Raubex Group Limited

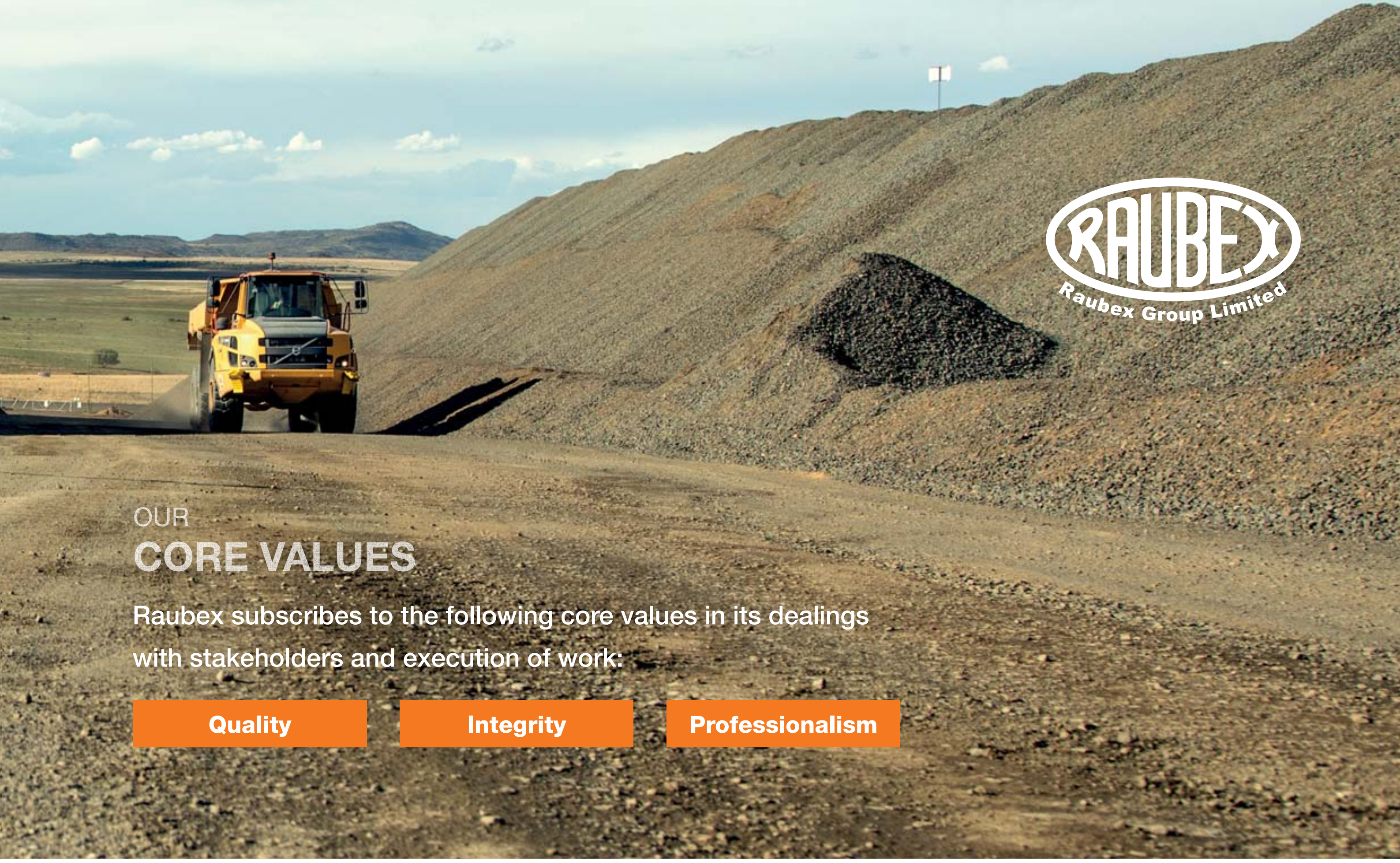
Integrated Report 2018

OUR
VISION AND MISSION

To be the African leader in road and civil engineering contracting, as well as in the provision of construction materials and mining services, whilst meeting all stakeholder expectations

This vision will be achieved by:
- Creating an environment that will attract, retain and develop the best employees
- Timeous delivery of quality products and services to clients
- Being highly mobile and well equipped
- Managing relationships with clients and other stakeholders with professionalism and integrity
- Meeting social, health, safety and environmental responsibilities
- Applying corporate governance best practice

Contents



OUR

CORE VALUES

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

Quality | **Integrity** | **Professionalism**

Key facts

Revenue
down 5,1% to
R8,54 billion
(2017: R9,01 billion)

Operating profit
up 1,5% to
R671,9 million
(2017: R661,7 million)

Group operating profit margin
7,9%
(2017: 7,3%)

HEPS
up 13,3% to
228,6 cents per share
(2017: 201,7 cents per share)

Cash flow from operations
down 15,0% to
R1,04 billion
(2017: R1,22 billion)

Capex spend
of R441,3 million
(2017: R440,5 million)

Return on capital employed
12,2%
(2017: 12,2%)

Order book
of R8,19 billion
(2017: R8,03 billion)

Employees
8 271
(2017: 9 871)

Scope and boundary of integrated report

The board is pleased to present this integrated report which covers the activities and performance of Raubex and all of its operating subsidiaries, joint ventures and branches, both local and international, for the year ended 28 February 2018. The 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 included in this integrated report and is of the opinion that it does not warrant a summarised version.

The integrated report highlights opportunities, risks and material issues which the group faces in the normal and ordinary course of business. Key consideration was also given to the environmental and social impact of the group's activities and the sustainability of its operating activities, while compiling this report.

This integrated report is presented in accordance with IFRS, the Companies Act, 71 of 2008, the JSE Listings Requirements, King IV and the International Integrated Reporting Framework of the International Integrated Reporting Council. The aim of the framework is to provide relevant, reliable, comparable and comprehensive information pertaining to the business operations and capital employed by the group.

As required by the amendments to the JSE Listings Requirements effective 19 June 2017 with regard to King IV, which is effective for all annual reports submitted on or after 1 October 2017, the group has published its application register on its website at www.raubex.com.

Reporting of the group's business model has been refined to ensure that it defines the strategy and maps out the process by which sustainable value is created over time. These changes are included on pages 6 and 7 of the integrated report. The performance of the infrastructure division has been reported on separately where it was previously included under the construction division.

Disclaimer

The integrated report may contain certain forward-looking statements concerning the group's operating environment, financial performance, 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 views 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 28 February 2018 was published and posted to shareholders on 28 June 2018 and is also available on the company's website.

Assurance

The annual financial statements have been audited by PricewaterhouseCoopers Inc. and their independent auditor's report is contained on page 89 of this integrated report.

The internal audit function of Raubex is currently performed by Deloitte. All internal audit activities are executed in accordance with the IIA SA standards. The audit committee, together with internal audit, provide the board with comfort pertaining to the reliability of the information presented 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 and confirmed by the group's own internal control function.

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

Approval of integrated report

The board confirms its responsibility to ensure 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 which could potentially impact the performance of the group.

The integrated report was approved by the board on 18 June 2018 and signed on its behalf by:

RJ Fourie
Chief executive officer

JF Gibson
Financial director

About Raubex

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Raubex at a glance

Who we are

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 and Cameroon. Raubex recently also entered the Western Australian market through the acquisition of Westforce Construction.

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

Construction Division

The construction division includes two main reporting segments, namely:

- Road surfacing and rehabilitation; and
- Road construction and earthworks.

This division specialises in all aspects of road construction, rehabilitation and related infrastructure development including bulk earthworks, services, concrete structures and asphalt surfacing.

Materials Division

The materials division specialises in the supply of aggregates from commercial quarries. This division is a leading provider of materials handling and screening services to the mining industry and also provides mobile crushing solutions for remote project sites.

Infrastructure Division

The infrastructure division specialises in disciplines outside the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, housing infrastructure projects and commercial building refurbishment and construction.

For more detail on each of these divisions and segments, refer to pages 33 to 35 of this integrated report.

Footprint Raubex operates in South Africa, Botswana, Namibia, Mozambique, Cameroon, Zambia, Zimbabwe and Western Australia.

Raubex business model

Inputs | **Business activities and processes** | **Outputs**

Inputs

Financial capital
- Debt
- Equity

Manufactured capital
- Buildings
- Plant and equipment (including)
  - Road construction
  - Asphalt manufacturing
  - Bitumen facilities
  - Materials handling and processing
  - Quarry infrastructure
  - Mobile crushing

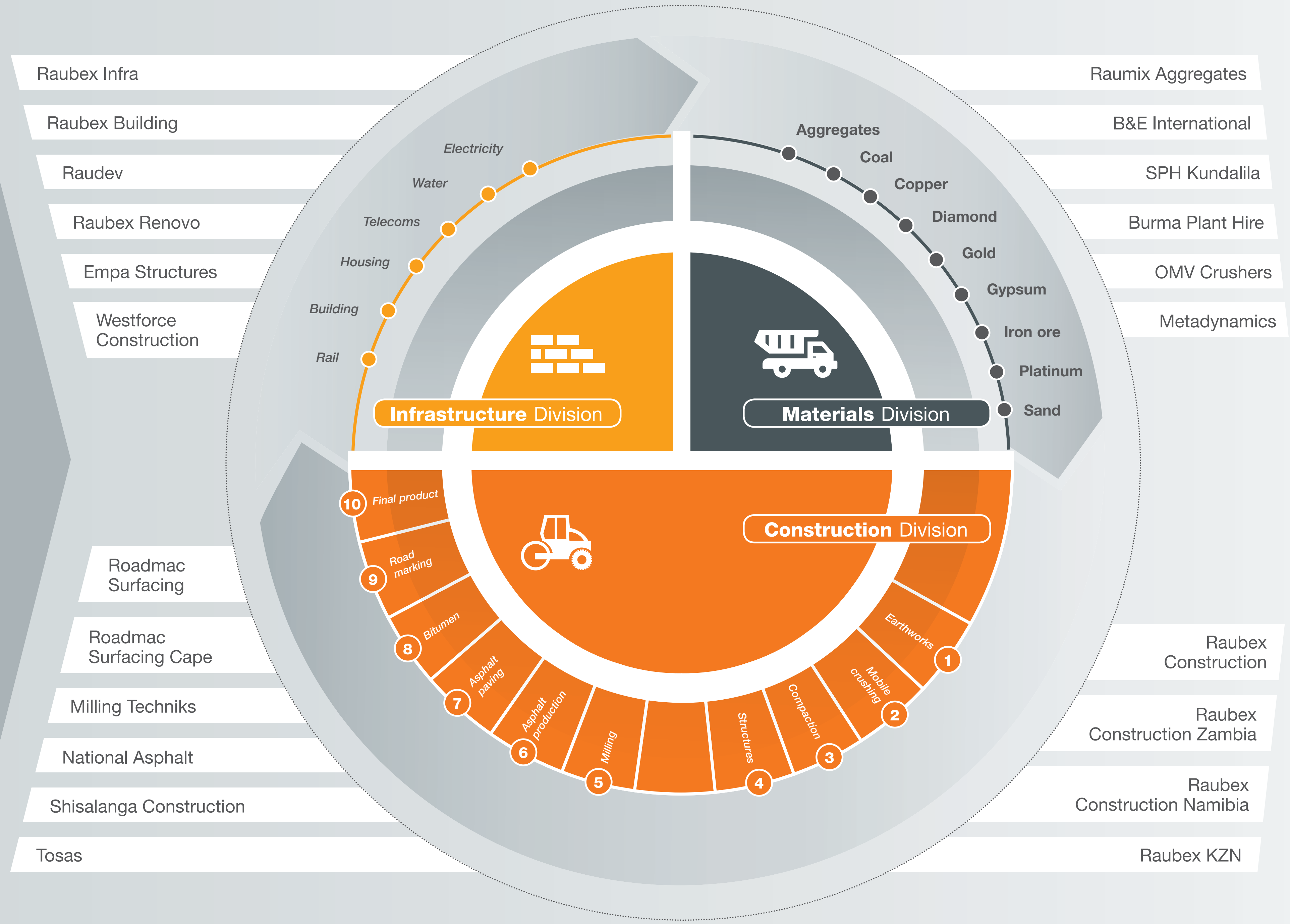
Intellectual capital
- Intellectual property
- Organisational capital
- Intangibles

Human capital
- Competencies
- Capabilities
- Experience
- Motivations to innovate

Social and relationship capital
- Shared norms, common values and behaviours
- Key relationships with stakeholders
- Social license to operate

Natural capital
- Air, water, land, minerals and energy
- Biodiversity and ecosystem health

Business activities and processes



Outputs

Financial capital
- Borrowings of R776 million
- Equity of R4 198 million
- Gearing (debt/equity) of 18,5%

Manufactured capital
- Property, plant and equipment of R2,4 billion
- capital expenditure of R441,3 million
- Proceeds on disposal of R96,0 million

Intellectual capital
- Asphalt technology
- Systems, procedures, protocols and accreditations
- CIBD registrations
- Leading industry brands
- Mining rights

Human capital
- Diversified board of directors
- Strong management team
- Diverse and professional workforce
- 8 271 employees
- Training and skills development
- Remuneration policy

Social and relationship capital
- Stakeholder engagement
- CSI strategy
- Voluntary Rebuilding Programme
- Empowered communities
- B-BBEE status – Level 1

Natural capital
- Participation in commodities processing value chain
- Production of aggregates
- Utilisation of bitumen
- Compliance with legislation

External environment

Regulatory environment | Economic environment | Technology | Environmental issues

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 invested capital employed.

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

Objectives	Description	Focus for **2018**	Progress during **2018**	Focus for **2019**
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, ie SANRAL, South African provincial and municipal governments	▪ Maintain relationships with key REIPPPP clients while Eskom signing of power purchase agreements are pending ▪ Maintain relationships with mining clients in anticipation of conditions improving in the mining sector ▪ Continue roll out of Woodwind Estates in a phased approach and secure more work opportunities in the affordable housing sector, including the Lufhereng Integrated Urban Development project ▪ Assess strategic acquisition opportunities to further strengthen the materials division	▪ Maintained good relationships with key REIPPPP clients and maintained internal capacity to execute REIPPPP contracts ▪ Maintained relationships with mining clients and renewed existing key contracts in this sector ▪ Completed 230 units and transferred 151 units in Woodwind Estates to date ▪ Achieved growth in the affordable housing and commercial building operations and strengthened key management in this division ▪ Acquired 74% of Limes Sales Ltd, a commercial quarry operating in the Western Cape and made good progress in assessing and negotiating further acquisition opportunities ▪ Established Raubex Renovo, a company specialising in the niche market of commercial building and hotel refurbishment	▪ Execute the REIPPPP contracts efficiently and secure new work in this sector (the minister of energy signed the power purchase agreements on 4 April 2018 for which the group has secured work to the value of R678 million on two wind farm projects which are subject to financial close) ▪ Maintain relationships with mining clients and secure new opportunities to expand customer base in this sector ▪ Execute the order book secured in the affordable housing and commercial building sector efficiently ▪ Accelerate roll out of Woodwind Estates based on high demand for housing in the area ▪ Secure further opportunities in the Lufhereng Integrated Urban Development project ▪ Assess strategic acquisition opportunities to strengthen the materials division and close pending transactions ▪ Execute secured order book efficiently and deliver a quality product to customers
Expand existing business models into new geographies	Expand strategy into new geographic markets/replicate current integrated business model outside of South Africa	▪ Resolve Zambia Link 8000 contracts payment delay and either proceed with works or settle with the client ▪ Continue to pursue high margin opportunities in Africa within acceptable risk tolerance ▪ Form strategic partnerships to unlock opportunities in Africa ▪ Look for acquisition opportunities outside of Africa in more developed markets	▪ Limited progress was made in Zambia during the year ▪ The Zambia Link 8000 contracts remain suspended due to payment delays ▪ Maintained a well-balanced international order book in the materials division ▪ Established operations in Cameroon through Raubex Renovo ▪ Pursued leads to new business opportunities and strategic partnerships in Africa and secured an order book in Cameroon with strategic clients through Raubex Renovo ▪ Acquired 70% of Westforce Construction in Perth, Western Australia	▪ Resolve Zambia Link 8000 contracts payment delays and either proceed with works or settle with the client ▪ Continue to pursue opportunities in Africa within acceptable risk tolerance ▪ Form strategic partnerships to unlock opportunities in Africa ▪ Bed down the acquisition of Westforce Construction and pursue synergies that can be realised in Western Australia
Build on existing competitive advantages	Continued business optimisation programmes and realisation of synergies between the different business units	▪ 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 ▪ Implement retention scheme for key management	▪ Experienced a lower volume of SANRAL work out to tender and as a result secured a higher volume of work from concessionaires to replace the order book ▪ Maintained focus on production monitoring and efficiencies at site level ▪ Executed the order book efficiently and realised above average margins on road construction and rehabilitation contracts ▪ A lower volume of SANRAL work impacted margins negatively in the second half due to excess capacity ▪ Overall margins in the infrastructure division declined due to a combination of factors including, delay in roll out of REIPPPP and the closure of loss making subsidiaries ▪ Implemented a retention scheme for key management	▪ 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 ▪ Monitor the success of retention scheme in retaining key management
Transformation in terms of South Africa's B-BBEE objectives	Transformation and alignment to B-BBEE scorecards	▪ Align to the revised Construction Sector Code expected to be Gazetted in 2018 ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter ▪ Monitor any changes in legislation and ensure compliance ▪ Improve Employment Equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Strengthen the strategic alliance with the selected emerging contractors, ie Enza Construction and Umso Construction	▪ Maintained level 2 B-BBEE status on the Generic Codes of Good Practice and planned for measurement under the Construction Sector Code which became effective 1 December 2017 ▪ Maintained the required 26% black ownership in the quarrying entities regulated by the Mining Charter ▪ Reviewed SANRAL's draft transformation policy and engaged with SANRAL on this matter ▪ Revised employment equity plans at subsidiary level and resubmitted plans to the Department of Labour ▪ Submitted progress reports to the PICC in line with the VRP agreement ▪ Obtained Competition Commission approval for the emerging contractor alliance on 21 February 2018 ▪ Tendered on certain contracts in joint venture with emerging contractors	▪ Maintain a minimum level 2 B-BBEE rating on the Construction Sector Codes ▪ Maintain the required black ownership level of the quarrying entities regulated by the Mining Charter ▪ Monitor any changes in legislation and ensure compliance ▪ Improve Employment Equity score ▪ Monitor progress and report on compliance in terms of the VRP agreement with government ▪ Bed down the emerging contractor alliance and initiate development and mentorship initiatives to grow emerging contractor revenue in line with the VRP agreement targets

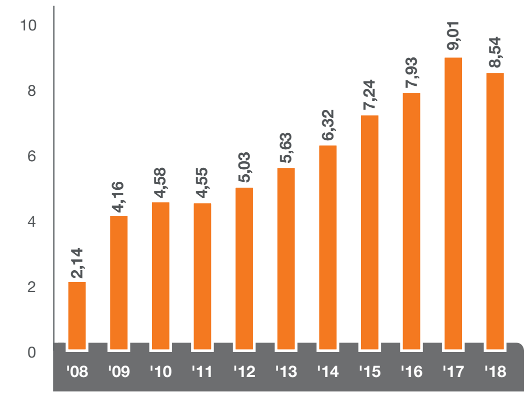
Five-year review

28 February		2018	2017*	2016	2015	2014
Profit performance						
Revenue	R'm	**8 542**	9 006	7 926	7 245	6 325
Operating profit	R'm	**672**	662	711	622	540
Depreciation	R'm	**357**	373	371	335	283
Profit before income tax	R'm	**641**	619	662	607	534
Earnings	R'm	**424**	372	445	400	356
Financial position						
Total assets	R'm	**7 140**	6 994	6 727	6 273	5 354
Total equity	R'm	**4 198**	3 950	3 833	3 533	3 241
Total liabilities	R'm	**2 942**	3 044	2 894	2 740	2 113
Total operating assets	R'm	**2 410**	2 364	2 336	2 172	1 842
Cash flow information						
Cash generated from operations	R'm	**1 040**	1 224	1 050	785	751
Capital expenditure	R'm	**441**	441	550	511	483
Free cash flow	R'm	**517**	665	359	126	185
Cash and cash equivalent	R'm	**1 084**	1 104	970	937	871
Ratio and statistics						
Operating profit margin	%	**7,9**	7,3	9,0	8,6	8,5
EPS	cents	**233,5**	203,7	236,9	213,4	191,3
Diluted EPS	cents	**233,5**	202,2	234,3	209,9	187,9
HEPS	cents	**228,6**	201,7	234,4	209,1	187,1
Total dividend per share	cents	**78,0**	90,0	78,0	71,0	65,0
Net asset value per share	cents	**2 309,7**	2 173,2	1 970,7	1 886,2	1 714,1
ROCE	%	**12,2**	12,2	13,3	12,3	12,7
ROE	%	**10,8**	10,4	12,2	12,1	11,7
Current ratio	times	**1,7**	1,8	1,8	1,9	2,0
Gearing (debt:equity)	%	**18,5**	24,1	28,5	31,1	22,1
Head count		**8 271**	9 871	10 516	9 598	8 306
JSE statistics						
Market value per share						
– At year-end	cents	**2 272**	2 451	1 600	2 071	2 183
– Highest (year to 28 February)	cents	**2 640**	2 643	2 399	2 660	2 520
– Lowest (year to 28 February)	cents	**1 735**	1 670	1 267	1 822	1 753
Closing PE ratio	times	**10,6**	9,5	7	10	11
Market capitalisation – close	R'm	**4 129**	4 455	3 028	3 880	4 059
Volume traded (year to 28 February)	'000	**74 644**	59 819	69 822	49 584	77 387
Weighted number of shares	'000	**181 381**	182 668	187 961	187 330	185 900
Issued shares at 28 February	'000	**181 750**	181 750	189 250	187 330	185 900

* *Performance indicators for 2017 include a non-recurring VRP expense of R120 million where applicable.*

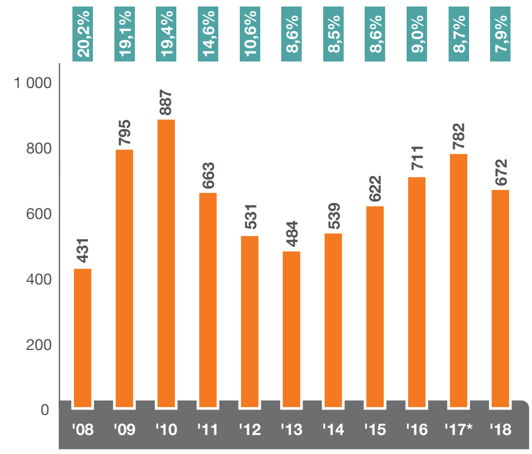
Post-listing performance indicators

Revenue
(R billion)



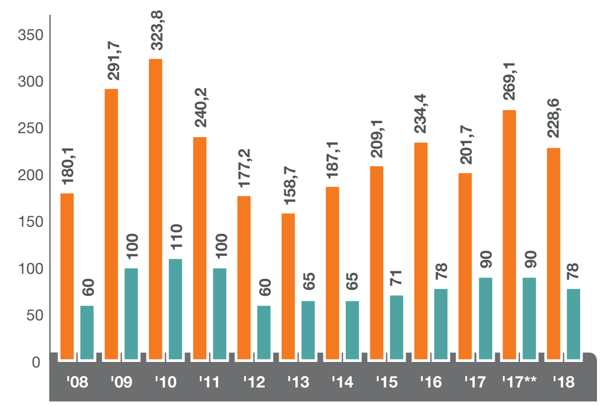
Revenue

Operating profit
(R million)



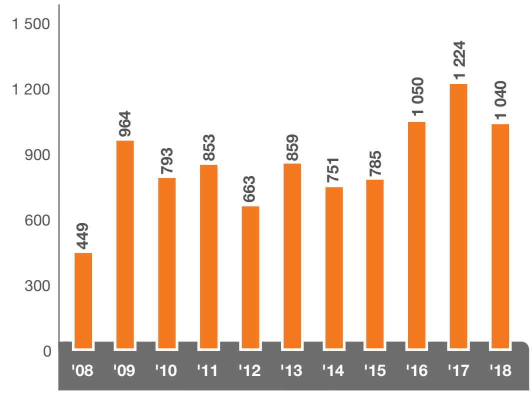
Operating profit Operating margin

Headline earnings per share and dividends per share (cents)



Headline earnings per share Dividend per share

Cash generated from operations
(R million)



Cash generated (before interest and tax)

* 2017 operating profit excludes the non-recurring VRP expense of R120 million.
** Headline earnings excludes the non-recurring VRP expense of R120 million.

Material risks and opportunities

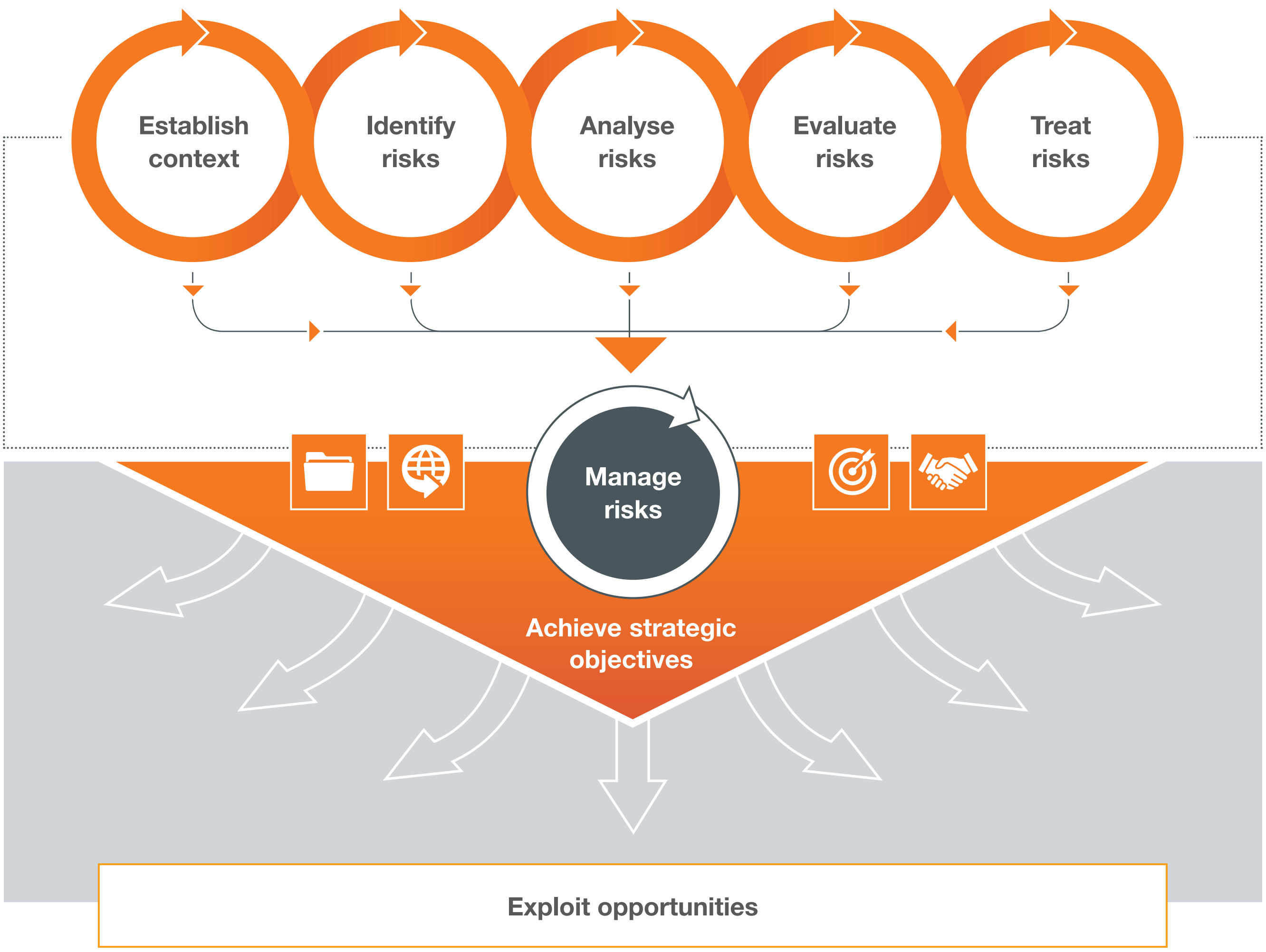
"Our risk management systems are underpinned by our values and strategic objectives. We proactively manage risks to enable the achievement of strategic goals and deliver value to our stakeholders. Risk management is part of our strategy and remains a critical component of good corporate governance. While it is important to deal with uncertainty, our risk management processes enable us to take advantage of opportunities."

Risk management approach

Our risk management policy strengthens our commitment to maintaining an environment which is conducive to doing business appropriately. Risk management remains a critical process for ensuring the achievement of set goals and strategic objectives. In adapting to a constantly changing environment, management has adopted a robust risk management approach to ensure flexibility and relevance. This approach further allows us to consistently deliver acceptable results under challenging conditions in volatile industries.

Risk management is an ongoing process and the Raubex management team has assessed all material issues and potential risks which could influence or impact key drivers in managing the business. The risk committee oversees this process and a report is tabled at each board meeting.

Our risk management processes are aligned to best practices (ISO standards and COSO) included in good corporate governance principles. Our process allows us to establish context, identify, analyse, manage, monitor and treat risks on a continuous basis.



Risk governance

The board's approach to risk governance supports the company's strategic objectives. The risk committee oversees risk management on behalf of the board, through regular reporting by exco and divisional management on strategic risks and related mitigating controls. The risk committee continually assesses the risk management structure to ensure clear roles of identifying, analysing, evaluating, treating, managing and reporting of risks are defined. The risk committee's responsibilities are set out in the governance report on page 49 of this integrated report.

The diagram below depicts Raubex risk governance:

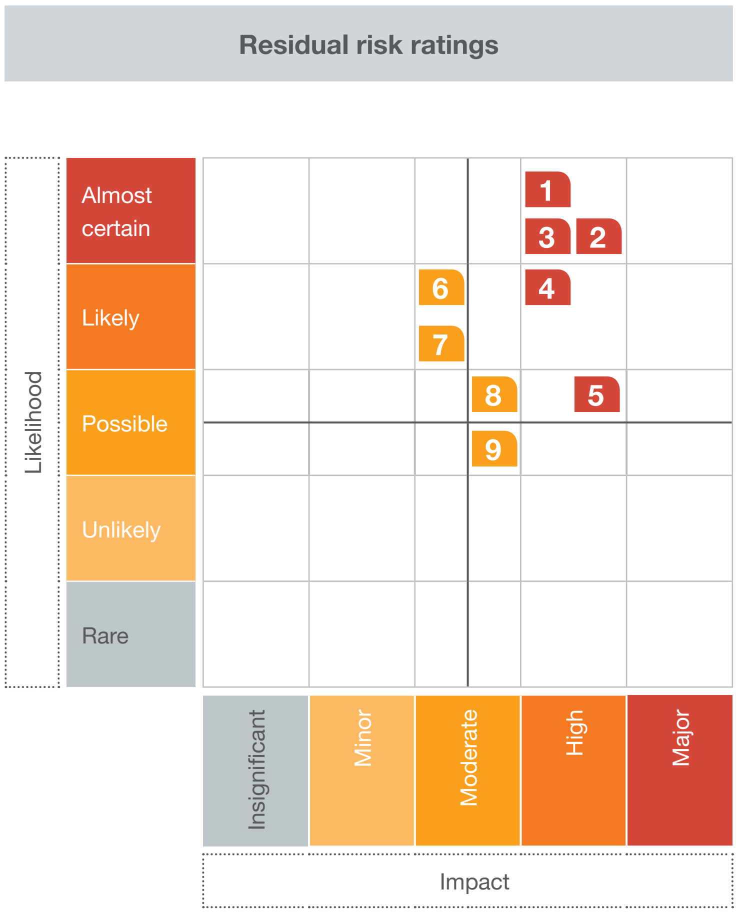
Material risks and opportunities continued

Top risks mitigation

The group's top risks are identified by exco together with the required strategies to mitigate chances of occurrence and to reduce the impact should they occur. Raubex's risk management systems have evolved over the years and are now more predictive in dealing with potential negative events.

The group's top risks include:

1. **Challenging market conditions – lower spend by SANRAL, provinces and municipalities (new risk)**
2. **Local labour and community unrests causing work stoppages**
3. **Competitive conditions leading to low margins**
4. **Tender award corruption**
5. **Delay in roll out of REIPPPP**
6. **Forex exposure**
7. **Bitumen supply**
8. **Changes in B-BBEE legislation**
9. **Volatility in commodity prices**



The diagram on page 14 is the heat map depicting the top residual risks at group level. Some of the risks are cross cutting through various divisions of the group. The residual risk rating has been assessed after consideration of the key controls mitigating the risk. Some of the current high risks are attributed to external dynamics which are outside management control. The risk assessment processes also cater for the identification of key risks.

Due to the improvement in risk assessment and rating, the following key risks are no longer included in the top risks. Management continues to monitor these risks at an operational level:

- Customer base
- Credit risk
- Industrial action

The following is a detailed outline of the group's current key risks as identified and assessed together with the mitigating controls. This process enhances the group's ability to manage uncertainty and to consider how much risk to accept as it strives to increase stakeholder value.

Risk description	Level of risk	Mitigation of risk	Strategic objective
1 Challenging market conditions – Lower spend by SANRAL, provinces and municipalities (new risk)			
Challenging market conditions are being experienced due to lower spend by the South African government. The order book from SANRAL decreased 47% while the provincial and municipal order book decreased 54% and 11% respectively. The reasons behind the reduced level of spending by government remains uncertain	High	▪ Continue engaging with SANRAL and government, as they are our key stakeholders ▪ Explore other opportunities in order to grow customer base	
2 Local labour and community unrests causing work stoppages			
Raubex operates in remote locations where projects are subject to the risk of local social unrest, which leads to unsafe working conditions for employees, project delays, lower production and damage to equipment There has been an increase in the number of instances of work stoppages and standing time as a result of disruptions caused by communities who are venting frustration due to poor service delivery by government and false expectations of employment being created on contracts	High	▪ The group continually engages with local labour and communities through project consultants and community liaison officers ▪ Communities are engaged before site establishment to manage expectations relating to the works and contract participation goals	
3 Competitive conditions leading to low margins			
Excess capacity in the industry and slow roll out of infrastructure projects have resulted in the competitive conditions currently being experienced. Tender margins are down to levels that are insufficient to compensate for risk on a sustainable basis	High	▪ 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 business model in order to enhance the group margin ▪ Effective project execution and close out	

Material risks and opportunities continued

Risk description	Level of risk	Mitigation of risk	Strategic objective
4 Tender award corruption			
Lack of transparency in award of provincial and municipal tenders effectively excludes the group from sources of revenue it would otherwise partake in	High	▪ The group is committed to the highest standards of ethical behaviour in its business conduct and has adopted a fraud and corruption policy ▪ Key controls over the group's tendering process are in place, including the approved authorisations ▪ It is the group's policy to take a firm stance against tender award irregularities and to challenge the award of tenders through formal legal processes where awards are not consistent with pricing, technical ability and other scorecard criteria	
5 Delay in roll out of REIPPPP			
Eskom's delay in signing off and rolling out the power purchase agreements relating to the REIPPPP will impact on the growth in the infrastructure division The time delays in these projects coming to market will result in excess capacity in this discipline until work can be executed	High	▪ The group has been able to diversify its infrastructure order book and capitalise on growth in the affordable housing market ▪ With the signing of the power purchase agreements on 4 April 2018 by the minister of energy, this risk has been substantially mitigated and the teams are ready to execute the contracts once financial close has been reached	
6 Forex exposure			
Contracting in non-base currencies and the inability to effectively hedge most African currencies can have an adverse impact 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.	Moderate	▪ The group actively manages foreign currency exposure when operating in non-base currency geographies ▪ The group has a conservative approach to new contracts in such countries and evaluates country and currency specific risk before entering into contracts in Africa ▪ Where possible, the group contractually specifies the allocation of payment into specific currencies in order to naturally hedge revenues against costs and mitigate the risk of foreign exchange losses	

Risk description	Level of risk	Mitigation of risk	Strategic objective
7 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 countries' ageing coastal refineries which are prone to unplanned maintenance shut downs	Moderate	▪ The group owns bitumen storage facilities which are sufficient to ensure approximately six weeks' 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 option provided sufficient notice of supply issues is given by local refineries to allow for delivery lead time	
8 Changes in B-BBEE legislation			
Changes in the B-BBEE legislation and government's new preferential procurement regulations.	Moderate	▪ The group has maintained a level 2 B-BBEE score which enables it to remain competitive amongst its peers when tendering for work in the construction industry ▪ Employee and community development trusts have been established to comply with the black ownership requirements of the Mining Charter which is required to retain the group's mining licences at its commercial quarries ▪ The group proactively monitors changes to B-BBEE legislation in order to timeously implement compliance plans to remain competitive and achieve its transformation goals ▪ In terms of the VRP agreement reached with government, Raubex has elected to form alliances with two emerging contractors to develop and mentor them over a period of seven years. These alliances should facilitate compliance with the new regulations ▪ Raubex considers this upskilling as an additional empowerment opportunity	
9 Volatility in commodity prices			
The volatility in commodity prices has an impact on production volumes of mines The group's materials handling operations are particularly exposed to the cycles of copper, diamond, gold and iron ore commodities	Moderate	▪ 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	

Material risks and opportunities continued

Emerging risks

The group's risk management processes address potential challenges created by the existence and development of emerging risks, which assists the group in achieving its goal and protecting against risks while generating opportunities for the group. In this context, management considers emerging risks in the course of doing business. The emerging risks are discussed at exco and board level. Below is a summary of emerging risks and mitigation of such risks:

Risk description	Level of risk	Mitigation of risk
1 Growth and expansion into new markets		
The group is exploring growth and expansion into new markets particularly in the higher-growth economies in Africa and Australia Entry into these territories increases the group's risk due to the additional investment required and the risk associated with operating in new markets and within their regulatory compliance frameworks	Moderate	▪ Extensive research and due diligence is conducted in understanding the market, local culture and specific risks and compliance requirements ▪ Experienced teams and project managers are deployed in new markets to monitor performance on a contract-by-contract basis
2 Legislative and regulatory compliance		
Risk of non-compliance to legislation and regulations relating to corporate governance, health, safety, environment, labour and contract specific requirements Non-compliance to the Competition Act leading to reputational damage and penalties	Moderate	▪ The group has adopted a compliance management policy and considers the inherent risk associated with compliance requirements in respect of expansion into new territories ▪ A defined regulatory universe which is updated with new acts and amendments is in place ▪ The top regulatory risks affecting the group are considered by the board and management and a process of developing CRMPs has commenced ▪ Through the compliance officer, compliance behaviours are embedded into standard processes and procedures ▪ Compliance risk management is part of managements' processes and decision making ▪ The group has a zero tolerance policy towards anti-competitive and collusive behaviour ▪ The group continuously raises awareness through the provision of training on Competition Law
3 Cyber attack including data fraud or theft		
The risk of cyber attack by cyber criminals is on the increase. Identity theft, where individual or company information is obtained to obtain credit or other forms of gaining financial advantage, is also on the increase	Moderate	▪ A group-wide IT policy is in place and updated annually ▪ Continuous IT risk assessment and vulnerability tests are conducted ▪ IT systems and data are secured by comprehensive firewalls ▪ Cyber attacks are reported to relevant authorities

Insurance

The group has a comprehensive insurance programme to protect against a wide variety of insurable risks. External advisors are consulted 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.

Fraud hotline

The group is committed to conducting ethical business practices with honesty and integrity, which will not only ensure a stable employment environment for employees but also ensure the continued future success of the group. For this reason, the group subscribes to a service which enables all stakeholders, but more specifically employees, to report anonymously on any fraud or unethical behaviour. Raubex makes use of the professional services from Deloitte that are managed independently.

The contact details of the Raubex group fraud line are set out below:

South Africa FreeCall	0800 20 53 14
Namibia FreeCall	0800 01 50 05
Malawi FreeCall	50800 (free for Airtel subscribers only)
Zambia FreeCall	847 (ZAIN TNM) 8000 0847 (MTL)
Email	raubex@tip-offs.com
Website	www.tip-offs.com
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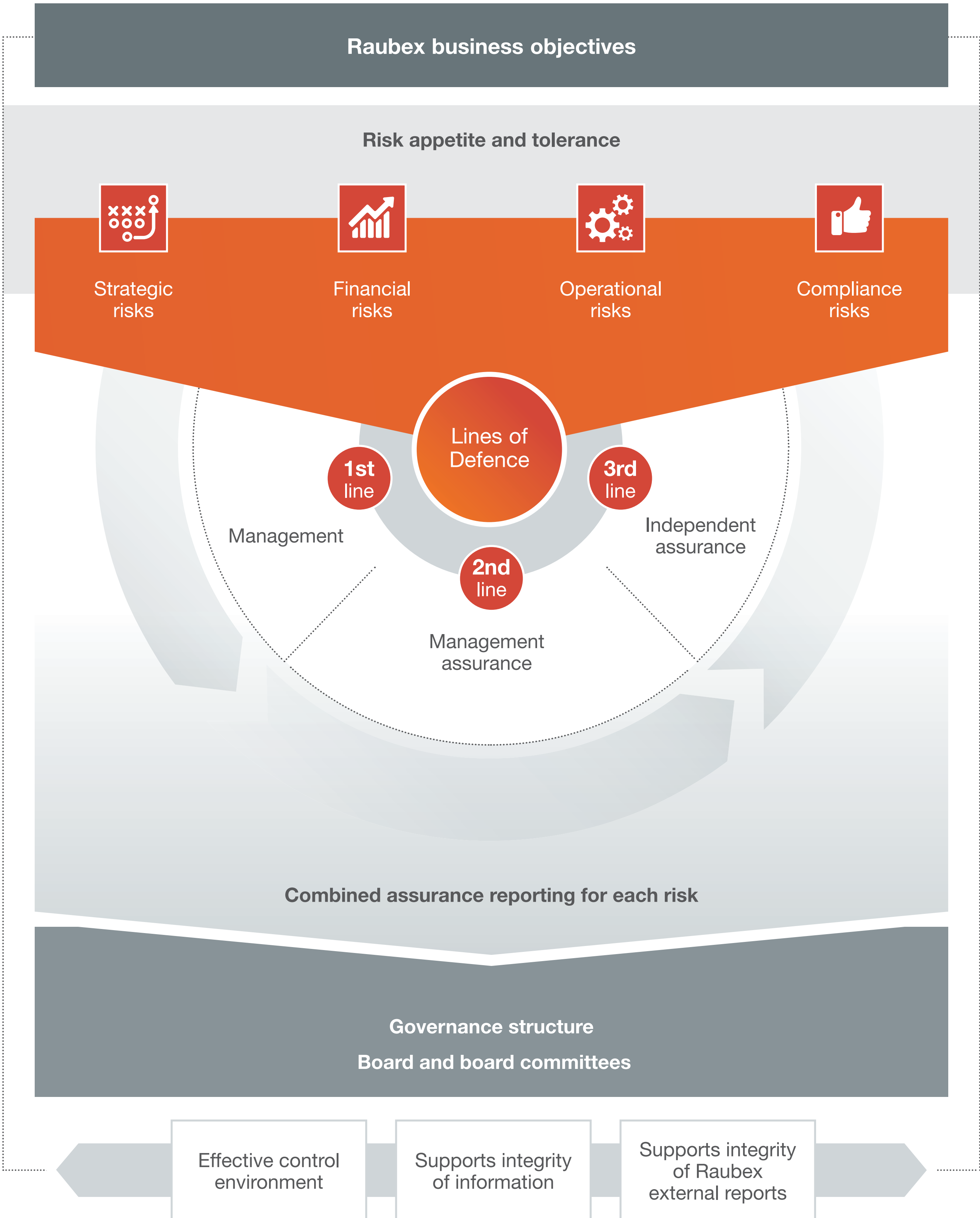
Combined assurance approach

The board, supported by the audit committee, has adopted a combined assurance model which incorporates and optimises all assurance services and functions. This combined assurance approach ensures that as a whole, these functions enable an effective control environment for the group, supports the integrity of information used for decision making and also supports the integrity of the group's external reports.

The group applies a combined assurance model which optimises assurance received from management, as well as internal and external assurance providers. The audit committee has established the combined assurance model for the group and oversees its implementation. The audit committee further oversees the scope of the combined assurance model as informed by the group's material risks and opportunities.

Material risks and opportunities continued



The audit committee has delegated the facilitation of the process to internal audit, under the guidance of exco.

The group's combined assurance model is based on the following objectives:

1. Assume responsibility for combined assurance
2. Ensure combined assurance model is designed and implemented
3. Ensure combined assurance incorporates various assurance services
4. Assess the combined assurance output

The following three lines of defence are applied to govern risk across the group. The combined assurance policy and model assigns specific responsibilities to each line of defence:

1st line

Management, as the first line of defence, provides assurance on all areas within the span of control. Management oversight includes strategy implementation, performance measurement, risk management, internal control and other control and governance processes, including control self-assessment and continuous monitoring mechanisms and systems. Management is also responsible for implementing corrective actions to address process and control deficiencies.

2nd line

Management has established various risk management and compliance functions to help build and/or monitor the first line of defence controls. Legal, risk management, compliance, health and safety, and quality assurance are included in the second line of defence.

3rd line

Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance, and internal control within the group as established by the first and second lines of defence. This is predominately the role of the audit committee, supported by internal audit, external audit and other independent external assurance providers.

Material risks and opportunities continued

Opportunities

The group's risk management approach balances the traditional negative view of risk with the one that recognises the potential business opportunities inherent in some of the risks. However, the group also recognises opportunities do not always originate from the current risks of the group, hence the board together with exco considers strategic opportunities when setting the strategic direction for the group.

The group continuously reviews its strategic objectives to identify opportunities to further enhance performance. The following opportunities have been identified to further unlock and create stakeholder value:

Infrastructure opportunities throughout the rest of Africa and abroad

The group continues to explore and look beyond the domestic market for work. Infrastructure opportunities throughout the rest of Africa and in other international markets offer growth opportunities for Raubex. Africa has a constantly growing demand for infrastructure and services and this makes it viable for the group to target these opportunities. The international construction market is also experiencing growth opportunities and the group has recently expanded its footprint into Cameroon, in West Africa, as well as the Western Australian market, through the acquisition of Westforce Construction, where the construction sector is more buoyant than in South Africa and a number of infrastructure opportunities are being assessed.

Water security

The PICC has initiated a build and expansion project in order to address South Africa's long-term water and sanitation needs. This project is aimed at avoiding a repeat of South Africa's electricity crisis within the water sector. The infrastructure task team will accelerate the implementation of the crucial water projects. The group's infrastructure division has the ability to build capacity to execute these projects.

Skills development

As part of Raubex's execution of the VRP, the group is contributing towards the skills development of the country by empowering emerging construction companies. The company is executing its commitment under the VRP and developing and mentoring two emerging contractors, Enza Construction and Umso Construction. The VRP has also enabled Raubex to tender for work as joint ventures together with the aforementioned emerging contractors and contracts have been awarded to the joint ventures on this basis. Raubex continues to build and strengthen these relationships.

SANRAL

The group's largest client is SANRAL which historically contributed c. 25% to the group's order book. Due to lower spend by SANRAL during FY2018, their contribution to the order book declined to 12% or R962 million. The resumption of SANRAL spend to more normalised levels, in line with their annual budget allocation from National Treasury, will provide an opportunity for the group to secure more work and will alleviate margin pressure in the industry. In the 2018 state of the nation address, the president of South Africa acknowledged the need for crucial projects (including road projects), the start of which has been delayed. He indicated that to accelerate the momentum behind these projects, a task team will be set up to address this issue in due course. This approach to infrastructure roll out will also rely heavily on collaboration with business and organised labour to ensure greater integration of projects between the public and private sector. Raubex is strategically positioned to assist with the infrastructure growth which is critical to boost South Africa's longer-term growth potential, which will enable a higher quality of service delivery and also improve the country's competitiveness.

