construction (Pty) Ltd	6 951	–	79 112	(40 223)	(1 678)
Total	68 323	(29 474)	695 503	(520 736)	(1 712)

Set out below is the aggregate of all subsidiaries with non-controlling interests in the group:

	Profit for the period R'000	**Dividends paid to non-controlling interest R'000**	**Total assets R'000**	**Total liabilities R'000**	**Net increase/ (decrease) in cash and cash equivalents R'000**
At 29 February 2016					
Aggregate of all subsidiaries with non-controlling interests in the group*	**84 879**	**(6 281)**	**1 584 217**	**(1 170 429)**	**21 077**
Total	**84 879**	**(6 281)**	**1 584 217**	**(1 170 429)**	**21 077**

* *Refer to the table at the beginning of note 40 for the full list of subsidiaries with non-controlling interest in the group. None of these individual subsidiaries are material to the group.*

Set out below is the summarised financial information for each subsidiary with non-controlling interest that is material in the group:

	Non-controlling interest balance at the beginning of the year R'000	Profit attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Acquisition of non-controlling interest R'000	Dividends paid to non-controlling interest R'000	Non-controlling interest balance at the end of the year R'000
At 28 February 2015						
Burma Plant Hire (Pty) Ltd	23 034	8 553	(1 200)	570	(29 474)	1 483
OMV Gypsum Potchefstroom (Pty) Ltd	–	2 095	23 337	–	–	25 432
OMV Stilfontein (Pty) Ltd	–	670	11 659	–	–	12 329
Raubex Building (Pty) Ltd	1 212	3 205	–	–	–	4 417
Raubex Infra (Pty) Ltd	7 364	5 330	–	–	–	12 694
Shisalanga Construction (Pty) Ltd	–	2 780	16 605	–	–	19 385
Total	31 610	22 633	50 401	570	(29 474)	75 740

Notes to the group financial statements *continued*

for the year ended 29 February 2016

40. Interest in subsidiaries (continued)

Set out below is the aggregate of all subsidiaries with non-controlling interests in the group:

	Non-controlling interest balance at the beginning of the year R'000	Profit attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Acquisition of non-controlling interest R'000	Dividends paid to non-controlling interest R'000	Non-controlling interest balance at the end of the year R'000
At 29 February 2016						
Aggregate of all subsidiaries with non-controlling interests in the group*	**110 788**	**24 095**	**6 205**	**(6 043)**	**(6 281)**	**128 764**
Total	**110 788**	**24 095**	**6 205**	**(6 043)**	**(6 281)**	**128 764**

* *Refer to the table at the beginning of note 40 for the full list of subsidiaries with non-controlling interest in the group. None of these individual subsidiaries are material to the group.*

	Country	Nature of business	Interest held 2016 (%)	Interest held 2015 (%)
41. Interest in joint operations				
Joint operations				
Akasia/Actophambili Joint Operation	South Africa	Road surfacing	**60**	60
Kentha/Raumix Joint Operation	South Africa	Aggregates	**49**	49
Namibia Road Products/Roadmac Surfacing Joint Operation	Namibia	Road surfacing	**50**	50
Raubex/Matlapeng Joint Operation	South Africa	Infrastructure	**80**	80
Raubex/Nodoli Joint Operation	South Africa	Infrastructure	**50**	50
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	South Africa	Road construction	**90**	90
Raubex/Sakula Joint Operation	South Africa	Infrastructure	**75**	75
RESA Joint Operation	South Africa	Infrastructure	**45**	45
Roadmac Surfacing/Actophambili	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/KYK Joint Operation	South Africa	Road surfacing	**60**	60

41. Interest in joint operations (continued)

Financial information:

Statement of financial position

(Recognise in proportion to interest in assets and liabilities)

	2016 R'000	2015 R'000
Assets		
Non-current assets	**21**	21
Current assets	**32 676**	58 575
Total assets	**32 697**	58 596
Equity and liabilities		
Equity	**(12)**	(4)
Current liabilities	**32 709**	58 600
Total equity and liabilities	**32 697**	58 596
Statement of profit or loss		
(Recognise in proportion to interest in assets and liabilities)		
Revenue	**176 619**	88 763
Profit/(loss) attributable to group	**(6 197)**	(6 278)

The group maintains a register of all joint operations for inspection at its registered office.

Parties collectively control the arrangements and decisions about relevant activities that require unanimous consent.

42. Shareholder spread

The company has one class of listed share. Detail of the company's authorised and issued share capital are set out in note 12 of these financial statements.

	Number of shares 2016	Number of shares 2015	% held 2016	% held 2015
The shareholder spread is summarised as follows:				
Public shareholders	**133 117 040**	133 736 482	**70,3**	71,5
Non-public shareholders	**56 132 996**	53 593 683	**29,7**	28,5
Total shares	**189 250 036**	187 330 165	**100**	100
Non-public shareholders are summarised as follows:				
Directors of the company	**45 359 418**	45 102 426	**24,0**	24,0
Directors of subsidiaries	**6 675 877**	6 753 093	**3,5**	3,6
Employees	**1 415 039**	1 738 164	**0,8**	0,9
Treasury shares – Raubex (Pty) Ltd	**2 682 662**	–	**1,4**	–
Total shares	**56 132 996**	53 593 683	**29,7**	28,5

Notes to the group financial statements *continued*

for the year ended 29 February 2016

42. Shareholder spread (continued)

Beneficial shareholders with a holding greater than 5% of the issued shares

	Number of shares 2016	Number of shares 2015	**% of shares in issue 2016**	% of shares in issue 2015
Raubenbel (Pty) Ltd	**25 650 000**	25 650 000	**13,6**	13,7
Government Employees Pension Fund	**22 174 781**	20 645 541	**11,7**	11,0
Kenworth (Pty) Ltd	**14 965 384**	14 965 384	**7,9**	8,0
Total	**62 790 165**	61 260 925	**33,2**	32,7

43. Events after the reporting period

Business combinations

OMV Kimberley (Pty) Ltd and OMV Kimberley Mining (Pty) Ltd ("OMV Kimberley")

The small merger of Raumix Aggregates (Pty) Ltd and OMV Kimberley, originally prohibited by the Competition Commission, was subsequently approved by the Competition Tribunal subject to certain conditions on 9 March 2016. On receipt of the Competition Tribunal's order on 9 March 2016 the group acquired 100% of OMV Kimberley for R37,5 million cash. OMV Kimberley is a commercial quarry operating in the Northern Cape province supplying aggregates to the construction industry.

The conditions imposed relate to controls relating to the pricing of aggregated crushed road stone and the non-discrimination of competitors in the road contracting sector. A further enterprise development condition was agreed which prohibits the group from tendering for a Resealing Contract in the Kimberley Area other than through an HDI joint venture in which historically disadvantaged persons hold in aggregate no less than 60% of the shares or other similar interest of the HDI joint venture.

Due to the timing of this acquisition in relation to the group's year-end reporting deadline the financial information was not readily available in order to provisionally determine and disclose the expected returns relative to the effect on the group results as well as the disclosure of the assets and liabilities arising from the acquisition.