Growth in the affordable housing market

Raubex has experienced an increase in activity in the affordable residential housing market and has identified a number of opportunities where it can secure work in this sector. The group's residential development Woodwind Estates in Midrand saw strong demand for completed units and further phases will be rolled out in the year ahead. Raubex is also well positioned to participate in building and civil infrastructure opportunities created by the Lufhereng Integrated Urban Development project to the west of Soweto. The pace of service delivery to local communities which has been slow and highly criticised in recent years, could potentially accelerate in the run up to the 2019 general elections as ruling parties canvass to improve voter perception. The group continues to accelerate the roll out of Woodwind Estate and securing opportunities in the Lufhereng Integrated Urban Development project.

Prospects for materials handling services to the mining sector

Raubex has a well established reputation in the mining services sector and offers materials handling and processing services as well as infrastructure solutions and mine housing. Current commodity prices are supportive of the group's materials handling and processing operations which are focused mainly on diamond, gold, copper, iron-ore and coal commodities. The group is well positioned to secure more work relating to these commodities if clients require increased production or expansion to current infrastructure.

Eskom REIPPPP

The group's infrastructure division has successfully executed work on round 3 and 4 bid window projects and has established a solid reputation in the market. Raubex is a preferred sub-contractor to many clients due to quality of work and on time delivery of projects. Recent developments, including the minister of energy signing the power purchase agreements on 4 April 2018 for 27 REIPPPP projects, will enable R56 billion of new investment in the South African

Material risks and opportunities continued

economy over the next two to three years. This development is encouraging and the group is well positioned to benefit from the roll out of this work. The group has secured work to the value of R678 million on two wind farm projects which are subject to financial close. These projects have not been included in the group's order book.

South African government national development 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") which include energy, transport and logistics infrastructure. These projects cover all the key infrastructure platforms of rail, road, port, dams, irrigation systems, sanitation, new energy generation plants, transmission lines, distribution of electricity to households, communication and broadband infrastructure, 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 development plan.

Commitment to transformation

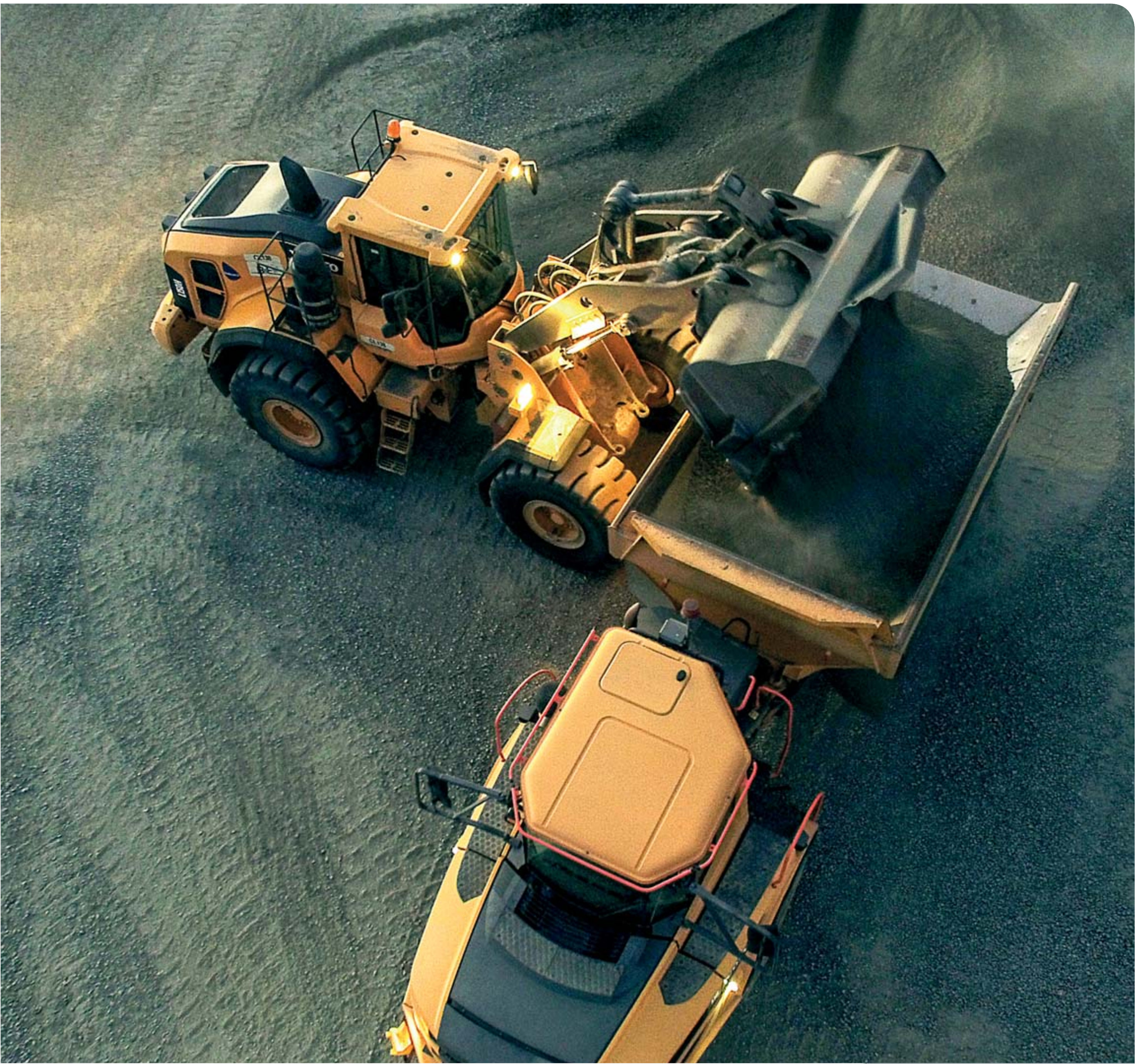
The group is committed to transformation and the development of its employees. Our transformation agenda supports government's initiatives which seek to address the inequalities of the past and make the South African economy more inclusive of historically disadvantaged South Africans. To ensure sustainability, we strive to continue making progress in improving our B-BBEE credentials as measured by the B-BBEE Scorecard set out on page 73 of this integrated report. Raubex has achieved a level 1 rating, post year-end, on the Construction Sector Codes of good practice which makes us competitive amongst our peers when it comes to tendering for construction work.

Acquisitive growth in the materials division

Opportunities exist to strengthen the materials division's commercial quarry activities by establishing new greenfield sites and by acquiring strategically positioned and established quarries. The construction materials market is also a focus area for future expansion and an area which the group will look to strengthen in order to achieve a more diversified revenue stream.

Geographical expansion of the group

The group's strong balance sheet and healthy cash balance positions it well to expand its current operations geographically throughout southern Africa and internationally. Strategic partnerships and acquisition opportunities are continuously assessed by Raubex both in the domestic and international markets in order to diversify its revenue stream and customer base.



Performance and outlook

2

Chairman's report

Freddie Kenney
Chairman

> I am confident that the Raubex board and supporting management have the required strength, expertise and flexibility to adapt to these challenging market conditions and to deliver value to shareholders over the medium term.

After taking over the position of chairman on 8 September 2017, from my predecessor Koos Raubenheimer ("Koos"), I am pleased to present to you my first chairman's report. I would like to thank Koos for his support and for introducing me into the road construction industry, as well as for his invaluable contribution to the Raubex group over many years and for the insight and support he provided to the board. I would also like to extend my appreciation to the board for entrusting me with the role of chairman under the very challenging conditions that the South African construction sector is faced with. I am confident that the Raubex board and supporting management have the required strength, expertise and flexibility to adapt to these challenging market conditions and to deliver value to shareholders over the medium term.

The year in review

In a year marked by significant political instability, uncertainty and deteriorating economic conditions, the group has experienced a very challenging year in the South African construction sector. Despite the successful diversification of the group from the road construction sector, with c. 50% of operating profit derived from the materials division, the group is still heavily reliant on government infrastructure spend. The year in review saw a reduced level of government spending and a declining order book in the road construction sector. The order book from SANRAL which historically accounted for c. 25% of the group's order book reduced to 12%. The lack of investment in the country's water infrastructure necessitated the closure of L&R Civils (Pty) Ltd, the group's business unit specialising in this field, while Strata Civils (Pty) Ltd, which specialises in small-scale civil infrastructure projects was also discontinued. The delay in signature of the REIPPPP power purchase agreements impacted the results of the group's infrastructure division as capacity was maintained in anticipation of the roll out of these projects. The power purchase agreements for 27 REIPPPP projects were signed by the minister of energy on 4 April 2018, which is encouraging for the year ahead. The group also made good progress during the year with its international expansion strategy both in Africa and abroad.

Despite the difficult operating conditions, the group has maintained its profitability throughout the cycle, generating profit after tax of R453 million during the year. Positive cash flow has allowed the group to declare a consistent dividend of three times earnings cover for the year, a ratio that has been maintained since listing on the JSE in March 2007.

Expansion into Africa and Australia

The ongoing delay to the long-awaited public infrastructure spend programme and the poor performance of the local economy has prompted Raubex to look more aggressively beyond its South African borders.

Our entry into the Western Australian construction market was a positive development this year. This market is a lot more buoyant than the South African market at present and is experiencing growth on the back of an improving commodity cycle. By making a relatively modest investment, we are testing the waters of this developed market and I am cautiously optimistic about this venture.

Through Raubex Renovo, the group has established a footprint in Cameroon in West Africa, where it is servicing key customers in a niche market.

Board composition and governance

Raubex has a strong, stable and independent board. Based on the outcome of the annual self-evaluation the directors believe the board contributes to value creation in the company, is well balanced and has the collective knowledge and expertise to make a meaningful contribution to the group's affairs.

The board adopted a board gender diversity policy during the year under review, and although no voluntary targets have been set as yet, the approach to gender diversity adopted by the board of Raubex is as detailed in the governance report on page 42.

The diversity of our directors in terms of gender, race and their professional backgrounds encourages constructive debate and ensures that the board considers the needs of all our stakeholders and interest groups.

We were pleased to welcome Ms Setshego Bogatsu as an independent non-executive director to our board on 1 June 2017. We look forward to her contribution to the board including also the audit committee, remuneration and nomination committee and social and ethics committee.

Mr JE Raubenheimer ("Koos"), retired as chairman of the board and non-executive director of the company effective 8 September 2017. Raubex was founded by Koos in 1974 and through his vision and unique leadership he progressively developed the group into a leader in the South African construction industry. Raubex listed on the JSE in March 2007 with Koos serving as chief executive officer until March 2010 before assuming the role of chairman.

Ms HE Ernst resigned as company secretary and legal advisor of the company effective 8 September 2017. Ms GM Chemaly was appointed as company secretary and legal advisor of the group effective 16 October 2017.

Change in functions of directors

Effective 1 March 2017, Ms Ntombi Felicia Msiza ("Felicia") changed function from independent non-executive director of the board, which position she held since February 2011, and was appointed executive director responsible for governance, risk and compliance. This appointment has considerably strengthened the team of executive directors (who previously consisted only of the chief executive officer and the financial director) from a governance, risk and compliance point of view. It also demonstrates the board's commitment to transformation, gender diversity at board level, including also its commitment to strengthen corporate governance and compliance structures within the group.

The following changes to the functions of directors in order to comply with King IV recommendations regarding the structure of the board committees were made during the year under review:

Following my appointment as chairman of the board, I resigned as chairman of the social and ethics committee and Ms SR Bogatsu was appointed as chairperson of this committee. I will continue to serve as a member of the social and ethics committee.

Mr LA Maxwell and I were appointed as members of the risk committee.

These changes in function were confirmed by the board on 31 October 2017.

Board committees

The audit committee managed the process of transitioning internal audit from an in-house to an outsourced function. The change enhanced the robustness and independence of this crucial function, improving skills and alignment with international best practice.

The company's remuneration policy has been aligned to King IV to outline the group's approach to fair, responsible and transparent remuneration practices across the business. In terms of the King IV requirement to propose a company's remuneration policy for a non-binding advisory vote at the annual general meeting, the company will be presenting the revised remuneration policy at our upcoming annual general meeting.

King IV

Implementation of King IV was a key focus during the year under review. The company refined its governance structures

Chairman's report continued

in line with the principles of King IV, by comparing and enhancing existing governance practices to the principles and desired outcomes contained in King IV. Enhancements to further improve delivery of the desired governance outcomes continue to be sought.

Transformation and empowerment

The board and management are aware of the need for transformation in the construction sector and are supportive of this process. Much still needs to be done to increase employment equity at senior management level and initiatives, including mentorship, training and bursaries have been undertaken. Progress in transformation and empowerment is evidenced by the group achieving level 1 and 42% black ownership in terms of the new Construction Sector Codes, post year-end.

Raubex and the other JSE-listed construction companies signed the settlement agreement commonly known as the Voluntary Rebuilding Programme ("VRP") with the South African government on 11 October 2016. The VRP is a true example of transformation in our country.

In terms of the VRP, Raubex will mentor two emerging black companies, Enza Construction and Umso Construction, in order to grow their respective combined turnover to more than 25% of the listed entity's South African construction turnover within seven years.

The VRP was approved by the South African Competition Commission on 21 February 2018.

Finally, we will maintain our efforts in transforming our company, especially with regard to employment equity.

Appreciation

Rudolf Fourie and his executive team continue to lead the group with great focus, energy and distinction, and I thank them for their commitment to ensuring the business maintains its position as one of the market leaders in the construction and materials industry.

Thank you to my fellow non-executive directors for their active participation in board and committee meetings, and for providing valuable insight and oversight.

The relationships with our external stakeholders, including our customers, shareholders and funders, suppliers and industry regulators, are critical to the sustainability of the business and I thank them for their continued support and engagement.

I would like to sincerely thank all our people for their hard work and commitment during a challenging year. Their ongoing efforts will enable us to build a more successful future.

Freddie Kenney
Chairman

Chief executive officer's report

Rudolf Fourie
Chief executive officer

The very challenging market conditions in the South African construction sector required Raubex to focus on new opportunities to supplement revenue streams and maintain growth. Our infrastructure division successfully focused on the affordable housing sector and opportunities in Africa where our newly established Raubex Renovo secured key contracts. The acquisition of Westforce Construction in Australia will also assist in diversifying the group's revenues and offset the impact of the poor environment locally.

Looking ahead, more sustained government spending is required to revive the local construction industry and support the infrastructure required for future economic growth. In the interim, we will continue to ensure medium-term growth through international opportunities and the diversified operations of our materials division, which remains the largest contributor to the group's profits.

Financial review

Revenue decreased by 5,1% to R8,54 billion while operating profit increased by 1,5% to R671,9 million compared to the corresponding prior year.

Profit before tax increased by 3,5% to R640,6 million (2017: R619,0 million) with an effective tax rate of 29,3%.

Group operating profit margin increased to 7,9% (2017: 7,3%).

Earnings per share increased by 14,6% to 233,5 cents with headline earnings per share increasing by 13,3% to 228,6 cents.

Cash generated from operations decreased by 15,0% to R1,04 billion (2017: R1,22 billion) before finance charges and taxation.

A non-recurring expense of R119,9 million was included in the prior year results relating to the VRP which arose out of the settlement agreement with the South African government as further set out in the SENS announcement dated 11 October 2016. This prior year expense needs to be taken into consideration when interpreting these operating results.

Chief executive officer's report continued

The group has experienced a very challenging year in the South African construction sector and has been operating in an environment that is not conducive to growth. Operating profit, excluding the non-recurring VRP expense, decreased by 14,0% compared to the prior year.

Net finance costs decreased to R31,8 million (2017: R43,6 million) due to higher net cash balances during the year. Total non-cash finance costs increased to R16,3 million (2017: R11,2 million) for the year which includes R8,8 million relating to unwinding of discount on the VRP liability.

The group maintained a strong balance sheet throughout the year with a focus on working capital management and free cash flow. Trade and other receivables decreased by 3,3% to R1,57 billion (2017: R1,63 billion) while inventories increased by 11,4% to R665,2 million (2017: R597,1 million) mainly due to an increase in bitumen stock compared to the prior year.

Construction contracts in progress decreased by 15,9% to R280,9 million (2017: R334,0 million). This decrease can be attributed to lower operating activity levels in the construction divisions, particularly in the second half of the year. Trade and other payables increased by 1,1% to R1,53 billion (2017: R1,51 billion).

Capital expenditure on property, plant and equipment was stable at R441,3 million (2017: R440,5 million). Net capital expenditure decreased by 1,8% to R345,3 million (2017: R351,5 million) due to higher proceeds on disposals compared to the prior year.

Borrowings decreased by 18,3% to R776,6 million (2017: R950,8 million) and consist mainly of instalment sale agreements over plant and equipment, payable in monthly instalments.

The group had a net cash outflow for the year of R15,3 million and total cash and cash equivalents at the end of the year of R1,08 billion (2017: R1,10 billion).

Operational overview

Materials Division

The materials division is the main contributor to the group's profit with 54,5% of total operating profit for the year attributable to this division. The diversified revenue streams from this division continue to differentiate Raubex from its peers in the construction sector.

During the period under review, the division experienced a slow-down in aggregates sales at its South African commercial quarry operations, predominantly in the Gauteng region, while operations in Botswana continued to perform well and exceeded expectations.

Materials handling and processing operations in the mining sector performed consistently throughout the year.

Contract crushing and plant hire operations remained challenging in line with conditions in the overall South African construction sector. Due to the challenging conditions in the construction industry in Namibia, including lower volume of work and clients experiencing cash flow problems due to payment delays on Namibian government contracts, the group took the decision to discontinue the operations of Burma Plant Hire (Namibia) (Pty) Ltd. Burma Plant Hire (Namibia) (Pty) Ltd reported revenue of R26,0 million and a net loss after tax of R10,3 million which includes the closure costs of this business.

Construction Division

Road surfacing and rehabilitation

The road surfacing and rehabilitation division executed its order book well throughout the year but the lower volume of work from SANRAL impacted the division's performance. To compensate for the lower SANRAL spend, the division focused on rehabilitation and maintenance contracts on the toll roads operated by concessionaires, with a number of contract awards supporting the current order book. SANRAL's lower spend has resulted in increased competition for the limited volume of work available to the rehabilitation and maintenance teams to tender for and has also resulted in lower volumes of asphalt and bitumen being supplied to the external market.

Road construction and earthworks

The road construction and earthworks division executed its order book well with some major contracts substantially completed in the first half of the year, including the N1 Bloemfontein bypass and the two N8 contracts between Bloemfontein and Thaba Nchu.

The division continued to experience tough competitive conditions throughout the year which have been exacerbated by the lower volume of SANRAL work out to tender. Although the order book for the division improved during the second half of the year with the award of contracts for the Bakwena Platinum Corridor Concessionaire, the execution of this work only commenced in the new financial year. The low order book in the second half of the year impacted negatively on the results due to excess plant and idle staff being retained in anticipation of an improvement in the overall conditions in the construction sector. However, the ability of the division to absorb excess capacity will be dependent on SANRAL resuming its budget spend in line with historical levels in the year ahead.

Raubex Infrastructure

The roll out of water infrastructure in South Africa continued to be slow during the year, with extremely competitive tendering conditions experienced for the limited amount of work available. The group made the decision to discontinue the operations of L&R Civils (Pty) Ltd, a company acquired in July 2012 in anticipation of the much needed roll out of water infrastructure projects in the country. L&R Civils (Pty) Ltd reported revenue of

R36,4 million and a net loss after tax of R29,3 million, which includes the closure costs of this business.

The group has also made a decision to discontinue the operations of Strata Civils (Pty) Ltd, which specialises in small-scale civil infrastructure projects, particularly in urban environments in the Western and Eastern Cape provinces. This market is not aligned to the group's core business and the inability to execute this work profitably has led to the discontinuation of this business unit. Strata Civils (Pty) Ltd reported revenue of R37,2 million and a net loss after tax of R17,5 million, which includes the closure costs of this business.

The infrastructure division experienced good growth in the affordable housing sector throughout the year and has established a strong reputation and client base in the commercial building sector. The increase in work secured in the building sector has enabled the division to partially offset the delay in the roll out of projects related to the REIPPPP. The division has maintained its capacity in anticipation of the roll out of the REIPPPP projects in the year ahead. REIPPPP contracts have not been included in the division's order book.

In order to support growth in the infrastructure division, the group entered the niche market of renovating commercial buildings, including shopping malls and hotels, through the establishment of Raubex Renovo. R827 million of the division's order book is attributable to Raubex Renovo.

International

The group has continued to deliver good results from its African operations where a number of business units are active in Namibia, Botswana and Zambia. Stable conditions in the mining sector and current commodity prices supported the international operations in the materials division, particularly in the copper and diamond mining operations in Namibia.

The construction market in Namibia has, however, experienced depressed conditions during the year which led to the discontinuation of the plant hire business of Burma Plant Hire (Namibia) (Pty) Ltd, as reported under the materials division.

The completion of the road contract between Rosh Pinah and Oranjemund in Namibia supported the results in the first half of the year. The road construction and earthworks division continues to seek high margin replacement work in Africa to supplement the South African order book.

In Zambia, payments from the Zambian Road Development Agency ("RDA") have not been consistent during the year and due to the late payment pattern of the client and the amount of outstanding debt, work on the Link 8000 road contracts remains suspended. The total gross amount included in accounts receivable due from the RDA at 28 February 2018 amounted to R160,0 million (2017: R154,1 million). Due to the uncertainty regarding the timing of payment, the gross amount receivable has been discounted to a present value of R127,1 million during the year. The order book includes an amount of R835,8 million relating to the two Link 8000 contracts. The group is confident that the RDA will settle the overdue amounts, allowing for work to resume, once a viable solution to the funding impasse has been determined.

In Cameroon, opportunities unlocked through Raubex Renovo are encouraging with the efficient execution and delivery of a quality product to the client being top priority in the period ahead, while Raubex Renovo establishes itself in this new market. The increase in the international order book is attributable mainly to work secured by Raubex Renovo, which includes the construction of a hotel for the French-based Onomo Hotel Group and a shopping mall for Actis and its local partner, Craft Development, in Douala, Cameroon.

Effective 1 January 2018, Raubex acquired 70% of Westforce Construction based in Perth, Western Australia. Two months of the Westforce Construction operations are included in these results. Westforce Construction's contribution is reported under the infrastructure division.

Acquisitions

The group continued to pursue its strategy of bolt on acquisitions to diversify revenue and maintain growth in the materials division. The acquisition of Lime Sales Limited was concluded during the year and the acquisitions of Donkerhoek Quarry, Transkei Quarries and Metadynamics were concluded post balance sheet date. In the infrastructure division, the acquisition of Westforce Construction, in Perth, Western Australia, will further diversify revenue streams geographically and provide opportunities for growth in this developed market. Details of these acquisitions are set out in the directors' report on pages 96 to 99 of the annual financial statements.

Prospects

The group's secured order book increased to R8,19 billion (2017: R8,03 billion) with 31,1% of the order book representing contracts outside of South Africa, in the rest of Africa and in Australia.

The order book for SANRAL decreased by 46,8% to R962 million (2017: R1,81 billion), due to a lack of tenders being released to the market throughout the second half of the year.

Provincial and municipal government order books also decreased by 53,9% and 11,1% respectively. The decrease in volume of work for SANRAL as well as for provincial and municipal clients has been offset by an increase in order book from private clients, mainly in the affordable housing and commercial building sector, as well as work on road infrastructure managed by concessionaires.

Chief executive officer's report continued

The diversified operations and revenue streams from the materials division will continue to support group earnings and assist in mitigating the challenges faced by the South African construction sector. The group will continue to look for acquisition opportunities in the commercial aggregates sector in southern Africa, with a number of opportunities currently being considered to further expand the geographical footprint and product range of the materials division.

The acquisition of the Donkerhoek Quarry in Northern Gauteng and Transkei Quarries in the Eastern Cape towns of Mthatha and Butterworth post-year-end support this growth strategy.

Materials handling and processing operations, supported by current commodity prices in the mining sector, are expected to remain stable in the year ahead.

The delayed roll out of renewable energy projects under the country's REIPPPP impacted negatively on the group's results for the year. Recent developments, including the minister of energy signing the power purchase agreements on 4 April 2018 for 27 REIPPPP projects, will enable R56 billion of new investment in the South African economy over the next two to three years. This development is encouraging and the group is well positioned to benefit from the roll out of this work. The group has secured work to the value of R678 million on two wind farm projects which are subject to financial close. These projects have not been included in the order book. Growth in the infrastructure division will further be supported by the recently established Raubex Renovo, which operates in the niche market of renovating commercial buildings, including shopping malls and hotels. This business has secured a healthy order book, including international work, for the year ahead and focus is now on the efficient execution and the delivery of quality work to clients which could unlock further opportunities in this market.

Internationally, the group's acquisition of Westforce Construction will further diversify its revenue streams and allow Raubex to expand its footprint in a more established and growing market in Western Australia, where conditions in the construction sector are more favourable than the South African market at present.

Conditions in the South African construction sector are expected to remain challenging and the short-term outlook uncertain, particularly in the road construction divisions which are largely dependent on SANRAL. It is imperative that South African state-owned companies, including SANRAL, as well as provincial and municipal governments, start investing in the country's deteriorating infrastructure. This will not only alleviate the current pressure in the construction sector, which has experienced a number of business failures resulting in severe job losses during the year, but will also better position the country for future economic growth.

While conditions in the South African construction sector remain subdued, the group will focus on maintaining a strong balance sheet and look for medium-term growth from a combination of high margin opportunities in Africa, increasing activity levels in Australia through Westforce Construction and further acquisitions in the local commercial aggregate sector to support the materials division.

Management changes

Due to the growth in the infrastructure division, Dirk Lourens was appointed as divisional head effective 1 May 2017. Dirk joined the infrastructure division when it was established in July 2012 and was instrumental in the establishment of Raubex Infra (Pty) Ltd. Prior to this, Dirk was co-founder of Meyker Construction in 1995, which was later acquired by Sanyati Construction. Dirk is a professional construction manager registered with SACPCMP with over 20 years' experience in the construction industry, the majority of which was gained in supervisory, managerial and executive positions.

Effective 12 March 2018, Izak van Niekerk replaced Tobie Wiese as divisional head of the materials division. Izak joined Raubex on 1 March 2017 from Bell Equipment where he held the position of regional general manager. Izak has a Bachelor of Science degree in Mechanical Engineering from the University of Cape Town, an Honours Bachelor of Commerce degree from Unisa and an MBA from the Wits Business School.

Tobie Wiese retired from the group effective 30 April 2018. The board would like to extend their thanks and appreciation to Tobie for his dedication and service over the past 22 years at Raubex group and its subsidiary, B&E International (Pty) Ltd.

Acknowledgements

I would like to thank the board for their guidance and my executive team and subsidiary company heads for their hard work and dedication during another difficult year. Raubex's strength lies in its people and we are fortunate to have some of the best in the industry. I would like to thank every single employee for the contribution they have made in building the Raubex group into what it is today, without this collective effort it would not have been possible. Our gratitude and thanks also go out to all our customers, suppliers, service providers and shareholders for their ongoing support.

Rudolf Fourie
Chief executive officer

Divisional reviews

Construction Division

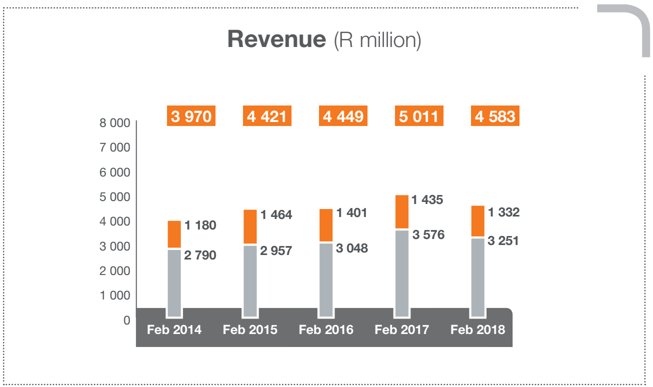
The construction division comprises two reporting segments, namely:

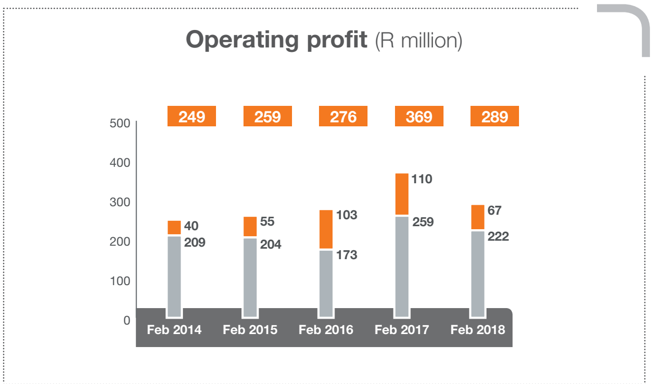
- road surfacing and rehabilitation; and
- road construction and earthworks.

Divisional Managing Director: Construction Division

Louis Raubenheimer (52) BEng (Civil) UP – 1991

Louis joined Raubex as a junior engineer in 1992. He has been with Raubex for over 25 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.





Road surfacing and rehabilitation *Road construction and earthworks*

Road surfacing and rehabilitation

This division 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.

- Revenue for the division decreased by 9,1% to R3,25 billion (2017: R3,58 billion) and operating profit decreased by 14,1% to R222,4 million (2017: R258,9 million).
- The divisional operating profit margin decreased to 6,8% (2017: 7,2%).
- The division incurred capital expenditure of R154,1 million during the year (2017: R130,1 million).
- The division has a secured order book of R1,84 billion (2017: R2,68 billion).

Road construction and earthworks

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

- Revenue for the division decreased by 7,2% to R1,33 billion (2017: R1,44 billion) with operating profit decreasing by 38,8% to R67,1 million (2017: R109,6 million).
- The divisional operating profit margin decreased to 5,0% (2017: 7,6%).
- The division incurred capital expenditure of R29,5 million during the year (2017: R50,7 million).
- The division has a secured order book of R1,85 billion (2017: R2,09 billion).

Divisional reviews continued

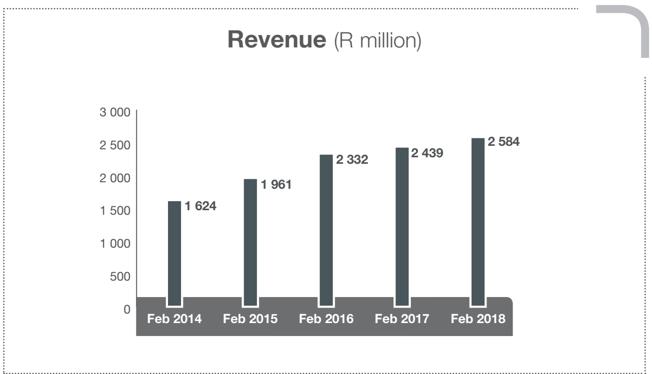
Materials Division

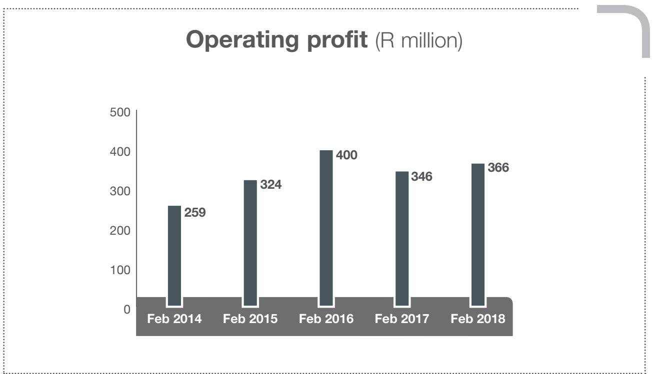
The materials division comprises three main disciplines including:

- commercial quarries;
- contract crushing; and
- materials handling and processing services for the mining industry.

Divisional Managing Director: Materials Division

Izak van Niekerk (40) BSc Eng, Hons B Com, MBA
Izak van Niekerk replaced Tobie Wiese as divisional head of the materials division, effective 12 March 2018. Izak joined Raubex on 1 March 2017 from Bell Equipment where he held the position of regional general manager. Izak has a Bachelor of Science degree in Mechanical Engineering from the University of Cape Town, an Honours Bachelor of Commerce degree from Unisa and an MBA from the Wits Business School.





■ *Materials*

- Revenue for the division increased by 5,9% to R2,58 billion (2017: R2,44 billion) while operating profit increased by 6,0% to R366,4 million (2017: R345,5 million).
- The divisional operating profit margin was stable at 14,2% (2017: 14,2%).
- The division incurred capital expenditure of R225,8 million during the year (2017: R230,1 million).
- The division has a secured order book of R1,87 billion (2017: R1,78 billion).

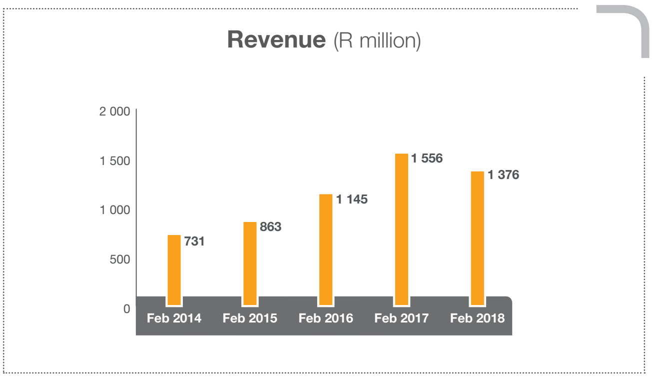
Infrastructure Division

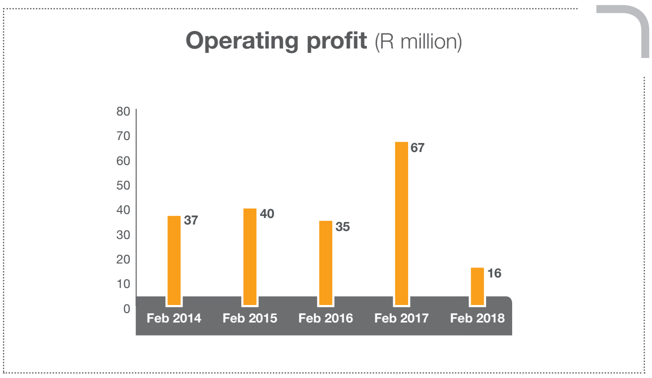
The infrastructure division specialises in disciplines outside of the road construction sector, including energy (with a specific focus on renewable energy), rail, telecommunications, pipeline construction and housing infrastructure and commercial building projects.

Divisional Managing Director: Infrastructure Division

Dirk Lourens (45) SACPCMP – Pr.CM

Dirk Lourens was appointed as divisional head effective 1 May 2017. Dirk joined the infrastructure division when it was established in July 2012 and was instrumental in the establishment of Raubex Infra (Pty) Ltd. Prior to this, Dirk was co-founder of Meyker Construction in 1995, which was later acquired by Sanyati Construction. Dirk is a professional construction manager registered with SACPCMP with over 20 years' experience in the construction industry, the majority of which was gained in supervisory, managerial and executive positions.





Infrastructure

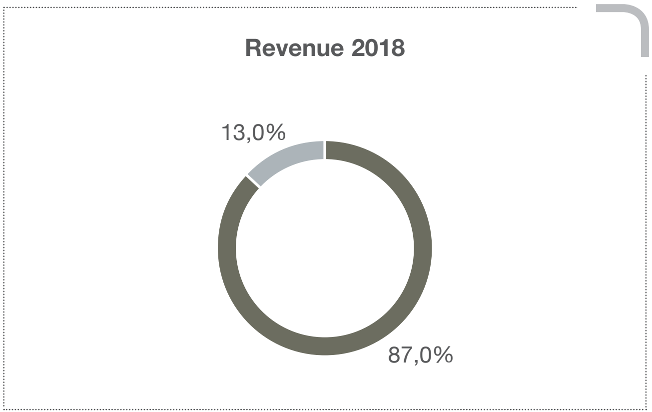
- Revenue for the division decreased by 11,6% to R1,38 billion (2017: R1,56 billion) and operating profit decreased by 76,3% to R16,0 million (2017: R67,5 million).
- The divisional operating profit margin decreased to 1,2% (2017: 4,3%).
- The division incurred capital expenditure of R31,8 million (2017: R29,6 million).
- The division has a secured order book of R2,62 billion (2017: R1,48 billion).

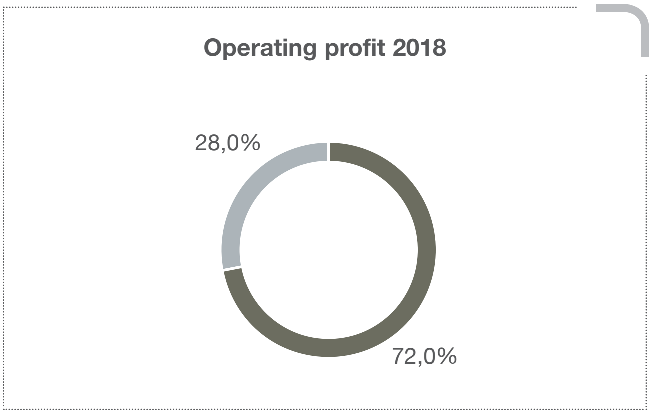
Divisional reviews continued

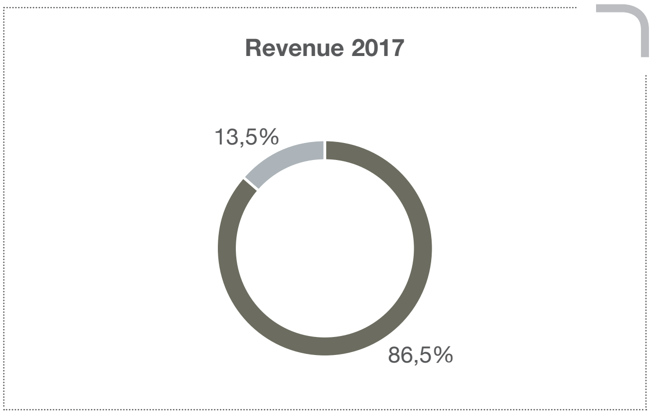
International Operations

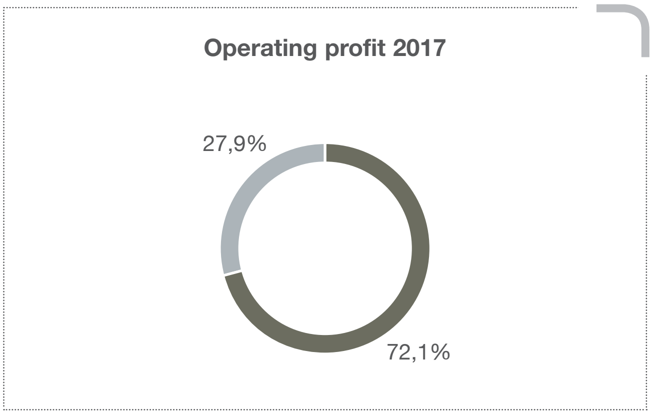
The group's international operations consist of a number of business units active across Africa (outside of South Africa) and Australia, the nature of which can be attributed to all three of the group's divisions.

- International revenue decreased by 8,5% to R1,11 billion (2017: R1,22 billion) and operating profit decreased by 13,5% to R188,5 million (2017: R218,0 million).
- Operating profit margin decreased to 16,9% (2017: 17,9%).
- The international order book has increased to R2,55 billion (2017: R1,90 billion) and is included in the materials and construction divisions' order books.





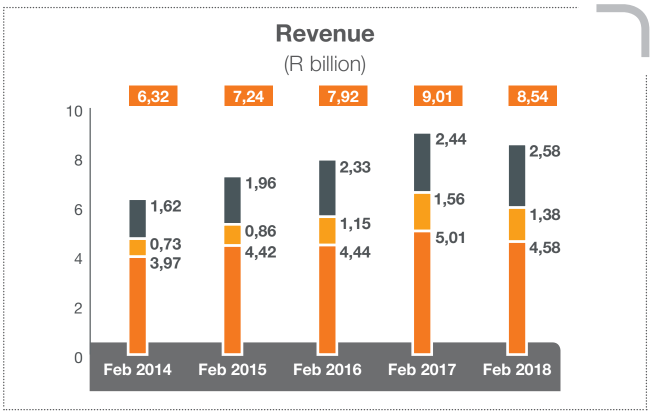


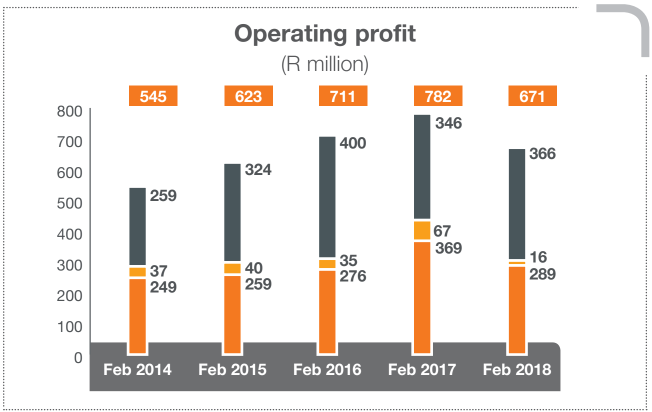


South Africa *International*

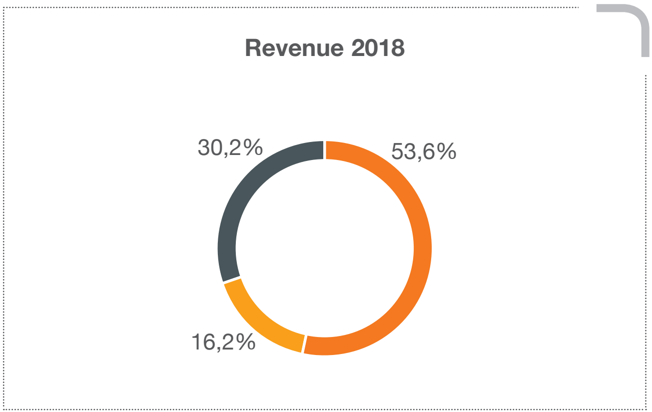
Overview

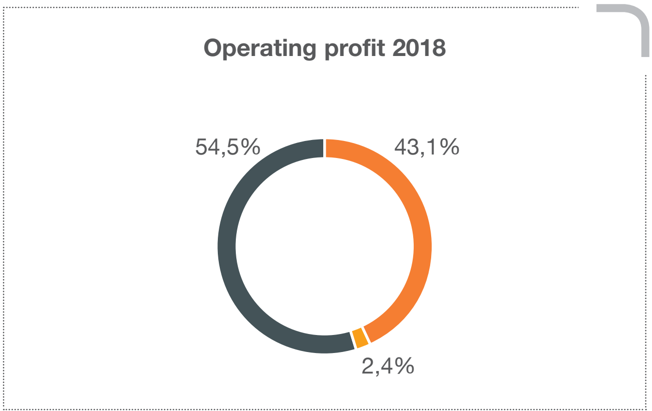
The contribution to revenue and operating profit from the main reporting divisions are:

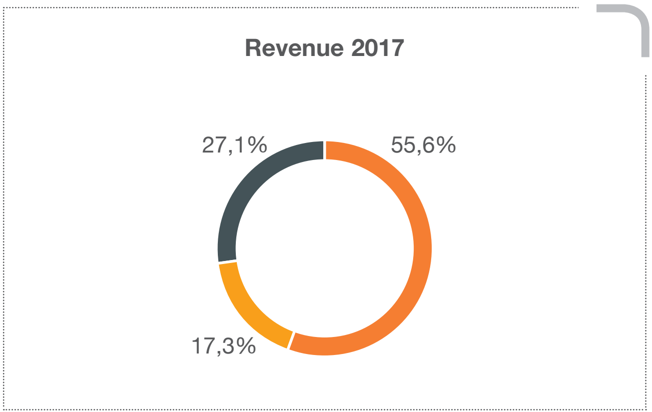


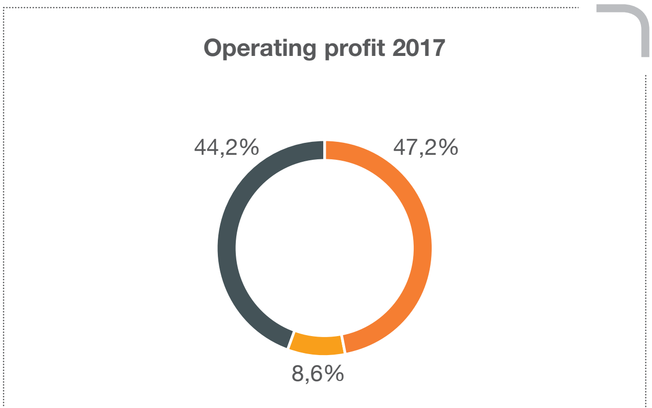


Construction Infrastructure Materials





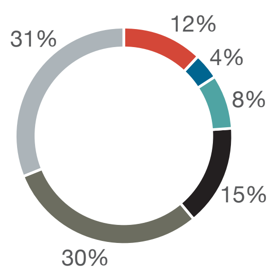


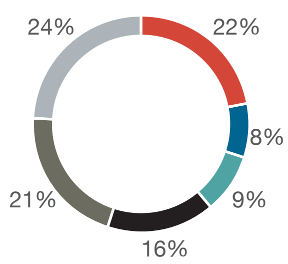


Construction Infrastructure Materials

Order book

Raubex has maintained a healthy order book of secured work amounting to R8,19 billion (2017: R8,03 billion). The order book is represented by the following customer categories:

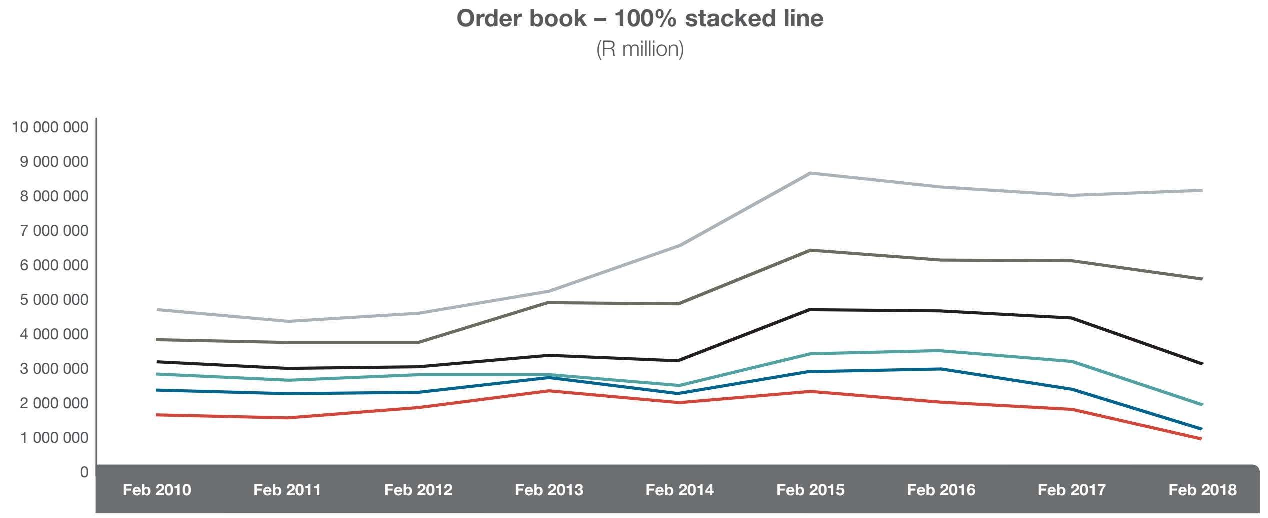




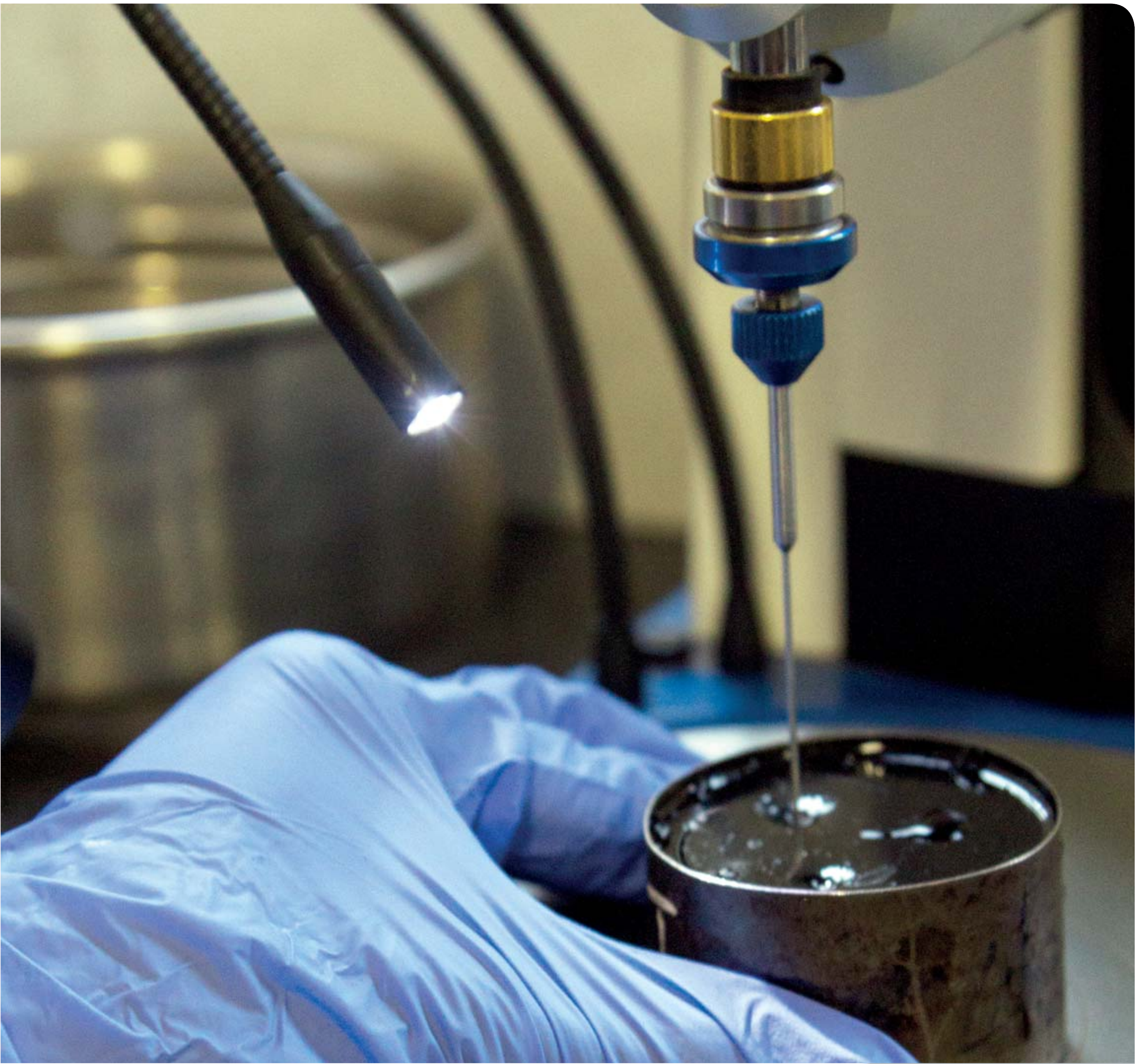
SANRAL | Provincial | Municipal | Other parastatals | Private | International

In order to supplement the group's subdued SANRAL and provincial order book numbers, largely due to lack of government spend in South Africa over the last few years, the group has targeted more international and private client work where appropriate together with a focus on work available from concessionaires.