Contingent liabilities

On 29 April 2011, shareholders were advised that the group had become aware of certain irregularities in terms of the provisions of the Competition Act, No 89 of 1998. The group filed a Fast Track application to the Competition Commission in accordance with the Commission's Invitation to Firms in the Construction Industry to Engage in Settlement of Contraventions of the Act by the required deadline date of 15 April 2011.

Raubex signed a consent agreement with the Commission on 21 June 2013 in which the company admitted that it had engaged in collusive conduct during 2006 and 2007 in respect of eight road construction contracts tendered on for the South African National Roads Agency SOC Limited ("SANRAL"). Raubex paid an administrative penalty of R58,8 million on 20 August 2013.

On 19 April 2016, the group received a summons to inform that SANRAL had instituted legal action against Raubex to claim relief for damages suffered as a consequence of certain of the contraventions referred to above. No provision for damages has been made in these annual financial statements.

No further material events after the reporting period occurred up to the date of preparation of these group financial statements.

Company statement of financial position

at 29 February 2016

	Note	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**1 821 098**	1 801 223
Loans to group companies	4.2	**531 796**	569 415
Total non-current assets		**2 352 894**	2 370 638
Current assets			
Trade and other receivables	5	**99**	–
Current income tax receivable		**20**	20
Cash and cash equivalents	6	**499**	227
Total current assets		**618**	247
Total assets		**2 353 512**	2 370 885
EQUITY			
Ordinary shares	7	**1 892**	1 873
Share premium	7	**2 179 701**	2 179 701
Reserves		**75 823**	81 943
Retained income		**90 225**	101 948
Total equity		**2 347 641**	2 365 465
LIABILITIES			
Non-current liabilities			
Other financial liabilities	8	**3 500**	5 100
Total non-current liabilities		**3 500**	5 100
Current liabilities			
Trade and other payables	9	**371**	320
Other financial liabilities	8	**2 000**	–
Total current liabilities		**2 371**	320
Total liabilities		**5 871**	5 420
Total equity and liabilities		**2 353 512**	2 370 885

The notes on pages 147 to 160 are an integral part of these financial statements.

Company statement of comprehensive income

for the year ended 29 February 2016

	Note	2016 R'000	2015 R'000
Revenue	10	**101 710**	162 600
Administrative expenses		**(2 815)**	(3 815)
Operating profit		**98 895**	158 785
Finance income	11	**65**	43
Finance costs	11	**(400)**	(200)
Profit before income tax		**98 560**	158 628
Income tax expense	12	**(18)**	(68)
Profit for the year		**98 542**	158 560
Other comprehensive income		**–**	–
Total comprehensive income for the year		**98 542**	158 560

The notes on pages 147 to 160 are an integral part of these financial statements.

Company statement of changes in equity

for the year ended 29 February 2016

	Share capital R'000	Share premium R'000	Reserves for own shares/ share repurchase reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 1 March 2014	1 859	2 179 701	70 388	58 277	2 310 225
Changes in equity:					
Shares issued in terms of equity-settled share option scheme	14	–	(16 242)	16 242	14
Employees' share option scheme (note 4.1)	–	–	27 797	–	27 797
Total comprehensive income for the year	–	–	–	158 560	158 560
Dividends paid	–	–	–	(131 131)	(131 131)
Total changes	14	–	11 555	43 671	55 240
Balance at 1 March 2015	1 873	2 179 701	81 943	101 948	2 365 465
Changes in equity:					
Shares issued in terms of equity-settled share option scheme	**19**	**–**	**(25 995)**	**25 995**	**19**
Employees' share option scheme (note 4.1)	**–**	**–**	**19 875**	**–**	**19 875**
Total comprehensive income for the year	**–**	**–**	**–**	**98 542**	**98 542**
Dividends paid	**–**	**–**	**–**	**(136 260)**	**(136 260)**
Total changes	**19**	**–**	**(6 120)**	**(11 723)**	**(17 824)**
Balance at 29 February 2016	**1 892**	**2 179 701**	**75 823**	**90 225**	**2 347 641**
Note	7	7			

The notes on pages 147 to 160 are an integral part of these financial statements.

Company statement of cash flows

for the year ended 29 February 2016

	Note	**2016 R'000**	2015 R'000
Cash flows from operating activities			
Cash (used in)/generated from operations	13	**(2 864)**	2 196
Dividends received	10	**101 710**	161 808
Interest received	11	**65**	43
Interest paid	11	**–**	–
Taxation paid	13	**(18)**	(33)
Net cash generated from operating activities		**98 893**	164 014
Cash flows from investing activities			
Shares issued in terms of equity-settled share option scheme		**19**	14
Increase in investments		**–**	(11 532)
Loans repaid/(advanced to) by group companies		**37 620**	(21 608)
Net cash generated from/(used in) investing activities		**37 639**	(33 126)
Cash flows from financing activities			
Dividends paid		**(136 260)**	(131 131)
Net cash used in financing activities		**(136 260)**	(131 131)
Net increase/(decrease) in cash and cash equivalents		**272**	(243)
Cash and cash equivalents at the beginning of the year		**227**	470
Total cash and cash equivalents at the end of the year	6	**499**	227

The notes on pages 147 to 160 are an integral part of these financial statements.

Notes to the company financial statements

for the year ended 29 February 2016

1. Summary of significant accounting policies

The financial statements of Raubex Group Limited have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IFRS Interpretations Committee ("IFRS IC"), the JSE Listings Requirements and the Companies Act, 71 of 2008, of South Africa and are consistent with those of the previous year. The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1.1 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Non-current loans have no set terms and are intended to provide the subsidiary with a long-term source of additional capital. As a result, the loans are considered to be an interest in the subsidiary. The loans are accounted for under IAS 27 and are carried at cost.

1.2 Financial instruments

Financial instruments are recognised when the company becomes party to the contractual provisions of the instruments. Financial instruments are derecognised when substantially all risks and rewards of ownership have been transferred.

Financial instruments are recognised initially on transaction date at fair value. For financial instruments carried at fair value through profit and loss, transaction costs are recognised immediately in the consolidated statement of financial performance and other comprehensive income.

The company classifies its financial instruments into the following categories depending on the purpose for which the instrument was acquired. Management determines the classification at the time of initial recognition.

The company's categories are as follows:

- Loans and receivables
- Financial liabilities held at amortised cost
- Financial liabilities at fair value through profit and loss

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The recoverable amount of the company's loans and receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets).

The company assesses at the end of each reporting period whether there is objective evidence that loans and receivables are impaired. Loans and receivables are impaired when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and receivable and has an impact on the estimated future cash flows of the asset that can be reliably estimated.

Notes to the company financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.2 Financial instruments (continued)

An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Loans and receivables on the face of, or included in the notes to, the statement of financial position include:

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provisions for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the statement of profit or loss.

(b) Cash and cash equivalents and bank overdrafts

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Financial liabilities held at amortised cost

These instruments include trade payables, accruals, bank overdrafts, contingent consideration liabilities and are carried at amortised cost. Financial liabilities shown on the face of, or included in notes to, the consolidated statement of financial position include:

(a) Trade and other payables

Trade and other payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The obligation arising is expected to be settled within 12 months of the reporting date.

Financial liabilities at fair value through profit and loss

(a) Other financial liabilities – contingent consideration

Contingent consideration originated with business combinations. An additional contingent consideration is payable by the group dependent on the acquired company's earnings over a period in the future. Contingent considerations are recognised initially at fair value. When the financial liability is recognised initially, its fair value is included in the consideration transferred by the group in the business combination. Subsequently, the contingent consideration is measured at fair value. Gains and losses arising from changes in the fair value of the liability are included in profit or loss.

Derecognition

Financial assets or a portion thereof are derecognised when the company`s rights to the cash flows expire or when the company transfers all the risks and rewards related to the financial asset or when the group loses control of the financial asset.

Financial liabilities or a portion thereof are derecognised when the obligations specified in the contract are discharged, cancelled or expire.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1. Summary of significant accounting policies (continued)

1.3 Share capital and equity

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.

If the company reacquires its own equity instruments, the consideration paid, including any directly attributable incremental costs (net of income taxes) on those instruments are deducted from equity until the shares are cancelled or reissued. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.4 Share-based payments

The group operates an equity-settled share-based compensation plan.

Under the equity-settled plan, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are satisfied. At each reporting date, the entity revises its estimate of the number of options that are expected to vest. It recognised the impact of the revision to original estimates, in the statement of profit or loss, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

1.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for the sale of goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value-added tax.

Interest income and dividends

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.6 Borrowing costs

Borrowing costs on qualifying assets are capitalised against those assets. Qualifying assets take a substantial period to construct. Management views a substantial period to be longer than 12 months. All other borrowing costs are expensed.

Notes to the company financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.7 Standards, interpretations and amendments to published standards

New and amended standards adopted by the company:

A number of International Financial Reporting Standards, interpretations and amendments have become effective for the first time for the year ended 29 February 2016. The group has applied the following amendment for the first time for the current reporting period:

International Financial Reporting Standards and amendments effective for the first time for 29 February 2016 year-end

Number	Effective date	Summary
Amendment to IAS 19: *Employee benefits, on defined benefit plans*	**1 July 2014**	Simplification of accounting for contributions that are independent of the number of years of employee service.

The adoption of the amendment did not have a significant impact on the current or any prior period and is not likely to affect future periods.

New standards and interpretations not yet adopted by the company:

A number of International Financial Reporting Standards, interpretations and amendments have been issued during the year but are not yet effective for the year ended 29 February 2016 and have not been early adopted by the company.

The following standards and amendments are expected to have a significant effect on the results of operations, the financial position of the company and the current presentation and layout of the financial statements:

International Financial Reporting Standards and amendments issued but not yet effective for 29 February 2016 year-end

Number	Effective date	Summary
Amendments to IAS 1: *"Presentation of financial statements" disclosure initiative*	**1 January 2016**	In December 2014 the IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
IFRS 9: *Financial Instruments (2009 and 2010)* ▪ Financial liabilities ▪ Derecognition of financial instruments ▪ Financial assets General hedge accounting	**1 January 2018**	This IFRS is part of the IASB's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The IASB has updated IFRS 9, "Financial instruments" to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, "Financial instruments: Recognition and measurement", without change, except for financial liabilities that are designated at fair value through profit or loss.

1. Summary of significant accounting policies (continued)

1.7 ***Standards, interpretations and amendments to published standards*** (continued)

Number	Effective date	Summary
Amendment to IFRS 9: *"Financial instruments", on general hedge accounting*	**1 January 2018**	The IASB has amended IFRS 9 to align hedge accounting more closely with an entity's risk management. The revised standard also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. Early adoption of the above requirements has specific transitional rules that need to be followed. Entities can elect to apply IFRS 9 for any of the following: ▪ The own credit risk requirements for financial liabilities. ▪ Classification and measurement (C&M) requirements for financial assets. ▪ C&M requirements for financial assets and financial liabilities. ▪ The full current version of IFRS 9 (that is, C&M requirements for financial assets and financial liabilities and hedge accounting). The transitional provisions described above are likely to change once the IASB completes all phases of IFRS 9.
IFRS 15: *Revenue from contracts with customers*	**1 January 2018**	The FASB and IASB issued their long awaited converged standard on revenue recognition on 29 May 2014. It is a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer.
IFRS 16: *Leases*	**1 January 2019**	The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. In response to concerns expressed about the cost and complexity to apply the requirements to large volumes of small assets, the IASB decided not to require a lessee to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

Notes to the company financial statements *continued*

for the year ended 29 February 2016

1. Summary of significant accounting policies (continued)

1.7 Standards, interpretations and amendments to published standards (continued)

The following standards and amendments are relevant to the company, but are not expected to have any significant effect on the results of operations:

International Financial Reporting Standards and amendments issued but not yet effective for 29 February 2016 year-end

Number	Effective date	Summary
Amendments to IFRS 10: *"Consolidated financial statements";* and **IAS 28:** *"Investments in associates and joint ventures" on sale or contribution of assets*	**Postponed (initially 1 January 2016)**	The postponement applies to changes introduced by the IASB in 2014 through narrow-scope amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". Those changes affect how an entity should determine any gain or loss it recognises when assets are sold or contributed between the entity and an associate or joint venture in which it invests. The changes do not affect other aspects of how entities account for their investments in associates and joint ventures. The reason for making the decision to postpone the effective date is that the IASB is planning a broader review that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.
Amendments to IFRS 10: *"Consolidated financial statements"* and **IAS 28:** *"Investments in associates and joint ventures" on applying the consolidation exemption*	**1 January 2016**	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
Amendment to IFRS 11: *"Joint arrangements" on acquisition of an interest in a joint operation*	**1 January 2016**	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
Amendments to IAS 27: *"Separate financial statements" on equity accounting*	**1 January 2016**	In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
Amendment to IAS 7: *Cash flow statements*	**1 January 2017**	In January 2016, the International Accounting Standards Board ("IASB") issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

2. Financial instruments and financial risk management

Overview

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The company'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 the executive committee under approval by the board of directors. The executive committee identifies and evaluates financial risks in close cooperation with the group's operating units. The board provides principles for overall risk management.

Categories of financial instruments

	Note	Loans and receivables at amortised cost R'000	Financial liabilities held at amortised cost R'000	Financial liabilities at fair value through profit or loss R'000	Total carrying value R'000
At 28 February 2015					
Cash and cash equivalents	6	227	–	–	227
Other financial liabilities	7	–	–	(5 100)	(5 100)
Trade and other payables	8	–	(320)	–	(320)
Total		227	(320)	(5 100)	(5 193)
At 29 February 2016					
Trade and other receivables	5	**99**	**–**	**–**	**99**
Cash and cash equivalents	6	**499**	**–**	**–**	**499**
Other financial liabilities	8	**–**	**–**	**(5 500)**	**(5 500)**
Trade and other payables	9	**–**	**(371)**	**–**	**(371)**
Total		**598**	**(371)**	**(5 500)**	**(5 273)**

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined 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 company's financial assets and liabilities that are measured at fair value at 29 February 2016:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2015				
Financial liabilities at fair value through profit or loss				
Contingent consideration	–	–	5 100	5 100
Total liabilities	–	–	5 100	5 100
At 29 February 2016				
Financial liabilities at fair value through profit or loss				
Contingent consideration	**–**	**–**	**5 500**	**5 500**
Total liabilities	**–**	**–**	**5 500**	**5 500**

There were no transfers between levels 1 and 2 during the year.