The group's historical order book per customer category over the last nine years is illustrated below:



SANRAL | Provincial | Municipal | Other parastatals | Private | International



Corporate governance

3

Board of directors




Rudolf Fourie

James Gibson

Felicia Msiza

Freddie Kenney

Executive directors

Non-executive chairman




Bryan Kent

Les Maxwell

Setshego Bogatsu

Grace Chemaly

Independent non-executive directors

Company secretary and legal advisor

Risk committee

Remuneration and nomination committee

Audit committee

Social and ethics committee

Executive directors

Rudolf Johannes Fourie (52) NDip Marketing Management *Chief executive officer*

Prior to joining Raubex, Rudolf was employed as regional manager for the Colas Group after completing his studies in 1989, which position he held until 1997. Rudolf joined Raubex in 1997 as managing director of the then newly formed Roadmac Surfacing. Under his management, Roadmac Surfacing grew into the leading road surfacing company in South Africa. Rudolf has more than 20 years' experience in road surfacing and the bitumen industry. He was appointed as the chief executive officer of the Raubex group effective 1 March 2010, which position he holds to date.

James Finlay Gibson (44) BCom, CA(SA) *Financial director*

James joined Raubex in July 2006 as group financial accountant and managed the overall group finance function until his appointment as financial director of the Raubex group effective 24 July 2013. James played a key role during the process of listing Raubex on the JSE in 2007. 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 in the United Kingdom and gained experience contracting to Panasonic Corporation and P&O Nedlloyd in London. On his return to South Africa, he held the position of management accountant with SAB Limited before joining Raubex in 2006.

Ntombi (Felicia) Msiza (43) BCom, HDip (Tax), MBA, Chartered Director (SA) *Executive director responsible for governance, risk and compliance*

Felicia joined Raubex as an independent non-executive director in February 2011. She has extensive knowledge and experience in the field of governance, including internal audit, external audit and risk management. Felicia was appointed as executive director responsible for governance, risk and compliance for the Raubex group effective 1 March 2017. She previously served as group chief audit executive at Denel SOC, director of risk and assurance at City Power SOC, head of internal audit at the Independent Development Trust (IDT) and as a partner and director at SizweNtsalubaGobodo VSP. Felicia also held a directorship position within the Institute of Internal Auditors of South Africa (IIASA) where she served on the audit committee and public sector committee, in addition to various roles in both the public and private sector.

Non-executive directors

Jacobus (Koos) Esaias Raubenheimer (75) BSc Eng (Civil) PrEng *Retired chairman*

Koos founded Raubex in 1974 and led the group as chief executive officer until stepping down from the position in February 2010, following which he was appointed as non-executive director and chairman of the board. Prior to founding Raubex, Koos was employed as an engineer with the Free State and Kruger National Park Roads Department for nine years. He has over 45 years' experience in construction including invaluable knowledge and experience in steering Raubex through many challenging markets and cycles. Koos retired as chairman of the board and as non-executive director after the last annual general meeting of the company held on 8 September 2017 and was succeeded as chairman of the board by Freddie Kenney.

Freddie Kenney (64) *Chairman*

Freddie joined the Raubex group as non-executive director and shareholder in 2004 through the Raubex empowerment transaction concluded with Kenworth. Freddie is widely regarded as a versatile and talented businessman in Bloemfontein, with interests in low-cost housing developments, retail developments and construction. On 8 September 2017, Freddie succeeded Koos Raubenheimer as chairman of the board of Raubex.

Independent non-executive directors

Bryan Hugh Kent (73) BCom, FCMA, CA(SA), HDip (Tax), HDip (Company Law)

Bryan joined Raubex as an independent non-executive director in February 2011. He is an independent financial consultant and serves as a director on the boards of Anchor Yeast, Cadiz and Emira amongst others. Bryan was also a partner at PricewaterhouseCoopers Inc. 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.

Leslie (Les) Arthur Maxwell (71) BCom, CA(SA) **(Lead)**

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 Limited as an independent financial director to manage 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 Limited, Fraser Alexander Limited and Joy Manufacturing Co (Pty) Ltd, where he held the position of financial director.

Setshego Rebecca Bogatsu (55) BCom, MBA

Setshego joined Raubex as independent non-executive director effective 1 June 2017. She has over 30 years' professional experience in financial management, procurement and strategic planning. Most recently, she served in senior financial management and procurement positions at Fluor South Africa (Pty) Ltd for 10 years, prior to which she was the chief financial officer at the National Nuclear Regulator. She also held financial management roles at BMW South Africa, Transnet and Sasol Limited. She previously served as a non-executive director of TRS Staffing Solutions South Africa. Setshego currently serves as a non-executive director on the board of Pikitup Johannesburg (SOC) Limited and as a member of the group remuneration panel of the City of Johannesburg.

Company secretary and legal advisor

Grace Miriam Chemaly (45) B.Iuris, LLB, admitted attorney, notary and conveyancer

Grace joined Raubex as company secretary and legal advisor effective 16 October 2017, succeeding Heike Ernst who resigned from the position in September 2017. Grace was admitted as an attorney in 1998 and as a notary and conveyancer in 2000 and has more than 10 years' experience as a group company secretary and legal advisor in the JSE listed environment.

Governance report

Introduction

Corporate governance is an integral part of the group's business philosophy and the foundation on which the business is managed and controlled.

The board, exco and senior management across the group are committed to maintaining the highest standards of good corporate governance and good corporate citizenship and accept full responsibility for the application of these principles.

These corporate governance principles encompass:

- the creation and ongoing monitoring of a system of checks and balances to ensure a balanced exercise of power within the group;
- the implementation of a system to ensure compliance by the group with its legal and regulatory obligations;
- the implementation of a process whereby risks to the sustainability of the group's business is identified and managed within agreed parameters; and
- the development of practices which make and keep the group accountable to the broader society in which it operates.

Corporate governance, then, is essentially about responsible leadership of the group.

We strive for leadership that is transparent, answerable and accountable towards the group's stakeholders and which aims to achieve a balance between economic, social, individual and collective goals, seeking to align as closely as possible the interests of individuals, the group and society as a whole.

Governance highlights for 2018

- Implementation of King IV
- Adoption of board diversity policy
- Appointment of governance, risk and compliance director

Statement of compliance

The board subscribes to full compliance with applicable laws and regulations in the jurisdictions under which it operates.

The board has embraced King IV. As recommended by King IV, Raubex has provided a narrative-based report, referencing each of the King IV principles and an explanation of the practices employed to apply the principles. The group's King IV application register can be viewed on the group's website www.raubex.com.

During 2018, Raubex was compliant in all material respects with the requirements of the Companies Act, 71 of 2008, the Companies Act regulations and the JSE Listings Requirements. Where non-compliances were raised, these were immediately corrected and addressed.

Complying with all applicable legislation, regulations, standards and codes is integral to the group's culture and imperative to achieving our strategy. The board delegates responsibility for compliance to executive management and monitors this through the compliance officer who reports on compliance matters to the risk committee.

The compliance function assesses the impact of proposed legislation and regulation and any other material regulatory issues are escalated to the risk committee.

Statement of going concern

The board concluded and expressed in its responsibility statement of the 2018 annual financial statements, that the group is a going concern. The 2018 interim and annual financial statements were prepared on this basis.

Board accountability and delegation

The board is ultimately accountable for the effective governance of the group. It is the responsibility of the board to ensure that clearly defined roles and responsibilities are given to its various committees and subsidiary boards, the group chief executive officer is supported by the group executive committee (exco) and further that all key functions are in place.

Governance structure

Board of directors
Ultimate responsibility for governance of Raubex

Executive committee (exco)
Day-to-day running of the group and providing organisational direction on behalf of the board

Governance committees

- Audit committee
- Risk committee
- Remuneration and nomination committee
- Social and ethics committee

CORE VALUES

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

- Quality
- Integrity
- Professionalism

RISK AND COMPLIANCE

Raubex has established a risk and compliance management framework which includes:

- Risk and compliance policies
- Risk identification and assessment
- Risk and compliance registers
- Compliance regulatory universe
- Governance framework and charters

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 are also committed to applying the code 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

COMBINED ASSURANCE

Raubex has developed and adopted a combined assurance model aligned to King IV principles which includes:

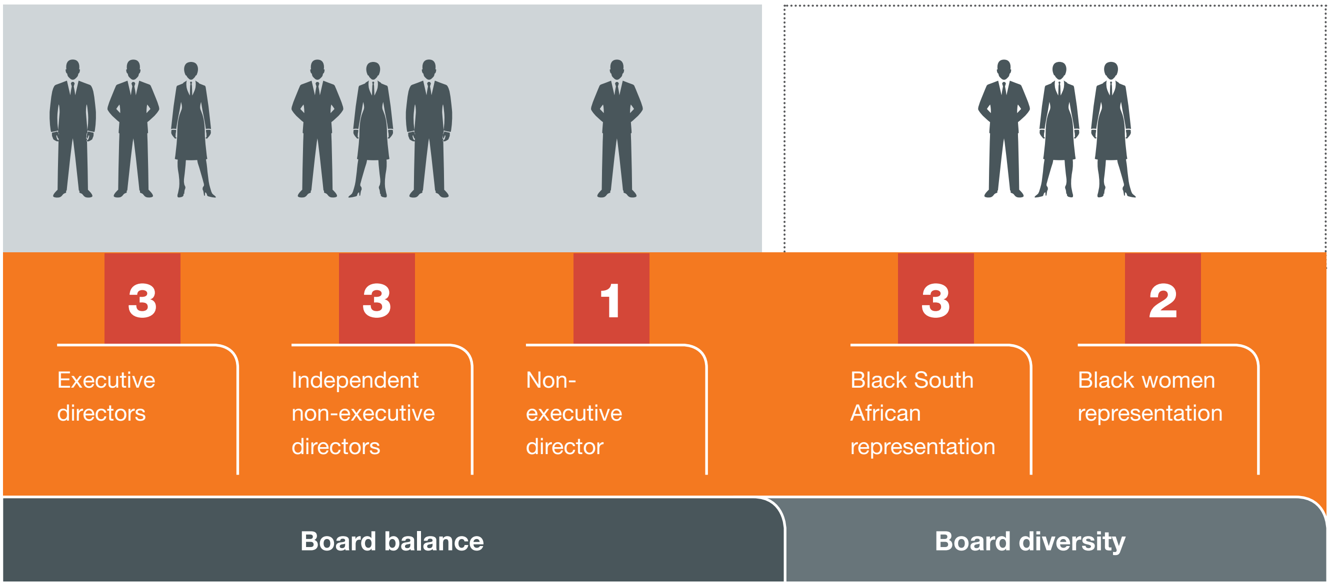
- Combined assurance policy
- Assurance providers
- Levels of defence
- Combined assurance methodology and plan
- Integrated reporting
- Ensuring adequate assurance to the board

Governance report continued

Structure of the board

The company has a unitary board consisting of seven directors with an appropriate balance between executive and non-executive directors. The directors are drawn from diverse backgrounds and bring a wide range of experience, insight and professional skills to the board.

The board is made up as follows:



Board meetings and attendance

The board meets on a quarterly basis and holds an annual strategy meeting. Additional meetings are scheduled when necessary.

Board papers are issued to all directors prior to each meeting and contain relevant detail to inform members of the financial and trading position of the group and each of its operating divisions and also covers material issues pertaining to the group.

Non-executive directors also maintain regular contact with executive directors to ensure that they are kept abreast of material matters that may require their input and guidance.

The attendance at board meetings held during the year is set out below:

	3 May 2017	23 August 2017	31 October 2017	20 February 2018
JE Raubenheimer – chairman*	×	✓	n/a	n/a
F Kenney – chairman**	✓	✓	✓	✓
LA Maxwell	✓	✓	✓	✓
BH Kent	✓	✓	✓	✓
SR Bogatsu***	n/a	✓	✓	✓
RJ Fourie	✓	✓	✓	✓
JF Gibson	✓	✓	✓	✓
NF Msiza	✓	✓	✓	✓

✓ *Attended.*
× *Absent with apology.*
n/a *Resigned/not yet appointed as board member.*
* *Retired effective 8 September 2017.*
** *Appointed as chairman effective 8 September 2017.*
*** *Appointed as board member 1 June 2017.*

Directors of Raubex

The directors of the group and their credentials are set out on pages 40 and 41 of the integrated report.

Chairman and lead independent director

The chairman, Freddie Kenney, is not classified as independent in terms of governance best practice criteria due to him being a major shareholder of the group and also an arm's length customer to the group, through his associate entity Kenworth, which operates in the affordable housing space. As recommended by King IV and in compliance with the JSE Listings Requirements, Les Maxwell continues in the role of lead independent director. The board recognises that the function of the lead independent director is to provide leadership and advice to the board when the chairman has a conflict of interest without detracting from or undermining the authority of the chairman.

Board race and gender diversity policy

Raubex supports the principles and aims of appropriate race and gender diversity at board level. To this end, the board adopted a board race and gender diversity policy during the 2018 financial year, and although no voluntary targets have been set as yet, the approach to race and gender diversity adopted by the board of Raubex is as detailed below.

The group will aim to achieve an appropriate level of diversity, including where possible, diversity of race and gender at board level. Should a vacancy on the board arise, or should there be a requirement for an additional board appointment, preference will be given to black candidates and female candidates who meet the skills, expertise, experience and background required to fill such board position(s). The board will endeavour to ensure a meaningful combination of skills, diversity and experience on the board which will best serve the interests of the group and its stakeholders.

Application of the policy in effecting new or replacement appointments to the board will be subject to the approval/ratification by the shareholders of the company to such appointments at annual general meetings of the company as required by the Companies Act, 71 of 2008.

Remco is mandated to assist the board in managing the policy and will review the state of the board's gender representation on an ongoing basis to ensure that the policy is appropriately applied and to make recommendations to the board regarding the appointment of suitable candidates. The group will annually report to shareholders in its integrated report on how the board has considered and applied the policy in the nomination and appointment of directors to the board of the group.

The policy will apply equally to any appointment of executive, non-executive and/or alternate directors of the board.

Role of the board

The board acknowledges its responsibility for the effective governance of the group and ultimate control of the group's various businesses, as well as providing clear strategic direction to the group. The board directs the group and provides an independent review on all issues of strategy, performance, resources and standards of conduct, either directly or through its governance committees.

The board provides effective leadership based on an ethical foundation and ensures that the group is and is seen to be a responsible corporate citizen and that all deliberations, decisions and actions are based on the values of responsibility, accountability, fairness and transparency that underpin good governance. The board ensures that the group's ethics are managed effectively and that it conducts its business in the best interest of 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.

Chairman and chief executive officer

The roles of the chairman and the chief executive officer are separate and each operates under a separate mandate of the board. This differentiates the division of responsibility within the group and ensures a balance of authority.

For the year under review, the board was initially chaired by Koos Raubenheimer, a non-executive director and founder of the company, for the period from 1 March 2017 to 8 September 2017, on which date Koos retired as chairman and director of the board.

Freddie Kenney, a non-executive director, was appointed as chairman of the board effective 8 September 2017.

Role of the chairman

The chairman is responsible for providing leadership to the board, overseeing its efficient operation and ensuring good corporate governance practices are applied across the group. As also detailed above, the chairman is not considered to be independent and the role of lead independent non-executive director is filled by Les Maxwell.

Governance report continued

Role of the chief executive officer

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 financial director, James Gibson, and the group's governance, risk and compliance director, Felicia Msiza, as well as the group's exco, of which he chairs a monthly meeting where the group's results, performance and prospects are reviewed. The chief executive officer reports at each board meeting on the performance and prospects of the group and any other material matters arising for the attention of the board.

Independence of the board

The executive element of the board is balanced by a strong group of independent directors so that no individual or small group of individuals can dominate the board's decision making, ensuring that all shareholders' interests are protected.

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 governance committees comprising mainly of non-executive directors;
- the appointment or dismissal of the company secretary being decided by the board as a whole and not by one individual director.

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.

Board and committees evaluation

The performance of the board and its standing committees are evaluated annually against their respective mandates and the results are collated by the company secretary and communicated to the chairperson's of the board and board committees for appropriate action. This feedback is also considered by the chairman of the board in his meetings with the other non-executive directors to ensure that any concerns regarding board processes or capabilities are addressed.

For the year ended 28 February 2018, a comprehensive evaluation of the effectiveness of the board and its committees was undertaken by all directors. Any areas requiring remediation are being addressed and overseen by the chairman.

Re-election of directors

In accordance with the memorandum of incorporation of Raubex Group Limited, one-third of non-executive directors are subject to retirement by rotation and re-election by shareholders on an annual basis.

Share dealing by directors and senior personnel

Raubex has a board approved policy relating to share dealings by directors and other parties who have comprehensive knowledge of the group's affairs. The policy imposes closed periods to prohibit dealing in Raubex securities before the announcement of interim and year-end financial results or during any other period considered price-sensitive. This complies with the requirements of the Financial Markets Act of 2012 and the JSE Listings Requirements in respect of dealings by directors. The company secretary undertakes the administration required to ensure compliance with this policy.

Governance committees

The board delegates duties to governance committees that provide an in-depth focus on specific areas, assisting the board to discharge its responsibilities. Each governance committee is chaired by an independent non-executive director and certain executives are required to attend governance committee meetings by invitation. External and internal auditors attend all audit committee meetings.

The board approves the terms of reference for each governance committee, and ensures that they adhere to corporate governance practices, the Companies Act, 71 of 2008, King IV and other applicable legislation and, where appropriate, international best practices.

Governance committees

Risk committee

Meets four times a year

Chairperson:
Bryan Kent

Overseeing the risk management systems of the company. Evaluates risk assessments and ensures effective risk management processes are developed and implemented. Also ensures legal and regulatory compliance.

Members:
BH Kent, NF Msiza, RL Shedlock, LA Maxwell, F Kenney

Audit committee

Meets four times a year

Chairperson:
Les Maxwell

Assisting the board in fulfilling its responsibility in respect of financial and non-financial reporting. Reviews the effectiveness of the internal control environment and ensures that effective internal control systems are maintained. Ensures integrity of accounting records.

Members:
LA Maxwell, BH Kent, SR Bogatsu

Social and ethics committee

Meets twice a year

Chairperson:
Setshego Bogatsu

Monitoring the company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of the best practice including the company's standing in terms of its goals and purpose; and being a good corporate citizen.

Members:
SR Bogatsu, F Kenny, JA Louw

Remuneration and nomination committee

Meets twice a year

Chairperson:
Les Maxwell

Determines the remuneration, incentive arrangements and benefits for executive directors of the group including pension rights and any compensation payments. The committee also recommends and monitors the level and structure of remuneration of senior executive employees.

Members:
LA Maxwell, BH Kent, F Kenney, SR Bogatsu

Executive committee

Meets monthly

Chairperson:
Rudolf Fourie

Responsible for the effective management of the group and execution of the strategy.

Members:
RJ Fourie, JF Gibson, NF Msiza, LJ Raubenheimer, TG Wiese, I van Niekerk, RL Shedlock, D Lourens, JA Louw

Company secretary:
GM Chemaly

Governance report continued

Governance committees

Audit committee

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

The following members serve on the audit committee:

Members	Invitees
LA Maxwell (chairman)	RJ Fourie (chief executive officer)
BH Kent (member)	JF Gibson (financial director)
SR Bogatsu (member)	NF Msiza (executive director governance risk and compliance)
	JA Louw (group financial manager)
	Internal auditors
	External auditors

As required by the Companies Act, 71 of 2008, the audit committee members are appointed at each annual general meeting of the group and comprises 3 (three) independent non-executive directors, which also complies with the requirements of King IV.

The committee has adopted formal terms of reference which has 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 auditors 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 and non-financial reporting issues. It also has a responsibility to ensure that management has implemented and maintained an effective control environment.

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

- to review and assess the design and implementation of internal financial controls, including the effectiveness of combined assurance arrangements implemented;
- to oversee the group's risk management processes with specific oversight of financial reporting risks, internal financial controls, fraud risks and information technology ("IT") risks;
- to assess the expertise and experience of the finance director to carry out his duties;
- to assess the expertise and adequacy of resources of the group finance function and experience of the senior members of management responsible for the finance function;
- to assess the effectiveness of the chief audit executive ("CAE") and the outsourced internal audit activity to ensure the organisational independence of the internal audit activity;
- 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;
- 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 page 94 of the group's annual financial statements.

Remuneration and nomination committee

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

The following members serve on the committee:

Members	Invitees
LA Maxwell (chairman)	RJ Fourie (chief executive officer)
BH Kent (member)	JF Gibson (financial director)
SR Bogatsu (member)	
F Kenney (member)	

The committee consists of 4 (four) members, 3 (three) of whom are independent non-executive directors.

As required by King IV, all of the members of remco are non-executive directors with the majority being independent. The chairman of the committee is an independent non-executive director.

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 group, 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, taking cognisance of the board diversity policy, source candidates and make proposals regarding candidates. Proposals will be followed up with curriculum 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 annual general meeting.

The remuneration and nomination committee report is set out on page 53 of this integrated report.

Risk committee

The board is responsible for the governance of risk and has appointed a committee responsible for risk management. The risk committee provides risk governance guidance to support the group in setting and achieving its objectives.

King IV recommends that the risk committee comprises a majority of non-executive directors and if the committees for audit and risk are separate, the board should consider that 1 (one) or more members have joint membership of both committees for more effective functioning. The committee should further have executive and non-executive directors, with a majority being non-executive directors of the board.

The Raubex risk committee comprises 2 (two) independent non-executive directors, 1 (one) non-executive director, 1 (one) executive director and 1 (one) divisional financial executive.

Two members have joint membership of both the audit and risk committees.

The following members serve on the risk committee which convened 4 (four) times during the year:

Members	Invitees
BH Kent (chairman)	JF Gibson (financial director)
LA Maxwell (member)	
NF Msiza (member)	
F Kenney (member)	
RL Shedlock (member)	

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 risk committee is responsible for:

- Formulating and driving the group's risk and compliance framework, while continually monitoring and evaluating the risk and compliance landscape to ensure that the board has effective control of the system and processes;
- Monitoring the group's risk management policy and ensuring that the risk management policy is adhered to throughout the group;
- Ensuring that risk management assessments are performed on a regular basis and that plans and processes to mitigate high risks are sufficient to reduce risk to acceptable levels;
- Reporting identified risks to the board.

A formal risk recording and rating methodology is in place which allows risks to be identified and ranked in relation to each subsidiary, which is ultimately recorded in the group risk register after being reviewed. Decisions are then made on how best to mitigate, manage or transfer high impact, high probability risks. The board relies on the three lines of defence set out on page 21 to manage risk within the group in an integrated manner. The group's highest risks in terms of likelihood and impact are then mitigated by way of various processes, which can be found on pages 15 to 18. The committee's future focus areas include stress testing in the context of a changing economic climate as well as embedding a common risk language across the group.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its charter.

Considerable time has been spent on the reassessment of risk and review of the regulatory universe, together with exco to ensure adequate assurance is provided regarding these processes. King IV principles relating to risk, opportunity and compliance have been adopted.

Governance report continued

Social and ethics committee

The Companies Act, 71 of 2008, 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 and the social and ethics committee report is set out on page 64 of the integrated report.

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

Members	Invitees
SR Bogatsu (chairperson)	TA Dale (group HR manager)
F Kenney (member)	JF Gibson (financial director)
JA Louw (member)	

The Companies Act, 71 of 2008, stipulates that the committee must comprise not less than three directors or prescribed officers of the group, at least one of whom must be a non-executive director.

King IV, recommends a higher standard for the composition of this committee than what is provided for in the Companies Act, 71 of 2008. The recommendation is that this committee should have executive and non-executive members of the governing body, the majority of the members of this committee should be non-executive.

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: company ethics, social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships and labour and employment.
- Compliance with the 10 principles set out in the United Nations Global Compact Principles, the OECD recommendations regarding corruption, the Employment Equity Act, 55 of 1998, and the Broad-Based Black Economic Empowerment Act, 53 of 2003.
- Good corporate citizenship including the group's promotion of equality, prevention of unfair discrimination, and reduction of corruption as well as contribution to development of the communities in which our activities are predominantly conducted or within which our products or services are predominantly marketed; and records sponsorships, donations and charitable givings.
- Monitoring the group's activities with regards to environment, health and public safety including the impact of the group's activities and of its products and services.
- Monitoring the group's consumer relations including the group's advertising, public relations and compliance with consumer protection laws.
- Labour and employment including the group's compliance with the International Labour Organization Protocol on decent work and working conditions and the group's contribution toward the educational development of its employees.
- Ensuring that the group's ethics are managed effectively including leadership demonstrating support for ethics throughout the group and a strategy for managing ethics that is informed by the negative and positive risks the group faces.

Ethical standards are articulated in a code of conduct and supporting policies, structures, systems and processes are in place to ensure that the board, employees and supply chains are familiar with and adhere to the group's ethical standards and ethics is embedded in the corporate culture.

The committee is aware that its function will continue to evolve as it addresses all the responsibilities within its mandate. The committee is satisfied that it has fulfilled its responsibilities in accordance with its charter. Changes as a result of King IV have also been incorporated in the work of the committee including its composition and frequency of meetings.

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 was established to assist 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 was chaired by the financial director and 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;
- the coordination of priorities between the IT department, user departments and other stakeholders;
- ensuring that cyber security risk is integrated into risk management and that periodic independent assurance is received on the effectiveness of the group's IT arrangements, including outsourced services;
- ensuring that IT policies are appropriate for the group's business and are continually revised based on external developments; and

- ensuring that the effectiveness of technology and information management is monitored and actions are taken where necessary to address findings.

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

During the year under review, the IT steering committee was incorporated into the Raubex group exco committee which meets on a monthly basis. The group IT manager attends a specific timeslot allocated to report and discuss IT-related matters across the group.

Executive committee ("exco")

Exco is made up of the chief executives and other selected executives heading significant business units and functions. The group chief executive is the chairman of exco. The committee's role is both strategic and operational in nature, being the custodian of the group's strategy as approved by the board. The committee monitors the implementation of strategy and adherence to the group's governance and policy framework.

The purpose of exco is to assist the group chief executive to manage, direct, control and coordinate the business activities and affairs of the group, subject to statutory limits and the board's limitations on delegation of authority to the group chief executive, to achieve sustainable growth within the approved risk profile.

Exco supports the chief executive officer in formulating and implementing the group's strategy and managing the day-to-day operations of the group, while ensuring internal controls are effective and functioning.

The following members serve on the exco of the group:

Members	Invitees
RJ Fourie (chairman)	GM Chemaly (company secretary)
JF Gibson	BLB Gainsford (group IT manager)
NF Msiza	
LJ Raubenheimer	
TG Wiese*	
IJM van Niekerk*	
RL Shedlock	
DC Lourens	
JA Louw	

* *Tobie Wiese retired from the group effective 30 April 2018. Effective 12 March 2018, Izak van Niekerk replaced Tobie on the exco.*

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

Company secretary

All directors have access to the advice and services of the company secretary, Ms Grace Chemaly, who acts as a conduit between the board and the group.

The company secretary is responsible for the flow of information to the board and its governance committees, and also for ensuring compliance with board procedures. In addition to various statutory functions, and while maintaining an arm's length relationship with the board, the company secretary also provides:

- Individual directors and the board as a whole with guidance on their duties, responsibilities and powers as set out in section 88 of the Companies Act, 71 of 2008;
- The board with the requisite advice on issues of law, governance and related matters, including the impact of legislative and regulatory developments.

In line with the JSE Listings Requirements, the qualifications and experience of the company secretary were formally evaluated by the board. The board specifically evaluated the objective nature of the role of the company secretary, confirming that she has no affiliation or association to any single board member, holds no directorship and provides independent advice to the board as a whole. The evaluation found that the company secretary is suitably qualified, experienced, and fit and proper to perform the function of company secretary and that an arm's length relationship with the board is maintained.

Litigation and legal

The company secretary, who is also the appointed group legal advisor, is responsible for overseeing the group legal function. Although the outcome of legal proceedings, claims and actions instituted against the group cannot be predicted, the group is suitably resourced to manage this process.

Detailed legal reports are provided to the exco, audit committee and board on any material legal matters within the group.

The group has an insurance policy that insures directors and prescribed officers against liabilities they may incur in carrying out their duties.

Internal audit

The Raubex internal audit function is an independent assurance provider to the audit committee and board and evaluates the effectiveness of governance, risk management and control processes within the group. The internal audit activities conducted during the year were informed by the group strategy, risks and combined assurance framework. The internal audit service has been outsourced to Deloitte.

Governance report continued

The board ensures that there is an effective risk-based internal audit function that subscribes to the Institute of Internal Auditors ("IIA") "International Standards for the Professional Practice of Internal Auditing". The risk-based internal audit plan has been developed using this approach. The plan has been approved by the audit committee. Internal audit provides quarterly feedback to the audit committee and has a functional reporting line to the executive director for governance, compliance and risk who fulfils the role of chief audit executive. The chief audit executive is also responsible for the facilitation of the group combined assurance process.

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

Raubex is committed to the highest ethical, legal and compliance standards and continually monitors the regulatory environment applicable to the group to effectively update and adapt policies and procedures. 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 delegates compliance management to the risk committee and assurance is adequately provided through the three lines of defence set out on page 21. The board also ensures that the group complies with applicable laws and considers adherence to non-binding rules, codes and standards through its defined regulatory universe. The board has delegated to management the implementation of an effective compliance framework and processes. Compliance risk forms part of the group'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. The regulatory compliance controls and monitoring which was introduced in the previous years were continued during the current financial year. The compliance policy and framework was approved by the board and aligned to the combined assurance plan of the group.

The group's compliance management objectives aim to:

- Promote a culture of compliance within the group in line with its code of conduct;
- Protect the group's reputation and stakeholder perceptions and interests;
- Ensure that the group is and is seen to be a good corporate citizen;
- Prevent unnecessary fines and penalties being incurred;
- Obtain and distribute up to date information about all current and pending changes to legislation relevant to the group;
- Ensure effective reporting.

The group also has a competition law compliance programme in place that is designed to ensure that employees, management, directors and agents are trained on competition law and do not engage in activities that contravene the Competition Act.

Board and committee changes

Ms SR Bogatsu was appointed as independent non-executive director of the group with effect from 1 June 2017. Ms Bogatsu was also appointed as a member of the audit committee as well as a member of the remuneration and nomination committee effective 1 June 2017.

Mr JE Raubenheimer (Koos) retired as chairman of the board and non-executive director of the group effective 8 September 2017.

Mr F Kenney, a non-executive director, was appointed as chairman of the board effective 8 September 2017.

Ms HE Ernst resigned as company secretary of the group effective 8 September 2017.

Ms GM Chemaly was appointed as company secretary and legal advisor of the group effective 16 October 2017.

Mr F Kenney has resigned as chairman of the social and ethics committee and Ms SR Bogatsu has been appointed as chairperson of this committee. Mr F Kenney will continue to serve as a member of the social and ethics committee.

Mr F Kenney and Mr LA Maxwell have been appointed as members of the risk committee.

Ms NF Msiza resigned as member of the remuneration and nomination committee due to her change in function from an independent non-executive director to an executive director effective 1 March 2017.

These changes in function have been confirmed by the board on 31 October 2017.

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 group. The board has delegated management to deal with stakeholder relationships and structures have been introduced to manage the interface with the various stakeholder groups.

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 page 77 of this integrated report.

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

Remuneration and nomination committee report

Introduction

On behalf of the remuneration and nomination committee ("remco"), I am pleased to present this report for the year ended 28 February 2018.

Remco is an independent committee constituted and appointed by the board. The board supports the principle of King IV which requires that the governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes by the group in the short, medium and long term.

As indicated in the chief executive officer's report, conditions in the South African construction industry have remained challenging over the past year, due to the slow roll-out of government infrastructure spend. The situation has been exacerbated by the political uncertainty in the country Eskom's delay in awarding of renewable energy contracts and SANRAL underspending on its budget, resulting in an extremely competitive operating environment for the group.

These tough operating conditions have not only impacted the group's performance for the year, but have also resulted in highly skilled and experienced operational management exiting the construction industry, alternatively emigrating to foreign jurisdictions, which has become more of a concern to the group than previously. It is during these difficult trading conditions that management skills, expertise and commitment are imperative to mitigate the impact of adverse market conditions in the short term and to position the group for long-term sustainability and growth. On this basis the group's remuneration philosophy has been tailored not only to remunerate fairly, responsibly and transparently as required by King IV, but also to retain skilled and experienced operational management to navigate the group through these difficult times. The group's philosophy regarding remuneration will also ensure that it is well positioned to capitalise on future opportunities in the event that the political landscape settles and SANRAL's anticipated budget spend resumes.

It is also noteworthy that during the year under review the group has managed to retain the majority of its skilled operational management employed in spite of the decline in projects and underutilisation of the management capacity available. The group has made a strategic decision to retain these skills in anticipation of an increase in activity in the year ahead.

Role of remco and charter

The committee has adopted a charter which is reviewed annually, setting out its duties and obligations.

The committee is responsible for:

- ensuring that executive directors and group executive management ("exco") are appropriately remunerated;
- determining the specific remuneration packages of executive directors and exco;
- ensuring that the disclosure of executive remuneration is accurate, complete and transparent;
- the formulation of proposals regarding fees payable to non-executive directors for the board's consideration and shareholder approval;
- making recommendations to the board on the general policy regarding executive remuneration, benefits, conditions of service and staff retention;
- ensuring that the group's remuneration policy enables the group to attract and retain executives who will create value for shareholders;
- ensuring that the group's remuneration policy is aligned with the group's strategy;
- the process of nominating, electing and appointing members of the board and exco; and
- succession planning.

Members and meeting attendance

King IV requires that all of the members of remco should be non-executive members of the governing body, with the majority being independent. King IV further requires that the chairman of remco should be an independent non-executive member of the governing body.

As stipulated by King IV, the group's remco consists of four non-executive directors, three of whom are independent. The committee is chaired by LA Maxwell, an independent non-executive director.

The group chief executive officer and financial director attend meetings by invitation only and are not party to any decisions regarding their own remuneration.

The following changes to the composition of the committee took place during the year under review:

- Mr JE Raubenheimer retired as chairman of the board and member of remco effective 8 September 2017;
- Ms NF Msiza resigned as member of the committee due to her change in function from an independent non-executive director to an executive director effective 1 March 2017; and
- Ms SR Bogatsu was appointed to the board as an independent non-executive director and committee member effective 1 June 2017.

Remuneration and nomination committee report continued

Remco meets at least twice per annum, with authority to convene additional meetings as circumstances may require. The members who served on the committee and the meeting attendance register for the year are set out in the table below:

	2 May 2017	21 June 2017	24 October 2017	21 February 2018
LA Maxwell (chairman)	✓	✓	✓	✓
JE Raubenheimer (retired 8 September 2017)	×	✓	n/a	n/a
F Kenney	✓	✓	✓	✓
BH Kent	✓	✓	✓	✓
SR Bogatsu (appointed 1 June 2017)	n/a	✓	✓	✓

✓ Attended.
× Absent, with apology.
n/a Resigned/not yet appointed as committee member.

Remuneration committee activities and key focus areas

The committee met four times during the year and the following key matters were dealt with:

- The fees payable to the chairman of the board and non-executive directors were reviewed and a recommendation made to the board regarding fees payable for the ensuing year;
- The remuneration of the executive directors and exco members was reviewed and a recommendation made to the board regarding adjustments and increases to the Total Guaranteed Package ("TGP") of these executives for the ensuing year;
- The performance of the executive directors and exco members was reviewed in line with their key performance indicators ("KPIs") and a recommendation was made to the board in respect of the short-term incentive payable to these executives;
- The need to appoint an additional independent non-executive director to the board was considered and a process initiated which resulted in the nomination of Ms SR Bogatsu to the board for approval;
- The result of shareholders' vote on the non-binding advisory endorsement on the remuneration policy of the group at the last annual general meeting held on 8 September 2017 was considered;
- The remuneration policy was reviewed and a process initiated and overseen to revise the policy for the executive directors and exco. The new policy is included on page 59 to be approved by shareholders.

Fees payable to the chairman and non-executive directors

The fees payable to the chairman of the board and non-executive directors are based on a fixed annual fee structure with no individual meeting fees payable. The fees for the financial year ended 28 February 2018 as approved by shareholders at the annual general meeting held on 8 September 2017 and the proposed fees for the ensuing financial year ending 28 February 2019, which are being tabled for shareholder approval as per the notice of annual general meeting included in this integrated report, are set out below. The proposed increase of 6,5% is in line with the average annual increase awarded to executive management across the group.

	2018 Annual fees (R)	Proposed 2019 Annual fees (R)	Proposed percentage increase %
Chairman	966 338	1 029 150	6,5
Lead independent non-executive	785 150	836 185	6,5
Independent non-executive	603 962	643 220	6,5
Non-executive	603 962	643 220	6,5

Review of remuneration of executive directors and exco members

The committee reviewed the remuneration of executive directors for the ensuing year and recommended an annual increase of 6,5% effective 1 March 2018. Similarly an increase of 6,5% was deemed appropriate for group exco members excluding the exco member below, where a special adjustment was recommended to more closely align the base pay of this exco member to that of the market.

	Annual base pay 1 March 2017 (R)	**Annual base pay 1 March 2018 (R)**	Increase (R)
JA Louw	1 618 128	**2 000 000**	381 872

Review of performance of executive directors and group exco members

The short-term incentive which was paid out in May 2017 was based on the financial results and KPIs for the year ended 28 February 2017. In reviewing the performance of executive directors and exco members for the period, the financial performance of the group, measured as a percentage of actual profit before tax compared to budget profit before tax, accounted for 70% of the maximum short term incentive. The remaining 30% of the short term incentive was based on achieving individual KPIs consisting of the following:

- Earnings per share
- Return on capital employed
- Cash management
- Strategic targets
- Stakeholder relationships
- Compliance and risk management

The committee deemed it appropriate to exclude the IFRS charge for the Voluntary Rebuilding Programme ("VRP") when reviewing the financial KPIs of the executive directors and exco members. The VRP expense amounted to a non-cash IFRS charge of R123,1 million after tax, as more fully detailed in note 30 of the annual financial statements.

- The group profit before tax, excluding the VRP expense was R742,1 million compared to a budget profit before tax approved by the board of R702,8 million for the year ended 28 February 2017. This being 105,7% of budget, 100% participation was achieved for the KPI.
- Earnings per share, excluding the effect of the VRP expense, increased by 14,4% to 271,1 cps (2016: 236,9 cps).
- Cash generated from operations increased by 16,5% to R1,22 billion (2016: R1,05 billion).
- Return on capital employed, excluding the VRP expense, increased to 14,3% (2016: 13,3%).

The annual Short-Term Incentive ("STI") computation for the executive directors is set out below:

Name	STI component	Maximum % of STI	Actual % achieved	% STI participation
RJ Fourie	Actual profit before tax/budget profit before tax	70%	100%	70%
	Key performance indicators	30%	100%	30%
	Total	100%		100%
	Maximum bonus at 2 x CTC (R'000)	7 233		
	Actual bonus paid at 100% participation (R'000)			**7 233**
JF Gibson	Actual profit before tax/budget profit before tax	70%	100%	70%
	Key performance indicators	30%	93%	28%
	Total	100%		98%
	Maximum bonus at 2 x CTC (R'000)	5 000		
	Actual bonus paid at 98% participation (R'000)			**4 900**

Remuneration and nomination committee report continued

Non-binding advisory endorsement on remuneration policy

At the annual general meeting held on 8 September 2017, of the total shares voted, 57,1% (2016: 78,5%) voted in favour of the remuneration policy and 42,9% (2016: 21,5%) voted against the policy with 3,97% of voters abstaining (2016: 0%).

Remuneration policy formulation process

The committee has acknowledged shareholder sentiment towards the remuneration policy that was tabled at the previous annual general meeting and has overseen a process to formulate and implement a new policy which is more aligned to shareholder interests. This process included:

- A review of peer group remuneration policies in the construction industry and the selection of policies which the committee considered to be most appropriate for the group to benchmark against;
- Tailoring the selected policies to formulate a policy containing principles and KPIs which the committee considered most appropriate for the group;
- Engaging shareholders on the proposed policy and considering their comments in finalising the group's proposed remuneration policy; and
- Finalising the policy to be tabled at the upcoming annual general meeting for a non-binding advisory vote.

Institutional shareholders comprising 40% of the total share register were engaged for comment on the proposed remuneration policy.

Summary of remuneration of executive directors and prescribed officers

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

R'000	Year	Salary[1]	Incentive bonus[2]	Retirement funding contribution[3]	Other benefits[4]	Total emoluments
Executive directors						
RJ Fourie	**2018**	**3 279**	**7 233**	**324**	**330**	**11 166**
	2017	3 065	6 502	304	334	10 205
JF Gibson	**2018**	**2 423**	**4 900**	**224**	**25**	**7 572**
	2017	2 125	3 854	195	20	6 194
NF Msiza[5]	**2018**	**2 496**	**–**	**230**	**967**	**3 693**
	2017	–	–	–	–	–
Total	**2018**	**8 198**	**12 133**	**778**	**1 322**	**22 431**
	2017	5 190	10 356	499	354	16 399

Notes

1. *Figures include 13th cheque.*
2. *Paid in May each year based on prior year performance.*
3. *Employer contribution towards a defined contribution retirement fund.*
4. *Other benefits include car allowances, employer contribution to medical aid schemes and other benefits.*
5. *Appointed 1 March 2017. Other benefits includes an amount of R961 690 paid as compensation for bonus forgone from previous employer.*

R'000	Year	Salary[1]	Incentive bonus[2]	Retirement funding contribution[3]	Other benefits[4]	Total emoluments
Prescribed officers						
TG Wiese	**2018**	**2 468**	**6 350**	**552**	**681**	**10 051**
	2017	2 299	5 566	625	582	9 072
LJ Raubenheimer	**2018**	**2 330**	**4 898**	**236**	**335**	**7 799**
	2017	2 046	4 050	209	300	6 605
D Lourens[5]	**2018**	**2 048**	**–**	**189**	**227**	**2 464**
	2017	–	–	–	–	–
RL Shedlock	**2018**	**3 316**	**3 854**	**442**	**511**	**8 123**
	2017	3 082	3 408	454	540	7 484
JA Louw	**2018**	**1 331**	**1 375**	**123**	**177**	**3 006**
	2017	1 249	1 309	115	164	2 837
HE Ernst[6]	**2018**	**350**	**732**	**35**	**2**	**1 119**
	2017	611	559	56	1	1 227
GM Chemaly[7]	**2018**	**519**	**–**	**44**	**3**	**566**
	2017	–	–	–	–	–
Total	**2018**	**12 362**	**17 209**	**1 621**	**1 936**	**33 128**
	2017	9 287	14 892	1 459	1 587	27 225

Notes

1. *Figures include 13th cheque.*
2. *Paid in May each year based on prior year performance.*
3. *Employer contribution towards a defined contribution retirement fund.*
4. *Other benefits include car allowances, employer contribution to medical aid schemes and other benefits.*
5. *Appointed 1 May 2017.*
6. *Resigned 29 September 2017.*
7. *Appointed 16 October 2017.*

Prescribed officers

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

Contracts and severance

Employment contracts have been concluded with all executives and managers. These contracts specify the period of the contract including also the notice of termination period.

Separate restraint of trade agreements have been concluded with certain key executives and managers of the group. These restraint of trade agreements provide for a restraint period equal to the duration of the relevant executive/manager's employment with any of the group companies, and a further period equal to two years from the termination of employment date, provided that the restraint period shall endure for not less than five years following the effective date of the restraint agreement.

Remuneration and nomination committee report continued

Non-executive directors' fees

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

	2018 R'000	2017 R'000
Non-executive directors		
JE Raubenheimer (retired 8 September 2017)	**474**	877
LA Maxwell	**757**	713
F Kenney	**754**	548
BH Kent	**582**	548
NF Msiza	**–**	548
SR Bogatsu (appointed 1 June 2017)	**441**	–
Total	**3 008**	3 234

Share options granted to directors and prescribed officers

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 allocation under this scheme vested on 1 March 2017 and this scheme has now run its course and expired. The following tables set out the share options granted to executive directors and prescribed officers in terms of this deferred stock scheme 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	**2018**	**104 612**	**–**	**104 612**	**–**	**2 542**
	2017	206 890	–	102 278	104 612	1 800
JF Gibson	**2018**	**80 836**	**–**	**80 836**	**–**	**1 964**
	2017	159 869	–	79 033	80 836	1 391
Prescribed officers						
TG Wiese	**2018**	**80 836**	**–**	**80 836**	**–**	**1 964**
	2017	159 869	–	79 033	80 836	1 391
LJ Raubenheimer	**2018**	**80 836**	**–**	**80 836**	**–**	**1 964**
	2017	159 869	–	79 033	80 836	1 391
RL Shedlock	**2018**	**57 061**	**–**	**57 061**	**–**	**1 387**
	2017	112 849	–	55 788	57 061	982
JA Louw	**2018**	**35 663**	**–**	**35 663**	**–**	**867**
	2017	70 531	–	34 868	35 663	614
HE Ernst	**2018**	**11 888**	**–**	**11 888**	**–**	**289**
	2017	23 511	–	11 623	11 888	205

Interests of directors in the share capital of Raubex

The aggregate beneficial holdings of the directors of the group and their associates in the issued ordinary shares of the group are as detailed below. There have been no material changes in the directors' shareholdings between 1 March 2018 and 3 May 2018, the date of approval of these annual financial statements.