Notes to the company financial statements *continued*

for the year ended 29 February 2016

2. Financial instruments and financial risk management (continued)

Fair value estimation (continued)

(a) Financial instruments in level 1

The company had no financial instruments measured at fair value according to level 1 at reporting date.

(b) Financial instruments in level 2

The company had no financial instruments measured at fair value according to level 2 at reporting date.

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 29 February 2016:

	Contingent consideration in a business combination R'000	Total R'000
Year ended 28 February 2015		
Opening balance	4 900	4 900
Gains and losses recognised in profit or loss	200	200
Closing balance	5 100	5 100
Year ended 29 February 2016		
Opening balance	**5 100**	**5 100**
Gains and losses recognised in profit or loss	**400**	**400**
Closing balance	**5 500**	**5 500**

See note 8 for disclosures of the measurement of the contingent consideration.

Financial risk factors

(a) Market risk

(i) Price risk

The company is not exposed to equity securities price risk as it does not hold investments in equity of other entities that are publicly traded. The company is not exposed to commodity price risk.

(ii) Cash flow interest rate risk

The company has significant interest-bearing assets in the form of cash and cash equivalents. The company's finance income cash flows are exposed to interest rate risk and are dependent on market interest rates (refer to sensitivity analysis below).

Interest rate risk – sensitivity analysis

Interest rate risk is 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. A one percentage point movement in the prime interest rate would have the following effect on post-tax profit for the year:

	+1% 2016 R'000	**-1% 2016 R'000**	+1% 2015 R'000	-1% 2015 R'000
Cash and cash equivalents	**4**	**(4)**	2	(2)
Increase/(decrease) in profitability	**4**	**(4)**	2	(2)

2. Financial instruments and financial risk management (continued)

(b) Credit risk

The company has no significant concentration of credit risk. The company has policies that limit the amount of credit exposure to any financial institution.

Concentration of credit risk	Rating	**2016 R'000**	2015 R'000
Cash and cash equivalents	BBB	**499**	227
Total cash and cash equivalents (refer to note 6)		**499**	227
Current trade and other receivables	Not rated	**99**	–
Total current trade and other receivables (refer to note 5)		**99**	–

Credit risk is represented by the going concern values of the receivables and cash and cash equivalents that are carried on the statement of financial position at a value of R0,6 million (2015: R0,2 million).

The credit ratings above have been obtained from publicly available information.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash coupled with the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the company maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company's liquidity reserve on the basis of expected cash flow. The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying amount R'000	Contractual cash flows R'000	Within 1 year R'000	Within 2 to 5 years R'000
At 28 February 2015				
Non-derivative financial liabilities				
Other financial liabilities	5 100	5 100	–	5 100
Trade and other payables	320	320	320	–
Total	5 420	5 420	320	5 100
At 29 February 2016				
Non-derivative financial liabilities				
Other financial liabilities	**5 500**	**6 000**	**2 000**	**4 000**
Trade and other payables	**371**	**371**	**371**	**–**
Total	**5 871**	**6 371**	**2 371**	**4 000**

The carrying value of other financial liabilities is deemed to approximate its fair value. Refer to note 8 where significant unobservable inputs have been disclosed in this regard.

Trade payables are held at amortised costs and the impact of discounting is deemed to not be significant based on their short-term nature. Therefore the carrying value of trade and other payables is deemed to approximate its fair value.

Notes to the company financial statements *continued*

for the year ended 29 February 2016

3. Capital risk management

The company's objectives when managing capital are to safeguard its 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 company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratio expressed as a percentage of net debt to total capital plus net debt is calculated below:

	2016 R'000	2015 R'000
Cash and cash equivalents (refer note 6)	**(499)**	(227)
Net debt	**(499)**	(227)
Total equity	**2 347 641**	2 365 465
Total capital and net debt	**2 347 142**	2 365 238
Gearing ratio	**(0,02%)**	(0,01%)

4. Investment in subsidiaries

	2016 R'000	2015 R'000
Name of company		
Direct investment at cost		
Aquatic Services (Pty) Ltd	**111 336**	111 336
B&E International (Pty) Ltd	**438 442**	438 442
Burma Plant Hire (Pty) Ltd	**11 532**	11 532
L & R Civils (Pty) Ltd	**22 300**	22 300
Raubex (Pty) Ltd	**1 001 620**	1 001 620
Raubex Construction (Mauritius) Ltd	**1**	1
Tosas (Pty) Ltd	**120 000**	120 000
Total direct investment in subsidiaries	**1 705 231**	1 705 231
Indirect investment on issue of share options to employees of subsidiaries		
Akasia Road Surfacing (Pty) Ltd	**52**	52
B&E International (Pty) Ltd	**12 874**	10 644
Burma Plant Hire (Pty) Ltd	**695**	521
Milling Techniks (Pty) Ltd	**3 406**	2 709
National Asphalt (Pty) Ltd	**9 680**	7 973
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**68 316**	55 214
Raubex Construction (Pty) Ltd	**2 057**	2 057
Raubex KZN (Pty) Ltd	**2 104**	2 104
Raumix Aggregates (Pty) Ltd	**1 457**	1 025
Roadmac Surfacing (Pty) Ltd	**3 178**	3 178
Roadmac Surfacing Cape (Pty) Ltd	**1 058**	1 058
Roadmac Surfacing KZN (Pty) Ltd	**2 108**	2 108
SPH Kundalila (Pty) Ltd	**8 692**	7 159
Total indirect investment in subsidiaries	**115 867**	95 992
Total investment in subsidiaries	**1 821 098**	1 801 223

4. Investment in subsidiaries (continued)

	2016 R'000	2015 R'000
4.1 Loans to group companies		
Burma Plant Hire (Pty) Ltd	**35 035**	39 095
Raubex (Pty) Ltd	**465 768**	499 327
Raumix Aggregates (Pty) Ltd	**30 993**	30 993
Total loans to group companies	**531 796**	569 415
Non-current assets	**531 796**	569 415
Total loans to group companies	**531 796**	569 415

The carrying amounts of investment in subsidiaries are shown net of impairment losses.

Details of the group's employee share option scheme are disclosed in note 29 to the group financial statements.

The loans are interest-free and have no fixed terms of repayment.

The loans to group companies have been classified as non-current assets as settlement is expected to occur after a period of 12 months.

	2016 R'000	2015 R'000
5. Trade and other receivables		
Prepayments	**99**	–
Total trade and other receivables	**99**	–
The fair values of trade and other receivables are as follows:		
Prepayments	**99**	–
Total trade and other receivables	**99**	–
As of 29 February 2016, no receivables were either past due or impaired.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	**499**	227
Total cash and cash equivalents	**499**	227

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
7. Share capital and share premium				
At 1 March 2014	185 900	1 859	2 179 701	2 181 560
Shares issued	1 430	14	–	14
At 28 February 2015	187 330	1 873	2 179 701	2 181 574
Shares issued	**1 920**	**19**	**–**	**19**
At 29 February 2016	**189 250**	**1 892**	**2 179 701**	**2 181 593**

The total authorised number of ordinary shares is 500 million shares (2015: 500 million) with a par value of 1 cent per share (2015: 1 cent per share). All issued shares are fully paid.

Notes to the company financial statements continued

for the year ended 29 February 2016

	Contingent consideration R'000	Total R'000
8. Other financial liabilities		
At 1 March 2014	–	–
Reclassification from trade and other payables (note 9)	4 900	4 900
Charged to statement of profit or loss:		
– Unwinding of discount (note 11)	200	200
At 28 February 2015	5 100	5 100
Non-current	5 100	5 100
Current	–	–
	5 100	5 100
At 1 March 2015	5 100	5 100
Charged to statement of profit or loss:		
– Unwinding of discount (note 11)	400	400
At 29 February 2016	**5 500**	**5 500**
Non-current	**3 500**	**3 500**
Current	**2 000**	**2 000**
	5 500	**5 500**

L & R Civils (Pty) Ltd – contingent consideration

The contingent consideration originated on the acquisition of the share capital of L & R Civils (Pty) Ltd. On 1 July 2012, the group acquired 80% of the share capital for R17,6 million cash. An additional contingent consideration limited to R6 million is payable dependent on the company's earnings over a five-year period from the effective date of the acquisition. The contingent consideration arrangement requires the group to pay in cash to the former owners and non-controlling shareholders of L & R Civils (Pty) Ltd, R2 million should the profit after tax average not less than R3,2 million for the next three successive 12-month periods from the effective date. An additional contingent consideration limited to a maximum of R4 million is payable if the profit after tax average for any three consecutive years within the first five years from the effective date is between R5 million and R7 million. The maximum undiscounted amount of the contingent consideration payable is R6 million.

The fair value of the contingent consideration at acquisition date has been determined using an income approach and a discount rate of 6,04%, which is also the significant unobservable input. Significant increases (decreases) in the discount rate would result in a lower (higher) fair value measurement. The unwinding of discount has been calculated by determining the fair value of the contingent consideration at year-end using an income approach and a discount rate of 6,55%, which is also a significant unobservable input.

	2016 R'000	2015 R'000
9. Trade and other payables		
Trade payables	**181**	138
Accrued expenses	**190**	182
Total trade and other payables	**371**	320
10. Revenue		
Dividends received from subsidiaries	**101 710**	161 808
Other income	**–**	792
Total revenue	**101 710**	162 600

	2016 R'000	2015 R'000
11. Finance income and costs		
Finance income:		
Interest income on cash resources	**65**	43
Total finance income	**65**	43
Finance costs:		
Unwinding of discount – contingent consideration	**(400)**	(200)
Total finance costs	**(400)**	(200)
Net finance costs	**(335)**	(157)
12. Income tax expense		
South African normal taxation		
Current tax		
Current period	**18**	12
Recognised in current tax for prior periods	**–**	56
Total South African normal taxation	**18**	68

	2016 %	2015 %
Reconciliation between applicable tax rate and effective tax rate:		
Applicable tax rate	**28,00**	28,00
Exempt income	**(28,89)**	(28,56)
Disallowed charges	**0,91**	0,57
Recognised in current tax for prior periods	**–**	0,03
Effective tax rate	**0,02**	0,04

	2016 R'000	2015 R'000
13. Cash generated from/(used in) operations		
Profit before income tax	**98 560**	158 628
Adjustments for:		
Finance income	**(65)**	(43)
Finance costs	**400**	200
Dividends received	**(101 710)**	(161 808)
Changes in working capital		
Trade and other receivables	**(99)**	5 275
Trade and other payables	**50**	(56)
Net cash generated from/(used in) operations	**(2 864)**	2 196
In the cash flow statement taxation paid is calculated as follows:		
Balance (receivable)/due at the beginning of the year	**(20)**	(55)
Add: Current year tax charge (note 12)	**18**	68
Add: Balance receivable at the end of the year	**20**	20
Taxation paid	**18**	33

Notes to the company financial statements *continued*

for the year ended 29 February 2016

		2016 R'000	2015 R'000
14. Related-party transactions			
Relationship			
Subsidiaries	Refer to note 40 of the group financial statements		
Related-party balances			
Loans to related parties			
At the beginning of the year		**569 415**	547 807
Loans advanced during the year		**89 568**	202 851
Loans repayments received		**(127 187)**	(181 243)
At 29 February		**531 796**	569 415
Other fees paid to/(received from) related parties			
Raubex (Pty) Ltd		**–**	3

15. Directors' emoluments

Refer to notes 33 and 34 of the group financial statements.

6

Shareholder information

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Terms of reference

The terms listed below have been used throughout this integrated report.

"AGM"	Annual general meeting
"Basic EPS"	Earnings for the year attributable to equity holders of Raubex divided by the weighted average number of ordinary shares in issue during the year
"B-BBEE"	Broad-Based Black Economic Empowerment
"BCAWU"	Building Construction and Allied Workers Union
"BCCEI"	Bargaining Council for the Civil Engineering Industry
"BEE"	Black Economic Empowerment
"CIPC"	Companies and Intellectual Property Commission
"Closing PE ratio"	Market value per share at 28 February divided by HEPS
"Companies Act"	Companies Act No 71 of 2008
"CSDP"	Central Securities Depositary Participants
"CSI"	Corporate social investment
"Current ratio"	Total current assets divided by total current liabilities as a ratio
"EPS"	Earnings per share
"Exco"	The executive committee
"Gearing"	Net debt excluding cash and cash equivalents as a ratio to total equity
"GFIP"	Gauteng Freeway Improvement Project
"GRI"	Global Reporting Initiative
"GSM"	Global System for Mobile Communications
"HDSA"	Historically Disadvantaged South Africans
"HEPS"	Headline earnings divided by the weighted average number of ordinary shares in issue during the year
"IFRS"	International Financial Reporting Standards
"IT"	Information technology
"JSE"	JSE Limited
"King III"	King Report on Corporate Governance for South Africa 2009
"KPI"	Key performance indicators
"Listings Requirements"	Listings Requirements of the JSE
"LTIR"	Lost-time injury rate
"MERSETA"	Manufacturing, Engineering and Related Services SETA
"MOI"	Memorandum of Incorporation
"net asset value per share"	the net asset value of the company divided by the number of shares in issue, after deducting treasury shares, at the end of the year
"NUM"	National Union of Mine Workers
"NUMSA"	National Union of Metalworkers of South Africa
"OHS"	Occupational Health and Safety
"Operating profit margin"	Operating profit as a percentage of revenue
"PE"	Price earnings, market value per share divided by HEPS
"Raubex" or "the group"	Raubex Group Limited and its subsidiaries
"RDP"	Reconstruction and Development Programme
"REIPPP"	Renewable Energy Independent Power Producer Procurement
"ROCE"	Return on capital employed
"ROE"	Return on equity
"SABITA"	Southern African Bitumen Association
"SAFCEC"	South African Federation of Civil Engineering Contractors
"SANAS"	South African National Accreditation System
"SANRAL"	South African National Roads Agency
"SENS"	Securities Exchange News Service
"SHE"	Safety, health and environment
"SHEQ"	Safety, health, environment and quality
"SRI"	Socially responsible investment
"the Board"	The Board of directors of Raubex
"the company"	Raubex Group Limited
"UIF"	Unemployment Insurance Fund

Notice of annual general meeting

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

NOTICE IS HEREBY GIVEN to the shareholders of Raubex as at Friday, 22 July 2016, being the record date to receive notice of the AGM in terms of section 59(1)(a) of the Companies Act, that the AGM of the company, in respect of the year ended 29 February 2016, will be held at **Glenhove Conference Centre, 52 Glenhove Road, Melrose Estate on Friday, 2 September 2016 at 10:00.**

Electronic participation

The AGM will be available live on webcasting, by following the link provided for on the website: www.raubex.com. Please note that shareholders or their proxies will not be able to vote through the webcasting.