	Number of shares held			
28 February	**2018 Direct**	**2018 Indirect**	2017 Direct	2017 Indirect
Beneficial				
RJ Fourie	**4 603 676**	**–**	4 546 140	–
JF Gibson	**365 730**	**–**	321 271	–
F Kenney	**–**	**4 065 384**	–	5 965 384
Non-beneficial				
JE Raubenheimer	**–**	**10 065 337***	–	25 650 000
Total	**4 969 406**	**14 130 721**	4 867 411	31 615 384

* *JE Raubenheimer retired from his position as chairman and non-executive director at the annual general meeting held on 8 September 2017, there were no changes to his shareholding of 25 650 000 Raubex shares up to the date of his retirement.*

Remuneration policy effective 1 March 2018

Introduction

As more fully detailed on page 56, remco embarked on a remuneration policy formulation process to arrive as this revised remuneration policy being tabled for a non-binding advisory vote by shareholders at the upcoming annual general meeting. The implementation thereof will be reported on in the company's next integrated report.

Raubex operates through three main divisions, each with a number of underlying subsidiaries contributing towards the overall performance of the group. These subsidiaries operate on a decentralised basis with a high degree of independence and responsibility given to their executives to achieve business plans which are reviewed and approved by the board. Contracting in the construction and materials supply industry is by its nature very demanding and a critical success factor for the group is the ability to attract, retain and motivate personnel with the required skills and expertise to achieve both operational and strategic objectives. The group has a performance-related philosophy with regards to remuneration and the remuneration policy seeks to reward and retain high performing executives and employees who deliver on business objectives.

Principles

The remuneration policy of the group is structured in accordance with the King IV principles to:

- motivate, reward and retain executive directors and management with the required level of professional and operational expertise necessary to achieve the group's strategic objectives; and
- promote positive outcomes that are aligned to shareholder interests.

The group also supports the principle of fair and equitable remuneration practices in line with the Code of Good Practice on Equal Pay/Remuneration for Work of Equal Value in terms of the Employment Equity Act 55 of 1998.

Remuneration and nomination committee report continued

Components of remuneration structure

Remuneration packages are designed in line with this policy, the key components of which are set out below:

Remuneration component	Remuneration policy
Total Guaranteed Package ("TGP")	▪ TGP is defined as basic salary plus the cost of all company contributions and allowances including fixed travel, pension, provident, life and disability insurance, medical aid contributions and 13th cheque. ▪ The policy for TGP is to pay salaries that are at least in line with the median TGP for comparable positions in the industry and geographies in which the group operates, and applies to all levels other than senior management level. The policy for TGP at senior management level is to pay salaries that are below the median, with a higher weighting attributed to the STI component which is in line with the group's performance related philosophy. ▪ The TASK grading system has been adopted throughout the group to grade jobs into defined bands. ▪ Experience, responsibility and individual performance are considered when determining and reviewing TGP. ▪ Remco determines TGP of the executive directors and exco members. ▪ Divisional heads determine the TGP of subsidiary directors, officers and employees, with input from line management, and subject to approval of the group chief executive officer. ▪ Annual increase guidelines based on CPI inflation and industry trends are determined by exco and reviewed by remco before implementation. ▪ All new appointments with TGP in excess of R1 million per annum require approval of the group chief executive officer. ▪ The remuneration of hourly paid employees is determined by the industry bargaining council for the construction industry and by union agreements where unions have sufficient representation in companies operating outside of the construction industry.
Short-term incentive ("STI")	▪ Executive directors and exco members participate in an STI scheme which is administered by remco. ▪ The STI scheme awards are dependent on the achievement of KPIs which are weighted 70% towards financial KPIs and 30% towards personal KPIs. ▪ The financial KPIs, as detailed in table 1 below, comprise a measure of: – Profit before tax against budget; – HEPS growth; and – Free cash flow per share. ▪ The financial KPIs each have an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles. ▪ The personal KPIs, as detailed in table 2 below, are determined by remco and comprise a measure of: – Leadership; – Stakeholder relationships; – Risk management; – Compliance management; – Health and safety; and – B-BBEE transformation. ▪ The STI award is capped at a maximum of 100% of TGP for certain executives and 200% of TGP for others depending on their position, function and seniority. ▪ Subsidiary company directors, officers and employees participate in an STI scheme which is essentially a ring-fenced "bonus pool" per subsidiary which is administered by the divisional heads and group chief executive officer based on the profitability of the respective subsidiaries. The total STI payable per subsidiary is limited to a maximum allowed participation percentage in the bonus pool based on the relevant subsidiary's annual profit before tax. Individual participation in the bonus pool is capped at 200% of TGP. ▪ The STI calculation is based on the audited results of the relevant subsidiary, division or consolidated group as applicable for the year ended 28 February and is paid out in May of the following financial year.

Remuneration component	Remuneration policy
Long-term incentive ("LTI")	▪ A summary of the LTI scheme rules is set out in the shareholder information section of the integrated report for approval at the annual general meeting and provided that shareholders approve the scheme, executive directors and exco members will participate in the scheme which is to be administered by remco. ▪ The LTI scheme is an equity-settled share scheme administered in terms of scheme rules which allow for a rolling annual award of Raubex ordinary shares ("performance shares") for full value with no consideration payable. ▪ The vesting of performance shares awarded in terms of the scheme is subject to both performance conditions and employment conditions being met. ▪ Performance conditions are measured over a performance period of three years from 1 March of the year in which the LTI award is granted. ▪ Employment conditions are measured from grant date and require the continued employment of the participant for the duration of the employment period. ▪ The employment period in relation to a LTI award is three years from grant date for 50% of performance shares awarded and four years from grant date for the remaining 50% of performance shares awarded in terms of the LTI scheme. ▪ In terms of the scheme rules, provided the performance conditions and employment conditions are met, 50% of performance shares awarded vest after three years of service with the balance vesting after four years of service from the grant date. ▪ Performance conditions comprise KPIs and targets which are determined by remco and take into consideration the group's strategic objectives and shareholder interests. ▪ The vesting of performance shares awarded under the LTI scheme is subject the following performance conditions, as detailed in table 3 below: – Average ROICE relative to the WACC of the Raubex group; – Total shareholder return ("TSR") relative to the following seven peer group companies listed under the construction and materials sector on the JSE: ▪ Afrimat, Aveng, Basil Read, Calgro M3, Group Five, Stefanutti Stocks and WBHO. ▪ The performance conditions carry an equal weighting and have participation hurdles comprising threshold, target and stretch granting 50%, 100% and 150% participation respectively with linear vesting in between hurdles. ▪ The annual value of performance shares for any participant will be capped at a maximum value of 200% of the TGP of the participant, with the value for each participant determined at the discretion of remco and subject to approval by the board, dependent on the relevant participant's position, function and seniority in the group. ▪ The number of performance shares awarded to individual participants in terms of the LTI scheme on an annual basis is based on TGP divided by the volume weighted average share price for the 20 business day period ending on the last day of the month preceding the month in which the decision to award the performance shares is determined. ▪ The scheme will continue for a period of five years from the initial grant date following approval by shareholders at the annual general meeting on 27 July 2018.
Retention Scheme ("RS")	▪ High performing employees who possess the required professional and operational expertise which are critical to retain for the group to achieve its strategic objectives are selected to participate in a cash-settled RS. The RS is administered by the exco with RS participants identified by divisional heads and other group exco members for approval by the chief executive officer. ▪ Executive directors and exco members who participate in the LTI scheme, as detailed above, are not eligible to participate in the RS. ▪ The RS award is capped at 100% of TGP and settled in cash on the third anniversary of the award, provided the employee has completed the employment condition of three years of service from the effective date of award. ▪ Employees participating in the RS are eligible for further awards after the completion of the three-year retention period and the settlement of the initial award.

Remuneration and nomination committee report continued

Table 1: Short-term incentive financial KPI targets and weighting

Financial KPIs – 70%	Weight	Threshold = 50% participation	Target = 100% participation	Stretch = 150% participation
Profit before tax	23,3%	80% of budget	100% of budget	120% of budget
HEPS growth %	23,3%	CPI	CPI + 2%	CPI + 5%
Free cash flow per share (“FCFPS”)	23,3%	FCFPS = 50% of earnings per share, ie 2 x earnings cover	FCFPS = 66,67% of earnings per share, ie 1,5 x earnings cover	FCFPS = earnings per share, ie 1 x earnings cover

Table 2: Short-term incentive personal KPI weighting

Personal KPIs – 30%	Weight	Description
Leadership	5%	Strategy execution
Relationship	5%	Stakeholder relationship management
Risk management	5%	Risk identification and mitigation
Compliance management	5%	No material non-compliance issues, including compliance with relevant environmental legislation
Health and safety	5%	Performance against LTI targets and severity rates
B-BBEE and transformation	5%	B-BBEE scorecard and progress made towards transformation targets

Table 3: Long-term incentive KPI targets and weighting

KPIs	Weight	Threshold = 50% participation	Target = 100% participation	Stretch = 150% participation
Average ROICE* vs WACC	50%	WACC minus 3%	WACC	WACC plus 3%
TSR* > peer group	50%	Raubex > median TSR of the peer group	Raubex > median TSR of the peer group plus 2%	Raubex > median TSR of the peer group plus 4%

* *The above KPIs will be assessed over the three-year performance period as set out in the participant’s grant letter, starting from 1 March of the financial year in which the grant was awarded.*

Remuneration policy definitions

Term	Definition and formula
Consumer Price Index ("CPI")	The annual consumer price inflation as published by Statistics South Africa for the month of February of the relevant financial year for which the KPI is to be determined
Profit before tax	Profit before income tax as reported in terms of International Financial Reporting Standards ("IFRS")
HEPS	Headline earnings per share as defined in the South African Institute of Chartered Accountants circular 4/2018 and reported in terms of the JSE Listings Requirements
Free cash flow per share ("FCFPS")	Calculated from the statement of cash flows according to the following formula: Cash generated from operations *Less:* Income tax paid *Less:* Purchases of property, plant and equipment *Less:* Working capital loans granted to associates and joint ventures *Add:* Proceeds from sale of property, plant and equipment *Add:* Expansion capital expenditure* *Divided by:* Weighted average number of shares in issue during the year * *Expansion capital expenditure is defined as capital expenditure for new acquisitions or capital improvements to increase current production capacity and will not include capital expenditure to maintain current operations.*
ROICE	NOPAT/(Total borrowings + total equity)
NOPAT	Profit after tax + net finance charges after tax
WACC	WACC formula = (E/V * Ke) + (D/V) * Kd * (1 – tax rate) E = Market value of equity V = Total market value of equity and debt Ke = Cost of equity D = Market value of debt Kd = Cost of debt Tax rate = Corporate tax rate
Total shareholder return	TSR = (change in market price per share over the performance period + dividends received per share)/market price per share at the beginning of performance period* * *Market price to be determined on a 20 business-day VWAP basis prior to the start and end of the performance period.*

The remuneration policy of the group, set out above, which the committee believes is aligned to shareholder interests and is appropriately structured to achieve the group's strategic objectives will be tabled at the upcoming annual general meeting for non-binding advisory endorsement by the group's shareholders.

LA Maxwell
Chairman of the remuneration and nomination committee

2 May 2018

Social and ethics committee report

Introduction

The social and ethics committee has a board-approved charter which incorporates the responsibilities and terms of reference which are aligned to the guidelines and requirements provided by the Companies Act, 71 of 2008, and King IV. 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, 71 of 2008, and King IV. 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 under review, the social and ethics committee was chaired by F Kenney, a non-executive director, for the period from 1 March 2017 to 8 September 2017. Effective 8 September 2017, SR Bogatsu replaced F Kenney as chair of the committee, from which date F Kenney served as member of the committee.

The other two members who served on the committee during the year were JA Louw, an exco member, and TA Dale, the group human resource manager. TA Dale resigned as member of the committee effective 8 September 2017, from which date he attends committee meetings by invitation only.

Exco members of the group attend by invitation.

The company secretary acts as the committee secretary and legal advisor.

In line with the new requirements of King IV regarding the membership of the committee, the board has reviewed the membership to ensure the majority of the members are non-executive to strengthen independence.

The current members of the committee are as follows:

- Setshego Bogatsu (chairperson)
- Freddie Kenney
- Jaco Louw

Meetings

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

	22 Aug 2017	**12 Feb 2018**
Freddie Kenney (chairman)	✓	✓
SR Bogatsu	✓	✓
JA Louw	✓	×

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

Statutory duties

This committee has a broad mandate in terms of the Companies Act, 71 of 2008, and King IV 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:

- Company ethics
- 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 attend presentations on the various 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;
- creates a reporting structure for the group's business units in respect of the committee's requirements; and
- monitors compliance with the Employment Equity Act, 55 of 1998, and the Broad-Based Black Economic Empowerment Act, 53 of 2003.

The committee is aware that 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 coming financial year.

The social and economic sustainability of the group is important and the sustainability report contains more detail on the group's labour, 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

Setshego Bogatsu
Social and ethics committee chairperson

2 May 2018

Sustainability report

4

Sustainability highlights 2018

Level 1 B-BBEE
under new Construction
Sector Codes

83% HDSAs
in total workforce

16% HDSAs in top
and senior management

13% of total workforce
are women

R25,4 million spent on
training and development

Safety

Lost-time injury rate of 0,92
compared to our target of **< 1,00**

Five fatalities

Introduction and approach to sustainability

The sustainability report has been developed 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 the group's operations on the environment. Our commitment to sustainability means the integration of ethical, environmental and social considerations in the execution of the group's strategy.

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

Standards, audits and external assurances

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

Internal standards	International and local 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	▪ 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
Financial statements	PricewaterhouseCoopers Inc.
ISO 9001, ISO 14001, OHSAS 18001	DEKRA, NQA
SANS 4001-BT1	SABS
Health and safety	ASPASA, SABITA, SARMA
Environmental	ASPASA, SABITA, SARMA
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

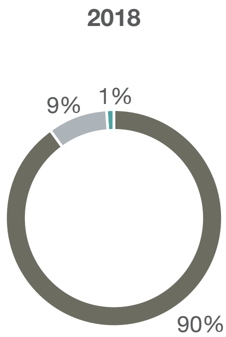
Human capital management is key to the business and strategy to enable the successful execution of the group's objectives. We invest in our employees and ensure that they operate in a safe, reliable and sustainable environment. The group continues to roll its employment equity implementation plan and provides learning programmes, bursaries and training to both current and potential employees in order to ensure that the group secures a skilled, diverse and experienced workforce.

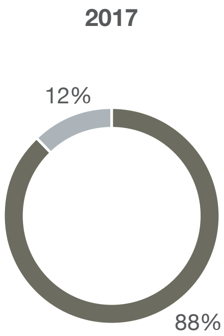
Headcount

Employee headcount per geography

For the year ended 28 February 2018, the group employed 8 271 (2017: 9 871) employees, 90% (2017: 88%) are based in South Africa and 10% (2017: 12%) based in sub-Saharan Africa and Australia. Of the total workforce, 3 341 employees are employed on limited duration contracts.

Country	Male	Female	**2018**	2017
South Africa	6 435	1 020	**7 455**	8 712
Sub-Saharan Africa	717	58	**775**	1 159
Australia	36	5	**41**	–
Total employees	**7 188**	**1 083**	**8 271**	**9 871**





South Africa Sub-Saharan Africa Australia

The reduced headcount is as a result of contracts being completed in the construction division resulting in the termination of limited duration contracts. The closure of L&R Civils, Strata Civils and Burma Plant Hire (Namibia) as detailed in the CEO's report on page 29 of this integrated report also contributed to the reduced headcount.

Employment equity

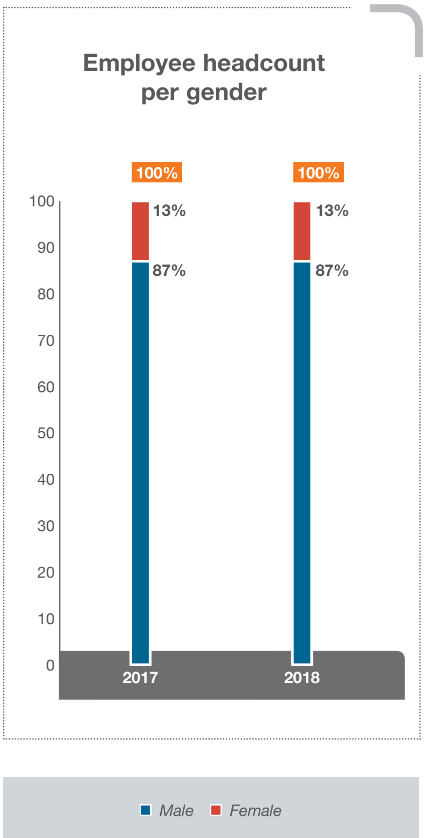
Raubex recognises and embraces the benefits of having a diverse workforce and considers increasing racial and gender diversity at senior and top management levels, including the board, as an essential element in maintaining a competitive advantage. We continue to develop our workforce as we pursue our transformation goals.

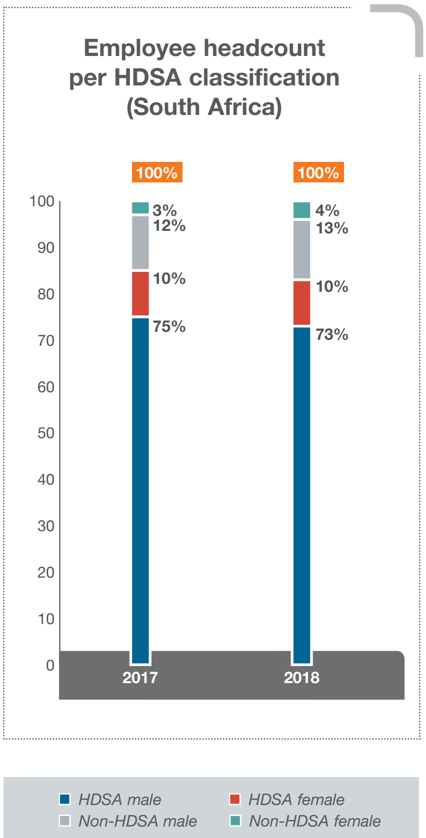
The group's code of conduct prohibits any form of discrimination due to age, gender, race, religion, marital status, disability or any other status protected under law. The group conforms to all employment equity legislation in terms of its strategy, plan and reports that are compiled on a monthly basis, 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 communication that takes place with the workforce through consultative committees and interaction with trade union bodies. The role of the group employment equity committee includes:

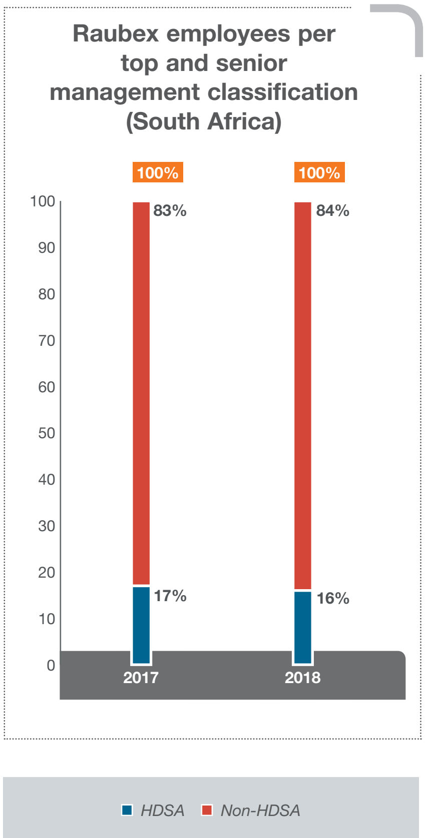
- The implementation and regular review of the group's employment equity policy
- Establishment and implementation of policies and strategic plans relating to employment equity
- Recommending and monitoring employment equity programmes
- Investigating complaints relating to employment equity programmes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

As at 28 February 2018, of the 8 271 employees, 87% (2017: 87%) were male employees and 13% (2017:13%) were female employees. The construction industry is very labour intensive in nature due to the types of construction work undertaken. There is also a large percentage of unskilled labour in the workforce.

Raubex acknowledges the need to improve its HDSA employee representation at 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







Our employees continued

within the group and through specific and structured recruitment and selection processes.

During the year under review, the group employment equity committee took the decision to establish employment equity committees and appoint employment equity managers at subsidiary level, in order to ensure a more efficient and effective roll out of employment equity programmes across the group. This decentralisation assisted in ensuring the timely preparation and submission of the group's employment equity plans and targets to the Department of Labour. During the year the Department of Labour, through the office of the director-general, conducted an employment equity audit to ensure compliance with the Employment Equity Act, 55 of 1998. The principal inspector conducting the review provided feedback sessions with the respective group companies. All subsidiaries reviewed were found to be fully compliant with the new regulations.

Developing and enhancing skills

Skills development is strategically important to the group and forms part of the group's transformation plans to improve employment equity in management positions over the medium term. It also ensures sustainability of the group and supports 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 knowledge 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 the progress and makes recommendations to the board.

The Raubex training centre situated in Bloemfontein, the facility at B&E International in Pomona as well as respective smaller training facilities in the subsidiaries, run programmes aimed at the training and development of a variety of disciplines, including civil engineering, administration and various other trades.

Training and development statistics

Programme	Number of participants	Number of HDSA	HDSA (%)	Number of women	Women (%)	Expenditure (R'000)
Operator competencies	2 848	2 489	87	22	1	1 737
Health and safety training	1 211	1 059	87	109	9	1 461
Competition law training	188	21	11	14	7	92
Apprenticeships	114	106	93	4	4	8 815
Learnership and internships	175	168	96	89	51	7 875
SETA and various soft skills	2 432	2 074	85	555	23	5 377

For the year under review the group's total expenditure on training and development amounted to R25,4 million.

	2018	2017
Total trainees (including apprenticeships and learnerships)	254	319
Total workforce	8 271	9 871
% of total workforce	3,0%	3,2%

Disabled employees on learnerships included above:

	HDSA male 2018	HDSA female 2018	HDSA male 2017	HDSA female 2017
Business practice	6	20	12	5

Apprenticeships

Raubex currently has 120 enrolled apprentices (2017: 130) through MERSETA and the UIF programme launched by the Department of Labour, which runs over a period of three years on average.

Bursaries

Raubex offers bursaries to promising students within the construction industry. There are currently 41 active bursary holders (2017: 30) within the group. Bursary holders are individuals that receive a bursary from the group to study full or part time at an accredited tertiary institution. Such individuals are often then retained by the group through suitable employment in order to benefit from the investment made.

Total	% HDSA	Number HDSA
41	78%	32

Mechanical engineering rotation programme

The group currently runs a two-year rotation programme whereby qualified 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 group subsidiary. Since its inception, 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 regard to these negotiations and other employee relationship matters.

Approximately 20,4% (2017: 20,2%) of the workforce is represented by various unions, with the majority belonging to the unions noted below. The membership figures fluctuate during the year, depending on the start and completion of projects, as well as employee interest especially prior to major wage negotiations.

Union membership

	NUM	**AMCU**	**BCAWU**	**NUMSA**	**Other unions**	**Total**
2018	**9,1%**	**5,1%**	**0,9%**	**3,4%**	**1,9%**	**20,4%**
2017	10,7%	5,1%	1,2%	1,7%	1,3%	20,2%

Dispute resolution

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. Dispute resolution takes place through promulgated structures such as the Commission for Conciliation, Mediation and Arbitration ("CCMA") or the Bargaining Council for the Civil Engineering Industry ("BCCEI").

Bargaining council

Wage negotiations

The construction division is regulated by the BCCEI and centralised wage bargaining where employers are represented by South African Forum of Civil Engineering Contractors ("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.

Transformation

We support transformation in the construction industry and are committed to conducting business in a socially responsible and ethical manner, promoting interdependence of performance and transformation, and supporting the communities in which we operate. The group's employment equity together with its skills development strategy and enterprise development initiatives are aligned to South Africa's economic transformation agenda.

Transformation and change is a critical part of our strategy. We believe our transformation strategy is the catalyst that will assist in addressing South Africa's socio-economic problems and its associated impact on how we do business. Through our transformation efforts, we aim to embrace and remain relevant in our changing economy.

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:

- Equity ownership;
- Management and control;
- Skills development;
- Enterprise and supplier development; and
- Social-economic development.

All group operating subsidiaries are subject to an annual independent B-BBEE verification audit by a South African National Accreditation System ("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 on 11 June 2018. The group achieved an overall consolidated rating of a Level 1 contributor to B-BBEE using the amended Construction Sector Code in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act, 53 of 2003, effective 1 December 2017 (2017: Level 2 – Revised B-BBEE Codes of Good Practice 2013). The group scores highly in the equity ownership, skills development, enterprise and supplier development and social economic development elements of the scorecard. The management control element of the scorecard is an area for improvement, however, the increased focus that the group has placed on training in recent years and moving forward, is expected to go some way to addressing this in the medium term.

In the materials division, the commercial quarries involved in mining activities have been empowered through various business partnerships and the establishment of an employee and a community development trust. The trusts together with other empowered entities, directly hold a 26% interest in the group's quarry entities pursuant to the requirements of the Department of Mineral Resources. Contract specific structures are put in place when required for tenders for mining related contracts.

In terms of section 13G(2) of the Broad-Based Black Economic Empowerment Act, 53 of 2003, all public companies listed on the JSE must provide to the Commission, in such manner as may be prescribed, a report on their compliance with B-BBEE.

The prescribed information contained in section B of the compliance report, form B-BBEE 1 is set out below. The consolidated B-BBEE scorecard has been published on the group's website www.raubex.com.

SECTION B: INFORMATION AS VERIFIED BY THE BROAD-BASED BLACK ECONOMIC EMPOWERMENT VERIFICATION PROFESSIONAL AS PER SCORECARDS

B-BBEE elements	Target score including bonus points	Bonus points	**Actual score achieved**
Ownership	31 points	4 points	**26,07 points**
Management control	22 points	4 points	**12,97 points**
Skills development	26 points	5 points	**24,76 points**
Enterprise and supplier development	38 points	4 points	**36,53 points**
Socio-economic development	6 points	1 points	**5,77 points**
Total score	123 points	18 points	**106,10 points**
Priority elements achieved	Yes		
Empowering supplier status	Yes		
Final B-BBEE status level	Level 1		

Voluntary Rebuilding Programme

Settlement agreement concluded with the South African government commonly known as the Voluntary Rebuilding Programme ("VRP")

On 11 October 2016, Raubex entered into a settlement agreement with the government of the Republic of South Africa, together with other construction companies, in an effort to address the companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector.

The VRP commitments

Over the 12-year period stipulated in the agreement, the relevant construction companies will be required to make a collective annual payment into a fund established for this purpose. In the case of Raubex, the annual payment amounts to R15 million. The fund will be constituted as a trust and the trust assets will be used for the development and enhancement of the construction industry and, in particular, transformation objectives in the construction industry, as well as the promotion of social infrastructure for all South Africans.

As part of the agreement Raubex has undertaken to identify, develop and mentor two emerging contractors, with the aim of ensuring that the emerging contractors will have the necessary skills and quantity of work required to generate a cumulative combined annual turnover equal to at least 25% of the group's annual South African civil engineering and general building construction work, within seven years. Aligned to this obligation are fixed interim period transformation targets to which the group must comply as well as penalties calculated in accordance with a formula, for failure to meet such targets.

We believe that the fixed transformation targets are achievable and confirm that we have selected and conducted agreements with two emerging contractors, ie Enza Construction (Pty) Ltd ("Enza") and Umso Construction (Pty) Ltd ("Umso") in order to achieve the objectives. For more information on Enza and Umso, please refer to their websites at www.enzacon.co.za and www.umso.co.za.

The VRP integrity commitments

We have signed a confidentiality and non-disclosure agreement confirming our commitment to non-disclosure of sensitive and confidential information as well as our commitment to creating an ethical culture across the industry.

Competition Commission

The Competition Tribunal conditionally approved the Raubex merger with Enza and Umso in February 2018. The merged entities are referred to as the Raubex Alliance. The conditions attached to the approval of this merger are aimed at preventing the exchange of competitively sensitive information through the trust that forms part of the settlement, and also at ensuring that, post-termination of the alliance, future collusive conduct between Raubex and the emerging contractors will not take place.

Occupational health and safety

> We remain committed to the health and safety of our workforce. We strive to achieve constant improvement in our safety statistics and have adopted a zero tolerance attitude towards sub-standard occupational health and safety conditions.

The group remains committed to a safe and healthy working environment and ensures strict compliance with legislation that is applicable to the different operations within the group.

Leadership and accountability

We have taken a firm stance in ensuring the safety of our workforce. Fatalities are unacceptable to us. We formally investigate and communicate the results of each incident as part of strengthening the safety controls across the group. Preventative and detective controls are put in place to reduce the risk of potential incidents. The results of these investigations are discussed at various forums including company cost meetings, divisional meetings, executive committee meetings and board meetings.

Health, Safety and Environmental ("HSE") Forum

The HSE working group continues to meet with the objective of ensuring a high standard is implemented and maintained in the various companies. There is a high level of commitment from all involved and the backing from senior management has assisted in obtaining the level of focus that is required.

The working group has maintained its focused efforts 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

Coordinate SHEQ training throughout the group in order to promote and stimulate the sharing of ideas.

Problem solving

Identification of problems experienced in carrying out the SHEQ functions and finding ways to address them.

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

Safety objectives

Objective	**Target**
Constant improvement in safety statistics	▪ Zero fatalities ▪ LTIFR < 1
Zero tolerance towards sub-standard acts and conditions	▪ Proper and effective lock-out systems to be implemented ▪ Record of lock-outs to be recorded and retained for a period of 12 months
Limit the cost of quality non-conformances	▪ Design action plan on outstanding issues regarding substandard safety conditions identified ▪ Formalise the reporting and investigation of all non-conformances

Health and safety policy

It is the policy of the group to:

- Maintain safe and healthy workplaces, to operate safe systems and methods of work 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.
- Hold 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 group to comply with its 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 third parties or elements that access the group's operations.

The use of sub-contractors has necessitated that specific attention be given to ensure their level of compliance, involvement and commitment meet the group's safety requirements.

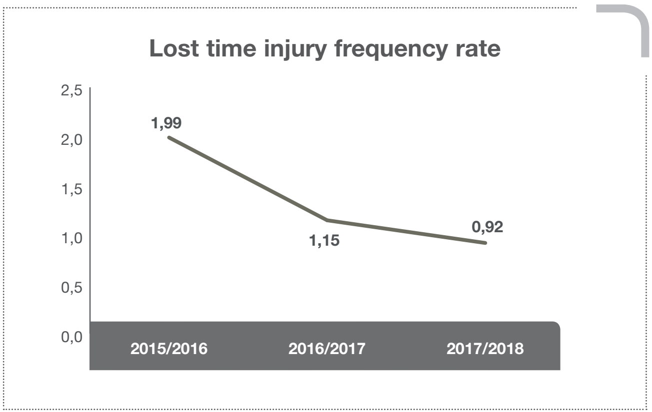
Fatalities

The group regrettably reported five fatalities during the year (2017: three).

Our sincere condolences go out to the families, colleagues and friends of the two Raubex employees and three sub-contractors' employees who lost their lives during the 2018 financial year. Any loss of life is unacceptable and we remain committed to our safety and awareness campaigns. Unfortunately, the fatality rate for the group increased over the last year. This is depicted in the graph below.

LTIFR

The group reported an LTIFR rate of 0,92 (2017: 1,15) during the financial year. This is a significant improvement compared with previous years.



$$\text{Fatality rate} = \frac{\text{Number of fatalities x 200 000}}{\text{Total hours worked}}$$

$$\text{Lost time injury rate} = \frac{\text{Number of LTIs x 200 000}}{\text{Total hours worked}}$$

Occupational health and safety

Safety campaigns

The group's safety campaign comprises pre-selected topics which are then depicted in cartoon type flashcards. The flashcards are distributed to all employees on a monthly basis via printed copies and via email. These monthly flashcards are also incorporated into toolbox talks and meetings and are further placed on notice boards across the group's various sites and offices. Regular follow up is done to ensure the campaign is communicated widely to all employees across the group. This initiative is changing the perception and behaviour of our employees by emphasising that the safety and wellbeing of everyone is worth the extra effort and attention.

Safety training

The Raubex group has initiated the process of developing and obtaining accreditation for a training programme in order to develop in-house safety officers which will focus predominately on HDSA employees. During the financial year, 1 211 employees were trained on health and safety, 87% of total employees trained are HDSA.

A Raubex safety conference was held in September 2017 where all safety managers and officers discussed various risks and interventions to promote safety awareness across the group. The conference covered topics such as road regulations, importance of risk assessments and toolbox talks at sites. The conference was held over a two-day period and considered a success by those involved.

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. During the period March 2017 to February 2018, the medical teams conducted a total of 4 601 and (2017: 5 821) occupational medical examinations on various sites nationally and where permissible within legal requirements, in bordering countries as well. The in-house team now consists of three occupational medical nurses with their assistants in order to provide a full service across the group. They are supported on an external and ad hoc basis by a medical practitioner as per legislation. In certain instances external service providers are used due to demands or geographical locations.

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 aimed at maintaining the health of those infected with HIV/AIDS. Access to anti-retroviral therapy ("ART") is provided through these programmes in conjunction with in-house medical practitioners and the Departments of Labour and Health.

Stakeholder engagement

Raubex has adopted a stakeholder-inclusive approach in the execution of its roles and responsibilities. Our goal is to position Raubex as a credible partner and leader in the industry whilst meeting all stakeholder expectations.

In the execution of its governance roles and responsibilities, the board has adopted a stakeholder inclusive approach that balances the needs, interests and expectations of all its stakeholders in the best interest of the company. In promoting effective stakeholder engagement, the company embraces 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.

The table below describes all our stakeholder groups and how we communicate 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 company. The media are also important as the publishers of articles and information about the group. The group engages with these stakeholders as follows: ▪ Bi-annual results presentations and road shows ▪ 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. Open communication within the group between employer and employees is encouraged. The group communicates and provides its employees with: ▪ A quarterly internal newsletter ▪ Training sessions ▪ Performance reviews ▪ Staff meetings ▪ Email announcements
Communities	The communities impacted by the group's activities and operations are seen as stakeholders as the group impacts the welfare of the people living in these communities. The group's engagement with the communities include contributions towards initiatives in respect of fund raisings, donations, and community upliftment initiatives and involvement

Stakeholder engagement continued

Stakeholder	Communication
Customers and clients	Customers and clients are important stakeholders for purposes of ensuring the success of the group. The group has customers and clients who 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 ▪ Appropriate customer entertainment and functions
Suppliers	Suppliers are the providers of services, materials and equipment which 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
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	The JSE is 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 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 they represent certain employees as members across the group. 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 enables 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 and the Department of Mineral Resources ▪ Interaction with the South African Revenue Service in respect of taxation issues and compliance

Corporate social investment ("CSI")

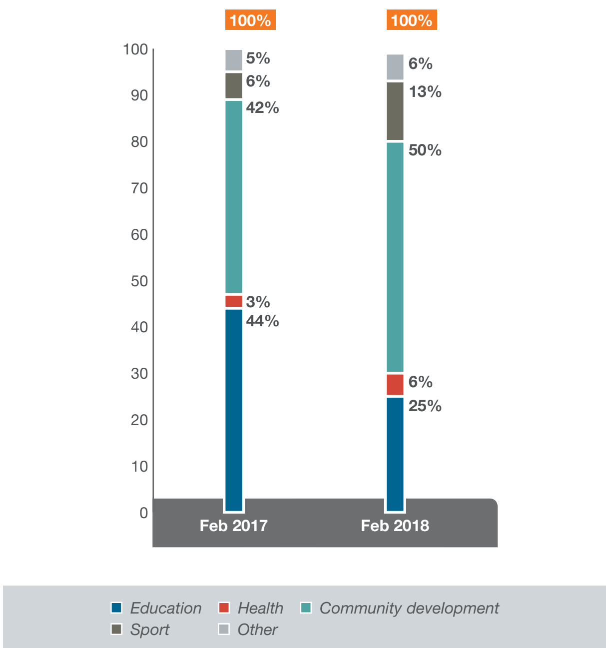
Raubex is an integral part of the society in which we operate. We embrace corporate citizenship obligations and responsibilities and strive to make a positive social contribution. Our operations are located in areas affected by poverty, unemployment, inequality and inadequate provision of infrastructure. We seek to ensure a lasting positive impact within these communities which may lead to their future self-sustainability.

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 initiative.

Our approach, particularly in the materials division, is also guided by regulatory requirements such as the Mining Charter and our Social Labour Plans ("SLPs") which primarily focus on community development, skills development, infrastructure and various other partnerships.

During the year, a number of contributions were made towards improving the lives of the people living in the communities in which we operate. We are working with various communities on different projects.

The group contributed R6,3 million (2017: R5,2 million) which amounts to a combined 1,4% (2017: 1,3%) of profit after taxation towards social economic development projects which has been allocated according to the categories as detailed.



Corporate social investment continued

Monyetla Project

www.monyetlaproject.co.za

The Monyetla Project is a registered public benefit organisation with the mission to assist grade 12 learners from previously disadvantaged communities in the Free State, improve their results and afford them opportunities to qualify for bursaries and tertiary education. The word "monyetla" means "opportunity" in Sesotho. The initiative was established in February 2007 and currently offers additional classes for 10 subjects which are presented by some of the most experienced educators the province has to offer.

During the 2017 school year a total of 1 072 grade 12 learners attended the programme. This group of learners achieved an overall pass rate of 93%, including 110 distinctions, with 54% of the learners obtaining a bachelor's pass.

Special mention was given to Monyetla by the head of Free State education and the Free State MEC during a function held early in January 2018 where it was announced that the Free State achieved the best pass rate in South Africa for 2017.

The Monyetla Project was supported with a financial contribution of R75 000 (2017: R75 000), this contribution allows learners to be exempted from programme fees, which Monyetla covers with the support of their sponsors.

Spoudazo – Township Vegetable Tunnel Project

www.spoudazo.org

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 the setting up of vegetable tunnels for individual households in addition to offering them training and mentoring.

During 2017, 9 new vegetable tunnels were set up for identified beneficiaries. Raubex funded the set up and mentorship process of these tunnels during the year. To date there are a total 55 vegetable tunnels in the Free State with an additional five vegetable tunnels in Namibia supporting beneficiaries from previously disadvantaged communities.

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 equips each beneficiaries with the necessary vegetable growing skills that will assist them to earn an income, not only from the selling of their crops but also by sharing in the responsibilities of the setup and mentoring process of additional tunnels in their communities. Each tunnel has the ability to produce spinach to the value of R6 720 per planting season.

In addition to this, the project has provided opportunities for enterprise development to some of the identified tunnel beneficiaries who showed the necessary skill and willingness to be further equipped as entrepreneurs. Two such entrepreneurs' now have their own websites for their businesses, which can be viewed at www.tlali.co.za and www.vegetablemarket.co.za.

Spoudazo was supported with a financial contribution of R169 701 (2017: R243 884) during the year.

Tshepang Educare Trust

www.tshepangeducaretrust.co.za

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 the disadvantaged communities in these areas 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 empowers these individuals by giving them a chance to create a living through opening their own pre-schools, or gain employment in existing ECD centres and also exposes the young children in their communities to this vital form of education. Tshepang run an 18-month programme which provides graduates with a level 4 ECD certificate, authorised by ETDP SETA.

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.

Currently for 2017 and 2018, Tshepang has 80 practitioners enrolled in the programme, training for their level 4 in early childhood development. Further to this it was noted that all graduates from 2016 have found employment with various early childhood development centres across the Eastern Free State. 2017 also saw Tshepang awarded an Impumulelo Bronze Medal, which is a national award, associated with the University of Stellenbosch. There were 160 entries for this award.

The Tshepang Educare Trust was supported with a financial contribution of R200 000 during the current year (2017: R250 000).

Environmental sustainability

Compliance to legislation is one of the overriding principles within our code of conduct. We recognise our responsibility to the environment, which goes beyond just legal and regulatory requirements. We are committed to reducing the impact our operations have on the environment and are continually striving to improve our environmental performance as part of our business strategy.

Environmental policy

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 Carbon Disclosure Project ("CDP");
- develop environmental objectives and targets and compare these to actual results and industry standards;
- communicate the 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 their support; and
- strive to improve our environmental performance and periodically review the environmental policy in light of current and planned future activities.

Compliance with environmental laws

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. We monitor and drive compliance with applicable legislation regulating the management of the environmental impacts, including compliance with the National Environment Management Act, 107 of 1998, including air quality and waste.

Accreditation

We continue to drive improvements through certified environmental management systems. 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 28 February 2018.

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 17025:2015	August 2017
National Asphalt – Cliffdale	SABITA accreditation	July 2014
OMV – Kimberley	SARMA accreditation	January 2008
OMV – Potchefstroom	SARMA accreditation	January 2018
OMV – Stilfontein	SARMA accreditation	January 2008
Raubex Infra	ISO 9001: 2015	February 2018
Raubex Infra	ISO 14001: 2015	January 2018
Raubex Infra	BS OHSAS 18001:2007	January 2018
Raumix Aggregates	ASPASA accreditation	May 2008
SPH Kundalila – Saldanha	BS OHSAS 18001:2007	June 2013
SPH Kundalila	ASPASA accreditation	February 2014
Tosas	SANS 4001-BT3	2014/2015
Tosas	SANS 4001-BT4	2014/2015
Tosas	SABITA accreditation	April 1998

Raubex Infra also received an award at its KAT 1 project for the best sub-contractor in environmental management in January 2018.

Environmental Incidents

We continue reporting, investigating and sharing lessons from environmental incidents as part of strengthening detective and preventative controls within the group. During 2017 we had minor environmental incidents. These were dealt with on site by applying remedial actions. No major environmental incidents occurred during the year.

Carbon footprint

The group recently completed its eighth annual carbon footprint assessment in May 2018 and will continue to submit the results on a voluntary basis to the CDP. 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 GHG Protocol, all Scope 1 and Scope 2 emissions were included in the report. Emissions from non-Kyoto gases (such as Freon/R22) were measured and classified as Out of Scope Product Use Emissions.
- Scope 3 emissions were excluded from the analysis.
- The equity share approach was used to consolidate all emissions within the specified boundary.

Environmental sustainability continued

A summary of the group's carbon footprint for the year ended 28 February 2018 is tabled below:

Carbon emissions	**2018 Tonnes CO_2e**	2017 Tonnes CO_2e
Scope 1 (vehicles, mobile machinery, stationary fuels)	**148 278**	153 446
Scope 2 (electricity – location)	**22 696**	24 346
Out of scope (non-Kyoto gases)	**159**	194
Total carbon emissions	**171 133**	177 986
	kWh	kWh
Electricity consumed	**23 260 760**	24 346 231

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

	2018	2017
Revenue (R'000)	**8 542 247**	9 005 645
CO_2e/Revenue (R'000)	**20,03 kg**	19,76 kg

Kg CO_2e/asphalt production intensity

	2018	2017
Asphalt production (tonnes)	**1 104 436**	1 449 147
Asphalt production CO_2e (tonnes)	**23 383**	26 903
CO_2e/Asphalt tonnes produced	**21,2 kg**	18,6 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 below the average industry benchmark and its target is to maintain CO_2e emissions at below 30 kilograms per tonne.

Warm mix asphalt

National Asphalt (Pty) Ltd 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 Plant Design and Manufacturing (Pty) Ltd, the group has a number of plants with a capability to use 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 (Pty) Ltd ("Tosas"), who manufactures and distributes value-added bituminous products, have focused their 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.

Rooftop photovoltaic ("PV") 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.

Through this solar PV installation, Raubex has generated over 49 MWh of renewable energy, with Raubex Infra (Pty) Ltd offsetting an average of 75% of its office electricity needs for FY2018.

Water management

We have implemented various initiatives on water management, including understanding the risk, supporting various initiatives in changing behaviour patterns both within business and in society and looking for business opportunities in product innovation that could reduce water usage or assist with water recycling.

We undertake ongoing water management procedures to assess our impact on the environment. This assists us on identifying where mitigation is required and measures compliance with our licence conditions.

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:

- Use of fuel additives, routine maintenance and plant modernisation continue to improve the combustion efficiency of equipment and reduce vehicle fleet consumption.
- 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 has 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

Annual financial statements

Statement of responsibility by the board of directors

for the year ended 28 February 2018

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 96 to 197 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act, 71 of 2008 and the JSE Listings Requirements, 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., who 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 pages 89 to 93.

The financial statements were approved by the board of directors on 3 May 2018 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 28 February 2018, and that all such returns are true, correct and up to date.

GM Chemaly
Company secretary

3 May 2018

Independent auditor's report

To the shareholders of Raubex Group Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Raubex Group Limited ("the company") and its subsidiaries (together "the group") as at 28 February 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Raubex Group Limited's consolidated and separate financial statements, set out on pages 100 to 197 comprise:

- the group and holding company statements of financial position as at 28 February 2018;
- the group statement of profit or loss for the year then ended;
- the group and holding company statements of comprehensive income for the year then ended;
- the group and holding company statements of changes in equity for the year then ended;
- the group and holding company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

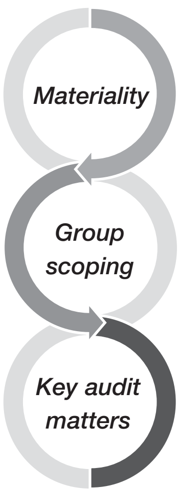
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



Overall group materiality

- Overall group materiality: R31,5 million, which represents 5% of consolidated profit before tax.

Group audit scope

The consolidated financial statements are a consolidation of the holding company and 80 reporting entities (which comprise subsidiaries, joint ventures and associates). We performed full scope audits on the holding company and on 75 reporting entities due to financial significance and to address the aggregation risk.

For the remaining reporting entities we performed analytical procedures.

Key audit matters

The following key audit matter, which relates to the consolidated financial statements, has been identified:

- Construction contract accounting

Independent auditor's report continued

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

Materiality

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

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

Overall group materiality	R31,5 million
How we determined it	5% of consolidated profit before tax
Rationale for the materiality benchmark applied	We chose consolidated profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

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

The group is structured in two divisions, the construction division and the materials division, operating across eight different geographical locations – South Africa, Botswana, Namibia, Mozambique, Zambia, Zimbabwe, Cameroon and Australia.

The group financial statements are a consolidation of the holding company and 80 reporting entities. We performed full scope audits on the holding company and on 75 reporting entities due to financial significance and to address the aggregation risk. The remainder of the reporting entities were considered to be financially inconsequential, individually and in aggregate. We performed analytical procedures on these entities that were considered to be financially inconsequential.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team, and other component auditors from other PwC network firms as well as other audit firms, operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Key audit matters

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

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters in respect of the separate financial statements of the company to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
Construction contract accounting	
Revenue relating to construction contracts within the road surfacing and rehabilitation, road construction and earthworks, and infrastructure reporting segments comprises 80% (2017: 81%) of the group's revenue. Revenue from construction contracts is recognised on the percentage-of-completion method and is measured at the fair value of the consideration received or receivable, and includes variations and claims (refer to note 14). The percentage-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. Anticipated losses to completion are immediately recognised as an expense in contract costs. Construction contract revenue within the group results from cost-plus, remeasurable and fixed price contracts. Revenue recognition from all these types of contract revenue involves a higher degree of estimation uncertainty and complexity. The assumptions and estimates used by management in the percentage-of-completion calculations include: ▪ Estimated percentage of completion; and ▪ Profit margin on contract. The key inputs used by management in making the estimates as described above include: ▪ Total contract revenue for the entire contract; and ▪ Any variation orders and claims to be recognised based on negotiations with the contract client. These assumptions and inputs represent the basis for the calculation of contract revenue and work-in-progress to be recognised in the consolidated financial statements. We considered the construction contract accounting to be a matter of most significance to our audit due to the following: ▪ Management's assessment involves making significant estimates about the profit margin and cost to completion; and ▪ Given the magnitude of the contract revenue and work-in-progress balances, the accounting for construction contracts have a significant impact on the financial statements.	Our audit procedures, as noted below, included an evaluation of the relevance and application of the significant assumptions and estimates within the group's percentage-of-completion calculations for all types of contracts (cost-plus, re-measurable and fixed price contracts). For a selection of construction contracts: ▪ We examined signed contracts, management's costing per contract and variation order documentation, as well as discussed the status of contracts with management, directors, finance and technical staff and noted corroborating evidence for the total contract revenue for the entire contract; ▪ We tested a sample of costs incurred to date to supporting invoices; ▪ We compared estimated percentage of completion (cost to date as a percentage of total estimated costs) to work certified to date by contract engineering experts and found it to be within reasonable ranges; ▪ We performed reasonability tests on the expected profit margin by reference to similar ongoing projects and contracts completed during the year. We tested profit margins from year to year on projects running over the financial year-end. Deviations in margins were evaluated against explanations and other supporting evidence (eg external factors such as rain delays); ▪ We recalculated the revenue per contract based on the percentage-of-completion calculations. The resultant adjustments between revenue certified and revenue recognised, based on percentage-of-completion, as recorded in construction work-in-progress and retentions (refer note 14), were agreed to the accounting records. To incorporate an element of unpredictability into our approach, a sample of low value contracts, where the profit margins vary significantly year on year, were also selected for testing. The same procedures as listed above were performed on these selected contracts.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Raubex Group Limited and its subsidiaries annual financial statements for the year ended 28 February 2018*, which includes the directors' report, the audit committee report and the statement of compliance by the company secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the integrated report, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

Independent auditor's report continued

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Raubex Group Limited for 12 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: CJ Hertzog
Registered Auditor

Bloemfontein
3 May 2018

Audit committee report

The audit committee is pleased to present this report for the financial year ended 28 February 2018 in compliance with the Companies Act, 71 of 2008, and the recommendations of the King IV 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)**	**1 March 2007**	**BCom, CA(SA)**
Mr BH Kent	**Independent non-executive**	**24 February 2011**	**BCom, CA(SA), FCMA, HDip Tax, HDip Company Law**
Ms SR Bogatsu	**Independent non-executive**	**1 June 2017**	**BCom, 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	2 May 2017	22 August 2017	31 October 2017	21 February 2018
Mr LA Maxwell	✓	✓	✓	✓
Mr BH Kent	✓	✓	✓	✓
Ms SR Bogatsu*	**n/a**	✓	✓	✓

✓ *Attended.*
× *Absent, with apology.*
n/a *Resigned/not yet appointed as committee member.*
* *Appointed 1 June 2017.*

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 IV.

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 28 February 2018.

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.

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.

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 and information technology risks as it relates to financial reporting.

Exco fulfils the role of the information technology steering committee and 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.

Comment on key audit matters reported in the external audit report

In order to provide stakeholders with further insights into the key audit matter reported by the external auditors, the committee wishes to elaborate on this important aspect as follows:

Construction contract accounting

The group has significant construction contracts within all its reporting segments consisting of cost-plus, re-measurable and fixed price contracts. Recognising profit on construction contracts is done in accordance with IAS 11: *Construction contracts*, using the percentage-of-completion method.

This matter is considered material given the significant judgement involved in preparing suitable estimates of forecast costs and profit margins on these contracts.

The committee assessed the methodology and judgement applied by management, focusing on the computation of the percentage of completion.

The committee discussed the matter with the external auditors to understand their related audit procedures and evidence to support the judgements.

The committee concluded that the methodology and judgements applied by management are in accordance with IFRS.

LA Maxwell

Chairman of the audit committee

3 May 2018

Directors' report

This report presented by the directors is a constituent document of the group consolidated financial statements at 28 February 2018.

Nature of business

Raubex Group Limited is an investment holding company listed on the Johannesburg Stock Exchange with interests in the Construction and Materials sectors. The company does not trade and all of its activities are undertaken through a number of subsidiaries and joint arrangements. Details of the major operating subsidiaries, associates, joint ventures and joint operations are disclosed in notes 12, 41 and 42 of the group financial statements.

Group financial results

Group earnings attributable to owners of the parent for the year ended 28 February 2018 were R423,6 million (2017: R372,1 million), representing basic earnings per share of 233,5 cents (2017: 203,7 cents). Headline earnings per share were 228,6 cents (2017: 201,7 cents).

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

Share capital

No new shares were issued during the year (2017: nil).

Full details of the authorised and issued capital of the company at 28 February 2018 are set out in notes 22 and 23 of these financial statements.

Share option scheme

Full details of the share option scheme are set out in note 35 of these financial statements. The last allocation of share options in terms of the scheme vested on 1 March 2017. No new share options were granted to directors and prescribed officers during the year.

Dividend

The following dividends were declared during the year ended 28 February 2018:

- Final dividend number 20 declared on 8 May 2017 of 45 cents per ordinary share (2017: 42 cps)
- Interim dividend number 21 declared on 6 November 2017 of 45 cents per ordinary share (2017: 45 cps)

After consideration was given to the solvency and liquidity test of the group, a final dividend in respect of the year ended 28 February 2018 of 33 cents per share was proposed at the board of directors' meeting on 3 May 2018 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Business combinations

Lime Sales Limited ("Lime Sales")

Effective 1 March 2017, the group effectively acquired 74% of Lime Sales, through its subsidiary SPH Kundalila (Pty) Ltd for a purchase price of R37 million settled in cash. Lime Sales is a commercial quarry operating in the Western Cape that produces metallurgical dolomite, agricultural lime and aggregates. The revenue included in the consolidated income statement since 1 March 2017 contributed by Lime Sales was R54,7 million with a net profit contribution of R5,6 million over the same period.

MRCN (Pty) Ltd t/a Westforce Construction and Westforce Hire (Pty) Ltd ("Westforce")

On 1 January 2018, the group effectively acquired 70% of the shares of Westforce for a purchase price of AUD6,1 million (R66,2 million) settled in cash, a further AUD0,35 million (R3,8 million) was paid to acquire 70% of the vendor loan accounts. Westforce was established in 2006 as a civil engineering contractor and has grown and diversified into a multi-disciplined contractor providing services to the power, water, defence, transport, industrial and mining sectors across Western Australia. The purchase price is contingent on Westforce achieving its profit forecast for the period ended 30 June 2018. The revenue included in the consolidated income statement since 1 January 2018 contributed by Westforce was R44,4 million with a net profit contribution of R4,4 million over the same period.

Details of the acquisitions are set out in note 7 of these financial statements, while details of all subsidiaries are set out in note 41 of these financial statements.

Transactions with non-controlling interests

Acquisitions

Raubex Infra (Pty) Ltd ("Raubex Infra")

On 1 March 2017, the group acquired the remaining 30% of the issued share capital from the non-controlling shareholders of Raubex Infra for R33,7 million, increasing the group's shareholding from 70% to 100%.

Burma Plant Hire (Pty) Ltd ("Burma Plant Hire")

Effective 1 December 2017, the group acquired the remaining 30% of the issued share capital from the non-controlling shareholder of Burma Plant Hire together with the outstanding loans owed to them, for R7,5 million, increasing the group's shareholding from 70% to 100%.

Disposals

Centremark Roadmarking (Pty) Ltd ("Centremark")

On 2 August 2017, a share issue and subscription was completed to increase Centremark's issued share capital from 200 to 1 000 shares. The share subscription diluted the group's shareholding from 95% to 44% effectively resulting in the loss of control in terms of IFRS 10. Effective 2 August 2017, Centremark has been accounted for as an investment in associate in terms of IAS 28. Refer note 12 for further information in this regard.

Details of the transactions with non-controlling interests are set out in note 7 of these financial statements.

Capital commitments

Details of capital commitments are set out in note 39 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 R441,3 million (2017: R440,5 million). Property, plant and equipment acquired through the acquisition of subsidiaries during the year amounted to R51,4 million (2017: R35,3 million).

Contingencies

Details of contingencies are set out in note 40 of these financial statements.

Voluntary rebuilding programme ("VRP")

The group entered into a settlement agreement with the government of the Republic of South Africa ("the Government") on 11 October 2016, together with other construction companies, in an effort to address the construction companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector. Further details can be found in note 19 of these financial statements.

Events after the reporting period

Business combinations

Donkerhoek Quarry (Pty) Ltd ("Donkerhoek")

Effective 18 April 2018, the group effectively acquired 70% of Donkerhoek Quarry, through its subsidiary Raumix Aggregates (Pty) Ltd, for a purchase price of R31,1 million settled in cash. Donkerhoek Quarry is a commercial quarry operating in Northern Gauteng supplying aggregates to the construction market. The acquisition is in line with the group's strategy to expand its commercial quarry business geographically.

Directors' report continued

Events after the reporting period (continued)

Business combinations (continued)

Metadynamics (Pty) Ltd ("Metadynamics")

Effective 1 March 2018, the group effectively acquired 49% of Metadynamics, through its subsidiary OMV (Pty) Ltd who acquired 70% of the shareholding, for a purchase price of R18,2 million to be settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 1 March 2018 to 28 February 2022. Metadynamics adds value to various products through calcining and milling processes in Gauteng that produces value added gypsum and various other products. The acquisition is in line with the group's strategy to expand geographically and also provides an opportunity to diversify its product mix.

Transkei Quarries (Pty) Ltd ("Transkei Quarries")

Effective 3 April 2018, the group effectively acquired 49% of Transkei Quarries, through its subsidiary Raumix Aggregates (Pty) Ltd, for a net purchase price of R49 million settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 1 March 2018 to 28 February 2022. Transkei Quarries operates two commercial quarries operating in Mthatha and Butterworth supplying aggregates to the construction market. The acquisition is in line with the group's strategy to expand its commercial quarry business geographically.

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 26.3.2 of the company's memorandum of incorporation and in accordance with section 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 October 2017, unless such remuneration is proposed to be amended at the next annual general meeting.

	Annual remuneration R
Chairman	**966 338**
Lead independent non-executive director	**785 150**
Non-executive director	**603 962**

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. The directors will limit any purchase to a maximum of 5% of the issued share capital.

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 memorandum of incorporation, the Companies Act, 71 of 2008, 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.

Special resolution number four: Approval of financial assistance to directors

Resolved that the board may to the extent required by, and subject to section 45 of the Companies Act, 71 of 2008, and the requirements (if applicable) of the memorandum of incorporation of the company and the JSE Listings Requirements, authorise the company to provide direct or indirect financial assistance to a director of the company or of a related or inter-related company or corporation, or to a member of a related or inter-related company or corporation, or to a person related to any such company, corporation or director, at any time during the period commencing on the date of passing of this resolution and ending at the next annual general meeting of the company.

Directorate and secretary

The names of the directors and secretary are set out on page 40 of these financial statements.

On 1 March 2017, Ms NF Msiza was appointed as an executive director of the board and on 1 June 2017, Ms SR Bogatsu was appointed as a non-executive director of the board.

On 8 September 2017, Ms HE Ernst resigned as company secretary and Ms GM Chemaly was appointed company secretary on 16 October 2017.

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 37 of these financial statements.

Shareholder spread

Details of the shareholder categories are set out in note 43 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 2019 financial year.

Group statement of financial position

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**2 410 165**	2 364 319
Intangible assets	11	**947 806**	851 102
Investment in associates and joint ventures	12	**111 789**	49 087
Deferred income tax assets	21	**39 614**	40 938
Non-current inventories	13	**64 533**	73 459
Non-current trade and other receivables	15	**81 915**	100 557
Total non-current assets		**3 655 822**	3 479 462
Current assets			
Inventories	13	**600 636**	523 600
Construction contracts in progress and retentions	14	**280 933**	334 016
Trade and other receivables	15	**1 489 575**	1 525 373
Current income tax receivable		**28 617**	27 713
Cash and cash equivalents	16	**1 084 088**	1 103 618
Total current assets		**3 483 849**	3 514 320
Total assets		**7 139 671**	6 993 782
EQUITY			
Share capital	22	**1 817**	1 817
Share premium	22	**2 059 688**	2 059 688
Treasury shares	23	**(1 218)**	(23 664)
Other reserves	24	**(1 219 859)**	(1 179 094)
Retained earnings		**3 200 300**	2 938 678
Equity attributable to owners of the parent		**4 040 728**	3 797 425
Non-controlling interest	25	**157 240**	152 300
Total equity		**4 197 968**	3 949 725
LIABILITIES			
Non-current liabilities			
Borrowings	17	**411 284**	562 573
Provisions for liabilities and charges	18	**82 780**	74 838
Deferred income tax liabilities	21	**342 036**	311 608
Other financial liabilities	19	**86 980**	150 120
Total non-current liabilities		**923 080**	1 099 139
Current liabilities			
Trade and other payables	20	**1 530 581**	1 514 324
Borrowings	17	**365 272**	388 227
Current income tax liabilities		**31 680**	25 120
Provisions for liabilities and charges	18	**15 823**	–
Other financial liabilities	19	**75 267**	17 247
Total current liabilities		**2 018 623**	1 944 918
Total liabilities		**2 941 703**	3 044 057
Total equity and liabilities		**7 139 671**	6 993 782

The notes on pages 105 to 179 are an integral part of these financial statements.

Group statement of profit or loss

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
Revenue	26	**8 542 247**	9 005 645
Cost of sales	29	**(7 416 511)**	(7 762 882)
Gross profit		**1 125 736**	1 242 763
Other income	27	**40 133**	30 030
Other gains/(losses) – net	28	**14 383**	(8 319)
Administrative expenses	29	**(508 339)**	(482 915)
Voluntary rebuilding programme expenses	30	**–**	(119 884)
Operating profit		**671 913**	661 675
Finance income	31	**59 495**	57 366
Finance costs	31	**(91 245)**	(100 937)
Finance costs – net	31	**(31 750)**	(43 571)
Share of profit of investments accounted for using the equity method	12	**477**	855
Profit before income tax		**640 640**	618 959
Income tax expense	32	**(187 956)**	(209 105)
Profit for the year		**452 684**	409 854
Attributable to:			
Owners of the parent		**423 573**	372 062
Non-controlling interests	25	**29 111**	37 792
		452 684	409 854
Basic earnings per share (cents)	5	**233,5**	203,7
Diluted earnings per share (cents)	5	**233,5**	202,2

The notes on pages 105 to 179 are an integral part of these financial statements.

Group statement of comprehensive income

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
Profit for the year		**452 684**	409 854
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations		**374**	70
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	24	**(14 284)**	(8 762)
Other comprehensive income for the year, net of tax		**(13 910)**	(8 692)
Total comprehensive income for the year		**438 774**	401 162
Attributable to:			
Owners of the parent		**410 356**	363 370
Non-controlling interests	25	**28 418**	37 792
Total comprehensive income for the year		**438 774**	401 162

The notes on pages 105 to 179 are an integral part of these financial statements.

Group statement of changes in equity

for the year ended 28 February 2018

	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 2016	1 892	2 179 613	(46 599)	(1 148 951)	2 718 123	3 704 078	128 764	3 832 842
Changes in equity:								
Share option reserve	–	–	–	9 541	–	9 541	–	9 541
Share buy-back	(75)	(119 925)	–	–	–	(120 000)	–	(120 000)
Treasury shares issued in terms of equity-settled share option scheme	–	–	22 935	–	(22 922)	13	–	13
Share option reserve utilised during the year	–	–	–	(30 922)	30 922	–	–	–
Disposal of interest to non-controlling interest	–	–	–	–	510	510	–	510
Total comprehensive income for the year	–	–	–	(8 762)	372 132	363 370	37 792	401 162
Dividends paid	–	–	–	–	(160 087)	(160 087)	(14 256)	(174 343)
Total changes	(75)	(119 925)	22 935	(30 143)	220 555	93 347	23 536	116 883
Balance at 28 February 2017	1 817	2 059 688	(23 664)	(1 179 094)	2 938 678	3 797 425	152 300	3 949 725
Balance at 1 March 2017	1 817	2 059 688	(23 664)	(1 179 094)	2 938 678	3 797 425	152 300	3 949 725
Changes in equity:								
Treasury shares issued in terms of equity-settled share option scheme	**–**	**–**	**22 446**	**–**	**(22 432)**	**14**	**–**	**14**
Share option reserve utilised during the year	**–**	**–**	**–**	**(27 175)**	**27 175**	**–**	**–**	**–**
Non-controlling interest arising on business combination	**–**	**–**	**–**	**–**	**–**	**–**	**17 109**	**17 109**
Disposal of interest to non-controlling interest	**–**	**–**	**–**	**–**	**4 036**	**4 036**	**387**	**4 423**
Loss of control of subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(25)**	**(25)**
Acquisition of non-controlling interest	**–**	**–**	**–**	**–**	**(7 591)**	**(7 591)**	**(26 094)**	**(33 685)**
Profit for the year	**–**	**–**	**–**	**–**	**423 573**	**423 573**	**29 111**	**452 684**
Other comprehensive income for the year	**–**	**–**	**–**	**(13 590)**	**374**	**(13 216)**	**(693)**	**(13 909)**
Dividends paid	**–**	**–**	**–**	**–**	**(163 513)**	**(163 513)**	**(14 855)**	**(178 368)**
Total changes	**–**	**–**	**22 446**	**(40 765)**	**261 622**	**243 303**	**4 940**	**248 243**
Balance at 28 February 2018	**1 817**	**2 059 688**	**(1 218)**	**(1 219 859)**	**3 200 300**	**4 040 728**	**157 240**	**4 197 968**
Notes	22	22	23	24			25	

The notes on pages 105 to 179 are an integral part of these financial statements.

Group statement of cash flows

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Cash generated from operations	36	**1 039 786**	1 223 840
Interest received	31	**59 495**	57 366
Interest paid	31	**(74 908)**	(89 776)
Income tax paid	36	**(177 950)**	(206 977)
Net cash generated from operating activities		**846 423**	984 453
Cash flows from investing activities			
Purchases of property, plant and equipment	10	**(441 286)**	(440 512)
Proceeds from sale of property, plant and equipment	36	**95 960**	88 986
Acquisition of subsidiaries	7	**(81 737)**	(26 148)
Loan repayment from/(granted to) associates and joint ventures	12	**(37 698)**	2 450
Net cash used in investing activities		**(464 761)**	(375 224)
Cash flows from financing activities	36.1		
Proceeds from borrowings		**360 921**	377 903
Repayment of borrowings		**(542 815)**	(534 194)
Dividends paid to owners of the parent	6	**(163 513)**	(160 087)
Dividends paid to non-controlling interests	25	**(14 855)**	(14 256)
Disposal of interest in a subsidiary		**4 423**	510
Acquisition of non-controlling interest	7	**(41 185)**	–
Contingent consideration settled	19	**–**	(20 989)
Share buy-back transaction	22	**–**	(120 000)
Issue of treasury shares	23	**14**	13
Net cash used in financing activities		**(397 010)**	(471 100)
Net (decrease)/increase in cash and cash equivalents		**(15 348)**	138 129
Cash and cash equivalents at the beginning of the year		**1 103 618**	969 736
Effects of exchange rates on cash and cash equivalents		**(4 182)**	(4 247)
Cash and cash equivalents at the end of the year	16	**1 084 088**	1 103 618

The notes on pages 105 to 179 are an integral part of these financial statements.

Notes to the group financial statements

for the year ended 28 February 2018

1. Corporate information

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

2. 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.

3. 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 as follows:

Significant estimates

- Estimates made in determining changes in estimated useful lives and residual value of property, plant and equipment (refer note 10).
- Estimates regarding impairment of property, plant and equipment (refer note 10).
- Estimated impairment of goodwill (refer note 11).
- Construction contract revenue recognition and profit taking (refer note 14).
  Each construction contract has specific estimates attributed to it regarding the percentage of completion and profit margin. A meaningful sensitivity analysis on construction contract estimates is not practical. Construction contract revenue is also considered to be the most significant estimate for the group.
- Estimate of exposure and liabilities with regard to rehabilitation costs (refer note 18).

Notes to the group financial statements continued

for the year ended 28 February 2018

4. Segmental information

The group's operating segments reflect the management structure of the group and the manner in which performance is evaluated and resources allocated as managed by the group's chief operating decision-maker, which is defined as the group's executive committee (Exco).

The group's operating segments are defined as follows:

- *Road surfacing and rehabilitation*
  This division 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 South Africa, Namibia and Botswana.
- *Road construction and earthworks*
  This division includes the road and civil infrastructure construction operations focused on the key areas of new road construction and heavy road rehabilitation.
- *Materials*
  The Materials division comprises three main disciplines, namely commercial quarries, contract crushing and materials handling and processing for the mining industry.
- *Infrastructure*
  The Infrastructure division 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.

Exco assesses the performance of the operating segments based on operating profit.

Exco also considers the business geographically, from a South African (local) and international (Africa and Australia) perspective.

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 consisting of 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.

4. **Segmental information** (continued)

Segmental analysis

Operating segments	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infra-structure R'000	Other* R'000	Consoli-dated R'000
At 28 February 2017						
Revenue	2 439 016	3 575 199	1 435 421	1 556 009	–	9 005 645
Operating profit	345 532	258 872	109 633	67 522	(119 884)	661 675
Finance income	12 080	5 992	36 474	2 820	–	57 366
Finance costs	(72 740)	(12 521)	(8 457)	(3 955)	(3 264)	(100 937)
Share of profit of investments accounted for using the equity method	–	–	–	855	–	855
Taxation	(89 925)	(75 942)	(26 575)	(16 663)	–	(209 105)
Profit for the year	194 947	176 401	111 075	50 579	(123 148)	409 854
Segment assets	2 926 589	1 760 373	1 688 723	618 097	–	6 993 782
Segment liabilities	1 364 411	811 714	486 826	272 957	108 149	3 044 057
Depreciation and amortisation	236 665	79 464	35 766	22 769	–	374 664
Capital expenditure	230 078	130 140	50 669	29 625	–	440 512
Inter-segment revenue	111 777	340 310	207 913	54 526	–	714 526

Operating segments	**Materials R'000**	**Road surfacing and rehabilitation R'000**	**Road construction and earthworks R'000**	**Infra-structure R'000**	**Other* R'000**	**Consoli-dated R'000**
At 28 February 2018						
Revenue	**2 583 677**	**3 250 728**	**1 332 325**	**1 375 517**	**–**	**8 542 247**
Operating profit	**366 428**	**222 399**	**67 063**	**16 023**	**–**	**671 913**
Finance income	**16 739**	**23 400**	**14 818**	**4 538**	**–**	**59 495**
Finance costs	**(62 696)**	**(12 358)**	**(4 469)**	**(2 891)**	**(8 831)**	**(91 245)**
Share of profit of investments accounted for using the equity method	**–**	**(176)**	**–**	**653**	**–**	**477**
Taxation	**(87 661)**	**(62 684)**	**(19 250)**	**(18 361)**	**–**	**(187 956)**
Profit for the year	**232 810**	**170 581**	**58 162**	**(38)**	**(8 831)**	**452 684**
Segment assets	**3 096 635**	**1 847 196**	**1 447 439**	**748 401**	**–**	**7 139 671**
Segment liabilities	**1 250 738**	**722 040**	**438 364**	**428 581**	**101 980**	**2 941 703**
Depreciation and amortisation	**247 447**	**59 370**	**30 872**	**23 667**	**–**	**361 356**
Capital expenditure	**225 844**	**154 149**	**29 507**	**31 786**	**–**	**441 286**
Inter-segment revenue	**52 329**	**493 283**	**243 388**	**55 876**	**–**	**844 876**

* *Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in notes 19 and 30.*

Notes to the group financial statements continued

for the year ended 28 February 2018

4. Segmental information (continued)

Segmental analysis (continued)

During the current year a decision was taken to discontinue the operations of L&R Civils (Pty) Ltd, Strata Civils (Pty) Ltd and Burma Plant Hire (Namibia) (Pty) Ltd.

L&R Civils (Pty) Ltd was acquired in July 2012 in anticipation of the much needed roll out of water infrastructure projects in the country. Subsequently the roll out of water infrastructure has been slow, with extremely competitive tendering conditions experienced for the limited amount of work available. With no signs of improvement in the short term the decision was taken to discontinue the operations of this entity.

The decision on the discontinuation of Strata Civils (Pty) Ltd, who specialises in small-scale civil infrastructure projects, particularly in urban environments in the Western and Eastern Cape provinces, was taken based on the fact that this market is not considered to align to the group's core businesses and further due to the inability to execute this work profitably.

The construction market in Namibia has experienced depressed conditions during the past year which led to the decision to discontinue the plant hire business of Burma Plant Hire (Namibia) (Pty) Ltd in the country.

As at 28 February 2018 the contribution of these three entities to the group's operating segments are as follows:

	Revenue R'000	Loss for the year R'000
Infrastructure		
L&R Civils (Pty) Ltd	**36 362**	**(29 303)**
Strata Civils (Pty) Ltd	**37 243**	**(17 547)**
Materials		
Burma Plant Hire (Namibia) (Pty) Ltd	**25 996**	**(10 253)**
Total group effect	**99 601**	**(57 103)**

The property, plant and equipment of the companies to be discontinued, has largely been disposed at year end.

Approximately 16% (2017: 17%) of total revenue is derived from a single external customer, ie the South African National Roads Agency ("SANRAL"), these revenues are attributable to all the operating segments.

Approximately 14% (2017: 11%) 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.

Additional voluntary disclosure: Geographical information

	Local R'000	International R'000	Other* R'000	Consolidated R'000
At 28 February 2017				
Revenue	7 790 122	1 215 523	–	9 005 645
Operating profit	563 602	217 957	(119 884)	661 675
Finance income	54 533	2 833	–	57 366
Finance costs	(60 903)	(36 770)	(3 264)	(100 937)
Share of profit of investments accounted for using the equity method	855	–	–	855
Taxation	(148 167)	(60 938)	–	(209 105)
Profit for the year	409 920	123 082	(123 148)	409 854
Segment assets	6 114 080	879 702	–	6 993 782
Segment liabilities	2 537 547	398 361	108 149	3 044 057
Depreciation and amortisation	311 374	63 290	–	374 664
Capital expenditure	383 674	56 838	–	440 512
Inter-segment revenue	472 451	65 064	–	537 515

4. Segmental information (continued)

Additional voluntary disclosure: Geographical information (continued)

	Local R'000	International R'000	Other* R'000	Consolidated R'000
At 28 February 2018				
Revenue	7 429 769	1 112 478	–	8 542 247
Operating profit	483 463	188 450	–	671 913
Finance income	58 626	869	–	59 495
Finance costs	(53 683)	(28 731)	(8 831)	(91 245)
Share of profit of investments accounted for using the equity method	477	–	–	477
Taxation	(147 676)	(40 280)	–	(187 956)
Profit for the year	341 207	120 308	(8 831)	452 684
Segment assets	6 013 112	1 126 559	–	7 139 671
Segment liabilities	2 259 633	580 090	101 980	2 941 703
Depreciation and amortisation	292 278	69 078	–	361 356
Capital expenditure	351 244	90 042	–	441 286
Inter-segment revenue	274 761	15 797	–	290 558

* *Other consists of amounts that cannot be allocated to specific segments, including the voluntary rebuilding programme expense detailed in notes 19 and 30.*

International revenues from external customers account for 13,0% (2017: 13,5%) of total group revenue from external customers and were generated from operations in Australia, Botswana, Cameroon, Mozambique, Namibia and Zambia.

5. 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.

	2018 R'000	2017 R'000
Profit attributable to owners of the parent entity	423 573	372 062
Weighted average number of ordinary shares in issue*	181 381	182 668
Basic earnings per share (cents)	233,5	203,7

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.*

Notes to the group financial statements continued

for the year ended 28 February 2018

5. Earnings per share (continued)

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.

	2018 R'000	2017 R'000
Profit attributable to owners of the parent entity	**423 573**	372 062
Weighted average number of ordinary shares in issue*	**181 381**	182 668
Adjustments for:		
Shares deemed issued for no consideration (share options)	**–**	1 362
Weighted average number of ordinary shares for diluted earnings per share	**181 381**	184 030
Diluted earnings per share (cents)	**233,5**	202,2

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.*

Headline

	2018 R'000	2017 R'000
Profit attributable to owners of the parent entity	**423 573**	372 062
Adjustments for:		
Profit on sale of property, plant and equipment (refer note 28)	**(17 471)**	(17 972)
Impairment of goodwill (refer note 28)	**2 799**	7 906
Loss of control of subsidiary (refer note 7)	**767**	–
Add back: Non-controlling interests' portion of profit on sale of property, plant and equipment	**79**	1 880
Total tax effects of adjustments	**4 870**	4 506
Basic headline earnings	**414 617**	368 382
Weighted average number of shares*	**181 381**	182 668
Headline earnings per share (cents)	**228,6**	201,7
Headline earnings	**414 617**	368 382
Adjusted weighted average number of shares	**181 381**	184 030
Diluted headline earnings per share (cents)	**228,6**	200,2

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury share transactions during the year.*

6. Dividends per share

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.

The following dividends were approved and paid during the year:

	Number of shares ('000) 2018	**Value R'000 2018**	Number of shares ('000) 2017	Value R'000 2017
Previous year final dividend paid	**181 750**	**81 788**	189 250	79 485
Current year interim dividend paid	**181 750**	**81 788**	181 750	81 788
Dividends received on treasury shares	**(70)**	**(63)**	(1 362)	(1 186)
Total dividends paid		**163 513**		160 087

After consideration was given to the solvency and liquidity test of the group, a final dividend in respect of the year ended 28 February 2018 of R60,0 million (33 cents per share) amounting to a total dividend for the year of R141,8 million (78 cents per share) was proposed at the board of directors' meeting on 3 May 2018 and declared on the release of the group's results. These financial statements do not reflect this dividend payable.

Dividends tax ("DT")

DT is a tax imposed on shareholders at a rate of 20% 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.

7. Business combinations

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 group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. 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.

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.

Notes to the group financial statements continued

for the year ended 28 February 2018

7. Business combinations (continued)

Subsidiaries (continued)

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.

Joint operations

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 (refer note 12) and joint operations (refer note 42).

Equity method

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.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, 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.

Inter-company transactions, balances and unrealised gains on transactions between the group and its associates and joint ventures 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 equity accounted investees have been changed where necessary to ensure consistency with policies adopted by the group.

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 statement of profit or loss.

Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in loss of control as equity transactions, that is, as transactions with the owners in their capacity as owners. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary.

Any 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.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

7. Business combinations (continued)

Acquisitions made during the financial period

Lime Sales Limited ("Lime Sales")

On 1 March 2017 the group effectively acquired 74% of the shares of Lime Sales for a purchase price of R37 million to be settled in cash. Lime Sales is a commercial quarry operating in the Western Cape that produces metallurgical dolomite, agricultural lime and aggregates.

The goodwill is attributable to the geographical location of the operation.

Details of the net assets acquired, purchase consideration and goodwill are set out below:

	R'000
Consideration	
Cash	33 000
Deferred consideration*	4 000
Total consideration	**37 000**
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	14 015
Intangible asset – mining right	17 450
Inventories	6 564
Trade receivables	443
Current income tax receivable	338
Cash and cash equivalents	111
Other financial assets	7
Deferred tax liability	(9 973)
Trade and other payables	(118)
Rehabilitation provision	(1 686)
Total identifiable net assets	**27 151**
Non-controlling interest	(7 059)
Goodwill attributable to owners of the parent	16 908
Total	**37 000**
Purchase consideration settled in cash	33 000
Less: Cash and cash equivalents in the business combination acquired	(111)
Cash outflow on acquisition for cash flow statement	**32 889**

* *The deferred consideration is an amount of R4 million payable to the previous shareholders of Lime Sales once transfer of the mining right into the name of the group has been successfully completed. The deferred consideration is included in the cost of the business combination at fair value on the date of the acquisition. Subsequently the deferred consideration is measured at amortised cost. However, the effect of discounting is deemed to be immaterial as the group expects to pay this amount before the end of the 2019 financial year.*

Acquisition-related costs of R0,2 million have been charged to administrative expenses in the consolidated statement of profit or loss for the year.

The fair value of trade and other receivables is R0,4 million which is the same as the gross contractual amount. The full amount is expected to be recoverable.

The revenue included in the consolidated income statement since 1 March 2017 contributed by Lime Sales was R54,7 million with a net profit contribution of R5,6 million over the same period.

Notes to the group financial statements continued

for the year ended 28 February 2018

7. Business combinations (continued)

Acquisitions made during the financial period (continued)

MRCN (Pty) Ltd t/a Westforce Construction and Westforce Hire (Pty) Ltd ("Westforce")

On 1 January 2018 the group effectively acquired 70% of the shares of Westforce for a purchase price of AUD6,1 million (R66,2 million) settled in cash, a further AUD0,35 million (R3,8 million) was paid to acquire 70% of the vendor loan accounts. Westforce was established in 2006 as a civil engineering contractor and has grown and diversified into a multi-disciplined contractor providing services to the power, water, defence, transport, industrial and mining sectors across Western Australia. The purchase price is contingent on Westforce achieving its profit forecast for the period ended 30 June 2018.

The goodwill is attributable to the geographical location of the operations together with the local market knowledge and experience held by the current management team.

Details of the net assets acquired, purchase consideration and goodwill are set out below:

	R'000
Consideration	
Cash	66 238
Total consideration	66 238
Recognised amounts of identifiable assets and acquired liabilities assumed	
Property, plant and equipment	37 425
Construction contracts in progress	3 976
Trade and other receivables	27 220
Cash and cash equivalents	17 390
Intangible – Customer relationships	3 763
Borrowings	(17 956)
Deferred tax liability	(5 129)
Income tax payable	(8 609)
Trade and other payables	(24 582)
Total identifiable net assets	33 498
Non-controlling interest	(10 049)
Goodwill attributable to owners of the parent	42 789
Total	66 238
Purchase consideration settled in cash	66 238
Less: Cash and cash equivalents in the business combination acquired	(17 390)
Cash outflow on acquisition for cash flow statement	48 848

Acquisition-related costs of R0,5 million have been charged to administrative expenses in the consolidated statement of profit or loss for the year.

The fair value of trade and other receivables is R27,2 million which is the same as the gross contractual amount. The full amount is expected to be recoverable.

The revenue included in the consolidated income statement since 1 January 2018 contributed by Westforce was R44,4 million with a net profit contribution of R4,4 million over the same period. Had Westforce been consolidated from 1 March 2017, the contributed revenue and net profit would have been R280,2 million and R9,2 million, respectively.

7. Business combinations (continued)

Transactions with non-controlling interests

Acquisitions

Raubex Infra (Pty) Ltd ("Raubex Infra")

On 1 March 2017, the group acquired the remaining 30% of the issued share capital from the non-controlling shareholders of Raubex Infra for R33,7 million, increasing the group's shareholding from 70% to 100%.

Burma Plant Hire (Pty) Ltd ("Burma Plant Hire")

Effective 1 December 2017, the group acquired the remaining 30% of the issued share capital from the non-controlling shareholder of Burma Plant Hire together with the outstanding loans owed to them, for R7,5 million, increasing the group's shareholding from 70% to 100%.

Disposals

Centremark Roadmarking (Pty) Ltd ("Centremark")

On 2 August 2017, a share subscription was completed to increase Centremark's issued share capital from 200 to 1 000 shares. The share subscription diluted the group's shareholding from 95% to 44% effectively resulting in the loss of control in terms of IFRS 10. Effective 2 August 2017, Centremark has been accounted for as an investment in associate in terms of IAS 28. Refer note 12 for further information in this regard.

Also refer note 41: Interest in subsidiaries for the full list of subsidiaries, together with the aggregation of all subsidiaries with non-controlling interests in the group.

8. Financial instruments and financial risk management

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. Refer the relevant notes, referenced below, for the subsequent measurement principles of each of the group's financial instruments.

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 or loss

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.

Notes to the group financial statements continued

for the year ended 28 February 2018

8. Financial instruments and financial risk management (continued)

Overview of financial risk management

The group's activities expose it to a variety of financial risks, refer to the table below:

Risk	Exposure arising from	Measurement	Management
Market risk – Foreign exchange	Financial assets and liabilities denominated in foreign currencies and transactions entered into by the group's foreign operations.	Sensitivity analysis	Foreign exchange risk policies and forward contracts if required.
Market risk – Cash flow interest rate	Long term borrowing at variable rates and interest-bearing cash reserves.	Sensitivity analysis	Pre-set borrowing targets.
Market risk – Price	The group is not exposed to any price risk as it does not hold investments in equity of other entities that are publicly traded.	N/A	N/A
Credit risk	Cash and cash equivalents, trade receivables, receivables under finance lease and retentions.	Credit ratings Age analysis	Credit application controls in place. Only credible financial institutions are used, delayed payments are managed and payment guarantees are obtained.
Liquidity risk	Borrowings and other liabilities.	Rolling cash flow forecasts	Overdraft and credit facilities available to the group.

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 group's executive committee (Exco) under approval by the board of directors. Exco 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

	Notes	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 2017			R'000	R'000	R'000
Loans to associates and joint ventures	12	47 371	–	–	47 371
Non-current trade and other receivables	15	100 557	–	–	100 557
Construction contracts in progress and retentions	14	334 016	–	–	334 016
Trade and other receivables	15	1 449 906	–	–	1 449 906
Cash and cash equivalents	16	1 103 618	–	–	1 103 618
Borrowings	17	–	(950 800)	–	(950 800)
Other financial liabilities*	19	–	(108 148)	(59 219)	(167 367)
Trade and other payables	20	–	(1 455 355)	–	(1 455 355)
Total		3 035 468	(2 514 303)	(59 219)	461 946

* *In order to fairly present the financial instrument classifications, the measurement of the put option was changed in the prior year from "at amortised cost" to "Financial liabilities at fair value through profit or loss". The change in measurement of the put option has no effect on the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity or the statement of cash flows.*

8. Financial instruments and financial risk management (continued)

Categories of financial instruments (continued)

	Notes	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 2018					
Loans to associates and joint ventures	12	**85 444**	**–**	**–**	**85 444**
Non-current trade and other receivables	15	**81 915**	**–**	**–**	**81 915**
Construction contracts in progress and retentions	14	**280 933**	**–**	**–**	**280 933**
Trade and other receivables	15	**1 440 170**	**–**	**–**	**1 440 170**
Cash and cash equivalents	16	**1 084 088**	**–**	**–**	**1 084 088**
Borrowings	17	**–**	**(776 556)**	**–**	**(776 556)**
Other financial liabilities	19	**–**	**(101 980)**	**(60 267)**	**(162 247)**
Trade and other payables	20	**–**	**(1 396 771)**	**–**	**(1 396 771)**
Total		**2 972 550**	**(2 275 307)**	**(60 267)**	**636 976**

* *In order to fairly present the financial instrument classifications, the measurement of the put option was changed in the prior year from "at amortised cost" to "Financial liabilities at fair value through profit or loss". The change in measurement of the put option has no effect on the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity or the statement of cash flows.*

The trade and other receivables and trade and other payables disclosed in the above tables 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 R49,4 million (2017: R75,5 million) and the total value of non-financial liabilities excluded from trade and other payables is R133,8 million (2017: R59,0 million).

	Note	Total carrying value R'000	Total fair value R'000	Explanation note
At 28 February 2017				
Loans to associates and joint ventures	12	47 371	47 371	8.1
Non-current trade and other receivables	15	100 557	100 557	8.2
Construction contracts in progress and retentions	14	334 016	334 016	8.3
Trade and other receivables	15	1 449 906	1 449 906	8.4
Cash and cash equivalents	16	1 103 618	1 103 618	8.5
Borrowings	17	(950 800)	(950 800)	8.6
Other financial liabilities	19	(167 367)	(167 367)	8.7
Trade and other payables	20	(1 455 355)	(1 455 355)	8.8
Total		461 946	461 946	
At 28 February 2018				
Loans to associates and joint ventures	12	**85 444**	**85 444**	**8.1**
Non-current trade and other receivables	15	**81 915**	**81 915**	**8.2**
Construction contracts in progress and retentions	14	**280 933**	**280 933**	**8.3**
Trade and other receivables	15	**1 440 170**	**1 440 170**	**8.4**
Cash and cash equivalents	16	**1 084 088**	**1 084 088**	**8.5**
Borrowings	17	**(776 556)**	**(776 556)**	**8.6**
Other financial liabilities	19	**(162 247)**	**(162 247)**	**8.7**
Trade and other payables	20	**(1 396 771)**	**(1 396 771)**	**8.8**
Total		**636 976**	**636 976**	

Notes to the group financial statements continued

for the year ended 28 February 2018

8. Financial instruments and financial risk management (continued)

Categories of financial instruments (continued)

8.1. Loans to associates and joint ventures are carried at their present values and bear interest at market-related rates, they therefore are deemed to approximate their fair value.

8.2. Non-current trade and other receivables relate to the non-current portion of receivables under finance leases. 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.

8.3. 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 has been taken into account where deemed to be significant using the effective interest rate method.

8.4. 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.

8.5. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, they therefore approximate fair value.

8.6. Borrowings are made up of bank borrowings and unsecured loans.

Bank borrowings are held at amortised cost and calculated using the specific fixed terms of the agreements in place. Refer note 17 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.

8.7. Other financial liabilities are either carried at fair value through profit and loss or at amortised cost, refer note 19 where any significant unobservable inputs have been disclosed in this regard.

8.8. Trade payables are held at amortised cost 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.

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 group's financial assets and liabilities that are measured at fair value at 28 February 2018:

	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Liabilities				
At 28 February 2017				
Financial liabilities at fair value through profit or loss				
Contingent considerations	–	–	2 247	2 247
Put option	–	–	56 972	56 972
Total liabilities	–	–	59 219	59 219
At 28 February 2018				
Financial liabilities at fair value through profit or loss				
Contingent considerations	**–**	**–**	**–**	**–**
Put option	**–**	**–**	**60 267**	**60 267**
Total liabilities	**–**	**–**	**60 267**	**60 267**

8. Financial instruments and financial risk management (continued)

Fair value estimation (continued)

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 28 February 2018:

	Notes	Put option R'000	Contingent considerations R'000	Total R'000
Year ended 28 February 2017				
Opening balance		53 749	28 570	82 319
Settlement during the year		–	(20 989)	(20 989)
Gains and losses recognised in profit or loss		3 223	(5 334)	(2 111)
Closing balance	19	56 972	2 247	59 219
Year ended 28 February 2018				
Opening balance		**56 972**	**2 247**	**59 219**
Gains and losses recognised in profit or loss		**3 295**	**(2 247)**	**1 048**
Closing balance	19	**60 267**	**–**	**60 267**

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

Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The group operates across sub-Saharan Africa and Australia 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.

Notes to the group financial statements continued

for the year ended 28 February 2018

8. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) ***Market risk*** (continued)

(i) ***Foreign exchange risk*** (continued)

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

	Notes	South African Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 28 February 2017										
Non-current assets										
Trade and other receivables	15	100 557	–	–	–	–	–	–	–	100 557
Current assets										
Construction contracts in progress and retentions	14	314 555	–	683	–	–	–	–	18 778	334 016
Trade and other receivables	15	1 268 943	–	23 344	–	–	1 938	542	155 139	1 449 906
Cash and cash equivalents	16	1 050 465	–	31 433	–	–	776	3 868	17 076	1 103 618
Total monetary assets		2 734 520	–	55 460	–	–	2 714	4 410	190 993	2 988 097
Non-current liabilities										
Borrowings	17	552 767	–	9 806	–	–	–	–	–	562 573
Current liabilities										
Borrowings	17	385 129	–	3 098	–	–	–	–	–	388 227
Trade and other payables	20	1 388 681	–	13 976	–	–	3 663	200	48 835	1 455 355
Total monetary liabilities		2 326 577	–	26 880	–	–	3 663	200	48 835	2 406 155
Net monetary assets/ (liabilities) at year end		407 943	–	28 580	–	–	(949)	4 210	142 158	581 942

* *No exchange risk exists between the South African Rand and the Namibian Dollar, as the exchange rate is pegged at 1:1.*

8. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

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

	Notes	South African Rand and Namibian Dollar* R'000	Australian Dollar R'000	Botswana Pula R'000	Central African Franc (Cameroon) R'000	Euro R'000	Mozambican Metical R'000	US Dollar R'000	Zambian Kwacha R'000	Total R'000
Year ended 28 February 2018										
Non-current assets										
Trade and other receivables	15	81 915	–	–	–	–	–	–	–	81 915
Current assets										
Construction contracts in progress and retentions	14	256 699	1 380	504	886	–	–	–	21 464	280 933
Trade and other receivables	15	1 184 315	44 278	43 307	39 901	–	–	–	128 369	1 440 170
Cash and cash equivalents	16	975 933	15 167	42 881	1 143	26 330	2 081	6 044	14 509	1 084 088
Total monetary assets		2 498 862	60 825	86 692	41 930	26 330	2 081	6 044	164 342	2 887 106
Non-current liabilities										
Borrowings	17	398 923	4 466	7 895	–	–	–	–	–	411 284
Current liabilities										
Borrowings	17	355 719	6 113	3 440	–	–	–	–	–	365 272
Trade and other payables	20	1 287 974	26 574	12 206	18 404	–	5 128	165	46 320	1 396 771
Total monetary liabilities		2 042 616	37 153	23 541	18 404	–	5 128	165	46 320	2 173 327
Net monetary assets/ (liabilities) at year end		456 246	23 672	63 151	23 526	26 330	(3 047)	5 879	118 022	713 779

** No exchange risk exists between the South African Rand and the Namibian Dollar, as the exchange rate is pegged at 1:1.*

The trade and other receivables and trade and other payables disclosed in the above tables 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 R49,4 million (2017: R75,5 million) and the total value of non-financial liabilities excluded from trade and other payables is R133,8 million (2017: R59,0 million).

Notes to the group financial statements continued

for the year ended 28 February 2018

8. 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 or reserves 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 2017			
Total monetary assets		25 357	(25 357)
Botswana Pula	10%	5 546	(5 546)
Mozambican Metical	10%	271	(271)
US Dollar	10%	441	(441)
Zambian Kwacha	10%	19 099	(19 099)
Total monetary liabilities		(7 958)	7 958
Botswana Pula	10%	(2 688)	2 688
Mozambican Metical	10%	(366)	366
US Dollar	10%	(20)	20
Zambian Kwacha	10%	(4 884)	4 884
Net increase/(decrease) in group profit before tax or reserves		17 399	(17 399)
Year ended 28 February 2018			
Total monetary assets		**38 823**	**(38 823)**
Australian Dollar	10%	**6 082**	**(6 082)**
Botswana Pula	10%	**8 669**	**(8 669)**
Central African Franc (Cameroon)	10%	**4 193**	**(4 193)**
Euro	10%	**2 633**	**(2 633)**
Mozambique Metical	10%	**208**	**(208)**
US Dollar	10%	**604**	**(604)**
Zambian Kwacha	10%	**16 434**	**(16 434)**
Total monetary liabilities		**(13 070)**	**13 070**
Australian Dollar	10%	**(3 715)**	**3 715**
Botswana Pula	10%	**(2 354)**	**2 354**
Central African Franc (Cameroon)	10%	**(1 840)**	**1 840**
Mozambique Metical	10%	**(513)**	**513**
US Dollar	10%	**(16)**	**16**
Zambian Kwacha	10%	**(4 632)**	**4 632**
Net increase/(decrease) in group profit before tax or reserves		**25 753**	**(25 753)**

8. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) ***Market risk*** (continued)

(i) ***Foreign exchange risk*** (continued)

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.

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 operating profit of the group due to a depreciation of the Rand R'000	Increase/(decrease) in operating profit of the group due to an appreciation of the Rand R'000
Year ended 28 February 2017			
Net increase/(decrease) in group operating profit		4 930	(4 930)
Botswana Pula	10%	2 650	(2 650)
Mozambican Metical	10%	(1 393)	1 393
US Dollar	10%	(514)	514
Zambian Kwacha	10%	4 187	(4 187)
Year ended 28 February 2018			
Net increase/(decrease) in group operating profit		**2 398**	**(2 398)**
Australian Dollar	10%	**598**	**(598)**
Botswana Pula	10%	**4 332**	**(4 332)**
Central African Franc (Cameroon)	10%	**55**	**(55)**
Mozambique Metical	10%	**(348)**	**348**
US Dollar	10%	**(254)**	**254**
Zambian Kwacha	10%	**(1 985)**	**1 985**

(ii) ***Price risk***

The group is not exposed to any price risk as it does not hold investments in equity of other entities that are publicly traded.

(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.