This Notice of AGM includes the attached form of proxy.

Record date

The record date for the purpose of determining which shareholders of the company are entitled to receive the notice of the AGM was Friday, 22 July 2016.

The record date for the purpose of determining which shareholders of the company are entitled to participate in and vote at the AGM is Friday, 26 Augusts 2016, in accordance with section 62(3)(a), read with section 59(1)(b), of the Companies Act.

Accordingly, the last day to trade for shareholders to be entitled to attend, speak and vote at the AGM is Tuesday, 23 August 2016.

Attendance and voting

If you are a registered shareholder, i.e. a shareholder who has not dematerialised his shares or has dematerialised his shares with "own name" registration as at the record date, and want to attend, speak and vote at the AGM of the company, you may attend the meeting in person. Alternatively, you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached form of proxy and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained in the attached form of proxy.

If you are a beneficial shareholder and not a registered shareholder, i.e. a shareholder who has dematerialised his shares without "own name" registration as at the record date, and you want to attend, speak and vote at the AGM of the company:

- and wish to attend the meeting, you must obtain the necessary letter of representation to represent the registered holder in respect of your shares from your CSDP or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered holder in respect of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached form of proxy.

All attendees and participants at the AGM will be required to provide identification reasonably satisfactory to the chairman of the AGM, which shall include a valid identity document, driver's licence or passport, in accordance with section 63(1) of the Companies Act.

Shares held by a share trust or other share incentive scheme of the company will not have their votes taken into account at the meeting for the purposes of the resolutions proposed in terms of the JSE Listings Requirements.

Purpose of the meeting

The purpose of this meeting is to:

- present the directors' report and the audited annual financial statements of the group for the year ended 29 February 2016;
- elect the directors of the company and the members of the audit committee of the company;
- appoint the auditors of the company;
- present the audit committee report (pages 65 to 66);
- present the social and ethics committee report (page 45);

Notice of annual general meeting continued

- consider any matters raised by shareholders;
- consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below in the manner required by the Companies Act, the JSE Listings Requirements and the MOI; and
- deal with such other business as may lawfully be dealt with at the AGM, which AGM is to be participated in and voted at by shareholders registered as such on Friday, 26 August 2016, being the record date to participate in and vote at the AGM in terms of section 62(3) (a) read with section 59(1) (b) of the Companies Act.

In order for the special resolutions to be adopted, the support of at least 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Annual financial statements

The consolidated annual financial statements (as approved by the Board of the company), including the directors' report, the audit committee report and the independent auditor's report for the year ended 29 February 2016, are included on pages 63 to 160 of this integrated report and are also published on the company's website: www.raubex.com.

Ordinary resolution number 1: Acceptance of the annual financial statements

"RESOLVED THAT the consolidated annual financial statements for the company (and its subsidiaries) for the year ended 29 February 2016, including the directors' report and the independent auditor's report therein, be and are hereby received and accepted."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 2: Re-election of executive directors

"RESOLVED THAT the following directors, in accordance with Article 26.5.1 of the company's MOI for a further term of office, and being eligible, offer themselves for re-election, be and are hereby re-elected as an executive director of the company:

2.1 RJ Fourie; and

2.2 JF Gibson.

(Brief *curriculum vitaes* in respect of these directors are set out on page 14 of the integrated report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 3: Re-election of non-executive directors

"RESOLVED THAT the following directors, who retire by rotation, and being eligible, offer themselves for re-election, be and are hereby re-elected as a non-executive director of the company:

3.1 JE Raubenheimer;

3.2 F Kenney;

3.3 LA Maxwell;

3.4 BH Kent; and

3.5 NF Msiza.

(Brief *curriculum vitaes* in respect of these directors are set out on pages 14 and 15 of the integrated report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

The remuneration and nomination committee has reviewed the composition of the Board and has recommended the re-election of the directors listed in ordinary resolutions numbers 2 and 3. It is the view of the directors that the re-election of the candidates referred to above would enable the company to:

- responsibly maintain a mixture of business skills and experience relevant to the company and balance the requirements of transformation, continuity and succession planning; and
- comply with corporate governance requirements in respect of matters such as the balance of executive, non-executive and independent directors on the Board.

Ordinary resolution number 4: Appointment of auditors

"RESOLVED THAT PricewaterhouseCoopers be and are hereby reappointed as the independent auditors of the group for the year ending 28 February 2017 and, that Mr CJ Hertzog is hereby appointed as the individual registered auditor who will undertake the audit of the group for the ensuing year, and that the Board be and is hereby authorised to fix the terms of engagement and remuneration of the independent auditors."

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 5: Appointment of members of the audit committee

"RESOLVED THAT the following members, who fulfil the requirements of section 94(4) of the Companies Act, be and are hereby elected as members of the audit committee of the company, to hold office until the conclusion of the AGM of the company to be held in 2017, subject to his/her re-election as a director pursuant to ordinary resolution number 3.

5.1 LA Maxwell;

5.2 BH Kent; and

5.3 NF Msiza.

(Brief *curriculum vitaes* for the members are set out on page 15 of the integrated report of which this notice forms part.)"

Percentage of voting rights required to pass this resolution: 50% plus one vote.

Ordinary resolution number 6: Endorsement of Raubex's remuneration policy

"RESOLVED THAT the company's remuneration policy, as set out in the remuneration report, be and is hereby endorsed by way of a non-binding advisory note."

In terms of Chapter 2 of King III dealing with boards and directors, it is recommended that companies table their remuneration policy every year to shareholders for a non-binding advisory vote at the AGM. This vote enables shareholders to express their views on the remuneration policies adopted and on their implementation.

The company's remuneration report is contained on pages 40 to 44 of the integrated report of which this notice forms part.

Ordinary resolution number 6 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing arrangements. However, the Board will take the outcome of the vote into consideration when considering the company's remuneration policy.

Special resolution number 1: Remuneration of non-executive directors

"RESOLVED THAT, in terms of Article 26.4.3 of the MOI and section 66(8) and (9) of the Companies Act, the remuneration payable to the non-executive directors, as set out below, be approved for a period of two years, commencing on 1 October 2016, unless such remuneration is proposed to be amended at the next AGM:

Designation	**Proposed annual remuneration**
Chairman	**R907 360**
Lead independent non-executive director	**R737 230**
Non-executive director	**R567 100**

Percentage of voting rights required to pass this resolution: 75% plus one vote.