Notes to the group financial statements continued

for the year ended 28 February 2018

8. Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(a) Market risk (continued)

(iii) Cash flow interest rate risk (continued)

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 2018	-1% R'000 2018	1% R'000 2017	-1% R'000 2017
Cash and cash equivalents	7 805	(7 805)	7 946	(7 946)
Bank borrowings	(5 568)	5 568	(6 565)	6 565
Loans to joint ventures (refer note 12)	791	(791)	343	(343)
Increase/(decrease) in profitability	3 028	(3 028)	1 724	(1 724)

(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 and Australia (refer note 15). 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 the concentration of customers below:

	2018 R'000	%	2017 R'000	%
South African National Road Agency	125 925	8	234 403	14
South African Provincial and Municipal Government	244 510	16	272 331	17
South African Private Sector	694 751	44	658 874	41
Sub-Saharan Africa and Australia (public and private sector)	506 304	32	460 322	28
Total trade and other receivables (refer note 15)	1 571 490	100	1 625 930	100

8. Financial instruments and financial risk management (continued)

(b) *Credit risk* (continued)

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 note 15 for the ageing of debtors.

	Rating	2018 R'000	2017 R'000
Concentration of credit risk			
Cash and cash equivalents	AA	**17 808**	–
Cash and cash equivalents	A	**12 145**	11 003
Cash and cash equivalents	BBB	**1 051 610**	1 089 725
Cash on hand	Not rated	**2 525**	2 890
Total cash and cash equivalents (refer note 16)		**1 084 088**	1 103 618
Trade receivables	AA	**21 555**	–
Trade receivables	A	**–**	19 008
Trade receivables	BBB	**376 039**	556 210
Trade receivables	Not rated	**1 004 863**	882 119
Receivables under finance leases	Not rated	**101 251**	118 862
Receivables from related parties	Not rated	**59 613**	43 371
Loans to related parties	Not rated	**8 169**	6 360
Total trade and other receivables (refer note 15)		**1 571 490**	1 625 930
Retentions	AA	**7 089**	–
Retentions	A	**–**	1 748
Retentions	BBB	**77 412**	92 985
Retentions	Not rated	**60 467**	61 449
Total retentions (refer note 14)		**144 968**	156 182

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 800,5 million (2017: R2 885,7 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 review 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.

Notes to the group financial statements continued

for the year ended 28 February 2018

8. Financial instruments and financial risk management (continued)

(c) *Liquidity risk* (continued)

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
Year ended 28 February 2017					
Non-derivative financial liabilities					
Bank borrowings	911 798	1 012 169	429 946	582 223	–
Unsecured loan	39 002	39 002	39 002	–	–
Other financial liabilities	167 367	228 578	15 000	123 578	90 000
Trade and other payables	1 455 355	1 455 358	1 455 358	–	–
Total	2 573 522	2 735 107	1 939 306	705 801	90 000
Year ended 28 February 2018					
Non-derivative financial liabilities					
Bank borrowings	**773 331**	**852 645**	**419 374**	**433 271**	**–**
Unsecured loan	**3 225**	**3 225**	**3 225**	**–**	**–**
Other financial liabilities	**162 247**	**211 178**	**76 178**	**60 000**	**75 000**
Trade and other payables	**1 396 771**	**1 396 771**	**1 396 771**	**–**	**–**
Total	**2 335 574**	**2 463 819**	**1 895 548**	**493 271**	**75 000**

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

The trade and other payables disclosed in the table excludes the non-financial liabilities in trade and other payables carried on the statement of financial position at a value of R133,8 million (2017: R59,0 million).

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 699,0 million (2017: R1 518,3 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.

9. 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.

9. Capital risk management (continued)

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 is calculated below:

	2018 R'000	2017 R'000
Borrowings (refer note 17)	**776 556**	950 800
Other financial liabilities (refer note 19)	**162 247**	167 367
Trade and other payables (refer note 20)	**1 530 581**	1 514 324
Current income tax liabilities	**31 680**	25 120
Defined debt	**2 501 064**	2 657 611
Capital and reserves	**4 197 968**	3 949 725
Less: Intangible assets (refer note 11)	**(947 806)**	(851 102)
Defined shareholders' funds	**3 250 162**	3 098 623
Debt covenant gearing ratio	**0,77**	0,86

The gearing ratio expressed as a percentage of net debt to total capital plus net debt is calculated below:

	2018 R'000	2017 R'000
Total borrowings (refer note 17)	**776 556**	950 800
Less: Cash and cash equivalents (refer note 16)	**(1 084 088)**	(1 103 618)
Net debt	**(307 532)**	(152 818)
Total equity	**4 197 968**	3 949 725
Total capital and net debt	**3 890 436**	3 796 907
Gearing ratio	**(7,9%)**	(4,0%)

10. Property, plant and equipment

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

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.

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.

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 – 20 years
- Plant and machinery — 5 – 20 years
- Vehicles — 3 – 8 years
- Furniture, fittings and equipment — 2 – 8 years

Notes to the group financial statements continued

for the year ended 28 February 2018

10. Property, plant and equipment (continued)

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. Aircrafts are disclosed under vehicles.

Mechanical workshops are included under land and buildings.

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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date with reference to external valuations and confirmations supporting the reasonableness of estimates.

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, current economic conditions, current year similar asset disposal values and management estimates, including the cash flows expected to derive from these assets, to support the reasonableness of carrying values as part of the assets' annual evaluation process. 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.

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.

	Land and buildings R'000	Plant and machinery* R'000	Vehicles* R'000	Furniture, fittings and equipment R'000	Total R'000
At 29 February 2016					
Cost	275 330	2 992 489	700 570	46 212	4 014 601
Accumulated depreciation	(5 055)	(1 335 886)	(310 587)	(27 325)	(1 678 853)
Net book amount	270 275	1 656 603	389 983	18 887	2 335 748
Year ended 28 February 2017					
Opening net book amount	270 275	1 656 603	389 983	18 887	2 335 748
Exchange differences	(955)	(2 036)	17	(69)	(3 043)
Acquisition of subsidiaries	11 400	20 670	3 277	–	35 347
Additions	21 280	346 874	60 216	12 142	440 512
Disposals	(6 799)	(57 040)	(7 149)	(26)	(71 014)
Depreciation	(3 935)	(310 258)	(50 059)	(8 979)	(373 231)
Reclassification	461	(895)	399	35	–
Closing net book amount	291 727	1 653 918	396 684	21 990	2 364 319
At 28 February 2017					
Cost	300 143	3 199 008	743 729	58 181	4 301 061
Accumulated depreciation	(8 416)	(1 545 091)	(347 044)	(36 191)	(1 936 742)
Net book amount	291 727	1 653 917	396 685	21 990	2 364 319

* *During the current year it was decided that the previously disclosed "Plant and machinery" category be broken down further into two separate, more appropriate categories in order to provide the readers of the financial statements with additional information regarding the property, plant and equipment held by the group. Vehicles consist of both light and heavy road worthy vehicles, used within the group. This disclosure adjustment has no effect on the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity or the statement of cash flows.*

10. Property, plant and equipment (continued)

	Land and buildings R'000	Plant and machinery* R'000	Vehicles* R'000	Furniture, fittings and equipment R'000	Total R'000
Year ended 28 February 2018					
Opening net book amount	**291 727**	**1 653 917**	**396 685**	**21 990**	**2 364 319**
Exchange differences	**(198)**	**(1 485)**	**(118)**	**(43)**	**(1 844)**
Acquisition of subsidiaries	**99**	**48 626**	**2 286**	**429**	**51 440**
Additions	**27 599**	**340 708**	**60 791**	**12 188**	**441 286**
Loss of control of subsidiary	**–**	**(5 622)**	**(3 621)**	**(25)**	**(9 268)**
Disposals	**(3 846)**	**(70 652)**	**(3 539)**	**(452)**	**(78 489)**
Depreciation	**(3 741)**	**(289 815)**	**(53 354)**	**(10 369)**	**(357 279)**
Reclassification	**–**	**(439)**	**–**	**439**	**–**
Closing net book amount	**311 640**	**1 675 238**	**399 130**	**24 157**	**2 410 165**
At 28 February 2018					
Cost	**323 760**	**3 320 733**	**732 759**	**69 836**	**4 447 088**
Accumulated depreciation	**(12 120)**	**(1 645 495)**	**(333 629)**	**(45 679)**	**(2 036 923)**
Net book amount	**311 640**	**1 675 238**	**399 130**	**24 157**	**2 410 165**

* *During the current year it was decided that the previously disclosed "Plant and machinery" category be broken down further into two separate, more appropriate categories in order to provide the readers of the financial statements with additional information regarding the property, plant and equipment held by the group. Vehicles consist of both light and heavy road worthy vehicles, used within the group. This disclosure adjustment has no effect on the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity or the statement of cash flows.*

Aircraft with a book value of R55,5 million (2017: R56,1 million) have been included under vehicles.

Depreciation expense of R357,3 million (2017: R373,2 million) has been charged in cost of sales (refer note 29).

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 R946,8 million (2017: R1 152,1 million).

A general notarial bond of R0,5 million (2017: R2,2 million) is registered over property with a carrying value of R1,7 million (2017: R5,4 million) as security for borrowing and asset finance facilities.

Lease rentals of R39,7 million (2017: R53,1 million) relating to the leasing of property, plant and equipment, are included in the statement of profit or loss (refer note 29).

Borrowings are disclosed in note 17 of these financial statements.

11. 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.

Notes to the group financial statements continued

for the year ended 28 February 2018

11. Intangible assets (continued)

Goodwill (continued)

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 recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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.

Customer relationships

Separately acquired customer relationship intangibles are shown at historical cost. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Customer relationships are amortised over a one-year period.

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.

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

- Mining rights for commercial quarries 9 – 50 years

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.

Impairment test for goodwill

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

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 management's purpose 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.

11. Intangible assets (continued)

	Goodwill R'000	Customer relationships R'000	Trademarks R'000	Mining rights R'000	Total R'000
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
Year ended 28 February 2017					
Opening net book amount	787 326	–	21 053	20 904	829 283
Acquisition of subsidiaries	11 902	–	–	17 256	29 158
Acquisition of intangible assets	–	–	–	2 000	2 000
Impairment loss	(7 906)	–	–	–	(7 906)
Amortisation charge	–	–	–	(1 433)	(1 433)
Closing net book amount	791 322	–	21 053	38 727	851 102
At 28 February 2017					
Cost	806 105	–	21 053	53 934	881 092
Accumulated amortisation and impairment	(14 783)	–	–	(15 207)	(29 990)
Net book amount	791 322	–	21 053	38 727	851 102
Year ended 28 February 2018					
Opening net book amount	**791 322**	**–**	**21 053**	**38 727**	**851 102**
Acquisition of subsidiaries	**59 697**	**3 763**	**–**	**17 450**	**80 910**
Acquisition of intangible assets	**–**	**–**	**–**	**30 000**	**30 000**
Impairment loss	**(2 799)**	**–**	**–**	**–**	**(2 799)**
Loss of control of subsidiary	**(792)**	**–**	**–**	**–**	**(792)**
Exchange differences	**(6 538)**	**–**	**–**	**–**	**(6 538)**
Amortisation charge	**–**	**(727)**	**–**	**(3 350)**	**(4 077)**
Closing net book amount	**840 890**	**3 036**	**21 053**	**82 827**	**947 806**
At 28 February 2018					
Cost	**859 264**	**3 763**	**21 053**	**101 384**	**985 464**
Accumulated amortisation and impairment	**(18 374)**	**(727)**	**–**	**(18 557)**	**(37 658)**
Net book amount	**840 890**	**3 036**	**21 053**	**82 827**	**947 806**

During the year the goodwill relating to the acquisition of Prodev (Pty) Ltd was impaired due to the winding up of Burma Namibia (Pty) Ltd, refer note 4. Prodev (Pty) Ltd owns 100% of Burma Namibia (Pty) Ltd. Similarly, in the prior year, the goodwill relating to the acquisition of L&R Civils (Pty) Ltd was impaired. The impairment losses incurred have been included in other gains/losses (refer note 28).

The goodwill relating to the acquisition of Centremark Roadmarking (Pty) Ltd was written off during the year due to control in terms of IFRS 10 being lost, refer note 7 for further details.

During the year mining rights to the value of R30 million were officially transferred into the name of the group. These mining rights relate to the sand quarry and aggregate crushing operations acquired in September 2014 through the acquisition of Buildmax Aggregates and Quarries (Pty) Ltd. The portion of the purchase price paid relating to the mining rights formed part of prepayments in the prior year.

Notes to the group financial statements continued

for the year ended 28 February 2018

11. Intangible assets (continued)

Amortisation of mining rights of R4,1 million (2017: R1,4 million) is included in cost of sales in the statement of profit or loss (refer note 29).

An operating segment-level summary of the intangible asset allocation is presented below:

	Materials R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Infrastructure R'000	Total R'000
Goodwill					
Year ended 28 February 2017	517 548	140 093	131 568	2 113	791 322
Year ended 28 February 2018	**531 657**	**140 093**	**130 776**	**38 364**	**840 890**
Customer relationships					
Year ended 28 February 2017	–	–	–	–	–
Year ended 28 February 2018	**–**	**–**	**–**	**3 036**	**3 036**
Trademarks					
Year ended 28 February 2017	21 053	–	–	–	21 053
Year ended 28 February 2018	**21 053**	**–**	**–**	**–**	**21 053**
Mining rights					
Year ended 28 February 2017	38 727	–	–	–	38 727
Year ended 28 February 2018	**82 827**	**–**	**–**	**–**	**82 827**

The recoverable amounts of goodwill and trademarks are determined using value-in-use calculations covering a five-year period which are based on financial budgets approved by management for the year ended 28 February 2019. 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. The period used is considered reasonable as the business units to which the goodwill and trademarks relate are considered to have indefinite lives.

For the purpose of sensitivity analysis, long-term average growth rates of between 1% and 5% were used with a pre-tax discount rate of between 12% and 18%. The pre-tax discount rates reflect specific risks relating to the entities within the group and the countries in which they operate (if applicable).

The recoverable amounts of goodwill and trademarks will still exceed their carrying values if the growth rate is 0%. A rise in the pre-tax discount rate to 30% will remove the remaining headroom and the carrying value will exceed the recoverable amount.

12. Investment in associates and joint ventures

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

	2018 R'000	2017 R'000
Investment in associates	**1 818**	1 716
Loans to associates	**24 526**	–
Investment in joint ventures	**1**	–
Loans to joint ventures	**85 444**	47 371
	111 789	49 087

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

The loan to associates and joint ventures bears interest at 12,25% (2017: 12,50%) with no fixed repayment terms.

12.1 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 (refer note 7). The group's investment in associates includes goodwill identified on acquisition. Loans to associates are included in the investment in associates line in the statement of financial position.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in associates:

	2018 R'000	2017 R'000
Carrying value at the beginning of the year	**1 716**	1 039
Change in ownership: Centremark (investment in associate)	**–**	–
Loans to associates	**24 526**	–
Share of profit in associate	**102**	677
Carrying value at the end of the year	**26 344**	1 716

The associates as listed below have 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. The proportion of interest held is also the proportion of voting rights held.

Nature of investments in associates:

Name of entity	Place of business/ country of incorporation	% of attributable interest	Nature of the relationship	Measurement method
Lufhereng Development Company (Pty) Ltd ("Lufhereng ")	South Africa	25,34	Note 1	Equity
Centremark Roadmarking (Pty) Ltd ("Centremark")	South Africa	44	Note 2	Equity

Note 1: Lufhereng was established during 2015 to execute the project Lufhereng Mixed Integrated Development for the City of Johannesburg.

Note 2: Centremark specialises in line marking and the installation of road studs. Its services give the group the ability to complete the full road construction cycle from start to finish. Centremark was previously a fully consolidated subsidiary. However, during the year, the directors decided to dilute the group's ownership in order to allow Centremark to meet certain ownership targets required by the sector for small to medium-sized projects. Refer note 7 for further details in this regard.

Notes to the group financial statements continued

for the year ended 28 February 2018

12. Investment in associates and joint ventures (continued)

12.1 *Associates* (continued)

Both associates listed above are private companies and there are no quoted market prices available for their shares.

Financial information

	Lufhereng		Centremark	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Statement of financial position				
Assets				
Non-current assets	**8**	7	**9 518**	–
Current assets	**21 395**	16 035	**21 766**	–
Total assets	**21 403**	16 042	**31 284**	–
Equity and liabilities				
Equity	**7 870**	6 769	**(399)**	–
Non-current liabilities	**–**	–	**2 007**	–
Current liabilities	**13 533**	9 273	**29 676**	–
Total equity and liabilities	**21 403**	16 042	**31 284**	–
Statement of profit or loss				
Revenue	**97 262**	275 972	**36 237**	–
Profit/(loss)	**1 101**	2 671	**(251)**	–

12.2 *Joint ventures*

Joint ventures are accounted for using the equity method. Loans to joint ventures are included in the investment in joint ventures line in the statement of financial position.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in joint ventures:

	2018 R'000	2017 R'000
Carrying value at the beginning of the year	**47 371**	49 643
Investment in joint ventures	**1**	–
Share of profit in joint ventures	**375**	178
Loans to/(repayments from) joint ventures	**37 698**	(2 450)
Carrying value at the end of the year	**85 445**	47 371

The joint ventures listed below have share capital consisting solely of ordinary shares, which are 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 ("TREC")	South Africa	50	Note 1	Equity
Ndlu Housing (Pty) Ltd ("Ndlu Housing")	South Africa	33,34	Note 2	Equity

Note 1: TREC was established during 2015 to carry out development projects.

Note 2: Ndlu Housing was established in order to execute work on the Lufhereng Mixed Integrated Development for the City of Johannesburg.

12. Investment in associates and joint ventures (continued)

12.2 Joint ventures (continued)

Both joint ventures listed above are private companies and there are no quoted market prices available for their shares.

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

Financial information

	Turnkey Real Estate Company		**Ndlu Housing**	
	2018 R'000	2017 R'000	**2018 R'000**	2017 R'000
Statement of financial position				
Assets				
Non-current assets	**31**	266	**4**	–
Current assets	**92 573**	50 884	**4 865**	–
Total assets	**92 604**	51 150	**4 869**	–
Equity and liabilities				
Equity	**(52)**	(657)	**219**	–
Current liabilities	**92 656**	51 807	**4 650**	–
Total equity and liabilities	**92 604**	51 150	**4 869**	–
Statement of profit or loss				
Revenue	**–**	–	**2 249**	–
Profit/(loss)	**605**	356	**215**	–

12.3 Reconciliation of carrying amounts of investments in associates and joint ventures

	Net assets (R'000)	Group's share (%)	Group's share (R'000)	Loans to associates and joint ventures R'000	Carrying amount R'000
Turnkey Real Estate Company	(657)	50	(329)	47 700	47 371
Lufhereng	6 769	25,34	1 716	–	1 716
Carrying amount at 28 February 2017					49 087
Turnkey Real Estate Company	**(52)**	**50**	**(27)**	**81 962**	**81 935**
Ndlu Housing	**219**	**33,34**	**73**	**3 436**	**3 509**
Lufhereng	**7 870**	**25,34**	**1 995**	**–**	**1 995**
Centremark	**(399)**	**44**	**(176)**	**24 526**	**24 350**
Carrying amount at 28 February 2018					**111 789**

Notes to the group financial statements continued

for the year ended 28 February 2018

13. 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 operating cycle are classified as non-current in the statement of financial position.

	2018 R'000	2017 R'000
Crusher stone	**173 923**	172 868
Gypsum	**59 069**	67 995
Consumable stores	**119 687**	113 143
Development land	**128 417**	112 815
Other materials including bitumen, rubber and emulsions	**184 073**	130 238
	665 169	597 059
Less: Non-current inventories	**(64 533)**	(73 459)
Total current inventories	**600 636**	523 600

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 765,3 million (2017: R2 629,8 million) (refer note 29). No inventories are encumbered.

14. Construction contracts in progress and retentions

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

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.

14. Construction contracts in progress and retentions (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.

Construction contract revenue within the group results from “cost-plus”, “re-measurable” and “fixed price” contracts.

Contracts in progress and retentions are made up as follows:

	2018 R’000	2017 R’000
Costs incurred plus profits recognised, less recognised losses relating to contracts at year end	**4 020 477**	5 904 994
Less: Progress billings	**(4 112 453)**	(6 003 380)
Net balance sheet position for ongoing contracts	**(91 976)**	(98 386)
Consisting of:		
Amounts due from customers for contract work	**135 964**	177 834
Amounts due to customers for contract work (refer note 20)	**(227 940)**	(276 220)
Net balance sheet position for ongoing contracts	**(91 976)**	(98 386)
Amounts due from customers for contract work	**135 965**	177 834
Retentions	**144 968**	156 182
Total contracts in progress at reporting date including retentions	**280 933**	334 016

Retentions to be received after 12 months amounted to R40,7 million (2017: R46,8 million) and fall in the normal operating cycle of the group.

15. 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.

Notes to the group financial statements continued

for the year ended 28 February 2018

15. Trade and other receivables (continued)

	2018 R'000	2017 R'000
Trade receivables	**1 450 707**	1 444 514
Less: Provision for impairment of trade receivables	**(97 655)**	(62 644)
Trade receivables – net	**1 353 052**	1 381 870
Receivables under finance leases	**101 251**	118 862
Prepayments	**20 307**	58 317
Value-added taxation	**29 098**	17 150
Receivables from related parties (refer note 37)	**59 613**	43 371
Loans to related parties (refer note 37)	**8 169**	6 360
	1 571 490	1 625 930
Less: Non-current trade and other receivables	**(81 915)**	(100 557)
Total current trade and other receivables	**1 489 575**	1 525 373

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 28 February 2018, trade receivables of R97,7 million (2017: R62,6 million) were impaired and provided for. The ageing of these trade receivables is as follows:

	2018 R'000	2017 R'000
30 days to three months	**11 531**	5 215
Three to six months	**10 425**	1 248
Over six months	**75 699**	56 181
	97 655	62 644

There were no impairments required on any of the other classes of receivables, which include loans to and receivables from related parties. These receivables are not past due at 28 February 2018.

As of 28 February 2018, trade receivables of R504,0 million (2017: R444,0 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.

The ageing of these trade receivables is as follows:

	2018 R'000	2017 R'000
30 days to three months	**317 378**	247 621
Three to six months	**36 543**	74 933
Over six months	**150 066**	121 404
	503 987	443 958

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

15. Trade and other receivables (continued)

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

	2018 R'000	2017 R'000
South African Rand	**1 054 278**	1 158 637
Australian Dollar	**44 311**	–
Botswana Pula	**48 828**	24 926
Central African CFA Franc	**39 901**	–
Mozambican Metical	**–**	2 248
Namibian Dollar	**255 532**	282 060
Zambian Kwacha	**128 640**	158 059
	1 571 490	1 625 930
Provision for impairment of trade receivables		
Balance at the beginning of the year	**62 646**	33 000
Exchange differences	**(1 798)**	(78)
Current year provision for receivables	**41 432**	44 295
Receivables written off during the year as uncollectible	**(3 293)**	(9 643)
Unused amounts reversed	**(1 275)**	(4 930)
Loss of control of subsidiary	**(57)**	–
Balance at the end of the year	**97 655**	62 644

The creation and release of provision for impaired receivables have been included in other operating expenses in the statement of profit or loss (refer note 29).

Receivables under finance leases

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 actuarial method is used to allocate 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 group's net investment in the lease.

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

	2018 R'000	2017 R'000
Total gross investment in finance leases	**133 750**	167 833
No later than one year	**32 164**	34 963
Later than one year and no later than five years	**101 586**	132 870
Unearned finance income	**(32 499)**	(48 971)
Net investment in lease	**101 251**	118 862
Represented by:		
Present value of minimum lease instalments	**101 251**	118 862
No later than one year	**19 336**	18 306
Later than one year and no later than five years	**81 915**	100 556

The group offers lessor financing for manufactured plant over the period of the contract where the plant has been built by group entities. The interest rate applicable to the lease is similar to that of current market rates.

Notes to the group financial statements continued

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16. Cash and cash equivalents

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

	2018 R'000	2017 R'000
Cash on hand	**2 525**	2 889
Bank balances	**634 464**	480 184
Investments on call	**447 099**	620 545
Total cash and cash equivalents	**1 084 088**	1 103 618
For purpose of the consolidated cash flow statement, cash and cash equivalents consist of:		
Cash on hand	**1 084 088**	1 103 618

17. Borrowings

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.

Instalment sales agreements where the group is the lessee are recognised as assets and liabilities in the statement of financial position at the agreement's commencement at the amounts equal to the fair value of the leased property or, if lower, the present value of the minimum instalments. The corresponding liability to the lessor is included in the statement of financial position as an instalment sales agreement obligation.

The discount rate used in calculating the present value of the minimum instalments is the interest rate implicit in the agreement.

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

	2018 R'000	2017 R'000
Non-current		
Bank borrowings	**411 284**	562 573
Total non-current borrowings	**411 284**	562 573
Current		
Bank borrowings	**362 047**	349 225
Unsecured loans	**3 225**	39 002
Total current borrowings	**365 272**	388 227
Total borrowings	**776 556**	950 800

17. Borrowings (continued)

Bank borrowings

The bank borrowings are secured by hypothec over property, plant and equipment with a book value of R946,8 million (2017: R1 152,1 million) and repayable in monthly instalments of R40,5 million (2017: R44,4 million) with an effective interest rate ranging between 6,27% and 10,01% per annum (2017: 7,6% and 10,5%). Bank borrowings mature June 2023.

A general notarial bond of R0,5 million (2017: R2,2 million) is registered over property with a carrying value of R1,7 million (2017: R5,4 million) as security for borrowing and asset finance facilities.

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

The group has undrawn borrowing facilities of R656,1 million (2017: R627,6 million). The facilities are subject to annual review.

Gross future minimum payments on bank borrowings are as follows:

	2018 R'000	2017 R'000
No later than one year	419 374	429 946
Later than one year and no later than five years	433 271	582 223
	852 645	1 012 169
Future finance charges on bank borrowings	(79 314)	(100 371)
Present value of bank borrowings	773 331	911 798

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 9: Capital risk management.

Unsecured loans

	2018 R'000	2017 R'000
Crossmoor Transport CC (refer note 37)	–	1 705
Independent Family Trust (refer note 37)	3 225	3 907
MAB Fusion (Pty) Ltd (refer note 37)	–	14 992
Manamata Investments (Pty) Ltd (refer note 37)	–	2 902
Oranje Mynbou en Vervoer (Pty) Ltd (refer note 37)	–	15 496
Total unsecured loans	3 225	39 002

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

During the year R7,5 million of the loan owed to MAB Fusion (Pty) Ltd was acquired by Raubex (Pty) Ltd through a sale of shares and sale claims agreement entered into with the non-controlling interest of Burma Plant Hire (Pty) Ltd (refer note 7). The remaining loan balance was written off during the year and was included in other gains/(losses) (refer note 28).

18. Provisions for liabilities and charges

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.

Notes to the group financial statements continued

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18. Provisions for liabilities and charges (continued)

The provisions are made up as follows:

	Materials provision R'000	Rehabilitation provision R'000	Post-employment benefits R'000	Total R'000
At 1 March 2016	–	61 952	3 789	65 741
Acquisition of subsidiaries	–	6 451	–	6 451
Charged to statement of profit or loss:				
– Additional provision	–	326	–	326
– Unwinding of discount (refer note 31)	–	2 194	–	2 194
– Provisions utilised	–	(344)	–	(344)
– Current service cost	–	–	167	167
– Interest expense	–	–	405	405
– Expected employer benefit payments	–	–	10	10
– Past service cost gain	–	–	(15)	(15)
Actuarial gain for the year	–	–	(97)	(97)
At 28 February 2017	–	70 579	4 259	74 838
Acquisition of subsidiaries (refer note 7)	**–**	**1 686**	**–**	**1 686**
Charged to statement of profit or loss:				
– Additional provision	**15 823**	**4 138**	**–**	**19 961**
– Unwinding of discount (refer note 31)	**–**	**2 905**	**–**	**2 905**
– Provisions utilised	**–**	**(267)**	**–**	**(267)**
– Current service cost	**–**	**–**	**182**	**182**
– Interest expense	**–**	**–**	**480**	**480**
– Expected employer benefit payments	**–**	**–**	**(16)**	**(16)**
– Past service cost gain	**–**	**–**	**(646)**	**(646)**
Actuarial gain for the year	**–**	**–**	**(520)**	**(520)**
At 28 February 2018	**15 823**	**79 041**	**3 739**	**98 603**

Analysis of total provisions

	2018 R'000	2017 R'000
Non-current		
Rehabilitation provision	**79 041**	70 579
Post-employment benefits	**3 739**	4 259
Total non-current provisions	**82 780**	74 838
Current		
Materials provision	**15 823**	–
Total current provisions	**15 823**	–
Total provisions	**98 603**	74 838

The additional provisions have been included in other operating expenses in the statement of profit or loss (refer note 29).

18. Provisions for liabilities and charges (continued)

Rehabilitation provision

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.

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.

The 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 6,80% (2017: 6,80%) and an average inflation rate of 4,99% (2017: 6,27%) 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 their retirees, employed prior to 1 January 1998 who retire and satisfy the necessary requirements of the medical fund. 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.

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

	2018 R'000	2017 R'000
Non-current present value of unfunded obligations	**3 694**	4 244
Current present value of unfunded obligations	**45**	15
Balance at the end of the year	**3 739**	4 259
Consisting of:		
Retirement benefits	**2 595**	3 785
Death-in-service benefits	**110**	147
Continuation members benefits	**1 034**	327
Balance at the end of the year	**3 739**	4 259

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 expected working lifetime.

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

	2018	2017
Discount rate	**11,3%**	11,3%
Healthcare cost inflation	**10,0%**	10,7%
Expected retirement age	**59**	59

Notes to the group financial statements continued

for the year ended 28 February 2018

18. Provisions for liabilities and charges (continued)

Post-employment benefits (continued)

The weighted average duration of the post-retirement healthcare benefit is 20,5 years (2017: 22,0 years).

The expected maturity analysis of undiscounted benefit payments:

	Less than a year R'000	Between 1 – 5 years R'000	Between 6 – 10 years R'000	Between 11 – 15 years R'000
At 28 February 2017				
Benefit payments	16	436	1 319	3 131
At 28 February 2018				
Benefit payments	**47**	**471**	**1 150**	**2 933**

Projection of results of the valuation as at 28 February 2018 to 28 February 2019 is set out below.

	Post-employment benefit liability R'000
As at 28 February 2018	**3 739**
Current service cost	**118**
Interest expense	**420**
Expected employer benefit payments	**(47)**
As at 28 February 2019	**4 230**

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.

19. Other financial liabilities

Other financial liabilities consist of the following:

- A put option (Financial liability at fair value through profit and loss);
- Contingent considerations (Financial liabilities at fair value through profit and loss); and
- Voluntary rebuilding programme settlement liability (Financial liability held at amortised cost).

The put option was 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 put option is measured at fair value. Gains and losses arising from changes in the fair value of the liability are included in profit or loss. If the put option expires without delivery, the carrying amount of the put option is reclassified to equity.

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.

19. Other financial liabilities (continued)

	Put option R'000	Contingent considerations R'000	Voluntary rebuilding programme R'000	Total R'000
At 1 March 2016	53 749	28 570	–	82 319
Charged to statement of profit or loss:				
– Voluntary rebuilding programme settlement liability	–	–	119 884	119 884
– Contingent consideration reversed (L&R Civils)	–	(5 700)	–	(5 700)
– Unwinding of discount (refer note 31)	3 223	366	3 264	6 853
Settlement of contingent consideration:				
– OMV Stilfontein (Pty) Ltd and OMV Gypsum Potchefstroom (Pty) Ltd	–	(20 989)	–	(20 989)
– Voluntary rebuilding programme settlement	–	–	(15 000)	(15 000)
At 28 February 2017	56 972	2 247	108 148	167 367
Non-current	56 972	–	93 148	150 120
Current	–	2 247	15 000	17 247
	56 972	2 247	108 148	167 367
At 1 March 2017	56 972	2 247	108 148	167 367
Charged to statement of profit or loss:				
– Contingent consideration reversed (Empa)	**–**	**(2 400)**	**–**	**(2 400)**
– Unwinding of discount (refer note 31)	**3 295**	**153**	**8 830**	**12 278**
Settlement of contingent consideration:				
– Voluntary rebuilding programme settlement	**–**	**–**	**(15 000)**	**(15 000)**
At 28 February 2018	**60 267**	**–**	**101 978**	**162 245**
Non-current	**–**	**–**	**86 980**	**86 980**
Current	**60 267**	**–**	**15 000**	**75 267**
	60 267	**–**	**101 980**	**162 247**

L&R Civils (Pty) Ltd ("L&R Civils") – contingent consideration

The contingent consideration originated on the acquisition of the share capital of L&R Civils. 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 was 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, R2 million should the profit after tax have averaged 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 was payable if the profit after tax average for any three consecutive years within the first five years from the effective date was between R5 million and R7 million. The maximum undiscounted amount of the contingent consideration payable was R6 million.

The fair value of the contingent consideration at acquisition date was 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.

During the prior year it was determined that L&R Civils will not meet the above mentioned targets and the liability has therefore been reversed.

Notes to the group financial statements continued

for the year ended 28 February 2018

19. Other financial liabilities (continued)

OMV Stilfontein (Pty) Ltd and OMV (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, ie the lesser of an earnings multiple of 6,5 or the 30-day VWAP earnings multiple at which Raubex Group Limited trades on the Johannesburg Stock 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 6,8%, which is also a significant unobservable input.

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

The contingent consideration arrangement required 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.

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 6,8%, which is also a significant unobservable input.

During the prior year the above mentioned contingent considerations were settled.

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, refer sensitivity analysis below.

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 6,8%, which is also a significant unobservable input.

During the current year it was determined that Empa will not meet the above mentioned targets and the liability has therefore been reversed.

19. Other financial liabilities (continued)

Voluntary rebuilding programme settlement liability

The group entered into a settlement agreement with the government of the Republic of South Africa ("the Government") on 11 October 2016, together with other construction companies, in an effort to address the construction companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector.

The settlement agreement stipulates that over the next 12 years, the group will be required to make an annual payment of R15 million into a fund which will be used to implement initiatives that will develop and enhance the construction industry, in conformity with the Government's transformation objectives and promote the development of emerging contractors and suppliers in South Africa.

As a result, any claims or potential claims for damages that certain identified public entities have made, or may be entitled to make, against the group in relation to projects primarily arising from the fast track settlement process, will be settled.

The settlement liability is held at amortised cost and has been discounted at the incremental borrowing rate of 8,6%.

Sensitivity analysis – Significant unobservable inputs (level 3)

Below is a sensitivity analysis with regards to the significant unobservable inputs, used to calculate the at acquisition fair value ("FV") of the other financial liabilities held at fair value through profit and loss:

	Discount rate used to establish FV at acquisition date	Effect on FV, if discount rate was 2,5% higher at acquisition date R'000	Effect on FV, if discount rate was 2,5% lower at acquisition date R'000
OMV – Put option	**6,50%**	**(4 314)**	**4 854**

20. 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.

	2018 R'000	2017 R'000
Trade payables	**488 898**	632 657
Payables due to related parties (refer note 37)	**107**	8 825
Loans from related parties (refer note 37)	**24 303**	5 838
Advance payments received	**80 601**	5 235
Value-added taxation	**53 209**	53 734
Accruals and other payables	**655 523**	531 815
Amounts due to customers for contract work (refer note 14)	**227 940**	276 220
Total trade and other payables	**1 530 581**	1 514 324

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

Notes to the group financial statements continued

for the year ended 28 February 2018

21. Deferred income tax

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.

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.

	2018 R'000	2017 R'000
Deferred tax assets		
Non-current	**(39 614)**	(40 938)
Deferred tax liabilities		
Non-current	**342 036**	311 608
Deferred tax liabilities (net)	**302 422**	270 670
The gross movement on the deferred income tax account is as follows:		
Balance at the beginning of the year	**270 670**	267 563
Exchange differences	**4 970**	25
Acquisition of subsidiaries	**15 102**	9 404
Loss of control of subsidiary	**(973)**	–
Charged to statement of profit or loss	**12 507**	(6 346)
Charged to comprehensive income	**146**	24
Balance at year end	**302 422**	270 670

21. Deferred income tax (continued)

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 2016	369 300	64 329	1 280	434 909
Exchange differences	(498)	–	–	(498)
Charged to statement of profit or loss	28 883	(29 176)	–	(293)
Acquisition of subsidiaries	12 258	–	–	12 258
At 28 February 2017	409 943	35 153	1 280	446 376
Exchange differences	**4 737**	**–**	**–**	**4 737**
Loss of control of subsidiary	**(2 118)**	**(142)**	**–**	**(2 260)**
Charged to statement of profit or loss	**(1 924)**	**1 486**	**–**	**(438)**
Acquisition of subsidiaries	**13 907**	**2 875**	**4**	**16 786**
At 28 February 2018	**424 545**	**39 372**	**1 284**	**465 201**

	Provisions R'000	Tax losses R'000	Other R'000	Total R'000
Deferred tax assets				
At 1 March 2016	(65 794)	(90 434)	(11 118)	(167 346)
Exchange differences	1 021	–	(499)	522
Charged to statement of profit or loss	(23 168)	22 456	(5 341)	(6 053)
Charged to comprehensive income	24	–	–	24
Acquisition of subsidiaries	(1 806)	(1 047)	–	(2 853)
At 28 February 2017	(89 723)	(69 025)	(16 958)	(175 706)
Exchange differences	**(99)**	**331**	**–**	**232**
Loss of control of subsidiary	**200**	**1 087**	**–**	**1 287**
Charged to statement of profit or loss	**14 884**	**19 380**	**(21 319)**	**12 945**
Charged to comprehensive income	**146**	**–**	**–**	**146**
Acquisition of subsidiaries	**(472)**	**(1 211)**	**–**	**(1 683)**
At 28 February 2018	**(75 064)**	**(49 438)**	**(38 277)**	**(162 779)**

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.

Notes to the group financial statements continued

for the year ended 28 February 2018

22. Share capital and premium

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.

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2016	189 250	1 892	2 179 613	2 181 505
Share buy-back transaction	(7 500)	(75)	(119 925)	(120 000)
At 28 February 2017	181 750	1 817	2 059 688	2 061 505
At 28 February 2018	**181 750**	**1 817**	**2 059 688**	**2 061 505**

During the prior year the company cancelled and delisted 7,5 million ordinary shares. These shares were acquired as part of a specific repurchase from an associate of a non-executive director of the company (F Kenney) in terms of the authority to repurchase the shares approved by the shareholders of the company at the general meeting held on 20 July 2016. Following the cancellation, the issued share capital of the company comprises 181,8 million ordinary shares of 1 cent each.

No new shares were issued during the year (2017: nil).

The total authorised number of ordinary shares is 500 million shares (2017: 500 million) with a par value of 1 cent per share (2017: 1 cent per share). All issued shares are fully paid.

23. 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. The cost of treasury shares held is determined using the weighted average cost basis.

	2018 R'000	2017 R'000
Treasury shares held by Raubex (Pty) Ltd	**1 218**	23 664
Total	**1 218**	23 664

Treasury shares are shares in Raubex Group Limited that are held by group companies. During the 2016 financial year the company acquired 2,7 million of its own shares through purchases on the 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.

During the year 1,3 million (2017: 1,3 million) of the shares were utilised to settle share options that vested during the year in terms of the employee share option scheme for an amount of R22,4 million (2017: R22,9 million). The related weighted average share price at the time of exercise was R17,37. The weighted average share price of the remaining treasury shares held is R17,37. Option holders were required to pay R0,01 per share, R13,623 (2017: R13,202).

23. Treasury shares (continued)

Analysis of movement in treasury shares:

	Number of shares '000	Value R'000
At 1 March 2016	2 683	46 599
Treasury shares issued in terms of employee deferred stock scheme	(1 320)	(22 935)
At 28 February 2017	1 363	23 664
Treasury shares issued in terms of employee deferred stock scheme	**(1 293)**	**(22 446)**
At 28 February 2018	**70**	**1 218**

24. Other reserves

	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
At 1 March 2016	(1 017)	(1 175 298)	75 823	(48 459)	(1 148 951)
Translation difference of foreign subsidiaries	(8 762)	–	–	–	(8 762)
Share options exercised by employees (refer note 35)	–	–	(30 922)	–	(30 922)
Share options granted to employees (refer note 35)	–	–	9 541	–	9 541
At 28 February 2017	(9 779)	(1 175 298)	54 442	(48 459)	(1 179 094)
Translation difference of foreign subsidiaries	**(14 284)**	**–**	**–**	**–**	**(14 284)**
Non-controlling interests' portion of translation difference of foreign subsidiaries	**693**	**–**	**–**	**–**	**693**
Share options exercised by employees (refer note 35)	**–**	**–**	**(27 175)**	**–**	**(27 175)**
Share options granted to employees (refer note 35)	**–**	**–**	**–**	**–**	**–**
Other	**1**	**–**	**–**	**–**	**1**
At 28 February 2018	**(23 369)**	**(1 175 298)**	**27 267**	**(48 459)**	**(1 219 859)**

Raubex Group Limited listed on the Johannesburg Stock 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.

Notes to the group financial statements continued

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25. Non-controlling interest

	2018 R'000	2017 R'000
Balance at the beginning of the year	**152 300**	128 764
Profit attributable to non-controlling interest	**29 111**	37 792
FCTR attributable to non-controlling interest	**(693)**	–
Non-controlling interest arising on business combination	**17 109**	–
Disposal of non-controlling interest	**387**	–
Loss of control of subsidiary	**(25)**	–
Acquisition of non-controlling interest	**(26 094)**	–
Dividends paid to non-controlling interest	**(14 855)**	(14 256)
Balance at the end of the year	**157 240**	152 300

Refer note 41 for a breakdown of non-controlling interests per subsidiary.

26. Revenue

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 note 14 for further details.

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.

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. These fees are recognised on the stage of completion method.

Revenue generated per activity is as follows:

	2018 R'000	2017 R'000
Contracting revenue	**6 849 740**	7 281 615
Commercial quarry aggregates and gypsum revenue	**717 710**	651 755
Bitumen and emulsion products and services	**548 036**	525 858
Plant hire revenue	**389 661**	444 696
Property sales and development fees	**37 100**	101 721
Total revenue	**8 542 247**	9 005 645

27. 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. Dividends are recognised when the company's right to receive payment has been established.

	2018 R'000	2017 R'000
Income received under finance leases	**16 230**	18 663
Insurance recoveries	**6 391**	1 522
Interest on accounts receivable	**14 323**	5 692
Seta recoveries	**2 156**	1 372
Bad debts recovered	**1 033**	2 781
Total other income	**40 133**	30 030

28. Other gains/(losses)

	2018 R'000	2017 R'000
Profit on sale of fixed assets	**17 471**	17 972
Loss on exchange differences	**(9 437)**	(24 085)
Contingent consideration written off (refer note 19)	**2 400**	5 700
Impairment of goodwill (refer note 11)	**(2 799)**	(7 906)
Loan written off (refer note 17)	**7 515**	–
Loss on disposal of interest in subsidiary	**(767)**	–
Total other gains/(losses)	**14 383**	(8 319)

29. Expenses by nature

	2018 R'000	2017 R'000
Changes in inventories	**(68 107)**	(31 556)
Subcontractors	**1 589 712**	1 941 198
Raw materials and consumables (refer note 13)	**2 765 325**	2 629 800
Employee benefit expense (refer note 34)	**2 173 553**	2 123 301
Depreciation and amortisation (refer notes 10 and 11)	**361 356**	374 664
Operating lease rentals (refer note 10)	**39 702**	53 074
Repairs and maintenance	**529 465**	576 869
Other operating expenses	**533 844**	578 447
Total cost of sales and administrative expenses	**7 924 850**	8 245 797
Total cost of sales	**7 416 511**	7 762 882
Total administrative expenses	**508 339**	482 915
Total cost of sales and administrative expenses	**7 924 850**	8 245 797

Notes to the group financial statements continued

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30. Voluntary rebuilding programme expense

The group entered into a settlement agreement with the government of the Republic of South Africa ("the Government") on 11 October 2016, together with other construction companies, in an effort to address the construction companies' exposure to potential claims for damages from certain identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, as well as to significantly advance the transformation of the South African construction sector.

Although the payment will occur at R15 million per annum over a 12-year period, the total liability had to be recorded in the prior period, as it was the period in which the obligation occurred. The following net present value was thus charged in full to the statement of profit or loss:

	2018 R'000	2017 R'000
Voluntary rebuilding programme settlement expense	**–**	119 884

Refer note 19 for further details surrounding the voluntary rebuilding programme.

31. Finance income and costs

Interest is recognised on a time-proportion basis using the effective interest rate method.

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.

	2018 R'000	2017 R'000
Finance income		
Interest income on cash resources	**57 847**	55 483
Other interest	**1 648**	1 883
Total finance income	**59 495**	57 366
Finance costs		
Cash finance costs		
Bank borrowings	**(73 812)**	(87 998)
Other interest	**(1 096)**	(1 778)
Non-cash finance costs		
Unwinding of discount – rehabilitation provision (refer note 18)	**(2 905)**	(2 193)
Unwinding of discount – contingent consideration liability and put option (refer note 19)	**(3 448)**	(3 588)
Unwinding of discount – voluntary rebuilding programme (refer note 19)	**(8 830)**	(3 265)
Unwinding of discount – retentions (refer note 14)	**(1 154)**	(2 115)
Total finance costs	**(91 245)**	(100 937)
Net finance costs	**(31 750)**	(43 571)

32. Income tax expense

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 reporting period date in the countries where the company and its subsidiaries operate and generate taxable income.

	2018 R'000	2017 R'000
South African normal taxation		
Current tax		
Current period	**148 077**	153 037
Adjustments for current tax of prior periods	**2 256**	2 372
Capital gains tax	**(5 585)**	4 063
Total South African normal taxation	**144 748**	159 472
Deferred tax		
Originating and reversing temporary differences	**2 927**	(11 306)
Total South African deferred taxation	**2 927**	(11 306)
Total South African taxation	**147 675**	148 166
Foreign taxation		
Current tax		
Current period	**34 187**	55 920
Adjustments for current tax of prior periods	**(3 487)**	60
Total foreign normal tax	**30 700**	55 980
Deferred tax		
Originating and reversing temporary differences	**9 581**	1 873
Change in tax rate	**–**	3 086
Total foreign deferred tax	**9 581**	4 959
Total foreign taxation	**40 281**	60 939
Total income tax expense	**187 956**	209 105

Notes to the group financial statements continued

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32. Income tax expense (continued)

Reconciliation between applicable and effective tax rate:

	2018 %	2017 %
Applicable tax rate	**28,00**	28,00
Capital gains tax	**0,22**	(0,15)
Tax losses written off	**1,41**	–
Current tax recognised in prior periods	**(0,19)**	0,47
Disallowed charges – other	**0,98**	0,15
Disallowed charges – share options	**–**	0,43
Disallowed charges – VRP settlement agreement	**0,39**	5,57
Special allowances	**(1,93)**	(1,78)
Change in tax rate in foreign countries	**–**	0,50
Tax at rates in foreign countries	**0,46**	0,59
	29,34	33,78

The tax effect relating to components of other comprehensive income is as follows:

	Before tax 2018 R'000	Tax 2018 R'000	After tax 2018 R'000	Before tax 2017 R'000	Tax 2017 R'000	After tax 2017 R'000
Currency translation differences	**(14 284)**	**–**	**(14 284)**	(8 762)	–	(8 762)
Actuarial (loss)/gain on post-employment benefit obligations	**519**	**145**	**374**	97	27	70
Other comprehensive income	**(13 765)**	**145**	**(13 910)**	(8 665)	27	(8 692)

33. Auditors' remuneration

	2018 R'000	2017 R'000
Fees	**10 411**	9 610
Prior year underprovision	**70**	(8)
Tax and non-audit services	**1 633**	251
Total auditors' remuneration	**12 114**	9 853

34. Employee benefit expense

Pension obligations (retirement fund contributions)

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.

34. Employee benefit expense (continued)

Other post-employment obligations

One company in the group provides post-retirement healthcare benefits to its retirees. Refer note 18 for detailed disclosure.

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.

The employee benefit expense for the year is made up as follows:

	2018 R'000	2017 R'000
Wages and salaries	1 970 867	1 917 715
Share options granted to employees (refer note 35)	–	9 541
Retirement fund contributions	97 992	91 457
Medical aid contributions	37 702	34 471
Other post-employment benefits	–	567
Other contributions and accruals	66 992	69 550
Total employee benefit expense	2 173 553	2 123 301

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.

	2018	2017
Total number of employees	8 271	9 871

35. Employee Share Option Scheme

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.

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.

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.

Notes to the group financial statements continued

for the year ended 28 February 2018

35. Employee Share Option Scheme (continued)

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.

The last option under this scheme was granted on 3 October 2014 and vested on 1 March 2017. The scheme has now expired.

Arrangement	(a) Deferred Stock 2014	(b) Deferred Stock 2015
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	2013/11/07	2014/10/03
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%	2,5%
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)	0%	0%
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

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.

35. Employee Share Option Scheme (continued)

The following information applies to options outstanding at the end of each period:

28 February 2017

Range of exercise prices	Weighted average exercise price	Number of options	Weighted average remaining life (years) Expected	Contractual
R0,01	R0,01	1 362 334	–	–

28 February 2018

Range of exercise prices	**Weighted average exercise price**	**Number of options**	**Weighted average remaining life (years) Expected**	**Contractual**
R0,00	**R0,00**	**–**	**–**	**–**

A reconciliation of movements in the number of share options can be summarised as follows:

	Number of options 2018	**Exercise price 2018**	Number of options 2017	Exercise price 2017
Outstanding at the beginning of the year	**1 362 334**	**R0,01**	2 682 662	R0,01
Options granted	**–**	**R0,01**	–	R0,01
Options forfeited	**–**	**R0,01**	–	R0,01
Options exercised	**(1 362 334)**	**R0,01**	(1 320 328)	R0,01
Outstanding at the end of the year	**–**	**R0,01**	1 362 334	R0,01
Exercisable at the end of the year	**–**	**R0,01**	1 362 334	R0,01

The weighted average share price on exercise date was R24,30.

The amounts recognised in the financial statements (before tax) for share-based payment transactions with employees can be summarised as follows:

	2018 R'000	2017 R'000
Expense – equity-settled arrangements		
Deferred stock scheme (refer note 34)	**–**	9 541
Total share equity-settled share-based payment expense	**–**	9 541

Notes to the group financial statements continued

for the year ended 28 February 2018

36. Cash generated from operations

	2018 R'000	2017 R'000
Profit before income tax	**640 640**	618 959
Adjustment for:		
Depreciation (refer note 10)	**357 279**	373 231
Amortisation (refer note 11)	**4 077**	1 433
Goodwill impairment (refer note 11)	**2 799**	7 906
Profit on sale of assets (refer note 28)	**(17 471)**	(17 972)
Interest received (refer note 31)	**(59 495)**	(57 366)
Interest paid (refer note 31)	**91 246**	100 937
Foreign exchange loss/(gains) – unrealised	**(4 264)**	(7 663)
Provisions (refer note 18)	**22 079**	2 646
Share of profit of investments accounted for using the equity method (refer note 12)	**(478)**	(855)
Share options granted to employees (refer note 35)	**–**	9 541
Loss of control of subsidiary	**767**	–
Voluntary rebuilding programme settlement expense (refer note 30)	**–**	119 884
Contingent consideration reversed (refer note 19)	**(2 400)**	(5 700)
Loan written off (refer note 28)	**(7 515)**	–
Changes in working capital		
Inventories	**(66 808)**	(31 556)
Trade and other receivables	**45 662**	(84 061)
Construction contracts in progress and retentions	**56 552**	35 168
Trade and other payables	**(7 884)**	174 308
Changes in other financial liabilities		
Voluntary rebuilding programme (refer note 19)	**(15 000)**	(15 000)
Net cash generated from operations	**1 039 786**	1 223 840

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2018 R'000	2017 R'000
Net book amount (refer note 10)	**78 489**	71 014
Profit on disposal of property, plant and equipment (refer note 28)	**17 471**	17 972
Proceeds from disposal of property, plant and equipment	**95 960**	88 986

In the statement of cash flows taxation paid is calculated as follows:

	2018 R'000	2017 R'000
Balance (receivable)/due at the beginning of the year	**(2 593)**	(9 127)
Add: Acquisitions	**8 271**	(1 941)
Add: Current year tax charge (refer note 32)	**175 448**	215 452
Less: Loss of control of subsidiary	**(113)**	–
Add: Balance (payable)/receivable at the end of the year	**(3 063)**	2 593
Taxation paid	**177 950**	206 977

36. Cash generated from operations (continued)

36.1 Cash flow from financing activities

An analysis of movements in liabilities arising from financing activities for each period has been presented below:

	Put option R'000	Contingent considerations R'000	Borrowings – unsecured loans R'000	Borrowings – bank borrowings R'000
Balance at 1 March 2016	53 749	28 570	31 509	1 061 928
Repayments of financial liabilities	–	(20 989)	–	(534 194)
Proceeds from financial liabilities	–	–	7 492	370 411
Acquisition of subsidiaries	–	–	–	13 654
Unwinding of discount	3 223	366	–	–
Contingent consideration written off	–	(5 700)	–	–
Balance at 28 February 2017	56 972	2 247	39 001	911 799
Repayments of financial liabilities	**–**	**–**	**(28 261)**	**(514 554)**
Proceeds from financial liabilities	**–**	**–**	**–**	**360 921**
Acquisition of subsidiaries	**–**	**–**	**–**	**17 956**
Foreign exchange differences	**–**	**–**	**–**	**(2 096)**
Loss of control of subsidiary	**–**	**–**	**–**	**(695)**
Unwinding of discount	**3 295**	**153**	**–**	**–**
Contingent consideration written off	**–**	**(2 400)**	**–**	**–**
Loan written off	**–**	**–**	**(7 515)**	**–**
Balance at 28 February 2018	**60 267**	**–**	**3 225**	**773 331**
Notes	19	19	17	17

37. Related parties

Relationships

Joint ventures and joint operations Refer note 12 and 42

Companies and trusts controlled by directors and directors of subsidiaries:

- Bridgetown Dolomite Mine Joint Venture
- BM Pretorius Jnr Trust
- Corpclo 851 CC
- Crossmoor Transport CC
- Doncon (Pty) Ltd
- Independent Family Trust
- KE Msimango
- Klaas en Ellie Beleggings (Pty) Ltd
- Lemati Developers (Pty) Ltd
- MAB Fusion (Pty) Ltd
- Manamata Investments (Pty) Ltd
- MD Dikoko
- NFG Property Sales (Pty) Ltd
- Oranje Mynbou en Vervoer (Pty) Ltd
- Raubex Eiendomme (Pty) Ltd
- RJ Fourie Boerdery
- The Burger Family Trust
- Van Der Berg Familie Trust
- Verdino 192 (Pty) Ltd

Notes to the group financial statements continued

for the year ended 28 February 2018

37. Related parties (continued)

	2018 R'000	2017 R'000
Related-party balances		
Amounts included in trade receivables regarding related parties		
Akasia/Actophambili Joint Operation	–	2 962
Bridgetown Dolomite Mine Joint Venture	–	2 014
Corpclo 851 CC	147	13
Lemati Developers (Pty) Ltd	29 876	33 760
Raubex Eiendomme (Pty) Ltd	–	8
Raubex/Moloto Joint Operation	19 395	4 554
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	–	45
Raubex/Sakula Joint Operation	–	15
RJ Fourie Boerdery	2	–
RTH Joint Operation	10 193	–
Receivables from related parties (refer note 15)	59 613	43 371
Amounts included in trade payables regarding related parties		
Akasia/Actophambili Joint Operation	79	8 674
Raubex Eiendomme (Pty) Ltd	–	151
RTH Joint Operation	28	–
Payables due to related parties (refer note 20)	107	8 825
Loans to related parties		
Akasia/Actophambili Joint Operation	14	–
KE Msimango	1 000	1 000
Kentha/Raumix Joint Operation	1 121	1 082
MD Dikoko	187	187
Oranje Mynbou en Vervoer (Pty) Ltd	1 850	1 850
Raubex/Moloto Joint Operation	–	124
Raubex/Sakula Joint Operation	55	1
Roadmac Surfacing/Actophambili Joint Operation	204	255
Roadmac Surfacing/Enza Joint Operation	1 484	–
Roadmac Surfacing/KYK Joint Operation	–	257
RTH Joint Operation	650	–
Verdino 192 (Pty) Ltd	1 604	1 604
Loans to related parties (refer note 15)	8 169	6 360
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	4 642	200
Loans advanced during the year	–	4 642
Loan repayments received	–	(200)
At the end of the year	4 642	4 642
Loans to joint operations:		
At the beginning of the year	1 718	1 685
Loans advanced during the year	2 240	127
Loan repayments received	(431)	(94)
At the end of the year	3 527	1 718

37. Related parties (continued)

	2018 R'000	2017 R'000
Loans to related parties (continued)		
Total loans to related parties:		
At the beginning of the year	**6 360**	1 885
Loans advanced during the year	**2 240**	4 769
Loan repayments received	**(431)**	(294)
At the end of the year (refer note 15)	**8 169**	6 360
Loans from related parties		
Included in trade payables (refer note 20):		
Klaas en Ellie Beleggings (Pty) Ltd	**7 104**	5 807
Raubex/Moloto Joint Operation	**14 139**	–
Raubex Building/Umso Construction Joint Operation	**3 060**	–
Roadmac Surfacing/KYK Joint Operation	**–**	31
Included in borrowings (refer note 17):		
Crossmoor Transport CC	**–**	1 705
Independent Family Trust	**3 225**	3 907
MAB Fusion (Pty) Ltd	**–**	14 992
Manamata Investments (Pty) Ltd	**–**	2 902
Oranje Mynbou en Vervoer (Pty) Ltd	**–**	15 496
Loans from related parties	**27 528**	44 840
Loans from entities controlled by key management:		
At the beginning of the year	**44 809**	31 509
Loans received during the year	**2 430**	21 304
Loan repayments made	**(36 910)**	(8 004)
At the end of the year	**10 329**	44 809
Loans from joint operations:		
At the beginning of the year	**31**	981
Loans received during the year	**17 199**	31
Loan repayments made	**(31)**	(981)
At the end of the year	**17 199**	31
Total loans from related parties:		
At the beginning of the year	**44 840**	32 490
Loans received during the year	**19 629**	21 335
Loan repayments made	**(36 941)**	(8 985)
At the end of the year (refer note 17 and note 20)	**27 528**	44 840

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

Notes to the group financial statements continued

for the year ended 28 February 2018

37. Related parties (continued)

	2018 R'000	2017 R'000
Transactions with related parties		
Subcontractors' fees received from/(paid to) related parties		
Akasia/Actophambili Joint Operation	**11**	1 515
Doncon (Pty) Ltd	**–**	7 143
Lemati Developers (Pty) Ltd	**111 556**	73 001
Raubex Eiendomme (Pty) Ltd	**38**	59
Raubex/Roadmac Surfacing/Thatheni Woman's Construction Joint Operation	**–**	40
Raubex/Sakula Joint Operation	**2 470**	–
Raubex/Moloto Joint Operation	**58 173**	4 006
Raubex Building/Umso Construction Joint Operation	**50 982**	–
Roadmac Surfacing/Actophambili Joint Operation	**–**	6 042
Roadmac Surfacing/Enza Joint Operation	**67 943**	–
Roadmac Surfacing/RTH Joint Operation	**30 057**	–
	321 230	91 806
Rental of equipment and premises received from/(paid to) related parties		
Bridgetown Dolomite Mine Joint Venture	**–**	15 450
Corpclo 851 CC	**(1 088)**	(1 139)
Kentha/Raumix Joint Operation	**(1 407)**	(1 315)
NFG Property Sales (Pty) Ltd	**(388)**	(321)
MAB Fusion (Pty) Ltd	**–**	(240)
Raubex Eiendomme (Pty) Ltd	**(1 668)**	(2 244)
RESA Joint Operation	**–**	(5 146)
The Burger Family Trust	**(60)**	(120)
	(4 611)	4 925
Administration fees received from/(paid to) related parties		
Raubex/Sakula Joint Operation	**–**	190
	–	190
Other fees received from/(paid to) related parties		
BM Pretorius Jnr Trust	**(103)**	–
Raubex Eiendomme (Pty) Ltd	**(375)**	(507)
RJ Fourie Boerdery	**51**	15
Oranje Mynbou en Vervoer (Pty) Ltd	**–**	1 429
Van Der Berg Familie Trust	**(5)**	–
	(432)	937

37. Related parties (continued)

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
2017						
Executive						
RJ Fourie	–	3 065	6 502	304	334	10 205
JF Gibson	–	2 125	3 854	195	20	6 194
Total emoluments	–	5 190	10 356	499	354	16 399
Non-executive						
JE Raubenheimer	877	–	–	–	–	877
LA Maxwell	713	–	–	–	–	713
F Kenney	548	–	–	–	–	548
BH Kent	548	–	–	–	–	548
NF Msiza	548	–	–	–	–	548
Total emoluments	3 234	–	–	–	–	3 234
2018						
Executive						
RJ Fourie	**–**	**3 279**	**7 233**	**324**	**330**	**11 166**
JF Gibson	**–**	**2 423**	**4 900**	**224**	**25**	**7 572**
NF Msiza	**–**	**2 496**	**–**	**230**	**967**	**3 693**
Total emoluments	**–**	**8 198**	**12 133**	**778**	**1 322**	**22 431**
Non-executive						
JE Raubenheimer	**474**	**–**	**–**	**–**	**–**	**474**
LA Maxwell	**757**	**–**	**–**	**–**	**–**	**757**
F Kenney	**754**	**–**	**–**	**–**	**–**	**754**
BH Kent	**582**	**–**	**–**	**–**	**–**	**582**
SR Bogatsu	**441**	**–**	**–**	**–**	**–**	**441**
Total emoluments	**3 008**	**–**	**–**	**–**	**–**	**3 008**

** Included in the other benefits of NF Msiza is an amount of R961 690 paid as compensation for a bonus forgone from her previous employer.*

Prescribed officers' emoluments

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2017					
TG Wiese	2 299	5 566	625	582	9 072
LJ Raubenheimer	2 046	4 050	209	300	6 605
RL Shedlock	3 082	3 408	454	540	7 484
JA Louw	1 249	1 309	115	164	2 837
HE Ernst	611	559	56	1	1 227
Total emoluments	9 287	14 892	1 459	1 587	27 225

Notes to the group financial statements continued

for the year ended 28 February 2018

37. Related parties (continued)

Related-party transactions with directors and prescribed officers (continued)

Prescribed officers' emoluments (continued)

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2018					
TG Wiese	**2 468**	**6 350**	**552**	**681**	**10 051**
LJ Raubenheimer	**2 330**	**4 898**	**236**	**335**	**7 799**
RL Shedlock	**3 316**	**3 854**	**442**	**511**	**8 123**
DC Lourens*	**2 048**	**–**	**189**	**227**	**2 464**
JA Louw	**1 331**	**1 375**	**123**	**177**	**3 006**
HE Ernst	**350**	**732**	**35**	**2**	**1 119**
GM Chemaly	**519**	**–**	**44**	**3**	**566**
Total emoluments	**12 362**	**17 209**	**1 621**	**1 936**	**33 128**

** Appointed to Exco effective 1 May 2017.*

Share options granted to directors and prescribed officers

	Options outstanding at 1 March 2016	Options granted during the year	Options exercised during the year	Options outstanding at 28 February 2017	Strike price
Share options 2017					
Executive directors					
RJ Fourie	206 890	–	102 278	104 612	R0,01
JF Gibson	159 869	–	79 033	80 836	R0,01
Prescribed officers					
TG Wiese	159 869	–	79 033	80 836	R0,01
LJ Raubenheimer	159 869	–	79 033	80 836	R0,01
RL Shedlock	112 849	–	55 788	57 061	R0,01
JA Louw	70 531	–	34 868	35 663	R0,01
HE Ernst	23 511	–	11 623	11 888	R0,01

	Options outstanding at 1 March 2017	**Options granted during the year**	**Options exercised during the year**	**Options outstanding at 28 February 2018**	**Strike price**
Share options 2018					
Executive directors					
RJ Fourie	**104 612**	**–**	**104 612**	**–**	**R0,01**
JF Gibson	**80 836**	**–**	**80 836**	**–**	**R0,01**
Prescribed officers					
TG Wiese	**80 836**	**–**	**80 836**	**–**	**R0,01**
LJ Raubenheimer	**80 836**	**–**	**80 836**	**–**	**R0,01**
RL Shedlock	**57 061**	**–**	**57 061**	**–**	**R0,01**
JA Louw	**35 663**	**–**	**35 663**	**–**	**R0,01**
HE Ernst	**11 888**	**–**	**11 888**	**–**	**R0,01**

37. Related parties (continued)

Share options granted to directors and prescribed officers (continued)

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 35 to these group financial statements. No new share options were granted to directors and prescribed officers during the current year.

Interests of directors in the share capital

Details of ordinary shares held directly and indirectly per individual director are listed below as at 28 February 2018.

	2018 Number of shares	2017 Number of shares
Beneficial		
Direct and indirect		
RJ Fourie	**4 603 676**	4 546 140
JF Gibson	**365 730**	321 271
F Kenney	**4 065 384**	5 965 384

During the prior year the company repurchased 7,5 million ordinary shares from F Kenney. Refer note 22 for further details.

At date of this report, these interests remained unchanged.

38. Directors', prescribed officers' and key management's emoluments

	2018 R'000	2017 R'000
Executive		
For services as directors of the company	**22 431**	16 399
For services as prescribed officers of the company	**33 128**	27 225
For services as key management	**88 984**	86 918

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.

Key management emoluments

	Salaries R'000	Incentive bonuses R'000	Retirement fund contributions R'000	Other benefits R'000	Total emoluments R'000
2017	43 417	29 697	6 359	7 445	86 918
2018	**43 319**	**31 822**	**6 240**	**7 603**	**88 984**

Notes to the group financial statements continued

for the year ended 28 February 2018

39 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not yet incurred are as follows:

	2018 R'000	2017 R'000
Property, plant and equipment	**1 432**	6 418
Investments in subsidiaries	**98 300**	37 000
Total capital commitments	**99 732**	43 418

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. 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.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 R'000	2017 R'000
No later than one year	**30 374**	33 599
Later than one year and no later than five years	**13 521**	27 627
Total operating lease commitments	**43 895**	61 226

Voluntary rebuilding programme commitment

The future voluntary rebuilding programme commitment, consisting of the 10 remaining payments of R15 million per annum to be settled on 1 July each year, amounts to the following at year end:

	2018 R'000	2017 R'000
Voluntary rebuilding programme (refer notes 19 and 30)	**150 000**	165 000

40. Contingencies

Total financial institution backed contract guarantees provided to third parties on behalf of subsidiary companies amounted to R1 699,0 million (2017: R1 518,3 million). The directors do not believe that any exposure to loss is likely. Total available facilities in this regard amount to R3 414,5 million (2017: R3 279,0 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.

41. Interest in subsidiaries

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group **2018 %**	2017 %	Effective % held by non-controlling interests **2018 %**	2017 %	Shares at cost **2018 R'000**	2017 R'000
Direct									
Raubex (Pty) Ltd	✧	ZA	300	**100**	100	**–**	–	**1 001 620**	1 001 620
Raubex FIC (Pty) Ltd	✧	ZA	200	**100**	–	**–**	–	**75 127**	–
B&E International (Pty) Ltd	#	ZA	1 000	**100**	100	**–**	–	**473 844**	473 844
Burma Plant Hire (Pty) Ltd	†	ZA	100	**100**	70	**–**	30	**11 532**	11 532
Aquatic Services (Pty) Ltd (SPH Group)	#	ZA	300	**100**	100	**–**	–	**111 336**	111 336
L & R Civils (Pty) Ltd	□	ZA	300	**80**	80	**20**	20	**22 300**	22 300
Strata Civils (Pty) Ltd	□	ZA	500	**100**	90	**–**	10	**–**	–
Raubex Construction (Mauritius) Ltd	□	MU	100	**100**	100	**–**	–	**1**	1
Tosas Holdings (Pty) Ltd	✧	ZA	100	**100**	100	**–**	–	**120 000**	120 000
Indirect									
Akasia Road Surfacing (Pty) Ltd	⬟	ZA	100	**100**	100	**–**	–	**120 796**	120 796
Aliwal Dolorite Quarry (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**7 619**	7 619
B&E International – North (Namibia) (Pty) Ltd	†	NA	100	**100**	100	**–**	–	**–**	–
B&E International (Botswana) (Pty) Ltd	♦	BW	10 000	**74**	74	**26**	26	**–**	–
B&E International (Foreign) (Pty) Ltd	#	ZA	100	**100**	100	**–**	–	**–**	–
B&E International (Namibia) (Pty) Ltd	#	NA	200	**74**	74	**26**	26	**–**	–
B&E International Mozambique Limitada	#	MZ	16 835	**100**	100	**–**	–	**–**	–
Belabela Asphalt (Pty) Ltd	⬟	BW	100	**49**	49	**51**	51	**1**	1
Belabela Quarries (Pty) Ltd	▪	BW	1 660 000	**74**	74	**26**	26	**–**	–
Burma Plant Hire and Mining (Pty) Ltd	†	ZA	100	**100**	52	**–**	48	**–**	–
Burma Plant Hire (Namibia) (Pty) Ltd	†	NA	100	**100**	70	**–**	30	**–**	–
Canyon Rock (Pty) Ltd	▪	ZA	120	**74**	74	**26**	26	**46 294**	46 294
Comar Plant Design and Manufacturing (Pty) Ltd	†	ZA	1 000	**100**	100	**–**	–	**3 000**	3 000
Empa Plant (Pty) Ltd	♦	ZA	400	**70**	70	**30**	30	**23 527**	23 527
Empa Structures (Pty) Ltd	□	ZA	100	**70**	70	**30**	30	**4 099**	4 099
Forward Infra (Pty) Ltd	■	ZA	100	**100**	100	**–**	–	**–**	–
Greemined Environmental (Pty) Ltd	▲	ZA	1 000	**100**	100	**–**	–	**–**	–
Harding Quarry (Pty) Ltd	▪	ZA	870 000	**74**	74	**26**	26	**–**	–
Inzalo Crushing and Aggregates (Pty) Ltd	▪	ZA	10 000	**74**	74	**26**	26	**9**	9

Notes to the group financial statements continued

for the year ended 28 February 2018

41. Interest in subsidiaries (continued)

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group		Effective % held by non-controlling interests		Shares at cost	
				2018 %	2017 %	**2018 %**	2017 %	**2018 R'000**	2017 R'000
Indirect *(continued)*									
Lime Sales Ltd	▪	ZA	100	**74**	–	**26**	–	**37 000**	–
Malmesbury Sand (Pty) Ltd	▪	ZA	4 000	**100**	100	**–**	–	**10 600**	10 600
Matlosana Industries (Pty) Ltd	▪	ZA	100	**60**	52	**40**	48	**–**	–
Middelburg Quarry (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**2 300**	2 300
Milling Techniks (Pty) Ltd	*	ZA	100	**100**	100	**–**	–	**15 000**	15 000
MRCN (Pty) Ltd t/a Westforce Construction	□	AU	4 000	**70**	–	**30**	–	**66 238**	–
Muscle Construction (Pty) Ltd	♦	ZA	100	**26**	26	**74**	74	**–**	–
Narindonde Construction (Pty) Ltd	#	NA	100	**74**	74	**26**	26	**–**	–
National Asphalt (Pty) Ltd	⬟	ZA	100	**100**	100	**–**	–	**–**	–
National Cold Asphalt (Pty) Ltd	⬟	ZA	100	**100**	100	**–**	–	**1 124**	1 124
OMV (Pty) Ltd	▪	ZA	800	**70**	70	**30**	30	**54 452**	54 452
OMV Kimberley (Pty) Ltd	▪	ZA	800	**100**	100	**–**	–	**37 500**	37 500
OMV Kimberley Mining (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**–**	–
OMV Stilfontein (Pty) Ltd	♦	ZA	800	**70**	70	**30**	30	**34 706**	34 706
OMV Stilfontein Mining (Pty) Ltd	▪	ZA	100	**52**	52	**48**	48	**–**	–
Petra Quarry (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**3 849**	3 849
Phambili Road Surfacing (Pty) Ltd	*	ZA	200	**100**	100	**–**	–	**20 515**	20 515
Phuhlisa Development Solutions (Pty) Ltd	⊙	ZA	1 000	**80**	80	**20**	20	**418**	418
Prodev Plant Hire (Pty) Ltd	†	NA	100	**100**	70	**–**	30	**31 000**	31 000
Queenstown Quarry (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**21 929**	21 929
Raubex Building (Pty) Ltd	□	ZA	100	**73**	73	**27**	27	**–**	–
Raubex Civil (Pty) Ltd	✧	ZA	100	**100**	100	**–**	–	**14 999**	14 999
Raubex Construction (Pty) Ltd	*	ZA	1 000	**100**	100	**–**	–	**87 301**	87 301
Raubex Construction Namibia (Pty) Ltd	♦	NA	100	**49**	49	**51**	51	**–**	–
Raubex Construction Zambia Ltd	*	ZM	5 000 000	**100**	100	**–**	–	**6 009**	6 009
Raubex Construction Zimbabwe (Pvt) Ltd	□	ZW	1 400	**49**	49	**51**	51	**1**	1
Raubex Infra (Pty) Ltd	□	ZA	900	**100**	70	**–**	30	**40 224**	6 539
Raubex KZN (Pty) Ltd	*	ZA	100	**100**	100	**–**	–	**43 907**	43 907
Raubex Ltd	□	CM	1 000 000	**100**	–	**–**	–	**–**	–
Raubex (Pty) Ltd	✧	AU	7 000	**100**	–	**–**	–	**–**	–
Raubex Renovo (Pty) Ltd	□	ZA	1 000	**100**	–	**–**	–	**–**	–

41. Interest in subsidiaries (continued)

		Country of incorporation and place of business	Issued share capital Shares	Effective % held by the group 2018 %	2017 %	Effective % held by non-controlling interests 2018 %	2017 %	Shares at cost 2018 R'000	2017 R'000
Indirect *(continued)*									
Raudev (Pty) Ltd	☐	ZA	100	**80**	80	**20**	20	**8 084**	8 084
Raumix Aggregates (Pty) Ltd	▪	ZA	916	**100**	100	**–**	–	**–**	–
Raumix Holdings (Pty) Ltd	✧	ZA	100	**100**	100	**–**	–	**23 674**	23 674
Roadmac (Pty) Ltd	✧	ZA	100	**100**	100	**–**	–	**84 550**	84 550
Roadmac Surfacing (Pty) Ltd	*	ZA	100	**100**	100	**–**	–	**20 000**	20 000
Roadmac Surfacing Cape (Pty) Ltd	*	ZA	200	**100**	100	**–**	–	**24 299**	24 299
Roadmac Surfacing KZN (Pty) Ltd	*	ZA	100	**100**	100	**–**	–	**151**	151
Shisalanga Construction (Pty) Ltd	⬟	ZA	100	**60**	60	**40**	40	**38 400**	38 400
SPH Kundalila (Pty) Ltd	#	ZA	100	**100**	100	**–**	–	**–**	–
Tosas (Pty) Ltd	◈	ZA	20 000	**100**	100	**–**	–	**–**	–
Tosas Eastern Cape (Pty) Ltd	◈	ZA	100	**50**	50	**50**	50	**–**	–
Tosas Botswana (Pty) Ltd	◈	BW	134	**100**	100	**–**	–	**–**	–
Tosas Namibia (Pty) Ltd	◈	NA	100	**90**	90	**10**	10	**–**	–
Westforce Hire (Pty) Ltd	☐	AU	100	**70**	–	**30**	–	**–**	–
Willows Quarries (Pty) Ltd	▪	ZA	100	**74**	74	**26**	26	**–**	–
Zamori Construction (Pty) Ltd	*	ZA	120	**100**	100	**–**	–	**35 799**	35 799
Zisena (Pty) Ltd	*	ZA	100	**49**	49	**51**	51	**–**	–

100% owned dormant entities have not been disclosed in the table above.

Nature of business

- * Rehabilitation of roads, civil and general construction work
- # Contract crushing and material handling
- ⬟ Asphalt production
- ✧ Investment and holding company
- † Plant hire, plant manufacture and plant design
- ▲ 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

Country of incorporation and place of business:

AU Australia BW Botswana CM Cameroon MU Mauritius MZ Mozambique
NA Namibia ZA South Africa ZM Zambia ZW Zimbabwe

Notes to the group financial statements continued

for the year ended 28 February 2018

41. Interest in subsidiaries (continued)

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 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.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly by the parent company do 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:

- Belabela Asphalt (Pty) Ltd
- Muscle Construction (Pty) Ltd
- Raubex Construction Namibia (Pty) Ltd
- Raubex Construction Zimbabwe (Pvt) Ltd
- Zisena (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.

The following companies were deregistered during the year:

- SPH Group (Pty) Ltd
- Tekweni Surfacing (Pty) Ltd

All subsidiaries in the group have the same year ends, except for Westforce Construction and Westforce Hire who have June year ends. Both entities are in the process of aligning their year ends to that of the rest of the group. 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.

41. Interest in subsidiaries (continued)

Set out below is the aggregate of all subsidiaries with non-controlling interests in the group:

	Total comprehensive income 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 2017					
Aggregate of all subsidiaries with non-controlling interests in the group*	138 162	(14 256)	1 749 456	1 273 414	13 280
Total	138 162	(14 256)	1 749 456	1 273 414	13 280
At 28 February 2018					
Shisalanga Construction (Pty) Ltd	**8 258**	**(874)**	**126 355**	**31 698**	**(180)**
Aggregate of all subsidiaries with non-controlling interests in the group*	**118 921**	**(13 981)**	**1 352 839**	**982 316**	**8 292**
Total	**127 179**	**(14 855)**	**1 479 194**	**1 014 014**	**8 112**

	Non-controlling interest balance at the beginning of the year R'000	Total comprehensive income attributable to non-controlling interest R'000	Non-controlling interest on acquisition of subsidiary R'000	Disposal and acquisition of non-controlling interests 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 2017						
Aggregate of all subsidiaries with non-controlling interests in the group*	128 764	37 792	–	–	(14 256)	152 300
Total	128 764	37 792	–	–	(14 256)	152 300
At 28 February 2018						
Shisalanga Construction (Pty) Ltd	**31 429**	**2 857**	**–**	**–**	**(874)**	**33 412**
Aggregate of all subsidiaries with non-controlling interests in the group*	**120 871**	**25 561**	**17 109**	**(25 732)**	**(13 981)**	**123 828**
Total	**152 300**	**28 418**	**17 109**	**(25 732)**	**(14 855)**	**157 240**

* *Refer the table at the beginning of note 41 for the full list of subsidiaries with non-controlling interest in the group. None of these individual subsidiaries are material to the group.*

Notes to the group financial statements continued

for the year ended 28 February 2018

42. Interest in joint operations

Joint operations are those entities in which the group has joint control. The group recognises its direct right to assets, liabilities, revenue and expenses and its share of any jointly held or incurred assets, liabilities, revenue and expenses of joint operations in the consolidated financial statements.

Joint operations	Country	Nature of business	**Interest held 2018 %**	Interest held 2017 %
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/Moloto Joint Operation	South Africa	Road construction	**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
Raubex Building/Umso Construction Joint Operation	South Africa	Infrastructure	**70**	–
RESA Joint Operation	South Africa	Infrastructure	**45**	45
Roadmac Surfacing/Actophambili Joint Operation	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/Enza Joint Operation	South Africa	Road surfacing	**40**	–
Roadmac Surfacing/KYK Joint Operation	South Africa	Road surfacing	**60**	60
Roadmac Surfacing/RTH Joint Operation	South Africa	Road surfacing	**40**	–

Financial information

	2018 R'000	2017 R'000
Statement of financial position		
(Recognised in proportion to interest in assets and liabilities)		
Assets		
Current assets	**48 301**	14 771
Total assets	**48 301**	14 771
Equity and liabilities		
Equity	**(32)**	(32)
Current liabilities	**48 333**	14 803
Total equity and liabilities	**48 301**	14 771
Statement of profit or loss		
(Recognised in proportion to interest in assets and liabilities)		
Revenue	**117 878**	35 635
Loss attributable to group	**(7 455)**	(1 160)

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.

43. 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 22 of these financial statements.

	Number of shares 2018	Number of shares 2017	**% held 2018**	% held 2017
The shareholder spread is summarised as follows:				
Public shareholders	**169 550 997**	139 296 282	**93,3**	76,6
Non-public shareholders	**12 199 039**	42 453 754	**6,7**	23,4
Total shares	**181 750 036**	181 750 036	**100**	100
Non-public shareholders are summarised as follows:				
Directors of the company	**9 034 790**	36 482 795	**5,0**	20,1
Directors of subsidiaries	**2 593 207**	4 022 490	**1,4**	2,2
Employees	**500 904**	586 135	**0,3**	0,3
Treasury shares – Raubex (Pty) Ltd	**70 138**	1 362 334	**–**	0,7
Total shares	**12 199 039**	42 453 754	**6,7**	23,4
Beneficial shareholders with a holding greater than 5% of the issued shares				
Government Employee Pension Fund	**24 738 058**	22 754 382	**13,6**	12,5
PSG Asset Management	**18 487 784**	5 483 170	**10,2**	3,0
Somerset Capital Management	**10 827 263**	8 478 002	**6,0**	4,7
Old Mutual Investment Group	**10 601 219**	6 866 362	**5,8**	3,8
Raubenbel (Pty) Ltd	**10 065 337**	25 650 000	**5,5**	14,1
Total	**74 719 661**	69 231 916	**41,1**	38,1

44. Events after the reporting period

Business acquisitions

Donkerhoek Quarry (Pty) Ltd ("Donkerhoek")

Effective 18 April 2018, the group effectively acquired 70% of Donkerhoek Quarry, through its subsidiary Raumix Aggregates (Pty) Ltd, for a purchase price of R31,1 million settled in cash. Donkerhoek Quarry is a commercial quarry operating in Northern Gauteng supplying aggregates to the construction market. The acquisition is in line with the group's strategy to expand its commercial quarry business geographically.

Metadynamics (Pty) Ltd ("Metadynamics")

Effective 1 March 2018, the group effectively acquired 49% of Metadynamics, through its subsidiary OMV (Pty) Ltd who acquired 70% of the shareholding, for a purchase price of R18,2 million to be settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 1 March 2018 to 28 February 2022. Metadynamics adds value to various products through calcining and milling processes in Gauteng that produces value added gypsum and various other products. The acquisition is in line with the group's strategy to expand geographically and also provides an opportunity to diversify its product mix.

Transkei Quarries (Pty) Ltd ("Transkei Quarries")

Effective 3 April 2018, the group effectively acquired 49% of Transkei Quarries, through its subsidiary Raumix Aggregates (Pty) Ltd, for a net purchase price of R49 million settled in cash. An additional consideration is payable contingent on certain profit outcomes over the course of the next four years, being 1 March 2018 to 28 February 2022. Transkei Quarries operates two commercial quarries operating in Mthatha and Butterworth supplying aggregates to the construction market. The acquisition is in line with the group's strategy to expand its commercial quarry business geographically.

Notes to the group financial statements continued

for the year ended 28 February 2018

44. Events after the reporting period (continued)

Business acquisitions (continued)

Due to the timing of these 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.

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

45. 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.

46. 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 28 February 2018.

The group has applied the following amendment for the first time for the current reporting period that had a significant impact on the current and prior period:

International Financial Reporting Standards and amendments effective for the first time for 28 February 2018 year-end

Number	Executive summary
Amendment to IAS 7: *Cash flow statements* Statement of cash flows on disclosure initiative *Effective: 1 January 2017 (Group's year ended 28 February 2018)*	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.

The adoption of the above amendment had a significant impact on the current and prior period presentation and layout of the notes to the cash flow statement due to the additional reconciliation required for financing activities (refer note 36.1).

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 28 February 2018 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 28 February 2018 year-end

Number	Executive summary	Expected impact
IFRS 15: *Revenue from contracts with customers* *Effective: 1 January 2018 (Group's year ended 28 February 2019)*	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.	An assessment was conducted across all group revenue streams where the current revenue recognition practices were tested against the new standard using the satisfaction of performance obligations. The assessment indicated that the standard is not likely to affect revenue recognition substantially for any of the group subsidiaries and therefore is not likely to have a significant impact on any of the group's operational results. The amendment introduces increased requirements for disclosure of revenue which will impact the layout and presentation of the notes to the financial statements going forward.

Notes to the group financial statements continued

for the year ended 28 February 2018

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

New standards and interpretations not yet adopted by the group (continued)

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2018 year-end (continued)

Number	Executive summary	Expected impact
IFRS 9: Financial Instruments *Effective: 1 January 2018 (Group's year ended 28 February 2019)*	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.	Classification of financial assets and liabilities: The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities with the old categories being replaced with fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost. The group's assessment has indicated that items classified as loans and receivables are likely to be classified as measured at amortised cost. The remaining classification categories are still being finalised. Expected credit loss impairment model: The group has determined that the application of an expected credit loss model is likely to result in an earlier recognition of credit losses where applicable. The assessment, which is still being finalised, has indicated that the application of the expected credit loss model is unlikely to result in material adjustments. The group has determined that retrospective restatement would require the application of hindsight and therefore has decided not to restate comparatives.

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

New standards and interpretations not yet adopted by the group (continued)

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2018 year-end (continued)

Number	Executive summary	Expected impact
IFRS 16: *Leases* *Effective: 1 January 2019 (Group's year ended 29 February 2020)*	This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 supersedes IAS 17: *Leases*, IFRIC 4: *Determining whether an Arrangement contains a Lease*, SIC 15: *Operating Leases – Incentives* and SIC 27: *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.	A preliminary assessment was done using the operating leases that the group is currently exposed to. The assessment compared the consolidated group's results had operating leases been accounted for using the new standard against that of how they currently are being accounted for. The effect has been assessed to not have a material impact on the group operating numbers; however, individual line items within the financial statement are likely to be affected: Depreciation and interest are likely to increase, which in turn affects EBITDA ratios. The initial impact of reducing the finance charges over the life of the lease is likely to be more negative on earnings in the beginning, moving to a more positive impact in the later stages of the lease term. The initial recognition of right to use assets and lease liabilities will increase the total assets and total liabilities of the group, although the net assets will remain more or less unchanged. In addition, the disclosure requirements are expected to significantly affect the group's notes to the financial statements when the statement becomes effective. The group is yet to determine which transition method will be most appropriate.

Holding company statement of financial position

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**1 883 466**	1 830 639
Loans to group companies	4.2	**296 511**	374 911
Total non-current assets		**2 179 977**	2 205 550
Current assets			
Trade and other receivables	5	**125**	125
Current income tax receivable		**22**	21
Cash and cash equivalents	6	**687**	289
Total current assets		**834**	435
Total assets		**2 180 811**	2 205 985
EQUITY			
Ordinary shares	7	**1 817**	1 817
Share premium	7	**2 059 776**	2 059 776
Reserves		**85 364**	85 364
Retained income		**33 127**	58 672
Total equity		**2 180 084**	2 205 629
LIABILITIES			
Current liabilities			
Trade and other payables	9	**727**	356
Total current liabilities		**727**	356
Total liabilities		**727**	356
Total equity and liabilities		**2 180 811**	2 205 985

The notes on pages 184 to 197 are an integral part of these financial statements.

Holding company statement of comprehensive income

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
Revenue	10	**163 575**	127 488
Other gains/(losses) – net	11	**(22 300)**	5 700
Administrative expenses		**(3 316)**	(3 362)
Operating profit		**137 959**	129 826
Finance income	12	**98**	131
Finance costs	12	**–**	(200)
Profit before income tax		**138 057**	129 757
Income tax expense	13	**(27)**	(37)
Profit for the year		**138 030**	129 720
Other comprehensive income		**–**	–
Total comprehensive income for the year		**138 030**	129 720

The notes on pages 184 to 197 are an integral part of these financial statements.

Holding company statement of changes in equity

for the year ended 28 February 2018

	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 2016	1 892	2 179 701	75 823	90 225	2 347 641
Changes in equity:					
Share buy-back	(75)	(119 925)	–	–	(120 000)
Employees' share option scheme (refer note 4.1)	–	–	9 541	–	9 541
Total comprehensive income for the year	–	–	–	129 720	129 720
Dividends paid	–	–	–	(161 273)	(161 273)
Total changes	(75)	(119 925)	9 541	(31 553)	(142 012)
Balance at 28 February 2017	1 817	2 059 776	85 364	58 672	2 205 629
Balance at 1 March 2017	1 817	2 059 776	85 364	58 672	2 205 629
Changes in equity:					
Total comprehensive income for the year	**–**	**–**	**–**	**138 030**	**138 030**
Dividends paid	**–**	**–**	**–**	**(163 575)**	**(163 575)**
Total changes	**–**	**–**	**–**	**(25 545)**	**(25 545)**
Balance at 28 February 2018	**1 817**	**2 059 776**	**85 364**	**33 127**	**2 180 084**
Notes	7	7			

The notes on pages 184 to 197 are an integral part of these financial statements.

Holding company statement of cash flows

for the year ended 28 February 2018

	Notes	2018 R'000	2017 R'000
Cash flow from operating activities			
Cash used in operations	14	**(2 945)**	(3 403)
Dividends received	10	**163 575**	127 488
Interest received	12	**98**	131
Interest paid	12	**–**	–
Taxation paid	14	**(28)**	(38)
Net cash generated from operating activities		**160 700**	124 178
Cash flows from investing activities			
Acquisition of subsidiaries		**(75 127)**	–
Loans advanced to group companies		**(165 000)**	(45 000)
Loans repaid by group companies		**243 400**	201 885
Net cash generated from investing activities		**3 273**	156 885
Cash flows from financing activities			
Dividends paid		**(163 575)**	(161 273)
Share buy-back		**–**	(120 000)
Net cash used in financing activities		**(163 575)**	(281 273)
Net increase/(decrease) in cash and cash equivalents		**398**	(210)
Cash and cash equivalents at the beginning of the year		**289**	499
Cash and cash equivalents at the end of the year	6	**687**	289

The notes on pages 184 to 197 are an integral part of these financial statements.

Holding company notes to the financial statements

for the year ended 28 February 2018

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 (ie 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.

1. Summary of significant accounting policies (continued)

1.2 *Financial instruments* (continued)

Loans and receivables (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 include 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.

Holding company notes to the financial statements continued

for the year ended 28 February 2018

1. Summary of significant accounting policies (continued)

1.2 Financial instruments (continued)

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.

1.3 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. Summary of significant accounting policies (continued)

1.6 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 28 February 2018.

The company has applied the following amendment for the first time for the current reporting period that has had a significant impact on the current and prior period:

International Financial Reporting Standards and amendments effective for the first time for 28 February 2018 year-end

Number	Executive summary
Amendment to IAS 7: *Cash flow statements* Statement of cash flows on disclosure initiative	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.

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 28 February 2018 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 28 February 2018 year-end

Number	Executive summary	Expected impact
IFRS 9: *Financial Instruments* *Effective: 1 January 2018 (Company's year ended 28 February 2019)*	This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.	Classification of financial assets and liabilities: The adoption of IFRS 9 will require a review of the current classification of financial assets and liabilities with the old categories being replaced with fair value through other comprehensive income, fair value through profit or loss and measured at amortised cost.

Holding company notes to the financial statements continued

for the year ended 28 February 2018

1. Summary of significant accounting policies (continued)

1.6 Standards, interpretations and amendments to published standards (continued)

International Financial Reporting Standards and amendments issued but not yet effective for 28 February 2018 year-end (continued)

Number	Executive summary	Expected impact
IFRS 9: *Financial Instruments (continued)*		The company's assessment has indicated that items classified as loans and receivables are likely to be classified as measured at amortised cost. The remaining classification categories are still being finalised. Expected credit loss impairment model: The company has determined that the application of an expected credit loss model is likely to result in an earlier recognition of credit losses where applicable. The assessment, which is still being finalised, has indicated that the application of the expected credit loss model is unlikely to result in material adjustments. The company has determined that retrospective restatement would require the application of hindsight and therefore has decided not to restate comparatives.

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.

2. Financial instruments and financial risk management (continued)

Categories of financial instruments

	Notes	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 2017					
Trade and other receivables	5	125	–	–	125
Cash and cash equivalents	6	289	–	–	289
Trade and other payables	9	–	(356)	–	(356)
Total		414	(356)	–	58
At 28 February 2018					
Trade and other receivables	5	**125**	**–**	**–**	**125**
Cash and cash equivalents	6	**687**	**–**	**–**	**687**
Trade and other payables	9	**–**	**(727)**	**–**	**(727)**
Total		**812**	**(727)**	**–**	**85**

The trade and other receivables and trade and other payables disclosed in the above tables exclude the non-financial assets and liabilities carried on the statement of financial position.

Fair value estimation

The different levels of financial instruments carried at fair value 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).

(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.

Holding company notes to the financial statements continued

for the year ended 28 February 2018

2. Financial instruments and financial risk management (continued)

Fair value estimation (continued)

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the year ended 28 February 2018.

	Contingent consideration R'000	Total R'000
Year ended 28 February 2017		
Opening balance	5 500	5 500
Gains and losses recognised in profit or loss	200	200
Contingent consideration reversed	(5 700)	(5 700)
Closing balance	–	–
Year ended 28 February 2018		
Opening balance	**–**	**–**
Gains and losses recognised in profit or loss	**–**	**–**
Contingent consideration reversed	**–**	**–**
Closing balance	**–**	**–**

See note 8 for disclosures relating to 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% 2018 R'000	**-1% 2018 R'000**	1% 2017 R'000	-1% 2017 R'000
Cash and cash equivalents	**5**	**(5)**	2	(2)
Increase/(decrease) in profitability	**5**	**(5)**	2	(2)

2. Financial instruments and financial risk management (continued)

Financial risk factors (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.

	Rating	2018 R'000	2017 R'000
Concentration of credit risk			
Cash and cash equivalents	BBB	**687**	289
Total cash and cash equivalents (refer note 6)		**687**	289
Current trade and other receivables	Not rated	**125**	125
Total current trade and other receivables (refer note 5)		**125**	125

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 R0,8 million (2017: R0,4 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	2 to 5 years R'000
Year ended 28 February 2017				
Non-derivative financial liabilities				
Trade and other payables	356	356	356	–
Total	356	356	356	–
Year ended 28 February 2018				
Non-derivative financial liabilities				
Trade and other payables	**727**	**727**	**727**	**–**
Total	**727**	**727**	**727**	**–**

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.

Holding company notes to the financial statements continued

for the year ended 28 February 2018

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:

	2018 R'000	2017 R'000
Cash and cash equivalents (refer note 6)	**(687)**	(289)
Net debt	**(687)**	(289)
Total equity	**2 180 084**	2 205 629
Total capital and net debt	**2 179 397**	2 205 340
Gearing ratio	**(0,03%)**	(0,01%)

4.1 Investment in subsidiaries

	2018 R'000	2017 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 (refer note 11)	**–**	22 300
Raubex (Pty) Ltd	**1 001 620**	1 001 620
Raubex Construction (Mauritius) Ltd	**1**	1
Raubex FIC (Pty) Ltd	**75 127**	–
Strata Civils (Pty) Ltd (refer note 11)	**–**	–
Tosas Holdings (Pty) Ltd	**120 000**	120 000
Total direct investment in subsidiaries	**1 758 058**	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	**13 940**	13 940
Burma Plant Hire (Pty) Ltd	**778**	778
Milling Techniks (Pty) Ltd	**3 739**	3 739
National Asphalt (Pty) Ltd	**10 496**	10 496
Phambili Road Surfacing (Pty) Ltd	**190**	190
Raubex (Pty) Ltd	**74 577**	74 577
Raubex Construction (Pty) Ltd	**2 057**	2 057
Raubex KZN (Pty) Ltd	**2 104**	2 104
Raumix Aggregates (Pty) Ltd	**1 707**	1 707
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	**9 424**	9 424
Total indirect investment in subsidiaries	**125 408**	125 408
Total investment in subsidiaries	**1 883 466**	1 830 639

During the year the investments held in L&R Civils (Pty) Ltd and Strata Civils (Pty) Ltd were impaired – refer note 4 of the group financial statements for further information in this regard.

4.2 Loans to group companies

	2018 R'000	2017 R'000
Burma Plant Hire (Pty) Ltd	**42 535**	35 035
Raubex (Pty) Ltd	**222 983**	308 883
Raumix Aggregates (Pty) Ltd	**30 993**	30 993
Total loans to/(from) group companies	**296 511**	374 911
Non-current assets	**296 511**	374 911
Total loans to/(from) group companies	**296 511**	374 911

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 35 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.