Special resolution number 2: General authority to acquire/(repurchase) shares

"RESOLVED THAT the company hereby approves, as contemplated in paragraph 5.72 of the JSE Listings Requirements, the general authority of the company or any of its subsidiaries from time to time, to repurchase the company's own securities, upon such terms and conditions and in such amounts as the directors may from time to time decide, but subject to the company's MOI, the provisions of the Companies Act and the JSE Listings Requirements (each as presently constituted and as amended from time to time), provided that:

- any repurchase of securities must be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- authorisation for the repurchase is given by the company's MOI;
- at any point in time, the company may only appoint one agent to effect any repurchase(s) on the company's behalf;
- this general authority will be valid until the company's next AGM, or 15 (fifteen) months from the date of passing of this special resolution, whichever is earlier;
- an announcement will be published as soon as the company, or any of its subsidiaries, has acquired securities of a relevant class constituting, on a cumulative basis, 3% of the number of securities of that relevant class in issue prior to the acquisition pursuant to which the aforesaid 3% threshold is reached, and for each 3% in aggregate acquired thereafter, containing full details of such

Notice of annual general meeting *continued*

repurchases, such announcement to be published as soon as possible and not later than 08:30 on the 2nd (second) business day following the day on which the relevant threshold is reached or exceeded, and the announcement shall comply with the requirements of the JSE Listings Requirements in this regard;
- repurchases by the company or any of its subsidiaries of its own securities may not, in aggregate in any one financial year, exceed 20% of the company's issued share capital as at the date of the passing of this resolution (although it should be noted that the directors will limit any purchase to a maximum of 5% of the issued share capital);
- the number of shares purchased and held by a subsidiary or subsidiaries of the company shall not exceed 10% in aggregate of the number of issued shares in the company at the relevant times;
- in determining the price at which securities issued by the company are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such securities may be acquired will be 10% of the weighted average of the market value at which such securities are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of repurchase of such securities by the company or any of its subsidiaries. The JSE Limited should be consulted for a ruling if such securities have not been traded during the course of such 5 (five) business day period;
- the company or any of its subsidiaries may not repurchase any securities during a "prohibited period" (as such term is defined in the JSE Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period; and
- a resolution has been passed by the Board of directors authorising the repurchase and confirming that the company and its subsidiaries passed the solvency and liquidity test and that from the time that the test was done there have been no material changes to the financial position of the group."

Percentage of voting rights required to pass this special resolution: 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect
The reason for the passing of the above special resolution is to grant the company a general authority in terms of the Companies Act for the acquisition by the company or any of its subsidiaries of securities issued by the company, which authority shall be valid until the earlier of the next AGM, or the variation or revocation of such general authority by special resolution by any subsequent general meeting of the company; provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this AGM. The passing of this special resolution will have the effect of authorising the company or any of its subsidiaries to acquire securities issued by the company.

Share capital of the company
Refer to note 12 on page 107.

Major Shareholders
Refer to note 42 on pages 141 and 142.

Directors' responsibility statement
The directors, whose names are given on pages 14 and 15 of the integrated report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information pertaining to the above special resolution number 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the above special resolution contains all relevant information required by the JSE Listings Requirements.

Statement by the directors
The directors of the company have no present intention of making any repurchases but believe that the company should retain the flexibility to take action if future repurchases were considered desirable and in the best interests of shareholders. The directors of the company undertake that they will not commence a general repurchase of shares, as contemplated in special resolution number 2 above, unless the following can be met:
- the company and the group will be able, in the ordinary course of business, to pay its debts for a period of 12 months following the date of the general repurchase;
- the company and the group's assets will be in excess of the liabilities the company and the group for a period of 12 months following the date of the general repurchase. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;

- the company and the group will have adequate capital and reserves for ordinary business purposes for a period of 12 months following the date of the general repurchase;
- the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months following the date of the general repurchase. The company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the company's securities on the open market; and
- the Board passing a resolution authorising the general repurchase, confirming that the company and its subsidiaries have passed the solvency and liquidity test and further confirming that since the test was performed, there have been no material changes to the financial position of the company and the group.

Furthermore, the Board confirms that it has authorised the repurchase, by passing a resolution to that effect, and confirms that the company and its subsidiaries have passed the solvency and liquidity test and that from the time the test was performed there have been no material changes to the financial position of the company and the group.

The directors of the company hereby state that:

(a) the intention of the directors of the company is to utilise the authority if, at some future date, the cash resources of the company are in excess of its requirements. In this regard the directors will take account of, *inter alia*, an appropriate capitalisation structure for the company and the long-term cash needs of the company and will ensure that any such utilisation is in the interests of the shareholders; and

(b) the method by which the company intends to repurchase its securities and the date on which such repurchase will take place, have not yet been determined.

Special resolution number 3: Approval of financial assistance to related or inter-related companies and corporations

"RESOLVED THAT, the Board may, subject to compliance with the requirements of the company's MOI, the Companies Act and the JSE Listings Requirements, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company or any of its subsidiaries (and/or to any member of such subsidiary or related or inter-related company or corporation) for any purpose or in connection with any matter, including, but not limited to the subscription for any option, or any securities, issued or to be issued by the company or a related or inter-related company, or for the purchase of any securities of the company or a related or inter-related company."

Percentage of voting rights required to pass this resolution: 75% (seventy-five percent) of the total number of votes, which the shareholders present or represented by proxy at this meeting are entitled to cast, is required.

Reason for and effect

It may be necessary for the company to provide intra-group funding in order to conduct the group's business or desirous for the company to provide financial assistance to related or inter-related companies and corporations to acquire or subscribe for options or securities or purchase securities of the company or another company related or inter-related to it. Under the Companies Act, the company will, however, require the special resolution referred to above to be adopted. In the circumstances and in order to, *inter alia*, ensure that the company's subsidiaries and other related and inter-related companies and corporations have access to financing and/or financial backing from the company (as opposed to banks) for such purposes, it is necessary to obtain the approval of shareholders, as set out in special resolution number 3.

Sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous 2 (two) years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category, and the Board must be satisfied that:

- immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the company.

Section 44 contains an exemption in respect of employee share schemes that satisfy the requirements of section 97 of the Companies Act. To the extent that any of the company's share or other employee incentive schemes do not satisfy such requirements, financial assistance (as contemplated in section 44) to be provided under such schemes will, *inter alia*, also require approval by special resolution.

Notice of annual general meeting continued

Notice to shareholders of Raubex in terms of section 45(5) of the Companies Act of a resolution passed by the Board authorising Raubex to provide direct or indirect financial assistance to related and inter-related companies and corporations:

- prior to the delivery of this notice of AGM to the shareholders of the company, the Board adopted a resolution authorising the company to provide, at any time and from time to time during the period commencing on the date on which special resolution number 3 is adopted until the date of the next AGM of the company, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act to any one or more related or inter-related companies or corporations of the company. The financial assistance will entail loans and any other financial assistance to any of the company's present or future subsidiaries and/or any other company or corporation that is or becomes related or inter-related to the company or any of its subsidiaries (and/or to any member of such subsidiary or related or inter-related company or corporation) for any purpose or in connection with any matter;
- the resolution will be effective only if and to the extent that special resolution number 3 is adopted by the shareholders of the company and the provision of any financial assistance by the company, pursuant to such resolution, will always be subject to the Board being satisfied that: (i) immediately after providing such financial assistance, the company will satisfy the solvency and liquidity test as referred to in section 45(3)(b)(i) of the Companies Act; and (ii) the terms under which the financial assistance is to be given are fair and reasonable to the company as referred to in section 45(3)(b)(ii) of the Companies Act; and
- the company hereby provides notice of the resolution to the shareholders of the company.