	2018 R'000	2017 R'000
5. Trade and other receivables		
Prepayments	**125**	125
Total trade and other receivables	**125**	125
The fair values of trade and other receivables are as follows:		
Prepayments	**125**	125
Total trade and other receivables	**125**	125
As of 28 February 2018, no receivables were neither past due or impaired.		
6. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balance	**687**	289
Total cash and cash equivalents	**687**	289

Holding company notes to the financial statements continued

for the year ended 28 February 2018

7. Share capital and share premium

	Number of shares '000	Ordinary shares R'000	Share premium R'000	Total R'000
At 1 March 2016	189 250	1 892	2 179 701	2 181 593
Share buy-back	(7 500)	(75)	(119 925)	(120 000)
At 28 February 2017	181 750	1 817	2 059 776	2 061 593
At 28 February 2018	**181 750**	**1 817**	**2 059 776**	**2 061 593**

The total authorised number of ordinary shares is 500 million shares (2017: 500 million) with a par value of one cent per share (2017: one cent per share). All issued shares are fully paid.

During the prior year the company cancelled and delisted 7,5 million ordinary shares. These shares were acquired as part of a specific repurchase from an associate of a non-executive director of the company in terms of the authority to repurchase the shares approved by the shareholders of the company at the general meeting held on 20 July 2016. Following the cancellation, the issued share capital of the company comprises 181,7 million ordinary shares of one cent each.

8. Other financial liabilities

	Contingent consideration R'000	Total R'000
At 1 March 2016	5 500	5 500
Charged to statement of profit or loss:		
– Unwinding of discount (refer note 11)	200	200
– Contingent consideration reversed	(5 700)	(5 700)
At 28 February 2017	–	–
Non-current	–	–
Current	–	–
	–	–
At 1 March 2017	–	–
Charged to statement of profit or loss:		
– Unwinding of discount (refer note 11)	**–**	**–**
– Contingent consideration reversed	**–**	**–**
At 28 February 2018	**–**	**–**
Non-current	**–**	**–**
Current	**–**	**–**
	–	**–**

8. Other financial liabilities (continued)

L&R Civils (Pty) Ltd ("L&R Civils") – contingent consideration

The contingent consideration originated on the acquisition of the share capital of L&R Civils. 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, 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 6,80%, which is also a significant unobservable input.

During the prior year it was determined that L&R Civils will not meet the above mentioned targets and the liability has therefore been reversed.

	2018 R'000	2017 R'000
9. Trade and other payables		
Trade payables	**470**	155
Accrued expenses	**257**	201
Total trade and other payables	**727**	356
10. Revenue		
Dividends received from subsidiaries	**163 575**	127 488
Total revenue	**163 575**	127 488
11. Other gains/(losses)		
Contingent consideration reversed (refer note 8)	**–**	5 700
Impairment of investments in subsidiaries (refer note 4)	**(22 300)**	–
Total other gain/(losses)	**(22 300)**	5 700
12. Finance income and costs		
Finance income		
Interest income on cash resources	**98**	131
Total finance income	**98**	131
Finance costs		
Unwinding of discount – contingent consideration	**–**	(200)
Total finance costs	**–**	(200)
Net finance income/(costs)	**98**	(69)

Holding company notes to the financial statements continued

for the year ended 28 February 2018

	2018 R'000	2017 R'000
13. Income tax expense		
South African normal taxation		
Current tax		
Current period	**27**	37
Total South African normal taxation	**27**	37

Reconciliation between applicable tax rate and effective tax rate

	2018 %	2017 %
Applicable tax rate	**28,00**	28,00
Exempt income	**(33,18)**	(27,51)
Disallowed charges	**5,20**	(0,46)
Effective tax rate	**0,02**	0,03

	2018 R'000	2017 R'000
14. Cash generated from/(used in) operations		
Profit before income tax	**138 057**	129 757
Adjustments for:		
Other gains/(losses)	**22 300**	(5 700)
Interest received	**(98)**	(131)
Interest paid	**–**	200
Dividends received	**(163 575)**	(127 488)
Changes in working capital		
Trade and other receivables	**–**	(26)
Trade and other payables	**371**	(15)
Net cash used in operations	**(2 945)**	(3 403)
In the cash flow statement taxation paid is calculated as follows:		
Balance receivable at the beginning of the year	**(21)**	(20)
Add: Current year tax charge (refer note 13)	**27**	37
Add: Balance receivable at the end of the year	**22**	21
Taxation paid	**28**	38

	2018 R'000	2017 R'000

15. Related parties

Relationship

Subsidiaries   Refer note 41 of the group financial statements

	2018 R'000	2017 R'000
Related party balances		
Loans to related parties		
At the beginning of the year	**374 911**	531 796
Loans advanced during the year	**165 000**	45 000
Loan repayments received	**(243 400)**	(201 885)
At year-end	**296 511**	374 911
Other fees paid to/(received from) related parties		
Raubex (Pty) Ltd	**3**	3

16. Directors' emoluments

Refer notes 37 and 38 of the group financial statements.

6

Shareholder information

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 of annual general meeting of shareholders for the year ended 28 February 2018

Notice is hereby given that the next annual general meeting of shareholders of Raubex will be held at 10:00 on Friday, 27 July 2018 at The Firs, 302 3rd Floor, corner Craddock and Biermann Road, Rosebank, 2196.

This notice includes Annexure A and the attached proxy form.

Record dates, proxies and voting

Record date to receive the notice	Friday, 29 June 2018
Last date to trade to be eligible to vote	Tuesday, 17 July 2018
Record date to be eligible to vote	Friday, 20 July 2018

Accordingly, the date on which a person must be registered as a shareholder in the register of the company for purposes of being entitled to attend and vote at the meeting is Friday, 20 July 2018 ("record date").

If you are a registered shareholder as at the record date (ie a shareholder who has not dematerialised your shares or has dematerialised your shares with "own name" registration as at the record date):

- you are entitled to attend the meeting in person and vote at the meeting;
- alternatively, you may appoint a proxy to attend, participate and vote at the meeting, on your behalf.

Any appointment of a proxy:

- may be effected by using the attached proxy form; and
- must be delivered in accordance with the instructions contained in the attached proxy form, failing which it will not be effective.

A proxy need not be a shareholder of the company.

If you are a beneficial shareholder and not a registered shareholder as at the record date (ie a shareholder who has dematerialised your shares without "own name" registration as at the record date):

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered shareholder 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 shareholder of your shares through your CSDP or broker and furnish them with your voting instructions;
- you must not complete the attached proxy form.

All meeting participants will be required to provide identification reasonably satisfactory to the chairman of the meeting.

Purpose of the meeting

The purpose of this meeting is to:

- present the group audited annual financial statements for the year ended 28 February 2018 (including the directors' report and the audit committee report);
- consider any matters raised by shareholders; and
- consider and, if deemed fit, to pass, with or without modification, the ordinary and special resolutions set out below.

For the ordinary resolutions numbers 1 to 5 and ordinary resolution number 7 to be adopted, the support of more than 50% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For ordinary resolution number 6 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

For the special resolutions numbers 1 to 4 to be adopted, the support of at least 75% of the total number of votes exercised by shareholders, present in person or by proxy, is required.

Ordinary resolution 1 – adoption of group annual financial statements

Resolution: to adopt the group audited annual financial statements for the year ended 28 February 2018.

Ordinary resolution number 2 – reappointment of independent external auditors

Resolution: to reappoint PricewaterhouseCoopers Inc., upon the recommendation of the audit committee, as the independent registered auditor of the company for the ensuing financial year, and to note that the individual registered auditor who will undertake the audit during the financial year ending 28 February 2019, is CJ Hertzog.

The audit committee and the board (based on the findings of the audit committee) are satisfied that PricewaterhouseCoopers Inc. meets the provisions of the Companies Act, 71 of 2008. Accordingly, the audit committee and the board have proposed the reappointment of PricewaterhouseCoopers Inc. as the independent auditor of the company for the ensuing financial year ending 28 February 2019.

Ordinary resolutions number 3.1 and 3.2 – re-election of directors

Resolution: to re-elect directors who retire by rotation in accordance with the provisions of the company's memorandum of incorporation and, being eligible, offer themselves for re-election.

Notice of annual general meeting continued

LA Maxwell and BH Kent retire by rotation and, being eligible, offer themselves for re-election.

3.1 LA Maxwell
3.2 BH Kent

Ordinary resolutions number 4.1 to 4.3 – election of audit committee members

Resolution: to elect each of the following independent non-executive directors as members of the audit committee.

4.1 LA Maxwell
4.2 BH Kent
4.3 SR Bogatsu

Ordinary resolutions 4.1 and 4.2 are subject to the relevant directors' re-election as directors pursuant to ordinary resolutions number 3.1 and 3.2 above.

Brief curriculum vitae of the independent non-executive directors offering themselves for election as members of the audit committee are provided on page 41 of this integrated report. The board has reviewed the expertise, qualification and relevant experience of the appointed audit committee members and recommends that each of these directors be elected.

Ordinary resolution number 5 – Raubex remuneration policy

Resolution: to endorse the company's remuneration policy as set out in the remco report, by way of a non-binding advisory note.

Reason and effect

As required in terms of principle 14 of King IV, the company's remuneration policy and remuneration implementation report should be tabled to shareholders for separate non-binding advisory votes at the annual general meeting. These votes enable shareholders to express their views on the remuneration policies adopted by the company and on the implementation thereof. Shareholders are requested to endorse the company's remuneration policy set out on pages 59 to 63 of this integrated report.

Ordinary resolution number 6 – approval of the Raubex Group Limited long-term incentive scheme ("Scheme")

Resolution: to adopt and approve the Raubex Group Limited long-term incentive scheme ("Scheme") as contemplated in schedule 14 to the JSE Listings Requirements, substantially in the form as set out in the rules of the Scheme set out in full on pages 204 to 212 under Annexure A of this notice, and to authorise any director of the company to do all such things and undertake such acts as they consider necessary or expedient for the purposes of implementing the Scheme.

Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions

Resolution: to authorise any director or the company secretary of the company to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at this meeting.

Special resolution number 1 – remuneration of non-executive directors

Resolution: to approve the remuneration of the non-executive directors of the company as a special resolution, in terms of the memorandum of incorporation of the company and section 66(8) and (9) of the Companies Act, 71 of 2008, for the 2019 financial year as follows:

Designation	Proposed annual remuneration
Chairman	R1 029 150
Lead independent non-executive director	R836 185
Non-executive director	R643 220

Special resolution number 2 – general authority to repurchase shares

Resolution: to approve, 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 memorandum of incorporation, the provisions of the Companies Act, 71 of 2008, 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 counter party (reported trades are prohibited);
- authorisation thereto being given by the memorandum of incorporation of the company;
- 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 annual general meeting, 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 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 time;
- 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 have 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.

Additional disclosure required in terms of the JSE Listings Requirements relating to special resolution number 2

Solvency and liquidity statement

The board of directors of the company confirm that the company will not enter into a transaction to repurchase shares in terms of special resolution number 2, unless after considering the effect of such repurchase:

- the company and its subsidiaries (collectively, the group) will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months after the date of the notice of meeting;
- the assets of the company and the group, valued in accordance with the accounting policies used in the latest audited group annual financial statements, will exceed the liabilities of the company and the group for a period of 12 months after the date of the notice of meeting;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of meeting;
- the working capital available to the company and the group will be adequate for the ordinary business purposes for a period of 12 months after the date of the notice of meeting; and
- a resolution has been passed by the board of directors confirming that:
  - the repurchase has been authorised;
  - the company and its subsidiaries have passed the solvency and liquidity test; and
  - since the test was done there have been no material changes to the financial position of the group.

Directors' responsibility statement

The directors, whose names are given on pages 40 and 41 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.

General information

Information relating to the major shareholders of the company can be found on page 175 of the integrated report of which this notice forms part.

There has been no material change in the financial or trading position of the company and its subsidiaries subsequent to the publication of the company's audited preliminary financial statements for the year ended 28 February 2018.

Information relating to the share capital of the company can be found on page 150 of the integrated report of which this notice forms part.

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.

Notice of annual general meeting continued

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.

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 – financial assistance to related or inter-related company

Resolution: to authorise the directors, in terms of and subject to the provisions of sections 44 and 45 of the Companies Act, 71 of 2008, to cause the company to provide any direct or indirect financial assistance to or for the benefit of any company or corporation which is related or inter-related to the company for such amounts and on such terms and conditions as the board of the company may determine.

Reason and effect

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority to cause the company to provide financial assistance to any company or corporation which is related or inter-related to the company.

The financial assistance will be provided as part of the day-to-day operations of the company in the normal course of its business and in accordance with its memorandum of incorporation and the provisions of the Companies Act, 71 of 2008.

The directors will, in accordance with sections 44(3)(b) and 45(3)(b) of the Companies Act, 71 of 2008, ensure that financial assistance is only provided if the requirements of that section are satisfied, inter alia, that immediately after providing the financial assistance, the company would satisfy the solvency and liquidity test set out in section 4 of the Companies Act, 71 of 2008.

Special resolution number 4: approval of financial assistance to director – F Kenney

Resolution: to authorise the company, to the extent required by, and subject to section 45 of the Companies Act, 71 of 2008, the requirements of the memorandum of incorporation of the company and the JSE Listings requirements, to provide direct or indirect financial assistance to a director of the company or of a related or inter-related company or corporation, or to a member of a related or inter-related company or corporation, or to a person related to any such company, corporation or director, at any time during the period commencing on the date of passing of this resolution and ending at the next annual general meeting of the company.

Reason for and effect

F Kenney, through associated companies, has interests in low-cost housing developments and commercial property developments. From time to time, Raubex subsidiaries tender for work from these associated companies and are engaged as sub-contractors for work on these developments on an arm's length basis. The ultimate client for these low-cost housing projects are typically local government departments who have a history of payment delays. To the extent that the arm's length credit terms offered by Raubex and its subsidiaries become out of contractual terms, it could be considered to be financial assistance to a director of the company in terms of the Companies Act, 71 of 2008, and subsequently a special resolution is required in terms of section 45 of the Companies Act, 71 of 2008.

Section 45 of the Companies Act, 71 of 2008, provides, 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.

Notice in terms of section 45(5) of the Companies Act, 71 of 2008 in respect of special resolutions number 3 and 4

Notice is hereby given to shareholders of the company in terms of section 45(5) of the Companies Act, 71 of 2008, of a resolution adopted by the board authorising the company to provide such direct or indirect financial assistance as specified in the special resolutions number 3 and 4 above:

- by the time that this notice of annual general meeting is delivered to shareholders of the company, the board would have adopted a resolution ("section 45 board resolution") authorising the company to provide, at any time and from time to time during the period of two years commencing on the date on which the special resolution is adopted, any direct or indirect financial assistance as contemplated in section 45 of the Companies Act, 71 of 2008, as more fully detailed in special resolutions number 3 and 4 above;
- the section 45 board resolution will be effective only if and to the extent that the special resolutions number 3 and 4 above are adopted by the shareholders of the company, and the provision of any such direct or indirect financial assistance by the company, pursuant to such resolution, is 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, 71 of 2008, and that (ii) the terms under which such 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, 71 of 2008; and

- in as much as the section 45 board resolution contemplates that such financial assistance will in the aggregate exceed one-tenth of one percent of the company's net worth at the date of adoption of such resolution, the company hereby provides notice of the section 45 board resolution to shareholders of the company. Such notice will also be provided to any trade union representing any employees of the company to the extent applicable.

By order of the board

GM Chemaly
Company secretary

28 June 2018

Annexure A

Long-Term Incentive Scheme ("the Scheme")

1. Introduction

1.1 The purpose of the Scheme is for the Group to retain and incentivise selected high performing Employees and those with critical and scarce skills, whose performance contributes to the sustainability of the business of the Group, by granting them the opportunity to earn long term incentive bonuses, settled in ordinary shares of the Company and encouraging their continued service with the Group.

1.2 The Scheme is further intended to promote alignment of the interests of the Employees and shareholders of the Company.

1.3 The Scheme will be used to make i) annual awards of long-term incentives to Employees; and ii) ad hoc awards of long-term Incentives to Employees for reasons of appointment, promotion and/or retention, the Vesting of which will be subject to the Participants satisfying the specified Performance Conditions and Employment Condition.

1.4 The Scheme is an equity settled share scheme with rolling annual awards in terms of which 50% of Performance Shares awarded annually Vest after 3 (three) years of service from the Grant Date and the balance of 50% vesting after 4 (four) years of service from the Grant Date, subject to the Performance Conditions being met as per the Grant Letter.

1.5 The annual Grant value of Performance Shares for any Participant of the Scheme will be capped at a maximum value of 200% of the total guaranteed package ("TGP") of a Participant, with the value for each Participant determined at the discretion of Remco and subject to approval by the Board, dependent on the relevant Participant's position, function and seniority in the Group.

1.6 The number of Performance Shares awarded to a Participant on an annual basis in terms of the Scheme, will be based on TGP (as per Rule 1.5 above) divided by the volume weighted average share price ("VWAP") of the Shares as traded on the JSE for the 20 (twenty) Business Day period ending on the last Business Day of the month preceding the month in which the decision to award the Performance Shares is determined.

2. Definitions and Interpretation

2.1 In these Rules, unless inconsistent with the context, the following words and expressions shall have the following meanings, and cognate words shall have corresponding meanings:

2.1.1	"Acceptance Letter"	means the letter of acceptance to be delivered by an Employee to the Company in order to accept the Grant as referred to in Rule 6.2.1 below;
2.1.2	"Auditors"	means the Auditors of the Company from time to time;
2.1.3	"Board"	means the Board of directors of the Company from time to time;
2.1.4	"Business Day/s"	means any day other than a Saturday, Sunday or official public holiday in the Republic of South Africa;
2.1.5	"Closed Period"	means a closed period as defined in the Listings Requirements;
2.1.6	"Companies Act"	means the Companies Act 71 of 2008, as amended from time to time;
2.1.7	"Company"	means Raubex Group Limited (registration number 2006/023666/06), a public company incorporated in accordance with the laws of the Republic of South Africa and listed on the JSE;
2.1.8	"Delivery"	in respect of a Performance Share, means the allotment and issue or the transfer, as the case may be, of such Share to a Participant pursuant to the Vesting of the Performance Share;
2.1.9	"Employee"	means an executive or member of senior management in the full time employ of the Group;
2.1.10	"Employment Condition"	means, in respect of a Grant, the condition of continued employment of the Participant by the Group for the duration of the Employment Period;
2.1.11	"Employment Period"	means, in respect of a Grant, the period commencing on the Grant Date and ending on the date as specified in the Grant Letter, during which period a Participant is required to remain an Employee of the Group, which Employment Period will be calculated as follows: (i) for 50% of the Performance Shares awarded in terms of a Grant, a period of 3 (three) years from the Grant Date; and (ii) for the balance of 50% of the Performance Shares awarded in terms of a Grant, a period of 4 (four) years from the Grant Date;

2. **Definitions and Interpretation** (continued)

2.1 (continued)

2.1.12	"Grant"	means the right granted by the Company to an Employee to participate in the Scheme and receive Performance Shares subject to the Performance Conditions and Employment Condition being met;
2.1.13	"Grant Date"	means the date of the Grant Letter;
2.1.14	"Grant Letter"	means a letter delivered by the Company to an Employee notifying the Employee of the Grant;
2.1.15	"Group"	means the Company and its direct and indirect subsidiaries and/or member companies from time to time;
2.1.16	"JSE"	means JSE Limited (registration number 2005/022939/06), a public company incorporated in accordance with the laws of the Republic of South Africa, licensed as an exchange under the Financial Markets Act, 19 of 2012, as amended from time to time;
2.1.17	"Law"	means any law of general application and includes the common law and any statute, constitution, decree, regulation, directive, ordinance, by-law, order or any other enactment of legislative measure of government (including local and provincial government) or any statutory or regulatory body which has the force of law;
2.1.18	"Listings Requirements"	means the Listings Requirements of the JSE as published and amended from time to time;
2.1.19	"Participant"	means an Employee to whom a Grant was awarded in terms of the Scheme and accepted by the Employee as per Rule 6.2.1, to the extent that such Grant has not lapsed or Performance Shares have not Vested (or, where appropriate, his executor, curator or successors);
2.1.20	"Performance Conditions"	means the performance conditions specified in the Grant Letter (which are aligned to the strategy of the Group's business and established by Remco and approved by the Board in the execution of the strategic objectives of the Company) which have to be met by a Participant and to which the Vesting of a Performance Share is subject, subject also to the Employment Condition being met, before the Participant has any entitlement under the Scheme;
2.1.21	"Performance Period"	means, in respect of a Grant, the period during which the Performance Conditions have to be met, as specified in the Grant Letter, which period shall commence on 1 March of the year of the Grant and endure for a period of 3 (three) years ending on the last day of February;
2.1.22	"Performance Share"	means a Share awarded by the Company to an Employee in terms of the Scheme where Vesting of the Share is subject to the achievement of the Performance Conditions during the Performance Period and also subject to the Employment Condition;
2.1.23	"Prohibited Period"	means any other period, when there exists any circumstance which constitutes price sensitive information as defined in the Listings Requirements in relation to the Company's securities;
2.1.24	"Remco"	means the Remuneration and Nomination Committee of the Company from time to time, which is responsible for the governance of the Scheme;
2.1.25	"Rules"	means the rules of the Scheme contained herein, as amended from time to time in terms of Rule 11 below;
2.1.26	"Share"	means an ordinary share in the share capital of the Company, ranking pari passu in all respects with the existing listed shares of the Company on the JSE;
2.1.27	"Scheme"	means the Raubex Group Limited Long Term Incentive Scheme, operated in terms of these Rules;
2.1.28	"Vest/Vesting"	means the vesting of Performance Shares granted in terms of the Scheme;
2.1.29	"Vesting Date"	means: (i) for 50% of the Performance Shares awarded in terms of a specific Grant Letter, the date of receipt of written confirmation from Remco that the Performance Conditions and Employment Condition have been met; and (ii) for the remaining 50% of the Performance Shares awarded, 12 (twelve) months thereafter, provided the Employment Condition has been met;
2.1.30	"Year"	means a financial year of the Company.

Annexure A continued

2. Definitions and Interpretation (continued)

2.2 *In these Rules:*

2.2.1 references to a statutory provision include any subordinate legislation made from time to time under that provision and include that provision as modified, replaced or re-enacted from time to time;

2.2.2 words importing the masculine gender include the feminine and neuter genders and vice versa, the singular includes the plural and vice versa, and natural persons include artificial persons and vice versa;

2.2.3 references to a "person" include a natural person, company, close corporation or any other juristic person or other corporate entity, a charity, trust, partnership, joint venture, syndicate, or any other association of persons;

2.2.4 references to a "subsidiary" shall be references to a subsidiary as defined in the Companies Act;

2.2.5 where any word is defined within the context of any particular clause in these Rules, unless it is clear from the clause in question that that word has limited application only to the relevant clause, that word shall bear the meaning ascribed to it for all purposes in terms of these Rules, notwithstanding that word has not been defined in 2.1;

2.2.6 where any number of days is prescribed, those days shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a day which is not a Business Day, in which event the last day shall be the next succeeding Business Day.

3. Scheme Duration

The Scheme shall endure for a period of 5 (five) years from the initial Grant Date following the approval of the Scheme by shareholders of the Company at its annual general meeting. No Grant will be awarded in terms of the Scheme after expiry of the aforementioned period, unless the Company's shareholders in general meeting resolve to extend the Scheme by the requisite majority in terms of the Listings Requirements.

4. Extent of and Limitations on Scheme

4.1 *Overall Company limit*

4.1.1 The maximum aggregate number of Shares which may at any time be Granted to Employees in terms of the Scheme shall not exceed 9 000 000 (nine million) Shares, which equates to approximately 5% (five percent) of the number of issued Shares at the date of adoption of this Scheme. For purposes of this Rule, if a percentage is referred to as well as a number and, if there is any conflict between the two, the number shall prevail. For the avoidance of doubt, Shares which are the subject of Grants which are forfeited and accordingly, are not settled, will not be included in the aforementioned limit.

4.1.2 In calculating the limit as detailed in 4.1.1 above, new Shares allotted and issued by the Company in terms of Rule 10.3 and treasury shares issued by the Company in settlement of the Scheme in terms of Rule 10.4, will be included in the overall limit.

4.1.3 Any Shares purchased through the market in terms of Rule 10.5 will not be taken into account when calculating the number of shares utilised by the Scheme.

4.2 *Individual limit*

4.2.1 The maximum number of Shares to be granted to any one Employee in terms of the Scheme over a period of 5 (five) years, shall not exceed 1 800 000 (one million eight hundred thousand) Shares, which equates to approximately 1% (one percent) of the number of issued Shares at the date of adoption of this Scheme. For the avoidance of doubt, Shares which are the subject of Grants which are forfeited and accordingly, are not settled, will not be included in the aforementioned limit.

4.2.2 In the event of a discrepancy between the number of Shares and the percentage of the amount of Shares, which such number represents, the number will prevail.

4.3 The maximum number of Shares contemplated in Rule 4.1 and 4.2 is subject to adjustment in terms of Rules 8.4 and 8.5, but subject to Rules 8.6 and 8.7.

5. Eligibility and Discretion of Remco/Board approval

5.1 *Remco shall annually and from time to time as circumstances may require identify Employees:*

5.1.1 who are strategically important for the Group to retain for the future profitability of the Group; and/or

5.1.2 with exceptional work performance.

to participate in the Scheme.

5.2 Remco will, subject to Board approval, be entitled to make a Grant in terms of this Scheme to an Employee eligible in terms of Rule 5.1 and the number of Shares to which such Grant relates, will be at the discretion of Remco, subject to the restrictions set out in Rule 4 above.

5.3 A Grant to an Employee may be made only on a day on which there are no restrictions on the making of Grants, being restrictions imposed during a Closed Period or Prohibited Period, or by statute, order, regulation or directive, or by any corporate governance code adopted by the Company relating to dealings in securities by directors, or the Listings Requirements, as the case may be.

5.4 Where Remco/Board is to consider and/or approve a Grant to an executive director or any other matter relating to an executive director's participation in the Scheme:

5.4.1 the relevant executive director will recuse himself/herself from the decision-making process relating thereto and from any discussion and/or vote thereon; and

5.4.2 to the extent that such executive director does vote thereon, their vote will be disregarded.

6. Conditions of Grant

6.1 Once the Remco has identified an Employee who is to receive a Grant in terms of the Scheme, and following Board approval, it shall deliver a Grant Letter to such Employee containing the following details:

6.1.1 the number of Performance Shares to which the Participant will be entitled in respect of the Grant;

6.1.2 the Performance Conditions applicable to such Grant;

6.1.3 the Employment Condition applicable to such Grant; and

6.1.4 the Performance Period applicable to such Grant.

6.2 A Grant to an Employee as contemplated in Rule 6.1 shall only be valid if such Employee has:

6.2.1 delivered an Acceptance Letter in respect of such Grant to the Company within 10 (ten) Business Days of receipt of the Grant Letter, failing which the Grant Letter in question shall lapse and be of no further force or effect whatsoever.

6.3 If an Employee accepts the Grant as contemplated in Rule 6.2, he/she agrees to be bound by the terms and conditions set out in these Rules in respect of the Grant.

6.4 No consideration will be payable by an Employee on acceptance of a Grant.

6.5 No Shares will be issued or traded on behalf of the Scheme operated by the Company, from time to time, prior to the conditions as detailed in Rules 6.1 and 6.2 above being met.

6.6 A Participant will not be entitled to any beneficial rights in and to the Performance Shares which are the subject of a Grant, including voting rights, dividend rights, the right to transfer the Shares and rights arising on the liquidation of the Company, prior to Vesting of the Grant.

6.7 A Grant is personal to the Participant to which the relevant Grant Letter is addressed and such Grant may not be transferred, ceded or otherwise disposed of in any way to any person, other than to the Participant's executor and/or successors in the event of the Participant's death.

Annexure A continued

7. Termination of Employment during the Employment Period

7.1 ***"Good leavers"***

7.1.1 A Participant will be considered a "good leaver" if he/she ceases to be employed by the Group for any of the following reasons:

7.1.1.1 ill health, injury or disability (as established to the reasonable satisfaction of Remco/Board);

7.1.1.2 death;

7.1.1.3 mandatory retirement, which includes:

7.1.1.3.1 if the Participant's employment agreement with the relevant Group member stipulates a particular retirement age and such employer Company refuses to amend such agreement or enter into a new employment agreement with the Participant in order for the Participant to remain employed until expiry of the relevant Employment Period;

7.1.1.3.2 if the Participant is a director of a Group company and is obliged to retire as director pursuant to the relevant Company's memorandum of incorporation, which retirement causes termination of his employment agreement, and the Group company employing him refuses to amend such agreement or enter into a new employment agreement with the Participant in order for the Participant to remain employed until expiry of the relevant Employment Period;

7.1.1.3.3 where the Group Company, as the case may be, in some other way obliges the Participant to retire; or

7.1.1.3.4 if the Participant is obliged by Law to retire;

7.1.1.4 dismissal/retrenchment due to the Group's operational requirements;

7.1.1.5 unfair dismissal as determined by the Commission for Conciliation, Mediation and Arbitration ("CCMA") or a court of competent jurisdiction; or

7.1.1.6 the transfer of the undertaking or any part of the undertaking in respect of which the Participant is employed by the Group to a person which does not form part of the Group.

7.1.2 If a Participant's employment with the Group terminates during the Employment Period applicable to a Grant held by him for a reason set out in Rule 7.1.1, the Employment Period shall be deemed to have expired on:

7.1.2.1 in the case of an unfair dismissal, the date of the ruling of the CCMA or court, as the case may be, in the Participant's favour; or

7.1.2.2 in any other case, the date of termination of his employment with the Group.

7.1.3 In the event of either 7.1.1 or 7.1.2 occurring before a particular Vesting Date, a Grant held by a Participant will Vest as soon as reasonably practicable after the termination of employment of the Participant, provided that Remco has determined and provided to the Participant written confirmation of the extent to which the Performance Conditions have been met.

7.2 ***"Bad leavers" and non-mandatory retirement***

If a Participant's employment with the Group terminates during the Employment Period applicable to a Grant held by him/her for any reason other than those set out in Rule 7.1.1, the relevant Grant shall lapse immediately upon termination of his/her employment and be of no further force or effect whatsoever and Performance Shares which were the subject of the relevant Grant will revert back to the Scheme.

8. Corporate Actions and Mergers and Takeovers

8.1 In the event of a merger, change of control (as defined in the Listings Requirements) or delisting of the Company during the Performance Period and/or Employment Period applicable to a Grant held by a Participant, the Performance Period and Employment Period in respect of such Grant shall be deemed to expire on the effective date of the relevant aforementioned corporate action/event.

8.2 If a subsidiary Company of the Group (other than the Company) employing a Participant ceases to be a member of the Group during the Performance Period and/or Employment Period applicable to a Grant held by such Participant, the Performance Period and/or Employment Period in respect of such Grant shall be deemed to expire on the effective date which such employer Company ceases to be a member of the Group.

8. Corporate Actions and Mergers and Takeovers (continued)

8.3 In the event of either 8.1 or 8.2 occurring before a particular Vesting Date, a Grant held by a Participant will Vest as soon as reasonably practicable after the corporate action/event, provided that Remco has determined and provided to the Participant written confirmation of the extent to which the Performance Conditions have been met.

8.4 In the event of a sub-division or consolidation of Shares, the maximum numbers of Shares contemplated in Rules 4.1 shall, if appropriate, be adjusted by the Board in order to give Participants an entitlement to the same proportion of equity capital/Performance Shares as that to which they were entitled prior to such sub-division or consolidation, as the case may be.

8.5 In the event of a capitalisation issue, special dividend, unbundling, rights issue, reduction of capital or similar action by the Company, the maximum number of Shares contemplated in Rule 4.2 may be adjusted by the Board in order to give Participants an entitlement to the same proportion of equity capital/Performance Shares as that to which they were entitled prior to the Company taking such action.

8.6 The issue of Shares as consideration for an acquisition by the Company, and the issue of Shares for cash or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the overall Company or individual limit.

8.7 Awards under the Scheme which do not Vest to a Participant will revert back to the Scheme.

9. Performance Conditions

9.1 The Performance Conditions for a particular Grant shall be determined by Remco and take into consideration the Group's strategic objectives and shareholder interests.

9.2 As soon as reasonably practicable after the end of the Performance Period in relation to a Grant, Remco will review the Performance Conditions and assess the extent to which the Performance Conditions have been met.

9.3 Subject also to the Employment Condition being met, the Company will notify each Participant of the vesting of the Performance Shares under the Scheme as soon as reasonably practicable after the Performance Conditions have been assessed and met.

9.4 If the Performance Conditions have not been met or have been partially met, Participants will be notified accordingly and of the reason that the Performance Conditions were not met or where partially met.

9.5 Any dispute relating to any determination in terms of this Rule 9 shall be determined by the Auditors.

10. Vesting of Performance Shares and Delivery

10.1 The Performance Shares shall vest on the Vesting Date/s as defined in Rule 2.1.29 above, at full value with no consideration payable by the Participant.

10.2 Within 5 (five) Business Days of the Vesting Date, the Company (or another member of the Group or a trust formed for this purpose, as the case may be) shall Deliver such Shares to the Participant, in accordance with the provisions of Rule 10.3, Rule 10.4 or Rule 10.5, as the case may be. For the avoidance of doubt, the method of Delivery will be at the discretion of the Company.

10.3 In the case of Delivery of Shares by the Company by the allotment and issue thereof to the Participant, the Company will:

10.3.1 allot and issue such Shares in dematerialised form (unless the Company is no longer listed) to the Participant;

10.3.2 procure that the Participant be entered into the sub-register (or, if the Company is no longer listed, the members' register) of the Company as the registered and beneficial owner of such Shares; and

10.3.3 apply for the listing of such Shares on the JSE (unless the Company is no longer listed).

10.4 In the case of Delivery of Shares by the Company by the allotment and issue of treasury shares to the Participant, the Company will:

10.4.1 allot and issue such Shares in dematerialised form (unless the Company is no longer listed) to the Participant;

10.4.2 procure that the Participant be entered into the sub-register (or, if the Company is no longer listed, the members' register) of the Company as the registered and beneficial owner of such Shares.

Annexure A continued

10. Vesting of Performance Shares and Delivery (continued)

10.5 If Shares are not Delivered as contemplated in Rule 10.3 and 10.4, the Company (or another member of the Group or a trust formed for this purpose, as the case may be) will procure:

10.5.1 the acquisition of Shares in the market on the Participant's behalf; and

10.5.2 that the Participant be entered into the sub-register (or, if the Company is no longer listed, the members' register) of the Company as the registered and beneficial owner of such Shares.

10.6 Shares held in trust may only be sold (i) once the employment of a Participant has been terminated or (ii) a Participant is deceased or (iii) on behalf of the Participant, once the Shares have Vested.

11. Amendment of Scheme

11.1 ***Board's Power of Amendment***

Subject to Rule 11.2, the Board may amend the Scheme in any way, provided that no such amendment shall adversely affect the terms of any Grant already awarded.

11.2 ***Shareholder Approval***

11.2.1 The shareholders of the Company in general meeting must approve (by the requisite majority in terms of the Listings Requirements) in advance any proposed amendment to these Rules relating to the following:

11.2.1.1 the category of persons to whom or for the benefit of whom Shares may be issued under the Scheme;

11.2.1.2 the maximum numbers of Shares that may be utilised for purposes of the Scheme as contemplated in Rule 4.1 and 4.2;

11.2.1.3 the amount, if any, payable on vesting of Performance Shares;

11.2.1.4 the voting, dividend, transfer and other rights attaching to the Performance Shares;

11.2.1.5 the basis upon which a Grant is awarded to an Employee;

11.2.1.6 the treatment of a Grant in instances of mergers, takeovers or corporate actions;

11.2.1.7 the rights of Participants who leave the employment of the Group; and

11.2.1.8 the terms of this Rule 11.2.1.

11.3 The Board must give notice in writing of any amendments to the Scheme to any Employee or Participant affected by them.

12. General

12.1 ***Notices***

12.1.1 Any notice or other document which has to be given to an Employee or Participant in terms of or in connection with the Scheme may be:

12.1.1.1 delivered or sent by post to him at his home address according to the records of his employing Company; or

12.1.1.2 sent by e-mail or fax to any e-mail address or fax number which according to the records of his employing Company is used by him.

12.1.2 Any notice or other document which has to be given to the Company or other duly appointed agent under or in connection with the Scheme may be delivered or sent by post to it at its registered office (or such other place as the Company or duly appointed agent may from time to time decide and notify to Participants) or sent by e-mail or fax to any e-mail address or fax number notified to the Participants.

12.1.3 Notices sent by post will be deemed to have been given on the 15th Business Day after the date of posting. Notices sent by e-mail or fax, in the absence of evidence of non-delivery, will be deemed to have been received on the Business Day after sending.

12.2 ***Settlement of Tax and Other Liabilities***

12.2.1 Notwithstanding anything contained elsewhere in these Rules, the Company and any other relevant member of the Group may withhold any amounts or make such arrangements, including the sale of any Shares on behalf of a Participant (or, where appropriate, his executor, curator or successors) or the reduction in the number of Shares to be Delivered to a Participant or his executor, curator or successors, as the case may be, as are necessary to meet any tax or other relevant liability in respect of any Grant or Shares Delivered to the Participant (including but not limited to income tax and securities transfer tax, where applicable), unless the Participant or his executor, curator or successors, as the case may be, discharges the liability himself/themselves.

12. General (continued)

12.2 ***Settlement of Tax and Other Liabilities*** (continued)

12.2.2 Notwithstanding anything to the contrary in these Rules, the Company may refuse to Deliver Shares to a Participant until all the taxes and other liabilities contemplated in Rule 12.2.1 have been settled in full.

12.3 ***Authority of Board***

Each Participant authorises any director of the Board, as the Participant's agent in rem suam, to take all actions and execute all documents on the Participant's behalf to give effect to the provisions of 12.2.1.

12.4 ***Terms of Employment***

12.4.1 Nothing in these Rules or the operation of the Scheme forms part of the contract of employment or employment relationship of an Employee with the Group. The rights and obligations arising from the employment relationship between the Employee and the Group are separate from, and are not affected by, the Scheme. Participation in the Scheme does not create any right to, or expectation of, continued employment or a continued employment relationship.

12.4.2 A Grant on a particular basis in any Year does not create any right to or expectation of a Grant on the same basis, or at all, in any future Year.

12.4.3 No Employee is entitled to a Grant under the Scheme at a particular employment level or at all.

12.4.4 Without prejudice to a Participant's right to receive Shares in terms of a Grant subject to and in accordance with the express terms of these Rules, no Employee has any rights in respect of the exercise or omission to exercise any discretion, or the making or omission to make any decision by the Remcom/Board, relating to a Grant. Any and all discretions, decisions or omissions relating to a Grant may operate to the disadvantage of the Participant, even if this could be regarded as capricious or unreasonable, or could be regarded as in breach of any implied term between the Participant and his employer, including any implied duty of trust and confidence. Any such implied term is excluded and overridden by this Rule.

12.4.5 No Employee or Participant has any right to compensation for any loss in relation to the Scheme, including:

12.4.5.1 any loss or reduction of any rights or expectations under the Scheme in any circumstances or for any reason (including lawful or unlawful termination of employment or the employment relationship);

12.4.5.2 any exercise of a discretion or a decision taken in relation to a Grant or to the Scheme, or any failure to exercise a discretion or take a decision by the Remcom/Board;

12.4.5.3 the operation, suspension, termination or amendment of the Scheme.

12.4.6 Participation in the Scheme is permitted only on the basis that the Employee accepts all the provisions of these Rules.

12.4.7 Subject to any express Rule to the contrary, nothing in this Scheme confers any benefit, right or expectation on a person who is not an Employee.

12.4.8 Each of the provisions of this Rule 12.4 is entirely separate and independent from each of the other provisions. If any provision is found to be invalid then it will be deemed never to have been part of the Scheme and to the extent that it is possible to do so, this will not affect the validity or enforceability of any of the remaining provisions.

12.5 ***Data Protection***

By participating in the Scheme the Participant consents to the holding and processing of personal data provided by the Participant to the Group for all purposes relating to the operation of the Scheme, including but not limited to:

12.5.1 administering and maintaining Participant/s records;

12.5.2 providing information to trustees of any employee benefit trust, registrars, brokers or third party administrators of the Scheme;

12.5.3 providing information to future purchasers of the Group or the business in which the Participant is employed;

12.5.4 transferring information about the Participant to any country as may be necessary.

12.6 ***Governing Law and Jurisdiction***

The Scheme and these Rules are governed by and construed in accordance with the law of the Republic of South Africa. Subject to Rule 13, the Company and other members of the Group (where appropriate) and all Employees and Participants submit to the jurisdiction of the South Gauteng High Court, Johannesburg as regards any matter arising under the Scheme.

Annexure A continued

12. General (continued)

12.7 *Other*

12.7.1 Notwithstanding any other provision of these Rules, all Grants and Deliveries of Shares in terms of the Scheme are subject to the requirements and restrictions contained in all applicable Laws for the time being in force in the Republic of South Africa or elsewhere, including but not limited to the Companies Act, the Financial Markets Act, 19 of 2012 and the Listings Requirements. If Shares are to be Delivered to Participants in terms of these Rules but cannot at the relevant time be effected due to the aforementioned requirements or restrictions, such Deliveries will be effected as soon as it is possible to do so in compliance with the relevant requirements and restrictions. To the extent appropriate, the Participant is responsible, at his/her own cost, for complying with any requirements he/she needs to fulfil and consents he/she requires in order to accept and exercise Grants and take Delivery of Shares under the Scheme.

12.7.2 Any Shares acquired under the Scheme are subject to the memorandum of incorporation of the Company from time to time in force.

12.7.3 An accepted Grant as set out in a Grant Letter as contemplated in Rule 6 and these Rules constitute the whole agreement in relation to the Scheme between the Company and a Participant.

13. Disputes

13.1 *Disputes subject to Arbitration*

Any dispute, other than a dispute in terms of Rule 9, arising out of or in connection with these Rules or the Scheme, including, without limitation, any dispute concerning:

13.1.1 the interpretation and effect of these Rules;

13.1.2 the parties' respective rights or obligations under the Scheme and/or these Rules,

shall be decided by arbitration as set out in this Rule 13.

13.2 *Appointment of Arbitrator*

13.2.1 The parties to a dispute contemplated in 13.1 ("Dispute Parties") shall agree on the arbitrator. If agreement is not reached within 10 (ten) Business Days after either Dispute Party in writing calls for agreement, the arbitrator shall be a practicing advocate nominated at the request of either Dispute Party by the president for the time being of the Law Society of the Northern Provinces.

13.2.2 The request to nominate an arbitrator shall be in writing outlining the claim and any counterclaim of which the Dispute Party concerned is aware and, if desired, suggesting suitable nominees for appointment, and a copy shall be furnished to the other Dispute Party who may, within seven days, submit written comments on the request to the addressee of the request with a copy to the first Dispute Party.

13.3 *Venue of Arbitration*

The arbitration shall be held in Johannesburg.

13.4 *Arbitration Act Rules*

13.4.1 The arbitration shall be governed by the Arbitration Act, 1965 or any replacement Act. In the absence of written agreement being reached between the Dispute Parties, within 7 (seven) days from the date on which the arbitrator is appointed, the arbitrator shall determine the rules which will govern the arbitration proceedings.

13.4.2 The arbitrator shall be required to give written reasons for his award.

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 annual general meeting of the company to be held at 10:00 on Friday, 27 July 2018 at The Firs, 302 3rd floor, corner Craddock and Biermann Road, Rosebank, 2196.

This form of proxy is for use by registered certificated shareholders and dematerialised shareholders with own-name registration only.

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Central Securities Depository Participant ("CSDP") or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote, or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. If your CSDP or broker does not obtain your voting instructions from you in respect of the annual general meeting, it will be obliged to act in terms of your mandate or, if your mandate is silent, to abstain from voting. The instruction must be provided within the time period required by your CSDP or broker, as the case may be.

These shareholders must not use this form of proxy.

Terms used in this form of proxy have the meaning given to them in the notice of annual general meeting to which this form of proxy is attached.

Please print clearly when completing this form and refer to the instructions and notes at the end of this form for an explanation of the use of this proxy form 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;

hereby appoint of

failing him/her of

or failing him/her, the chairman of the annual general meeting;

to attend and participate in the annual general meeting 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 annual general meeting.

My/our proxy shall vote as follows:
(Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. If you do not do so, the proxy may vote or abstain at his/her discretion.)

A shareholder is entitled to one vote for every share held.

	For	Against	Abstain
Ordinary resolution 1 – adoption of group annual financial statements			
Ordinary resolution number 2 – reappointment of independent external auditors			
Ordinary resolution number 3 – re-election of directors 3.1 LA Maxwell 3.2 BH Kent			
Ordinary resolution number 4 – election of audit committee members 4.1 LA Maxwell 4.2 BH Kent 4.3 SR Bogatsu			
Ordinary resolution number 5 – endorsement of Raubex remuneration policy			
Ordinary resolution number 6 – approval of the Raubex Group Limited long-term incentive scheme			
Ordinary resolution number 7 – directors' authority to implement special and ordinary resolutions			
Special resolution number 1 – remuneration of non-executive directors			
Special resolution number 2 – general authority to repurchase shares			
Special resolution number 3 – financial assistance to related or inter-related company			
Special resolution number 4 – approval of financial assistance to director – F Kenney			

Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed this day of 2018

Signature

Notes to the form of proxy

1. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
3. A proxy need not be a shareholder of the company.
4. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
5. To facilitate the administration of the voting process, please lodge this proxy form with the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), before 17:00 on Wednesday, 25 July 2018. Any proxy form not delivered by this time may be handed to the chairman prior to the commencement of the annual general meeting.
6. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
7. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
8. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries or the company.
9. Where there are joint holders of any shares, any one holder may sign the form of proxy. The vote(s) of the senior shareholder (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
10. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the annual general meeting, including if the annual general meeting is postponed or adjourned, or part thereof is postponed or adjourned.

Terms of reference

ASPASA	Aggregate and Sand Producers Association of Southern Africa
B-BBEE	Broad-Based Black Economic Empowerment
CIBD	Construction Industry Development Board
company	Raubex Group Limited
Companies Act, 71 of 2008	Companies Act, 71 of 2008
COSO	Committee of Sponsoring Organisations of the Treadway Commission
CRMP	Compliance Risk Management Plan
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
EPS	Earnings per share
exco	Raubex executive committee
group	Raubex Group Limited and all subsidiary companies
HDSA	Historically disadvantaged South African
HEPS	Headline earnings per share
IFRS	International Financial Reporting Standards
IIA SA	Institute of Internal Auditors South Africa
IIRC	The International Integrated Reporting Framework
International <IR> Framework	The International Integrated Reporting Framework
ISO	International Organisation for Standardisation
IT	Information technology
JSE	JSE Limited
JSE Listings Requirements	Listings Requirements of the JSE Limited
King IV	King IV Report on Corporate Governance for South Africa 2016
PE	Price-earnings
PICC	Presidential Infrastructure Co-Ordinating Commission
PwC	PricewaterhouseCoopers Inc.
REIPPPP	Renewable Energy Independent Power Producer Procurement Programme
ROCE	Return on capital employed
ROE	Return on equity
SABS	South African Bureau of Standards
SACPCMP	South African Council for the Project and Construction Management Professions
SANAS	South African National Accreditation System
SANRAL	South African National Roads Agency SOC Limited
SARMA	Southern Africa Ready-mix Association
SOE	State-owned enterprise
VRP	Voluntary Rebuilding Programme

Notes

General information

Nature of business
Construction work, civil engineering, supply of aggregates and holding company

Directors
F Kenney (Non-executive chairman)
RJ Fourie (Chief executive officer)
JF Gibson (Financial director)
LA Maxwell (Lead independent non-executive director)
BH Kent (Independent non-executive director)
NF Msiza (Governance, compliance and risk director)
SR Bogatsu (Independent non-executive director)

Company Secretary
GM Chemaly

Registration number
2006/023666/06

ISIN
ZAE000093183

Share code
RBX

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Sponsor
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Sandown
Sandton
2196

Auditors
PricewaterhouseCoopers Inc.

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Ave
Rosebank
2196
(PO Box 61051, Marshalltown, 2107)

Investor relations
Instinctif Partners
investor.relations@raubex.com

Preparation of the annual financial statements
JF Gibson CA(SA)