Voting and proxies

Proxies

A shareholder (including certificated shareholders and dematerialised shareholders who hold their shares with "own name" registration) entitled to attend and vote at the meeting may appoint one or more proxies to attend, participate and vote in his/her/its stead. A proxy does not have to be a shareholder of the company. The appointment of a proxy will not preclude the shareholder who appointed that proxy from attending the AGM and participating and voting in person thereat to the exclusion of any such proxy. A form of proxy for use at the meeting is attached.

If you are a certificated Raubex shareholder or an own name dematerialised Raubex shareholder and are unable to attend the AGM of Raubex shareholders to be held at 10:00 on 2 September 2016, but wish to be represented thereat, you must complete the form of proxy attached hereto in accordance with the instructions therein and return it to the transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) so as to be received by no later than 10:00 on 31 August 2016.

Voting in respect of dematerialised shares

If you are a dematerialised Raubex shareholder and are not an own name dematerialised Raubex shareholder and you do not wish to attend the AGM, but would like your vote to be recorded, then you must instruct your CSDP or broker as to how you wish to cast your vote at the Raubex AGM in order for them to vote in accordance with your instructions. If you wish to attend the AGM in person, please request you CSDP or broker to issue the necessary letter of representation to you. This must be done in terms of the agreement entered into between the dematerialised Raubex shareholder (who is not an own name dematerialised Raubex shareholder) and the CSDP or broker.

By order of the board

Mrs HE Ernst
Company secretary

21 July 2016

Form of proxy

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share code: RBX
ISIN: ZAE000093183
("Raubex" or "the company")

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only

This form of proxy relates to the AGM of the company to be held at the **Glenhove Conference Centre, 52 Glenhove Road, Melrose Estate on Friday, 2 September 2016 at 10:00** (see note 1) and is for use by registered shareholders whose shares are registered in their own names by the record date for determining which shareholders of the company are entitled to participate in and vote at the AGM, being Friday, 26 August 2016 (see note 2).

Terms used in this form of proxy have the meanings given to them in the notice of AGM to which this form of proxy is attached.

Please print clearly when completing this form of proxy and see the instructions and notes at the end of this form of proxy for an explanation of the use of this form of proxy and the rights of the shareholder and the proxy.

I/We (full name in BLOCK LETTERS)

of (address)

Telephone (work) (home)

being a shareholder(s) of the company and being the registered owner/s of ordinary shares in the company (note 3)

hereby appoint of

or failing him/her of

or failing him/her, the chairman of the AGM (see note 4)

to attend and participate in the AGM and to speak and to vote or abstain from voting for me/us and on my/our behalf in respect of all matters arising (including any poll and all resolutions put to the AGM) at the AGM, even if the AGM is postponed, and at any resumption thereof after any adjournment (see note 5).

My/Our proxy shall vote as follows:

Please indicate with an "X" in the appropriate spaces how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his discretion (see note 6).

	FOR	AGAINST	ABSTAIN
Ordinary resolution number 1 – Acceptance of the annual financial statements			
Ordinary resolution number 2 – Re-election of executive directors: 2.1 RJ Fourie			
2.2 JF Gibson			
Ordinary resolution number 3 – Re-election of non-executive directors: 3.1 JE Raubenheimer			
3.2 F Kenney			
3.3 LA Maxwell			
3.4 BH Kent			
3.5 NF Msiza			
Ordinary resolution number 4 – Appointment of auditors			
Ordinary resolution number 5 – Appointment of members of the audit committee 5.1 LA Maxwell			
5.2 BH Kent			
5.3 NF Msiza			
Ordinary resolution number 6 – Endorsement of Raubex's remuneration policy			
Special resolution number 1 – Remuneration of non-executive directors			
Special resolution number 2 – General authority to acquire/(repurchase) shares			
Special resolution number 3 – Approval of financial assistance to related or inter-related companies and corporations			

(Indicate instruction to proxy by way of a cross in the space provided above)

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2016

Signature

Please read the notes on the reverse side hereof.

Instructions and notes to the form of proxy

1. This form of proxy will not be effective at the AGM unless received at the company's transfer office, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107), by no later than 10:00 on Wednesday, 31 August 2016. If a shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd.
2. This form of proxy is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the AGM. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form of proxy, or may appoint a representative in accordance with paragraph 12 below.

   Other shareholders should not use this form of proxy. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the AGM in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date unless a lesser number of shares is inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the AGM will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the AGM will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may not delegate the authority given to him in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the AGM, even if the AGM or part thereof is postponed or adjourned.
6. If:
   - 6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   - 6.2 the shareholder gives contradictory instructions in relation to any matter; or
   - 6.3 any additional resolution/s which are properly put before the AGM; or
   - 6.4 any resolution listed in the form of proxy is modified or amended,

   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form of proxy and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in paragraphs 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this form of proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective unless:
   - 7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   - 7.2 the company has already received a certified copy of that authority.
8. The chairman of the AGM may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairman prior to the time when the AGM deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alterations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    - 10.1 gives written notice of such revocation to the company, so that it is received by the company before 10:00 on Wednesday, 31 August 2016;
    - 10.2 subsequently appoints another proxy for the AGM; or
    - 10.3 attends the AGM himself in person.
11. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the AGM by giving written notice of the appointment of that representative. That notice will not be effective at the AGM unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer office, Computershare Investor Services (Pty) Ltd, by no later than 10:00 on Wednesday, 31 August 2016. If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
12. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the AGM and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
13. The Chairman of the AGM may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office

Computershare Investor Services (Pty) Ltd
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Notes

Notes

General information

Nature of business	Construction work, civil engineering, supply of aggregates and holding company
Directors	JE Raubenheimer (Non-executive chairman) RJ Fourie (Chief executive officer) JF Gibson (Financial director) F Kenney (Non-executive director) LA Maxwell (Lead independent non-executive director) BH Kent (Independent non-executive director) NF Msiza (Independent non-executive director)
Company secretary	HE Ernst
Registration number	2006/023666/06
ISIN	ZAE000093183
Share code	RBX
Registered office	Building 1 Highgrove Office Park 50 Tegel Avenue Highveld Park Centurion 0169 Tel: +27 (0)12 648 9400
Business address	Cleveley Kenneth Kaunda Road Extension Bloemfontein South Africa 9300 Tel: +27 (0)51 406 2000
Postal address	PO Box 3722 Bloemfontein South Africa 9300
Website	www.raubex.com
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton, 2196
Auditors	PricewaterhouseCoopers Inc.
Transfer secretaries	Computershare Investor Services (Pty) Ltd Ground Floor 70 Marshall Street Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107)
Investor relations	Instinctif Partners
Preparation of the annual financial statements	JF Gibson CA(SA)

Raubex Group Limited

www.raubex.com

Registered office
Building 1
Highgrove Office Park
50 Tegel Avenue
Highveld Park
Centurion
0169

Tel: +27 (0)12 648 9400